Luxembourg Stock Exchange Listing Prospectus

Not for General Distribution in the United States of America

Garfunkelux Holdco 3 S.A.

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

and

Garfunkelux Holdco 2 S.A.

(incorporated as a public limited liability company (société anonyme) in Luxembourg, having its registered office at 488, route de Longwy, L-1940 Luxembourg and registered with the Luxembourg Trade and Companies Register under number B197.497, Luxembourg)

£565,000,000 8.500% Senior Secured Notes due 2022

£230,000,000 11.000% Senior Notes due 2023

Garfunkelux Holdco 3 S.A., a public limited liability company (*société anonyme*) incorporated and existing under the laws of Luxembourg (the "**Senior Secured Notes Issuer**"), is offering £565.0 million aggregate principal amount of its 8.500% Senior Secured Notes due 2022 (the "**Senior Secured Notes**"), and Garfunkelux Holdco 2 S.A., a public limited liability company (*société anonyme*) incorporated and existing under the laws of Luxembourg (the "**Senior Notes Issuer**" and, together with the Senior Secured Notes Issuer, the "**Issuers**" and each an "**Issuer**"), is offering £230.0 million aggregate principal amount of its 11.000% Senior Notes due 2023 (the "**Senior Notes**" and, together with the Senior Secured Notes, the "**Notes**"). As of the Issue Date (as defined below), the Issuers are each beneficially owned principally by funds advised by Permira Funds (as defined herein).

The Senior Secured Notes will mature on November 1, 2022. The Senior Secured Notes Issuer will pay interest on the Senior Secured Notes semi-annually in arrears on each May 1 and November 1, commencing May 1, 2016. The Senior Secured Notes will bear interest at a rate of 8.500% *per annum*. Prior to November 1, 2018, the Senior Secured Notes Issuer will be entitled, at its option, to redeem all or a portion of the Senior Secured Notes by paying the relevant applicable premium. Some or all of the Senior Secured Notes may also be redeemed at any time on or after November 1, 2018 at the relevant redemption prices set forth in this Offering Memorandum. In addition, prior to November 1, 2018, the Senior Secured Notes Issuer may, at its option, redeem up to 40% of the original principal amount of the Senior Secured Notes offered hereby with the net proceeds from certain equity offerings at the relevant redemption price set forth in the Offering Memorandum, provided that at least 60% of the original principal amount of the Senior Secured Notes remains outstanding.

The Senior Notes will mature on November 1, 2023. The Senior Notes Issuer will pay interest on the Senior Notes semi-annually in arrears on each May 1 and November 1, commencing May 1, 2016. The Senior Notes will bear interest at a rate of 11.000% *per annum*. Prior to November 1, 2018, the Senior Notes Issuer will be entitled, at its option, to redeem all or a portion of the Senior Notes by paying the relevant applicable premium. Some or all of the Senior Notes may also be redeemed at any time on or after November 1, 2018 at the relevant redemption prices set forth in this Offering Memorandum. In addition, prior to November 1, 2018, the Senior Notes Issuer may, at its option, redeem up to 40% of the original principal amount of the Senior Notes offered hereby with the net proceeds from certain equity offerings at the relevant redemption price set forth in the Offering Memorandum, provided that at least 60% of the original principal amount of the Senior Notes remains outstanding.

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

On the Issue Date (as defined herein), the Senior Secured Notes will be the senior secured obligations of the Senior Secured Notes Issuer and the Senior Notes will be the senior secured obligations of the Senior Notes Issuer. The Senior Secured Notes will be secured on a first-priority basis by the Senior Secured Notes Issue Date Collateral (as defined herein) and guaranteed on a senior basis by the Senior Secured Notes Issue Date Guarantors (as defined herein) and the Senior Notes will be secured on a second-priority basis (as defined herein) by the Senior Notes Issue Date Collateral (as defined herein) and guaranteed on a senior subordinated basis by the Senior Notes Issue Date Guarantors (as defined herein). Within 60 days of the Completion Date (as defined herein), the Senior Secured Notes will be secured on a first-priority basis by the Senior Secured Notes Post-Completion Date Collateral (as defined herein) and guaranteed on a senior basis by the Senior Secured Notes Post-Completion Date Guarantors (as defined herein) and the Senior Notes will be secured on a second-priority basis by the Senior Notes Post-Completion Date Collateral (as defined herein) and guaranteed on a senior subordinated basis by the Senior Notes Post-Completion Date Guarantors (as defined herein). If the Structure Event (as defined herein) occurs, within 10 business days thereof the Senior Secured Notes will be guaranteed on a senior basis and the Senior Notes will be guaranteed on a senior subordinated basis by further subsidiaries to the extent required to meet certain coverage ratios and the Senior Secured Notes will be secured by first-priority security interests over certain material assets and share capital of such subsidiaries, subject to certain agreed security principles.

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

Investing in the Notes involves a high degree of risk. See "*Risk Factors*" beginning on page 89.

Price for the Senior Secured Notes: 100.000% plus accrued interest, if any, from the Issue Date.

Price for the Senior Notes: 100.000% plus accrued interest, if any, from the Issue Date.

The Notes were delivered in book-entry form through Euroclear System ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream**") on October 19, 2015 (the "**Issue Date**").

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

Offering of the Senior Secured Notes

Goldman Sachs International **Citigroup** **Credit Suisse** **ING** **J.P. Morgan** **HSBC**

Physical Bookrunner

Joint Bookrunners

Offering of the Senior Notes

Credit Suisse **Citigroup** **Goldman Sachs International** **ING** **J.P. Morgan** **HSBC**

Physical Bookrunner

Joint Bookrunners

The date of this Listing Prospectus is February 3, 2016.

IMPORTANT INFORMATION

This Offering Memorandum does not constitute an offer to sell or an invitation to subscribe for or purchase any of the Notes in any jurisdiction in which such offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. No action has been, or will be, taken to permit a public offering in any jurisdiction where action would be required for that purpose. Accordingly, the Notes may not be offered or sold, directly or indirectly, and this Offering Memorandum may not be distributed, in any jurisdiction except in accordance with the legal requirements applicable in such jurisdiction. You must comply with all laws that apply to you in any place in which you buy, offer or sell any Notes or possess this Offering Memorandum. You must also obtain any consents or approvals that you need in order to purchase any Notes. Neither we nor any of Goldman Sachs International, Citigroup Global Markets Limited, Credit Suisse Securities (Europe) Limited, ING Bank N.V., London Branch, J.P. Morgan Securities plc and HSBC Bank plc (collectively, the "**Senior Secured Notes Initial Purchasers**") or Credit Suisse Securities (Europe) Limited, Citigroup Global Markets Limited, Goldman Sachs International, ING Bank N.V., London Branch, J.P. Morgan Securities plc and HSBC Bank plc (collectively, the "**Senior Notes Initial Purchasers**" and, together with the Senior Secured Notes Initial Purchasers, the "**Initial Purchasers**") are responsible for your compliance with these legal requirements. See also "*Notice to Prospective U.S. Investors*," "*Notice to Certain European Investors*" and "*Plan of Distribution*."

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

We have made all reasonable inquiries and confirm to the best of our knowledge, information and belief that the information contained in this Offering Memorandum with regard to us and our subsidiaries and affiliates and the Notes is true and accurate in all material respects, that the opinions and intentions expressed in this Offering Memorandum are honestly held and that we are not aware of any other facts the omission of which would make the Offering Memorandum or any statement contained herein misleading in any material respect.

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

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

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

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

The Issuers have prepared this Offering Memorandum solely for use in connection with the offer of the Notes and the Note Guarantees to persons who are both QIBs under Rule 144A and QPs (within the meaning of the Investment Company Act) and to investors who are non-U.S. persons (within the meaning of Regulation S) and non-U.S. residents (as defined for purposes of the Investment Company Act) outside the United States. You should read this Offering Memorandum before making a decision whether to purchase any Notes. You agree that you will hold the information contained in this Offering Memorandum and the transactions contemplated hereby in confidence. You must not use this Offering Memorandum for any other purpose, make copies of any part of this Offering Memorandum or give a copy of it to any other person; or disclose any information in this Offering Memorandum or distribute this Offering Memorandum to any other person, other than persons retained to advise you in connection with the purchase of the Notes.

By accepting delivery of this Offering Memorandum, you agree to the foregoing restrictions and agree not to use any information herein for any purpose other than considering an investment in the Notes. This Offering Memorandum may only be used for the purpose for which it was published. The information contained under "*Exchange Rate Information*" includes extracts from information and data publicly released by official and other sources. While we accept responsibility for accurately summarizing the information concerning exchange rate information, we accept no further responsibility in respect of such information. The information set out in relation to sections of this Offering Memorandum describing clearing and settlement arrangements, including the section entitled "*Book-Entry, Delivery and Form*," is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear or Clearstream.

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

Neither the U.S. Securities and Exchange Commission (the "**SEC**"), any state securities commission nor any non-U.S. securities authority has approved or disapproved of these securities or determined that this Offering Memorandum is accurate or complete. Any representation to the contrary is a criminal offense. The Issuers have applied to list the Notes on the Official List of the Luxembourg Stock Exchange (the "**LuxSE**") for trading on the LuxSE's Euro MTF market (the "**Euro MTF Market**"), and will submit this Offering Memorandum to the competent authorities of the LuxSE in connection with the listing application. This Offering Memorandum constitutes a prospectus for the purposes of Part IV of the Luxembourg act dated July 10, 2005 on prospectuses for securities, as amended (the "**Luxembourg Prospectus Law**"). The Notes will not be offered to the public in Luxembourg.

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

Tax Considerations

Prospective purchasers of the Notes are advised to consult their own tax advisors as to the consequences of purchasing, holding and disposing of the Notes, including, without limitation, the application of U.S. federal tax laws to their particular situations, as well as any consequences to them under the laws of any other taxing jurisdiction, and the consequences of purchasing the Notes at a price other than the initial issue price. See "*Taxation*."

STABILIZATION

IN CONNECTION WITH THIS OFFERING, GOLDMAN SACHS INTERNATIONAL (THE "**SENIOR SECURED NOTES STABILIZATION MANAGER**") AND CREDIT SUISSE SECURITIES (EUROPE) LIMITED (THE "**SENIOR NOTES STABILIZATION MANAGER**" AND, TOGETHER WITH THE SENIOR SECURED NOTES STABILIZATION MANAGER, THE "**STABILIZATION MANAGERS**") (OR PERSON(S) ACTING ON BEHALF OF THE STABILIZATION MANAGERS), MAY OVER-ALLOT THE RELEVANT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF SUCH NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE CAN BE NO ASSURANCES THAT EITHER STABILIZATION MANAGER (OR PERSON(S) ACTING ON BEHALF OF SUCH STABILIZATION MANAGER) WILL UNDERTAKE ANY SUCH STABILIZATION ACTION. SUCH STABILIZATION ACTION, IF

COMMENCED, MAY BEGIN ON OR AFTER THE DATE OF ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THE OFFER OF THE NOTES AND MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 CALENDAR DAYS AFTER THE ISSUE DATE AND 60 CALENDAR DAYS AFTER THE DATE OF ALLOTMENT OF THE RELEVANT NOTES. ANY STABILIZATION ACTION OR OVER ALLOTMENT MUST BE CONDUCTED BY THE STABILIZATION MANAGERS (OR PERSON(S) ACTING ON BEHALF OF THE STABILIZATION MANAGERS) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

NOTICE TO NEW HAMPSHIRE RESIDENTS

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

NOTICE TO PROSPECTIVE U.S. INVESTORS

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

CERTAIN VOLCKER RULE CONSIDERATIONS

The Issuers are relying on an analysis that they do not come within the definition of "investment company" under the U.S. Investment Company Act because of the exemption provided under Section 3(c)(7) thereunder. Consequently, the Issuers are each considered to be a "covered fund" for purposes of Section 13 of the Bank Holding Company Act (the "**Volcker Rule**"). See "*Risk Factors—Risks Related to the Notes—The Volcker Rule may negatively affect the liquidity and the value of the Notes*" and "*Transfer Restrictions*."

NOTICE TO CERTAIN EUROPEAN INVESTORS

European Economic Area

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

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

(a) "qualified investors" as defined in the Prospectus Directive;

(b) fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) in any Relevant Member State subject to obtaining the prior consent of the relevant Issuer; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of Notes shall result in a requirement for the publication by either Issuer or any Initial Purchaser of a prospectus pursuant to Article 3 of the Prospectus Directive or a supplement to the prospectus in accordance with Article 16 of the Prospectus Directive.

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

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

Belgium

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

Canada

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

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

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

France

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

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

Germany

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

Grand Duchy of Luxembourg

The offering of the Notes should not be considered a public offering of securities in Luxembourg. This Offering Memorandum may not be reproduced or used for any other purpose than the offering of the Notes nor provided to any person other than the recipient thereof. The Notes are offered to a limited number of qualified investors as defined in the Prospectus Directive in all cases under circumstances designed to preclude a distribution, which would be other than a private placement. All public solicitations are banned and the sale may not be publicly advertised.

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

The Netherlands

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

Norway

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

Spain

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

Sweden

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

United Kingdom

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

Jersey

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

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

FORWARD-LOOKING STATEMENTS

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

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

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

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

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

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

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

CURRENCY PRESENTATION AND DEFINITIONS

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

Definitions

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

- "Acquisition" means the acquisition of the shares (except T-Shares) and certain indebtedness of the Target by Simon Bidco and of the T-Shares by New Luxco pursuant to the Acquisition Agreements;
- "Acquisitions" means, together, the Acquisition and the GFKL Acquisition;
- "Acquisition Agreements" means, collectively, the sale and purchase agreement dated August 7, 2015 between, *inter alios*, the Sellers and Simon Bidco for the sale and purchase of the entire share capital of the Target (except T-Shares), certain loan notes held by the Sellers and certain shareholder loans held by Metis Holdco and 1920297 Ontario Limited, a wholly-owned subsidiary of OTPP ("**OTPP Sub**") (the "**Sale Securities SPA"**); the share purchase agreement dated August 7, 2015 between, *inter alios*, certain employee shareholders of the Target and Simon Bidco for the sale and purchase of certain shares of the Target (together with the Sale Securities SPA, the "**August SPAs**"); and the share purchase agreement dated on the Completion Date between, *inter alios*, Simon Bidco and an affiliate of TDR Capital for the sale and purchase by New Luxco of certain T-Shares;
- "Amended and Restated RCF" means the revolving credit facility of €200 million that is to be made available under the Amended and Restated RCF Agreement;
- "Amended and Restated RCF Agreement" means the Revolving Credit Facility Agreement, as amended and restated pursuant to, and in accordance with the terms of, the Amendment and Restatement Agreement on the Completion Date;
- "Amendment and Restatement Agreement" means the amendment and restatement agreement dated August 18, 2015, among, *inter alios*, the Senior Secured Notes Issuer, the Senior Notes Issuer, Simon Bidco, Simon Midco, Simon Holdco, Citibank N.A., London Branch, Credit Suisse AG, London Branch, Goldman Sachs Bank USA, ING Bank, a Branch of ING-DiBa AG and JPMorgan Chase Bank N.A., London Branch;
- "Bidco Proceeds Loan Notes" means the loan notes to be issued by Simon Bidco to the Senior Secured Notes Issuer in amounts equal to (a) the aggregate principal amount of the Senior Secured Notes and (b) the principal amount of the Senior Proceeds Loan, respectively;
- "Bridge Facilities" means, together, the Senior Secured Bridge Facility and the Senior Bridge Facility;
- "CAGR" means compound annual growth rate;
- "Collateral" has the meaning ascribed to it under "*Summary—The Offering—Security*, *Enforcement of Security*;"
- "Combined Business" means the Lowell Group and the GFKL Group on a combined basis after giving effect to the Transactions;
- "Completion Date" means October 13, 2015, the date on which the Acquisition was consummated;
- "DIG" means Domnowski Inkasso GmbH, an operating subsidiary of GFKL Holdco;
- "DMA" means Deutsche Multiauskunftei GmbH, an operating subsidiary of GFKL Holdco;
- "ERC" means estimated remaining collections, which are the future collections projected to be received on all of our purchased debt portfolios based on our forecasting models. As of today, our internal models forecast collections over a 120-month period for Lowell and over a 180-month period for GFKL (in each case, except as otherwise specified). ERC is presented here for illustrative purposes only and can be different from the forecasts used to calculate the carrying value of our purchased debt portfolios as recognized in our consolidated financial statements. Any references to ERC in this Offering Memorandum are references to gross ERC (which includes estimated gross collections in respect of the principal balance,

costs, service costs and fees). See “*Management’s Discussion and Analysis of GFKL’s Financial Condition and Results of Operations—Key Operating Metrics—Estimated Remaining Collections (“ERC”)*” and “*Management’s Discussion and Analysis of Lowell’s Financial Condition and Results of Operations—Key Operating Metrics—Estimated Remaining Collections (“ERC”)*.” While the underlying methodologies Lowell and GFKL use to calculate ERC are generally consistent, no effort has been undertaken to harmonize these metrics and as a result, the ERC results for Lowell and GFKL may not be directly comparable;

- “Executive Board” means the Executive Board of the Senior Notes Issuer;
- “Existing 2022 Senior Secured Notes” means the €365 million aggregate principal amount of 7.500% Senior Secured Notes due 2022 issued by the Senior Secured Notes Issuer on July 23, 2015 pursuant to the Existing Indenture;
- “Existing Indenture” means the indenture dated July 23, 2015 governing the Existing 2022 Senior Secured Notes by and among, *inter alios*, the Senior Secured Notes Issuer, Garfunkel Holding and the Original Senior Secured Notes Trustee;
- “Existing Lowell Senior Secured Notes” means the £275 million aggregate principal amount of 10.75% senior secured notes due 2019 and the £115 million aggregate principal amount of 5.875% senior secured notes due 2019 issued by Lowell Group Financing plc, which were satisfied and discharged on the Completion Date;
- “Existing Senior Facilities” means the revolving credit facility of up to £83 million, or up to £215 million if certain conditions were met, that was made available to certain subsidiaries of the Target under the Existing Senior Facilities Agreement, all outstanding amounts under which were repaid in full and terminated on the Completion Date using the proceeds of the offering as described in “*Use of Proceeds*;”
- “Existing Senior Facilities Agreement” means the senior facilities agreement dated March 30, 2012, as amended and restated on January 21, 2013, as further amended by amendment letter on September 6, 2013 and as amended and restated on November 28, 2013, and as amended and restated by way of an amendment and restatement agreement dated June 9, 2015, by and among, *inter alios*, the Target, as a guarantor, certain of the Target’s subsidiaries as borrowers and J.P. Morgan Europe Limited, as the facility agent;
- “Garfunkel Holding” means Garfunkel Holding GmbH;
- “German Company Conversion” means the conversion of GFKL Holdco into a limited liability company incorporated under the laws of Germany (*Gesellschaft mit beschränkter Haftung* or “GmbH”) being registered in the competent commercial register (*Handelsregister*);
- “GCG” means GFKL Collections GmbH, formerly known as SNT Inkasso & Forderungsmanagement GmbH, an operating subsidiary of GFKL Holdco;
- “GFKL” or “GFKL Group” means GFKL Holdco and its subsidiaries from time to time;
- “GFKL 2.0” means the GFKL efficiency program related to centralization and optimization of headquarters functions;
- “GFKL Acquisition” means the acquisition by Garfunkel Holding of Carl Holding GmbH (prior to its merger into Garfunkel Holding), including the acquisition of additional shares in GFKL Holdco in the Squeeze-Out;
- “GFKL Completion Date” means June 30, 2015, the date on which the GFKL Acquisition (other than the acquisition of additional shares in GFKL Holdco in the Squeeze-Out) was consummated;
- “GFKL Holdco” means GFKL Financial Services Aktiengesellschaft and, following the Structure Event, GFKL Financial Services GmbH;
- “Group,” “we,” “us” or “our” refer to the Senior Notes Issuer and its consolidated subsidiaries from time to time after giving effect to the Acquisition, including GFKL and Lowell, the latter of which was acquired on the Completion Date pursuant to the terms of the Acquisition Agreements;
- “Group ERC” means the ERC projections for the Combined Business to give illustrative effect to the Transactions as if they had occurred on June 30, 2015. Group ERC is calculated by adding Lowell’s ERC (based on a 120-month period) to GFKL’s ERC (based on a 180-month period) translated into pounds sterling at the applicable rate. Group ERC is presented here for illustrative purposes only and can be

different from the forecasts used to calculate the carrying value of our purchased debt portfolios as recognized in our consolidated financial statements. Any references to Group ERC in this Offering Memorandum are references to a gross Group ERC calculation (which includes estimated gross collections in respect of the principal balance, costs, service costs and fees). While the underlying methodologies Lowell and GFKL use to calculate ERC are generally consistent, no effort has been undertaken to harmonize these metrics and as a result, the ERC results for Lowell and GFKL may not be directly comparable. Group ERC does not purport to indicate what the performance of our combined business would have been had the Transaction taken place on June 30, 2015. Future results for our combined business may vary significantly from the Group ERC presented herein.

- "Guarantors" means, collectively, the Senior Secured Notes Guarantors and the Senior Notes Guarantors;
- "IBW" means INKASSO BECKER WUPPERTAL GmbH & Co. KG, an operating subsidiary of GFKL Holdco;
- "IFRS" means the International Financial Reporting Standards, as adopted by the European Union;
- "Indentures" means the Senior Secured Notes Indenture and the Senior Notes Indenture;
- "Initial Purchasers" means, collectively, the Senior Secured Notes Initial Purchasers and the Senior Notes Initial Purchasers;
- "Intercreditor Agreement" means the intercreditor agreement dated June 29, 2015, originally among, *inter alios*, the Issuers, the lenders under the Revolving Credit Facility Agreement, each obligor in respect of the Revolving Credit Facility and the Security Agent (to be acceded to by the Trustees on the Issue Date), as amended from time to time. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*;"
- "Investment Company Act" means the United States Investment Company Act of 1940, as amended;
- "Issue Date" means the date on which the Notes offered hereby are issued;
- "Issue Date Collateral" means, together, the Senior Secured Notes Issue Date Collateral and the Senior Notes Issue Date Collateral;
- "ITT" means intratech GmbH, an operating subsidiary of GFKL Holdco;
- "KPMG" means, with respect to the Lowell 2012 Audited Consolidated Financial Statements, KPMG Audit Plc and, in all other contexts, KPMG LLP;
- "LGL" means Lowell Group Limited;
- "Lowell" or "Lowell Group" means Metis Bidco Limited and its direct and indirect subsidiaries;
- "Lowell Financial Year 2012" means the 15-month period from the date of the Target's incorporation on May 31, 2011, to August 31, 2012, corresponding to the consolidated financial statements of the Target as of August 31, 2012, and for such 15-month period;
- "Lowell Financial Year 2013" means the 13-month period from September 1, 2012, to September 30, 2013, corresponding to the consolidated financial statements of the Target as of September 30, 2013, and for such 13-month period;
- "Lowell Financial Year 2014" means the 12-month period from October 1, 2013, to September 30, 2014, corresponding to the consolidated financial statements of the Target as of September 30, 2014, and for such 12-month period;
- "Lowell Former Senior Facilities Agreement" means the facilities agreement among Lowell Acquisitions Limited, the Royal Bank of Scotland PLC and others, dated October 15, 2010, which was repaid in full and terminated on March 30, 2012, in connection with the issuance of the Existing Lowell Senior Secured Notes;
- "Metis Holdco" means Metis Holdco Limited, a company incorporated in England and Wales with company number 07652402;
- "Milla Securitization" means the securitization program by which GFKL Holdco, PCS and IBW sold certain NPLs to Milla Securitisation (No. 1) Limited, a special purpose company established in Jersey, see "*Description of Certain Financing Arrangements—Milla Securitization*;"
- "New Luxco" means Garfunkelux PBA S.à r.l., a private limited company (*société à responsabilité limitée*) incorporated and existing under the laws of Luxembourg with its registered office at 488, route de Longwy,

L-1940 Luxembourg, Grand Duchy of Luxembourg registered with the Luxembourg Trade and Companies Register (*Registre de Commerce et des Sociétés, Luxembourg*) under number B 200.498;

- “Note Guarantees” means, collectively, the guarantees of the Senior Secured Notes to be provided by the Senior Secured Notes Guarantors and the guarantees of the Senior Notes to be provided by the Senior Notes Guarantors;
- “Notes” means, collectively, the Senior Secured Notes and the Senior Notes;
- “Offering” means the offering of the Notes pursuant to the Offering Memorandum;
- “Original Issue Date” means July 23, 2015, the date on which the Existing 2022 Senior Secured Notes were issued;
- “Original Senior Secured Notes Trustee” means Citibank, N.A., London Branch in its capacity as trustee under the Existing Indenture;
- “OTPP” means the Ontario Teachers’ Pension Plan Board;
- “PCS” means Proceed Collection Services GmbH, an operating subsidiary of GFKL Holdco;
- “Permira” or “Permira Funds” has the meaning ascribed to “Permira V Fund” under “*Description of the Senior Secured Notes*;”
- “Person” means an individual, corporation (including a business trust), company, partnership, joint venture, association, joint stock company, trust (including any beneficiary thereof), unincorporated association or government or any agency or political subdivision thereof;
- “Post-Completion Date Collateral” means, together, the Senior Secured Notes Post Completion Date Collateral and the Senior Notes Post Completion Date Collateral;
- “Post-Structure-Event Senior Secured Notes Guarantors” means such subsidiaries that guarantee the Senior Secured Notes on a senior basis so as to satisfy the Security Coverage Test subsequent to the Structure Event. See “*Description of the Senior Secured Notes—Certain Covenants—Post-Closing Undertakings*;”
- “Post-Structure-Event Senior Notes Guarantors” means such subsidiaries that guarantee the Senior Notes on a senior subordinated basis so as to satisfy the Security Coverage Test subsequent to the Structure Event. See “*Description of the Senior Notes—Certain Covenants—Post-Closing Undertakings*;”
- “PPS” means Proceed Portfolio Services GmbH, an operating subsidiary of GFKL Holdco;
- “Qualified Purchaser” or “QP” means a Person who is a “qualified purchaser” as defined in Section 2(a)(51)(A) of the Investment Company Act;
- “Revolving Credit Facility” means the revolving credit facility of €60 million made available under the Revolving Credit Facility Agreement, the availability of which was increased pursuant to, and in accordance with the terms of the Amended and Restated RCF Agreement on or about the Completion Date as described under “*The Transactions—The Revolving Credit Facility*”;
- “Revolving Credit Facility Agreement” means the revolving credit facility agreement dated June 29, 2015, among, *inter alios*, Garfunkel Holding, as borrower, and Goldman Sachs Bank USA, Citigroup N.A. London Branch, Credit Suisse AG, London Branch, ING Bank, a Branch of ING-DiBa AG and JP Morgan Chase Bank N.A., London Branch, as arrangers, which was amended and restated pursuant to, and in accordance with the terms of, the Amendment and Restatement Agreement on the Completion Date as described under “*The Transactions—The Revolving Credit Facility*;”
- “second-priority basis” means, with respect to a security interest granted in respect of an indebtedness obligation (a “**second-priority obligation**”), that the proceeds of enforcement of such security interest would, in accordance with provisions of the Intercreditor Agreement, be distributed to the creditors of the relevant second-priority obligation (if any such proceeds remain available) following the distribution of any such enforcement proceeds to creditors of any indebtedness obligation that, in accordance with provisions of the Intercreditor Agreement, would have priority to the relevant second-priority obligation in respect of such enforcement proceeds. See “*Description of Certain Financing Arrangements—Intercreditor Agreement—Priority of Security*” and “*Risk Factors—Risks Related to the Notes—The rights to enforce remedies with respect to certain Collateral securing the Senior Notes and the Senior Notes Guarantees are limited as long as any super senior or senior secured debt is outstanding*”;

- “Security Agent” means Citibank, N.A., London Branch;
- “Sellers” means Metis Holdco, Oliver Wyman Limited, a company incorporated in England and Wales with company number 02995605, OTPP Sub and certain management sellers;
- “Senior Bridge Facility” means the £240 million high yield bridge facility that was drawn on the Completion Date in connection with the Acquisition pursuant to the Senior Bridge Facility Agreement, and which is expected to be repaid with the proceeds from the Offering;
- “Senior Bridge Facility Agreement” means the high yield bridge facility agreement dated August 18, 2015 among the Senior Notes Issuer, as borrower, and Credit Suisse AG, London Branch, Citigroup Global Markets Limited, Goldman Sachs Bank USA, ING Bank, a Branch of ING-DiBa AG, and J.P. Morgan Limited as mandated lead arrangers and bookrunners, and ING Bank, a Branch of ING-DiBa AG, as agent and Citibank N.A., London Branch as Security Agent;
- “Senior Notes Guarantee” means a guarantee of the Senior Notes;
- “Senior Notes Guarantors” means, as of the Issue Date, the Senior Notes Issue Date Guarantors, as of a date no later than 60 days after the Completion Date, the Senior Notes Post-Completion Date Guarantors, and subsequent to the Structure Event, the Post-Structure-Event Senior Notes Guarantors (if any);
- “Senior Notes Indenture” means the indenture to be dated the Issue Date governing the Senior Notes by and among, *inter alios*, the Senior Notes Issuer and the Senior Notes Trustee;
- “Senior Notes Initial Purchasers” means, collectively, Credit Suisse Securities (Europe) Limited, Citigroup Global Markets Limited, Goldman Sachs International, ING Bank N.V., London Branch, J.P. Morgan Securities plc and HSBC Bank plc;
- “Senior Notes Issue Date Collateral” means the Senior Secured Notes Issuer, Garfunkel Holding, Simon Bidco, Simon Midco and Simon Holdco;
- “Senior Notes Issue Date Guarantors” means the Senior Secured Notes Issuer, Garfunkel Holding, Simon Bidco, Simon Midco and Simon Holdco;
- “Senior Notes Issuer” means Garfunkelux Holdco 2 S.A., a public limited liability company (*société anonyme*) incorporated and existing under the laws of Luxembourg with its registered office at 488, route de Longwy, L-1940 Luxembourg, Grand Duchy of Luxembourg and registered with the Luxembourg Trade and Companies Register (*Registre de Commerce et des Sociétés*, Luxembourg) under number B 197.497;
- “Senior Notes Post-Completion Date Collateral” has the meaning ascribed to it under “*Description of the Senior Notes—Collateral*;”
- “Senior Notes Post-Completion Date Guarantors” has the meaning ascribed to it under “*Description of the Senior Notes—Note Guarantees*;”
- “Senior Notes Trustee” means Citibank, N.A., London Branch in its capacity as trustee under the Senior Notes Indenture;
- “Senior Proceeds Loan” means the loan made under the Senior Proceeds Loan Agreement;
- “Senior Proceeds Loan Agreement” means the proceeds loan agreement that was entered into on the Completion Date between the Senior Notes Issuer, as lender, and the Senior Secured Notes Issuer, as borrower;
- “Senior Secured Bridge Facility” means the £555 million high yield bridge facility that was drawn on the Completion Date in connection with the Acquisition pursuant to the Senior Secured Bridge Facility Agreement, and which is expected to be repaid with the proceeds from the Offering;
- “Senior Secured Bridge Facility Agreement” means the high yield bridge facility agreement dated August 18, 2015 among the Senior Secured Notes Issuer, as borrower, and Goldman Sachs Bank USA, Citigroup Global Markets Limited, Credit Suisse AG, London Branch, ING Bank, a Branch of ING-DiBa AG, and J.P. Morgan Limited as mandated lead arrangers and bookrunners, and ING Bank, a Branch of ING-DiBa AG, as agent and Citibank N.A., London Branch as Security Agent;
- “Senior Secured Notes Guarantee” means a guarantee of the Senior Secured Notes;
- “Senior Secured Notes Guarantors” means, as of the Issue Date, the Senior Secured Notes Issue Date Guarantors, as of a date no later than 60 days after the Completion Date, the Senior Secured Notes Post-

Completion Date Guarantors, and subsequent to the Structure Event, the Post-Structure-Event Senior Secured Notes Guarantors (if any);

- “Senior Secured Notes Indenture” means the indenture to be dated the Issue Date governing the Senior Secured Notes by and among, *inter alios*, the Senior Secured Notes Issuer and the Senior Secured Notes Trustee;
- “Senior Secured Notes Initial Purchasers” means, collectively, Goldman Sachs International, Citigroup Global Markets Limited, Credit Suisse Securities (Europe) Limited, ING Bank N.V., London Branch, J.P. Morgan Securities plc and HSBC Bank plc;
- “Senior Secured Notes Issue Date Collateral” has the meaning ascribed to it under “*Summary of the Offering—Security, Enforcement of Security*;”
- “Senior Secured Notes Issue Date Guarantors” means the Senior Notes Issuer, Garfunkel Holding, Simon Bidco, Simon Midco, and Simon Holdco;
- “Senior Secured Notes Issuer” means Garfunkelux Holdco 3 S.A., a public limited liability company (*société anonyme*) incorporated and existing under the laws of Luxembourg with its registered office at 488, route de Longwy, L-1940 Luxembourg, Grand Duchy of Luxembourg and registered with the Luxembourg Trade and Companies Register (*Registre de Commerce et des Sociétés, Luxembourg*) under number B 197.551;
- “Senior Secured Notes Post-Completion Date Collateral” has the meaning ascribed to it under “*Description of the Senior Secured Notes—Collateral*;”
- “Senior Secured Notes Post-Completion Date Guarantors” has the meaning ascribed to it under “*Description of the Senior Secured Notes—Note Guarantees*;”
- “Senior Secured Notes Trustee” means Citibank, N.A., London Branch in its capacity as trustee under the Senior Secured Notes Indenture;
- “Simon Bidco” means the entity incorporated under the laws of England and Wales (Registration Number: 09709443) that is a direct subsidiary of Simon Midco, together with its successors and assigns;
- “Simon Holdco” means the entity incorporated under the laws of Jersey (Registration Number 119216) that is a direct subsidiary of the Senior Secured Notes Issuer, together with its successors and assigns;
- “Simon Midco” means Simon Midco Limited, a company incorporated under the laws of England and Wales (Registration Number: 09722126) that is a direct subsidiary of Simon Holdco, together with its successors and assigns;
- “SIR” means Sirius Inkasso GmbH, an operating subsidiary of GFKL Holdco;
- “Sponsor” means the Permira Funds;
- “Squeeze-Out” means the acquisition by Garfunkel Holding (or any successor entity) of all of the ordinary shares of GFKL Holdco held by the minority shareholders pursuant to Sections 327a *et seq*. of the German Stock Companies Act (*Aktiengesetz*);
- “Structure Event” means the completion of the Squeeze-Out followed by the completion of the German Company Conversion;
- “T-Shares” means shares or beneficiary units in certain Group entities that will entitle the holder to nominal or no dividends and will carry certain voting rights, which the holder thereof has agreed to vote in accordance with the shareholders’ agreement governing Garfunkelux Holdco 1 S.à r.l. (the “**Shareholders Agreement**”). See “*The Transactions—OTPP*;”
- “Target” means Metis Bidco Limited, a private company limited by shares under the law of England and Wales, and the indirect parent company of LGL;
- “TDR Capital” means the investment funds managed by TDR Capital LLP;
- “Top-Up Shares” has the meaning ascribed to it under “*The Transactions*;”
- “Transactions” means each of the transactions and processes described in “*The Transactions*;”
- “Trustees” means, together, the Senior Notes Trustee and the Senior Secured Notes Trustee, collectively;
- “UK GAAP” means accounting principles generally accepted in the United Kingdom; and

- "ZYK" means ZYKLOP INKASSO DEUTSCHLAND GmbH, an operating subsidiary of GFKL Holdco.

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

GLOSSARY OF SELECTED TERMS

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

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

Term	Definition
	portfolio purchases in such period, unless otherwise indicated or where the context otherwise requires
“trace” or “tracing”	the action of attempting to find the correct contact details of a customer who owes a debt. Tracing is based on significant information analysis. It can be done manually or using multiple raw data sources and automated logic sequences

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Financial Information

The Issuers are holding companies formed for the purpose of facilitating the Acquisitions and other future potential transactions and are not expected to engage in any activities other than those related to their formation, the Acquisitions and the financing of the Acquisitions. The Senior Secured Notes Issuer's only material assets and liabilities are currently, and are expected in the future to be, its interests in the issued and outstanding shares of Garfunkel Holding and Simon Holdco, its outstanding indebtedness under the Senior Secured Notes, the Existing 2022 Senior Secured Notes, the Senior Proceeds Loan and any other future indebtedness and inter-company balances incurred in connection with the Acquisitions and the other transactions described in the Offering Memorandum. The Senior Notes Issuer's only material assets and liabilities are currently, and are expected in the future to be, its interests in the issued and outstanding shares of the Senior Secured Notes Issuer, its receivable under the Senior Proceeds Loan, its outstanding indebtedness under the Senior Notes and any other future indebtedness and inter-company balances incurred in connection with the Acquisitions and the other transactions described in the Offering Memorandum.

Simon Holdco, Simon Midco and Simon Bidco are holding companies formed for the purpose of facilitating the Acquisition and other future potential transactions and are not expected to engage in any activities other than those related to their formation, the Acquisition and the financing of the Acquisition. Simon Holdco, Simon Midco and Simon Bidco's only material assets and liabilities are currently, and are expected in the future to be, their direct or indirect interests in the issued and outstanding shares of their respective subsidiaries, Simon Bidco's outstanding indebtedness under the Bidco Proceeds Loan Notes and any other future indebtedness and inter-company balances incurred in connection with the Acquisition and the other transactions described in the Offering Memorandum.

Certain of our Unaudited Pro Forma Condensed Consolidated Financial Information has been calculated from the basis of the historical income statement financial information of Carl Holding GmbH ("**Carl**") for the financial year ended December 31, 2014 ("**Carl 2014 Historical Financial Information**"). See "*Unaudited Pro Forma Condensed Consolidated Financial Information—2. Historical Financial Information.*" Carl is a holding company formed in 2009. Carl, which had previously been the majority owner of GFKL Holdco, was merged into Garfunkel Holding, with an effective date of August 29, 2015. Prior to the merger, Carl did not engage in any activities other than those related to its formation and its ownership of the majority of the shares of GFKL Holdco. The consolidated income statement in the Carl 2014 Historical Financial Information differs from the consolidated income statement in the consolidated financial statements of GFKL Holdco for the year ended December 31, 2014. The line items revenue, other operating income, cost of purchased goods and services, personnel expenses and loss attributable to non-controlling interests in the Carl 2014 Historical Financial Information are substantially similar to the financial information included in the consolidated financial statements of GFKL Holdco for the year ended December 31, 2014, included elsewhere in this Offering Memorandum. The following line items in the Carl 2014 Historical Financial Information differ from the financial information included in the consolidated financial statements of GFKL Holdco for the year ended December 31, 2014, included elsewhere in this Offering Memorandum:

- Depreciation, amortization and impairment expense (€1.9 million higher for Carl);
- Other operating expenses (€0.3 million lower for Carl);
- Interest and similar income (€0.2 million higher for Carl);
- Interest and similar expenses (€9.0 million higher for Carl);
- Earnings before tax (€11.0 million lower for Carl);
- Income taxes (€2.0 million lower for Carl);
- Profit from continuing operations (€9.0 million lower for Carl);
- Profit/loss from discontinued operations (€4.4 million higher for Carl);
- Consolidated profit for the period (€4.6 million lower for Carl);
- Profit attributable to non-controlling interests (€0.2 million higher for Carl); and
- Profit attributable to equity holders of the parent (€4.8 million lower for Carl).

Lowell Group

The historical and certain other financial data of the Target and its consolidated subsidiaries presented in this Offering Memorandum have been derived from its statutory historical consolidated financial statements, which are included elsewhere in this Offering Memorandum, except for the Strategic Reports and Directors' Reports that were filed as part of those financial statements.

The Target was incorporated on May 31, 2011 by TDR Capital for the purpose of consummating its acquisition of LGL and its subsidiaries, and consolidated reporting was carried out at the Target for the period from May 31, 2011 to August 31, 2012. Prior to the acquisition of LGL on September 15, 2011, the Target had no operations and therefore no financial results. Thereafter, its financial results were the product of Lowell's operations. Additionally, the Lowell 2012 Audited Consolidated Financial Statements were adjusted to account for the 15 days that elapsed between September 1, 2011 to the date of the LGL acquisition on September 15, 2011. This adjustment was made to permit the Target to have 12-month consolidated financial results for comparison purposes, as the differences between the Target's 12-month consolidated financial results and its eleven-and-one-half-month consolidated financial results were deemed to be immaterial. Accordingly, the Lowell Financial Year 2012 figures represent the financial results from 12 months of Lowell's operations. The 15-month period from the date of the Target's incorporation on May 31, 2011 to August 31, 2012 corresponding to the consolidated financial statements of the Target as of August 31, 2012 and for such 15-month period of the Target is referred to as the "**Lowell Financial Year 2012**."

In 2013 the Target changed its financial year end from August 31 to September 30 in order to align the financial reporting schedule to calendar year quarters. Accordingly, the financial results for its 2013 financial year are presented as of September 30, 2013 and for the 13-month period from September 1, 2012 to September 30, 2013 (the "**Lowell Financial Year 2013**"). As a result, the financial results for the Lowell Financial Year 2013 are not directly comparable to the Lowell Financial Year 2012 financial results. The UK GAAP historical consolidated financial data as of and for the Lowell Financial Year 2013 have been derived from the Lowell 2013 Audited Consolidated Financial Statements (as defined below).

The financial results for the Target's 2014 financial year are presented as of September 30, 2014 and for the 12-month period from October 1, 2013 to September 30, 2014 (the "**Lowell Financial Year 2014**"). The historical consolidated financial data as of and for the Lowell Financial Year 2014 have been derived from the Lowell 2014 Audited Consolidated Financial Statements (as defined below).

The historical financial information included in this Offering Memorandum for the Lowell Group is that of the Target and its consolidated subsidiaries. In particular, this Offering Memorandum includes and presents:

- the unaudited condensed consolidated interim financial statements of the Target as of and for the nine-month period ended June 30, 2015, including the notes thereto (the "**Lowell Unaudited Condensed Consolidated Interim Financial Statements**" and, together with the GFKL Unaudited Condensed Consolidated Interim Financial Statements, the "**Unaudited Condensed Consolidated Interim Financial Statements**"), which were prepared in accordance with IFRS on interim financial reporting (IAS 34);
- the audited consolidated financial statements of the Target as of and for the 12 months ended September 30, 2014, including the notes thereto (the "**Lowell 2014 Audited Consolidated Financial Statements**"), which were prepared in accordance with IFRS and have been audited by KPMG;
- the audited consolidated financial statements of the Target as of and for the 13 months ended September 30, 2013, including the notes thereto (the "**Lowell 2013 Audited Consolidated Financial Statements**"), which were prepared in accordance with UK GAAP and have been audited by KPMG; and
- the audited consolidated financial statements of the Target as of and for the 15 months ended August 31, 2012, including the notes thereto (the "**Lowell 2012 Audited Consolidated Financial Statements**"), which were prepared in accordance with UK GAAP and have been audited by KPMG.

The financial information for the Lowell Financial Year 2012 presented in "*Summary*," "*Selected Lowell Consolidated Financial Information*" and "*Management's Discussion and Analysis of Lowell's Financial Condition and Results of Operations*" are derived from the Lowell 2013 Audited Consolidated Financial Statements, in which Lowell Financial Year 2012 figures were restated due to a change in accounting policy regarding litigation costs. See note 1 (Litigation Costs) to the Lowell 2013 Audited Consolidated Financial Statements. Therefore, the Lowell Financial Year 2012 financial statements presented in these sections will differ from the financial statements in the Lowell 2012 Audited Consolidated Financial Statements.

This Offering Memorandum includes consolidated financial information of the Target prepared under UK GAAP and under IFRS. As described above, the Lowell 2012 Audited Consolidated Financial Statements and the Lowell 2013 Audited Consolidated Financial Statements were prepared in accordance with UK GAAP. For the Lowell 2014 Audited Consolidated Financial Statements, the Target changed the basis of presentation for its accounts from UK GAAP to IFRS and restated certain prior-period results in accordance with IFRS for purposes of comparison. As a result, the Lowell 2014 Audited Consolidated Financial Statements include financial information restated to conform to IFRS for the Lowell Financial Year 2013 and a statement of financial position as of September 1, 2012 prepared under IFRS. The IFRS historical consolidated financial information as of and for the Lowell Financial Year 2013 and as of September 1, 2012 have been derived from the Lowell 2014 Audited Consolidated Financial Statements.

UK GAAP differs in several respects from IFRS. The differences between UK GAAP and IFRS primarily relate to adjustments to profit attributable to shareholder and shareholder equity, specific changes to acquired portfolio investment accounting, reversal of goodwill amortization, identification of separable intangible assets, expenditure of capitalized costs and certain reclassifications. For a discussion of certain differences between UK GAAP and IFRS as applied by Lowell, see note 3 (Explanation of Transition to IFRS) to the Lowell 2014 Audited Consolidated Financial Statements.

The Lowell Unaudited Condensed Consolidated Interim Financial Statements, the Lowell 2014 Audited Consolidated Financial Statements, the Lowell 2013 Audited Consolidated Financial Statements and the Lowell 2012 Audited Consolidated Financial Statements are together referred to as the "**Lowell Consolidated Financial Statements**." The Lowell 2014 Audited Consolidated Financial Statements, the Lowell 2013 Audited Consolidated Financial Statements and the Lowell 2012 Audited Consolidated Financial Statements are together referred to as the "**Lowell Audited Financial Statements**" and, together with the GFKL Audited Financial Statements, are referred to as the "**Audited Financial Statements**."

In addition, this Offering Memorandum includes certain unaudited consolidated profit and loss information, as well as certain other financial and operating information, for the 12 months ended June 30, 2015. This information was derived by adding the financial data for the nine months ended June 30, 2015 to the financial data for the Lowell Financial Year 2014 and subtracting the financial data for the nine months ended June 30, 2014. This 12-month data has been prepared solely for the purpose of this Offering Memorandum, is not prepared in the ordinary course of our financial reporting and has not been audited or reviewed by the Target's independent auditors.

GFKL Group

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

- the unaudited condensed consolidated interim financial statements of GFKL Holdco as of and for the six-month period ended June 30, 2015, including the notes thereto (the "**GFKL Unaudited Condensed Consolidated Interim Financial Statements**");
- the audited consolidated financial statements of GFKL Holdco as of and for the year ended December 31, 2014, including the notes thereto (the "**GFKL 2014 Audited Consolidated Financial Statements**"), which have been audited by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft ("**E&Y**") in accordance with Section 317 German Commercial Code (*Handelsgesetzbuch)* ("**HGB**"), and German generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors (*Institut der Wirtschaftsprüfer*);
- the audited consolidated financial statements of GFKL Holdco as of and for the year ended December 31, 2013, including the notes thereto (the "**GFKL 2013 Audited Consolidated Financial Statements**"), which have been audited by E&Y in accordance with Section 317 HGB, and German generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors (*Institut der Wirtschaftsprüfer*);
- the audited consolidated financial statements of GFKL Holdco as of and for the year ended December 31, 2012, including the notes thereto (the "**GFKL 2012 Audited Consolidated Financial Statements**"), which have been audited by E&Y in accordance with Section 317 HGB, and German generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors (*Institut der Wirtschaftsprüfer*).

The GFKL Unaudited Condensed Consolidated Interim Financial Statements, the GFKL 2014 Audited Consolidated Financial Statements, the GFKL 2013 Audited Consolidated Financial Statements and the GFKL

2012 Audited Consolidated Financial Statements are together referred to as the "**GFKL Consolidated Financial Statements**;" the GFKL 2014 Audited Consolidated Financial Statements, the GFKL 2013 Audited Consolidated Financial Statements and the GFKL 2012 Audited Consolidated Financial Statements are together referred to as the "**GFKL Audited Consolidated Financial Statements**."

The GFKL Audited Consolidated Financial Statements included in this Offering Memorandum have been prepared in accordance with IFRS and the additional requirements of German commercial law pursuant to Section 315a (1) of the German Commercial Code (*Handelsgesetzbuch).* The GFKL Unaudited Condensed Consolidated Interim Financial Statements have been prepared in accordance with IFRS on interim financial reporting (IAS 34).

The financial information for the GFKL Group as of and for the year ended December 31, 2012, was adjusted in the GFKL 2013 Audited Consolidated Financial Statements due to the first-time application of IAS 19R (relating to the treatment of interest expense on pension obligations) and the retrospective presentation of discontinued operations in the income statement according to IFRS 5. See notes II.2, II.3, III.12 and IV.10 to the GFKL 2013 Audited Consolidated Financial Statements. Accordingly, the financial information presented in this Offering Memorandum for the GFKL Group as of and for the year ended December 31, 2012 was derived from the comparative financial information included in the GFKL 2013 Audited Consolidated Financial Statements.

In 2012, GFKL disposed of GENEVA-ID GmbH, HFI Finanz- und Investitions-Beratungsgesellschaft Hamm mbH and VR Inkasso Leasing & Consulting GmbH, and acquired GCG (formerly known as SNT Inkasso and Forderungsmanagement GmbH). In 2013, GFKL disposed of Domusvenda Holding, SGPS, S.A. In 2014, GFKL acquired Deutsche Multiauskunftei GmbH and a 51% share in ITT. In the same year, GFKL disposed of Mulitgéstion Portfolio S.L. and SBL Mobilien GmbH and liquidated Universal Lease IberiaProperties, S.L. The financial results of these entities were excluded or included, as the case may be, in the GFKL Consolidated Financial Statements from the date of their disposal or acquisition, respectively. Due to the accounting impact of these disposal and acquisition transactions and consolidation of the operating results of the acquired businesses, the GFKL Group's results as of and for the years ended December 31, 2012, 2013 and 2014 are not directly comparable. In addition, as GFKL controls ITT, it includes 100% of its results in the GFKL financial statements, including its Reported EBITDA and related metrics. However, as GFKL owns only 51% of the entire issued share capital of ITT, it is entitled to only 51% of its profit distributions.

The unaudited financial information for the 12-month period ended June 30, 2015 of GFKL included elsewhere in this Offering Memorandum is based on the GFKL Consolidated Financial Statements and GFKL's internal accounting system, and it is calculated by taking the consolidated interim financial information for the six-month period ended June 30, 2015 derived from the GFKL Unaudited Condensed Consolidated Interim Financial Statements and GFKL's internal accounting system, and adding it to the consolidated financial information for the year ended December 31, 2014 derived from the GFKL 2014 Audited Consolidated Financial Statements and GFKL's internal accounting system and subtracting the consolidated interim financial information for the six-month period ended June 30, 2014 derived from the GFKL Unaudited Condensed Consolidated Interim Financial Statements and GFKL's internal accounting system. This data has been prepared solely for the purpose of this Offering Memorandum, is not prepared in the ordinary course of GFKL's financial reporting and has not been audited.

Senior Notes Issuer

The historical financial information included in this Offering Memorandum for the Senior Notes Issuer is that of the Senior Notes Issuer and its consolidated subsidiaries. In particular, this Offering Memorandum includes and presents the unaudited condensed consolidated interim financial statements of the Senior Notes Issuer as of June 30, 2015 and for the period from June 1, 2015 (the Senior Notes Issuer's date of formation) to June 30, 2015, including the notes thereto (the "**Senior Notes Issuer Consolidated Financial Statements**" and, together with the GFKL Consolidated Financial Statements and the Lowell Consolidated Financial Statements, the "**Consolidated Financial Statements**"), which were prepared in accordance with IFRS.

Future Financial Information

In the future, we will report our financial results at the level of the Senior Notes Issuer, on a consolidated basis, although the Existing Indenture and the Indentures will permit us to report our financial results at the level of the Senior Secured Notes Issuer, on a consolidated basis.

Non-IFRS and non-UK GAAP Financial Measures

Lowell Group

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

Lowell defines "**Adjusted EBITDA**" as collections on owned portfolios plus other turnover, less cost of sales and administrative expenses (which, together, equals servicing costs) and before exceptional items, depreciation and amortization.

Lowell defines "**Cash flow conversion**" as its cash flow before debt and tax servicing as a percentage of its Adjusted EBITDA for the period.

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

GFKL Group

This Offering Memorandum contains non-IFRS measures and ratios for the GFKL Group, including Reported EBITDA, Normalized EBITDA, Pro Forma Normalized EBITDA and Adjusted EBITDA that are not required by, or presented in accordance with, IFRS. GFKL's non-IFRS measures are defined by GFKL as set out below.

GFKL defines "**Reported EBITDA**" as consolidated profit/loss for the period before profit/loss from discontinued operations, income taxes, interest and similar expenses, interest and similar income and depreciation, amortization and impairment expense, each as shown in the GFKL Consolidated Financial Statements.

GFKL defines "**Normalized EBITDA**" as Reported EBITDA before non-recurring or extraordinary items. Non-recurring or extraordinary items include costs incurred in connection with certain restructurings and relocations, certain projects including projects in connection with its data analytics capabilities, provisions for contingent losses related to PCS, acquisition-related corrections, provisions for VAT risks, revaluation effects related to PPS, the buyback of an issued promissory note, certain refinancing expenses, the sale of certain of our subsidiaries/affiliates, SIR's settlement with a former debt servicer, the release of certain provisions, the disposal and related litigation of our former subsidiary Domusvenda Holding SGPS S.A. and certain other adjustments.

GFKL defines "**Pro Forma Normalized EBITDA**" as Normalized EBITDA plus *pro forma* adjustments to account for the full year effects of certain projected rental savings. See "*Summary—Summary Consolidated Financial and Other Information of GFKL*."

GFKL defines "**Adjusted EBITDA**" as Pro Forma Normalized EBITDA as adjusted for NPL portfolio amortizations, changes in fair value of our purchased debt portfolios and direct write-offs related to GFKL's product PayProtect.

GFKL defines "**Cash flow from operating activities before interest and income tax payments**" as the sum of interest paid/interest received, net; income tax payments/(reimbursements); changes in restricted cash balances; operating cash flow from discontinued operations; change in balances from guaranteed collections; proceeds from the sale of a secured portfolio; and cash effective EBITDA normalizations.

For a reconciliation of GFKL's consolidated profit/loss for the period to Reported EBITDA, Normalized EBITDA, Pro Forma Normalized EBITDA and Adjusted EBITDA, see "*Summary—Summary Consolidated Financial and Other Information of GFKL*."

General

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

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

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

Pro Forma Non-IFRS Measures

In connection with the Transactions, we have also presented the following *pro forma* measures:

"**Combined *Pro Forma* Adjusted EBITDA**" is *pro forma* operating profit plus exceptional items, *pro forma* depreciation and amortization, *pro forma* acquired debt portfolio write ups and amortization amounts as reflected in the Unaudited Pro Forma Consolidated Statement of Financial Position, and as further adjusted for certain anticipated cost savings. For a reconciliation of *pro forma* operating profit to Combined *Pro Forma* Adjusted EBITDA, see "*Summary Unaudited Pro Forma Condensed Consolidated Financial Information*."

"***Pro forma* total net debt**" means the Notes, the Existing 2022 Senior Secured Notes, amounts outstanding under our Amended and Restated RCF and the Milla Securitization, net of cash and cash equivalents (excluding any restricted cash). *Pro forma* total net debt has been presented for illustrative purposes only and does not purport to represent what our total net debt would have actually been had the Transactions occurred on the date assumed, nor does it purport to project our total net debt for any future period or our financial condition at any future date.

"***Pro forma* cash interest expense**" reflects the estimated interest expense in respect of the Notes, the interest expense in respect of the Existing 2022 Senior Secured Notes, any fees or interest payable under our Amended and Restated RCF and any interest under the Milla Securitization for the 12-month period ended June 30, 2015 as if the Transactions had occurred on July 1, 2014. *Pro forma* cash interest expense excludes charges related to allocated debt issuance costs and hedging costs. *Pro forma* cash interest expense has been presented for illustrative purposes only and does not purport to represent what our interest expense would have actually been had the Transactions, the GFKL Acquisition and the issuance of the Existing 2022 Senior Secured Notes occurred on the date assumed, nor does it purport to project our interest expense for any future period or our financial condition at any future date.

"***Pro forma* cash conversion**" means our cash flow from operations activities before interest, portfolio purchases, tax expense and capital expenditures but including cost adjustments as a percentage of our Combined *Pro Forma* Adjusted EBITDA.

We have presented *pro forma* non-IFRS measures to give effect to the Transactions and adjustments related to the described Transactions.

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

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

Non-Financial Operating Data

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

For certain of these key performance indicators and other non-financial operating data, the data from Lowell and GFKL were combined, without adjustment, assuming the Acquisition (as defined herein) had occurred on June 30, 2015, the Acquisitions (as defined herein) had occurred on January 1, 2013 (in the case of gross collections from purchased debt portfolios) and the Acquisitions had occurred on July 1, 2014 (in the case of third-party collections). This combined data is presented for illustrative purposes only. It does not purport to indicate what the performance of our combined business would have been had the Acquisition or the Acquisitions taken place on June 30, 2015, July 1, 2014 or January 1, 2013 (as applicable), nor is it intended to be a projection of future results. Future results may vary significantly from the results reflected in the following tables because of various factors, including those discussed in "*Risk Factors*."

Lowell's accounting records and non-financial operating data are denominated in pounds sterling whereas GFKL's accounting records and non-financial operating data are denominated in euro. In order to combine the Lowell figures and the GFKL figures for the purposes of producing combined non-financial operating data, the relevant GFKL figures were translated from euros to pounds sterling using a conversion rate of: (i) 0.732 for non-financial operating data for the 6 months ended June 30, 2015, (ii) 0.806 for non-financial operating data for the 12 months ended December 31, 2014, (iii) 0.762 for non-financial operating data for the 12 months ended June 30, 2015 and (iv) 0.711 for non-financial operating data as of June 30, 2015.

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

We define Estimated Remaining Collections ("**ERC**") as the expected future collections projected to be received on all of our purchased debt portfolios based on our forecasting models. As of today, our internal models forecast collections over a 120-month period for Lowell and over a 180-month period for GFKL (in each case, except as otherwise specified). ERC projections for the combined businesses of Lowell and GFKL to give illustrative effect to the Transactions as if they had occurred on June 30, 2015 (the "**Group ERC**") were calculated by adding Lowell's ERC (based on a 120-month period) to GFKL's ERC (based on a 180-month period) translated into pounds sterling at the applicable rate). While the underlying methodologies Lowell and GFKL use to calculate ERC are generally consistent, no effort has been undertaken to harmonize these metrics and as a result, the ERC results for Lowell and GFKL may not be directly comparable. These projections were prepared for illustrative purposes only and may differ from the forecast we use to calculate the carrying value of our acquired debt portfolios as recognized in the Lowell Consolidated Financial Statements and the GFKL Consolidated Financial

Statements. We believe that ERC and Group ERC represent important supplemental measures to compare our cash generating capacity with other companies in the receivables management industry, even though we can provide no assurance that we will achieve such collections within the specified time period, or at all. For more information about how we calculate ERC, see "*Management's Discussion and Analysis of GFKL's Financial Condition and Results of Operations—Key Operating Metrics—Estimated Remaining Collections ("ERC")*" and "*Management's Discussion and Analysis of Lowell's Financial Condition and Results of Operations*."

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

Unaudited *Pro Forma* Condensed Consolidated Financial Information

As part of this Offering Memorandum, we present unaudited *pro forma* condensed consolidated financial information for the year ended December 31, 2014, as of and for the six months ended June 30, 2015 and for the 12 months ended June 30, 2015. This financial information is presented to illustrate the effect of the Transactions and the offering of the Existing 2022 Senior Secured Notes in connection with the GFKL Acquisition on the consolidated statement of financial position of the Senior Notes Issuer as of June 30, 2015 by giving effect to the Transactions and the offering of the Existing 2022 Senior Secured Notes in connection with the GFKL Acquisition as if they occurred on June 30, 2015, and on the respective consolidated income statements of the Group by giving effect to the Transactions, the GFKL Acquisition and the offering of the Existing 2022 Senior Secured Notes in connection therewith as if they occurred on January 1, 2014. Please see "*Unaudited Pro Forma Condensed Consolidated Financial Information*" for additional information on such *pro forma* financial information and a description of the assumptions used in creating such *pro forma* financial information. The adjustments made in order to present the unaudited *pro forma* condensed consolidated financial information have been made based on available information and assumptions that our management believes are reasonable. The unaudited *pro forma* condensed consolidated financial information is for informational purposes only and does not necessarily present what our results would actually have been had the Transactions and the offering of the Existing 2022 Senior Secured Notes in connection with the GFKL Acquisition actually occurred on June 30, 2015 or had the Transactions, the GFKL Acquisition and the offering of the Existing 2022 Senior Secured Notes in connection therewith actually occurred on January 1, 2014, nor should it be used as the basis of projections of our results of operations or financial condition for any future period. The Unaudited *Pro Forma* Condensed Consolidated Financial Information was prepared on the assumption that the Bridge Facilities, under which amounts are expected to be drawn to finance the Acquisition, were undrawn. In addition, the Unaudited *Pro Forma* Condensed Consolidated Financial Information was prepared on the assumption that the Senior Secured Notes were issued in the aggregate principal amount £555,000,000 and the Senior Notes were issued in the aggregate principal amount of £240,000,000. Moreover, the Unaudited *Pro Forma* Condensed Consolidated Financial Information was prepared on the basis of a different nominal interest rate in respect of the Senior Notes. Additionally, the assumptions on which calculations of transaction and finance related costs in the Unaudited *Pro Forma* Condensed Consolidated Financial Information were based differ from those used to compute the transaction costs presented in "*Use of Proceeds*". Please see the notes to our Unaudited *Pro Forma* Condensed Consolidated Financial Information for a more detailed discussion of *pro forma* adjustments. The unaudited *pro forma* condensed consolidated financial information has not been prepared in accordance with the rules or regulations of the SEC, and is not in compliance therewith or with any other comprehensive basis of preparation. Any reliance you place on this information should fully take this into consideration.

General

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

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

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

PRESENTATION OF INDUSTRY AND MARKET DATA

In this Offering Memorandum, we rely on and refer to information regarding our business and the markets in which we operate and compete. Certain economic and industry data, market data and market forecasts set forth in this Offering Memorandum were extracted from market research, governmental and other publicly available information, independent industry publications and reports prepared by industry consultants. These external sources include a market study commissioned in 2015 concerning Lowell and the UK debt purchase market (the "**UK Company Market Study**") and a market study commissioned in 2015 concerning GFKL and the German debt management services market (the "**German Company Market Study**" and, together with the UK Company Market Study, the "**Company Market Studies**"), both completed by a leading third-party consultancy firm. The Company Market Studies are based on primary interviews and field visits conducted with industry experts and participants, secondary market research and internal financial and operational information supplied by, or on behalf of, us.

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

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

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

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

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

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

EXCHANGE RATE INFORMATION

The Target's historical consolidated financial information, the Senior Notes Issuer's historical consolidated financial information and certain *pro forma* financial information are presented in pounds sterling. The following table sets forth, for the periods indicated below, the high, low, average and period end Bloomberg Composite Rate (London) expressed as U.S. dollars per £1.00.

	Period end	Average	High	Low
	U.S. dollars per £1.00			
Year				
2011	1.5509	1.6104	1.6694	1.5390
2012	1.6242	1.5925	1.6276	1.5295
2013	1.6566	1.5664	1.6566	1.4858
2014	1.5581	1.6458	1.7165	1.5515
2015	1.4734	1.5282	1.5878	1.4654
2016 (through February 1, 2016)	1.4387	1.4407	1.4747	1.4183
Month				
August 2015	1.5346	1.5583	1.5741	1.5346
September 2015	1.5132	1.5336	1.5581	1.5132
October 2015	1.5446	1.5343	1.5495	1.5149
November 2015	1.5035	1.5187	1.5422	1.5035
December 2015	1.4734	1.4978	1.5216	1.4734
January 2016	1.4223	1.4408	1.4747	1.4183
February 1, 2016	1.4387			

GFKL Holdco's historical consolidated financial information is presented in euros. The following table sets forth, for the periods indicated below, the high, low, average and period end Bloomberg Composite Rate (London) expressed as U.S. dollars per €1.00.

	Period end	Average	High	Low
	U.S. dollars per €1.00			
Year				
2011	1.2960	1.3998	1.4874	1.2925
2012	1.3197	1.2911	1.3463	1.2053
2013	1.3789	1.3300	1.3804	1.2772
2014	1.2100	1.3209	1.3925	1.2100
2015	1.0866	1.1096	1.2010	1.0492
2016 (through February 1, 2016)	1.0891	1.0861	1.0951	1.0746
Month				
August 2015	1.1204	1.1136	1.1529	1.0873
September 2015	1.1182	1.1232	1.1367	1.1117
October 2015	1.1018	1.1232	1.1445	1.0967
November 2015	1.0560	1.0722	1.1021	1.0560
December 2015	1.0866	1.0894	1.1015	1.0585
January 2016	1.0843	1.0859	1.0951	1.0746
February 1, 2016	1.0891			

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

	Period end	Average	High	Low
	euro per £1.00			
Year				
2011	1.1967	1.1512	1.2042	1.1071
2012	1.2307	1.2340	1.2863	1.1789

	Period end	Average	High	Low
		euro per £1.00		
2013	1.2014	1.1775	1.2328	1.1431
2014	1.2874	1.2470	1.2874	1.1912
2015	1.3559	1.3779	1.4399	1.2726
2016 (through February 1, 2016)	1.3209	1.3265	1.3645	1.2981
Month				
August 2015	1.3697	1.3996	1.4352	1.3602
September 2015	1.3533	1,3654	1.3828	1.3463
October 2015	1.4020	1.3662	1.4020	1.3386
November 2015	1.4238	1.4166	1.4299	1.3993
December 2015	1.3559	1.3751	1.4199	1.3508
January 2016	1.3116	1.3268	1.3645	1.2981
February 1, 2016	1.3209			

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

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

For the purposes of converting certain GFKL operating data from euro to pounds sterling, we have used the exchange rates indicated below. Rates used for 2003 to 2009 have been sourced from Capital iQ while the rates used for the 12 months ended June 2015 and for the six months ended June 30, 2015 are the rates used to create the Unaudited Pro Forma Condensed Consolidated Financial Information.

Year	Period End	Average
	euro per £1.00	
2003	1.4156	1.4450
2004	1.4152	1.4733
2005	1.4510	1.4620
2006	1.4847	1.4669
2007	1.3610	1.4613
2008	1.0427	1.2575
2009	1.1271	1.1229
2010	1.1665	1.1664
2011	1.1967	1.1525
2012	1.2307	1.2333
2013	1.2014	1.1777
2014	1.2874	1.2411
12 months ended June 30, 2015	1.4057	1.3116
Six months ended June 30, 2015	1.4057	1.3655

The rates may differ from the actual rates used in the preparation of the GFKL Consolidated Financial Statements, the Lowell Consolidated Financial Statements, the Senior Notes Issuer Consolidated Financial Statements and other financial information appearing in this Offering Memorandum. Neither we nor the Initial Purchasers represent that the U.S. dollar or pound sterling amounts referred to in the tables above could be or could have been converted into euro or, in the case of U.S. dollar amounts, pounds sterling at any particular rate indicated or any other rate.

SUMMARY

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

Overview

Upon completion of the Acquisition, our business will combine Lowell, a leading purchaser of non-performing consumer debt portfolios in the United Kingdom, and GFKL, a leading receivables management company in Germany. The combination of these two companies is expected to create one of the largest receivables management businesses in Europe by revenue, ERC on purchased debt portfolios and current outstanding face value of debt portfolios managed on behalf of third parties. We believe the combined group has strong growth prospects in the two largest European consumer credit markets and clear common core competencies: longstanding and multifaceted client relationships built on differentiated strategies for originating new business; a broad business model that is diversified across product offerings, markets and sectors; a strong track record of return on capital and reliable portfolio pricing; a cash-generation capability featuring high predictability and visibility into future cash flows; and a robust governance framework with a focus on compliance that we believe is embedded in our operational activity.

With respect to our debt purchase business, as of June 30, 2015, we had invested a combined total of £1.1 billion in the acquisition of 1,244 debt portfolios with an aggregate face value of £17.5 billion. As of June 30, 2015, the Gross Money Multiple for Lowell's and GFKL's purchased debt portfolios was 2.4x and 3.4x, respectively. After giving *pro forma* effect to the Transactions, the GFKL Acquisition and the offering of the Existing 2022 Senior Secured Notes in connection therewith as if they had occurred on January 1, 2014, we would have generated *pro forma* revenue of £349.6 million and Combined *Pro Forma* Adjusted EBITDA of £204.3 million for the 12 months ended June 30, 2015. On a combined basis, the Group ERC for the Combined Business would have been £1.3 billion as of June 30, 2015. For our third-party debt collection business, after giving *pro forma* effect to the Transactions, the GFKL Acquisition and the offering of the Existing 2022 Senior Secured Notes in connection therewith as if they had occurred on January 1, 2014, the Combined Business would have generated *pro forma* revenue from third-party collections of £77.3 million for the 12 months ended June 30, 2015. After giving *pro forma* effect to the Acquisition, the Combined Business would have had £7.9 billion in face value of third-party debt under management as of June 30, 2015. For a discussion of how the Lowell and GFKL financial data were combined to produce illustrative data for the Combined Business, see "*Presentation of Financial and Other Information—Non-Financial Operating Data*" and "*Presentation of Financial and Other Information—Unaudited Pro Forma Condensed Consolidated Financial Information*." For a discussion of how Lowell and GFKL determine their respective number of portfolios purchased during a given period, see "*Portfolio Purchases Face Value of Purchased Debt & Gross Money Multiples by Vintage*," note 1. For a discussion of how we define Combined *Pro Forma* Adjusted EBITDA and Group ERC, see "*Presentation of Financial and Other Information—Pro Forma Non-IFRS Measures*" and "*Presentation of Financial and Other Information—Non-Financial Operating Data*."

Each company already enjoys a leading position in its domestic market built on its key capabilities. In the United Kingdom, Lowell built its reputation as a preeminent debt purchaser as a result of advanced data analytics, the unique insights it derives from its comprehensive customer information databases and its highly efficient operational platform. We expect that Lowell will contribute sophisticated pricing, data analytics and cost-optimization experience to the combined business. In Germany, GFKL is the number one non-captive receivables management company and one of the top-four receivables management companies by 2013 revenue, according to the German Company Market Study. Non-captive receivables management companies are generally standalone businesses that typically do not service or purchase any debt that was originated by their own group companies. We expect that GFKL will provide proven experience in servicing and business process outsourcing ("**BPO**") to the combined business.

We believe that the combination of the businesses will facilitate the roll-out of a broad receivables management offering providing end-to-end receivables management services with strong growth prospects leveraging our competitive strengths in both the UK and German markets. We expect that the combination will be enhanced by sharing best practices between the two businesses and utilizing their complementary competencies in debt purchasing and outsourced credit services. In addition, we expect the cross-fertilization of Lowell's and GFKL's existing debt originator relationships and debt portfolio origination capabilities to further benefit the combined business. The ability to cross-sell services currently sold in only one of our markets to debt originators in the other market, and to offer new services in our existing markets, presents further growth prospects, especially since there is limited overlap in Lowell's and GFKL's respective client bases. We expect that our combined operations will also benefit from the diversification of our income streams, which we anticipate will substantially enhance our risk profile and operational advantages.

We believe that we derive significant competitive advantages from the combination of two franchises that are among the leaders in their respective markets. We expect that the combination of Lowell and GFKL will enable us to use the competitive advantages of each business to inform the practices of the other and thereby to create a preeminent player in the European receivables management services sector, with significant revenue and cost-synergy potential. We expect to further capitalize on our strengths by: maintaining pricing discipline to drive industry-leading returns on capital; continuing to invest in our people and corporate culture; seeking to remain a leader in compliance and customer experience; continuing to innovate and invest in our IT, data and collection platforms; developing stronger client relationships (including by investing in our one-stop service offering); and participating opportunistically in industry consolidation when accretive opportunities arise.

Our Key Strengths

Leading Positions in Europe's Two Largest Consumer Credit Markets

The combination of Lowell and GFKL brings together two market-leading and complementary businesses operating in the two largest consumer credit markets in Europe, as measured by the Company Market Studies. According to estimates in the Company Market Studies, the United Kingdom had approximately £242 billion in 2014 and Germany had approximately €310 billion (£263 billion) in 2013 of flow of unsecured consumer debt. In the United Kingdom, we are a leading purchaser of defaulted consumer debt portfolios as measured by purchased receivables under management. In the Lowell Financial Year 2014, Lowell invested £162 million to purchase debt portfolios with an aggregate face value of £2.1 billion. According to management calculations based, in part, upon the UK Company Market Study, we believe this investment represented 18% of debt portfolio purchases (including recessionary delayed sales) in the United Kingdom across the three UK market sectors we target, which sectors accounted for 99% of the face value of debt portfolios sold in the United Kingdom in 2014. In Germany, as of December 31, 2013, GFKL was the number one non-captive receivables management company and one of the top-four receivables management companies by 2013 revenue, according to the German Company Market Study. For the 12 months ended June 30, 2015, we generated revenue of £349.6 million after giving *pro forma* effect to the Transactions, the GFKL Acquisition and the issuance of the Existing 2022 Senior Secured Notes in connection therewith as if they had each occurred on January 1, 2014.

In addition, we believe that by focusing on a broad range of sectors, we are able to address a greater portion of all consumer credit volumes generated annually in the United Kingdom and Germany than we would be able to address with a less comprehensive approach. We are a market leader and a pioneer in servicing debt originators across multiple sectors. In the United Kingdom, for the 12 months ended September 30, 2014, we believe we had a market-leading share of debt portfolio purchases in each of the telecommunications sector, the retail sector and the low-balance segment of the financial services sector of the UK debt purchase market, as well as a top-tier position in the public sector of the UK third-party collection services market. In Germany, as of December 31, 2013, GFKL held market-leading positions in the insurance and fitness sectors and top-five positions in the financial services, retail, telecommunications and public sectors according to the German Company Market Study. We have a strong track record of successfully entering new market sectors and gaining high market shares in those sectors, such as the telecommunications, retail and public sectors in the United Kingdom and the insurance and fitness sectors in Germany.

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

Attractive Market Dynamics Supporting Growth and Profitability

We believe that the characteristics of the two markets in which we operate are conducive to sustainable growth and profitability for our combined Group. Both the United Kingdom and Germany currently benefit from stable macroeconomic conditions, including real GDP growth, low inflation, low interest rates and low unemployment. In addition, we believe that the legal and regulatory environment in each jurisdiction is strong and stable, which, in our view, fosters market stability. We also believe that the demanding nature of regulatory compliance in both the United Kingdom and Germany can be burdensome to small businesses and may therefore increase consolidation opportunities for large players in the receivables management market.

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

In addition, we believe that the consumer credit market in the United Kingdom has several distinctive features that make it attractive to receivables management companies like us. We believe that the United Kingdom is one of the largest consumer NPL markets in Europe by face value of defaulted debt sold annually, with approximately £6.2 billion of unsecured defaulted consumer debt sold in the year ended December 31, 2014, according to the UK Company Market Study. Moreover, the UK consumer NPL market has grown (excluding public sector and recessionary delayed sales) at a CAGR of approximately 6.0% from 2011 to 2014, according to the UK Company Market Study. The UK Company Market Study further estimates that the total price paid for debt portfolio purchases will increase (excluding public sector and recessionary delayed sales), at a CAGR of 13% from 2014 to 2019. We believe that the UK consumer NPL market is consolidating around a small number of sophisticated and large-scale players, such as our UK business, which we believe are competitively advantaged to grow more quickly, and at higher levels of profitability, than their smaller peers. We believe such players have a number of structural advantages, including, for example, an ability to exploit more extensive customer databases, a heightened capacity to absorb the burdens of an increasingly demanding compliance environment and an ability to more readily develop a comprehensive service offering for their clients. Moreover, management has observed a growing propensity on the part of UK debt originators to sell debt portfolios earlier in the recovery process, and we believe that their demand for other receivables management services throughout the credit cycle is likely to increase.

The consumer credit market in Germany is also distinguished by several features that, in our view, make it attractive to receivables management companies. We believe that Germany is one of the largest consumer NPL markets in Europe by flow of newly created unsecured consumer defaulted debt, with approximately €9.5 billion (£8.1 billion) of unsecured defaulted consumer debt created in 2013, according to the German Company Market Study. Moreover, the aggregate outsourced principal value of newly defaulted consumer debt coming to the German market each year has grown 5.3% from 2009 to 2013 for debt purchasing and at a CAGR of approximately 4.6% for third-party collections and services, according to the German Company Market Study. The German Company Market Study further estimates that the outsourced consumer NPL market in Germany is set to grow at a rate of approximately 4% per year through 2018. A diverse range of German businesses, from sectors such as financial services, fitness, retail and telecommunications, originates consumer credit from a diverse customer base. These businesses use a varied set of collection methods to support the debt recovery process and typically outsource receivables collections. For example, according to the German Company Market Study, in 2013 less than 26% of German consumer creditors relied solely on in-house staff for debt collection, while the majority of businesses outsourced debt collections to law firms or debt collection agencies. Moreover, management has observed demand among German debt originators for BPO services and a willingness on the part of German debt originators to outsource collection in the early stages of the recovery process (for example, by as early as 45 days after the original payment due date). Since the German receivables management market is highly fragmented, with approximately 600 to 900 players, we believe that large players such as our German business have a competitive advantage due to their scale and the breadth of their client relationships. In addition, we believe that Germany has both a strong repayment culture and creditor-friendly laws and regulations, and that together these features create a favorable environment for debt collection. Creditors in Germany benefit from a long enforcement period against customers, since the statutory limitation period in Germany for applying for and obtaining enforcement title against customers is generally three years and, once obtained, the enforcement title is valid for 30 years. Further, under German law, creditors are generally entitled to charge additional amounts to the customer as damage caused by delayed payment, including default interest, the costs of third-party collection services and legal costs. Each of these factors has, in our view, helped to drive up the profitability of debt collection in Germany.

A Broad Business Model with Significant Diversification Benefits

We operate a broad and diversified business model in the two largest European consumer credit markets, with 71% and 29% of our combined revenue (excluding lawyer service revenue and other services) in the 12 months ended June 30, 2015 generated from our debt purchase businesses and third-party collection, respectively. We earn revenue from a large client base, within which there is minimal overlap between the clients of our UK business and those of our German business, and which encompasses clients in the financial services, insurance, retail, telecommunications, fitness, public and utilities sectors, among others. For the 12 months ended June 30, 2015, our combined revenue split by industry was financial services (36%), retail (23%), telecommunications (17%), insurance (15%), fitness (2%), public sector (1%) and other (6%). We are able to provide these clients with a one-stop service offering that includes third-party collection, risk management and BPO services. We believe this full-service offering helps us both to build strategic partnerships and to embed ourselves further in our clients' credit-management processes. For example, management has observed that our provision of third-party debt collection services can lead to debt purchases and help improve our debt portfolio modeling, while risk management and BPO services can act as "door openers" by creating opportunities to cross-sell to our clients additional services with higher margins.

By combining Lowell and GFKL, we believe we can further diversify our business and realize a number of tangible benefits from which we stand to gain a key competitive advantage. Since we expect to make our investment decisions at the Group level, we believe we may have greater flexibility than either our UK or our German business had previously with respect to both originating new business and allocating capital across markets, sectors and clients to wherever the returns are most attractive. We believe that this increased flexibility enhances our adaptability and resilience in changing market trends and economic cycles. Moreover, since we have a higher volume of accounts, spread across a more diverse array of sectors and debt originators, we believe we are advantaged in our pricing accuracy and our ability to enhance the efficiency of our collection processes.

Longstanding Client Relationships Built on a Differentiated Origination Strategy

We benefit from strong, longstanding client relationships, many of which are with large companies that are well-known to the public, across a broad range of industries. In both the United Kingdom and Germany, we strive to develop more embedded relationships with our clients by offering them an expanding range of services, such as risk management and BPO services, capable of addressing our clients' needs throughout the credit cycle, from debt extension to defaulted debt recovery.

We believe the strength of our client relationships provides us with significant financial benefits derived from a steady stream of business and good visibility into new business origination and future cash flows. In addition, approximately 42% of our portfolio purchases (by expenditure and on a *pro forma* basis) in the 12 months ended June 30, 2015 were acquired through forward flow agreements with debt originators. We believe that our one-stop services offering helps us to maintain the longevity of our client relationships.

In addition to maintaining longstanding relationships with our clients in both of our markets, we have enjoyed a particularly strong track record of gaining new business. For example in Germany, from January 1, 2013 to December 31, 2014, the GFKL Group achieved an increase of 45% in new business receivables under contract based on the face value of debt outstanding, including fees and other charges, and its average fixed new business contract length for large, well-known clients increased from 1.7 to 2.3 years. The GFKL Group added 20 large, well-known companies as new clients in 2012, 23 in 2013 and 26 in 2014.

We believe that our UK and German businesses' strong franchises and leading market positions have made each of them a preferred partner among clients across all industry sectors in its respective market. As a result, we believe that there are compelling opportunities for us to cross-sell to each of our UK and German businesses' existing client bases, including, in particular, the Group's large, international clients.

Competitive Advantage Embedded in Advanced, Scalable Operating Platform

Each of our UK and German businesses is supported by what we believe to be industry-leading IT and data platforms. Our systems are technologically sophisticated, highly automated and driven by data derived from our databases of owned and serviced customer portfolios in the United Kingdom and Germany, each of which we believe to be the largest in its country. As of June 30, 2015, our combined systems held data derived from the transactional records of some 18 million and 11 million customer accounts in the United Kingdom and Germany, respectively. Since our UK business has historically favored low-balance customer accounts, we believe it has been able to accumulate a higher volume of customer accounts per portfolio purchased than competitors that favor customer accounts with higher balances. Moreover, we believe that our data systems benefit from a virtuous circle that further strengthens our informational advantage relative to that of our competitors: in our experience, the more debt portfolios we service or purchase, the more data and collection experience we derive and the more accurate our tracing and pricing systems become. We also believe that our systems' increasing sophistication has the additional benefit of making them increasingly difficult to replicate.

Our IT and data platforms are subject to an ongoing process of improvement and innovation, which we support with ongoing investment. In the United Kingdom, Lowell has invested £6.2 million in its IT and data systems since September 1, 2012. We believe that these investments, which have focused on improvements and innovations in Lowell's pricing, tracing, collections and IT systems, have yielded clear results. For example, Gross Collections per customer representative FTE in the United Kingdom grew from approximately £367,000 to approximately £612,000 between 2009 and 2014, and we believe that the increasing sophistication of our IT and data systems was one of the factors contributing to this growth. In Germany, GFKL invested €16.4 million between January 1, 2011 and December 31, 2014 in the acquisition of property, plant and equipment and intangible assets, and this was mainly invested in its IT and data systems, in addition to acquiring DMA in October 2014. GFKL's investments in its IT and data systems have been focused on increasing standardization and automation while streamlining operations in order to reduce operating costs. Bolstered by these investments, from 2012-2014, Gross Collections per FTE at GFKL (as of the respective year-end) increased at a CAGR of 10% per annum from 2012 to 2014. In addition, third-party collection services per FTE at GFKL's three largest subsidiaries in Germany increased by 12.9% between 2012 and 2014, which we believe is a strong growth rate in the German third-party collection services market. The acquisition of DMA, a critical strategic decision aimed at enhancing our data analytics sophistication in Germany, has provided us with a valuable tool to support our data analytics activities.

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

Robust Compliance and Risk-Management Framework Supporting our Reputation

We believe the data sophistication that underlies our collection techniques contributes to our ability to manage compliance and reputational risk. We further believe that our focus on and extensive experience in compliance and risk management resonate well with debt originators and provide us with a competitive advantage in the UK and German regulatory environments, which, though different in their particular legal frameworks and regulations, are similarly well-developed, robust and stable. It is our view that such environments are a barrier to entry for prospective competitors in the UK and German receivables management markets and favor strong market participants, such as our UK and German businesses, which have the scale and experience necessary to meet demanding compliance requirements.

Across both our UK and German businesses, compliance is at the heart of our operations. In our UK business, we work with customers in a proactive and supportive way based on data intelligence and analytics, which we use to create sustainable payment solutions tailored to our customers' financial circumstances. Similarly, in our German business, we work to reach mutual agreements with customers before we resort to legal procedures. We believe that we have a strong track record with respect to customer complaints in both the United Kingdom and Germany. For the 12 months ended June 30, 2015, the FOS-filed complaint ratio in our UK business was low, with 29 cases per one million active financial services accounts. In our German business, GFKL's largest German operating entity received, on average, only 0.045% new customer complaints per year as a percentage of active accounts from 2012 through 2014. Further, our UK business has received numerous accolades for its strong track record with respect to the quality of its customer service. In 2014 for example, our UK business was awarded an "Exceptional" rating by Investor in Customers, a UK customer-experience consultancy. In addition, in 2014 our UK business received a positive Net Promoter Score that exceeded the Net Promoter Scores received by most well-known retail banks in the United Kingdom which we believe is particularly remarkable given our customers do not choose to be customers of Lowell. Our German business has also been recognized for its customer service. GFKL received the highest S&P Servicer Rating among German receivables management service providers in 2014.

Our focus on risk management is grounded in both the management structure and the processes of our UK and German businesses. Our UK and German businesses employ "three lines of defense" risk-management models that we believe mirror the highest risk-management standards in the financial services industries of their respective markets. Following the Acquisition, we expect to implement our risk-management approach with oversight from a combined Group internal audit function.

Strong Track Record of Return on Capital and Portfolio Pricing

We believe that we have a track record of strong and stable return on capital supported by continuous improvement in data analytics and the use of feedback from our collection operations. Our aggregate Gross Money Multiples on portfolios purchased as of June 30, 2015 were 2.4x and 3.4x for our UK and German businesses, respectively. Moreover, since we expect to make investment decisions at the Group level following the Acquisition, we believe that we may be able to deploy our capital across our UK and German businesses to wherever returns are most promising, which we believe would contribute to our ability to maintain high returns on capital. We believe that continuous improvement in data analytics and leveraging feedback from collection operations has helped our UK and German businesses strengthen their underwriting, resulting in a narrower disparity between forecasted and actual returns. Overall, collections on portfolios for our UK business have exceeded the original forecast generated at the time of purchase by 2% since our inception in May 2004 to June 30, 2015. In the period between September 30, 2003 and June 30, 2015, our German business's Gross Collections on its purchased debt portfolios cumulatively exceeded the original forecast generated at the time of purchase by 21%. Furthermore, the disparity between our pricing forecasts and pricing results for our UK operations has narrowed over time. In May 2007 our actual collections were 107% of its forecasted collections, while in the 12 months ended June 30, 2015, our UK business's actual collections were 101% of its forecasted collections.

We believe that our disciplined approach to portfolio pricing has helped us to avoid overbidding on debt portfolios. Our portfolio pricing process begins with a rigorous and extensive due diligence and valuation exercise, which may involve, among other things, building a synthetic debt portfolio with actual performance data and similar customer characteristics and/or performing on-site file testing to assess the underlying quality of the debt portfolio before submitting our final bid. Our due diligence and valuation methods benefit from the market-leading scale of our data in both the United Kingdom and Germany, our sophisticated and automated data systems and our experienced and skilled portfolio pricing specialists. Upon the successful completion of due diligence, a debt portfolio is subject to a clear and systematic internal review and approval process culminating in a decision to either approve or reject the proposed portfolio investment. Historically, in our UK business, the unanimous approval of the members of a pricing committee has been required for debt portfolios with a purchase price in excess of £1 million. Debt portfolios with a purchase price of £1 million or less were required to be reviewed by a subcommittee and approved by the senior pricing committee prior to the submission of a bid. Historically, in our German business, the governance process that has applied to a proposed portfolio investment has likewise depended on the total amount to be invested but has generally comprised three separate committee approvals before submission of a final bid, all of which have required review by our German business's investment committee.

Cash-Generative Business Model with Strong Cash-Flow Visibility

Our debt portfolio purchase business provides excellent visibility into future earnings, as well as substantial cash-flow generation backed by a significant asset base. We believe that the multi-year nature of our forward flow agreements, for example, helps to provide us with visibility into new business origination and expected returns. In the Lowell Financial Year 2014, 36% of the total price paid for our UK business's debt portfolio purchases came from forward flow agreements, which were entered into with 18 debt originators and carried fixed terms for up to three years. As of June 30, 2015, 81% of our UK business's re-tendered forward flow agreements have been renewed at least once. Forward flow agreements accounted for 38% of our German business's debt portfolio purchases between September 2003 and June 30, 2015. In addition, we believe that the volume of debt portfolios we purchase from repeat clients (*i.e.*, clients with which we previously concluded a spot purchase or forward flow agreement) helps to strengthen our visibility into new business and future cash flow generation. Repeat clients accounted for approximately 84% of the total price paid for our UK business's purchased debt portfolios in the

Lowell Financial Year 2014 and 91% of the total price paid for our German business's purchased debt portfolios in the year ended December 31, 2014. We believe that our significant asset base of debt portfolios is capable of continuing to yield predictable cash flows. As of June 30, 2015, Lowell and GFKL collectively owned 1,244 debt portfolios, and our Group ERC was £1,308 million as of June 30, 2015. To date Lowell and GFKL have collectively invested £1.1 billion in defaulted debt portfolios, resulting in aggregate Gross Money Multiples on portfolios purchased as of June 30, 2015 of 2.4x and 3.4x for our UK and German businesses, respectively. For a discussion of how Lowell and GFKL determine their respective number of portfolios purchased during a given period, see "*Portfolio Purchases Face Value of Purchased Debt & Gross Money Multiples by vintage*," note 1.

GFKL's third-party collection services business is also cash generative and typically enables GFKL to scale its business without requiring significant incremental investments. We believe that the contractual arrangements in GFKL's third-party collection services business, which are both stable and of increasing durations (notably for contracts with large, well-known clients), provide visibility into future collections, the fees we derive from them and the associated cash-flow generation. In addition, we believe that our Group ERC forecast is reliable and resilient, since, for example, a significant proportion of our future collections is tied to long-term repayment plans across a diverse range of portfolios. We believe we take a cautious approach to repayment by attempting to establish recurring payment methods with lower rates of default, such as direct debits and continuous payment authorizations on debit and credit cards. We expect approximately 38% of our Group ERC to be generated within the next 24 months and approximately 23% to be generated within the following 24-month period.

Our Combined *Pro Forma* Adjusted EBITDA was £204.3 million for the 12 months ended June 30, 2015. For the 12 months ended June 30, 2015, our *pro forma* cash conversion was 101.7%. For more information regarding Combined *Pro Forma* Adjusted EBITDA and cash conversion, see "*Presentation of Financial and Other Information—Pro Forma Non-IFRS Measures*."

Proven Management Team Supported by Skilled and High-Quality Business Professionals

We are managed by a strong executive team, which comprises individuals with many years of relevant experience and provides leadership across all functional areas of our business. In particular, we believe that our combined business will have one of the most experienced senior management teams among European receivables management companies. For example, one of our co-CEOs served as CEO of our UK business since it was established in 2004, while our other co-CEO and our CFO combine 51 years of relevant managerial and financial professional experience. Furthermore, our co-CEO at the head of our German business oversaw a management team that we believe made significant contributions to the repositioning of our German business as a leading receivables management company in Germany. In addition, we believe he has helped our German business achieve considerable improvements in its commercial, operating and financial effectiveness and results.

In addition, strong teams of qualified professionals, who are drawn from the wider financial services industry and other large corporate entities involved in consumer outreach, support our senior management team by performing central business functions and assisting in the execution of our strategy. These skilled managers are supported by a workforce of approximately 2,045 FTEs as of June 30, 2015. We continuously invest in our employees with sustained efforts to create an inclusive and staff-friendly work environment and to provide meaningful career-development opportunities.

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

Our Strategy

We believe that we will derive significant competitive advantages from the combination of two franchises that are among the leaders in their respective markets. We expect that the combination of Lowell and GFKL will enable us to use the competitive advantages of each business to inform the practices of the other and thereby create a preeminent player in the European credit management services sector, with significant revenue- and cost-synergy potential. We expect to further capitalize on our strengths by: maintaining pricing discipline to drive industry-leading returns on capital; continuing to invest in our people and corporate culture; seeking to remain a leader in compliance and customer experience; continuing to innovate and invest in our IT, data and collection platforms; developing stronger client relationships (including by investing in our one-stop service offering); and participating opportunistically in industry consolidation when accretive opportunities exist.

Realize Benefits of Combining and Sharing Best Practices between Lowell and GFKL, Including Revenue and Cost Synergies

Our strategy is ultimately to become the leading provider of receivables management services in Europe. We believe that the combination of our two businesses, which have separate but complementary sets of competitive advantages, will be essential to helping us achieve this goal and will yield significant revenue and cost-synergy potential. Lowell is a leader in the UK receivables management market and possesses one of the most sophisticated debt purchase platforms in Europe. GFKL is a leading player in the German debt purchase and third-party collection services markets and provides its clients with a diversified service offering that harnesses its expertise in a range of receivables management services, including BPO and risk-management services.

We intend to further enhance Lowell's and GFKL's respective market positions and competitive advantages by sharing best practices between the two businesses. On the one hand, we expect that Lowell's advanced modeling, pricing, data-analytics and cost-optimization techniques will help to enhance GFKL's already sophisticated data platforms. On the other hand, we expect GFKL to provide Lowell with a gateway to the continental European market and certain large, multinational clients, along with the benefits of its longstanding expertise in third-party collection services and BPO services, as well as industry expertise in sectors that are currently not covered by Lowell and that Lowell could address in the future. In addition, we believe that Lowell and GFKL stand to benefit from additional growth opportunities by virtue of the fact that the sectors in which each business has particular strengths only partially overlap. For example, Lowell had market-leading shares of the debt portfolio purchases in the retail and telecommunications sectors in the 12 months ended September 30, 2014, as well as a top-tier position in the public sector of the UK third-party collection services market, while GFKL held market-leading positions in the insurance and fitness sectors as of December 31, 2013. We believe that this complementary sector expertise provides us with significant opportunities to cross-sell services to clients of each of our UK and German businesses such as providing GFKL's risk management solutions, e-commerce solutions and data information services to UK clients, such as GFKL's PayProtect solution. Accordingly, we believe that the Acquisition has the potential to produce substantial revenue synergies for the Group.

We expect to realize a number of operational benefits as a result of the combination of Lowell and GFKL and the sharing of best practices between them. We intend to take advantage of the scale provided by the combination of the two businesses in order to streamline our operations and administrative functions, which we believe will help us optimize efficiency and control costs.

Although we are bringing together our UK and German businesses in a combined structure, each business continues to pursue the strategy that brought it success prior to the Acquisition. Accordingly, we employ a co-CEO management structure, which we believe contributes to our efforts to ensure that the combination of our UK and German businesses yields its anticipated benefits while causing minimal disruption to each business's plans in its respective market.

Maintain Clear Pricing Discipline to Drive Industry-Leading Returns on Capital

Pricing discipline and systematic, objective pricing processes are an integral part of our strategy. We believe that as a result of our pricing discipline, among other factors, we have been able to grow our asset base and profits, notwithstanding the changing economic environment, and have maintained stable, strong and predictable overall return on capital across our sectors. We plan to continue to invest in our pricing methodologies and capitalize on the virtuous circle by which the customer profiles and collections data we gather each month continuously add to the accuracy and sophistication of our systems and models. Moreover, since we expect to make investment decisions at the Group level following the Acquisition, we believe we may be able to deploy our capital across our UK and German businesses to wherever returns are most promising, which we believe would contribute to our ability to maintain high returns on capital.

Continue Investing in Our People and Corporate Culture

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

Deliver a Compliant Customer Experience through Best Practices

We aim to extend our track record of operating ethically, transparently and in compliance with all applicable rules, regulations and guidance. We intend to continue to work with each customer to develop a realistic and sustainable payment plan that is tailor-made to the customer's circumstances and allows the customer to restore his or her financial standing and continue to access mainstream credit products. To maintain and enhance this individualized approach to our customers, we intend to continue to leverage our data analytics capabilities in order to help ensure that the customer profiles we build are as accurate and up-to-date as possible. As the legal and regulatory environments in which we operate continue to evolve, we intend to adapt our culture, practices and policies appropriately, while seeking always to be the model that others look to for compliance standards and best practices.

A strong approach to compliance constitutes an increasingly important differentiating factor in the markets in which we operate. We believe that our focus on compliance reassures our clients that their customers and reputations are in safe hands, and thus will give us a key competitive advantage going forward.

Continuously Improve our IT, Data and Collection Platforms through Innovations and Investment

We are continuously looking to improve our IT, data and collection platforms and processes and harmonize our core applications in order to strengthen our services offering and operate more efficiently. We aim to extend our strong track record of implementing incremental technological and collection process improvements, which have contributed to enhanced performance and increased efficiency throughout our business. For example, in the United Kingdom we are actively deploying technology, including the BLAZE software platform, that allows us to pursue more customizable letter strategies, through which we are able to more closely tailor our contact to the customer's unique circumstances. Our UK business is also planning to implement certain application simplification measures, which we believe will enable the reuse of underlying infrastructure and ease the integration of external applications and services, as well as considering measures designed to further optimize its deployment of speech analytics and IVR capabilities. In Germany, our data analytics team has identified more than 50 operational initiatives including, for example, initiatives to improve our tracing capabilities and litigation selection processes. We believe these initiatives will improve the efficiency of our operations platform through cost reductions, increased collections or a combination of these two effects, and GFKL is currently developing an implementation timetable for the resulting program of work.

Invest in our One-Stop Service Offering and Continue to Build Ever Stronger Client Relationships

Our strategy is focused on building our current share of the receivables management markets in the United Kingdom and Germany by continuing to work closely with the main debt originators in each of our key sectors. We have adopted a proactive approach to managing our relationships with debt originators, with an emphasis on transparency and building longstanding professional relationships based on a granular understanding of a debt originator's business and receivables management services requirements.

Our leading market positions in the United Kingdom and Germany, along with our longstanding client relationships and high volumes of data in each market, contribute to our ability to anticipate our clients' changing needs while identifying new market opportunities. We believe that debt originators are increasingly seeking a holistic, cost-efficient and fully compliant approach to receivables management. To address this growing need, we aim to continue to develop our one-stop service offering, a differentiated services offering that addresses each step of the debt recovery cycle and thereby helps us to further embed our operations within those of our clients. We intend to develop our one-stop service offering in a number of ways, including, for example, by capitalizing on GFKL's experience in BPO and carve-out transactions. Moreover, we have a strong track record of opening up new sectors of the receivables management market, and we seek to continue to build relationships with entities that have not previously sold debt portfolios or purchased receivables management services. For example, we expect that Interlaken, our third-party collection platform in the United Kingdom, will enable our expansion into the public sector, since it is one of a select group of debt collection agencies chosen by HM Revenue & Customs, the United Kingdom's tax and customs authority, to provide collection services for central government departments.

Participate Opportunistically in Consolidation of our Industry when Accretive Opportunities Exist

We have a strong track record of selective and accretive expansion in the United Kingdom and Germany, as demonstrated by Lowell's acquisition of Interlaken in 2013 and GFKL's acquisitions of ITT and DMA in 2014. We intend to participate opportunistically in the consolidation of the European receivables management industry in order to build scale, address untapped customer segments and create new relationships with debt originators. We intend to strategically pursue further carve-out transactions with current clients and small, credit-accretive bolt-on acquisitions. We will continue to apply our strong and disciplined approach to pricing in connection with these potential acquisitions.

Our History

Our business combines two companies: Lowell, which operates in the United Kingdom, and GFKL, which operates in Germany. Following the Acquisition, both businesses are controlled by Permira. The GFKL Acquisition closed on June 30, 2015. On August 7, 2015, Permira announced its plan to acquire Lowell from TDR Capital and combine Lowell and GFKL to create a leading pan-European receivables management business. The Acquisition closed on October 13, 2015. See "*The Transactions*."

Lowell was established in 2004 and is a leading provider of receivables management services in the United Kingdom, the sole jurisdiction in which it operates. While Lowell focuses mainly on debt purchase, it performs limited third-party collection services in several sectors and offers a growing selection of other receivables management services. Headquartered in Leeds and with offices in Surrey, Lowell had 1,240 FTEs as of June 30, 2015.

GFKL was founded in 1992 and is a leading provider of receivables management services in Germany, the sole jurisdiction in which it operates. GFKL is active across the full value chain of receivables management. It operates out of 13 locations throughout Germany (12 locations upon the expected relocation of its Potsdam offices to its Dusseldorf location), including its Essen headquarters, and it had 805 FTEs as of June 30, 2015. Both Lowell and GFKL benefit from significant scale, expertise and experience in their respective core operations.

Lowell's History

Lowell was established in May 2004 and became active in the debt purchase market in June 2004, following the acquisition by Cabot Square Capital of Premier Seekers, a UK trace specialist established by Andrew Bartle (Lowell's COO). Premier Seekers started trading in 1996 and was subsequently renamed Lowell Financial Limited. Lowell's initial focus was on developing expertise in tracing and technology that would provide a competitive advantage across pricing and collection operations, as the ability to trace account holders effectively is fundamental to success in collecting on defaulted debt portfolios. In April 2008, Lowell's business was acquired by Exponent, which sought to increase Lowell's funding capacity to support its strategies for growth. Under the ownership of Exponent, Lowell continued to invest in technology, processes and management, which increased its technological and operational advantages. In September 2011, TDR Capital acquired Lowell from Exponent, and it has continued to maintain its majority interest in Lowell following the sale of a 36% economic interest in the Lowell Group to OTPP in 2014, which was rolled over at the time of the Acquisition. In 2013, Lowell Finance Limited acquired Interlaken Group Limited ("**Interlaken**"), a Surrey-based third-party collection services agency, in order to expand its debt-collection activities. See "*The Transactions*" for further information.

GFKL's History

Since its founding in 1992, GFKL has grown to become the number one non-captive receivables management company and one of the top-four receivables management companies in Germany by 2013 revenue, according to the German Company Market Study. In 1997-1998, GFKL started a debt collection business and in 2003, it purchased its first German debt portfolio. In 2009, GFKL was acquired by funds advised by Advent International Corporation, and it began a process of disposal of all non-core assets, including all non-debt collection and non-German operations. Beginning in 2012, GFKL made several strategic acquisitions to expand its value chain in the receivables management market in Germany, including the acquisition of 100% of the ownership interests in GCG (2012) and DMA (2014) and the acquisition of a majority stake in ITT (2014).

The Transactions

On August 7, 2015, we agreed to purchase the entire outstanding share capital of the Lowell Group, as well as any shareholder indebtedness outstanding. We financed the Acquisition through (a) an equity contribution from our principal shareholders; (b) the Senior Secured Bridge Facility; and (c) the Senior Bridge Facility. The Acquisition closed on October 13, 2015. We refinanced certain indebtedness of the Lowell Group on the Completion Date. We expect to use the proceeds from the Offering, together with cash on hand, to fully repay the amounts drawn under the Bridge Facilities and to pay fees and expenses incurred in connection with the Offering. For further details on the Acquisition, see "*The Transactions*."

Trading Update

Lowell's revenue for the two months ended August 31, 2015 was £34.6 million and GFKL's revenue for the two months ended August 31, 2015 was €45.6 million. This recent performance is in line with recent trends at each of Lowell and GFKL.

The above information is not intended to be a comprehensive statement of our financial or operational results for the two months ended August 31, 2015. This information has been prepared by, and is the responsibility of, management, and has not been audited. As such, you should not place undue reliance on the information set forth above. See "Forward-Looking Statements" and "Risk Factors" for a more complete discussion of certain of the factors that could affect our future performance and results of operations.

Recent Developments

For the three months ended September 30, 2015, we completed a number of portfolio acquisitions that increased our asset base. Lowell invested £84 million and GFKL invested €10 million in portfolio purchases. Lowell's portfolio acquisitions in the three months ended September 30, 2015 included the acquisition of a purchased debt portfolio with a purchase price of £52.5 million. This portfolio was acquired in line with our acquisition targets and returns and was planned as part of our ongoing efforts to meet our acquisition targets. During this period, we also gained new clients, demonstrating opportunities for further growth.

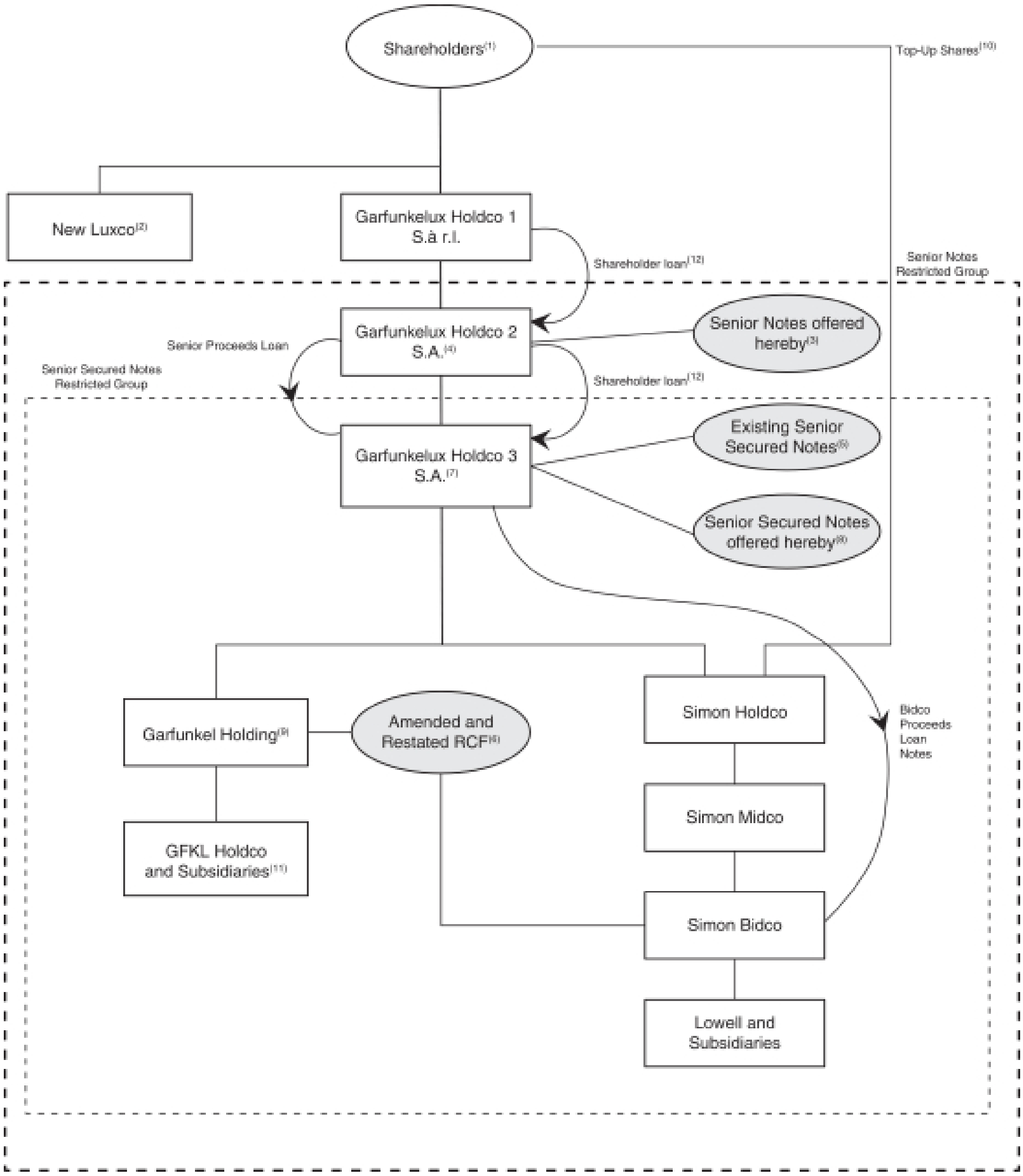
Principal Shareholders

Permira Funds is a European private equity firm with a global reach. Permira, as adviser to the Permira Funds, has approximately 130 professionals in 14 offices worldwide, including Dubai, Frankfurt, Guernsey, Hong Kong, London, Luxembourg, Madrid, Menlo Park, Milan, New York, Paris, Seoul, Stockholm and Tokyo. Since 1985, it has secured €25 billion of committed capital across 14 buy-out funds. Over the last three decades, Permira Funds has completed over 200 transactions, investing in companies across the five key sectors on which they are focused (consumer, TMT, industrials, financial services and healthcare).

OTPP is a large single-profession pension plan in Canada, managing C$154.5 billion in net assets as of December 31, 2014. It is an independent organization responsible for investing the pension fund's assets and administering the pensions of Ontario's 311,000 active and retired teachers. OTPP has offices in Toronto, New York, London and Hong Kong. Teachers' Private Capital is the private investment arm of OTPP, managing C$21 billion in invested capital as of December 31, 2014.

CORPORATE STRUCTURE AND CERTAIN FINANCING ARRANGEMENTS

The following chart shows a simplified summary of our corporate and financing structure as of the date of this Offering Memorandum adjusted to give effect to the Offering (including the expected use of the proceeds therefrom) and the Transactions (including the Acquisition). For further discussion, see "Capitalization" and "Use of Proceeds." All entities shown below are wholly owned unless otherwise indicated in the chart or in the associated footnotes except for GFKL Holdco, 1.72% of the share capital of which was held by minority shareholders as of September 28, 2015. The chart does not include all of our parent companies or subsidiaries, or all the debt obligations thereof, nor does it include the Milla Securitization, by which GFKL Holdco, PCS and IBW have sold certain purchased debt portfolios to the special purpose company Milla Securitisation (No. 1) Limited, which portfolios remain on our consolidated balance sheet. For a summary of the debt obligations identified in this diagram, please refer to the sections entitled "Description of the Senior Secured Notes," "Description of the Senior Notes", "Description of Certain Financing Arrangements" and "Capitalization."



1. As of the Issue Date, our principal shareholders will be (a) Permira Funds, which will hold a 55.4% beneficial interest in the Group, including through funds or partnerships managed or advised by Permira Funds; (b) Ontario Teachers' Pension Plan Board, an independent single-profession pension plan in Canada, which will hold a 30% beneficial interest in the Group (and will have a contractual entitlement to a further 6-6.5% equivalent in economic rights) (see "*The Transactions—OTPP*"); and (c) certain members of Lowell

management who will collectively hold a 14.6% beneficial interest in the Group. Our principal shareholders will hold subordinated shareholder funding claims in Garfunkelux Holdco 1 S.à r.l., in addition to several classes of equity. See "*Principal Shareholders*."

2. New Luxco is a private limited liability company (*société à responsabilité limitée*) incorporated and existing under the laws of Luxembourg and in place to hold legal title to the T-Shares. From the Completion Date, the voting rights of the T-Shares in each company may be voted by the holder thereof in accordance with the Shareholders' Agreement. See "*The Transactions—OTPP*." We have undertaken to use our commercially reasonable efforts to procure that New Luxco will become party to the Indentures within 60 days of the Completion Date. We have also undertaken that New Luxco shall, to the extent it becomes a party to the Indentures, within 60 days of the Completion Date pledge as Collateral for the Senior Secured Notes a security interest in the T-Shares of any Guarantor (other than any T-Shares of the Senior Notes Issuer) and pledge as Collateral for the Senior Notes and the Senior Secured Notes a security interest in the T-Shares of the Senior Secured Notes Issuer. Additionally, if the Structure Event occurs and to the extent that New Luxco has become party to the Senior Secured Notes Indenture, New Luxco shall pledge as Collateral for the Senior Secured Notes a security interest in the T-Shares of any Senior Secured Notes Guarantor (other than any T-Shares of the Senior Notes Issuer) that have not previously been pledged within 60 days following the Structure Event.

3. The Senior Notes will be senior debt of the Senior Notes Issuer and rank *pari passu* in right of payment with any existing and future indebtedness of the Senior Notes Issuer that is not expressly subordinated in right of payment to the Senior Notes. The Senior Notes will be effectively subordinated to any existing or future indebtedness or obligation of the Senior Notes Issuer and the Senior Notes Guarantors that is secured by property and assets that do not secure the Senior Notes or the Senior Notes Guarantors or that is secured on a first-priority basis over property and assets that secure the Senior Notes on a second-priority basis, to the extent of the value of the property and assets securing such indebtedness (including the Existing 2022 Senior Secured Notes, the Senior Secured Notes and the Amended and Restated RCF). As of the Issue Date, the Senior Notes will be secured on a second-priority basis by the Senior Notes Issue Date Collateral and guaranteed on a senior subordinated basis by the Senior Notes Issue Date Guarantors. Within 60 days of the Completion Date, the Senior Notes will be secured on a second-priority basis by the Senior Notes Post-Completion Date Collateral and guaranteed on a senior subordinated basis by the Senior Notes Post-Completion Date Guarantors. Within 10 business days of the Structure Event, if it occurs, the Senior Notes will be guaranteed on a senior subordinated basis by the Post-Structure-Event Senior Notes Guarantors. See "*Description of the Senior Notes—Note Guarantees*" and "*Description of the Senior Notes—Security*."

4. Garfunkelux Holdco 2 S.A. is a public limited liability company (*société anonyme)* incorporated and existing under the laws of Luxembourg and the issuer of the Senior Notes (the "**Senior Notes Issuer**"). On the Completion Date, the Senior Notes Issuer extended a euro-denominated intragroup loan constituting subordinated shareholder funding and a pound-sterling-denominated intragroup loan to the Senior Secured Notes Issuer in an amount equal to the borrowings under the Senior Bridge Facility (the "**Senior Proceeds Loan**"). On the Issue Date, the only significant assets of the Senior Notes Issuer are expected to be its equity interests and subordinated shareholder funding claims in the Senior Secured Notes Issuer and receivables under the Senior Proceeds Loan and other inter-company obligations. On or about the Issue Date, £10 million aggregate principal amount of the Senior Proceeds Loan may be repaid.

5. On July 23, 2015, the Senior Secured Notes Issuer issued €365,000,000 aggregate principal amount of its 7.500% senior secured notes due 2022 (the "**Existing 2022 Senior Secured Notes**"). The Senior Secured Notes will rank *pari passu* in right of payment with the Existing 2022 Senior Secured Notes. See "*Description of Certain Financing Arrangements—7.500% Senior Secured Notes due 2022*."

6. On the Completion Date, the Amendment and Restatement Agreement that we entered into on August 18, 2015 became effective. The Amended and Restated RCF provides for up to €200.0 million of senior secured credit borrowings. Pursuant to the terms of the Amended and Restated RCF, the borrower may request to incur additional facilities under the Amended and Restated RCF in amounts up to the greater of €25 million and 7.9% of the Group's 84-month ERC. The Amended and Restated RCF is secured by first-priority security interests over the Collateral that will also secure the Senior Secured Notes and the Senior Secured Notes Guarantees. Pursuant to the terms of the Intercreditor Agreement, the Amended and Restated RCF and certain hedging obligations are entitled to be repaid from the proceeds from enforcement in respect of the Collateral before any proceeds will be applied to repay obligations under the Notes. See "*Description of Certain Financing Arrangements—Revolving Credit Facility Agreement.*" As of the Issue Date, we expect €1.3 million to be drawn under the Amended and Restated RCF. In addition, on September 24, 2015, a €10.5 million letter of credit was issued under the Amended and Restated RCF in connection with providing a guarantee for the Squeeze-Out.

7. Garfunkelux Holdco 3 S.A. is a public limited liability company (*société anonyme)* incorporated and existing under the laws of Luxembourg and the issuer of the Senior Secured Notes (the "**Senior Secured Notes Issuer**"). On the Completion Date, Simon Bidco issued two inter-company loan notes (the "**Bidco Proceeds Loan Notes**") to the Senior Secured Notes Issuer in amounts equal to (a) the borrowings under the Senior Secured Bridge Facility and (b) the principal amount of Senior Proceeds Loan. On or about the Issue Date, the principal amount outstanding under the Bidco Proceeds Loan Note in respect of borrowings under the Senior Secured Bridge Facility may increase by £10 million, and on or about the Issue Date, the principal amount outstanding under the Bidco Proceeds Loan Note in respect of borrowings under the Senior Bridge Facility may decrease by £10 million. On the Issue Date, the assets of the Senior Secured Notes Issuer are expected to be its equity interests in Garfunkel Holding and Simon Holdco, as well as amounts owed to it under the Bidco Proceeds Loan Notes and other inter-company obligations.

8. The Senior Secured Notes will be senior debt of the Senior Secured Notes Issuer and rank *pari passu* in right of payment with any existing and future indebtedness of the Senior Secured Notes Issuer that is not expressly subordinated in right of payment to the Senior Secured Notes. The Senior Secured Notes will be effectively subordinated to any existing or future indebtedness or obligation of the Senior Secured Notes Issuer and the Senior Secured Notes Guarantors that is secured by property and assets that do not secure the Senior Secured Notes, to the extent of the value of the property and assets securing such indebtedness (including the Existing 2022 Senior Secured Notes and the guarantees thereof in the event that limited credit support is provided thereto by GFKL Holdco and its subsidiaries prior to the Structure Event). As of the Issue Date, the Senior Secured Notes will be secured on a first-priority basis by the Senior Secured Notes Issue Date Collateral and guaranteed on a senior basis by the Senior Secured Notes Issue Date Guarantors. Within 60 days of the Completion Date, the Senior Secured Notes will be secured on a first-priority basis by the Senior Secured Notes Post-Completion Date Collateral and guaranteed on a senior basis by the Senior Secured Notes Post-Completion Date Guarantors. Within 10 business days of the Structure Event, if it occurs, the Senior Secured Notes will be secured on a first-priority basis by the Senior Secured Notes Post-Structure-Event Collateral (other than by any additional pledges of T-Shares not previously granted by New Luxco, which shall be granted within 60 days following the Structure Event) and guaranteed on a senior basis by the Post-Structure-Event Senior Secured Notes Guarantors. See "*Description of the Senior Secured Notes—Note Guarantees*" and "*Description of the Senior Secured Notes—Security*."

9. Carl Holding GmbH, which had previously been the majority owner of GFKL Holdco, was merged into Garfunkel Holding GmbH, with an effective date of August 29, 2015.

10. As of the Completion Date, Simon Holdco issued to the OTPP certain non-voting shares comprising approximately 24% of the shares of Simon Holdco with the potential to receive up to approximately 2.5% in additional Top-Up Shares based on purchase price adjustments. These shares will rank *pari passu* (on a per share basis) with the ordinary shares of Simon Holdco with respect to dividends and distributions. We expect that, as soon as practicable after the Structure Event (if it occurs), these shares will be exchanged through a series of related transactions for further shares and indebtedness of Garfunkelux Holdco 1 S.à r.l. such that the OTPP holds a beneficial interest in the Group of 36-36.5% (or 37-38%, assuming the maximum amount of additional Top-Up Shares are issued as purchase price adjustments), including the 30% beneficial interest held by the OTPP as of the Completion Date (the "**Top-Up Share Conversion**"). See "*The Transactions—OTPP*." There can be no assurance that the Structure Event will occur and, even if it does occur, that the Top-Up Share Conversion will occur. The failure to complete either the Structure Event or the Top-Up Share Conversion will not constitute a default under the Indentures. See "*Risk Factors—Risks Related to the Transactions—The Acquisition is subject to uncertainties and risks*."

11. As of the Issue Date, none of GFKL Holdco or any of its subsidiaries will grant security interests in any of their assets or provide Note Guarantees. Under German corporate law, the Executive Board of GFKL Holdco may not be compelled by the shareholders of GFKL Holdco to require GFKL Holdco and its subsidiaries to grant security or issue the Note Guarantees. Furthermore, as an *Aktiengesellschaft*, a stock corporation under German law, GFKL Holdco is currently legally restricted in its ability to grant security interests and issue Note Guarantees. Before GFKL Holdco is converted into a *Gesellschaft mit beschränkter Haftung*, a German limited company (the "**German Company Conversion**"), any such grant of security or issuance of Note Guarantees would be limited in value to the amount on-lent by the Issuers to GFKL Holdco or its subsidiaries, which we expect in this instance to be nil. See "*Risk Factors—Risks Related to the Notes—The Collateral may not be sufficient to secure the obligations under the Notes.*" The conversion process normally takes up to three months to complete and is subject to registration in the commercial register. However, in this instance, the German Company Conversion can only be initiated once the ordinary shares of GFKL Holdco held by the minority shareholders of GFKL Holdco have been acquired by the majority shareholder of GFKL Holdco in the Squeeze-Out, which may take up to 18 months following the date on which such process is commenced, which in this case occurred in August 2015. See "*Risk Factors—Risks Related to Our Structure and the Financing—Each Note Guarantee and security interest will be subject to certain limitations on enforcement and may be limited by applicable law or subject to certain defenses that may limit its validity and enforceability*," "*Risk Factors—Risks Related to Our Structure and the Financing—Certain Collateral will not initially secure the Notes*" and "*Certain Limitations on Validity and Enforceability of the Note Guarantees and the Collateral and Certain Insolvency Law Considerations*."

12. In connection with the Acquisition, the Senior Secured Notes Issuer will incur certain subordinated obligations from the Senior Notes Issuer and the Senior Notes Issuer will incur certain subordinated obligations from Garfunkelux Holdco 1 S.à r.l. Until no earlier than the date that is six months subsequent to the maturity date of the Senior Notes (in the case of the obligations owed to Garfunkelux Holdco 1) or the Senior Secured Notes (in the case of the obligations owed to the Senior Notes Issuer), these obligations will not require any cash payments, will not permit enforcements or accelerations and must remain held by holders of the ordinary share capital of the Senior Secured Notes Issuer or the Senior Notes Issuer, respectively. We expect these subordinated obligations to constitute "Subordinated Shareholder Funding" under the Indentures. See *"Description of Certain Financing Arrangements—Subordinated Shareholder Loans*."

THE OFFERING

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

Issuers:

Senior Secured Notes Issuer	Garfunkelux Holdco 3 S.A., a public limited liability company (*société anonyme*) incorporated under the laws of Luxembourg.
Senior Notes Issuer	Garfunkelux Holdco 2 S.A., a public limited liability company (*société anonyme*) incorporated under the laws of Luxembourg.
Notes Offered:	
Senior Secured Notes	£565.0 million aggregate principal amount of 8.500% Senior Secured Notes due 2022.
Senior Notes	£230.0 million aggregate principal amount of 11.000% Senior Notes due 2023.
Issue Date	October 19, 2015.
Issue Price:	
Senior Secured Notes	100.000% (plus accrued and unpaid interest from the Issue Date).
Senior Notes	100.000% (plus accrued and unpaid interest from the Issue Date).
Maturity Date:	
Senior Secured Notes	November 1, 2022.
Senior Notes	November 1, 2023.
Interest Rate:	
Senior Secured Notes	8.500% *per annum*. Interest on the Senior Secured Notes will accrue from the Issue Date.
Senior Notes	11.000% *per annum*. Interest on the Senior Notes will accrue from the Issue Date.
Interest Payment Dates:	
Senior Secured Notes	Interest is payable on the Senior Secured Notes semi-annually in arrears on May 1 and November 1 of each year, beginning on May 1, 2016.
Senior Notes	Interest is payable on the Senior Notes semi-annually in arrears on May 1 and November 1 of each year, beginning on May 1, 2016.
Form and Denomination:	
Senior Secured Notes	The Senior Secured Notes Issuer will issue the Senior Secured Notes on the Issue Date in global registered form. Each Senior Secured Note will have a minimum denomination of £100,000 and integral multiples of £1,000 in excess thereof. No Senior Secured Notes in denominations of less than £100,000 will be available. The Senior Secured Notes will be maintained in book-entry form.
Senior Notes	The Senior Notes Issuer will issue the Senior Notes on the Issue Date in global registered form. Each Senior Note will have a minimum denomination of £100,000 and integral multiples of £1,000 in excess thereof. No Senior Notes in denominations of less than

£100,000 will be available. The Senior Notes will be maintained in book-entry form.

Ranking of the Notes:

Senior Secured Notes

The Senior Secured Notes will:

- be general senior obligations of the Senior Secured Notes Issuer;
- rank *pari passu* in right of payment with any existing and future indebtedness of the Senior Secured Notes Issuer that is not expressly subordinated in right of payment to the Senior Secured Notes, including the Existing 2022 Senior Secured Notes and the Senior Secured Notes Issuer's guarantee of any drawings under the Amended and Restated RCF;
- rank senior in right of payment to any existing and future indebtedness of the Senior Secured Notes Issuer that is expressly subordinated in right of payment to the Senior Secured Notes, including the Senior Secured Notes Issuer's Senior Notes Guarantee;
- be guaranteed by the Senior Secured Notes Guarantors as described below under "*Description of the Senior Secured Notes—Note Guarantees*;"
- be effectively subordinated to any existing or future indebtedness or obligation of the Senior Secured Notes Issuer and its subsidiaries that is secured by property and assets that do not secure the Senior Secured Notes, to the extent of the value of the property and assets securing such indebtedness; and
- be structurally subordinated to any existing or future indebtedness of the Senior Secured Notes Issuer's subsidiaries that do not guarantee the Senior Secured Notes including obligations to trade creditors.

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

Senior Notes

The Senior Notes will:

- be general senior obligations of the Senior Notes Issuer;
- rank *pari passu* in right of payment with any existing and future indebtedness of the Senior Notes Issuer that is not expressly subordinated in right of payment to the Senior Notes (including the Senior Notes Issuer's guarantee of the Senior Secured Notes);

- rank senior in right of payment to any existing and future indebtedness of the Senior Notes Issuer that is expressly subordinated in right of payment to the Senior Notes;
- be guaranteed by the Senior Notes Guarantors as described below under *"Description of the Senior Notes—Note Guarantees*;"
- be effectively subordinated to any existing or future indebtedness or obligation of the Senior Notes Issuer and its subsidiaries that is secured by property and assets that do not secure the Senior Notes, to the extent of the value of the property and assets securing such indebtedness, including the Senior Secured Notes, the Senior Secured Notes Guarantees, the Existing 2022 Senior Secured Notes, the guarantees thereof, any drawings under the Amended and Restated RCF, and certain hedging obligations; and
- be structurally subordinated to any existing or future indebtedness of the Senior Notes Issuer's subsidiaries that do not guarantee the Senior Notes, including obligations to trade creditors.

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

Note Guarantees:

Senior Secured Notes Guarantees

The Senior Secured Notes will be guaranteed on a senior basis as of the Issue Date by the Senior Notes Issuer, Garfunkel Holding, Simon Bidco, Simon Midco and Simon Holdco (the "**Senior Secured Notes Issue Date Guarantors**") and will be guaranteed on a senior basis as of a date no later than 60 days after the Completion Date by Lowell Finance Holdings Limited, Lowell Group Limited, Lowell Funding Limited, Lowell Acquisitions Limited, Lowell Holdings Limited, Lowell Finance Limited, Lowell Financial Limited, Lowell Portfolio I Limited and Tocatto Limited (the "**Senior Secured Notes Post-Completion Date Guarantors**").

By the date falling 10 business days after the Structure Event (if it occurs), the Senior Secured Notes Issuer shall procure that, unless the Security Coverage Test is satisfied at any time prior to the Structure Event, the Senior Secured Notes will, subject in each case to the Agreed Security Principles, be guaranteed on a senior basis by such further Group entities so as to satisfy the Security Coverage Test (the "**Post-Structure-Event Senior Secured Notes Guarantors**" and, together with the Senior Secured Notes Issue Date Guarantors and the Senior Secured Notes Post-Completion Date Guarantors, the "**Senior Secured Notes Guarantors**").

Senior Notes Guarantees

The Senior Notes will be guaranteed on a senior subordinated basis as of the Issue Date by the Senior Secured Notes Issuer, Garfunkel Holding, Simon Bidco, Simon Midco and Simon Holdco (the "**Senior Notes Issue Date Guarantors**") and will be guaranteed as of a date no later than 60 days after the Completion Date on a senior subordinated basis by Lowell Finance Holdings Limited, Lowell Group Limited, Lowell Funding Limited, Lowell Acquisitions Limited, Lowell Holdings Limited, Lowell Finance Limited, Lowell Financial Limited, Lowell Portfolio I Limited and Tocatto Limited (the "**Senior Notes Post-Completion Date Guarantors**").

By the date falling 10 business days after the Structure Event (if it occurs), the Senior Notes Issuer shall procure that, unless the Security Coverage Test is satisfied at any time prior to the Structure Event, the Senior Notes will, subject in each case to the Agreed Security Principles, be guaranteed on a senior subordinated basis by such further Group entities so as to satisfy the Security Coverage Test (the "**Post-Structure-Event Senior Notes Guarantors**" and, together with the Senior Notes Issue Date Guarantors and the Senior Notes Post-Completion Date Guarantors, the "**Senior Notes Guarantors**").

Ranking of the Note Guarantees:

Senior Secured Notes Guarantees

The Senior Secured Notes Guarantee of each Senior Secured Notes Guarantor will:

- be a general senior obligation of that Senior Secured Notes Guarantor;
- rank *pari passu* in right of payment with any existing and future indebtedness of that Senior Secured Notes Guarantor that is not expressly subordinated in right of payment to such Senior Secured Notes Guarantee, including its obligations under the Existing 2022 Senior Secured Notes, the Amended and Restated RCF and certain hedging obligations and the Senior Notes Issuer's obligations under the Senior Notes;
- rank senior in right of payment to all existing and future indebtedness of that Senior Secured Notes Guarantor that is expressly subordinated in right of payment to such Senior Secured Notes Guarantee, including that Senior Secured Notes Guarantor's guarantee of the Senior Notes;
- be effectively subordinated to any existing and future indebtedness or obligation of that Senior Secured Notes Guarantor that is secured by property and assets that do not secure such Senior Secured Notes Guarantee, to the extent of the value of the property and assets securing such other indebtedness; and
- be structurally subordinated to any existing or future indebtedness, including obligations to trade creditors, of the subsidiaries of such Senior Secured Notes Guarantor that are not Senior Secured Notes Guarantors.

The Senior Secured Notes Guarantees will be subject to the terms of the Intercreditor Agreement and may be subject to release under certain circumstances. See "*Description of Certain Financing Arrangements—Intercreditor Agreement,*" "*Risk Factors—Risks Related to the Notes*" and "*Description of the Senior Secured Notes—Note Guarantees.*"

Senior Notes Guarantees	The Senior Notes Guarantee of each Senior Notes Guarantor will: • be a general senior subordinated obligation of that Senior Notes Guarantor; • be subordinated in right of payment to any existing and future senior indebtedness of that Senior Notes Guarantor, including that Senior Notes Guarantor's obligations under the Senior Secured Notes, the Existing 2022 Senior Secured Notes, the Amended and Restated RCF and certain hedging obligations; • rank *pari passu* in right of payment with any future senior subordinated indebtedness of that Senior Notes Guarantor; • rank senior in right of payment to all existing and future indebtedness of that Senior Notes Guarantor that is expressly subordinated in right of payment to such Senior Notes Guarantee; • be effectively subordinated to any existing and future indebtedness of that Senior Notes Guarantor that is secured by property and assets that do not secure such Senior Notes Guarantee or that is secured on a first-priority basis over property and assets that secure such Senior Notes Guarantee on a second-priority basis (including that Senior Notes Guarantor's obligations under the Senior Secured Notes, the Existing 2022 Senior Secured Notes, the Amended and Restated RCF and certain hedging obligations), to the extent of the value of the property and assets securing such other indebtedness; and • be structurally subordinated to any existing or future indebtedness of the subsidiaries of such Senior Notes Guarantor that are not Senior Notes Guarantors, including obligations to trade creditors. The Senior Notes Guarantees will be subject to the terms of the Intercreditor Agreement and may be subject to release under certain circumstances. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*" and "*Description of the Senior Notes—Note Guarantees*" and "*Risk Factors—Risks Related to the Notes*."
Security, Enforcement of Security:	
Senior Secured Notes	On the Issue Date, the Senior Secured Notes will be secured by first-priority interests in the Senior Secured Notes Issue Date Collateral, which shall include, *inter alia* • capital stock of the Senior Secured Notes Issuer held by the Senior Notes Issuer, the capital stock of Simon Holdco and Garfunkel Holding held by the Senior Secured Notes Issuer and the capital stock of GFKL Holdco held by Garfunkel Holding; • intercompany loan receivables of Garfunkel Holding, the Senior Secured Notes Issuer and the Senior Notes Issuer;

- bank accounts of the Senior Secured Notes Issuer and Garfunkel Holding;
- substantially all assets of Simon Holdco, Simon Midco and Simon Bidco; and
- the rights of Garfunkel Holding under the GFKL Acquisition agreement,

(the “**Senior Secured Notes Issue Date Collateral**”).

Within 60 days following the Completion Date, the Senior Secured Notes will be secured by first-priority security interests in the Senior Secured Notes Post-Completion Date Collateral, which shall include, *inter alia,* substantially all assets of the Senior Secured Notes Post-Completion Date Guarantors. Additionally, we have undertaken to use our commercially reasonable efforts to procure that New Luxco accede to the Senior Secured Notes Indenture within 60 days of the Completion Date. To the extent New Luxco becomes a party to the Senior Secured Notes Indenture, within 60 days of the Completion Date, it shall pledge as Collateral for the Senior Secured Notes a security interest in the T-Shares of the Senior Secured Notes Issuer and any Guarantor (other than any T-Shares of the Senior Notes Issuer) (collectively with the Collateral granted by the Senior Secured Notes Post-Completion Date Guarantors, the “**Senior Secured Notes Post-Completion Date Collateral**”).

By the date falling 10 business days after the Structure Event (if it occurs), the Senior Secured Notes will be secured by security interests over certain of the material assets, share capital and/or intragroup receivables of any Post-Structure-Event Senior Secured Notes Guarantors, subject to the Agreed Security Principles. Additionally, if the Structure Event occurs and to the extent that New Luxco has become party to the Senior Secured Notes Indenture, New Luxco shall pledge as Collateral for the Senior Secured Notes a security interest in the T-Shares of any Senior Secured Notes Guarantor (other than any T-Shares of the Senior Notes Issuer) that have not previously been pledged within 60 days following the Structure Event (collectively with the Collateral granted by the Post-Structure-Event Senior Secured Notes Guarantors, the “**Senior Secured Notes Post-Structure-Event Collateral**” and, together with the Senior Secured Notes Issue Date Collateral and the Senior Secured Notes Post-Completion Date Collateral, the “**Senior Secured Notes Collateral**”).

The Senior Secured Notes Collateral also secures (or will also secure) on a first-priority basis the Amended and Restated RCF and certain hedging obligations (collectively, the “**Super Senior Obligations**”), the Existing 2022 Senior Secured Notes and guarantees thereof and may also secure certain future indebtedness. The Senior Secured Notes Collateral has been (or will be) granted subject to the terms of the Intercreditor Agreement, certain agreed security principles and the terms of the security documents.

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

The security interests in the Senior Secured Notes Collateral may be limited by applicable law or subject to certain defenses that may limit their validity and enforceability. See "*Description of the Senior Secured Notes—Security*," "*Certain Limitations on Validity and Enforceability of the Note Guarantees and the Collateral and Certain Insolvency Law Consideration*s" and "*Risk Factors—Risks Related to our Structure and the Financing*."

The security interests in the Senior Secured Notes Collateral may be released under certain circumstances. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*" and "*Description of the Senior Secured Notes—Security*."

Senior Notes

On the Issue Date, the Senior Notes will be secured by second-priority security interests in the capital stock of, and intercompany receivables payable from, the Senior Secured Notes Issuer (the "**Senior Notes Issue Date Collateral**").

We have undertaken to use our commercially reasonable efforts to procure that New Luxco accede to the Senior Notes Indenture within 60 days of the Completion Date. To the extent New Luxco becomes a party to the Senior Notes Indenture, within 60 days of the Completion Date, it shall pledge as Collateral for the Senior Notes a security interest in the T-Shares of the Senior Secured Notes Issuer (the "**Senior Notes Post-Completion Date Collateral**" and, together with the Senior Notes Issue Date Collateral, the "**Senior Notes Collateral**"). The Senior Notes Collateral, together with the Senior Secured Notes Collateral, is the "**Collateral**."

Under the terms of the Intercreditor Agreement, the holders of Senior Notes will only receive proceeds from the enforcement of the Senior Notes Collateral after creditors under Super Senior Liabilities, the Security Agent, the Trustees, any receiver and certain other creditor representatives, and holders of the Senior Secured Notes, the Existing 2022 Senior Secured Notes and other Senior Secured Debt (as defined herein) have been repaid in full. See "*Description of Certain Financing Arrangements—Intercreditor Agreement,*" and *"Risk Factors—Risks Related to the Notes.*"

The security interests in the Senior Notes Collateral may be limited by applicable law or subject to certain defenses that may limit their validity and enforceability. See "*Description of the Senior Notes—Security*," "*Certain Limitations on Validity and Enforceability of the Note Guarantees and the Collateral and Certain Insolvency Law Considerations*" and "*Risk Factors—Risks Related to Our Structure and the Financing*."

The security interests in the Senior Notes Collateral may be released under certain circumstances. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*," and "*Description of the Senior Notes—Security*."

Use of Proceeds

The proceeds from the Offering will be used, together with cash on hand, to fully repay amounts drawn under the Bridge Facilities and to pay fees and expenses in connection with Offering.

Optional Redemption:

Senior Secured Notes	The Senior Secured Notes Issuer may redeem all or part of the Senior Secured Notes at any time on or after November 1, 2018 at the redemption prices as described under "*Description of the Senior Secured Notes—Optional Redemption.*" At any time prior to November 1, 2018, the Senior Secured Notes Issuer may redeem all or part of the Senior Secured Notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to the date of redemption plus a "make-whole" premium, as described under "*Description of the Senior Secured Notes—Optional Redemption.*" At any time prior to November 1, 2018, the Senior Secured Notes Issuer may on one or more occasions redeem up to 40% of the original principal amount of the Senior Secured Notes, using the net proceeds from certain equity offerings at a redemption price equal to 108.500% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to the date of redemption; *provided* that at least 60% of the original principal amount of the Senior Secured Notes remains outstanding after the redemption.
Senior Notes	The Senior Notes Issuer may redeem all or part of the Senior Notes at any time on or after November 1, 2018 at the redemption prices as described under "*Description of the Senior Notes—Optional Redemption.*" At any time prior to November 1, 2018, the Senior Notes Issuer may redeem all or part of the Senior Notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to the date of redemption plus a "make-whole" premium, as described under "*Description of the Senior Notes—Optional Redemption.*" At any time prior to November 1, 2018, the Senior Notes Issuer may on one or more occasions redeem up to 40% of the original principal amount of the Senior Notes, using the net proceeds from certain equity offerings at a redemption price equal to 111.000% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to the date of redemption; *provided* that at least 60% of the original principal amount of the Senior Notes remains outstanding after the redemption.
Additional Amounts; Tax Redemption	Any payments made by or on behalf of either Issuer or any Guarantor in respect of the Notes or with respect to any Note Guarantee will be made without withholding or deduction for taxes in any relevant taxing jurisdiction unless required by law. Subject to certain exceptions and limitations, if either Issuer, any Guarantor or the Paying Agent is required by law to withhold or deduct such taxes with respect to a payment on any Note, such Issuer or Guarantor will pay the additional amounts necessary so that the net amount received by each holder after such withholding is not less than the amount that would have been received in the absence of the withholding. If certain changes in the law of any relevant taxing jurisdiction become effective after the issuance of the Notes that would impose withholding taxes or other deductions on the payments on the Senior Secured Notes or the Senior Notes, and would require the

	relevant Issuer or any Guarantor to pay additional amounts (as defined for the Senior Secured Notes in "*Description of the Senior Secured Notes—Withholding Taxes*" and for the Senior Notes in "*Description of the Senior Notes—Withholding Taxes*"), the relevant Issuer or any Guarantor may redeem the Senior Secured Notes or the Senior Notes, as applicable, in whole, but not in part, at any time, at a redemption price of 100% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to the date of redemption.
Change of Control	Upon certain events defined as constituting a change of control, each Issuer may be required to make an offer to purchase the outstanding applicable Notes at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to the date of purchase. For further information, see *"Description of the Senior Secured Notes"* and *"Description of the Senior Notes."*
Certain Covenants	The Senior Secured Notes Indenture and the Senior Notes Indenture, among other things, will restrict the ability of the Senior Secured Notes Issuer and the Senior Notes Issuer, and their respective Restricted Subsidiaries (as defined therein), to: • incur or guarantee additional indebtedness and issue certain preferred stock; • pay dividends, redeem capital stock and make certain investments; • make certain other restricted payments; • create or permit to exist certain liens; • impose restrictions on the ability of the relevant Issuer's subsidiaries to pay dividends; • transfer or sell certain assets; • merge or consolidate with other entities; • enter into certain transactions with affiliates; and • impair the security interests created for the benefit of the holders of the relevant Notes. Certain of the covenants will be suspended if the relevant Notes obtain and maintain an investment-grade rating. Each of the covenants in the Indentures will be subject to significant exceptions and qualifications. See "*Description of the Senior Secured Notes—Certain Covenants*" and "*Description of the Senior Notes—Certain Covenants.*"
Transfer Restrictions	The Notes and the Note Guarantees have not been, and will not be, registered under the Securities Act or the securities laws of any other jurisdiction. The Issuers have not been and will not be registered under the Investment Company Act, in reliance on the exemption provided by Section 3(c)(7) thereof. The Notes are subject to restrictions on transferability and resale. See "*Transfer Restrictions*." We have not agreed to, or otherwise undertaken to, register the Notes under the securities laws in any jurisdiction (including by way of an exchange offer).
No Established Market for the Notes	The Notes will be new securities for which there is currently no established trading market. Although the Initial Purchasers have

	advised us that they intend to make a market in the Notes, they are not obligated to do so and they may discontinue market making at any time without notice. Accordingly, there is no assurance that an active trading market will develop for the Notes.
Listing	Application has been made to admit the Notes to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF Market in accordance with the rules thereof.
Governing Law	The Indentures, the Notes and the Note Guarantees will be governed by the laws of the State of New York. The Intercreditor Agreement is, and the Amended and Restated RCF will be upon its amendment and restatement pursuant to, and in accordance with the terms of, the Amendment and Restatement Agreement, governed by English law. The security documents will be governed by the applicable law of the jurisdiction under which the security interests are granted, including English law, German law, Jersey law and Luxembourg law.
Trustees:	
Senior Secured Notes	Citibank, N.A., London Branch.
Senior Notes	Citibank, N.A., London Branch.
Paying Agents:	
Senior Secured Notes	Citibank, N.A., London Branch.
Senior Notes	Citibank, N.A., London Branch.
Registrars:	
Senior Secured Notes	Citibank, N.A., London Branch.
Senior Notes	Citibank, N.A., London Branch.
Transfer Agents:	
Senior Secured Notes	Citibank, N.A., London Branch.
Senior Notes	Citibank, N.A., London Branch.
Security Agent	Citibank, N.A., London Branch.
Listing Agents:	
Senior Secured Notes	Banque Internationale à Luxembourg.
Senior Notes	Banque Internationale à Luxembourg.

Risk Factors

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

SUMMARY UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The following tables present summary unaudited pro forma condensed consolidated financial information and other data from our Unaudited Pro Forma Condensed Consolidated Financial Information. The information under "Unaudited Pro Forma Condensed Consolidated Income Statement" in the table below gives effect to the Transactions, the GFKL Acquisition and the issuance of the Existing 2022 Senior Secured Notes in connection therewith as if they had been consummated on January 1, 2014, and the information under "Unaudited Pro Forma Condensed Combined Consolidated Statement of Financial Position" in the table below assumes the Transactions and the issuance of the Existing 2022 Senior Secured Notes in connection with the GFKL Acquisition had been consummated on June 30, 2015.

The following summary unaudited pro forma condensed consolidated financial data has been derived from and should be read in conjunction with the Unaudited Pro Forma Condensed Consolidated Financial Information, the GFKL Consolidated Financial Statements, the Lowell Consolidated Financial Statements and the Senior Notes Issuer Consolidated Financial Statements included elsewhere in this Offering Memorandum.

The following summary unaudited pro forma condensed consolidated financial data is for illustrative purposes only and does not purport to indicate the financial results of our combined business had the above mentioned events taken place on January 1, 2014 for consolidated income statement purposes, and on June 30, 2015 for consolidated statement of financial position purposes, respectively and is not intended to be a projection of future results. Future results may vary significantly from the results reflected because of various factors, including those discussed in "Risk Factors."

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

Unaudited *Pro Forma* Condensed Consolidated Income Statement

	For the Year ended December 31	For the Six Months ended June 30,	For the 12 Months ended June 30,
	2014	2015	2015
		(in £ millions)	
Continuing operations revenue			
Income from portfolio investments	139.6	75.5	147.7
Portfolio write up	51.0	22.6	44.4
Service income	89.5	37.5	85.5
Other revenue	70.9	33.0	72.0
Total revenue	**351.1**	**168.6**	**349.6**
Other income	**12.9**	**3.2**	**14.0**
Operating expenses			
Collection activity costs	(150.0)	(71.6)	(152.2)
Other expenses	(147.5)	(59.6)	(126.6)
Total Operating expenses	**(297.5)**	**(131.2)**	**(278.8)**
Operating profit	**66.5**	**40.6**	**84.8**
Interest income	0.7	0.4	0.7
Interest expense	(125.1)	(59.7)	(121.7)
Other financial expense	(52.1)	—	—
Loss before tax	**(110.0)**	**(18.7)**	**(36.2)**
Income tax expense	4.9	(3.2)	(7.8)
Loss	**(105.1)**	**(21.9)**	**(44.0)**

Unaudited *Pro Forma* Condensed Consolidated Statement of Financial Position as of June 30, 2015

	As of June 30, 2015
	(in £ millions)
Assets	
Non-current assets	
Goodwill	845.4
Other intangible assets	76.0
Property, plant and equipment	6.4
Portfolio Investments (non-current)(1)	310.7
Other financial assets	0.1
Deferred tax assets	2.6
Total non-current assets	**1,241.2**
Current assets	
Portfolio investments(1)	232.2
Trade and other receivables	32.4
Assets for current tax	3.2
Cash and cash equivalents	175.7
Total current assets	**443.5**
Total assets	**1,684.7**
Equity	
Share capital	3.6
Share premium	394.8
Retained deficit	(71.2)
Equity attributable to equity holders	**327.2**
Non-controlling interests	0.5
Total equity	**327.7**
Liabilities	
Non-current liabilities	
Borrowings	1,229.8
Provisions	4.2
Deferred tax liabilities	25.6
Trade and other payables	2.4
Total non-current liabilities	**1,262.0**
Current liabilities	
Borrowings	0.0
Provisions	1.7
Trade and other payables	80.5
Liabilities for current tax	12.8
Total current liabilities	**95.0**
Total equity and liabilities	**1,684.7**

(1) Sum of current and non-current Portfolio Investments 542.9

Contractual Commitments

On June 29, 2015, we entered into the Revolving Credit Facility in the amount of €60.0 million. On July 23, 2015, we issued €365.0 million 7.5% Senior Secured Notes due 2022 ("**Existing 2022 Senior Secured Notes**"). On August 18, 2015, the Revolving Credit Facility Agreement was amended and restated, which came into effect on the Completion Date. The Amended and Restated RCF provides for borrowings of €200.0 million. After giving effect to the issuance of the Notes and the application of proceeds of the Offering as described in "*Use of Proceeds,*" as of June 30, 2015, our total financial indebtedness would have been £1,058.6 million. As of June 30, 2015, on an unaudited basis after giving effect to the Transactions, our financing arrangements would have been as follows:

	Due within one year	Due between one year and seven years	Due after seven years
		(in £ million)[1]	
Senior Secured Notes offered hereby[2]	—	—	565.0
Senior Notes offered hereby[3]			230.0
Existing 2022 Senior Secured Notes[4]	—	—	259.7
Amended and Restated RCF[5]	0.9	—	—
Milla Securitization[6]	—	—	—
Total	0.9	—	1,054.7

(1) Unless otherwise indicated, euro-denominated amounts were translated into pound sterling at €1.4057 to £1.00, which was the applicable exchange rate as of June 30, 2015.

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

(3) Reflects the gross proceeds from the issuance of the Senior Notes.

(4) Reflects the €365.0 million of principal amount outstanding of the Existing 2022 Senior Secured Notes. The pound sterling equivalent of the Existing 2022 Senior Secured Notes would have been £276.3 million if translated at an exchange rate of €1.3209 to £1.00, which was the applicable exchange rate as of February 1, 2016.

(5) The Amended and Restated RCF will provide for up to €200.0 million of senior secured credit borrowings. Pursuant to the terms of the Amended & Restated RCF Agreement, the Issuer may request to incur additional facilities under the Agreement in amounts up to the greater of €25.0 million and 7.9% of the Group's 84-month ERC. As of the Issue Date, we expect €1.3 million to be outstanding under the Amended and Restated RCF and an additional €10.5 million will be utilized, but undrawn, in connection with providing the guarantee for the Squeeze-Out. The pound sterling equivalent of the Amended & Restated RCF would have been £151.4 million if translated at an exchange rate of €1.3209 to £1.00, which was the applicable exchange rate as of February 1, 2016.

(6) As of June 30, 2015, debt related to the Milla Securitization was €4.2 million (with €3.2 million outstanding as of August 31, 2015). Debt related to the Milla Securitization is expected to further change over time.

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

Pro Forma Normalized Cash Generation and Available Liquidity

The table below illustrates normalized cash generation after *pro forma* cash interest expense and *pro forma* tax expenses for the twelve months ended June 30, 2015. The following illustration is presented for information purposes only and does not reflect our historical or future cash generation. See "*Risk Factors*."

	For the 12 months ended June 30, 2015		
	Lowell (in £ millions)	GFKL (in £ millions)[2]	Group (in £ millions)
Combined *Pro Forma* Adjusted EBITDA[1]	**—**	**—**	**204.3**
Cash flow from operating activities before interest, portfolio purchases, tax expense and capital expenditures	**148.4[3]**	**52.4[4]**	**200.8**
Lowell cost adjustments[5]			1.7
GFKL cost adjustments[6]			6.7
Cash flow from operating activities before interest, portfolio purchases, tax expense and capital			**209.2**

	For the 12 months ended June 30, 2015		
	Lowell (in £ millions)	GFKL (in £ millions)[(2)]	Group (in £ millions)
expenditures but including cost adjustments.............			
Pro forma cash interest expense[(7)]			(94.7)
Cash flow from operating activities before portfolio purchases, tax expenses and capital expenditures			**116.0**
***Pro forma* cash conversion ....**			**101.7**

(1) Combined *Pro Forma* Adjusted EBITDA is *pro forma* operating profit plus exceptional items, *pro forma* depreciation and amortization, *pro forma* acquired debt portfolio write ups and amortization amounts as reflected in the Unaudited Pro Forma Consolidated Statement of Financial Position, and as further adjusted for certain anticipated cost savings. For additional information, see "*Presentation of Financial and Other Information*." The following table provides a reconciliation of *pro forma* operating profit to Combined *Pro Forma* Adjusted EBITDA.

	For the 12 Months ended June 30, 2015
	(£ in millions)
***Pro forma* operating profit**..	**84.8**
Depreciation/amortization[(a)]	10.7
Combined EBITDA	**95.5**
Lowell normalizations[(b)]	1.9
GFKL normalizations[(c)]	(6.9)
Combined Normalized EBITDA...	**90.5**
Lowell cost adjustments[(d)]	1.7
GFKL cost adjustments[(e)]	6.7
Combined *Pro Forma EBITDA*	**98.9**
Portfolio write-up	(44.4)
Portfolio amortization[(f)]	149.8
Combined *Pro Forma* Adjusted EBITDA...	**204.3**

(a) Depreciation/amortization includes, among other items, £3.6 million in respect of Lowell, £5.0 million in respect of GFKL and PPA depreciation/amortization adjustments, in aggregate, of £0.7 million which include adjustments relating to recognition of intangible assets in connection with PPA.

(b) Lowell normalization includes £0.3 million of fees associated with office closures and moves in both Leeds and Surrey and £6.8 million of one-off professional fees in relation to exploring strategic opportunities for the business, net of the release of the contingent consideration in connection with the Interlaken acquisition.

(c) Represents the GFKL normalizations as set forth under the heading "*Summary Consolidated Financial and Other Information of GFKL—Other GFKL Financial and Operating Data*." The GFKL nominalizations set forth in the above table were translated into pounds sterling at €1.3116 to £1.00, the average exchange rate for the 12 month period ended June 30, 2015.

(d) Lowell cost adjustments include the following adjustments: (i) £1.3 million in connection with the implementation of the BLAZE software platform, part of which was implemented in early October 2015 and which we anticipate will reduce expenses in connection with letter volumes by consolidating the number of active claims per customer into fewer letters and (ii) £0.4 million in connection with moving Interlaken and its third-party collection service operations within our VAT group, which occurred on April 1, 2015 and which we anticipate will allow us to reduce VAT amounts due on intergroup recharges.

(e) GFKL cost adjustments include: (i) £1.7 million in expected cost savings from headquarter centralizing which will result in the reduction of certain senior management and other positions, (ii) £0.8 million in expected cost savings from our announced operational centralization which includes moving one of the GFKL offices from Potsdam, Germany to Dusseldorf Germany, (iii) £0.3 million in expected cost savings in connection with the renegotiation of certain data supply contracts that we recently entered into and (iv) £3.9 million in expected cost savings resulting from the recent implementation of several data analytics initiatives that have improved GFKL's ability to more efficiently apply debt collection methods for customers, including customers in the long-term monitoring phase, and thereby reduce the related direct costs, such as bailiff and court order fees, from failed collection attempts. The GFKL cost adjustments set forth in the above table were translated into pounds sterling at €1.3116 to £1.00, the average exchange rate for the 12-month period ended June 30, 2015.

(f) Portfolio amortization represents the difference between the gross collections and the income from portfolio investments.

(2) GFKL's cash flow from operating activities before interest and tax payments for the 12 months ended June 30, 2015 for purposes of this table has been translated to pounds sterling at €1.3116 to £1.00, which was the average exchange rate for this period.

(3) Cashflow from operating activities before interest, portfolio purchases, tax expenses and capital expenditures for the 12 months ended June 30, 2015 for Lowell is derived as follows in the below reconciliation table:

	As of the 12 months ended June 30, 2015
	(£ million) (unaudited)
Cashflow from operating activities[(a)]	(48.9)
Portfolio purchases[(b)]	155.5
Debt servicing[(c)]	42.5
Tax servicing[(d)]	(0.7)
Cashflow before interest, portfolio purchases, tax expenses and capital expenditures[(e)]	**148.4**

(a) Cashflow from operating activities is the operating profit for the period adjusted for non-cash items, such as amortization and depreciation.

(b) Portfolio purchases are the investments in new portfolios made during the year. See note 1 (Accounting Policies) to the Lowell 2014 Audited Consolidated Financial Statements. Portfolios of purchased debt are recognized on the balance sheet at the point the debt purchase contract is signed and Lowell acquires legal title to the assets. In a number of instances the payment made for the portfolio of purchased debt occurs a few days after the contract is signed, and as a result may fall into a later accounting period. Any timing differences are recognized through the movement in working capital for the period.

(c) Debt servicing includes interest payments and fees in relation to the Existing Lowell Senior Secured Notes and interest and fees payable under the Existing Senior Facilities.

(d) Tax servicing consists of the corporate tax payments made to HMRC relating to the tax charges that can be seen in the consolidated profit and loss account labeled “income tax expense.” The conversion to IFRS resulted in the Group having corporation tax losses. This has resulted in minimal payments for corporation tax to HMRC and in some cases refunds of previous payments.

(e) Lowell’s cashflow before interest, portfolio purchases, tax expenses and capital expenditures does not include any cash effective EBITDA normalizations.

(4) Cash flow from operating activities before interest, portfolio purchases, tax expenses and capital expenditures for the 12 months ended June 30, 2015 for GFKL is derived as follows in the below reconciliation table. For the purpose of computing the Group figure, GFKL financials expressed in euro have been converted using the last twelve months average rate of 1.3116 euro per £1.00.

	As of the 12 months ended June 30, 2015
	(€ million) (unaudited)
Cash flow from operating activities[(a)]	51.0
Interest paid/interest received, net[(b)]	9.5
Income tax payments/(reimbursements)[(c)]	2.0
Changes in restricted cash balances[(d)]	3.3
Operating cash flow from discontinued operations[(e)]	0.2
Changes in balances from guaranteed collections[(f)]	(7.8)
Proceeds from the sale of a secured portfolio[(g)]	3.9
Cash effective EBITDA normalizations[(h)]	6.6
Cash flow from operating activities before interest, portfolio purchases, tax expenses and capital expenditures	**68.7**

(a) Cash flow from operating activities as shown in GFKL’s Consolidated Financial Statements has been impacted by various factors that make an analysis of the true historical cash generation profile difficult. These factors include (i) interest paid and interest received, (ii) income tax payments, (iii) changes in restricted cash balances, (iv) the impact of discontinued operations, (v) changes in GFKL’s capitalized balances from guaranteed collections, and (vi) the effect of cash-relevant EBITDA normalization items. GFKL has adjusted for these items in the lines below to establish GFKL’s “Cash flow from operating activities before interest and income tax payments.”

(b) The net cash outflow for interest paid and the net cash inflow for interest received, each shown in the notes to the Consolidated Financial Statements is part of GFKL’s cash flow from operating activities. GFKL has added back these amounts to show its operating cash generation irrespective of GFKL’s financing structure.

(c) The net cash outflow from income tax payments and the net cash inflow from income tax reimbursements as shown in the notes to the Consolidated Financial Statements is part of GFKL’s cash flow from operating activities. GFKL have added back these amounts to show its operating cash generation irrespective of its tax status and tax structure.

(d) Cash flow from operating activities reflects the changes in restricted cash balances relating to GFKL’s third party debt collection business. In order to show the cash generation for its operations, GFKL has eliminated the change in restricted cash balances measured by comparing the restricted cash balances at the respective year end.

(e) Cash flow from operating activities has been affected by discontinued operations, particularly the Multigestión Group. In order to show the cash generation for GFKL's continuing operations only, we have eliminated the effects of discontinued operations on GFKL's cash flow from operating activities.

(f) Following the acquisition of GCG in the year ended December 31, 2012, GFKL has continuously expanded its third party debt collection business with GCG's major client (and previous shareholder). The contractual arrangements with this client foresee collection guarantees and related upfront payments to the client for part of the serviced debt, which are capitalized and subsequently amortized in the line item collections received. Based on the investment-type nature of these capitalized amounts and the fact that the serviced debt is typically acquired by the debt purchase business after a service period of 24 months, GFKL have reclassified the change in balances from guaranteed collections to the cash flow from investing activities of GFKL's cash flow statement.

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

(h) GFKL has analyzed its EBITDA adjustments for their cash-effectiveness on an item-by-item basis and have considered the identified cash-relevant effects in the "Normalized cash flow from operating activities before interest and income tax payments". The following cash effective EBITDA adjustments correspond to adjustments in Normalized EBITDA and Pro Forma Normalized EBITDA, see "*Summary GFKL Consolidated Financial and Other Information—Other Financial and Operating Data—Footnote 5.*"

Cash effective EBITDA adjustments for restructuring and relocation represent the focused program of organizational and legal restructuring measures GFKL undertook, which had negative financial one-off effects on GFKL's cash flow from operating activities. GFKL's cash outflows related to its relocation and were one-time removal costs in the year 2014, with an additional cash outflow realized in the six months ended June 30, 2015.

Cash effective EBITDA adjustments for projects represent the costs from several improvements and corporate development projects and the redesign of collection and calculation processes at GFKL's subsidiary DIG. In the year ended December 31, 2014, GFKL also incurred costs for further integration of sub-ledger systems as well as cash outflows for further one-time projects, including the development and implementation of an office design project prior to GFKL's relocation in 2014. In addition, it had cash outflows in connection with the corporate integration of its acquisitions.

Cash effective EBITDA adjustments for data analytics projects represent the cash outflows from a data analytics project that GFKL initiated to improve cash-collection effectiveness, enhance process efficiency and increase precision in pricing. The cash effective normalization related to external consultancy costs to design and oversee the implementation of this project as well as personnel expenses.

In addition, GFKL had cash effective EBITDA adjustments related to the settlement with its joint venture partner, for which GFKL received monthly payments of €30,000 starting from April 2013 to be paid over a 60-month period. The above-mentioned monthly payments in 2013 and 2014 as well as legal and consulting fees in connection with the aforementioned litigation and the disposal of shares have all been normalized. However, GFKL also had cash outflows for legal and consultancy fees prior to its cash inflows.

GFKL also made cash effective EBITDA adjustments related to its rental savings (net), which include the annual savings that resulted in connection with the relocation of its headquarters to a new location in the city of Essen, Germany in July 2014, which was partially offset by increased rent expenses incurred in connection with the establishment of its shared service center in Gelsenkirchen, Germany. To the extent not already reflected in the actual figures, these two effects have been retroactively applied to the historical periods.

(5) Lowell cost adjustments include the following adjustments: (i) £1.3 million in connection with the implementation of the BLAZE software platform, part of which was implemented in early October 2015 and which we anticipate will reduce expenses in connection with letter volumes by consolidating the number of active claims per customer into fewer letters and (ii) £0.4 million in connection with moving Interlaken and its third-party collection service operations within our VAT group, which occurred on April 1, 2015 and which we anticipate will allow us to reduce VAT amounts due on intergroup recharges.

(6) GFKL cost adjustments include: (i) £1.7 million in expected cost savings from headquarter centralizing which will result in the reduction of certain senior management and other positions, (ii) £0.8 million in expected cost savings from our announced operational centralization which includes moving one of the GFKL offices from Potsdam, Germany to Dusseldorf Germany, (iii) €0.3 million in expected cost savings in connection with the renegotiation of certain data supply contracts that we recently entered into and (iv) £3.9 million in expected cost savings resulting from the recent implementation of several data analytics initiatives that have improved GFKL's ability to more efficiently apply debt collection methods for customers, including customers in the long-term monitoring phase, and thereby reduce the related direct costs, such as bailiff and court order fees, from failed collection attempts. The GFKL cost adjustments set forth in the above table were translated into pounds sterling at €1.3116 to £1.00, the average exchange rate for the 12-month period ended June 30, 2015.

(7) *Pro forma* cash interest expense reflects the interest expense in respect of the Notes, the interest expense in respect of the Existing 2022 Senior Secured Notes, any fees or interest payable under our Amended and Restated RCF and any interest under the Milla Securitization for the twelve-month period ended June 30, 2015 as if the Transactions had occurred on July 1, 2014. *Pro forma* cash interest expense excludes charges related to allocated debt issuance costs and hedging costs. *Pro forma* cash interest expense has been presented for illustrative purposes only and does not purport to represent what our cash interest expense would have actually been had the Transactions, the GFKL Acquisition and the issuance of the Existing 2022 Senior Secured Notes occurred on the date assumed, nor does it purport to project our cash interest expense for any future period or our financial condition at any future date.

Other *Pro Forma* Liquidity Information

	Pro forma adjusted for the Transactions as of June 30, 2015
	(£ million) (unaudited)[1]
Amended and Restated RCF[2]	139.2
Cash and cash equivalents[3]	96.1

(1) Unless otherwise indicated, euro-denominated amounts were translated into pound sterling at €1.4057 to £1.00, which was the applicable exchange rate as of June 30, 2015.

(2) Represents the €200.0 million Amended & Restated RCF, under which we expect to have drawn €1.3 million as of the Issue Date. In addition, on September 24, 2015, a €10.5 million letter of credit was issued under the Amended and Restated RCF in connection with providing the guarantee for the Squeeze-Out. Under the terms of the Amended and Restated RCF, the committed funds available to us has been reduced by this amount for so long as the letter of credit is outstanding. Pursuant to the terms of the Amended and Restated RCF Agreement, a borrower may request to incur additional facilities under the Amended & Restated RCF Agreement in amounts up to the greater of €25 million and 7.9% of the Group's 84-month ERC. The pound sterling equivalent of the available amount under the Amended and Restated RCF as at June 30, 2015 as adjusted for the Transactions would have been £151.4 million if translated at an exchange rate of €1.3209 to £1.00, which was the applicable exchange rate as of February 1, 2016.

(3) Cash and cash equivalents represents *pro forma* cash and cash equivalents at the Issuer and its Restricted Subsidiaries at June 30, 2015, as adjusted for the Transactions as of the Issue Date and excluding restricted cash. See "*Capitalization*."

Pro Forma and Other Information

	As of and for the 12 months ended June 30, 2015
	(unaudited) (in £ million unless otherwise indicated)
Group ERC	1,308
Combined *Pro Forma* Adjusted EBITDA[1]	204.3
Pro Forma Cash Conversion Ratio	101.7
Combined *pro forma* cash revenue[2]	455.0
Pro forma cash and cash equivalents[3]	96.1
Pro forma secured debt[4]	828.6
Pro forma net secured debt[5]	732.5
Pro forma total debt[6]	1,058.6
Pro forma total net debt[7]	962.5
Pro forma cash interest expense[8]	94.7
Ratio of *pro forma* net secured debt to *pro forma* Adjusted EBITDA	3.6x
Ratio of *pro forma* secured debt to *pro forma* Adjusted EBITDA	4.1x
Ratio of *pro forma* net debt to *pro forma* Adjusted EBITDA	4.7x
Ratio of *pro forma* total debt to *pro forma* Adjusted EBITDA	5.2x
Ratio of *pro forma* Adjusted EBITDA to *pro forma* interest expense	2.2x

(1) For the calculation of Combined *Pro Forma* Adjusted EBITDA, see footnote 1 under the heading "*—Pro Forma Normalized Cash Generation and Available Liquidity*."

(2) We define cash revenue as total revenue for the period adding back portfolio write-up and portfolio amortization.

The following table presents a reconciliation of *pro forma* total revenue to combined *pro forma* cash revenue.

	For the 12 months ended June 30, 2015
Pro forma total revenue	349.6
Portfolio write-up	(44.4)
Portfolio amortization [(a)]	149.8
Combined *pro forma* cash revenue	455.0

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

(3) *Pro forma* cash and cash equivalents represents *pro forma* cash and cash equivalents of the Group, as adjusted for the Transactions as of the Issue Date and excluding restricted cash. See "*Capitalization*."

(4) *Pro forma* secured debt represents *pro forma* outstanding third-party indebtedness of the Group other than the Senior Notes, as adjusted for the Transactions as of the Issue Date.

(5) *Pro forma* net secured debt represents *pro forma* secured debt less *pro forma* cash and cash equivalents (net of £13.6 million in restricted cash).

(6) *Pro forma* total debt represents *pro forma* outstanding third-party indebtedness of the Group, as adjusted for the Transactions as of the Issue Date.

(7) *Pro forma* net total debt represents *pro forma* total debt less *pro forma* cash and cash equivalents.

(8) *Pro forma* cash interest expense reflects the interest expense in respect of the Notes, the interest expense in respect of the Existing 2022 Senior Secured Notes, any fees or interest payable under our Amended and Restated RCF and any interest under the Milla Securitization for the twelve-month period ended June 30, 2015 as if the Transactions had occurred on July 1, 2014. *Pro forma* cash interest expense excludes charges related to allocated debt issuance costs and hedging costs. *Pro forma* cash interest expense has been presented for illustrative purposes only and does not purport to represent what our cash interest expense would have actually been had the Transactions, the GFKL Acquisition and the issuance of the Existing 2022 Senior Secured Notes occurred on the date assumed, nor does it purport to project our cash interest expense for any future period or our financial condition at any future date.

SUMMARY CONSOLIDATED FINANCIAL AND OTHER INFORMATION OF LOWELL

The following table summarizes Lowell's historical consolidated financial data as of the dates and for the periods indicated and should be read in conjunction with the Lowell Audited Financial Statements and the Lowell Unaudited Condensed Consolidated Interim Financial Statements, which are reproduced elsewhere in this Offering Memorandum, and the section entitled "Management's Discussion and Analysis of Lowell's Financial Condition and Results of Operations." The information below is not necessarily indicative of the results of future operations.

The Target, the Lowell Group's consolidating entity, was incorporated on May 31, 2011 for the purpose of consummating TDR Capital's acquisition of LGL, and Lowell's consolidated reporting was carried out at the Target for the period from May 31, 2011 to August 31, 2012, which we refer to as the "Lowell Financial Year 2012." Prior to the acquisition of LGL on September 15, 2011, the Target had no operations and therefore no financial results. Thereafter, its financial results were the product of Lowell's operations. Additionally, the Lowell 2012 Audited Consolidated Financial Statements were adjusted to account for the 15 days that elapsed between the beginning of the Lowell Financial Year 2012 on September 1, 2011 to the date of the LGL acquisition on September 15, 2011. Accordingly, the Lowell Financial Year 2012 figures represent the financial results from 12 months of Lowell's operations. In 2013 the Target changed its financial year end from August 31 to September 30 in order to align the financial reporting schedule to calendar-year quarters. Accordingly, the financial results for the Lowell Financial Year 2013 are presented as of September 30, 2013 and for the 13-month period from September 1, 2012 to September 30, 2013. As a result, the financial results for the Lowell Financial Year 2013 are not directly comparable to those for the Lowell Financial Year 2012. The financial statements for the Lowell Financial Year 2012 included herein are derived from the Lowell 2013 Audited Consolidated Financial Statements, in which the Lowell Financial Year 2012 figures were restated due to a change in accounting policy regarding litigation costs. See note 1 (Litigation Costs) to the Lowell 2013 Audited Consolidated Financial Statements. Therefore, the financial statements for the Lowell Financial Year 2012 will differ from the financial statements in the Lowell 2012 Audited Consolidated Financial Statements.

This section includes consolidated financial information for the Target prepared under UK GAAP and under IFRS. The Target first presented financial statements under IFRS in the Lowell 2014 Audited Consolidated Financial Statements, which include restatements under IFRS of the financial statements for Lowell Financial Year 2013 and a consolidated statement of financial position as of September 1, 2012. The Lowell 2013 Audited Consolidated Financial Statements and the Lowell 2012 Audited Consolidated Financial Statements were both prepared under UK GAAP. This section presents financial statements for the Lowell Financial Year 2013 under both IFRS and UK GAAP.

UK GAAP differs in several respects from IFRS. The differences between UK GAAP and IFRS primarily relate to adjustments to profit attributable to shareholder and shareholder equity, specific changes to acquired portfolio investment accounting, reversal of goodwill amortization, identification of separable intangible assets, expenditure of capitalized costs and certain reclassifications. For a discussion of certain differences between UK GAAP and IFRS as applied by Lowell, see note 3 (Explanation of Transition to IFRS) to the Lowell 2014 Audited Consolidated Financial Statements.

In addition, this Offering Memorandum includes certain unaudited consolidated profit and loss information, as well as certain other financial and operating information, for the 12 months ended June 30, 2015. This information was derived by adding the financial data for the nine months ended June 30, 2015 to the financial data for the Lowell Financial Year 2014 and subtracting the financial data for the nine months ended June 30, 2014. This 12-month data has been prepared solely for the purpose of this Offering Memorandum, is not prepared in the ordinary course of the Target's financial reporting and has not been audited or reviewed by the Target's independent auditors.

We present below certain non-IFRS and non-UK GAAP measures and ratios that are not required by or presented in accordance with IFRS or UK GAAP, including, among others, Adjusted EBITDA and ERC. There can be no assurance that items we have identified for adjustment as non-recurring will not recur in the future or that similar items will not be incurred in the future. The non-IFRS and non-UK GAAP measures are not measurements of financial performance under IFRS or UK GAAP and should not be considered as alternatives to other indicators of the Target's operating performance, cash flows or any other measure of performance derived in accordance with IFRS or UK GAAP. The non-IFRS and non-UK GAAP measures as presented in this Offering Memorandum may differ from and may not be comparable to similarly titled measures used by other companies and Adjusted EBITDA may differ from "Consolidated EBITDA" contained in the sections "Description of the Senior Secured Notes" and "Description of the Senior Notes" of this Offering Memorandum and the Indentures. The calculations *for the non-IFRS and non-UK GAAP measures are based on various assumptions. This information is inherently subject to risks and uncertainties. It may not give an accurate or complete picture of the Target's financial condition or results of operations for the periods presented and should not be relied upon when making an investment decision. See "Presentation of Financial and Other Information."*

Collections on portfolios tend to be seasonally higher in the third and fourth quarters of Lowell's financial year due to customers generally having lower expenses during these months, for example because of lower heating costs. Conversely, collections on portfolios tend to be lower in months where there are fewer working days, for example months with public holidays. As a result, any quarterly results may not be indicative of Lowell's results for a full fiscal year.

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

Summary Lowell Consolidated Profit and Loss

UK GAAP Summary Lowell Consolidated Profit & Loss

	UK GAAP	
	For the Lowell Financial Year[1]	
	2012[2] (restated)	2013
	(in £ millions)	
Consolidated profit and loss account:		
Collections on owned portfolios	135.9	173.7
Amount of purchase cost recovered[3]	(55.1)	(74.5)
Fair value movement in debt portfolios[4]	11.9	11.0
Turnover from debt portfolios	**92.7**	**110.2**
Other turnover	0.3	6.8
Turnover	**93.0**	**117.0**
Cost of sales	(15.9)	(23.6)
Gross profit	**77.1**	**93.4**
Administrative expenses[5]	(25.4)	(37.3)
Depreciation[6]	(2.0)	(2.5)
Operating profit	**49.7**	**53.6**
Interest receivable	0.0	0.9
Interest payable and similar charges[7]	(51.8)	(61.7)
Amortization of intangible assets	(8.0)	(9.4)
Fair value movements in derivatives[8]	0.2	—
Loss on ordinary activities before taxation	**(9.9)**	**(16.6)**
Tax on loss on ordinary activities	(5.6)	(4.8)
Loss for the financial period	**(15.5)**	**(21.4)**

(1) The financial information presented in this table relates to periods of unequal duration. The Lowell Financial Year 2012 figures represent the Target's financial results for the 15-month period from May 31, 2011 to August 31, 2012. Notably, the Target had no operations and therefore no financial results prior to its acquisition of LGL on September 15, 2011. Thereafter, its financial results were the product of Lowell's operations. Additionally, the Lowell 2012 Audited Consolidated Financial Statements were adjusted to account for the 15 days that elapsed between the beginning of the Lowell Financial Year 2012 on September 1, 2011 to the date of the LGL acquisition on September 15, 2011. Accordingly, the Lowell Financial Year 2012 figures represent the financial results from 12 months of Lowell's operations. The Lowell Financial Year 2013 figures represent the Target's financial results for the 13-month period from September 1, 2012 to September 30, 2013.

(2) The financial statements for the Lowell Financial Year 2012 included in this table are derived from the Lowell 2013 Audited Consolidated Financial Statements, in which the Lowell Financial Year 2012 figures were restated due to a change in accounting policy regarding litigation costs. See note 1 (Litigation Costs) to the Lowell 2013 Audited Consolidated Financial Statements. Therefore, the financial

statements for the Lowell Financial Year 2012 will differ from the financial statements in the Lowell 2012 Audited Consolidated Financial Statements.

(3) Amount of purchase cost recovered represents the amortization resulting from collections on purchased debt portfolios between the beginning and the end of the period. Increases in amount of purchase cost recovered reflect the growing value of the debt portfolios owned.

(4) Fair value movement in debt portfolios represents any fair value movement resulting from revaluation of each portfolio between the beginning and the end of that period.

(5) Administrative expenses for the Lowell Financial Year 2012 include a bonus of £1.4 million paid to certain key employees and one-time professional fee charges. Administrative expenses for the Lowell Financial Year 2013 include one-time professional costs related to the expansion of the senior management team and one-off project costs and non-recurring lease costs in connection with Lowell's move to its newly leased offices.

(6) Depreciation represents the depreciation charge for the period and any profit or loss on the disposal of fixed assets.

(7) Interest payable and similar charges includes non-cash, paid-in-kind interest expense related to subordinated shareholder instruments. Such non-cash paid-in-kind interest expense represented £34.6 million and £30.3 million in Lowell Financial Year 2012 and Lowell Financial Year 2013, respectively.

(8) Fair value movements in derivatives is reported as a separate line item in Lowell's audited annual consolidated financial statements and represents fair value movements in the value of derivatives held on the balance sheet. The last derivative contracts held by Lowell were closed as of March 31, 2012 and no other contracts have been entered into since that date.

IFRS Summary Lowell Consolidated Statement of Comprehensive Income

	IFRS				
	For the Lowell Financial Year(1)		For the Nine Months ended June 30,	For the Nine Months ended June 30,	For the 12 Months ended June 30,
	2013(2) (restated)	2014	2014	2015	2015
	(in £ millions)				
Continuing operations					
Revenue					
Income from portfolio investments	93.3	107.1	78.4	92.1	120.8
Portfolio write up	11.9	25.3	17.4	15.1	23.0
Portfolio fair value release	(7.3)	(4.9)	(3.6)	(2.8)	(4.1)
Other revenue	6.8	18.7	10.1	8.1	16.7
Total revenue	**104.8**	**146.2**	**102.3**	**112.5**	**156.4**
Operating expenses					
Collection activity costs	(23.6)	(33.5)	(23.4)	(28.2)	(38.3)
Other expenses	(43.4)	(63.1)	(43.5)	(46.4)	(66.0)
Total operating expenses	**(67.0)**	**(96.6)**	**(66.9)**	**(74.7)**	**(104.3)**
Operating profit	**37.8**	**49.6**	**35.4**	**37.9**	**52.1**
Interest income	0.2	0.1	0.1	0.0	0.0
Finance costs	(60.9)	(63.9)	(47.3)	(50.8)	(67.4)
Goodwill impairment	(0.8)	—	—	—	—
Loss before tax	**(23.7)**	**(14.2)**	**(11.8)**	**(12.9)**	**(15.3)**
Income tax expense	(1.8)	(1.9)	(1.0)	(1.4)	(2.2)
Loss for the period attributable to equity shareholders	**(25.5)**	**(16.1)**	**(12.8)**	**(14.3)**	**(17.5)**
Other comprehensive income	—	—	—	—	—
Total comprehensive expenditure for the period attributable to equity shareholders	**(25.5)**	**(16.1)**	**(12.8)**	**(14.3)**	**(17.5)**

(1) The financial information presented in this table relates to periods of unequal duration. The Lowell Financial Year 2013 figures represent the Target's financial results for the 13-month period from September 1, 2012 to September 30, 2013. The Lowell Financial Year 2014 figures represent the Target's financial results for the 12-month period from October 1, 2013 to September 30, 2014.

(2) The financial statement figures for the Lowell Financial Year 2013 included in this table are derived from the Lowell 2014 Audited Consolidated Financial Statements where the Lowell Financial Year 2013 figures were restated due to a change in the basis of financial statement preparation from UK GAAP to IFRS. See note 3 (Explanation of Transition to IFRS) to the Lowell 2014 Audited Consolidated Financial Statements. Therefore, the restated financial statements for the Lowell Financial Year 2013 derived from the Lowell 2014 Audited Consolidated Financial Statements will differ from those in the Lowell 2013 Audited Consolidated Financial Statements.

Summary Lowell Consolidated Balance Sheet

UK GAAP Summary Lowell Consolidated Balance Sheet

	UK GAAP	
	As of August 31, 2012[2] (restated)	**As of September 30, 2013**
	(in £ millions)	
Consolidated balance sheet:		
Fixed assets		
Intangible assets	152.7	174.3
Tangible assets	4.2	4.7
	156.9	179.0
Current assets		
Debt portfolios	236.8	299.5
Debtors	16.7	22.6
Cash at bank and in hand	9.0	15.3
	262.5	337.4
Creditors: amounts falling due within one year[1]	(23.3)	(36.3)
Net current assets	239.2	301.1
Total assets less current liabilities	396.1	480.1
Creditors: amounts falling due after more than one year[1]	(410.4)	(515.7)
Net liabilities	(14.3)	(35.6)
Capital and reserves		
Called up share capital	1.2	1.2
Share premium account	0.0	0.1
Profit and loss account	(15.5)	(36.9)
Total shareholders' (deficit)	**(14.3)**	**(35.6)**

(1) Includes a significant proportion of preference shares and unsecured loan notes issued by the Target to its shareholders for the Lowell Financial Year 2012 and their accrued non-cash, paid-in-kind interest expense each year. Creditors: amounts falling due after more than one year, excluding such preference shares and unsecured loan notes, but including accrued interest expense, represented £200.0 million and £275.0 million in the Lowell Financial Year 2012 and the Lowell Financial Year 2013, respectively.

(2) The financial statement figures for the Lowell Financial Year 2013 included in this table are derived from the Lowell 2014 Audited Consolidated Financial Statements where the Lowell Financial Year 2013 figures were restated due to a change in the basis of financial statement preparation from UK GAAP to IFRS. See note 3 (Explanation of Transition to IFRS) to the Lowell 2014 Audited Consolidated Financial Statements. Therefore, the restated financial statements for the Lowell Financial Year 2013 derived from the Lowell 2014 Audited Consolidated Financial Statements will differ from those in the Lowell 2013 Audited Consolidated Financial Statements.

IFRS Summary Lowell Consolidated Statement of Financial Position

	IFRS			
	As of September 1,	As of September 30,		As of June 30,
	2012[(1)] (restated)	2013[(2)] (restated)	2014	2015
	(in £ millions)			
Assets				
Non-current assets				
Goodwill	140.2	169.8	169.8	169.8
Intangible assets	9.3	7.4	5.6	4.6
Property, plant and equipment	2.4	2.1	4.0	3.9
Portfolio investments	119.5	146.1	204.6	235.4
Deferred tax assets	0.9	4.3	0.3	—
Total non-current assets	**272.3**	**329.7**	**384.3**	**413.7**
Current assets				
Portfolio investments	105.7	129.3	163.7	183.7
Trade and other receivables	9.2	14.8	33.1	39.8
Cash and cash equivalents	9.0	15.3	34.4	11.2
Total Current assets	**123.9**	**159.4**	**231.2**	**234.7**
Total assets	**396.2**	**489.1**	**615.5**	**648.3**
Equity				
Share capital	1.2	1.2	1.3	1.3
Share premium	0.0	0.1	0.1	0.1
Retained deficit	(31.3)	(56.8)	(72.9)	(87.1)
Total deficit attributable to shareholders	**(30.1)**	**(55.5)**	**(71.5)**	**(85.8)**
Liabilities				
Non-current liabilities				
Borrowings	403.1	508.3	650.0	672.0
Current liabilities				
Trade and other payables	11.2	25.8	36.9	43.9
Borrowings	9.0	10.0	—	17.1
Deferred tax liability	—	—	—	1.1
Current tax liabilities	3.0	0.5	0.1	—
Total current liabilities	**23.2**	**36.3**	**37.0**	**62.1**
Total equity and liabilities	**396.2**	**489.1**	**615.5**	**648.3**

(1) The financial statements as of September 1, 2012 included in this table are derived from the Lowell 2014 Audited Consolidated Financial Statements, where the Lowell Financial Year 2012 figures were restated due to a change in the basis of financial statement preparation from UK GAAP to IFRS. See note 3 (Explanation of Transition to IFRS) to the Lowell 2014 Audited Consolidated Financial Statements. Therefore, the IFRS balance sheet figures for the Lowell Financial Year 2012 shown in this table and in the Lowell 2014 Audited Consolidated Financial Statements will differ from the balance sheet figures in the Lowell 2012 Audited Consolidated Financial Statements which were prepared under UK GAAP.

(2) The financial statements as of September 30, 2013 included in this table are derived from the Lowell 2014 Audited Consolidated Financial Statements where the Lowell Financial Year 2013 figures were restated due to a change in the basis of financial statement preparation from UK GAAP to IFRS. See note 3 (Explanation of Transition to IFRS) to the Lowell 2014 Audited Consolidated Financial Statements. Therefore, the IFRS balance sheet figures for the Lowell Financial Year 2013 shown in this table and in the Lowell 2014 Audited Consolidated Financial Statements will differ from the balance sheet figures in the Lowell 2013 Audited Consolidated Financial Statements which were prepared under UK GAAP.

Summary Lowell Cash Flow Statement Information

UK GAAP Summary Lowell Cash Flow Statement Information

	UK GAAP	
	For the Lowell Financial Year(1)	
	2012(2) (restated)	2013
	(in £ millions)	
Cash flow from operating activities	**2.9**	**(7.6)**
Returns on investments and servicing of finance(3)	(21.8)	(43.6)
Taxation	(6.5)	(4.9)
Capital expenditure and financial investment	(1.9)	(2.7)
Acquisitions and disposals	(232.1)	(30.0)
Cash outflow before financing	**(259.4)**	**(88.8)**
Financing	268.5	95.0
Increase in cash in the period	**9.0**	**6.3**

(1) The financial information presented in this table relates to periods of unequal duration. The Lowell Financial Year 2012 figures represent the Target's financial results for the 15-month period from May 31, 2011 to August 31, 2012. Notably, the Target had no operations and therefore no financial results prior to its acquisition of LGL on September 15, 2011. Thereafter, its financial results were the product of Lowell's operations. Additionally, the Lowell 2012 Audited Consolidated Financial Statements were adjusted to account for the 15 days that elapsed between the beginning of Lowell Financial Year 2012 on September 1, 2011 to the date of the LGL acquisition on September 15, 2011. Accordingly, the Lowell Financial Year 2012 figures represent the financial results from 12 months of Lowell's operations. The Lowell Financial Year 2013 figures represent the Target's financial results for the 13-month period from September 1, 2012 to September 30, 2013.

(2) The financial statements for the Lowell Financial Year 2012 included herein are derived from the Lowell 2013 Audited Consolidated Financial Statements, in which the Lowell Financial Year 2012 figures were restated due to a change in accounting policy regarding litigation costs. See note 1 (Litigation Costs) to the Lowell 2013 Audited Consolidated Financial Statements. Therefore, the financial statements for the Lowell Financial Year 2012 will differ from the financial statements in the Lowell 2012 Audited Consolidated Financial Statements.

(3) Returns on investments and servicing of finance represents cash payments made to service loan debt instruments, principally the Existing Lowell Senior Secured Notes and the Existing Senior Facilities Agreement. In the Lowell Financial Year 2012, returns on investments and servicing of finance relates to interest and fees on the Existing Senior Facilities Agreement, the Existing Lowell Senior Secured Notes and unsecured loan notes issued by the Target to its shareholders. In the Lowell Financial Year 2013, returns on investments and servicing of finance relates to interest and fees on the Existing Senior Facilities Agreement and the Existing Lowell Senior Secured Notes.

IFRS Summary Lowell Cash Flow Statement Information

	IFRS				
	For the Lowell Financial Year[(1)]		For the nine months ended June 30,	For the nine months ended June 30,	For the 12 months ended June 30,
	2013[(2)] (restated)	2014	2014	2015	2015
	(in £ millions)				
Consolidated cash flow statement:					
Net cash from operating activities	**(57.1)**	**(81.2)**	**(61.7)**	**(29.5)**	**(49.0)**
Investing activities					
Interest received	0.2	0.1	0.1	0.0	0.0
Purchase of property, plant and equipment	(0.9)	(3.1)	(3.1)	(0.6)	(0.6)
Purchase of intangible assets	(1.8)	(1.8)	(1.5)	(1.1)	(1.4)
Proceeds of sale of property, plant and equipment	—	0.0	—	—	0.0
Acquisition of subsidiary	(29.2)	—	—	—	—
Net cash from investing activities	**(31.7)**	**(4.7)**	**(4.5)**	**(1.7)**	**(1.9)**
Financing activities					
New borrowings	95.0	115.0	115.0	8.0	8.0
Repayment of borrowings	—	(10.0)	(10.0)	—	—
New share issue	—	0.1	—	—	0.1
Net cash from financing activities	**95.0**	**105.1**	**105.0**	**8.0**	**8.1**
Net increase/(decrease) from cash and cash equivalents	6.3	19.1	38.8	(23.1)	(42.8)
Cash and cash equivalents at the beginning of the period	**9.0**	**15.3**	**15.3**	**34.4**	**54.1**
Cash and cash equivalents at the end of the period	**15.3**	**34.4**	**54.1**	**11.2**	**11.2**

(1) The financial information presented in this table relates to periods of unequal duration. The Lowell Financial Year 2013 figures represent the Target's financial results for the 13-month period from September 1, 2012 to September 30, 2013. The Lowell Financial Year 2014 figures represent the Target's financial results for the 12-month period from October 1, 2013 to September 30, 2014.

(2) The financial statements for the Lowell Financial Year 2013 included in this table are derived from the Lowell 2014 Audited Consolidated Financial Statements where the Lowell Financial Year 2013 figures were restated due to a change in the basis of financial statement preparation from UK GAAP to IFRS. See note 3 (Explanation of Transition to IFRS) to the Lowell 2014 Audited Consolidated Financial Statements. Therefore, the restated figures for the Lowell Financial Year 2013 shown in this table and in the Lowell 2014 Audited Consolidated Financial Statements will differ from the figures in the Lowell 2013 Audited Consolidated Financial Statements which were prepared under UK GAAP.

Other Lowell Financial and Operating Data

	As of and for the Lowell Financial Year			As of and for the nine months ended June 30,	As of and for the nine months ended June 30,	As of and for the 12 months ended June 30,
	2012	**2013**	**2014**	**2014**	**2015**	**2015**
				(in £ millions)		
Other financial, operating and pro forma data:						
Cash generative asset backing:						
ERC[(1)]	477.0	591.5	800.9	724.6	972.3	972.3
Portfolio purchases[(2)]	90.7	124.4	162.2	120.2	113.4	155.5
Number of accounts (in millions)[(3)]	10.0	12.3	15.6	14.4	18.2	18.2
Number of owned debt portfolios[(4)]	586	715	877	831	1,029	1,029
Net adjusted debt[(5)]	191.0	269.7	355.6	335.9	386.8	386.8
Cash generation:						
Collections on owned portfolios[(6)]	135.9	173.2	196.8	143.4	167.1	220.5
Adjusted EBITDA[(7)]	96.6	119.0	126.1	91.8	104.1	138.3
Cash flow before interest, portfolio purchases, tax expenses and capital expenditures[(8)]	93.5	116.0	121.4	80.0	107.0	148.4
Cash flow conversion[(9)]	96.8 %	97.5 %	96.3 %	87.2 %	102.8 %	107.3 %
Operational efficiency:						
Default rate[(10)]	19.2 %	17.5 %	15.8 %	15.4 %	15.2 %	15.2 %

(1) "ERC" means estimated remaining collections, which are the future collections projected to be received on all of Lowell's purchased debt portfolios based on its forecasting models. As of today, Lowell's internal models forecast collections over a 120-month period (except as otherwise specified). ERC is presented here for illustrative purposes only and can be different from the forecasts used to calculate the carrying value of Lowell's purchased debt portfolios as recognized in its consolidated financial statements. Any references to ERC in this Offering Memorandum are references to gross ERC (which includes estimated gross collections in respect of the principal balance, costs, service costs and fees). See "*Management's Discussion and Analysis of Lowell's Financial Condition and Results of Operations—Key Operating Metrics—Estimated Remaining Collections ("ERC")*".

(2) Represents the value of purchases through actual spend for the relevant financial period.

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

(4) Number of owned debt portfolios represents the number of individual portfolios of accounts that Lowell owns as of the date specified. Where more than one portfolio has been purchased from a vendor in the same month, such portfolios are grouped together and treated as one portfolio purchase.

(5) Net Adjusted Debt represents third-party debt less cash and cash equivalents and excludes subordinated shareholder instruments included in the "Creditor" line item of the balance sheet.

(6) Collections on owned portfolios represents Gross Collections. Under UK GAAP, this is reported in the Lowell profit and loss account as collections on owned portfolios. Under IFRS, this is reported in the notes to the financial statements.

(7) Adjusted EBITDA represents collections on owned portfolios plus other turnover, less cost of sales and administrative expenses (which, together, equals servicing costs) and before exceptional items, depreciation and amortization. For additional information, see "*Presentation of Financial and Other Information*." The following table provides an analysis of Adjusted EBITDA.

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

	For the Lowell Financial Year			For the Nine months ended June 30,	For the Nine months ended June 30,	For the 12 Months ended June 30,
(£ in millions)	**2012**	**2013**	**2014**	**2014**	**2015**	**2015**
Collections on owned portfolios[(a)]	135.9	173.2	196.8	143.4	167.1	220.5
Other turnover	0.3	6.8	18.7	10.1	8.1	16.7
Exceptional income[(b)]	—	—	(5.2)	—	—	(5.2)
Servicing costs[(c)]	(43.2)	(67.0)	(96.6)	(66.9)	(74.7)	(104.3)

(£ in millions)	For the Lowell Financial Year 2012	2013	2014	For the Nine months ended June 30, 2014	For the Nine months ended June 30, 2015	For the 12 Months ended June 30, 2015
Depreciation/amortization[(d)]	2.0	5.2	4.3	3.5	2.8	3.6
Exceptional items[(e)]	1.7	0.7	8.0	1.7	0.8	7.1
Adjusted EBITDA	96.6	119.0	126.1	91.8	104.1	138.3

(a) Collections on owned portfolios represents Gross Collections. Under UK GAAP, this is reported in the Lowell profit and loss account as collections on owned portfolios. Under IFRS, this is reported in the notes to the financial statements.

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

(c) Servicing costs represent the sum of "collection activity costs" and "other expenses" (under IFRS) or the sum of "cost of sales," "administrative expenses" and "depreciation" (under UK GAAP).

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

(e) Administrative/other expenses include several one-off, non-recurring items that have been added back as exceptional items to reach Adjusted EBITDA. In the Lowell Financial Year 2012, exceptional items included £1.4 million of one-off bonus payments and £0.3 million of professional fees. In the Lowell Financial Year 2013, exceptional items included £0.7 million of one-time professional costs. In the Lowell Financial Year 2014, exceptional items included £0.8 million of one-off project fees and professional fees of £7.2 million. During the nine months ended June 30, 2014, exceptional items included £0.8 million of one-off professional costs associated with the relocation of the Lowell head office to new premises and £0.9 million of one-off professional fees. During the nine months ended June 30, 2015, exceptional items included £1.4 million of one-off professional fees and £0.3 million of fees associated with office closures and moves in both Leeds and Surrey, offset by the release of £0.9 million of accrued professional fees which were agreed not to be invoiced. In the twelve months ended June 30, 2015, exceptional items represented £0.3 million of fees associated with office closures and moves in both Leeds and Surrey and £6.8 million of one-off professional fees. Professional fees in relation to exceptional items are costs incurred in investigating future strategic business opportunities.

The table below sets out the reconciliation of operating profit to Adjusted EBITDA.

(£ in millions)	For the Lowell Financial Year 2012	2013	2014	For the Nine months ended June 30, 2014	For the Nine months ended June 30, 2015	For the 12 Months ended June 30, 2015
Operating profit	49.7	37.8	49.6	35.4	37.9	52.1
Depreciation/amortization[(a)]	2.0	5.2	4.3	3.5	2.8	3.6
Fair value movement in debt portfolios/portfolio write-up	(11.9)	(11.9)	(25.3)	(17.4)	(15.1)	(23.1)
Portfolio fair value release[(b)]	—	7.3	4.9	3.7	2.8	4.1
Exceptional items[(c)]	1.7	0.7	8.0	1.7	0.8	7.1
Portfolio amortization[(d)]	55.1	79.9	89.7	65.0	74.9	99.7
Exceptional income[(e)]	—	—	(5.2)	—	—	(5.2)
Adjusted EBITDA	**96.6**	**119.0**	**126.1**	**91.8**	**104.1**	**138.3**

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

(b) Portfolio fair value release is as presented on the face of the Statement of Comprehensive Income and represents the unwinding of the fair value uplift required when the Target acquired the Lowell Group in September 2011. This uplift is being unwound over 84 months in line with a typical collections profile. This is only applicable under IFRS and therefore no adjustment is present for Lowell Financial Year 2012.

(c) Administrative/other expenses include several one-off non-recurring items that have been added back as exceptional items to reach Adjusted EBITDA. In the Lowell Financial Year 2012, exceptional items included £1.4 million of one-off bonus payments and £0.3 million of professional fees. In the Lowell Financial Year 2013, exceptional items included £0.7 million of one-time professional costs. In the Lowell Financial Year 2014, exceptional items included £0.8 million of one-off project costs associated with the relocation of the Lowell head office and £7.2 million of professional fees. During the nine months ended June 30, 2014, exceptional items included £0.8 million of one-off professional costs associated with the relocation of the Lowell head office to new premises and £0.9 million of one-off professional fees. During the nine months ended June 30, 2015, exceptional items included £1.4 million of one-off professional fees and £0.3 million of fees associated with office closures and moves in both Leeds and Surrey, offset by the release of £0.9 million of accrued professional fees which were agreed not to be invoiced. In the twelve months ended June 30, 2015, exceptional items represented £0.3 million of fees associated with office closures and moves in both Leeds and Surrey and £6.8 million of one-off professional fees. Professional fees in relation to exceptional items are costs incurred in investigating future strategic business opportunities.

(d) Under IFRS, portfolio amortization represents the difference between the gross collections for the period and the income from portfolio investments as stated in the Statement of Comprehensive Income. Under UK GAAP, portfolio amortization represents the amount of purchased cost recovered as stated in the profit and loss account.

(e) Exceptional income for the Lowell Financial Year 2014 and the twelve months ended June 30, 2015 represents the release of the deferred consideration that was recognized on the acquisition of Interlaken but was released on September 30, 2014, as it was no longer deemed payable.

Adjusted EBITDA is a non-accounting measure, the treatment and calculation of which are not materially different under UK GAAP or IFRS. Lowell calculates Adjusted EBITDA as gross collections and other revenue less servicing costs, not including exceptional non-recurring items. Servicing costs are, under UK GAAP, cost of sales plus administrative expenses, and under IFRS, collection activity costs and other expenses, less depreciation and amortization.

Under UK GAAP gross collections were recorded as revenue in the profit and loss account. Under IFRS the gross collections impact the carrying value of the portfolio investments on the statement of financial position. There is no difference in how gross collections are calculated under the different accounting standards, with the only a difference being how it impacts the financial statements. As a result, the gross collections for the Adjusted EBITDA calculation can be found in the profit and loss account in the Lowell 2012 Audited Consolidated Financial Statements and the Lowell 2013 Audited Consolidated Financial Statements, and can be found in Note 14 (Portfolio Investments) in the Lowell 2014 Audited Consolidated Financial Statements and Note 10 (Portfolio Investments) in the Lowell Unaudited Condensed Consolidated Interim Financial Statements.

Other revenue and servicing costs (before exceptional non-recurring items) are not affected by the conversion to IFRS. Servicing costs only differ in terminology and presentation between the two accounting conventions.

(8) Cash flow before interest, portfolio purchases, tax expenses and capital expenditure represents Adjusted EBITDA less working capital movement but excluding portfolio purchases in the period. Management monitors cash flow before interest, portfolio purchases, tax expenses and capital expenditure as a measure of the cash available to us to pay down or service debt, pay income taxes, purchase new debt portfolios and for other uses.

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

(10) "Default rate" means, during a specific month, total collections not received on individual paying customer accounts as a percentage of all monies due during such month on payment plans established and managed directly by Lowell with respect to such customer accounts. Any payments received in excess of the amount due do not count towards total collections. The default rates presented in the table above are calculated on the basis of a three-month average to the end of the relevant period.

SUMMARY CONSOLIDATED FINANCIAL AND OTHER INFORMATION OF GFKL

The following tables present the GFKL Group's summary financial information and should be read in conjunction with the GFKL Audited Consolidated Financial Statements, and the GFKL Unaudited Condensed Consolidated Interim Financial Statements, which are reproduced elsewhere in this Offering Memorandum and the section entitled "Management's Discussion and Analysis of GFKL's Financial Condition and Results of Operations." The GFKL Audited Consolidated Financial Statements were prepared in accordance with IFRS and were audited in accordance with Section 317 HGB, and German generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors (Institut der Wirtschaftsprüfer) by E&Y which issued an unqualified auditor's report thereon in each case. The GFKL Unaudited Condensed Consolidated Interim Financial Statements, which were prepared in accordance with IFRS on interim financial reporting, have not been audited. The information below is not necessarily indicative of the results of future operations.

The unaudited financial information for the 12-month period ended June 30, 2015 of GFKL included elsewhere in this Offering Memorandum is based on the GFKL Consolidated Financial Statements and GFKL's internal accounting system, and it is calculated by taking the consolidated interim financial information for the six-month period ended June 30, 2015 derived from the GFKL Unaudited Condensed Consolidated Interim Financial Statements and GFKL's internal accounting system, and adding it to the consolidated financial information for the year ended December 31, 2014 derived from the GFKL 2014 Audited Consolidated Financial Statements and GFKL's internal accounting system and subtracting the consolidated interim financial information for the six-month period ended June 30, 2014 derived from the GFKL Unaudited Condensed Consolidated Interim Financial Statements and GFKL's internal accounting system. This data has been prepared solely for the purpose of this Offering Memorandum, is not prepared in the ordinary course of GFKL's financial reporting and has not been audited.

The GFKL Group financial information as of and for the year ended December 31, 2012, was adjusted in the GFKL 2013 Audited Consolidated Financial Statements due to the first-time application of IAS 19R (relating to the treatment of interest expense on pension obligations) and the retrospective presentation of discontinued operations in the income statement according to IFRS 5. See notes II.2, II.3, III.12 and IV.10 to the GFKL 2013 Audited Consolidated Financial Statements. Accordingly, the financial information presented in this Offering Memorandum for the GFKL Group as of and for the year ended December 31, 2012 was derived from the comparative financial information included in the GFKL 2013 Audited 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 Reported EBITDA, among others. There can be no assurance that items we have identified for adjustment as non-recurring will not recur in the future or that similar items will not be incurred in the future. The non-IFRS measures are not measurements of financial performance under IFRS and should not be considered as alternatives to other indicators of GFKL's operating performance, cash flows or any other measure of performance derived in accordance with IFRS. The non-IFRS measures as presented in this Offering Memorandum may differ from and may not be comparable to similarly titled measures used by other companies and Reported EBITDA, Normalized EBITDA, Pro Forma Normalized EBITDA and Adjusted EBITDA may differ from "Consolidated EBITDA" contained in the sections "Description of the Senior Secured Notes" and "Description of the Senior Notes" of this Offering Memorandum and the Indentures. The calculations for the non-IFRS measures are based on various assumptions. This information is inherently subject to risks and uncertainties. It may not give an accurate or complete picture of GFKL's financial condition or results of operations for the periods presented and should not be relied upon when making an investment decision. See "Presentation of Financial and Other Information."

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

Summary GFKL Consolidated Income Statement Information

	Financial Year			Six-Month Period ended June 30,		12-Month Period ended June 30,
	2012	2013	2014	2014	2015	2015
	(in € million)					
				(unaudited)		(unaudited)
Revenue	157.0	190.4	243.8	114.5	127.0	256.4
Other operating income	9.0	11.1	16.1	2.0	3.4	17.5
Cost of purchased goods and services	—	—	0.8	—	0.5	1.3
Personnel expenses	43.4	44.0	45.2	22.5	23.6	46.3
Depreciation, amortization and impairment expense	4.0	3.9	6.3	1.8	2.1	6.5
Other operating expenses	125.3	134.6	163.8	74.0	81.1	170.9
Interest and similar income	0.9	2.6	0.5	0.2	0.5	0.8
Interest and similar expenses	14.7	14.8	16.0	7.7	6.6	14.9
Profit/loss from investments accounted for using the equity method	0.1	—	—	—	—	—
Earnings/(loss) before tax	**(20.4)**	**6.9**	**28.4**	**10.6**	**16.9**	**34.7**
Income taxes/(income)	0.4	(7.5)	11.0	3.4	5.6	13.2
Profit/(loss) from continuing operations	**(20.8)**	**14.4**	**17.4**	**7.2**	**11.4**	**21.5**
Profit/(loss) from discontinued operations	(3.2)	(12.2)	(2.3)	(1.2)	0.0	(1.0)
Consolidated profit/(loss) for the period	**(24.0)**	**2.3**	**15.1**	**6.0**	**11.4**	**20.5**
Profit attributable to non-controlling interests	0.0	0.0	0.0	—	—	0.0
Loss attributable to non-controlling interests	0.0	0.0	—	0.0	0.1	0.1
Profit/(loss) attributable to equity holders of the parent	**(24.0)**	**2.3**	**15.1**	**6.0**	**11.4**	**20.6**

Summary GFKL Consolidated Balance Sheet

	As of December 31,			As of June 30,
	2012	2013	2014	2015
		(in € million)		(unaudited)
Assets				
Non-current assets				
Property, plant and equipment	2.6	2.4	3.8	3.5
Intangible assets	19.1	16.2	19.3	19.3
Goodwill	35.6	23.5	21.6	21.6
Non-performing loans and receivables acquired for settlement(1)	70.9	59.7	59.5	76.0
Other financial assets	2.6	0.1	8.4	0.1
Deferred tax assets	0.5	—	—	—
Non-current assets	**131.3**	**101.8**	**112.5**	**120.5**
Current assets				
Inventories	—	—	0.0	0.0
Non-performing loans and receivables acquired for settlement(1)	45.9	41.0	43.4	46.1
Trade and other receivables	13.5	10.1	10.8	11.2
Income tax refund claims	1.4	4.6	4.4	4.5
Other financial assets	21.6	12.6	12.9	8.6
Cash and cash equivalents	38.2	58.2	35.7	39.7
Current assets	**120.5**	**126.6**	**107.2**	**110.2**
Assets classified as held for sale	—	11.4	—	—
Total assets	**251.8**	**239.8**	**219.7**	**230.7**
Equity and Liabilities				
Equity attributable to equity holders of the parent	(9.0)	(6.6)	7.0	18.5
Non-controlling interests	(0.1)	(0.1)	0.8	0.7
Total Equity	**(9.0)**	**(6.7)**	**7.8**	**19.1**
Non-current liabilities				
Liabilities to banks	108.3	100.0	71.9	—
Derivatives with negative fair values	2.8	1.6	1.3	0.9
Other financial liabilities	32.7	30.8	32.7	116.9
Provisions	2.5	1.0	0.6	0.6
Provisions for pensions	4.4	4.6	5.3	5.3
Deferred tax liabilities	4.8	5.1	10.7	14.2
Non-current liabilities	**155.4**	**143.1**	**122.5**	**137.9**
Current liabilities				
Liabilities to banks	14.0	10.0	7.5	0.0
Derivatives with negative fair values	1.2	0.4	0.6	0.5
Trade payables and other liabilities	12.8	8.5	9.5	9.3
Other financial liabilities	33.1	41.5	42.5	34.7
Income tax provisions	18.4	14.2	17.6	17.9
Provisions	25.8	24.1	11.7	11.2
Current liabilities	**105.4**	**98.8**	**89.4**	**73.7**
Liabilities classified as held for sale	0.0	4.7	—	—
Total Liabilities	**260.8**	**246.5**	**211.9**	**211.6**
Total equity and liabilities	**251.8**	**239.8**	**219.7**	**230.7**
(1) Sum of current and non-current non-performing loans and receivables required for settlement (unaudited)	**116.8**	**100.7**	**102.8**	**122.1**

Summary GFKL Cash Flow Statement Information

	Financial Year			Six-Month Period ended June 30,		12-Month Period ended June 30,
	2012	2013	2014	2014	2015	2015
	(in € million)			(unaudited)		(unaudited)
Cash flow from operating activities	18.3	53.3	36.9	21.9	36.0	51.0
Cash flow from investing activities	(14.5)	(22.1)	(29.7)	(15.7)	(34.4)	(48.4)
Cash flow from financing activities	(24.2)	(9.3)	(31.6)	7.6	2.4	(36.8)
Change in cash and cash equivalents	(20.4)	21.9	(24.3)	13.9	4.0	(34.2)
Cash and cash equivalents at the end of the period	38.2	60.1	35.7	73.9	39.7	39.7
Thereof restricted cash[(1)]	20.3	19.8	24.4	22.4	19.1	19.1

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

Other GFKL Financial and Operating Data

	Financial Year			As of and for Six-Month Period ended June 30,		As of and for the 12-Month Period ended June 30,
	2012	2013	2014	2014	2015	2015
	(in € million, unless otherwise indicated)					
	(unaudited, unless otherwise indicated)			(unaudited)		(unaudited)
Gross Collections on purchased debt (including payment receipts from secured portfolios)[(1)]	82.2	88.8	91.7	45.7	54.9	101.0
Debt purchase revenue[(2)]	51.3	61.4	67.6	33.6	37.7	71.7
Third-party collection services revenue[(3)]	66.2	77.1	86.6	42.3	42.8	87.1
Revenue (audited)[(4)]	157.0	190.4	243.8	114.5	127.0	256.4
Adjusted EBITDA[(5)]	48.2	62.6	66.5	33.0	42.9	75.9
Acquisitions of non-performing loans and receivables acquired for settlement (audited)	31.6	26.1	27.8	13.0	37.5	52.3

(1) Gross Collections refers to payment receipts as shown in the notes to the GFKL Consolidated Financial Statements, excluding payment receipts from GFKL's discontinued Spanish operations and adding back put-backs and including payment receipts from secured portfolios.

	As of December 31,			As of June 30,	
	2012	2013	2014	2014	2015
	(in € million) (unaudited, unless otherwise indicated)				
Payment receipts	84.7	88.7	90.0	44.6	50.0
Thereof payment receipts by GFKL's Spanish Subsidiaries (included in continuing operations)	3.8	2.8	—	—	—
Payment receipts (excluding Spanish Subsidiaries)	80.9	85.9	90.0	44.6	50.0
Thereof payment receipts from secured portfolios	4.9	2.1	0.1	0.1	0.1
Thereof payment receipts from unsecured portfolios	76.0	83.8	89.9	44.5	50.0
Put-backs	1.3	2.9	1.7	1.0	5.0
Thereof secured	—	—	—	—	3.8
Thereof unsecured	1.3	2.9	1.7	1.0	1.2
Gross Collections (including payment receipts from secured portfolios)	82.2	88.8	91.7	45.7	54.9
Gross Collections	77.3	86.7	91.6	45.6	54.9

	As of December 31,			As of June 30,	
	2012	2013	2014	2014	2015
	(in € million) (unaudited, unless otherwise indicated)				

(2) Debt purchase revenue refers to revenue from acquired portfolios as shown in the notes to the GFKL Audited Consolidated Financial Statements.

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

(4) After eliminations for inter-company sales.

(5) Reported EBITDA is calculated as consolidated profit/loss for the period before profit/loss from discontinued operations, income taxes, interest and similar expenses, interest and similar income and depreciation, amortization and impairment expense. Normalized EBITDA is defined as Reported EBITDA excluding non-recurring or extraordinary items. Non-recurring or extraordinary items include a number of one-off, exceptional items that have been excluded from Normalized EBITDA. These one-off, exceptional items include costs incurred in connection with restructurings and relocations, certain projects, data analytics, provisions for contingent losses related to PCS, acquisition related corrections, VAT risks, revaluation effects related to PPS, the buyback of an issued promissory note, certain refinancing expenses, the sale of certain of GFKL's subsidiaries, SIR's settlement with a former debt servicer, the release of certain provisions, the disposal and related litigation of GFKL's former subsidiary Domusvenda Holding SGPS S.A. and certain other adjustments. Pro Forma Normalized EBITDA is defined as Normalized EBITDA plus pro forma adjustments to account for certain projected rental savings. Adjusted EBITDA is calculated as Pro Forma Normalized EBITDA plus purchased debt portfolio amortizations, changes in fair value of GFKL's purchased debt portfolios and direct write-offs related to PayProtect. GFKL uses Adjusted EBITDA as a measure of operating cash flow generation and the liquidity of GFKL's business. None of Reported EBITDA, Normalized EBITDA, Pro Forma Normalized EBITDA nor Adjusted EBITDA is a measure of financial performance calculated in accordance with IFRS and should each be viewed as a supplement to, not a substitute for, GFKL's results of operations presented in accordance with IFRS. See "*Presentation of Financial and Other Information*." The reconciliation of the GFKL Group's consolidated profit/(loss) for the period to Reported EBITDA, Normalized EBITDA, Pro Forma Normalized EBITDA and Adjusted EBITDA is as follows:

	For the year ended December 31,			For the six months ended June 30,		For the twelve months ended June 30,
	2012	2013	2014	2014	2015	2015
	(in € million) (unaudited, unless otherwise indicated)					
Consolidated profit/(loss) for the period	**(24.0)[(a)]**	**2.3[(a)]**	**15.1[(a)]**	**6.0**	**11.4**	**20.5**
Profit/loss from discontinued operations	3.2[(a)]	12.2 [(a)]	2.3[(a)]	1.2	—	1.0
Income taxes	0.4[(a)]	(7.5) [(a)]	11.0 [(a)]	3.4	5.6	13.2
Financial result[(b)]	13.7	12.2	15.5	7.5	6.1	14.1
Depreciation, amortization and impairment expenses	4.0[(a)]	3.9[(a)]	6.3[(a)]	1.8	2.1	6.5
Reported EBITDA	**(2.7)**	**22.9**	**50.2**	**20.0**	**25.1**	**55.3**
Restructuring / relocation[(c)]	5.2	1.7	1.7	0.9	0.3	1.1
Projects[(d)]	1.0	2.3	0.9	0.1	0.2	0.9
Data analytics[(e)]	—	0.5	0.9	0.2	0.7	1.3
Provision for contingent losses[(f)]	1.4	(0.7)	(0.6)	—	(0.4)	(1.0)
Acquisition-related corrections[(g)]	0.7	—	—	—	—	—
Provision for VAT risks[(h)]	4.1	—	(11.2)	—	—	(11.2)
Revaluation effects[(i)]	2.6	(0.1)	0.0	(0.0)	(0.1)	(0.1)
Buyback of issued promissory note[(j)]	(4.5)	—	—	—	—	—
Refinancing[(k)]	2.0	0.1	0.3	0.1	0.0	0.2
Sale of subsidiaries / affiliates[(l)]	1.5	(2.6)	0.5	0.1	0.1	0.5
Settlement with debt servicer[(m)]	3.0	7.6	—	—	—	—
Miscellaneous provisions[(n)]	0.8	(1.6)	—	—	(0.2)	(0.2)
Domusvenda[(o)]	0.2	0.3	(0.3)	(0.2)	(0.2)	(0.3)
Other[(p)]	2.7	(0.7)	(0.1)	0.1	0.3	0.0
Normalized EBITDA	**18.0**	**29.6**	**42.1**	**21.3**	**25.7**	**46.5**
Rental savings (net)[(q)]	0.7	0.8	0.5	0.5	—	0.0
Pro Forma Normalized EBITDA	**18.7**	**30.4**	**42.6**	**21.8**	**25.7**	**46.5**
Amortization of purchased debt[(r)]	35.9	39.5	43.1	21.1	24.6	46.6
Proceeds from the sale of a secured portfolio[(s)]	—	—	—	—	3.9	3.9
Direct write-downs[(t)]	—	—	0.6	0.1	0.6	1.2
Revaluation of purchased debt excluding direct write-downs[(u)]	(3.8)	(7.4)	(19.8)	(9.5)	(11.9)	(22.3)
Revaluation effects[(v)]	(2.6)	0.1	(0.0)	—	—	—

	For the year ended December 31,			For the six months ended June 30,		For the twelve months ended June 30,
	2012	2013	2014	2014	2015	2015
	(in € million) (unaudited, unless otherwise indicated)					
Adjusted EBITDA	**48.2**	**62.6**	**66.5**	**33.4**	**43.0**	**75.9**

(a) Audited.

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

(c) Represents the focused program of organizational and legal restructuring measures GFKL undertook which had negative financial one-off effects on GFKL's income statement. In the financial year ended December 31, 2012, management decided to centralize the formerly geographically spread archives of the entities in Gelsenkirchen and to introduce a shared service center. The centralization started in the financial year 2013 and the archive was fully operational from January 2014 onwards. €2.3 million was provided for in the financial year 2012 to cover the relocation. The implementation of the service center incurred further one-off costs in the financial year 2014 (€0.3 million). In addition, management decided to relocate the headquarters and the activities of several operating entities to a central location in Essen which was completed in June 2014. Expenses related to this relocation were one-time removal costs of €0.5 million in the financial year 2014, with €0.4 million recognized in the six months ended June 30, 2014. Furthermore, severance payments have been made in relation to a cost savings program which has run under the project umbrella name of "GFKL 2.0" mainly related to personnel cost savings, which had impacts of €0.2 million, €0.3 million, €0.4 million and €0.1 million in the years ended December 31, 2012, 2013, 2014 and in the six months ended June 30, 2015, respectively. In connection with the aforementioned restructuring, GFKL also incurred one-time strategy consultancy and other advisory fees of €1.5 million in the financial year 2012, €1.4 million in the financial year 2013 and €0.5 million in the financial year 2014. The layoff of two Executive Board members led to additional severance payments of €1.6 million in the financial year 2012.

(d) Represents the costs from several improvements and corporate development projects, including the alignment of the payment processing systems to the new SEPA requirements (financial year 2013: €0.8 million). In the year ended December 31, 2014, GFKL also incurred costs of €0.3 million (with €0.1 million of additional costs recognized in the six months ended June 30, 2015) in connection with the SAP implementation at GFKL's subsidiary ZYK, the further integration of sub-ledger systems (€0.1 million), as well as further one-time projects (€0.5 million with €26 thousand recognized in the six months ended June 30, 2015), including the development and implementation of an office design project prior to GFKL's relocation in 2014.

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

(f) Represents adjustments relating to a provision for an onerous contract. PCS agreed to a three-year contract for the revolving purchases of debt portfolios which proved to be onerous after the agreement was entered into. The estimated aggregate loss until the end of the contractual term in March 2015 of €3.2 million was recorded in 2012. In the years 2013 and 2014 the actual losses resulting from the contract proved to be smaller than expected and recorded in 2012 leading to partial releases of the onerous contract provision in the financial years 2013 and 2014 summing up to €1.4 million (€0.7 million in 2013 and €0.6 million in 2014). The above-mentioned amounts were adjusted in 2012 and then in 2013, 2014 and for the six months ended June 30, 2015, respectively.

(g) Following the acquisition of GCG in 2012, GFKL identified a difference between the general accounting ledger and the portfolio sub-ledger relating to the years prior to the acquisition and were required to expense €0.7 million for the difference in the financial year 2012 Group accounts, which also reflects the total adjustments made for the GCG acquisition.

(h) Represents the release of certain VAT provisions. On October 27, 2011, the European Court of Justice ("**ECJ**") decided that acquisitions of NPL are not subject to VAT. This court decision was adopted by the German Federal Tax Court ("**BFH**") in a decision dated January 26, 2012. The BFH decision also said that no input VAT could be claimed on costs incurred in connection with NPL acquisitions as well as on costs incurred in connection with the collection of the receivables. These court cases as well as another comparable case have not been adopted by the German tax authorities yet. In the period from the year ended December 31, 2004 to the year ended December 31, 2011, GFKL Group did not entirely treat the purchases of NPL as subject to VAT, *i.e.*, in some cases no VAT was collected and paid to the tax authorities. During that period, GFKL Group claimed full input VAT incurred from costs in the context of the acquisition and the collection of the NPLs. Due to the new case law an accrual for non-claimable input VAT for the year ended December 31, 2004 to the year ended December 31, 2011 (including interest) was set up per the year ended December 31, 2011 amounting to €15.3 million. GFKL Group applied a lump-sum rate of 30% on the total input VAT amounts as being non-deductible for the period February 2012 through December 2012. Following a written statement (dated October 22, 2012) of the German Federal Ministry for Finance towards the Federal association of credits and servicing (*"Bundesvereinigung Kreditankauf und Service e.V.*" ("**BKS**")) stating that the tax authorities are going to apply the existing guidelines, the 30% lump sum approach was used in December 2012 the last time. GFKL consequently provided for an estimated VAT risk of €0.4 million in 2012 on top of expensing input VAT of €3.7 million during that same year. Following the statement towards BKS, GFKL decided to claim the omitted 2012 pre-tax VAT and have reduced the GFKL provision for NPL VAT with corresponding income shown on GFKL's 2014 income statement of €4.1 million. Based on the interim results of an ongoing tax audit, GFKL also released further amounts from this provision relating to periods prior to 2012 in the amount of €7.1 million. See also "*Risk Factors—The VAT treatment of the purchase of non-performing loans performed by us may be challenged or changed resulting in additional cash out for VAT*."

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

(j) In 2012, GFKL redeemed a promissory note below par value realizing a one-time profit of €4.5 million from this transaction.

(k) Represents refinancing-related costs, which have been normalized based on their non-operating nature. In 2012, these refinancing costs included a waiver fee (€0.7 million) and refinancing-related tax advisory fees (€0.5 million).

(l) Represents adjustments for the sales of certain entities. In 2012, GFKL adjusted the carrying amount of GFKL's investment in its at-equity consolidated entities HFI Finanz- und Investitions-Beratungsgesellschaft Hamm mbH and DHMF-Deutsche Handwerks und Mittelstands Finanz GmbH in connection with their disposal. In 2013, GFKL realized a gain from a retrospective selling price adjustment relating to the previously disposed subsidiary Universal Leasing GmbH. In 2014, a loss was recorded from the disposal of Multigestión Group and the inactive German entity SBL Mobilien GmbH. In the six months ended June 30, 2015, GFKL incurred an additional €0.1 million in related consulting costs in connection with the sale of Multigestión Group. The income statement impacts of these transactions have been normalized.

(m) Represents the adjustment for the one-off cost related to SIR's settlement with a former debt servicer. In 2012, SIR incurred one-time costs (bad debt allowances and consultancy fees) and provided for estimated costs related to a claim tendered by a former debt service partner. An agreement to settle the claim was reached in 2013 in which GFKL agreed to settle payments to this previous partner in the period from 2013 to 2017 totaling to €8.0 million with a carrying amount of €7.6 million.

(n) In 2012, the adjustment represents the part of the provision recorded in 2012, which was released in 2013. In 2013, the income from the release of provisions related to litigation provisions of €0.6 million, a contractual tax warranty of €0.5 million, a rent reduction of €0.3 million and archiving costs of €0.1 million (related to setting up a centralized archive). In the six months ended June 30, 2015, the normalization represents the release of a provision related to a contribution to Industrie und Handelskammer.

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

(p) In 2012, certain other normalization adjustments mainly related to the write-off of other receivables of ZYK (€0.6 million), non-income tax related tax audit findings (€0.3 million), rebranding costs (€0.5 million) and bad debt allowances for capitalized cash advances and court fees (€0.2 million). The amount in 2013 of €0.7 million related to a gain of this amount from the termination of a third party service contract by the debt originator. As part of the termination arrangement it was agreed that net collections received were to remain with GFKL as opposed to being transferred to the debt originator. The amount of €0.3 million recognized in the six months ended June 30, 2015 related to certain legal consultancy and tax related expenses.

(q) Rental savings (net) includes the annual savings that resulted in connection with the relocation of GFKL's headquarters to a new location in the city of Essen, Germany in July 2014 which was partially offset by increased rent expenses incurred in connection with the establishment of a shared service center in Gelsenkirchen, Germany that increased rental expenses by €0.3 million per annum. To the extent not already reflected in the actual figures, these two effects have been retroactively applied to the historical periods. For the six months ended June 30, 2014, this amounted to €0.5 million.

(r) Amortization of purchased debt is the difference between collections and revenue recognized in the consolidated income statement as income from acquired portfolios, which includes service cost revenue and investment income. While the amortization of purchased debt portfolios is recognized on GFKL's consolidated balance sheet, it is also cash effective. Amortization of purchased debt does not include any amortizations reflected in the depreciation, amortization and impairment expense line-item in GFKL's consolidated income statement. It is shown in the notes to the GFKL Consolidated Financial Statements as repayment of non-performing loans and receivables acquired for settlement. See "*Management's Discussion and Analysis of GFKL's Financial Condition and Result of Operations—Recognition of Purchased Debt Portfolios, Revenue Recognition, Estimation of Collection forecast and Revaluation of Purchased Debt Portfolios—Recognition of Revenue from Purchased Debt*." The amortization shown above for the year ended December 31, 2012, which was €35.9 million, was comprised of €38.2 million of amortized purchased debt as reflected in the notes to the GFKL 2013 Audited Consolidated Financial Statements, less the amortization of the purchased debt portfolios of the GFKL collection business in Spain.

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

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

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

(v) Revaluation of purchased debt excluding direct write-downs includes also impairments of real estate secured loans of €2.6 million in 2012 and a write-up of real estate secured loans of €0.1 million in 2013, each as already adjusted in this table in the line "Revaluation effects," see also note (h). In order to avoid eliminating these effects twice they are added back again once.

SUMMARY COMBINED NON-FINANCIAL OPERATING DATA

*The following tables present summary unaudited non-financial operating data for Lowell and GFKL as well as for the combination of Lowell and GFKL assuming the Acquisition had occurred on June 30, 2015 the Acquisitions had occurred on January 1, 2013 (in the case of gross collections from purchased debt portfolios) and the Acquisitions had occurred on July 1, 2014 (in the case of third-party collections) (the "**Combined Business**").*

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

The combined data have been derived from the combination of the non-financial operating data of Lowell and GFKL without adjustment. They do not purport to indicate what the performance of our combined business would have been had the Acquisition or the Acquisitions taken place on June 30, 2015, July 1, 2014 or January 1, 2013 (as applicable), nor are they intended to be a projection of future results. Future results may vary significantly from the results reflected in the following tables because of various factors, including those discussed in "Risk Factors." For more information about our non-financial operating data, see "Presentation of Financial and Other Information—Non-Financial Operating Data."

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

ERC by Vintage (2003 through June 30, 2015)

Financial Year Acquired(1)	Lowell ERC(2)	GFKL ERC(3)(4)	Group ERC(5)
		(in £ million) (unaudited)	
2003	—	1.1	1.1
2004	—	5.7	5.7
2005	4.0	2.4	6.3
2006	6.6	10.3	16.9
2007	13.4	67.1	80.5
2008	23.5	1.6	25.0
2009	42.0	89.5	131.5
2010	42.4	23.9	66.3
2011	63.6	6.2	69.7
2012	111.2	14.2	125.5
2013	174.5	23.6	198.1
2014	269.9	48.2	318.2
2015	221.2	42.0	263.2
Total ERC	**972.3**	**335.7**	**1,308.0**
Total 84-month ERC	**830.7**	**246.2**	**1,076.9**
Total 120-month ERC	**972.3**	**290.9**	**1,263.1**

(1) Based on the applicable financial year: Lowell Financial Year for Lowell and calendar year for GFKL.

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

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

(4) In order to generate the Combined Business operating data, GFKL's operating data were converted from euros to points sterling. For conversion of GFKL's ERC as of June 30, 2015, the end-of-period rate of €1.4057 to £1.000 was used.

(5) Group ERC for the combined business was calculated based on the combination of Lowell's for its purchased debt portfolios and GFKL's ERC for its purchased debt portfolios. For more information about ERC, see "*Presentation of Financial and Other Information—Non-*

Financial Operating Data." Group ERC (as a combined metric) was calculated, without adjustment, assuming the Transactions (as defined herein) had taken place on June 30, 2015. Group ERC is presented for illustrative purposes only. Group ERC does not purport to indicate what the performance of our combined business would have been had the Transactions taken place on June 30, 2015 nor is it intended to be a projection of future results. Future results may vary significantly from the results reflected in the above table because of various factors, including those discussed in "*Risk Factors*."

ERC by Year as of June 30, 2015	**Lowell ERC**[1]	**GFKL ERC**[2][3]	**Group ERC**[4]
		(in £ million) (unaudited)	
0-12 months	221	64	285
13-24 months	166	46	212
25-36 months	129	37	166
36-48 months	101	31	132
49-60 months	83	26	109
61-72 months	71	22	93
73-84 months	61	19	81
85-96 months	54	17	70
97-108 months	47	15	62
109-120 months	41	13	54
121-132 months	—	11	11
133-144 months	—	10	10
145-156 months	—	9	9
157-168 months	—	8	8
169-180 months	—	7	7
Total ERC	972	336	1,308

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

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

(3) In order to generate the Combined Business operating data, GFKL's operating data were converted from euros to pounds sterling. For conversion of GFKL's ERC as of June 30, 2015, the end-of-period rate of €1.4057 to £1.000 as at June 30, 2015 was used.

(4) Group ERC for the combined business was calculated based on the combination of Lowell's ERC for its purchased debt portfolios and GFKL's ERC for its purchased debt portfolios. While the underlying methodologies Lowell and GFKL use to calculate ERC are generally consistent, no effort has been undertaken to harmonize these metrics and, as a result, the ERC results for Lowell and GFKL may not be directly comparable. For more information about ERC, see "*Presentation of Financial and Other Information—Non-Financial Operating Data*." Group ERC (as a combined metric) was calculated, without adjustment, assuming the Acquisition had taken place on June 30, 2015, and is presented for illustrative purposes only. Group ERC does not purport to indicate what the performance of our combined business would have been had the Acquisition taken place on June 30, 2015 nor is it intended to be a projection of future results. Future results may vary significantly from the results reflected in the above table because of various factors, including those discussed in "*Risk Factors*."

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

Financial Years Acquired[1]	**Portfolio purchases**[1]			**Face value of purchase debt**[1]			**Gross Money Multiples**	
	(In £ millions)[2]			**(in £ billions)**[2]				
Portfolio purchases	**Lowell**	**GFKL**	**Combined**	**Lowell**	**GFKL**	**Combined**	**Lowell**	**GFKL**
2003	—	0.6	0.6	—	0.0	—	—	5.1 x
2004	16.0	7.1	23.1	0.3	0.1	0.4	—	3.6 x
2005	32.3	1.7	34.0	0.3	0.0	0.3	1.7 x	4.9 x
2006	41.0	11.3	52.2	0.8	0.3	1.1	2.2 x	3.1 x
2007	57.2	47.4	104.6	1.5	0.4	1.9	2.4 x	4.0 x
2008	61.8	9.6	71.4	1.5	0.0	1.5	2.3 x	2.8 x
2009	62.7	63.6	126.3	1.0	0.6	1.7	2.8 x	4.6 x
2010	60.9	14.4	75.4	1.1	0.6	1.8	3.0 x	4.2 x
2011	73.6	9.9	83.5	1.4	0.1	1.5	2.7 x	2.5 x
2012	110.8	22.3	133.1	1.7	0.1	1.8	2.6 x	1.9 x
2013	111.2	25.7	136.9	2.0	0.1	2.2	2.5 x	2.4 x
2014	154.3	21.9	176.1	1.8	0.1	2.0	2.3 x	2.3 x
2015[3]	91.1	27.0	118.1	1.3	0.2	1.5	2.1 x	2.9 x

Financial Years Acquired(1)	Portfolio purchases(1)			Face value of purchase debt(1)			Gross Money Multiples	
	(In £ millions)(2)			(in £ billions)(2)				
Total	**873.0**	**262.5**	**1,135.5**	**14.7**	**2.9**	**17.5**	**2.4 x**	**3.4x**

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

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

(3) For the six months ended June 30, 2015.

Key Performance Indicators and Other Operating Data for the Combined Business

	As of and for the Year Ended December 31, 2013	As of and for the Year Ended December 31, 2014	As of and for the 12 Months Ended June 30, 2015
		(in £ millions)	
Gross ERC (£m)			
Lowell..	611.0	808.8	972.3
GFKL(1)	—	350.9	335.7
Combined	611.0	1,159.7	1,308.0
Total Purchases (£m)			
Lowell..	111.2	154.3	155.5
GFKL	25.7	21.9	39.0
Combined	136.9	176.1	194.5
Gross Collections From Purchased Debt Portfolios (£m)			
Lowell..	168.7	206.9	220.5
GFKL	75.4	73.9	77.0
Combined	244.1	280.8	297.5

(1) GFKL's ERC from the year ended December 30, 2014 to the six months ended June 30, 2015 increased from €451.8 million to €471.9 million. The decrease in GFKL's ERC between these periods that appears in the table to due to the effects of the euro devaluation against the pound sterling. For 2014, the applicable rate was €1.2874 to £1.000 and for the 12-months ended June 30, 2015, the applicable rate was €1.4057 to £1.000.

	As of and for twelve months ended June 30, 2015(1)
	(in £ millions, unless otherwise indicated)
Third party debt under management as of June 30, 2015	
Lowell..	493.4
GFKL	7,377.2
Combined	7,870.6
Third party collections for the 12 months ended June 30, 2015	
Lowell..	89.9
GFKL	176.5
Combined	266.4
Number of active claims for third party collections as of	

June 30, 2015 (thousands)	As of and for twelve months ended June 30, 2015[(1)]
Lowell	521.3
GFKL	1,399.7
Combined	1,921.0

(1) GFKL's ERC from the year ended December 30, 2014 to the six months ended June 30, 2015 increased from €451.8 million to €471.9 million. The decrease in GFKL's ERC between these periods that appears in the table to due to the effects of the euro devaluation against the pound sterling. For 2014, the applicable rate was €1.2874 to £1.000 and for the 12-months ended June 30, 2015, the applicable rate was €1.4057 to £1.000.

RISK FACTORS

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

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

Risks Related to Our Business and Industry

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

Our UK and German operations are subject to various complex laws and regulations. See "*Regulation*," and "*Industry and Market Data—Legal and Regulatory Framework"* for additional information.

Regulations Affecting Lowell

Our UK debt collection business is conducted through a number of subsidiaries, such that the entity conducting the collections business is not necessarily the "creditor" under the agreement (where under the Consumer Credit Act the "creditor" is the originator or the entity that has purchased the debt). On April 1, 2014, the Financial Conduct Authority (the "**FCA**") took over regulation of consumer credit (including debt purchase and debt collection) from the Office of Fair Trading (the "**OFT**"). Any of our entities in the United Kingdom that collect debt due to other entities under certain types of consumer credit agreements or have purchased debt and hold financial interests in debt due under consumer credit agreements are required to apply for and obtain authorization from the FCA or be exempt from authorization. Since April 1, 2014, all firms undertaking consumer credit regulated activity who prior to April 1, 2014 had a consumer credit license from the OFT, have to have an interim permission from the FCA until they receive permanent permission. All relevant Lowell Group companies have an interim permission. The FCA has allocated specific application periods for firms with interim permission to apply for full authorization to conduct credit activities in the United Kingdom by April 1, 2016, and the Lowell Group companies' application period is October 1, 2015 to December 31, 2015. Although we sought and were awarded all relevant "interim permissions," there is a risk that the FCA will not grant us full authorization to conduct credit activities. If the FCA were to reject our permanent permission applications, we would have to cease carrying on our UK business.

Firms authorized by the FCA must be able to demonstrate that they are "fit" to be authorized. In addition, certain individuals within the firm who exercise a "significant interest" in the business of the firm, must be approved by the FCA and these individuals have to demonstrate that they are "fit" and competent to hold the position of an "approved person." The FCA issues rules and guidance on how it expects firms to conduct their business and for the individuals it approves in the capacity of an "approved person." Failure to comply with any rules or guidance issued by the FCA is likely to have serious consequences, for example:

- The FCA may take enforcement action against a firm which could result in fines and/or remediation action for consumers. Any such enforcement action would be publicly known and would involve severe reputational damage, with vendors of debt portfolios and creditors outsourcing collection activity likely to remove their business from a debt collector that is the subject of such enforcement action;
- Firms can be subject to a section 166 notice by the FCA, which may ensue where the FCA has identified issues within the firm regarding compliance with the FCA rules and guidance and commissions a "skilled persons" report. A "skilled persons" report is performed by an independent firm, usually one of the five large firms that are deemed by the FCA to have the necessary skills and expertise to review the areas of concern.

The report is shared with the firm being reviewed and the FCA. Remedial action highlighted is tracked by the FCA through close liaison with the firm. Failure to remedy points raised and/or do so in sufficient time can lead to further enforcement action including fines. The cost of such a review is borne by the firm. A section 166 notice is publicly available, and if we become subject to such a notice, originators that currently do business with us may cease to do so, and our ability to purchase debt or collect debt through our UK operations, along with our reputation, and consequently, our ability to win future business may be adversely affected. We might also have to introduce changes to our business practices in the United Kingdom in response to enforcement action taken against some of our competitors.

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

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

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

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

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

A failure to comply with these requirements can have different consequences, but in some cases, failures can cause agreements to be deemed unenforceable (meaning that in some cases the outstanding debt and interest cannot be collected). This could affect our ability to recover on the accounts underlying our debt portfolios in the United Kingdom. An agreement could be deemed unenforceable when we, as the debt collector or purchaser of the debt, or the originator, fail to comply with the applicable requirements. In addition, our UK debt collection (and broader consumer credit) business is subject to an obligation to act fairly, as set out in the Consumer Protection from Unfair Trading Regulations 2008. Breach of certain of these provisions is a criminal offence. From October 1, 2014 consumers also have a right of redress for misleading or aggressive commercial practices.

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

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

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

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

We currently outsource in the United Kingdom to DCAs on a 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 our arrangements with DCAs in the United Kingdom to less variable cost structures, such as fixed fee arrangements. This would increase our fixed cost base, thereby causing our collection costs to rise without necessarily increasing collections. Although we are not currently aware of any such proposal in relation to DCAs or other participants in the debt purchase and collection industries, the FCA is currently undertaking a review of staff remuneration and incentives in consumer credit firms and also a review of the collection of early arrears. Similar restrictions were introduced for independent financial advisers and other firms as part of the FSA's retail distribution review. These firms can no longer earn provider-determined commissions for successful recommendations of retail investment products but must instead be paid an adviser charge, which is agreed with retail clients in advance. Were such a change of law 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 in the United Kingdom, which could have a material adverse effect on our financial returns and results of operations.

From October 1, 2015, we also have a legal services licence, which we plan to use to bring our collections litigation team in-house. Indeed the acquisition requires the prior approval of the regulator, the Solicitor's Regulation Authority (the "**SRA**"). If we were to experience any difficulty on that score we would consider surrendering the licence to avoid a delay in closing the transaction.

We have also, at times, benefited from an FCA rule modification allowing us to use so-called continuous payment authorities for debt collection where our right to do so is not provided for under the relevant credit agreement. FCA rules prevent such uses of continuous payment authorities, but the rule modifications allow us to enhance the efficiency of our collection processes. We intend to apply to renew our previous waivers; however, since the waivers would be granted at the FCA's discretion, it cannot be guaranteed that a new waiver will be granted. If we were unable to rely on continuous payment authorities, this could have a material impact on our ability to collect debts from customers who had not granted us these rights under their credit agreements.

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

Regulations affecting GFKL

GFKL is subject to German and EU regulations, including laws and regulations regarding anti-money laundering and terrorist financing, debt collection, debt purchase, data protection, unfair competition, and price fixing, at the national and European levels. See "*Regulation—Key Regulations Affecting GFKL*." For example, our German operations must generally comply with requirements under the German Anti-Money-Laundering Act (*Geldwäschegesetz*). In case of non-compliance, the relevant authorities may, *inter alia*, impose a fine. Furthermore, adverse regulatory developments under the laws and regulations to which our German operations are subject could expose us to a number of risks. Individual employees may act against our instructions and either inadvertently or deliberately violate applicable laws, including competition laws and regulations by engaging in prohibited activities such as price fixing or colluding with competitors regarding markets or clients. Such actions may harm our reputation and, if we are held responsible, the resulting fines and other sanctions could be substantial. Any of these developments could have a material adverse effect on our business, results of operations or financial condition.

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

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

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

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

Laws and Regulations affecting Lowell and GFKL's Collection of Data

Our databases contain personal data of our customers, and our ability to obtain, retain and otherwise manage such data is governed by data protection and privacy regulations and guidance issued by, among others, the European Union. On January 25, 2012, the European Commission published its draft Data Protection Regulation. This was followed by drafts from the European Parliament and the European Council. In July 2015, the Trilogue stage of the legislative process began. This is where all three drafts are discussed and negotiated between the Council, the EU-Commission and the European Parliament. Agreement is expected to be reached by the end of 2015 or early 2016. The current forms of the draft Regulation propose a number of changes to the EU data protection regime, involving the partial replacement of the current national data protection laws by an EU regulation. When implemented, the Regulation may strengthen individuals' rights and impose stricter requirements on companies processing personal data. For example, the Regulation might limit our rights to process personal data, make it difficult to obtain credit information, lead to cost-intensive administrative processes, oblige us to provide the personal data that we record to debtors in a form that would require additional administrative processes or require substantial changes in our IT-environment and organizational structure. In particular, the Regulation could impair debt collectors' ability to use customer data, for example, by restricting their ability to create customer profiles. Depending on the outcome of the legislative process, the Regulation may impose a substantially higher compliance burden on us and force us to make changes in the way we use our customer data that could have a negative impact on our collection effort outcomes. Unfavorable decisions or judgments based on these types of claims or challenges may adversely impact our business. For further information see "*Regulation—Key Regulations Affecting Lowell—Data Protection*" and "*Regulation—Key Regulations Affecting GFKL—Data Protection*."

Our UK and German operations must comply with national laws and regulations governing the collection and use of data. In the United Kingdom, the collection, processing and use of personal data is governed by the Data Protection Act 1998 and is supplemented by rules and guidance issued by the UK Information Commissioner. In Germany, the German Data Protection Act (*Bundesdatenschutzgesetz*) governs such activities.

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

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

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

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

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

We operate exclusively in the United Kingdom and Germany and, therefore, our business is exposed to any upturns and downturns in UK or German economic, market or fiscal conditions. We are also exposed to any changes in the global macroeconomic environment affecting economic conditions in the United Kingdom, Germany or both of these countries. If either the UK economy or the German economy or the global economy suffers a prolonged, material downturn that increases the unemployment rate, causes inflation, leads to austerity measures (such as reductions in the relevant government's provisions of public benefits and/or public sector employment), reduces disposable income and/or impacts interest rates and the availability of credit, debtors may be unable or unwilling to continue repaying debt and we may not be able to perform debt collection in a manner consistent with our past practice. If our customers experience a reduced ability or willingness to pay their debt, we could face increased servicing costs and lower average payments, therefore reducing our cash generation and returns on capital, and, in turn, our ERC. Even if we are able to develop tailored payment plans for certain of the affected customers in order to try to reduce the number of defaults, such measures may prove unsuccessful, or if the measures are successful in avoiding some defaults, total collections may be reduced or the timing of receipt of payments may be extended as a result of these measures, any of which would also impair these financial performance metrics.

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

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

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

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

Lowell derives the majority of its revenue from its debt purchase business, and for the 12 months ended June 30, 2015, GFKL derived 45% of its revenue excluding lawyer service revenue and other revenue (other revenue is shown as "other" in the notes to the GFKL 2013 Audited Consolidated Financial Statements, representing the sum of "service and programming revenue," "maintenance revenue and royalties" and "other" in the notes to the GFKL 2014 Audited Consolidated Financial Statements) from its debt purchase business. The availability of debt portfolios at profit-generating prices depends on a number of factors, some of which are outside of our control, including: the level of consumer spending; the availability of credit to consumers, which may be driven by a number of factors, including heightened regulation of the credit card and consumer lending industry, changing credit origination strategies, tighter lending criteria introduced by consumer credit providers and general economic conditions; the level of non-performance on consumer debt portfolios and the proportion of such portfolios that are written off by debt originators, which also in turn may affect the availability of credit to consumers identified above; sales of debt portfolios by debt originators, which could be jeopardized by a change in accounting policies or practices, the consolidation of creditors or increased sophistication in internal collection efforts; potential concerns that the small value received for defaulted debt portfolios as a percentage of their face value may not outweigh the potential reputational risks or required management attention associated with selling defaulted debt portfolios; negative publicity or a loss of trust in the CMS industry, whether due to our failure or that of one or more of our competitors to meet applicable legal or regulatory obligations or otherwise; increased government regulation of the circumstances in which debt originators have a right to collect on debt; and the macroeconomic environment in the countries in which we operate, or to the extent that it may impact consumers or the domestic economy in such countries, macroeconomic conditions and other relevant global or European developments. Additionally, an increase in demand for debt portfolios among competitors could result in our not being chosen to purchase a debt portfolio due to more attractive offers from competitors.

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

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

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

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

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

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

In the period from June 1, 2004 to June 30, 2015, 66.4% of Lowell's purchased portfolios were acquired pursuant to forward flow agreements or agreements that were a mixture of a forward flow agreement with a spot purchase, representing £353 million in purchase price consideration and a principal value of £4.6 billion. In the period from September 30, 2003 to June 30, 2015, 38% of GFKL's purchased portfolios were acquired pursuant to forward flow agreements, representing €125 million in purchase price consideration and a principal value of €456 million, which excludes any accrued interest and any fees and costs at the time of purchase. A forward flow agreement is an arrangement in which we agree to purchase claims based on specific parameters from a third-party supplier on a periodic basis at a set price over a specified time period. Although our fixed term forward flow agreements mainly include provisions for automatic renewal if none of the parties expressly terminates the agreement, a number of our forward flow agreements may expire in 2015, 2016 and 2017. We could lose a potential source of income if we are unable to renew or replace any volume represented by our forward flow agreements upon termination or expiration. Although we expect that many of these will be renewed, our current forward flow agreements provide no medium to long-term assurance on purchasing levels.

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

A significant portion of GFKL's revenue is generated from a limited number of industries. For the 12 months ended June 30, 2015, 55% of our revenue from third-party collection services, excluding lawyer service revenue and other services revenue, came from the insurance industry, while more than half of GFKL's debt portfolios were purchased from retail or financial services clients with retail and financial services clients accounting for 33% and 25% of our debt purchases, respectively (other services revenue is shown as "other" in the notes to the GFKL 2013 Audited Consolidated Financial Statements, representing the sum of "service and programming revenue," "maintenance revenue and royalties" and "other" in the notes to the GFKL 2014 Audited Consolidated Financial Statements). A significant decrease in the amount of debt collection outsourced or the volume of debt available for purchase from any of our principal clients in these sectors on acceptable terms would force us to seek alternative sources of revenue. Clients may elect to change receivables management providers if the providers' reputation is harmed by external factors. In addition, our clients may change receivables management providers based on a change of control. See "*—Limitations imposed on us by debt originators of debt portfolios may adversely impact our operational flexibility*." We may be unable to find alternative sources of revenue and, even if replacement clients could be found, the search could take time or the debt could be of lower quality and/or higher cost. See "*—A decrease in our ability to purchase debt portfolios or an insufficient supply of debt, appropriately priced debt or debt of a sufficient quality could materially and adversely affect our business*." Any material failure in the insurance, telecommunications, retail or financial services sectors or any significant change in the willingness or ability of debt originators in these sectors to outsource or sell their debt to debt collection agencies, such as changes in applicable law or regulations relating to these industries which restrict or prohibit such actions, could materially and adversely affect our business, financial condition and results of operations.

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

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

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

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

Although the relative significance of individual creditors changes from year to year, a significant percentage of our revenue is generated by contracts with a small number of creditors in any given year. For example, in the Lowell Financial Year 2014, approximately 59% of Lowell's portfolio purchases by purchase value came from seven vendors. For the year ended December 31, 2014, GFKL's top five third-party collections clients generated 44% of its revenue and 65% of its third-party collection services revenue. For the year ended December 31, 2014, GFKL's largest third-party collection services client represented 19% of its revenue and 27% of its third-party collection services revenue.

A creditor's decision to sell debt to us or contract with us for third-party collection services is based on price, reputation, compliance history and other factors. We cannot be certain that we will maintain our relationships with our current and/or future debt originator clients including large creditors that make material contributions to our revenue. These clients may cease to offer us desirable terms or debt in acceptable quantities, or they may become insolvent or cease to exist. For example, GFKL lost one of the top 10 originators in its third-party collection services business in 2014, mainly due to the originator's shift towards another collection model, and we may lose more clients in the future. Furthermore, many of our contracts with our clients do not have a fixed term or renew automatically on an annual basis and, therefore, may be terminated on relatively short notice in certain circumstances. Any changes to the key relationships that we rely on could have a material adverse effect on our business, results of operations or financial condition.

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

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

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

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

Competition in the UK market

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

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

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

Competition in the German market

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

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

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

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

Our ability to collect debt according to the correct contractual terms and to treat customers fairly is critical to our business and our reputation. Our reputation is fundamental to maintaining our relationships with current and potential clients and regulators. The following events, among others, may have a negative effect on our reputation and/or our financial results: negative media publicity relating either to us or the wider CMS industry, allegations of unethical or improper behavior by us or third parties we use in the collection process, our inability to collect debt on an accurate and timely basis, our failure to respect and treat the customers fairly, failures in our collection and data protection processes, the actions of third parties engaged by us in the debt collection process, IT platform failure or other operational issues, litigation, regulatory restrictions, investigations, fines or enforcement actions and matters affecting our financial reporting.

The collection of debt involves complex interpretations and calculations of contractual terms that may vary by debt originator, which may impact the calculation of customers' resulting payment obligations and the collection strategies we employ. The inherent complexity of debt calculation and historical inaccuracies may result in our failure to choose the correct collection strategies and could lead to incorrect payment calculations in the future. Furthermore, under German law, if we agree on a payment plan with a customer based on an incorrect calculation of the debt, such payment plan will become binding and may not be re-negotiated. Therefore, processing errors may have an adverse effect on our business, results of operations or financial condition.

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

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

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

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

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

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

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

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

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

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

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

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

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

Lowell derives the majority of its revenue from its debt purchase business, and for the year ended December 31, 2014, GFKL derived 44% of its revenue, excluding lawyer service revenue and other services revenue, from its debt purchase business (other services revenue shown as "other" in the notes to the GFKL 2013 Audited Consolidated Financial Statements, representing the sum of "service and programming revenue," "maintenance revenue and royalties" and "other" in the notes to the GFKL 2014 Audited Consolidated Financial Statements). Contracts entered into with our clients for the purchase of debt portfolios typically impose various restrictions on our realization of value from the debt portfolios, including restrictions on our ability to resell portfolios, even if the legal title to the debt has been transferred to us. Debt originators from both our third-party collection services and purchased debt businesses may also restrict our flexibility in pursuing certain enforcement and collection activities. In addition, our clients may have the right to compel us to undertake or refrain from taking certain actions, including agreeing the fees that we can pass through to the respective debtors. Furthermore, debt originators may have rights to repurchase portfolios and require reassignment to protect against factors such as reputational risk. In instances where accounts are fraud-sensitive or where an accountholder has raised a complaint against the debt originator, among other things, debt originators may also have rights to repurchase or require reassignment of the respective debt portfolios. Debt originators may have the right to terminate such agreements upon a direct or indirect change of control of our company. As of the date hereof, certain of our contractual arrangements (including one with one of our four largest third-party collection services clients and a number of our forward flow agreements) include such change of control clauses, which might be exercised as of the Completion Date. Any of the foregoing factors may adversely impact the profitability of debt portfolios that we purchase and our operational flexibility and, therefore, have a material adverse effect on our financial condition and results of operations.

We are subject to audits conducted by sellers of our debt portfolios and creditors who place debt with us for collection on a contingent basis, and we may be required to implement specific changes to our policies and practices as a result of adverse findings by such sellers as a part of this audit process, or certain sellers may remove us from their panels of preferred purchasers, which could limit our ability to purchase debt portfolios from them in the future, which could materially and adversely affect our business.

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

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

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

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

Furthermore, if we purchase types of debt portfolios with which we have limited experience or from clients with whom we have no prior dealings, our ability to properly price and collect on such debt portfolios may be adversely affected. Lack of reliable information, or the use of inaccurate assumptions, can lead to mispricing of purchased portfolios, which may have an adverse effect on the financial returns from such portfolios, or can lead us to underbid and lose bids for debt portfolio purchases. Our statistical models and analysis tools assess information provided by third parties, such as credit information suppliers and other mainstream or public sources, or generated by software products. We have no control over the accuracy or sufficiency of information received from such third parties. If such information is not accurate or sufficient, we could incorrectly price portfolios that we purchase, or incorrectly value our existing debt portfolios, set debt originator prices or performance goals inaccurately, and experience lower liquidation rates or larger operating expenses.

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

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

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

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

Lowell's purchased debt portfolios are initially recognized at a carrying value equal to the portfolio's acquisition cost and are subsequently measured at amortized cost using the EIR method. Following acquisition, the value of these assets may be adjusted as the cash flow projections associated with the portfolios are reassessed based upon actual collections results. For more information, see "*Management Discussion and Analysis of Lowell's Results—Results of Operations—Description of Lowell's Principal IFRS Statement of Financial Position Items*." GFKL's purchased portfolios are initially recorded at their acquisition cost representing the present value of forecasted cash flows (net of estimated costs) and thereafter held at fair value through profit and loss. The fair values of our debt portfolios are tested regularly. Any movement in fair value after the revaluation process is charged through the profit and loss account. For more information, see "*Management Discussion and Analysis of GFKL's Results—Results of Operations—Description of the GFKL Group's Principal Balance Sheet Line Items.*" Accordingly, the value of our purchased portfolios as recorded in our Consolidated Financial Statements may fluctuate each time we review our forecasted cash flows using our internal procedures.

We calculate our forecasted cash flows based on a number of factors, including information specific to the debt portfolio and data from our historical cash collection experience. These historical, empirical values form our assumptions regarding underlying collection fundamentals applicable at the time, including, among other things, general economic conditions, the collections strategy used, changes in applicable regulation and customer behavior. See "*Management's Discussion and Analysis of Financial Condition and Results of Operation—Factors Affecting our Results of Operations—Recognition of Purchased Debt Portfolios, Revenue Recognition, Estimation of Collection Forecasts and Revaluation of Purchased Debt Portfolios*." Any changes to these assumptions would result in revaluations, which could cause changes in the fair value of the consolidated financial statements and lead to the inclusion of income/expenses from fair value measurement on our consolidated financial statements. Such changes in the fair valuation and in the forecasted future cash collections compared to original estimates may be due to changes in service costs or market interest rates.

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

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

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

Areas requiring more complex judgments may shift over time, based on changes in accounting policies or on changes in our business profile. In particular, we expect to become subject to IFRS 15 on or after January 1, 2017. We believe that how and when we recognize revenue will be affected by the implementation of IFRS 15. In addition, more complex judgments are required in relation to revenue recognition, impairment of our purchased loan portfolios, collection forecast and impairment tests of our goodwill, among others. For example, the estimates used to calculate our returns on our purchased portfolios are primarily based on historical cash collection experience and payer dynamics. If future cash collections are materially different in amount or timing, our earnings could be affected, either positively or negatively. Higher collection amounts or cash collections that occur sooner than projected will have a favorable impact on revenue in the form of impairment reversals. In addition, higher collection amounts or cash collections that occur sooner than projected could have the effect of reducing the expected future value of our loan portfolios, requiring us to purchase additional loan portfolios in order to maintain our level of expected future cash flows, which we might not be able to do. Lower collection amounts or cash collections that occur later than projected will have an adverse impact and may result in an impairment of the purchased loan portfolio. Impairments, in turn, cause reduced and fluctuating earnings. In the future, should actual results differ from management's estimates and assumptions (particularly with respect to revenue recognition and collection forecast) this could have a material adverse effect on our business, prospects, results of operations and financial condition. See "*Management's Discussion and Analysis of Lowell's Financial Condition and Results of Operations*" and "*Management's Discussion and Analysis of GFKL's Financial Condition and Results of Operations*."

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

Lowell and GFKL generally measure their investments based on a projected return, typically up to 120 months, based on each company's historical data and collection forecast. See *Management's Discussion and Analysis of Lowell's Financial Condition and Results of Operations—Factors Affecting our Results of Operations—Significant Factors Affecting Results of Debt Purchase Operations—Lowell's ERC on owned portfolio's as of June 30, 2015 by year of purchase"* and *"Management's Discussion and Analysis of GFKL's Financial Condition and Results of Operations—Factors Affecting GFKL's Results of Operations—Key Operating Metrics—Estimated Remaining Collections ("ERC")*." It takes Lowell and GFKL an average of 22 months and 24 months, respectively, to collect the gross cash cost of each of their investments in debt portfolios (after taking into consideration, in the case of GFKL, its direct and indirect operating costs, financing costs, taxes and other factors (*e.g.*, real estate costs, legal and consulting costs and IT expenses)), and, in some cases, it may take significantly longer than average to realize cash returns equal to this initial investment. During this period, significant changes may occur in the economy, the regulatory environment, our business or our markets, which could lead to a substantial reduction, and in the past has led to a reduction, in our expected returns or forecasted collection plan, a reduction of which could cause us to record an impairment of our purchased debt portfolio, or reduce the value of the debt portfolios that we have purchased. Given the multi-year payback period on substantially all our purchases, we are exposed to the risk of any such changes for a significant period of time, which could have a material adverse effect on our business, results of operations or financial condition.

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

In the period from June 1, 2004 to June 30, 2015, 66% of Lowell's purchased portfolios were acquired pursuant to forward flow agreements or agreements that were a mixture of a forward flow agreement with a spot purchase, representing £353 million in purchase price consideration. In the period from September 30, 2003 to June 30, 2015, 38% of GFKL's purchased portfolios were acquired under forward flow agreements, representing €125 million in purchased debt. Commitments under such forward flow contracts are typically for approximately one to three years. However, depending upon the length of the contractual arrangements, forward flow agreements generally contain termination clauses that allow the arrangement to be terminated early and on relatively short notice in certain circumstances, such as where there is a change of control of Lowell or GFKL or at will for certain of our clients. We may be required to purchase debt under a forward flow agreement for an amount higher than we would otherwise have agreed at the time of purchase due to pressure from larger clients or major debt portfolio sellers, which could result in reduced returns. In addition, we could be faced with a decision to either decrease our purchasing volume, agree to forward flow agreements at a higher average price or agree to fewer contractual protections concerning the portfolios we purchase, any of which could have a material adverse effect on our results of operations. We generally allow for some margin for future fluctuations in value of the debt we purchase through forward flow agreements, but future fluctuations in value may exceed that margin due to circumstances beyond our control, such as economic conditions or other market conditions. If the quality of debt purchased varies from our pricing assumptions, we may price the contract improperly, which could have a material adverse effect on our business, results of operations or financial condition.

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

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

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

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

Furthermore, these third parties may not be bound by our industry standards and practices. These third parties could commit fraud with respect to the customer accounts that we place with them or fail to comply with applicable laws and regulations such as data protection requirements or to provide us with accurate data on the accounts they are servicing. To the extent that these third parties violate laws, other regulatory requirements or their contractual obligations to us, or act inappropriately in the conduct of their business, our business and reputation could be negatively affected or penalties could be directly imposed on us.

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

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

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

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

We may make acquisitions or pursue business combinations that prove unsuccessful or that strain or divert our resources and we may not be able to manage our growth effectively.

We may selectively pursue potential acquisitions of other CMS companies to increase our market share. There can be no assurances that we will be able to identify or complete purchases or acquisitions or that, if identified, any anticipated benefits will be realized from such purchases or acquisitions. Furthermore, it may take longer than expected to realize projected benefits from such purchases or acquisitions because we often cannot control the timing of the closing of such transactions. In addition, acquisitions may place additional constraints on our resources, including diverting the attention of our management from other business concerns. Moreover, successful completion of an acquisition may depend on consents from third parties, including regulatory authorities and private parties, which are beyond our control. Further, we are subject to the risks associated with write-downs and impairments to goodwill in connection with acquisitions.

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

For example, in May 2013, Lowell acquired Interlaken, and in July and October 2014, GFKL acquired a 51% interest in ITT and fully acquired DMA, respectively. Lowell and GFKL have made efforts to integrate these new entities into each of their corporate groups. However, it may take longer than anticipated to integrate both entities in their respective corporate group or we may face costs and IT risks in integrating their respective IT platforms with our platforms and accordingly, such factors may divert the attention of our management from other business concerns. In addition, GFKL acquired DMA as part of a strategy to improve data analytics and monetize data mining services to external clients. It may take longer than anticipated to build the data mining capability and ensure a seamless interface between DMA and other GFKL entities, which could accordingly strain our internal resources.

Further, although we regularly acquire purchased debt portfolios, if we acquire a significant debt portfolio, and we are unable to realize our estimated collections on such debt portfolio, then the results of such an acquisition could have a material adverse effect on our returns.

We currently operate exclusively in the United Kingdom and Germany. If in the future we expand internationally into new jurisdictions through further acquisitions, our business will be subject to applicable laws, regulations and licensing requirements in those new jurisdictions, which may be different or more stringent than in the United Kingdom or Germany. We will be subject to the risks of inflation, recession, currency and interest rate fluctuations, an inability to enforce remedies, difficulty in adequately establishing, staffing and managing operations, risk of non-compliance and business integrity issues, variations in regulation and governmental policies, including additional fees, costs and licenses, and risk of political and social instability.

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

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

LIMA, Lowell's automated tracing and customer intelligence system, along with its proprietary PPM, provides information that is critical to our UK business. In order to operate this system, develop our proprietary customer profiles and run our business generally, we rely to a large extent on data provided to us by a single private credit reference agency. Our contract with the credit reference agency may be terminated at any time by such agency with three months' notice. If this private supplier were to terminate its agreement with us or stop providing us with data for any reason, or if such private supplier were to considerably raise the price of its services, our business would be materially and adversely affected. Also, if any of the information or data that we use became public, for example due to a change in government regulations, or if the United Kingdom were to introduce measures that have the effect of facilitating the tracing of consumers, we would lose a significant competitive advantage and our business could be negatively impacted. Furthermore, private or public sources of our data could make claims that the way in which we collect or use information and data violates terms and conditions applicable to such use, and whether or not such claims have any merit, our reputation could be harmed and our ability to continue to use such information and data in the manner in which it is currently used could be impaired. If our competitors are able to develop or procure similar systems or methods to develop data, or if we become unable to continue to acquire or use such information and data in the manner in which it is currently acquired and used, we would lose a significant competitive advantage and our business could be materially and adversely affected. If we were prohibited from accessing or aggregating the data in these systems or profiles for any reason, our operations and financial condition would be negatively and materially impacted.

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

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

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

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

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

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

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

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

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

Additionally, computer and telecommunications technologies are evolving rapidly and are characterized by short product life cycles. We may not be successful in anticipating, managing or adopting technological changes on a timely basis, which could reduce our profitability or disrupt our operations and harm our business. While we believe that our existing information systems are sufficient to meet our current demands and continued expansion, our future growth may require additional investment in these systems. We depend on having the capital resources necessary to invest in new technologies to acquire and service our debt portfolios. We cannot ensure you that adequate capital resources will be available to us when we need to make such investments.

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

We handle and process large amounts of potentially sensitive or confidential information such as personal information of debtors, including names and account numbers, locations, contact information and other account specific data. Any security or privacy breaches of these databases could expose us to liability, increase our expenses relating to resolution of these breaches, harm our reputation and deter clients from conducting business with us. We rely on our data analytics systems to record and process significant amounts of data quickly and accurately to access, maintain and expand the databases we use for our debt collection and for our analysis of potential debt purchases. Our ability to conduct our business, such as the ability to price the purchase of portfolios, trace debtors and develop tailored repayment plans, depends on our ability to use customer data in our data analytics systems.

Our ability to obtain, retain, share and otherwise process customer data is governed by data protection laws, privacy requirements and other regulatory restrictions. For example, in Germany and the United Kingdom, personal data may only be collected for specified, explicit and legitimate purposes, and may only be processed in a manner consistent with these purposes. Further, to comply with the German Federal Data Protection Act (*Bundesdatenschutzgesetz*) and the UK Data Protection Act 1998, both implementing Directive 95/46, personal data collected within the scope of these Acts must be adequate, relevant and not excessive in relation to the purposes for which it is collected and/or processed, and it must not be kept in a form that permits identification of debtors for a longer period of time than necessary for the purposes of the collection or other legal obligations, e.g., in Germany obligations pursuant to the German Commercial Code (*Handelsgesetzbuch* (HGB)).

We may not be able to prevent the improper disclosure or processing of such sensitive information in breach of contract and applicable law. These databases and customer 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 the Lowell and GFKL groups as well as our employees, including fraud, identity theft and other misuse of personal data. Moreover our systems may be subject to physical or electronic break-ins, computer viruses and similar disruptive problems. Any security or privacy breach of these databases could expose us to liability, increase our expenses relating to the resolution of these breaches, harm our reputation and deter vendors from selling debt to us. Any material failure to process customer data in compliance with applicable laws could result in the revocation of our licenses, monetary fines, criminal charges and breach of contractual arrangements. Any issue of data protection could have a material adverse effect on our business, results of operations or financial condition.

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

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

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

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

- our confidentiality agreements will not be breached or will be of sufficient duration;
- such agreements will provide meaningful protection for our trade secrets or proprietary know-how; or
- adequate remedies will be available in the event of an unauthorized use or disclosure of these trade secrets and know-how.

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

We may initiate lawsuits to enforce our confidentiality agreements and the ownership of our intellectual property. Initiating litigation relating to intellectual property rights is costly and may divert technical and management personnel from their day-to-day responsibilities. In many cases it may not be possible to initiate a lawsuit prior to the disclosure of our trade secrets or proprietary know-how, at which point the damage to our competitive position may be severe or irreparable. Furthermore, we may not prevail in any such litigation or proceeding. A determination in a proceeding that results in a finding of non-infringement or non-violation by others of our intellectual property or confidential agreements may result in the use by competitors of our technologies or processes, which may have a material and adverse effect on our financial condition, financial returns and results of operations.

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

We continually review our risk management policies and procedures and will continue to do so in the future. Although we believe that our risk management procedures are adequate, many of our methods of managing risk and exposures are based upon observed historical market behavior and statistic-based historical models. As a result, these methods may not accurately predict future exposures, which could be significantly greater than historical measures indicate. Other risk management methods depend on the evaluation of information regarding markets, debt originators, DCAs, customers or other matters that are publicly available or otherwise accessible to us. We rely on intermediaries such as DCAs, and we may be held liable for the acts of intermediaries if we cannot demonstrate that we have adequate procedures in place to prevent risks such as bribery. For example, debt originators typically require us to assume responsibility for the acts of their third party intermediaries in relation to ongoing compliance matters. Further, we keep track of employee misconduct and have policies and procedures in place to minimize its impact, but these procedures may not prove sufficient (for example, to avoid employee fraud). Failure (or the perception that we have failed) to develop, implement, monitor and when necessary pre-emptively upgrade our risk management policies and procedures could, at the very least, give rise to reputational issues for both us and any associated debt originators, and may result in breaches of contractual obligations by us, for which we may incur substantial losses and face removal from debt originators' purchasing panels. Risks that we fail to anticipate, and/or adequately address, could have a material adverse effect on our business, prospects, results of operations and financial condition.

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

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

In addition, our growth requires that we continually hire and train new customer account associates (each a "**CAA**"). As is typical among companies that rely on call center operations in the UK market, employee turnover among CAAs at Lowell has been significant. For example, as of June 30, 2015, the average tenure of customer representatives in the United Kingdom was 28 months. Increases in the turnover rate among our CAAs at Lowell or any of our other companies could increase our recruiting and training costs and limit the number of experienced personnel available to service our and our clients' portfolios. If this were to occur, we would not be able to service such portfolios effectively and the constraint on our resources may reduce our ability to continue our growth and to operate profitably. The demand in our industry for personnel with the relevant capabilities and experience is high and our success in attracting and retaining employees is not guaranteed. There can be no assurances that we will be able to continue to hire, train and retain a sufficient number of qualified personnel to maintain adequate staffing levels or to be flexible enough to react to changing market environments.

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

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

Our financial performance is affected by the cost of labor. As of June 30, 2015, Lowell had 1,240 FTE employees and GFKL had a total of 805 FTE employees. An increased demand for our employees from competitors could increase costs associated with employee compensation which could have a material adverse effect on our business, results of operations or financial condition.

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

Our German employees have established a company works council (*Konzernbetriebsrat*), two joint works councils (*Gesamtbetriebsräte*) and seven works councils (*Betriebsräte*). We also have two collective bargaining agreements (*Manteltarifverträge*) currently in force for German employees who were carved out of our clients' operations.

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

Litigation, investigations and proceedings may negatively affect our business.

We may be adversely affected by judgments, settlements, unanticipated costs or other effects of legal and administrative proceedings now pending or that may be instituted in the future, or from investigations by authorities, regulatory bodies or administrative agencies. There are certain lawsuits pending, which if the outcomes are resolved against us, could have a material adverse effect on our business, results of operations or financial condition. See "*Our Business—Lowell's Business—Litigation*" and "*Our Business—GFKL Group's Business—Litigation*." For example, GFKL is engaged in ongoing appraisal right proceedings in relation to the 2006 merger of GFKL Holdco and a listed stock corporation ABIT AG, where ABIT AG shareholders were offered a GFKL share conversion or cash compensation for their ABIT shares. Twenty-seven ABIT shareholders initiated an appraisal rights proceeding and while an initial decision was rendered in 2012, the decision was set aside and the matter was remitted to the district court. The outcome of this proceeding is inherently uncertain. As of December 31, 2014, GFKL has recognized provisions of €7.3 million for potential payments. However, we cannot predict when the matter will be resolved or assure you that any such litigation will not result in payment of settlement amounts or the granting of other remedies in excess of what we have provisioned. See "*Our Business—GFKL Group's Business—Litigation*."

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

In recent years, there has been a substantial increase in consumers' propensity to bring claims related to debt-collection to the courts in their attempts to claim refunds of sums paid under consumer credit agreements or to avoid making payments going forward. This litigation has been fuelled by a substantial rise in claims management companies that aggressively advertise for potential claimants and then bring claims in the hope and expectation that they will be paid a portion of any debt written off. Substantial claims volumes have been made in relation to premiums for mis-sold PPI (which can form part of the debt being collected) and other types of charges added onto credit accounts. Claims could also be brought in relation to other areas of alleged noncompliance, which could affect a large portfolio of agreements. We may in the future be named as defendants in litigation, including under consumer credit, collections and other laws. We may also have disagreements or disputes with sellers from whom we purchase debt, parties to whom we outsource accounts or other counterparties. Such claims against us, complaints, disputes or disagreements, regardless of merit, could result in or subject us to costly litigation and divert our management personnel from their regular responsibilities. Furthermore, if such claims are adversely determined against us, we could be forced to suspend certain collection efforts or pay damages, and our reputation, financial condition, financial returns and results of operations could be materially and adversely affected.

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

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

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

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

When we commence enforcement actions through legal proceedings, courts may require a copy of the account statements or applications to be attached to the pleadings in order to obtain a judgment against a particular customer. Where we are unable to produce account documents in response to a customer's request, that account would be legally unenforceable. Furthermore, if any of the account documents we do have were found to be legally unenforceable, courts may deny our claims. Any changes to laws, regulations or rules that affect the manner in which we initiate enforcement proceedings, including rules affecting documentation, could result in increased administration costs or limit the availability of litigation as a collection tool, which could have a material adverse effect on our business and results of operations. Additionally, our ability to collect by means other than legal proceedings may be impacted by laws that require that certain types of account documentation be in our possession prior to the institution of any collection activities, which could also have a material adverse effect on our business and results of operations.

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

In the normal course of our debt portfolio purchases, and in the management of any forward flow agreements that we may enter into from time to time, some individual accounts may be included in the portfolios that fail to conform to the terms of the purchase contracts and we may seek to return these accounts to the debt originator for payment or replacement. Such debt originator may, however, be unable to meet its obligations to us or we may not identify non-conforming accounts soon enough, or at all, to qualify for recourse to the debt originator. Further, our debt purchase agreements impose or may impose restrictions on our ability to return non-conforming accounts by imposing a minimum threshold value that must be met. Each contract specifies which accounts are eligible and which are not. Examples of ineligible accounts could include those that have a foreign address, those that have been subject to fraud, those that have an incorrect balance or those involving a customer serving time in prison. Accounts that would be eligible for recourse if discovered in a timely fashion, but that we do not discover in time for such recourse, are likely to yield no return.

If we fail to identify whether our requirements are met during the due diligence process undertaken during a debt purchase transaction, the applicable credit agreement may become unenforceable and require us to undertake a remediation exercise that may result in balance adjustments and/or cash refunds due on the purchased accounts. In some cases, such remediation exercises may result in the amounts of compensation exceeding the purchase price and therefore resulting in total loss of the portfolio value and potentially additional expenditure on our part. The quality of historical customer documentation may not allow, in each case, the discovery of past breaches relating to form and content requirements which would impair our ability to correctly assess the value of the portfolio, resulting in the risk of loss or reduction in the particular purchased portfolio's value.

As our business relies on our ability to enforce the contracts underlying our owned customer accounts, a contract found to be invalid or unenforceable could hinder our ability to recover from purchased accounts. If we purchase debt portfolios containing too many accounts that do not conform to the terms of the purchase contracts or contain accounts that are otherwise uncollectable or unenforceable, we may be unable to recover a sufficient amount, or anything at all, and such a portfolio purchase could be unprofitable. Additionally, we may be unable to ascertain whether the debt originator has been in compliance in connection with the underlying accounts at a sufficiently early stage. With respect to any future acquisitions of other debt collection companies, we may not have any contractual protection in relation to liabilities or operating or other problems in relation to the loan portfolios of the acquired company, and we may not discover such shortcomings until after completion of such acquisitions. This could lead to adverse accounting and financial consequences, such as the need to make substantial provisions against the acquired assets or to write down acquired assets.

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

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

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

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

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

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

Certain financial information included in this Offering Memorandum is not directly comparable. This Offering Memorandum includes historical financial information of the Senior Notes Issuer, the Target and its consolidated subsidiaries and GFKL Holdco and its consolidated subsidiaries. For various reasons, the Target's consolidated financial information is not directly comparable to GFKL Holdco's consolidated financial information, and certain historical financial information of the Target and its consolidated subsidiaries presented in this Offering Memorandum may not be directly comparable. The Lowell Consolidated Financial Statements were prepared on the basis of an August 31 or a September 30 year end and represent 15-month, 13-month and 12-month periods (as applicable), while the GFKL Consolidated Financial Statements were prepared on the basis of a December 31 year end and represent 12-month periods. Moreover, the Lowell 2012 Audited Consolidated Financial Statements and the Lowell 2013 Audited Consolidated Financial Statements were prepared in accordance with UK GAAP, while the Lowell 2014 Audited Consolidated Financial Statements and the Lowell Unaudited Condensed Consolidated Interim Financial Statements were prepared in accordance with IFRS. See "*Presentation of Financial and Other Information—Financial Information—Lowell Group*." The GFKL Consolidated Financial Statements were prepared in accordance with IFRS and, in the case of the GFKL Audited Consolidated Financial Statements, the additional requirements of German commercial law pursuant to Section 315a (1) of the German Commercial Code (*Handelsgesetzbuch*). See "*Presentation of Financial and Other Information—Financial Information—GFKL Group*." Consolidated financial statements prepared in accordance with UK GAAP differ in certain significant respects from those prepared in accordance with IFRS. See "*Presentation of Financial and Other Information—Financial Information—Lowell Group*" and "*Management's Discussion and Analysis of Lowell's Financial Condition and Results of Operations*." The differences described above could be material to the information contained herein, and the discussions herein of the financial results of the Target and GFKL Holdco are necessarily limited by the lack of comparability among their financial information.

The unaudited pro forma consolidated financial information included herein needs to be carefully considered.

For the convenience of readers only, we include certain unaudited *pro forma* consolidated financial information in this Offering Memorandum to illustrate the effect of the Transactions on the consolidated balance sheet of the Group as of June 30, 2015 by giving effect to the Transactions and the issuance of the Existing 2022 Senior Secured Notes in connection with the GFKL Acquisition as if they occurred on June 30, 2015, and on the consolidated income statements of the Group by giving effect to the Transactions, the GFKL Acquisition and the issuance of the Existing 2022 Senior Secured Notes in connection therewith as if they occurred on January 1, 2014. The Unaudited *Pro Forma* Condensed Consolidated Financial Information presented herein is based upon available information and assumptions that we believe are reasonable but are not necessarily indicative of the results that actually would have been achieved if the Transactions had been completed on the dates indicated or that may be achieved in the future, and is provided for informational purposes only. The Unaudited Pro Forma Condensed Consolidated Financial Information was prepared on the assumption that the Bridge Facilities, under which amounts are expected to be drawn to finance the Acquisition, were undrawn. In addition, the Unaudited Pro Forma Condensed Consolidated Financial Information was prepared on the assumption that the Senior Secured Notes were issued in the aggregate principal amount of £555,000,000 and the Senior Notes were issued in the aggregate principal amount of £240,000,000. Moreover, the Unaudited Pro Forma Condensed Consolidated Financial Information was prepared on the basis of a different nominal interest rate in respect of the Senior Notes. Moreover, the assumptions on which calculations of transaction and finance related costs in the Unaudited Pro Forma Condensed Consolidated Financial Information were based differ from those used to compute the transaction costs presented in "*Use of Proceeds*". Please see the notes to our Unaudited *Pro Forma* Condensed Consolidated Financial Information for a more detailed discussion of *pro forma* adjustments.

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

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

- the Senior Notes Issuer Consolidated Financial Statements;
- the unaudited and unpublished consolidated income statements of Carl Holding GmbH for the periods from January 1, 2014 to December 31, 2014, from January 1, 2015 to June 30, 2015 and from July 1, 2014 to June 30, 2015, as well as the unaudited and unpublished consolidated statement of financial position as of June 30, 2015 of Carl Holding GmbH, which were derived from the audited and unpublished IFRS consolidated financial statements of Carl Holding GmbH as of and for the year ended December 31, 2014, the GFKL Unaudited Condensed Consolidated Interim Financial Statements and Carl Holding GmbH's accounting records; and

- the unaudited and unpublished consolidated income statements of the Target for the periods from January 1, 2014 to December 31, 2014, from January 1, 2015 to June 30, 2015 and from July 1, 2014 to June 30, 2015, as well as the unaudited and unpublished consolidated statement of financial position as of June 30, 2015 of the Target, which were derived from the Lowell 2014 Audited Consolidated Financial Statements, the Lowell Unaudited Condensed Consolidated Interim Financial Statements and the Target's accounting records.

The historical financial statements of Carl Holding GmbH (which, prior to its merger with Garfunkel Holding, was the indirect parent holding company of GFKL Holdco) were used to prepare the Unaudited Pro Forma Condensed Consolidated Financial Information and are not included in this Offering Memorandum. See "*Presentation of Financial and Other Information—Financial Information*."

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

Fluctuations in currency exchange rates may have a negative impact on our results of operations presented in euro.

We expect to present our consolidated financial reports in pounds sterling but the operations of the GFKL Group are conducted in euro. Our business is therefore sensitive to fluctuations in foreign currency exchange rates, especially euro-pound sterling exchange rates. The presentation of our results of operations may be affected by the translation of foreign currencies into pounds sterling for the purpose of our consolidated financial statements.

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

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

It is not unusual to experience a gap between the time of acquisition of a debt portfolio and the time that we begin earning returns on the acquired portfolio as we need to locate customers, build a consolidated profile of each such customer's circumstances and formulate an appropriate repayment solution before we can start to collect on an acquired portfolio. As a result, we may experience uneven cash flows and delays in generating income from purchased loan portfolios. For example, if we were to acquire a material portfolio at the end of a reporting period then this would increase our net debt or reduce our cash on hand without generating cash or contributing to Adjusted EBITDA for the relevant period. See "*—We may not be able to procure sufficient funding on favorable terms to purchase further debt portfolios as they become available*."

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

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

Our hedges may be ineffective or may not be implemented correctly.

We are subject to the risk of changes in interest rates and their impact on our derivative instruments. We use interest rate swaps to hedge the effect of changes in the interest rate on our profit and loss, primarily to hedge changes in the value of NPL portfolios caused by changes in interest rates. We further hedge parts of our cash-flow risk which arises out of variable interest agreements on the refinancing side. We enter into a derivative contract by paying fixed interest payments in exchange for receiving floating rate interest payments. When interest rates rise, our unhedged floating rate and new financing costs rise, thereby reducing our profit or increasing our loss, but we also receive higher interest income from our derivative instruments, which offsets (to the extent of such increase in income) the decline in profit or increase in loss from the rise in financing costs. Conversely, when interest rates decline, our unhedged floating rate and new financing costs decline, thereby increasing our profit or decreasing our loss, but our interest income from our derivative instruments also declines, thus offsetting (to the extent of such decrease in income) any changes to profit and loss due to interest rate movements. We are subject to the risk that there is a mismatch either between the interest swap performance and the change in the underlying funding cost that the derivative instruments are structured to hedge, or between the swap and the fair value change of the NPL portfolios due to changes in market interest rates. We are also exposed to the risk that our hedges could be implemented or priced incorrectly. Volatility in interest rates could impact valuation of interest rate swaps and therefore impair our ability to enter into these contracts on terms that enable us to achieve the hedging we need. If interest rates turn negative, our derivative instruments would not achieve our hedging needs. In addition to paying fixed interest payments, a negative interest rate would increase our interest payment instead of our receiving a floating rate interest payment in return. Furthermore, our derivative contracts may be subject to termination or break clauses, which may force us to renegotiate or replace those contracts on unattractive terms. Any of these events could cause losses and have a material adverse effect on our business, results of operations or financial condition.

We may not be successful in achieving our strategic goals.

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

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

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

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

GFKL's tax audits in Germany have been finalized for corporate income tax (*Körperschaftsteuer*), trade tax (*Gewerbesteuer*) and VAT (*Umsatzsteuer*) for financial years up to and including the year ended (i) December 31, 2003 for GFKL Holdco and PPS and (ii) December 31, 2006 in case of most other Group companies. Ongoing tax audits for the GFKL Group, which comprise, for most GFKL Group companies, the period up to and including the financial year ended December 31, 2013, tax audits for later periods not yet subject to a tax audit, or tax audits in other countries may lead to higher tax assessments in the future. For example, GFKL operates a number of tax groups (*Organschaften*) in Germany and these tax structures may be challenged in future tax audits. Non-recognition of our tax groups by the German tax authorities could lead to additional tax liabilities.

In addition, we are exposed to potential tax risks related to acquisitions, disposals and reorganizations, if our position with regard to the tax consequences of the acquisitions, disposals and reorganizations is challenged in a tax audit. Further, Lowell's effective tax rate in a given financial year reflects a variety of factors that may not be present in the succeeding financial year or years. One such factor affecting this effective tax rate is the relevant standard rate of corporation tax assessed against Lowell, which is subject to change. This rate is currently 20%. In addition, changes in fiscal regulations or the interpretation of tax laws by the courts or the tax authorities including those tax laws relating to the utilization of tax loss or credit carry forwards, and changes in our assessment of certain matters, such as the ability to realize deferred tax assets, may also have a material adverse effect on our business. For example, in the UK, value added tax is not currently required to be paid on the collections we make on telecommunications or retail debt, as the sale of such debt triggers a tax exemption. However, a change in the rules of application of value added tax on telecommunications or retail debt, providing that such tax would be payable, could have a material and adverse effect on our business. Any additional tax payments could have a material adverse effect on our margins and results of operations and financial condition.

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

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

With respect to the acquisition of GFKL Holdco by Carl Holding GmbH (which subsequently merged into Garfunkel Holding) in 2009, we have applied for a binding tax ruling to confirm that the loss carry forwards will not be affected on the basis of the application of the so-called "restructuring exception" granted by the applicable tax laws. The ruling was granted in September 2009, but revoked in April 2011 on the basis of a decision of the European Commission. GFKL has filed court rulings and appeals against, *inter alia*, the European Commission. Appeals and court rulings are still pending. GFKL has made accruals for the taxes and interest relating to the appeals and court rulings, which amounted to €11.4 million for suspended taxes and €2.6 million for interest as of June 30, 2015. Any payments resulting from losing the court rulings and appeals could have a material adverse effect on our results of operation and financial position.

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

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

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

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

A substantial part of the business of GFKL Group is the purchase of portfolios of NPLs. GFKL Group collects the receivables for its own account, taking the risk of final payment default. Generally, the purchase price for the NPL is determined by estimating the value of collectable receivables ("**economic nominal value**")—which is less than the nominal value of the receivables—less the cost of debt collection and of pre-financing and discounted using an appropriate discount rate. In 2003, the European Court of Justice ("**ECJ**") decided that the purchase of receivables for a subsequent cash collection (factoring) is to be treated as a supply of a taxable service from the purchaser to the seller (C-305/01, MKG). The seller would be relieved from the collection of the receivables as well as from the risk of (final) payment default. The ECJ decision was also adopted by the German tax authorities for the purchases of NPL and is still in force (Section 2.4 para. 1 and para. 8 German VAT Guidelines, "**UStAE**"). On October 27, 2011, ECJ decided that acquisitions of NPL are not subject to VAT (C-93/10, GFKL). This court decision was adopted by the German Federal Tax Court ("**BFH**") in a decision dated January 26, 2012 (V R 18/08). The BFH decision also said that no input VAT could be claimed on costs incurred in connection with NPL acquisitions as well as on costs incurred in connection with the collection of the receivables, and referred back to the local Tax Court Düsseldorf. GFKL Group has since withdrawn its initial lawsuit. Consequently the cases are not binding on the GFKL Group. These court cases as well as another comparable case (BFH decision dated July 4, 2013 (V R 8/10)) have not been adopted by the German tax authorities yet. If applying the MKG ECJ-case, the purchaser of NPLs should account for VAT on the purchase of NPLs with a corresponding full input VAT deduction. In contrast, if applying the GFKL Group ECJ-case, the purchaser would not have to account for VAT, but would also not be entitled to deduct input VAT in context of the NPL-business.

In the period from the year ended December 31, 2004 to the year ended December 31, 2011, GFKL Group did not entirely treat the purchases of NPL as subject to VAT according to the MKG jurisprudence, *i.e*., in some cases no VAT was collected and paid to the tax authorities. During that period, GFKL Group claimed full input VAT incurred from costs in the context of the acquisition and the collection of the NPLs. Due to the new case law an accrual for non-claimable input VAT for the year ended December 31, 2004 to the year ended December 31, 2011 (including interest) was recorded by GFKL in the year ended December 31, 2011 amounting to €15.3 million. In the light of the BFH decisions GFKL Group discussed the VAT treatment with the tax authorities. As an outcome of those discussions, GFKL Group applied a lump-sum rate of 30% on the total input VAT amounts as being non-deductible for the period February 2012 through December 2012. Following a written statement (dated October 22, 2012) of the German Federal Ministry for Finance towards the Federal association of credits and servicing ("*Bundesvereinigung Kreditankauf und Service e.V*." ("**BKS**")) stating that the tax authorities are going to apply the existing guidelines the 30% lump sum approach was used in December 2012 for the last time. In total, input VAT amounting to approximately €3.6 million has not been claimed. Based on the statement of the German Federal Ministry of Finance towards BKS, the management of GFKL Holdco assumes that it can rely on the official guidance of the German tax authorities still being in place, *i.e*., that the purchase of NPL still qualifies as a VAT-taxable service allowing for deduction of input VAT up to a new regulation. Management and its consultants expect the new guidance to be issued in the second half of 2015. A draft of the new guidelines, which includes a provision that would enable the previous guidance from the German tax authorities to remain in effect for the applicable historical periods, became available in May 2015; a final version has not been released.

From 2013 onwards, GFKL Group taxed the purchase of NPL and deducted full input VAT in context with the NPL business. Further, in the annual VAT return for the year ended December 2012, GFKL Group adopted this treatment as outlined in the statement of the German Federal Ministry of Finance and increased the VAT liability by €0.2 million. In turn, the input VAT receivable for the year ended December 31, 2012 was increased by €3.6 million in the GFKL 2014 Audited Consolidated Financial Statements. The annual VAT return for the year ended December 31, 2012 has been assessed by the tax authorities.

In 2014, GFKL Holdco has booked an accrual for additional VAT for the period from the year ended December 31, 2004 to the year ended December 31, 2012 (and not anymore for non-claimable input VAT, see above) of €7.3 million plus interest of €2.7 million. The calculation of this accrual has been aligned with the tax auditors. The receivable of €3.4 million (*i.e.*, €3.6 million input VAT, which was not claimed less €0.2 million additional VAT for the year ended December 31, 2012) has been netted with the VAT accrual, resulting in a net accrued amount of €6.6 million (including interest) as of June 30, 2015.

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

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

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

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

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

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

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

Risks Related to the Transactions

The Acquisition is subject to uncertainties and risks.

On August 7, 2015, Simon Bidco entered into the August SPAs to acquire the entire share capital and outstanding shareholder debt of the Target.

We currently expect to take certain steps to amend our group structure following the Completion Date, including the Squeeze-Out, the German Company Conversion and the Top-Up Share Conversion. See "*The Structure Event*." The Existing Indenture provides and the Indentures will provide that we must use our commercially reasonable efforts to complete the Squeeze-Out by December 31, 2016 and the German Company Conversion within three months of the Squeeze Out. In addition, the Amended and Restated RCF Agreement will contain an affirmative obligation to complete the Squeeze-Out by December 31, 2016 and the German Company Conversion by March 31, 2017. However, we may be unable to finalize the Squeeze-Out or the German Company Conversion within the expected time frame or at all, which would not result in a default under the Existing Indenture or the Indentures but would, subject to applicable cure periods and other limitations, result in an event of default under the Amended and Restated RCF Agreement. Any delays in the restructuring process may have a material adverse impact on the value of your investment in the Notes. See "*—Risks Related to the Notes—Certain Collateral will not initially secure the Notes*" and "*—Risks Related to Our Structure and the Financing—Each Issuer is a holding company dependent upon cash flow from subsidiaries to meet its obligations under the applicable Notes and Note Guarantees and the corporate structure of the Group will limit GFKL Holdco's ability to upstream cash to the Issuers*." In addition, the Top-Up Share Conversion will not occur (if at all) unless the Structure Event occurs. Although we expect to complete the Top-Up Share Conversion as soon as practicable subsequent to the Structure Event (if it occurs), the Indentures will not contain an obligation that we do so and our failure to do so will not be a default or an Event of Default under the Indentures. Any failure to complete the Top-Up Share Conversion subsequent to the Structure Event could hinder the Security Agent's ability to enforce share Collateral in the event of a default under the Senior Secured Notes and would preclude completion of the series of related transactions that would result in the entire share capital of Simon Holdco (other than T-Shares) being held by the Senior Secured Notes Issuer. See "*Risk Factors—Risks Related to Our Structure and the Financing—The covenants will not prevent us from issuing dividends on the Top-Up Shares*."

The Issuers did not control the Lowell Group until completion of the Acquisition.

The Issuers did not obtain control of the Lowell Group until completion of the Acquisition. We cannot assure you that, following the Completion Date, the Issuers will operate the business in the same way that the Sellers have operated the business in the past. The historical and forward-looking information relating to the Lowell Group in this Offering Memorandum has been provided to the Issuers by the Lowell Group's management, and the Issuers have relied on such information in its preparation. Further, the Transactions themselves have required, and will likely continue to require, substantial amounts of management's time and focus, which could adversely affect their ability to operate the business. Likewise, other employees may be uncomfortable with the Transactions or feel otherwise affected by them, which could have an impact on work quality and retention.

We may be unable to successfully integrate the Lowell Group and the GFKL Group.

The Acquisition involves the integration of the Lowell Group and the GFKL Group, two companies that have previously operated independently. The difficulties of combining the companies' operations include:

- the necessity of coordinating geographically separated organizations and facilities;
- combining the two companies' analytical models;
- rationalizing or harmonizing each company's internal systems and processes, including accounting policies, financial year ends and reporting currencies, which are different from each other;
- rationalizing the group structure; and
- integrating personnel from different company cultures.

The process of integrating operations and implementing other process or system improvements may be more difficult or time-consuming than expected and could cause an interruption of, or loss of momentum in, the activities of one or more of our businesses. In addition, the costs associated with integrating operations and implementing such improvements may exceed anticipated amounts, and we may not have sufficient financial resources to fund all the desired or necessary investments, including one-time costs, required in connection with such plans. Moreover, the GFKL Group's CFO and COO departed GFKL following the announcement of the

Acquisition, and the process of integrating operations may cause or contribute to the loss of other key personnel. The diversion of management's attention and any delays or difficulties encountered in connection with the acquisition of the Lowell Group and the integration of the Lowell Group and the GFKL Group could result in the disruption of our ongoing businesses or inconsistencies in the standards, controls, level of customer care, procedures and policies of the two companies that could negatively affect our ability to maintain relationships with customers, vendors, employees and others with whom we have business dealings.

We may be unable to realize the anticipated benefits of the Acquisition and achieve our strategic goals.

We expect to realize synergies by creating efficiencies in operations, capital expenditures and other areas. We also expect to realize other benefits by developing and implementing our strategic plans for our businesses, including through cross selling products across markets. Our ability to realize these synergies and other benefits may be limited by, among other things, legal, regulatory and contractual restrictions, along with other external factors beyond our control, such as systemic failures in our industry or the industry sectors of our clients and changes in fiscal and monetary policies. In addition, our strategic and operational plans need to be continually reassessed to meet the challenges and needs of our businesses in order for us to remain competitive. If we are unable to successfully implement and execute our strategic and operational plans, the anticipated synergies and other benefits of the Acquisition may not be realized fully or at all or may take longer to realize than expected. In addition, we may incur unanticipated expenses in order to maintain, improve or sustain the Lowell Group's operations or assets and we may be subject to unanticipated or unknown liabilities relating to the Lowell Group and its business. These factors could limit our ability to successfully integrate the Lowell Group's business and could make it more difficult for us to realize the anticipated synergies and other benefits of the Acquisition. If we are unable to realize these anticipated synergies and other benefits, we may not produce the revenue, margins, earnings or other results that we need to be successful and to offset the impact of adverse economic conditions that may exist currently or develop in the future.

We have incurred, and will continue to incur, significant transaction and acquisition-related costs in connection with the Acquisitions.

We have incurred, and will continue to incur, a number of non-recurring transaction fees and other costs associated with completing the Acquisitions, combining the operations of the two companies and achieving desired operating synergies. These fees and costs will be substantial. Additional unanticipated costs may be incurred in the integration of the businesses of Lowell Group and GFKL Group. Although we expect that the elimination of duplicative costs, as well as the realization of other efficiencies related to the integration of our businesses, will offset the incremental transaction and acquisition-related costs over time, this net benefit may not be achieved in the near term or at all.

Garfunkel Holding may not be able to enforce claims with respect to the representations and warranties that Advent Carl Luxembourg Finance S.à r.l. has provided to it under the GFKL Acquisition agreement.

In connection with the GFKL Acquisition, Advent Carl Luxembourg Finance S.à r.l. has given certain customary representations and warranties under the GFKL Acquisition agreement related to its shares, the GFKL Group and the business of the GFKL Group. There can be no assurance that Garfunkel Holding will be able to enforce any claims against the Seller relating to breaches of such representations and warranties. The liability of Advent Carl Luxembourg Finance S.à r.l. with respect to breaches of its representations and warranties under the GFKL Acquisition agreement is limited. Moreover, even if Garfunkel Holding ultimately succeeds in recovering any amounts from Advent Carl Luxembourg Finance S.à r.l. or its insurance provider, Garfunkel Holding may temporarily be required to bear these losses, which could have an adverse effect on our financial condition.

Simon Bidco may not be able to enforce claims with respect to the representations and warranties that the Sellers and other members of Lowell's management have provided to it in connection with the Acquisition Agreement.

In connection with the Acquisition, certain of the Sellers and other parties to the Acquisition Agreements (collectively, the "**Acquisition Warrantors**") have given certain customary representations and warranties related to their shares, the Lowell Group and the business of the Lowell Group. There can be no assurance that Simon Bidco will be able to enforce any claims against the Acquisition Warrantors relating to breaches of such representations and warranties. The liability of the Acquisition Warrantors with respect to breaches of their representations and warranties in connection with the Acquisition is limited. Moreover, even if Simon Bidco ultimately succeeds in recovering any amounts from the Acquisition Warrantors or Simon Bidco's insurance provider in respect of losses incurred as a result of the Acquisition Warrantors' breaches of their representations and warranties in connection with the Acquisition, Simon Bidco may temporarily be required to bear those losses, which could have an adverse effect on our financial condition.

The Acquisition may result in counterparties becoming entitled to exercise termination or other rights adverse to our interests under their contracts with us as a result of the change of control.

The Acquisition will constitute a change of control under our contracts with certain counterparties. Accordingly, in the event that the consent of such counterparties to the change of control is not obtained or such counterparties are not notified of the change of control, as the case may be, such counterparties will be entitled to terminate their contractual arrangements with us or exercise other rights adverse to our interests (including, for example, by declaring an event of default under the contract or accelerating certain payment obligations). Our other contracts also contain change of control provisions that may be triggered by the Acquisition, and we may be unable to obtain, or we may otherwise determine not to seek, consent to the change of control or any other necessary waivers under those contracts following the Completion Date. In such cases, the counterparties under those contracts would become entitled to terminate their contracts with us or exercise other rights adverse to our interests, and such contracts may collectively represent a material portion of our turnover. In the event that such counterparties decide to exercise their termination or other contractual rights as a result of the change of control, our business, financial condition and results of operations may be materially and adversely affected.

The Lowell Group may have liabilities that are not known to us.

The Lowell Group will be acquired with certain liabilities, including certain pension liabilities and certain tax liabilities. There may be liabilities that we failed or were unable to discover in the course of performing due diligence investigations into the Lowell Group. Any such undiscovered liabilities of the Lowell Group, individually or in the aggregate, could have a material adverse effect on our business, financial condition and results of operations. In addition, such liabilities may not be recoverable against the representations and warranties given by the Acquisition Warrantors under the Acquisition Agreements. As we integrate the Lowell Group, we may learn additional information about the Lowell Group that adversely affects us, such as unknown or contingent liabilities and issues relating to compliance with applicable laws.

We may experience delay in finalizing the Squeeze-Out.

As of the Completion Date, minority shareholders held approximately 1.72% of the share capital of GFKL Holdco. See "*The Structure Event*." This, together with the fact that GFKL Holdco is a stock corporation (*Aktiengesellschaft*), imposes significant limits on the ability of GFKL Holdco to upstream cash to its shareholders, including to the Issuers for purposes of servicing interest on the Notes. See "*—Risks Related to Our Structure and the Financing—Each Issuer is a holding company dependent upon cash flow from subsidiaries to meet its obligations under the applicable Notes and Note Guarantees and the corporate structure of the Group will limit GFKL Holdco's ability to upstream cash to the Issuers*."

While the Issuers have undertaken to use their commercially reasonable efforts to complete the Squeeze-Out by December 31, 2016 in order to make GFKL Holdco a wholly owned subsidiary of the Group (as described in further detail in "*The Structure Event*"), legal challenges of squeeze-out procedures are common in Germany and there can be no assurance that all challenges to the Squeeze-Out by the minority shareholders of GFKL Holdco will be resolved within that period. The Indentures will not include a firm undertaking to complete the Squeeze-Out or the German Company Conversion and any failure to do so will not be a default under the Indentures. An inability to finalize the Squeeze-Out promptly could have an adverse impact on the GFKL Group's ability to contribute to the servicing of the debt of the Issuers, including the Notes, and could impede our ability to maximize efficiencies through tax consolidation of all German entities of the Group. See "*—Risks Related to Our Structure and the Financing—Each Issuer is a holding company dependent upon cash flow from subsidiaries to meet its obligations under the applicable Notes and Note Guarantees and the corporate structure of the Group will limit GFKL Holdco's ability to upstream cash to the Issuers*." Moreover, an inability to finalize the Squeeze-Out promptly could delay our implementation of our final corporate structure and, as a result, could extend the period of time in which the Security Agent is hindered in its ability to enforce share Collateral in the event of a default under the Senior Secured Notes. See "*—Risks Related to the Notes—Certain Collateral will not initially secure the Notes*."

Risks Related to Our Financial Profile

Our substantial leverage and debt service obligations could adversely affect our business and prevent us from fulfilling our obligations with respect to the Notes and the Note Guarantees.

We are highly leveraged and the issuance of the Notes will increase our leverage significantly. As of June 30, 2015, on a *pro forma* basis after giving effect to the Transactions, including the Offering and the application of the proceeds therefrom and the issuance of the Existing 2022 Senior Secured Notes in connection with the GFKL Acquisition, we would have had total financial indebtedness of £1,058.6 million, including indebtedness under the Notes and the Existing 2022 Senior Secured Notes, drawings under the Revolving Credit Facility and indebtedness pursuant to securitization arrangements outstanding on the Issue Date. See "*Capitalization*."

The degree to which we will be leveraged following the issuance of the Notes could have important consequences to holders of the Notes offered hereby, including, but not limited to:

- making it difficult for us to satisfy our obligations with respect to the Notes;
- making us vulnerable to, and reducing our flexibility to respond to, general adverse economic and industry conditions;
- requiring the dedication of a substantial portion of our cash flow from operations to the payment of principal of, and interest on, indebtedness, thereby reducing the availability of such cash flow to fund new debt portfolio purchases, working capital, capital expenditures, acquisitions, joint ventures or other general corporate purposes;
- limiting our flexibility in planning for, or reacting to, changes in our business and the competitive environment and the industry in which we operate;
- placing us at a competitive disadvantage as compared to our competitors, to the extent that they are not as highly leveraged; and
- limiting our ability to borrow additional funds and increasing the cost of any such borrowing.

Any of these or other consequences or events could have a material adverse effect on our ability to satisfy our debt obligations, including the Notes.

Despite our substantial leverage, we may still be able to incur substantially more debt in the future, which may make it difficult for us to service our debt, including the Notes, and impair our ability to operate our business.

The terms of the Indentures will permit the Issuers and their restricted subsidiaries to incur substantial additional indebtedness, including in respect of committed borrowings of up to €200.0 million under the Amended and Restated RCF (which may be further increased by the greater of an additional €25.0 million and 7.9% of the Group's 84-month ERC) and additional Notes by either Issuer. The new debt that we incur in the future, including for example in connection with acquisitions, may rank *pari passu* with, be structurally senior to, or be secured by assets that do not form part of the Collateral for, the Senior Secured Notes and the Senior Secured Notes Guarantees, and may rank senior to, or *pari passu* with, be structurally senior to, or be secured by assets that do not form part of the Collateral for, the Senior Notes and the Senior Notes Guarantees. Any such additional indebtedness could mature prior to either the Senior Secured Notes or the Senior Notes. We may also enter into new qualified receivables financing programs, pursuant to which we would pledge receivables that either do not form part of the Collateral or would be released from the Collateral in connection with any such program. Although the Existing Indenture contains, and the Amended and Restated RCF Agreement and the Indentures will contain, restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of significant qualifications and exceptions, and under certain circumstances the amount of indebtedness that could be incurred in compliance with these restrictions could be substantial. In addition, the Existing Indenture does not, and the Amended and Restated RCF Agreement and the Indentures will not, prevent us from incurring obligations that do not constitute indebtedness under those agreements. Furthermore, if we are able to designate some of our restricted subsidiaries under the Amended and Restated RCF Agreement, the Existing Indenture and the Indentures as unrestricted subsidiaries, those unrestricted subsidiaries would be permitted to borrow beyond the limitations specified in the Indentures and engage in other activities in which Restricted Subsidiaries may not engage. See "*Description of the Senior Secured Notes*," "*Description of the Senior Notes*," "*Description of Certain Financing Arrangements—7.500% Senior Secured Notes due 2022*" and "*Description of Certain Financing Arrangements—Revolving Credit Facility Agreement*." If new debt is added to our and our subsidiaries' existing debt levels, the related risks that we now face would increase.

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

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

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

All of these limitations will be subject to significant exceptions and qualifications. See "*Description of the Senior Secured Notes—Certain Covenants*" and "*Description of the Senior Notes—Certain Covenants*." Despite these exceptions and qualifications, the covenants to which we are subject could limit our ability to finance our future operations and capital needs and our ability to pursue business opportunities and activities that may be in our interest.

In addition, we will be subject to the affirmative and negative covenants in the Amended and Restated RCF Agreement and to the negative covenants contained in the Existing Indenture, which negative covenants, in both instances, are substantially similar to the covenants that will be included in the Indentures. In addition, the Amended and Restated RCF Agreement will contain an affirmative obligation to complete the Squeeze-Out by December 31, 2016 and the German Company Conversion within three months of the Squeeze-Out.

A breach of any of those covenants or the occurrence of certain specified events will, subject to applicable cure periods and other limitations, result in an event of default under the Amended and Restated RCF Agreement. Upon the occurrence of any event of default under the Amended and Restated RCF Agreement, the Majority Lenders (being, subject to certain limitations, lenders under the Amended and Restated RCF Agreement whose commitments thereunder aggregate at least 66 2/3% of the total commitments thereunder) could, while such event of default remains unremedied or unwaived, cancel the availability of the Amended and Restated RCF Agreement and elect to declare all amounts outstanding under the Amended and Restated RCF Agreement, together with accrued interest, immediately due and payable. In addition, a default or event of default under the Amended and Restated RCF Agreement could lead to an event of default and acceleration under other debt instruments that contain cross-default or cross-acceleration provisions, including the Existing Indenture and the Indentures. If our creditors, including the creditors under the Amended and Restated RCF Agreement and the Existing 2022 Senior Secured Notes, accelerate the payment of amounts owing to them under such other debt instruments, we cannot assure you that our assets and the assets of our subsidiaries would be sufficient to repay in full those amounts, to satisfy all other liabilities of our subsidiaries which would be due and payable and to make payments to enable us to repay the Senior Secured Notes or the Senior Notes, in full or in part. In addition, if we are unable to repay those amounts, our creditors could proceed against any security interests granted to them to secure repayment of those amounts.

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

After the issuance of the Notes, we will have significant debt service obligations. Our ability to make principal or interest payments when due on our indebtedness, including our drawings under the Amended and Restated RCF and our obligations under the Existing 2022 Senior Secured Notes and the Notes, and to fund our ongoing operations, will depend on our future performance and our ability to generate cash, which, to a certain extent, is subject to general economic, financial, competitive, legislative, legal, regulatory and other factors, as well as other factors, many of which are beyond our control. See "*Risk Factors—Risks Related to Our Business and Industry*." If cash generated by our Lowell Group subsidiaries is insufficient, we may need to draw on our Amended and

Restated RCF Agreement to make interest payments on the Notes until the Structure Event is complete as we are limited in our ability to upstream cash from our GFKL Group subsidiaries until GFKL Holdco has been converted into the legal form of a Gesellschaft mit beschränkter Haftung, a German limited liability company. See "*Risks Related to the Structure and Our Financing—Each Issuer is a holding company dependent upon cash flow from subsidiaries to meet its obligations under the applicable Notes and Note Guarantees and the corporate structure of the Group will limit GFKL Holdco's ability to upstream cash to the Issuers*."

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

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

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

Drawings under the Amended and Restated RCF will bear interest at floating rates that could rise significantly, increasing our costs and reducing our cash flow.

Drawings under the Amended and Restated RCF will, and future indebtedness that we may incur could, bear interest at floating rates of interest *per annum* equal to LIBOR (or in relation to advances in euro, EURIBOR), as adjusted periodically, plus a spread. These interest rates could rise significantly in the future. Although we may enter into certain hedging arrangements designed to fix a portion of these rates, there can be no assurance that hedging will be available or continue to be available on commercially reasonable terms. To the extent that interest rates or any drawings were to increase significantly, our interest expense would correspondingly increase, reducing our cash flow.

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

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

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

For example, an anti-austerity party won the parliamentary elections in Greece on January 25, 2015 and subsequently formed a government with another anti-austerity party. The subsequent breakdown of negotiations between the new Greek government and its creditors led to the closure of Greek banks and the imposition of capital controls in Greece. These events resulted in Greece's default under its national debt and, although an agreement on a three-year bailout program was approved on August 19, 2015, could yet lead to Greece's exit from the eurozone, which could, in turn, undermine confidence in the overall stability of the euro. These and other concerns could lead to the re-introduction of individual currencies in one or more Member States, or, in extraordinary circumstances, the possible dissolution of the euro entirely.

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

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

Risks Related to the Notes

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

As from the Issue Date, the Senior Secured Notes and the Senior Secured Notes Guarantees will be secured on a first-priority basis by the same Collateral securing the obligations under (i) the Amended and Restated RCF Agreement and any outstanding hedging liabilities that are permitted to be secured by such Collateral, on a super priority basis, (ii) the Existing 2022 Senior Secured Notes, on a *pari passu* basis and (iii) the Senior Notes, (only with respect to the capital stock and beneficiary units of the Senior Secured Notes Issuer as well as intercompany receivables from the Senior Secured Notes Issuer) on a second-priority basis. In addition, under the terms of the Indentures, we will be permitted to incur significant additional indebtedness and other obligations that may be secured by the same Collateral on a *pari passu* or on a super priority basis with the Senior Secured Notes.

Pursuant to the Intercreditor Agreement, lenders under the Amended and Restated RCF Agreement, providers of certain additional super senior indebtedness, certain hedging obligations, the Security Agent, any receiver and certain creditor representatives, including the Trustees, are entitled to be repaid with the proceeds of the Collateral sold in any enforcement sale and all amounts received by the Security Agent pursuant to the turnover provisions of the Intercreditor Agreement in priority to the Senior Secured Notes. As such, in the event of a foreclosure of the Collateral or any other distressed disposal, you may not be able to recover on the Collateral if the aggregate of the then outstanding claims under super senior indebtedness are greater than or equal to the proceeds realized. Any proceeds from an enforcement sale of the Collateral by any creditor and all amounts received by the Security Agent pursuant to the turnover provisions of the Intercreditor Agreement will, after all obligations under super senior indebtedness have been discharged from such recoveries, be applied *pro rata* in repayment of the Senior Secured Notes, the Existing 2022 Senior Secured Notes, any other obligations secured by the Collateral which are permitted to rank *pari passu* with the Senior Secured Notes and certain non-priority hedging obligations.

The Intercreditor Agreement provides that a common Security Agent, who will also serve as the security agent for the lenders under the Amended and Restated RCF Agreement, the hedging obligations which are permitted to be secured on the Collateral, the holders of the Existing 2022 Senior Secured Notes, the holders of the Notes and the creditors of any additional debt secured by the Collateral permitted to be incurred by the Amended and Restated RCF Agreement, the Existing 2022 Senior Secured Notes and the Indentures, will act only as provided for in the Intercreditor Agreement and the security documents. The Intercreditor Agreement also regulates the ability of the Senior Secured Notes Trustee or the holders of the Senior Secured Notes to instruct the Security Agent to take enforcement action. The Security Agent is not required to take enforcement action unless instructed to do so by an Instructing Group (as defined below under—*"Description of Certain Financing Arrangements—Intercreditor Agreement*") that comprises (i) creditors holding in aggregate more than 66 ⅔% of the aggregate commitments under the Amended and Restated RCF Agreement, the aggregate commitments under any super senior Credit Facility and the aggregate of hedging exposures under certain priority hedging obligations (the "**Majority Super Senior Creditors**") and (ii) creditors holding in aggregate more than 50% of the outstanding principal amount of the Senior Secured Notes, the Existing 2022 Senior Secured Notes and the outstanding principal amount of any indebtedness ranking *pari passu* with the Senior Secured Notes (the "**Majority Senior Secured Creditors**") (in each case, except for any hedge counterparties, acting through their respective creditor representative). If, however, before the discharge of all super senior obligations, the Security Agent has received conflicting enforcement instructions from the creditor representatives (and for these purposes, silence is deemed to be a conflicting instruction) then, to the extent the instructions from the Majority Senior Secured Creditors (to the extent given) comply with the initial consultation requirements and the security enforcement principles set forth in the Intercreditor Agreement (one of which states that the primary and overriding objective of an enforcement of security over the Collateral is the maximization, so far as is consistent with prompt and expeditious realization of value, of recoveries by the Super Senior Creditors and the Senior Secured Creditors (each as defined below under—"*Description of Certain Financing Arrangements—Intercreditor Agreement*")), the Security Agent will comply with the instructions from the Majority Senior Secured Creditors, *provided* that if the super senior liabilities have not been fully discharged within six months, or no enforcement action has occurred within three months of the date on which the first such enforcement instructions were issued, then the instructions of the Majority Super Senior Creditors will prevail. To the extent we incur additional indebtedness that is secured on a *pari passu* basis with the Senior Secured Notes and the Existing 2022 Senior Secured Notes, the voting interest of the holders of the Senior Secured Notes in an instructing group will be diluted commensurately with the amount of indebtedness we incur.

The lenders under our super senior indebtedness may have interests that are different from the interests of holders of the Senior Secured Notes and the Existing 2022 Senior Secured Notes and they may, subject to the terms of the Intercreditor Agreement, elect to pursue their remedies in respect of the Collateral at a time when it would be disadvantageous for the holders of the Senior Secured Notes and the Existing 2022 Senior Secured Notes to do so.

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

The rights to enforce remedies with respect to certain Collateral securing the Senior Notes and the Senior Notes Guarantees are limited as long as any super senior or senior secured debt is outstanding.

The Intercreditor Agreement provides that the security interests in the portion of the Collateral that secures the Senior Notes will be second-priority, in relation the enforcement and the proceeds thereof, to the first-priority security interests in such Collateral in favor of creditors in respect of the Amended and Restated RCF Agreement, the Existing 2022 Senior Secured Notes, the Senior Secured Notes, any indebtedness which is permitted under the Amended and Restated RCF Agreement, the Existing Indenture and the Indentures to be incurred and secured by the Collateral and which is permitted to rank *pari passu* with the Senior Secured Notes ("**Senior Secured Debt**") and any indebtedness in favor of institutions with whom we enter into certain hedging arrangements (the liabilities owing to all such creditors being "**Senior Secured Liabilities**"). The Intercreditor Agreement provides that a common security agent will serve as the Security Agent for the secured parties under the Amended and Restated RCF, the Existing 2022 Senior Secured Notes, the Senior Secured Notes, any Senior Secured Debt, certain hedging arrangements and the Senior Notes and will (subject to certain limited exceptions) act with respect to such Collateral only at the direction of the relevant Instructing Group until amounts outstanding in respect of the Amended and Restated RCF, any Credit Facility, the Senior Secured Notes, the Senior Secured Debt and certain hedging arrangements are paid in full and discharged. The creditors under the Amended and Restated RCF, the Existing 2022 Senior Secured Notes, the Senior Secured Notes, any Senior Secured Debt and institutions who are counterparties to certain of our hedging arrangements will have (subject to certain exceptions) the exclusive right to make all decisions with respect to the enforcement of remedies relating to such Collateral. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*."

As a result, the holders of the Senior Notes will not be able to independently pursue the remedies of a secured creditor under the security documents in respect of the Collateral or force a sale of the Collateral unless permitted to do so under certain exceptions set out in the Intercreditor Agreement. In addition, in the circumstances in which the holders of the Senior Notes would be entitled to issue enforcement instructions to the Security Agent with respect to the Senior Notes Guarantees or the Senior Notes Collateral, (1) creditors in respect of indebtedness which ranks senior to the Senior Notes have the right to issue enforcement instructions in lieu of the enforcement instructions issued by the holders of the Senior Notes prior to or following the issuance of such instructions (if such creditors are permitted to issue such instructions but have not done so) and (2) no such enforcement action with respect to the Senior Notes Guarantees or the Senior Notes Collateral may be taken if the Security Agent, acting in accordance with the instructions of an Instructing Group, is taking steps for enforcement and such enforcement action in relation to the Senior Notes Guarantees or the Senior Notes Collateral might reasonably be likely to adversely affect such enforcement by the Security Agent or the amount of the proceeds derived therefrom.

The creditors in respect of the Amended and Restated RCF, the Existing 2022 Senior Secured Notes, any Senior Secured Debt, the institutions who are counterparties to our secured hedging arrangements and the holders of the Senior Secured Notes may have interests that are different from the interests of holders of the Senior Notes, and they may elect to pursue their remedies in respect of the Collateral at a time when it would be disadvantageous for the holders of the Senior Notes to do so. This may affect the ability of holders of the Senior Notes to recover under the Collateral if the proceeds from the Collateral, after having satisfied obligations owed to the Security Agent, any receiver, certain creditor representatives and under the Amended and Restated RCF Agreement, the Existing 2022 Senior Secured Notes, any Senior Secured Debt, certain of our hedging arrangements and the Senior Secured Notes, are less than the aggregate amount outstanding under the Senior Notes.

In addition, if the creditors in respect of the Amended and Restated RCF, the Existing 2022 Senior Secured Notes, certain hedging arrangements, any Senior Secured Debt and/or the holders of the Senior Secured Notes direct the sale of the shares of the Senior Secured Notes Issuer or the shares of any of its subsidiaries through an enforcement of the security interests in the Collateral securing, *inter alia*, the Senior Secured Notes or at a time when the security interests in the Collateral have become enforceable in accordance with the terms of the Intercreditor Agreement, the Senior Notes Guarantees and the liens over the shares of the Senior Secured Notes Issuer and any receivables owed or to be owed by the Senior Secured Notes Issuer to the Senior Notes Issuer securing the Senior Notes and each Senior Notes Guarantee may be released. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*" and *"Description of the Senior Notes—Security—Release of Liens*."

We may also issue further indebtedness which will be entitled to rank *pari passu* with or senior to the Senior Notes in right and priority of payment and which will be entitled to share in the Collateral with the Senior Notes on a *pari passu* or senior-ranking basis. In the event that any such debt is issued, the creditor voting rights of the holders of the Senior Notes will be diluted proportionately to the amount of debt incurred.

The Intercreditor Agreement provides that in certain circumstances payments in respect of the Senior Notes may be blocked.

Prior to the discharge of all Senior Secured Liabilities, no member of the Group may make payments in respect of the Senior Notes without the consent of the creditor representatives in respect of the Senior Secured Liabilities except as permitted under the Intercreditor Agreement. The payments which are permitted under the Intercreditor Agreement without such consent are summarized under the caption "*Intercreditor Agreement—Payments and Prepayments; Subordination of the Permitted Senior Financing Debt*" below (each such payment a "**Permitted Payment**").

If we default on our payments under or in respect of:

- the Amended and Restated RCF Agreement;
- the Existing Indenture;
- the Senior Secured Notes Indenture; and/or
- any Senior Secured Debt

(each a "**Senior Secured Debt Payment Default**"), the Group's ability to make Permitted Payments (other than certain payments by the Senior Notes Issuer of liabilities in respect of the Senior Notes, to the extent not funded from the proceeds of a payment received from a subsidiary of the Senior Notes Issuer that is otherwise prohibited under the Intercreditor Agreement) will be automatically suspended.

In addition, if an event of default (other than a Senior Secured Debt Payment Default) has occurred and is continuing under the finance documents in respect of the Senior Secured Liabilities, creditor representatives in respect of the Senior Secured Liabilities may deliver a notice to us, the Security Agent and the Senior Notes Trustee (and the creditor representative of any other indebtedness that is allowed to rank *pari passu* with the Senior Notes under the terms of those finance documents) suspending the Group's ability to make Permitted Payments (other than certain payments by the Senior Notes Issuer of liabilities in respect of the Senior Notes, to the extent not funded from the proceeds of a payment received from a subsidiary of the Senior Notes Issuer that is otherwise prohibited under the Intercreditor Agreement) for a period of up to 179 days (such notice a "**Payment Blockage Notice**").

If a Senior Secured Debt Payment Default occurs and for so long as a Payment Blockage Notice is outstanding the Group's ability to make payments in respect of the Senior Notes will be limited to payments by the Senior Notes Issuer of liabilities in respect of the Senior Notes and any other payments to which the creditor representatives in respect of the Senior Secured Liabilities give their prior consent. In such circumstances we cannot assure you that we will be able to obtain such consent or, in the absence of such consent, be able to meet our payment obligations in respect of the Senior Notes. For more detail please see the caption "*Intercreditor Agreement—Payments and Prepayments; Subordination of the Permitted Senior Financing Debt*."

The Senior Notes Guarantees will be subordinated to our existing and future super senior debt and senior secured debt.

The Senior Notes Guarantees will be the senior subordinated obligations of the Senior Secured Notes Issuer and the other Senior Notes Guarantors (other than the Senior Notes Issuer) and:

- will rank *pari passu* in right of payment with any existing and future senior subordinated indebtedness of such Senior Notes Guarantors;
- will be subordinated in right of payment to all existing and future indebtedness or obligation of such Senior Notes Guarantors ranking senior to the Senior Notes, including each such Senior Notes Guarantor's obligations under, or guarantee of obligations under, the Amended and Restated RCF Agreement, certain hedging obligations, the Existing 2022 Senior Secured Notes and the Senior Secured Notes;
- will be subordinated in relation to the proceeds of any enforcement of any Collateral shared with any indebtedness ranking senior to the Senior Notes, including obligations under, or guarantees of obligations under, the Amended and Restated RCF Agreement, certain hedging obligations, the Existing 2022 Senior Secured Notes and the Senior Secured Notes, to the extent of the value of the assets securing such indebtedness or other obligations; and
- will be effectively subordinated to any secured indebtedness and other secured obligations of each Senior Notes Guarantor, including each such Senior Notes Guarantor's obligations under, or guarantee of obligations under, the Amended and Restated RCF Agreement, certain hedging obligations, the Existing 2022 Senior Secured Notes and the Senior Secured Notes, to the extent of the value of the assets securing such indebtedness or other obligations if such assets secure the Senior Notes on a junior basis or do not secure the Senior Notes.

In addition, under the terms of the Intercreditor Agreement, no enforcement action with respect to the Senior Notes Guarantees (or any future guarantee of the Senior Notes, if any) may be taken until an event of default on the Senior Notes remains outstanding, a notice of the occurrence of such event of default (a "**Default Notice**") has been served on the creditor representatives with respect to the Senior Secured Liabilities and the lapse of a standstill period beginning on the date on which such Default Notice is served and ending on the earliest of (subject to certain limited exceptions): (i) the date falling 179 days after the date the Default Notice is served, (ii) the date of any enforcement action being taken with respect to debt of a Senior Notes Guarantor ranking senior to the Senior Notes (*provided* that the Senior Notes Trustee and holders of the Senior Notes will be limited to taking the same action against the same Senior Notes Guarantor in relation to the Senior Notes Guarantees); (iii) the date of an insolvency event with respect to a particular Senior Notes Guarantor (in which case an enforcement action is to be taken only against such Senior Notes Guarantor); (iv) the date on which the consent of the applicable creditor representatives for the creditors under the Amended and Restated RCF, the Existing 2022 Senior Secured Notes, the Notes and any other outstanding Senior Secured Debt (each acting on the instructions of the applicable creditors) is given; and (v) the expiry of any other standstill period that was outstanding as of the date the relevant Default Notice was served (other than as a result of a cure, waiver or other permitted remedy). See "*Description of Certain Financing Arrangements—Intercreditor Agreement*."

Under the terms of the Intercreditor Agreement, upon any distribution to the creditors of a Senior Notes Guarantor in a liquidation, administration, bankruptcy, moratorium of payments, dissolution or other winding-up of such Senior Notes Guarantor, the holders of indebtedness of such Senior Notes Guarantor ranking senior to the Senior Notes will be entitled to be paid in full before any payment may be made with respect to the Senior Notes Guarantor's Senior Notes Guarantee. As a result, holders of the Senior Notes may receive less, ratably, than the holders of debt of the Senior Notes Guarantors ranking senior to the Senior Notes, including the lenders under the Amended and Restated RCF Agreement, holders of the Existing 2022 Senior Secured Notes and holders of the Senior Secured Notes and other indebtedness that is allowed to rank *pari passu* with them. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*."

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

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

Under the terms of the Intercreditor Agreement, if, for any reason, obligations owed to any super senior and senior secured creditors remain unpaid after enforcement of the Collateral and the resulting losses are not borne by the super senior creditors and the senior secured creditors in the proportion corresponding to the total liabilities owed to the super senior creditors and the senior secured creditors, respectively, then the applicable creditors will be required to make payments among themselves to achieve the appropriate proportion in accordance with the order of priority contemplated by the Intercreditor Agreement. As a result, the holders of the Senior Secured Notes, together with the holders of the Existing 2022 Senior Secured Notes and any creditors under any other Senior Secured Debt, on a collective basis, may need to make payments to the super senior creditors to rectify any disproportionate recovery in an enforcement scenario.

The Senior Secured Notes Collateral remaining after repayment of all super senior indebtedness may not be sufficient to repay all amounts owing in respect of any applicable Senior Secured Notes Guarantee. To the extent that the Senior Secured Notes are not repaid in full from the proceeds of an enforcement of the Collateral securing the Senior Secured Notes, the holders of the Senior Secured Notes will participate ratably with all holders of the Existing 2022 Senior Secured Notes, creditors of other indebtedness that is permitted to rank *pari passu* with the Senior Secured Notes, creditors of any indebtedness ranking junior to the Senior Secured Notes, and potentially with all other general creditors, depending upon the respective amounts owed to each holder or creditor, in the remaining assets of the relevant Guarantor.

As of June 30, 2015, on a *pro forma* basis to reflect the Transactions and the issuance of the Existing 2022 Senior Secured Notes in connection with the GFKL Acquisition, we had an aggregate principal amount of £11.8 million of financial liabilities outstanding (excluding local facilities) secured by liens with a prior right to recovery to the liens securing the Senior Secured Notes, and up to €188.2 million was available for additional borrowings under the committed Amended and Restated RCF. We may also enter into further hedging obligations or other indebtedness entitled to be repaid in priority to the Senior Secured Notes, or issue further indebtedness which will be entitled to rank *pari passu* with the Senior Secured Notes in right and priority of payment and which will be entitled to share in the Collateral with the Senior Secured Notes on a *pari passu* basis. In the event that any such debt is further issued, the creditor voting rights of the holders of the Senior Secured Notes will be diluted proportionately to the amount of indebtedness incurred which will be entitled to rank *pari passu* with the Senior Secured Notes.

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

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

In the event that any of the creditors of the super senior or senior secured indebtedness of the relevant Guarantor commence enforcement proceedings against Collateral that secures such indebtedness, the Senior Notes Collateral remaining after repayment of that secured indebtedness may not be sufficient to repay all amounts owing in respect of the relevant Senior Notes Guarantee. As a result, holders of Senior Notes may receive less, ratably, than holders of super senior and senior secured indebtedness of the relevant Guarantor. Additionally, to the extent that the Senior Notes are not repaid in full from the proceeds of an enforcement of the Collateral securing the Senior Notes, the holders of the Senior Notes will participate ratably with all holders of the unsecured indebtedness of the relevant Guarantor, and potentially with all of their other general creditors, depending upon the respective amounts owed to each holder or creditor, in the remaining assets of the relevant Guarantor.

As of June 30, 2015, on a *pro forma* basis to reflect the Transactions and the issuance of the Existing 2022 Senior Secured Notes in connection with the GFKL Acquisition, we had an aggregate principal amount of £828.6 million of financial liabilities outstanding (excluding local facilities) secured by liens on assets that do not secure the Senior Notes and liens which rank in priority to the liens securing the Senior Notes, and up to €188.2 million was available for additional borrowings under the committed Amended and Restated RCF. We may also issue further indebtedness which will be entitled to rank *pari passu* with or senior to the Senior Notes in right and priority of payment and which will be entitled to share in the Collateral with the Senior Notes on a *pari passu* or senior-ranking basis. In the event that any such debt is further issued, the creditor voting rights of the holders of the Senior Notes will be diluted proportionately to the amount of indebtedness incurred which will be entitled to rank *pari passu* with the Senior Notes.

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

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

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

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

The ability of holders of Senior Notes to recover under the pledge of the shares of the Senior Secured Notes Issuer and other security interests may be limited.

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

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

Additionally, holders of the Senior Notes may not be able to recover on the shares and other Senior Notes Collateral that are also pledged or assigned as security for the Senior Secured Liabilities because the creditors in respect thereof will have a prior claim on all proceeds realized from any enforcement of such pledges and other Senior Notes Collateral and any distressed disposal with respect to such Collateral, and the Senior Notes will need to share any remaining proceeds from such enforcement with any other secured creditor ranking *pari passu* with the Senior Notes. See "*—Claims of our super senior and senior secured creditors will have priority with respect to their security over the claims of holders of the Senior Notes, to the extent of the value of the assets securing such indebtedness*" and "*—The rights to enforce remedies with respect to certain Collateral securing the Senior Notes and the Senior Notes Guarantees are limited as long as any super senior or senior secured debt is outstanding*."

Certain Collateral will not initially secure the Notes.

On the Issue Date, a limited security package will be provided by the Issuers, Simon Holdco, Simon Midco, Simon Bidco and Garfunkel Holding, in the case of the Senior Secured Notes, and the Senior Notes Issuer, in the case of the Senior Notes. Within 60 days following the Completion Date, certain Target entities will grant security over substantially all of their assets for the benefit of the holders of the Senior Secured Notes. See "*Summary—The Offering—Security, Enforcement of Security*."

None of GFKL Holdco or any of its subsidiaries will grant Collateral for the benefit of the holders of the Senior Secured Notes or issue Note Guarantees for the benefit of the holders of the Senior Secured Notes or the Senior Notes unless and until the Structure Event occurs. Under German corporate law, the Executive Board of GFKL Holdco may not be compelled by the shareholders of GFKL Holdco to require GFKL Holdco and its subsidiaries to grant security and issue Note Guarantees. Moreover, as an *Aktiengesellschaft*, a stock corporation under German law, GFKL Holdco is currently legally restricted in its ability to grant security and issue Note Guarantees if none of the proceeds of the Notes are on-lent to GFKL Holdco or its subsidiaries. The conversion process from the stock corporation (*Aktiengesellschaft*) form to the limited liability company (*GmbH*) form normally takes up to three months to complete and is subject to registration in the commercial register. However, in this instance, the German Company Conversion can be initiated only once the ordinary shares of GFKL Holdco held by the minority shareholders of GFKL Holdco have been acquired by the majority shareholder of GFKL Holdco in the Squeeze-Out. The Issuers have undertaken to use their commercially reasonable efforts to complete the Squeeze-Out by December 31, 2016 and the German Company Conversion within three months of the Squeeze-Out. However, the failure to complete the Structure Event or provide any additional Note Guarantees or security interests with respect to GFKL Holdco and its subsidiaries will not be a default under the Indentures to the extent the Structure Event does not occur.

As of the Completion Date, New Luxco held T-Shares in Simon Holdco, Simon Midco, Simon Bidco, the Senior Secured Notes Issuer, the Senior Notes Issuer and certain Lowell Group entities. The Issuers have agreed to use their commercially reasonable efforts to procure that New Luxco become party to the Indentures within 60 days of the Completion Date. To the extent that New Luxco becomes a party to the Indentures, within 60 days of the Completion Date it shall pledge as Collateral for the Senior Secured Notes a security interest in the T-Shares of the Senior Secured Notes Issuer and any Guarantor (other than any T-Shares of the Senior Notes Issuer) and pledge as Collateral for the Senior Notes a security interest in the T-Shares of the Senior Secured Notes Issuer. The failure of New Luxco to put in place such security interests with respect to the Senior Secured Notes Issuer or a Guarantor will prevent the Security Agent from obtaining control of 100% of the share capital of, or instruments issued by, such entity and thereby adversely affect the Security Agent's ability to extract 100% of the value of such Guarantor and its subsidiaries, which could cause delays, increase costs and have an adverse impact on the likelihood of a successful enforcement process. See also "*—It may be difficult to realize the value of the Collateral securing the Notes*."

Prior to the Top-Up Share Conversion, certain non-voting shares in Simon Holdco, representing approximately 24% of the ordinary shares of Simon Holdco and potentially representing an additional 2.5% if the maximum amount of Top-Up Shares are issued as purchase price adjustments, will be held by OTPP Sub and will not be pledged as Collateral for the benefit of the holders of the Senior Secured Notes. Although we expect that these shares will be exchanged by OTPP Sub for capital stock of an entity outside of the restricted groups for the Notes after the Structure Event (if it occurs), if before the completion of the Top-Up Share Conversion a default occurs the existence of the Top-Up Shares could increase the costs the Security Agent would incur in enforcing the Collateral and otherwise decrease the value of the Collateral.

Additionally, the execution of the Collateral will be subject to certain agreed security principles that could relieve certain Guarantors or other subsidiaries of the obligation to grant security interests in assets otherwise expected to form part of the Collateral, which could have a material adverse impact on the credit support available to you in connection with your investment in the Notes.

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

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

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

The granting of the security interests in connection with the issuance of the Notes, or the incurrence of permitted debt in the future, may create or restart hardening periods, i.e., the periods of time following the

granting of security interests during which such security interests may be challenged in accordance with the laws applicable in certain jurisdictions.

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

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

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

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

Additionally, even though the holders of the Senior Secured Notes and the Existing 2022 Senior Secured Notes will share in the Collateral securing the Senior Secured Notes and the Existing 2022 Senior Secured Notes with the creditors under the Amended and Restated RCF Agreement, the creditors under the Amended and Restated RCF Agreement will receive the proceeds of the enforcement of the Collateral in priority to the holders of the Notes and, under certain circumstances, the creditors under the Amended and Restated RCF Agreement and certain of our hedging arrangements will control enforcement actions with respect to the Collateral through the Security Agent, whether or not the holders of the Notes agree with those actions. See "*—Risks Related to the Notes— Holders of the Senior Secured Notes will not control certain decisions regarding the Collateral and other distressed disposals*" and "*Description of the Senior Secured Notes—Security—Enforcement of Security Interests*."

In addition, the Note Guarantees and security interests will be subject to release upon a distressed disposal as contemplated under the Intercreditor Agreement. However, the Intercreditor Agreement provides that the Security Agent shall not, in an enforcement scenario, exercise its rights to effect the release of a Senior Notes Guarantee or Senior Notes Collateral or the release or disposal of liabilities under the Senior Notes unless the relevant sale or disposal is made:

- with the prior consent of the Senior Notes Trustee (acting on the instructions of the Senior Notes holders in accordance with the Senior Notes Indenture or the holders of at least a majority of the principal amount of the then outstanding Senior Notes) and the creditor representative of any other indebtedness that is allowed to rank *pari passu* under the Senior Notes (acting on the instructions of the required percentage of creditors in respect of which it is the credit representative);
- or, in the case of a release pursuant to which shares or assets of a Senior Notes Guarantor or assets of the Senior Notes Issuer are sold,
- for consideration all or substantially all of which is in the form of cash;

- concurrently with the unconditional discharge or release of the indebtedness of the disposed entities to certain other creditors, including the creditors under the Amended and Restated RCF Agreement and holders of the Senior Secured Notes; and
- pursuant to a public auction, or (if not by way of public auction) following the issue of a fairness opinion with respect to the amount received in connection with such sale from an internationally recognized accounting firm or internationally recognized investment bank or accounting firm selected by the Security Agent.

See "*Description of Certain Financing Arrangements—Intercreditor Agreement*"; "*Description of the Senior Secured Notes*" and "*Description of the Senior Notes*."

It may be difficult to realize the value of the Collateral securing the Notes.

The Collateral securing the Notes will be subject to any and all exceptions, defects, encumbrances, liens and other imperfections permitted under the Indentures and the Intercreditor Agreement and accepted by other creditors that have the benefit of first-priority security interests in the Collateral securing the Notes from time to time, whether on or after the date the Notes are first issued. The existence of any such exceptions, defects, encumbrances, liens and other imperfections could adversely affect the value of the Collateral securing the Notes, as well as the ability of the Security Agent to realize or foreclose on such Collateral. Furthermore, the ranking of security interests can be affected by a variety of factors, including, among others, the timely satisfaction of perfection requirements, statutory liens or characterization under the laws of certain jurisdictions.

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

Furthermore, T-Shares in certain of our subsidiaries will be held by New Luxco, which is not a subsidiary of the Senior Notes Issuer. The Issuers have agreed to use their commercially reasonable efforts to procure that within 60 days after the Completion Date, New Luxco become a party to the Indentures. To the extent that New Luxco accedes to the Senior Secured Notes Indenture, the Senior Secured Notes will be secured by a first-priority security interest in any T-Shares of the Senior Secured Notes Issuer and the Guarantors (excluding the Senior Notes Issuer) held by New Luxco. To obtain control of 100% of the share capital of or instruments issued by entities that have transferred or issued T-Shares to New Luxco, the Security Agent would be required to enforce such pledges separately from the pledge provided by the Senior Notes Issuer over the shares of the Senior Secured Notes Issuer, which is the direct and indirect parent of the remaining Group entities. Enforcement of multiple security documents could cause delays, increase costs and hinder the holders of the Notes' ability to derive full benefit from the applicable Collateral.

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

The security interests in the Collateral will be granted to the Security Agent rather than directly to the holders of the Notes and certain Collateral will be granted subsequent to the issuance of the Notes. The ability of the Security Agent to enforce certain of the Collateral may be restricted by local law.

The security interests in the Collateral that will secure our obligations under the Notes and the obligations of the Guarantors under the Note Guarantees will not be granted directly to the holders of the Notes but will be granted only in favor of the Security Agent. The Indentures will provide (along with the Intercreditor Agreement) that only the Security Agent has the right to enforce the security documents. As a consequence, holders of the Notes will not have direct security interests and will not be entitled to take enforcement action in respect of the Collateral securing the Notes, except through the applicable Trustee, who will (subject to the provisions of the Indentures and the Intercreditor Agreement) provide instructions to the Security Agent in respect of the Collateral.

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

In addition, the ability of the Security Agent to enforce the security interests in the Collateral is subject to mandatory provisions of the laws of each jurisdiction in which security interests over the Collateral are taken. For example, the laws of certain jurisdictions may not allow for an appropriation of certain pledged assets, but require a sale through a public auction and certain waiting periods may apply. There is some uncertainty under the laws of certain jurisdictions, as to whether obligations to beneficial owners of the Notes that are not identified as registered holders in a security document will be validly secured. In certain jurisdictions, including, among others, Germany, due to the laws and other jurisprudence governing the creation and perfection of security interests and enforceability of such security interests, the applicable Collateral will secure a so-called "parallel debt" obligation (the "**Parallel Debt Obligation**") created under the Intercreditor Agreement in favor of the Security Agent as well as, or in lieu of, securing the obligations under the Notes directly. This parallel debt structure is used where certain jurisdictions have legal requirements relating to the creation and ongoing valid existence of security interests which are linked with the original secured claims and where certain actions under the finance documents, such as novation, may cause invalidity of the security interests under local law. The parallel debt is in the same amount and payable at the same time as the obligations of the Issuers and the Guarantors under the Notes and the Note Guarantees (the "**Principal Obligations**"), and any payment in respect of the Principal Obligations will discharge the corresponding parallel debt and any payment in respect of the parallel debt will discharge the corresponding Principal Obligations. Although the Security Agent will have, pursuant to the parallel debt, a claim against the Issuers and the Guarantors for the full principal amount of the Notes, the parallel debt structure has not been tested in the courts of these jurisdictions, including Germany, and there is no judicial guidance as to its efficacy or validity. Therefore, the ability of the Security Agent to enforce the Collateral may be restricted, or the parallel debt structure might not be capable of creating a valid security interest on the part of the Security Agent.

In addition, holders of the Notes bear some risk associated with a possible insolvency or bankruptcy of the Security Agent which could in particular, under certain circumstances, result in a delay in enforcement, diminishing value or even loss of the Collateral or Note Guarantees.

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

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

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

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

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

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

There may not be an active trading market for the Notes, in which case your ability to sell the Notes may be limited.

We cannot assure you as to:

- the liquidity of any market in the Notes;
- your ability to sell your Notes; or
- the prices at which you would be able to sell your Notes.

Future trading prices for the Notes will depend on many factors, including, among other things, prevailing interest rates, our operating results and the market for similar securities. Historically, the market for non-investment grade securities has been subject to disruptions that have caused substantial volatility in the prices of securities similar to the Notes. The liquidity of a trading market for the Senior Secured Notes or the Senior 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 Senior Secured Notes or the Senior Notes may attract different investors and this may affect the extent to which the applicable Notes may trade. It is possible that the market for the Senior Secured Notes or the Senior Notes will be subject to disruptions. Any such disruption may have a negative effect on you, as a holder of the applicable 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 Senior Secured Notes or the Senior Notes. If no active trading market develops, you may not be able to resell your holding of the applicable Notes at a fair value, if at all.

Although the Notes have been listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market, we cannot assure you that the Notes will remain listed. Although no assurance is made as to the liquidity of the Notes as a result of the admission to trading on the Euro MTF Market, delisting or failure to be approved for a subsequent listing (whether or not for an alternative admission to listing on another stock exchange) of the Notes, as applicable, from the Luxembourg Stock Exchange may have a material effect on a holder's ability to resell the Notes, as applicable, in the secondary market.

In addition, each Indenture will allow us to issue additional notes in the future which could adversely impact the liquidity of the Notes.

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

The Volcker Rule generally prohibits certain banking entities (including certain of the Initial Purchasers and their affiliates) from engaging in proprietary trading or from acquiring or retaining an ownership interest in, or sponsoring or having certain relationships with, certain private funds (referred to as "covered funds"), subject to certain exclusions and exemptions. The Volcker Rule became effective on July 21, 2012, and the relevant U.S. federal agencies adopted final regulations to implement the Volcker Rule on December 10, 2013. The Federal

Reserve issued an order giving banking entities until July 21, 2015 to bring any existing activities and investments into full conformance, subject to up to two one-year extensions granted at the discretion of the Federal Reserve upon a consideration of a variety of factors, including a determination that an extension would not be detrimental to the public interest. On December 18, 2014, the Federal Reserve granted a one-year extension of the conformance period for legacy covered fund interests (*i.e.*, those acquired on or before December 31, 2013), and announced its intention to grant a further one-year extension until July 21, 2017. Only covered fund interests in place as of December 31, 2013 would be eligible for such additional conformance period extensions. Banking entities are required to develop and implement a conformance plan to terminate prohibited activities and divest impermissible investments by the end of the conformance period.

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

If the Issuers do not qualify for an exclusion or exemption to the Volcker Rule, there would be limitations on the ability of banking entities to purchase or retain the Notes as they may be deemed to be "ownership interests" for purposes of the Volcker Rule. Depending on market conditions, this could significantly and negatively affect the liquidity and market value of the Notes. Thus, it is important that, although the Volcker Rule provides limited exclusions and exemptions to its prohibitions, each investor in the Notes make its own determination as to whether it is a covered banking entity or otherwise subject to the Volcker Rule, whether any exclusion or exemption might be applicable to an investment in the Notes by such investor, whether its investment in the Notes would or could in the future be restricted or prohibited under the Volcker Rule, whether any extension of the Volcker Rule conformance period would be applicable to such investor's investment in the Notes, and the potential impact of the Volcker Rule on its investment, any liquidity in connection therewith and on its portfolio generally. The Volcker Rule and interpretations thereunder are still uncertain, may restrict or discourage the acquisition of Notes by covered banking entities, and may adversely affect the liquidity of the Notes. Investors in the Notes are responsible for analyzing their own regulatory position and neither Issuer and none of the Initial Purchasers, the Security Agent, neither Trustee nor any of their respective affiliates makes any representation to any prospective investor or purchaser of the Notes regarding the treatment of the Issuers under the Volcker Rule, or to such investor's investment in the Notes on the Issue Date or at any time in the future.

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

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

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

The Description of the Senior Secured Notes and the Description of the Senior Notes herein provide and the Indentures will provide that, in the case of inconsistencies between the applicable Issuer Register and the applicable Register, the applicable Issuer Register shall prevail. See *"Description of the Senior Secured Notes—Principal, Maturity and Interest—Paying Agent and Registrar for the Notes*" and "*Description of the Senior Notes—Principal, Maturity and Interest—Paying Agent and Registrar for the Notes*." It is generally held that the registrations made in an Issuer Register constitute a means to prove ownership in respect of the applicable

Notes. However, Luxembourg case law appears to admit that such registrations in the relevant Issuer Register are not a non-rebuttable presumption (*présomption irréfragable*) of title to the applicable Notes and indicates that other forms of evidence (such as the registrations made in the applicable Register) could potentially also serve as means to prove ownership. As a result, there can be no assurance that, in the event of discrepancies between the applicable Register and the applicable Issuer Register, a Luxembourg court will not take into account the applicable Register and its contents if the question of the ownership of the applicable Notes is brought before it. Certificates representing the applicable Notes in registered form may be issued but they do not confer title to the applicable Notes. Such certificates would also, in principle, not constitute conclusive evidence to prove ownership in respect of the applicable Notes.

Risks Related to Our Structure and the Financing

Each Issuer is a holding company dependent upon cash flow from subsidiaries to meet its obligations under the applicable Notes and Note Guarantees and the corporate structure of the Group will limit GFKL Holdco's ability to upstream cash to the Issuers.

Each Issuer is a holding company with no independent business operations or significant assets other than investments in its subsidiaries. As a result, both Issuers depend upon the receipt of sufficient funds from their subsidiaries to meet their obligations. We intend to provide funds to the Issuers in order to meet the obligations on the Notes through a combination of dividends and interest payments on intragroup loans and loan notes. The obligations under intragroup loans and loan notes will be junior obligations and will be subordinated in right of payment to all existing and future senior and senior subordinated indebtedness of each Issuer, including obligations under, or guarantees of obligations under, the Amended and Restated RCF Agreement, the Existing 2022 Senior Secured Notes and the Notes.

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

In particular, in Germany, stock corporations (*Aktiengesellschaft*) such as GFKL Holdco are subject to tight restrictions on distributions to shareholders. So long as minority shareholders continue to hold an interest in GFKL Holdco, upstream loans cannot be granted and dividend distributions are limited to the balance sheet profit (*Bilanzgewinn*) as presented in the applicable entity's unconsolidated audited financial statements. As of December 31, 2014, the balance sheet profit of GFKL Holdco in its unconsolidated financial statements prepared in accordance with the German Commercial Code amounted to €5.1 million. As a result, until the completion of the Squeeze-Out, it may not be possible for GFKL Holdco to upstream cash to support payments of interest, principal or Additional Amounts on the Notes by the Issuers and any dividend to GFKL Holdco's direct parent will be subject to payment of a *pro rata* dividend to GFKL Holdco's minority shareholders.

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

While we have undertaken to use our commercially reasonable efforts to complete the Squeeze-Out by December 31, 2016, legal challenges of squeeze-out procedures are common in Germany and there can be no assurance that all challenges to the Squeeze-Out by the minority shareholders of GFKL Holdco will be resolved within that period. Our failure to comply with the expected timeline for the Squeeze-Out would not result in a default under the Indentures.

Furthermore, even once the Squeeze-Out is finalized, cash extraction potential out of GFKL Holdco, should it retain the form of a stock corporation (*Aktiengesellschaft*), would be limited to GFKL Holdco's annual net income plus any share premium. As of December 31, 2014, this amounted to €48 million. While we have undertaken to use our commercially reasonable efforts to complete the German Company Conversion within three months of the Squeeze Out, the Indentures do not include a firm undertaking to complete the German Company Conversion and any failure to do so would not be a default under the Indentures. Furthermore, while merging GFKL Holdco into Garfunkel Holding could lower the restrictions on shareholder distributions, we can give no assurance that such merger will take place.

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

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

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

Generally, claims of creditors of a non-guarantor subsidiary, including trade creditors, and claims of preference shareholders (if any) of the subsidiary, will have priority with respect to the assets and earnings of the subsidiary over the claims of creditors of its parent entity, including claims by holders of the Notes under the Notes and the Note Guarantees. In the event of any foreclosure, dissolution, winding-up, liquidation, reorganization, administration or other bankruptcy or insolvency proceeding of any of our non-guarantor subsidiaries, holders of their indebtedness and their trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to its parent entity. As such, the Notes and each Note Guarantee will be structurally subordinated to the creditors (including trade creditors) and preference shareholders (if any) of the non-guarantor subsidiaries of the applicable Issuer or Guarantor. In addition, the Notes and each Note Guarantee will be structurally subordinated to the holders of the Existing 2022 Senior Secured Notes to the extent of any guarantee provided by GFKL Holdco to such notes. Under German corporate law, such guarantee would, in the absence of a domination and/or profit and loss pooling agreement (*Beherrschungs- und/oder Gewinnabführungsvertrag*), be limited to the amount on-lent by the issuer of the Existing 2022 Senior Secured Notes from the proceeds of such notes (approximately €93 million). As of the Issue Date, no such guarantee by GFKL Holdco is expected to exist. GFKL Holdco may, however, choose to provide such guarantee to the Existing 2022 Senior Secured Notes after the Completion Date and such guarantee would not support the Notes. Because there will be no on-lending to GFKL Holdco from the proceeds of the Offering of the Notes, a guarantee for the benefit of the Notes by GFKL Holdco in its current form as a stock corporation (*Aktiengesellschaft*) under German law would be prohibited.

We have agreed that, within 10 business days after the date of the Structure Event, such further Group entities (if any) will accede as Guarantors as may be required such that the Senior Secured Notes Guarantors, together, and the Senior Notes Guarantors, together, will each represent, subject to the Agreed Security Principles, at least 80% of (i) Consolidated EBITDA (as defined under "*Description of the Senior Secured Notes*" and "*Description of the Senior Notes*"), disregarding the EBITDA (as defined under "*Description of the Senior Secured Notes*" and "*Description of the Senior Notes*") of any member of the Group that generates negative EBITDA and (ii) the gross assets of the Group (excluding all intra-Group items).

The interests of our principal shareholder may conflict with the interests of the holders of Notes.

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

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

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

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

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

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

- the amount paid or payable under the relevant Note Guarantee or the enforcement proceeds under the relevant security document was in excess of the maximum amount permitted under applicable law;
- the relevant Note Guarantee or security interest under a security document was incurred with actual intent to hinder, delay or defraud creditors or shareholders of the Guarantor or, in certain jurisdictions, even when the recipient was simply aware that the Guarantor was insolvent when it granted the relevant Note Guarantee or security interest;
- under Luxembourg law, the relevant act was performed (*e.g.* the Note Guarantees and/or the security interests under the security documents were granted) with the intention to defraud the creditors of, and prejudice their means of recovery against, the Guarantor, and where the recipient/beneficiary and the Guarantor were aware or should have been aware (at the time of performance of the legal act in question) that the granting by the Guarantor of the relevant Note Guarantee or security interests would prejudice the means of recovery of one or more (present or future) creditors of the Guarantor, unless the act was entered into without any consideration, in which case knowledge by the counterparty is not necessary for a challenge on grounds of fraudulent conveyance;
- under German law, it cannot be ruled out that the case law of the German Federal Supreme Court (*Bundesgerichtshof*) regarding so-called destructive interference (*existenzvernichtender Eingriff*) (i.e., a

situation where a shareholder deprives a German limited liability company of the liquidity necessary for it to meet its own payment obligations) may be applied by courts with respect to the enforcement of a guarantee or security interest granted by a German (direct or indirect) subsidiary of the Issuers. In such case, the amount of proceeds to be realized in an enforcement process may be reduced, even to zero;

- the Guarantor did not receive fair consideration or reasonably equivalent value for granting the relevant Note Guarantee or security interests and the Guarantor was: (i) insolvent or rendered insolvent because of the relevant Note Guarantee or security interest; (ii) undercapitalized or became undercapitalized because of the relevant Note Guarantee or security document; or (iii) intended to incur, or believed that it would incur, indebtedness beyond its ability to pay at maturity; and/or
- the relevant Note Guarantees or security documents were held to exceed the corporate objects of the Guarantor or not to be in the best interests or for the corporate benefit of the Guarantor or security provider.

In particular, in Germany, there are significant restrictions on subsidiary guarantees for shareholder liabilities to the extent the proceeds under such liabilities are not on-lent by the shareholder to such subsidiary guarantors.

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

Enforcement of the Collateral across multiple jurisdictions may be difficult.

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

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

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

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

Upon the occurrence of certain events constituting a "change of control," each Issuer would be required to offer to repurchase all of its outstanding Notes at a purchase price in cash equal to 101% of the principal amount thereof on the date of purchase plus accrued and unpaid interest to the date of purchase. If a change of control were to occur, we cannot assure you that we would have sufficient funds available at such time, or that we would have sufficient funds to provide to the Issuers to pay the purchase price of the outstanding Notes or that the restrictions in the Amended and Restated RCF Agreement, the Existing Indenture, the Indentures, the Intercreditor Agreement or our other existing contractual obligations would allow us to make such required repurchases. A change of control may result in an event of default under, acceleration of, or an obligation to make an offer to purchase the Existing 2022 Senior Secured Notes or mandatorily prepay the Amended and Restated RCF and other indebtedness. The repurchase of the Notes pursuant to such an offer could cause a default under such indebtedness, even if the change of control itself does not. The ability of the Issuers to receive cash from their subsidiaries to allow them to pay cash to the holders of the Notes following the occurrence of a change of control may be limited by our then existing financial resources (see *"—Each Issuer is a holding company dependent upon cash flow from subsidiaries to meet its obligations under the applicable Notes and Note Guarantees and the corporate structure of the Group will limit GFKL Holdco's ability to upstream cash to the Issuers*.") If an event constituting a change of control occurs at a time when we are prohibited from providing funds to the Issuers for the purpose of repurchasing the Notes, we may seek the consent of the lenders under such indebtedness to the purchase of the Notes or may attempt to refinance the borrowings that contain such prohibition. If such a consent to repay such borrowings is not obtained, the Issuers will remain prohibited from repurchasing any Notes. In addition, we expect that we would require third-party financing to make an offer to repurchase the Notes upon a change of control but we cannot assure you that we would be able to obtain such financing. Any failure by either Issuer to offer to purchase its Notes would constitute a default under the applicable Indenture which would, in turn, constitute a default under the Amended and Restated RCF Agreement and certain other indebtedness. See *"Description of the Senior Secured Notes—Change of Control*" and "*Description of the Senior Notes—Change of Control*."

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

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

The definition of "Change of Control" in the Indentures will include a disposition of all or substantially all of the assets of the Issuers and their 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 Issuers' assets and their restricted subsidiaries taken as a whole. As a result, it may be unclear as to whether a change of control has occurred and whether either Issuer is required to make an offer to repurchase the Notes.

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

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

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

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

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

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

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

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

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

The covenants will not prevent us from issuing dividends on the Top-Up Shares.

On the Completion Date, Simon Holdco issued to OTPP Sub certain non-voting shares ("**Top-Up Shares**") that rank *pari passu* (on a per share basis) with the ordinary shares of Simon Holdco with respect to dividends and distributions. These shares comprise approximately 24% of the share capital of Simon Holdco with the potential to comprise up to an additional 2.5% if the maximum amount of additional Top-Up Shares are issued as purchase price adjustments. A *pro rata* dividend from Simon Holdco on the Top-Up Shares would not constitute a "restricted payment" under the covenants in the Indentures. Such dividends could be significant and may constitute cash leakage from the relevant restricted group. Although we do not currently expect to issue dividends from Simon Holdco prior to the Top-Up Share Conversion, we cannot assure you that we will not do so.

Although we expect to complete the Top-Up Share Conversion as soon as practicable subsequent to the Structure Event, we cannot complete the Top-Up Share Conversion unless the Structure Event occurs and we cannot assure you that the Structure Event will occur within the expected time or at all. Once the Structure Event occurs, we cannot assure you that we will be able to complete the Top-Up Share Conversion in a timely manner or at all. See "—*Risks Related to the Transactions—The Acquisition is subject to uncertainties and risks*."

THE TRANSACTIONS

The Acquisition of the Target

On August 7, 2015, Simon Bidco entered into the August SPAs to acquire the entire share capital (other than T-Shares) and outstanding shareholder debt of the Target. The Target owns all of the capital stock of Lowell Finance Holdings Limited (except for T-Shares).

Pursuant to the terms of the Acquisition Agreements, Simon Bidco acquired the entire share capital of the Target (other than T-Shares, which were acquired by an affiliate of the Issuers for nominal consideration) (the "**Purchase Price**"), subject to certain purchase price adjustments.

The Acquisition Agreement included customary restrictions on the activities of the Target prior to the Completion Date, including restrictions on the incurrence of additional indebtedness, as well as limited representations, warranties and covenants that were subject to limitations and exclusions.

The Financing of the Acquisition

We financed the Acquisition through (a) an equity contribution from our principal shareholders, (b) the Senior Secured Bridge Facility and (c) the Senior Bridge Facility. The Acquisition closed on October 13, 2015. See "*Use of Proceeds*." We repaid all of the indebtedness outstanding under the Existing Lowell Senior Secured Notes and the Existing Senior Facilities on the Completion Date.

The Notes

The Senior Secured Notes Issuer is offering £565.0 million in aggregate principal amount of Senior Secured Notes and the Senior Notes Issuer is offering £230.0 million in aggregate principal amount of Senior Notes.

The proceeds from the Offering will be used, together with cash on hand, to fully repay amounts drawn under the Bridge Facilities and to pay fees and expenses in connection with the Offering. See "*Use of Proceeds*."

The Revolving Credit Facility

On June 29, 2015, Garfunkel Holding entered into a senior secured revolving credit facility in the amount of €60 million. On the Completion Date, this facility was amended and increased to €200 million. In addition, pursuant to the terms of the Revolving Credit Facility Agreement, the borrower may elect to request additional facilities either as a new facility or as additional tranches of an existing facility in the amounts up to the greater of €25 million and 7.9% of the Group's 84-month ERC (the "**Additional Facility Commitments**"). The Senior Secured Notes Issuer and the lenders may agree to certain terms in relation to the Additional Facility Commitments, including the margin, the termination date and the availability period (each subject to parameters as set out in the Revolving Credit Facility Agreement). There are certain limitations (including as to maximum amount) on the ability to incur Additional Facility Commitments. See "*Description of Certain Financing Arrangements*."

Repayment of Existing Debt

On the Completion Date, Simon Bidco on-lent cash to the Target in order to repay all amounts outstanding under the Existing Senior Facilities and the Existing Lowell Senior Secured Notes. In connection with the repayment of the Existing Senior Facilities Facility, the parties to the Existing Senior Facilities Agreement terminated such agreement pursuant to the terms contained therein.

OTPP

Ontario Teachers' Pension Plan Board is an independent single-profession pension plan in Canada and an indirect shareholder of the Target. See "*Principal Shareholders*." As of the Completion Date, OTPP Sub held a 30% beneficial interest in the Group and a contractual entitlement to a further 6-6.5% equivalent in economic rights.

In exchange for OTPP Sub's sale to Simon Bidco of certain shares in the Target, Garfunkelux Holdco 1 S.à r.l. issued certain capital stock and subordinated shareholder funding claims to OTPP Sub, in consideration for which Simon Bidco issued to Garfunkelux Holdco 1 S.à r.l. a subordinated loan note (the "**Bidco Loan Note**"), as contemplated in the Acquisition Agreements. On the Completion Date, the Bidco Loan Note was transferred sequentially to the Senior Notes Issuer, the Senior Secured Notes Issuer, and to other Restricted Subsidiaries of the Senior Secured Notes Issuer before being cancelled on the Completion Date. Each transfer by a parent to a subsidiary was in exchange for subordinated shareholder funding claims, a proportion of which was capitalized on the Completion Date. These subordinated shareholder funding loans are not expected to result in any cash transfers from the Senior Secured Notes Issuer to the Senior Notes Issuer or from the Senior Notes Issuer to Garfunkelux Holdco 1 S.à r.l.

In connection with converting the OTPP Sub's shareholding in the Target into shareholdings in our Group, certain shares or beneficiary units in certain Group entities ("**T-Shares**") with rights to vote on certain matters but minimal or no rights to dividends were issued or transferred to New Luxco. New Luxco has agreed to vote the T-Shares in accordance with the Shareholders' Agreement. The T-Shares are in place to comply with certain Canadian Pension Benefit Act requirements.

Relatedly, on the Completion Date Simon Holdco issued to OTPP Sub certain non-voting shares ("**Top-Up Shares**") that rank *pari passu* (on a per share basis) with the ordinary shares of Simon Holdco with respect to dividends and distributions and represent approximately 24% of the share capital of Simon Holdco with the potential to receive up to approximately 2.5% in additional Top-Up Shares based on purchase price adjustments. OTPP Sub will not pledge the Top-Up Shares as Collateral. We expect that, as soon as practicable after the Structure Event (if it occurs), the Top-Up Shares will be exchanged through a series of related transactions for further shares and indebtedness of Garfunkelux Holdco 1 S.à r.l. such that OTPP Sub holds a beneficial interest in the Group of 36-36.5% (or 37-38%, assuming the maximum amount of additional Top-Up Shares are issued as purchase price adjustments), including the 30% beneficial interest of OTPP Sub as of the Completion Date (the "**Top-Up Share Conversion**"). In connection with the Top-Up Share Conversion, the Senior Notes Issuer will acquire the Top-Up Shares from OTPP Sub (in exchange for capital stock of the Senior Notes Issuer) and is expected to transfer the Top-Up Shares to the Senior Secured Notes Issuer. The transfer from the Senior Notes Issuer to the Senior Secured Notes Issuer will be in exchange for subordinated shareholder funding claims, a proportion of which is expected to be capitalized on the date of the Top-Up Share Conversion. This subordinated shareholder funding loan is not expected to result in any cash transfers from the Senior Secured Notes Issuer to the Senior Notes Issuer.

Management Roll-Up

In exchange for certain shares in the Target purchased from the Target's employee shareholders ("**Rollover Management**"), Simon Bidco issued, on the Completion Date, a loan note to Rollover Management as contemplated in the Acquisition Agreements. This loan note was transferred pursuant to put/call options sequentially to Simon Midco, Simon Holdco, the Senior Secured Notes Issuer and the Senior Notes Issuer, with each transfer resulting in an intercompany loan obligation owing from the transferor. The Rollover Management loan note was then exchanged for the capital stock and certain subordinated shareholder funding claims of Garfunkelux Holdco 1 S.à r.l. The intercompany loans created through this series of transfers were capitalized on the same day and these intercompany loans are not expected to result in any cash transfers from the Senior Secured Notes Issuer to the Senior Notes Issuer or from the Senior Notes Issuer to Garfunkelux Holdco 1 S.à r.l.

As a result of the above, Rollover Management holds its beneficial interest in the Group through a nominee company that is an affiliate of our controlling shareholder. We expect that certain members of GFKL management will also invest in this nominee company within 60 days of the Completion Date. These members of GFKL management will invest cash that will be used to repay a loan (expected to be in an amount of approximately €5.5 million) that Simon Bidco and Garfunkel Holding provided on or about the Completion Date to enable the nominee company to subscribe for the instruments to be allocated to the GFKL management.

We refer to the Acquisition, the financing of the Acquisition, the repayment of existing debt, the Offering and each of the processes described in this section, collectively, as the "**Transactions**." Please see "*Use of Proceeds,*" "*Description of Certain Financing Arrangements,*" "*Description of the Senior Secured Notes*" and "*Description of the Senior Notes*."

STRUCTURE EVENT

As part of the GFKL Acquisition, we agreed that the Senior Secured Notes Issuer will use its commercially reasonable efforts to cause GFKL Holdco to take all steps required to complete a conversion of GFKL Holdco into a *Gesellschaft mit beschränkter Haftung*, a German limited liability company (the "**German Company Conversion**"). This conversion is subject to registration within the commercial register. The conversion process normally takes up to three months to complete. However, this conversion can only be initiated once the remaining ordinary shares have been acquired from the minority shareholders (the "**Squeeze-Out**"). While we expect to complete the Squeeze-Out by December 31, 2016, legal challenges of squeeze-out procedures are common in Germany and there can be no assurance that all challenges to the Squeeze-Out by the minority shareholders of GFKL Holdco will be resolved within that period. The Indentures will not include a firm undertaking to complete the Squeeze-Out or the German Company Conversion and any failure to do so will not be a default under the Indentures.

Although we expect to complete the Top-Up Share Conversion as soon as practicable subsequent to the Structure Event, we cannot complete the Top-Up Share Conversion until the Structure Event occurs, and we cannot assure you that the Structure Event will occur within the expected time or at all. Once the Structure Event occurs, we cannot assure you that we will be able to complete the Top-Up Share Conversion in a timely manner or at all.

USE OF PROCEEDS

We used the proceeds from the Bridge Facilities, along with the equity contribution from the Permira Funds, to fund the Acquisition, redeem the Existing Lowell Senior Secured Notes and pay fees and expenses related to the Acquisition and the funding of the Bridge Facilities.

The following table illustrates the estimated sources and uses of the funds related to the Bridge Facilities and the completion of the Acquisition. In addition, the following table illustrates the sources and uses of the offering of the Existing 2022 Senior Secured Notes and the completion of the GFKL Acquisition. The actual amounts set forth in the table and in the accompanying footnotes are subject to adjustment and may differ depending on several factors, including differences in our estimate of fees and exchange rate fluctuations.

Sources	**(in £ million)[(1)]**	**Uses**	**(in £ million)[(1)]**
Senior Secured Bridge Facility	555.0	Funded enterprise value for the Acquisition[(8)]	1,087.1
Senior Bridge Facility..............................	240.0		
Existing 2022 Senior Secured Notes[(2)]	259.7	Enterprise value for the GFKL Acquisition[(9)]	417.7
Equity contribution			
GFKL cash equity contribution[(3)]	186.0	Transaction costs[(10)]	29.8
Lowell equity contribution[(4)]	179.1	Financing costs[(11)]	57.8
OTPP investment[(5)]	212.2	Incremental cash[(12)]	64.0
Management equity[(6)]	21.3		
Exchange rate differences[(7)]	3.1		
Total sources	**1,656.4**	**Total uses**	**1,656.4**

(1) Unless otherwise indicated, pound sterling equivalents of euro amounts are translated at an exchange rate of €1.4057 to £1.00, which is the exchange rate as of June 30, 2015.

(2) Represents the pound sterling equivalent of the €365,000,000 gross proceeds of the Existing 2022 Senior Secured Notes. The pound sterling equivalent of the Existing 2022 Senior Secured Notes would have been £276.3 million if translated at an exchange rate of €1.3209 to £1.00, which was the applicable exchange rate as of February 1, 2016.

(3) The GFKL cash equity contribution represents the €261,500,000 equity contribution by the Permira Funds which was used to fund a portion of the purchase price for the GFKL Acquisition. The pound sterling equivalent of the GFKL cash equity contribution would have been £198.0 million if translated at an exchange rate of €1.3209 to £1.00, which was the applicable exchange rate as of February 1, 2016.

(4) The Lowell equity contribution represents the €249.7 million equity contribution in the form of both subordinated shareholder funding and common equity by the Permira Funds which will be used to fund a portion of the purchase price of the Acquisition, in each case, translated at an exchange rate of €1.3940 to £1.00, which represents the estimated exchange rate locked in by the Permira Funds under certain hedging arrangements entered into in connection with the Transactions. The Lowell equity contribution also includes €9.2 million of non-cash equity write-up in the GFKL investment. The pound sterling equivalent of the Lowell equity contribution would have been £184.7 million if translated at an exchange rate of €1.3522 to £1.00, which was the applicable exchange rate as of October 2, 2015.

(5) The OTPP equity roll-over represents the cashless roll-over of OTPP in connection with the Acquisition. See "*The Transactions—OTPP*."

(6) The management equity represents the sum of management equity which was rolled-over in the Acquisition. On or about the Completion Date, Garfunkel Holding provided an upstream loan in an amount of approximately €5.5 million to an affiliate of our principal shareholder to subscribe for equity interests in Garfunkelux Holdco 1 S.à r.l. to be subsequently allocated to GFKL management. This loan will be repaid with the proceeds of an investment by GFKL management. See "*The Transactions—Management Roll-up*."

(7) Exchange rate differences represents the difference between the euro to pound sterling exchange rate of €1.4057 to £1.00 and the euro to pound exchange rate of €1.3940 to £1.00, which is the blended exchange rate assumed to be used to convert the Lowell cash equity contribution based on foreign exchange hedging contracts multiplied by the difference between the Lowell cash equity contribution and the euro-denominated transaction costs relating to the Acquisition.

(8) Represents the estimated enterprise value of the entire share capital of the Target (other than T-Shares), subject to certain purchase price adjustments, as set forth in the August SPAs and the repayment of the aggregate principal outstanding amount of the Existing Lowell Senior Secured Notes, the Existing Senior Facilities and other debt-like items. See "*The Transactions—The Acquisition of the Target.*"

(9) Represents the €587.2 million enterprise value for the entire share capital of GFKL and the repayment of certain of GFKL's existing indebtedness. The €587.2 million enterprise value of GFKL includes a non-cash increase of GFKL equity value of €9.2 million which has been agreed with Lowell management and OTPP and is reflected in their respective equity roll-over terms. The pound sterling equivalent of the enterprise value for the GFKL Acquisition would have been £434.3 million if translated at an exchange rate of €1.3522 to £1.00, which was the applicable exchange rate as of October 2, 2015.

(10) Transaction costs represents estimated fees and expenses of £8.6 million and €29.8 million associated with the Acquisition and the GFKL Acquisition including underwriting fees and commissions and other estimated transaction costs. The pound sterling equivalent of

the transaction costs denominated in euros would have been £22.6 million if translated at an exchange rate of €1.3209 to £1.00, which was the applicable exchange rate as of February 1, 2016.

(11) Financing costs represents breakage costs and other fees of £45.6 million and €17.1 million associated with refinancing existing debt in connection with the Transactions and the GFKL Acquisition. See "*The Transactions*" for additional details. The pound sterling equivalent of the finance costs denominated in euros would have been £43.8 million if translated at an exchange rate of €1.3209 to £1.00, which was the applicable exchange rate as of February 1, 2016.

(12) Represents the additional cash funding on the balance sheet following the Transactions.

We estimate that the gross proceeds of the Offering will be £795.0 million. The proceeds from the Offering, together with cash on hand, will be used to fully repay amounts drawn under the Senior Secured Bridge Facility, the Senior Bridge Facility and to pay fees and expenses in connection with the Offering.

The following table illustrates the estimated sources and uses of funds relating to the Offering. The actual amounts set forth in the table and in the accompanying footnotes are subject to adjustment and may differ at the time of the consummation of the Offering, depending on several factors, including differences in our estimate of fees.

Sources	**(in £ million)**	**Uses**	**(in £ million)**
Senior Secured Notes offered hereby	565.0	Repayment of the Senior Secured Bridge Facility[1]	555.0
Senior Notes offered hereby	230.0	Repayment of the Senior Bridge Facility[2]	240.0
Cash on hand	11.3	Financing costs[3]	11.3
Total sources	**806.3**	**Total uses**	**806.3**

(1) Represents the full repayment of the principal amount of the Senior Secured Bridge Facility outstanding on the Issue Date.

(2) Represents the full repayment of the principal amount of the Senior Bridge Facility outstanding on the Issue Date.

(3) Represents estimated underwriting fees and commissions associated with the Offering and accrued and unpaid interest under the Bridge Facilities.

CAPITALIZATION

The following table sets forth, in each case, the cash and cash equivalents and the capitalization as of June 30, 2015 of (i) the Senior Notes Issuer and its subsidiaries, on a historical consolidated basis, (ii) Lowell, on a historical consolidated basis, (iii) the Senior Notes Issuer and its subsidiaries, as adjusted on a *pro forma* basis to give effect to the Acquisition and (iv) the Senior Notes Issuer and its subsidiaries, as adjusted on a *pro forma* basis to give effect to the Acquisition, as further adjusted to give effect to the Offering and the application of the proceeds thereof.

This table should be read in conjunction with "*Use of Proceeds*," "*Management's Discussion and Analysis of GFKL's Financial Condition and Results of Operations*," "*Management's Discussion and Analysis of Lowell's Financial Condition and Results of Operations*," "*Description of Certain Financing Arrangements*" and the Consolidated Financial Statements and the accompanying notes included elsewhere in this Offering Memorandum. Except as set forth below, there have been no other material changes to our capitalization since June 30, 2015.

	As of June 30, 2015		
	Historical	**As Adjusted[1]**	**As Further Adjusted[2]**
		in £ million (unaudited)[3]	
Cash and cash equivalents[4]	**67.6**	**121.0[5]**	**109.7[6]**
thereof unrestricted cash[7]	54.0	107.4	96.1
thereof restricted cash[8]	13.6	13.6	13.6
Amended and Restated RCF[9]	0.9	0.9	0.9
Existing 2022 Senior Secured Notes[10]	259.7	259.7	259.7
Senior Secured Notes offered hereby	—	—	565.0
Senior Secured Bridge Facility	—	555.0	—
Milla Securitisation[11]	3.0	3.0	3.0
Total senior secured financial indebtedness	**263.6**	**818.6**	**828.6**
Senior Notes offered hereby	—	—	230.0
Senior Bridge Facility	—	240.0	—
Total financial indebtedness[12]	**262.8**	**1,058.6**	**1,058.6**
Equity	**93.2**	**327.7**	**327.7**
Total capitalization	**356.0**	**1,386.3**	**1,386.3**

(1) As adjusted to give *pro forma* effect to the Acquisition as if it had occurred on June 30, 2015.

(2) As further adjusted to give effect to the Offering and the use of proceeds therefrom, as described in "*Use of Proceeds*."

(3) Euro-denominated amounts in the above table were translated at €1.4057 to £1.00, the exchange rate as of June 30, 2015.

(4) The historical amount represents the carrying amount of cash and cash equivalents as shown in the Unaudited Pro Forma Condensed Consolidated Financial Information, which includes incremental cash related to the GFKL Acquisition. Cash and cash equivalents at the time of the Offering may be different because of, among other reasons, current payments or indebtedness.

(5) Represents cash and cash equivalents as adjusted for the incremental cash related to the Acquisition (including the estimated transaction fees related to the Offering).

(6) Represents cash and cash equivalents Senior Notes Issuer, after giving effect to the Transactions, and includes estimated cash outflows of £11.3 million which is comprised of fees for the Offering.

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

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

(9) Represents the €200 million senior secured Amended and Restated RCF established under the Amended and Restated RCF Agreement under which we expect to have €1.3 million drawn on the Issue Date. In addition, on September 24, 2015, €10.5 million of the Amended and Restated RCF was utilized, but undrawn, in connection with providing the guarantee for the Squeeze-Out. See "*Description of Certain Financing Arrangements—Revolving Credit Facility Agreement*."

(10) Represents the pound sterling equivalent of the €365,000,000 gross proceeds of the Existing 2022 Senior Secured Notes. The pound sterling equivalent of the Existing 2022 Senior Secured Notes would have been £276.3 million if translated at an exchange rate of €1.3209 to £1.00, which was the applicable exchange rate as of February 1, 2016.

(11) Represents the pound sterling equivalent of the €4.2 million carrying amount of financial liabilities related to the Milla Securitization. As of August 31, 2015, debt related to the Milla Securitisation was €3.2 million.

(12) Total financial indebtedness excludes derivatives with negative fair values. As of June 30, 2015, these amounted to £0.7 million.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. Introduction

The unaudited pro forma condensed consolidated financial information (in the following "Unaudited Pro Forma Condensed Consolidated Financial Information") of Garfunkelux Holdco 2 S.A. (in the following "Garfunkel") has been prepared to reflect the acquisitions of 100% of the shares of Carl Holding GmbH (in the following "Carl") including the acquisition of any ordinary shares in GFKL Financial Services AG (in the following "GFKL") held by minority shareholders subject to squeeze-out pursuant to Sections 327a *et seq.* of the German Stock Companies Act (*Aktiengesetz*) and of the 100% of the shares of Metis BidCo Limited (in the following "Metis") as well as the related redemption of certain existing Carl and Metis indebtedness and the incurrence of indebtedness under the notes described in sections 3.2. and 3.3. of the Unaudited Pro Forma Condensed Consolidated Financial Information below. The Unaudited Pro Forma Condensed Consolidated Financial Information comprises unaudited pro forma consolidated income statements for the 12-month period ended December 31, 2014, the 6-month period ended June 30, 2015 as well as the 12-month period ended June 30, 2015, an unaudited pro forma consolidated statement of financial position as of June 30, 2015 as well as pro forma notes thereto.

The purpose of the Unaudited Pro Forma Condensed Consolidated Financial Information is to show the material effects the acquisitions of Carl and Metis by Garfunkel would have had on the historical consolidated financial statements of Garfunkel if Garfunkel had already existed in the structure created by the above described acquisitions as of January 1, 2014 with respect to the unaudited pro forma consolidated income statements for the 12-month period ended December 31, 2014, the 6-month period ended June 30, 2015 as well as the 12-month period ended June 30, 2015. With respect to the unaudited pro forma consolidated statement of financial position as of June 30, 2015 the purpose was to show all material effects the acquisition of Metis by Garfunkel would have had if the acquisition of Metis was closed on June 30, 2015. As the acquisition of Carl by Garfunkel was closed on June 30, 2015 the effects of this acquisition are reflected in the unaudited statement of financial position of Garfunkel as of June 30, 2015.

The following Unaudited Pro Forma Condensed Consolidated Financial Information is presented for illustrative purposes only. Due to its nature, the Unaudited Pro Forma Condensed Consolidated Financial Information describes only a hypothetical situation and, therefore, does not purport to represent what the actual consolidated results of the operations or consolidated financial position of Garfunkel would have been had the transactions occurred on the dates assumed, nor is it necessarily indicative of Garfunkel consolidated income statement or consolidated financial position after the completion of the transactions, nor is it necessarily indicative of future consolidated income statements or consolidated financial positions of Garfunkel. Therefore, the actual consolidated income statement and the actual consolidated statement of financial position of Garfunkel after the acquisitions may differ significantly from those reflected in the Unaudited Pro Forma Condensed Consolidated Financial Information. Furthermore, the Unaudited Pro Forma Condensed Consolidated Financial Information is only meaningful in conjunction with the historical consolidated financial statements of Garfunkel as of June 30 and for the period from June 1, 2015 to June 30, 2015.

The Unaudited Pro Forma Condensed Consolidated Financial Information has been prepared by Garfunkel as of October 4, 2015.

Unless stated otherwise, all figures are shown in millions of pounds sterling. All stated amounts have been individually rounded, which may give rise to minor discrepancies when these amounts are aggregated.

2. Historical Financial Information

The Unaudited Pro Forma Condensed Consolidated Financial Information is based on the following historical financial information:

- Unaudited condensed consolidated financial statements of Garfunkel as of June 30, 2015 and for the period from June 1, 2015 to June 30, 2015 prepared in accordance with International Financial Reporting Standards as adopted by the EU (in the following "IFRS") on interim financial reporting (in the following "IAS 34"), which is published together with the Unaudited Pro Forma Condensed Consolidated Financial Information.
- Unaudited and unpublished consolidated income statement of Carl for the period from January 1, 2014 to December 31, 2014, from January 1, 2015 to June 30, 2015 and from July 1, 2014 to June 30, 2015, as well

as the unaudited and unpublished consolidated statement of financial position as of June 30, 2015 of Carl, which were derived from the audited and unpublished IFRS consolidated financial statements of Carl as of and for the year ended December 31, 2014, the unaudited and published IAS 34 condensed consolidated interim financial statements of GFKL as of and for the 6-month period ended June 30, 2015 and Carl's accounting records.

- Unaudited and unpublished consolidated income statements of Metis for the periods from January 1, 2014 to December 31, 2014, from January 1, 2015 to June 30, 2015 and from July 1, 2014 to June 30, 2015, as well as the unaudited and unpublished consolidated statement of financial position as of June 30, 2015 of Metis, which were derived from the audited and published IFRS consolidated financial statements of Metis for the fiscal year ended September 30, 2014, the unaudited IAS 34 condensed consolidated interim financial statements as of and for the 9-month period ended June 30, 2015 of Metis, which is published together with the Unaudited Pro Forma Condensed Consolidated Financial Information, and Metis' accounting records.

The historical financial information used for Carl and for Metis were both adjusted to the accounting policies of Garfunkel, which are based on IFRS as adopted in the European Union and disclosed in the unaudited and — together with this Unaudited Pro Forma Condensed Consolidated Financial Information — published condensed consolidated financial statements of Garfunkel as of June 30, 2015. The main adjustments relate to the following:

- Under Metis' accounting policies litigation costs are disclosed as a separate asset in the statement of financial position, whereas under the accounting policies of Garfunkel these costs are added to the carrying amount of the portfolio investments.
- Under Carl's accounting policies portfolio investments were classified into the category "financial assets at fair value through profit or loss" with gains and losses recognized in the income statement. Garfunkel classifies its portfolio investments into the category "loans and receivables" and measures them at amortized cost using the effective interest rate method. The adjustment of Carl's respective historical financial information to Garfunkel's accounting policy leads to an increase in total revenue and an increase in other expenses. As the increase in other expenses does not fully offset the increase in total revenue, income tax expenses also increased (due to changes in deferred taxes).
- According to Metis' accounting policies amortization expenses from the release of fair value step-ups resulting from business combinations are presented by Metis in a separate line item as portfolio release within total revenue, whereas according to Garfunkel's accounting policies these expenses are presented within income from portfolio investments. To align the accounting policies, the amortization expenses recognized in Metis historical consolidated income statements were reclassified into the income from portfolio investments.
- Revenues from servicing are disclosed separately as service income under the accounting principles of Garfunkel whereas they were classified as other revenues under the accounting policies of Metis. Therefore, revenues were reclassified from other revenues to service revenues.

3. Basis of preparation

3.1. Preparation Principles

The Unaudited Pro Forma Condensed Consolidated Financial Information was prepared on the basis of the IDW Accounting Practice Statement: Preparation of Pro Forma Financial Information (IDW AcPS AAB 1.004) (IDW Rechnungslegungshinweis: Erstellung von Pro-Forma-Finanzinformationen (IDW RH HFA 1.004)), as promulgated by the Institute of Public Auditors in Germany (IDW, Institut der Wirtschaftsprüfer in Deutschland e.V.). However, the Unaudited Pro Forma Condensed Consolidated Financial Information contains an unaudited pro forma consolidated income statement for the 12-month period ended June 30, 2015 showing an additional period not defined by *IDW Accounting Practice Statement: Preparation of Pro Forma Financial Information (IDW AcPS AAB 1.004)* [*IDW Rechnungslegungshinweis: Erstellung von Pro-Forma-Finanzinformationen (IDW RH HFA 1.004)*], paragraph 8.

The Unaudited Pro Forma Condensed Consolidated Financial Information presents the pro forma financial position and results from operations of the consolidated companies based upon the historical consolidated financial information of Garfunkel after giving effect to the transactions, based on certain pro forma assumptions as described in these pro forma notes.

The historical consolidated financial information of Garfunkel has been adjusted to give effect to pro forma adjustments that are (1) directly attributable to the acquisitions and (2) factually supportable. The Unaudited Pro Forma Condensed Consolidated Financial Information does not reflect anticipated operating efficiencies, cost savings, sales or income enhancements or other synergies that may be achieved by the transactions.

The Unaudited Pro Forma Condensed Consolidated Financial Information is based upon currently available information and estimates and pro forma assumptions that Garfunkel believes are reasonable as of the date hereof. Any of the factors underlying these estimates and pro forma assumptions may change or prove to be materially different, and the estimates and assumptions may not be representative of facts existing at the effectiveness of the transactions.

The Unaudited Pro Forma Condensed Consolidated Financial Information does not reflect any changes in the business of Carl or Metis or any other changes arising from the transactions since June 30, 2015.

The accounting principles applied for the preparation of the Unaudited Pro Forma Condensed Consolidated Financial Information on the above described transactions are as follows:

General accounting principles

For the purpose of converting Garfunkel's historical condensed consolidated financial statements as of June 30, 2015 as well as converting pro forma adjustments, which are assumed to incur as of June 30, 2015 for the purpose of the unaudited pro forma consolidated statement of financial position or which are assumed to have a one-time effect on the unaudited pro forma consolidated income statement for the 12-month period ended December 31, 2014 (see section 8 of this Unaudited Pro Forma Condensed Consolidated Financial Information), the spot exchange rate as of June 30, 2015 of £0.7114 per €1 was applied. The historical financial information of Garfunkel and Carl in respect of the income statements as well as all pro forma adjustments with a continuing effect (see section 8 of this Unaudited Pro Forma Condensed Consolidated Financial Information) were converted using average annual exchange rates for the 12-month period ended December 31, 2014 of £0.8060 per €1, for the 6-month period ended June 30, 2015 of £0.7323 per €1 and for the 12-month period ended June 30, 2015 of £0.7624 per €1.

Accounting for the acquisitions

The acquisitions are accounted for as business combinations in accordance with IFRS 3. According to IFRS 3, the actual initial consolidation of a business combination takes place at the acquisition date, i.e. the time at which the acquiring company obtains control of the acquired company or acquired business operation.

Due to the accounting for the acquisitions as business combinations in accordance with IFRS 3, the identifiable assets acquired and the liabilities assumed of Carl and Metis are required to be measured at their acquisition date fair values in accordance with IFRS. For purposes of the Unaudited Pro Forma Condensed Consolidated Financial Information, the purchase price allocations of Carl and Metis were undertaken on the basis of a provisional valuation of the respective acquired net assets at fair value as of June 30, 2015 (in the following "Provisional PPAs").

The Provisional PPAs were performed using the most current available financial information of Carl and Metis as of June 30, 2015. The releases of the adjustments to the fair values of the identifiable assets acquired and the liabilities assumed resulting from the Provisional PPAs were recognized in the unaudited pro forma consolidated income statements for the 12-month period ended December 31, 2014, the 6-month period ended June 30, 2015 and the 12-month period ended June 30, 2015.

Finalizing the Provisional PPAs may affect the measurement of amounts recognized as well as in the recognition of additional assets or liabilities if new information is obtained about facts and circumstances that existed or will exist as of the acquisition date of Carl or Metis and, if known, might have resulted in the recognition of those assets or liabilities in the Unaudited Pro Forma Condensed Consolidated Financial Information. The final purchase price allocations will be carried out based on the actual total consideration transferred (Metis and Carl) and the fair values of the acquired net assets as of the actual acquisition date (Metis). Therefore, the final purchase price allocations of Carl and Metis may differ significantly from the Provisional PPAs performed for the purposes of the Unaudited Pro Forma Condensed Consolidated Financial Information.

Transaction related costs

Legal, consulting and other fees incurred by Garfunkel in connection with the acquisitions were classified as transaction related costs. In accordance with IFRS 3.53 those costs were assumed to be incurred as of January 1, 2014 and, therefore, were recognized as expenses as of January 1, 2014 in the unaudited pro forma consolidated income statement for the 12-month period ended December 31, 2014 and were not recognized as expenses in the unaudited pro forma consolidated income statement for the 12-month period ended June 30, 2015 and for the 6-month period ended June 30, 2015.

Financing related costs

Financing related costs attributable to the financing arrangements used to fund the acquisition considerations were capitalized and amortized over the expected respective life of the financing arrangements in accordance with IAS 39.

Any financing related costs attributable to the bridge facilities, which were arranged to ensure the acquisitions of Carl and Metis prior to a successful issuance of the notes as described in section 3.2. and 3.3. of the Unaudited Pro Forma Condensed Consolidated Financial Information (in the following "Bridge Facilities"), were assumed to have incurred as of January 1, 2014 and, therefore, were recognized as expenses as of January 1, 2014 in the unaudited pro forma consolidated income statement for the 12-month period ended December 31, 2014, as it was assumed that the proceeds from the issuance of the notes replacing the Bridge Facilities were received as of January 1, 2014 for the purpose of the unaudited pro forma consolidated income statements. Therefore, the bridge related financing costs were not recognized in the unaudited pro forma consolidated income statements for the 12-month period ended June 30, 2015 and for the 6-month period ended June 30, 2015.

3.2. Acquisition and financing of Carl

On May 17, 2015, Garfunkel as purchaser and Advent Carl Luxembourg Finance S.à r.l., as seller, entered into a sale and transfer agreement regarding the acquisition of 100% of the shares held by the seller in Carl. The acquisition closed on June 30, 2015. Garfunkel agreed to pay a purchase price for the acquisition of the shares of €484.7 million (£344.3 million using the spot exchange rate as of June 30, 2015 of £0.7114 per €1). The purchase price was – together with equity contributions of Permira Funds of €261 million (£185.7 million using the spot exchange rate as of June 30, 2015 of £0.7114 per €1) – initially financed by the use of a bridge facility with a nominal amount of €365 million (£259.7 million using the spot exchange rate as of June 30, 2015 of £0.7114 per €1). The remaining funds received to the extent exceeding the purchase price paid were mainly used to repay existing credit facilities of Carl (in the following "Carl Credit Facilities"), transaction related costs as well as finance related costs. The bridge facility was refinanced by the issuance of senior secured notes issued by Garfunkelux Holdco 3 S.A., a subsidiary of Garfunkel, with a maturity of 7 years, an equal principal amount of €365 million (£259.7 million using the spot exchange rate as of June 30, 2015 of £0.7114 per €1) and a coupon of 7.50% with a settlement date of July 23, 2015 (in the following "Carl Notes").

3.3 Acquisition and financing of Metis

On August 7, 2015, Garfunkel entered into a sale and transfer agreement regarding the acquisition of certain shares and indebtedness of Metis, which comprises shareholder loans as well as issued preference shares, all classified and presented as financial liabilities in the historical financial statements of Metis. Metis is the sole shareholder of Lowell Finance Holdings Limited. Pursuant to the sale and purchase agreement a base purchase price of £600.0 million together with a contingent consideration of up to £15.0 million, depending on the actual financing conditions of the notes to be issued, was agreed. Of the total consideration to be transferred to the sellers an amount of £377.1 million should be paid in cash and an amount of £237.9 million should be financed by the issuance of equity instruments by Garfunkel as well as shareholder loans granted to the sellers, of which for the purpose of the Unaudited Pro Forma Condensed Consolidated Financial Information a portion of £80.1 million is assumed to be allocated to shareholder loans and £157.8 million to the issuance of equity instruments.

The acquisition of Metis is to be financed by equity contributions of £56.9 million, shareholder loans of £126.8 million granted by the new shareholders, i.e. of in total £183.7 million and by the issuance of senior secured notes by Garfunkelux Holdco 3 S.A. and senior unsecured notes by Garfunkel with principal amounts of £555.0 million and £240.0 million (together in the following "Metis Notes"), respectively. The Metis Notes should have a maturity of 7 years for the senior secured notes and 8 years for the senior unsecured notes. The funds raised should also be used to redeem the existing senior secured notes and senior facilities of Metis, meaning the £275 million aggregate principal amount of 10.75% senior secured notes due 2019 and the £115 million aggregate principal amount of 5.875% senior secured notes due 2019 issued by its subsidiary Lowell Group Financing plc. (in the following together “Lowell Notes”) as well as the revolving credit facility of up to £66 million, which were made available to certain subsidiaries of Metis (in the following “Lowell Senior Facilities”). For the purpose of the preparation of the Unaudited Pro Forma Condensed Consolidated Financial Information the nominal interest rates of the Metis Notes are assumed to be 8.50% and 10.25%, respectively. Depending on the final pricing of the Metis Notes the actual interest rates may differ from the interest rates assumed when preparing the Unaudited Pro Forma Condensed Consolidated Financial Information.

Garfunkel entered into revolving credit facilities of up to €200 million, which are made available to finance the operating business, but neither to finance the payment of the purchase price nor any payment to redeem any existing indebtedness of Metis and Carl.

3.4. Pro Forma assumptions

To prepare the Unaudited Pro Forma Condensed Financial Information the following assumptions are made:

General assumptions:

- Since the acquisition of Carl took place at June 30, 2015, it is already reflected in the statement of financial position of the historical financial statements of Garfunkel. Therefore, for the purposes of the unaudited pro forma consolidated statement of financial position as of June 30, 2015, only the acquisition of Metis has to be assumed to have taken place as of June 30, 2015. With regard to the unaudited pro forma consolidated income statements it is assumed that the acquisitions of Carl and Metis had taken place at January 1, 2014 in order to show the effects of such acquisitions on the entire reporting periods.
- It is assumed that Garfunkel, Garfunkelux Holdco 3 S.A. as well as any other relevant holding companies have been incorporated as of January 1, 2014.
- For simplification purposes, it is assumed that there were no changes in the equity of Metis since June 30, 2015.

Funding assumptions:

- The date of proceeds received from the Metis Notes and for the Carl Notes is for the purpose of the unaudited pro forma consolidated statement of financial position June 30, 2015 and for the unaudited pro forma consolidated income statements January 1, 2014.
- The gross proceeds to be received from the pounds sterling senior secured notes are assumed to be £555.0 million and for the pounds sterling senior unsecured notes are assumed to be £240.0 million. It is further assumed that no amounts are drawn under the Bridge Facilities provided. For the purpose of the unaudited pro forma condensed consolidated financial information interest expenses resulting from the issued Metis Notes as well as the Carl Notes have been calculated based on the following effective interest rates: 9.0% for the Metis £ senior secured notes, 10.8% for the Metis £ senior unsecured notes and 8.3% for the Carl Notes. The actual effective interest rates that will be used for the Metis Notes is depending on the final pricing and the actual debt related costs therefore may differ from the rates assumed for the purpose of the Unaudited Pro Forma Condensed Consolidated Financial Information.
- To raise new financing sources for the acquisition of Metis total directly attributable debt related costs of in total £29.0 million are assumed to incur, of which none were recognized in historical financial statements as of June 30, 2015 or at an earlier date, and of which £21.0 million relate to the issuance of the Metis Notes and of which £8.0 million relate to the Metis Bridge Facility, which is assumed not to be drawn. For the financing of the acquisition of Carl total debt related costs amount to £17.3 million, of which £10.8 million relate to issuance of the Carl Notes and of which £6.5 million relate to the Carl Bridge Facility, which has been drawn as of June 30, 2015. As the Carl Notes were not issued as of June 30, 2015, none of the costs were recognized in Garfunkel’s historical condensed consolidated financial statements as of June 30, 2015. As the Carl Bridge Facility was drawn as of June 30, 2015, the total amount of the related costs of £6.5 million was already reflected in Garfunkel’s historical condensed consolidated financial statements as of June 30, 2015. As the Carl Notes were issued as of July 23, 2015 and therefore within a contractually

given period of time after the draw-down of the Carl Bridge Facility, £2.4 million of the costs already recognized in Garfunkel's historical condensed consolidated financial statements as of June 30, 2015 are credited with the effectiveness of the issuance of the Carl Notes. For the purposes of the pro forma adjustments debt related costs – as far as they relate to the issuance of the Metis Notes and the Carl Notes – have to be amortized by applying the effective interest rate method according to IAS 39. As far as the costs relate to the Carl and Metis Bridge Facilities the costs are recognized as expenses in accordance with IAS 39 in the unaudited pro forma consolidated income statement for the 12-month period ended December 31, 2014 due to the assumption that the Carl Notes were issued as of January 1, 2014 for the purpose of the unaudited pro forma consolidated income statement.

- For the purpose of the Unaudited Pro Forma Condensed Consolidated Financial Information it is assumed that no amounts are drawn from any revolving credit facility granted to Garfunkel, so that no fees incurred in connection with any revolving credit facility as well as any draw down after June 30, 2015 were adjusted for pro forma purposes.
- It is assumed that the new shareholders contribute £56.9 million in Garfunkel's equity and grant Garfunkel £126.8 million as shareholder loans. The shareholder loans are assumed to bear an interest rate of 10.25%.

Redemption assumptions:

- The date of redemption of the Lowell Notes, the Lowell Senior Facilities as well as the Carl Credit Facilities is for the purpose of the unaudited pro forma consolidated statement of financial position June 30, 2015 and for the purpose of the unaudited pro forma consolidated income statement January 1, 2014.
- To redeem the Lowell Notes a loss of in total £38.7 million is assumed to incur.

Acquisition assumptions:

- The acquisition date for Metis for the purpose of the unaudited pro forma consolidated statement of financial position is June 30, 2015 and for the purpose of the unaudited pro forma consolidated income statements January 1, 2014. The acquisition date for Carl for the purpose of the unaudited pro forma consolidated income statements is January 1, 2014.
- The total purchase price amounts to £615.0 million, of which £314.6 million is allocated to the share purchase and £300.4 million to the acquisition of shareholder loans and preference shares issued. It is assumed that of the total purchase price £377.1 million is paid in cash to the sellers, £80.1 million is granted as shareholder loans and £157.7 million is paid by the issuance of equity instruments in Garfunkel. For the purpose of the shareholder loans granted to the sellers as consideration an interest rate of 10.25% is assumed.
- Transaction related costs for the acquisition of Metis are estimated at a total of £12.4 million, of which no significant amount has incurred as of June 30, 2015, whereas transaction costs in regard to the acquisition of Carl are £7.1 million of which the total amount was already recognized in Garfunkel's historical condensed consolidated financial statements as of June 30, 2015. For the purposes of the unaudited pro forma consolidated income statements such costs will be shown in the unaudited pro forma consolidated income statement for the period from January 1, 2014 until December 31, 2014 and not in the unaudited pro forma consolidated income statements for the 12-month period ended June 30, 2015 or the 6-month period ended June 30, 2015.
- To acquire the outstanding ordinary shares in GFKL held by minority interests pursuant to Sections 327a *et seq.* of the German Stock Companies Act (*Aktiengesetz*) by means of a squeeze-out a total settlement amount of £7.5 million is assumed. Of this settlement amount an amount of £5.3 million was already recognized in Garfunkel's historical condensed consolidated financial statements as of June 30, 2015 in respect of pending arbitration proceedings with shareholders in the past, who would be squeezed-out. As such an additional amount of £2.2 million had to be recorded.

Tax assumptions:

- Due to the debt push down from the bond issuing companies (Garfunkelux Holdco 2 and 3 S.A.) to Metis and Carl a gross interest margin (without costs) has been assumed for tax purposes on each level.

- The input value added tax (in the following "VAT") in connection with transaction costs and debt related costs have been treated as non-deductible for VAT purposes in UK, Luxembourg and Germany.
- For the calculation of the tax effects it is assumed that the new founded UK companies will enter the fiscal unity of Metis; additionally a fiscal unity between Garfunkel Holding GmbH (subsidiary of Garfunkelux Holco 3 S.A.) and GFKL Financial Services AG (subsidiary of Garfunkel Holding GmbH) is assumed to be established in the near future.
- The pro forma adjustments made lead to deferred tax assets on tax losses in Germany and UK which are expected to be used in the foreseeable future so that the recognized deferred tax asset on net operating losses carried forward is assumed to be recoverable.
- Within the refinancing no equity has been pushed down as an intercompany loan from Garfunkelux Holdco 2 and 3 S.A. to Metis.
- For UK tax purposes it is assumed that the interests related to the shareholder loans are completely deductible and 50% of the interests related to the Metis Notes are non-deductible.
- Transaction costs are assumed to be completely non-deductible.

4. Unaudited Pro Forma Consolidated Statement of Financial Position as of June 30, 2015

	Historical Financial Information			Pro Forma Adjustments			
	Garfunkelux Historical	**Metis Historical**	**Total Historical**	**Funding**	**Redemption of Existing Indebtedness**	**Acquisition**	**Pro Forma Consolidated Statement of Financial Position**
				(in £ millions)			
Assets							
Non-current assets							
Goodwill	297.3	169.8	467.2	—	—	378.2 [15]	845.4
Other intangible assets	64.4	4.6	69.0	—	—	7.0[16]	76.0
Property, plant & equipment....	2.5	3.9	6.4	—	—	—	6.4
Portfolio investments..	54.1	241.7	295.8	—	—	15.0 [17]	310.7
Other financial assets	0.1	—	0.1	—	—	—	0.1
Deferred tax assets	—	—	—	1.6[5]	7.7[8]	[18] (6.7)	2.6
Total non-current assets..........	**418.4**	**420.0**	**838.4**	**1.6**	**7.7**	**393.5**	**1,241.2**
Current assets							
Portfolio investments..	32.8	193.7	226.5	—	—	5.7[17]	232.2
Trade and other receivables...	20.5	23.4	43.9	[1] (5.6)	(5.9) [9]	—	32.4
Assets for current tax....	3.2	—	3.2	—	—	—	3.2
Cash and cash equivalents...	56.4	11.2	67.6	941.4 [2]	(436.7)[10]	(396.6)[19]	175.7
Total current assets..........	**112.9**	**228.3**	**341.2**	**935.8**	**(442.6)**	**(390.9)**	**443.5**
Total assets	**531.3**	**648.4**	**1,179.6**	**937.4**	**(434.9)**	**2.6**	**1,684.7**
Share capital	3.6	1.3	4.9	—	—	[20] (1.3)	3.6
Share premium..	182.2	0.1	182.3	56.9 [3]	—	155.6 [20]	394.8
Retained earnings/deficit	(7.4)	(87.1)	(94.6)	[3] (9.1)	(31.0)[11]	63.5 [20]	(71.2)
Equity	**178.3**	**(85.7)**	**92.6**	**47.8**	**(31.0)**	**217.8**	**327.2**

	Historical Financial Information			Pro Forma Adjustments			
	Garfunkelux Historical	Metis Historical	Total Historical	Funding	Redemption of Existing Indebtedness	Acquisition	Pro Forma Consolidated Statement of Financial Position
				(in £ millions)			
attributable to equity holders of the parent ...							
Non-controlling interests	0.6	—	0.6	—	—	[20] (0.1)	0.5
Total equity......	**178.9**	**(85.7)**	**93.2**	**47.8**	**(31.0)**	**217.7**	**327.7**
Non-Current liabilities							
Borrowings	—	672.0	672.0	1,149.7[4]	(382.5)[12]	(209.4)[21]	1,229.8
Provisions..........	4.2	—	4.2	—	—	—	4.2
Deferred tax liabilities	26.3	1.1	27.4	[5] (1.0)	—	[22] (0.8)	25.6
Trade and other payables	2.4	—	2.4	—	—	—	2.4
Total non-current liabilities	**32.9**	**673.1**	**706.0**	**1,148.7**	**(382.5)**	**(210.2)**	**1,262.0**
Current liabilities							
Borrowings	253.5	17.1	270.6	(253.5)[6]	(17.1)[13]	—	—
Provisions..........	8.8	—	8.8	—	—	[23] (7.1)	1.7
Trade and other payables	44.3	43.9	88.2	[7] (5.6)	[14] (4.3)	2.2[24]	80.5
Liabilities for current tax....	12.8	—	12.8	—	—	—	12.8
Total current liabilities	**319.4**	**61.0**	**380.4**	**(259.1)**	**(21.4)**	**(4.9)**	**95.0**
Total equity and liabilities	**531.3**	**648.4**	**1,179.6**	**937.4**	**(434.9)**	**2.6**	**1,684.7**

4.1. Explanation of “funding” adjustments

(1)

The adjustment represents debt related costs in respect of the Carl Notes, which were accrued and unpaid as of June 30, 2015 and which have to be derecognized and recorded against the carrying amount of the Carl Notes in accordance with IAS 39 due to the assumed issuance of the Carl Notes as of June 30, 2015.

(2)

The adjustment to cash and cash equivalents can be explained as follows:

	(in £ millions)
Proceeds received from shareholder	
—Contribution in equity	56.9
—Shareholder loans..	126.9
Total	**183.8**
Net proceeds from issuing Metis Notes and Carl Notes	
—£555 million 8.50% senior secured notes due 2022...	555.0
—£240 million 10.25% senior notes due 2023	240.0
—€365 million 7.50% senior secured notes due 2022...	259.7

		(in £ millions)
—Redemption Bridge Facilities		(259.7)
—Less: debt related costs attributable to		
Metis Notes	(21.0)	
Carl Notes	(10.8)	
Bridge Facilities	(5.6)	(37.4)
Total		**757.6**
Total net proceeds received from funding		**941.4**

The net proceeds include fees paid in relation to the Bridge Facilities, which were used as of June 30, 2015 for the acquisition of Carl and which are assumed not to be used for the acquisition of Metis. The cash effective debt related fees attributable to the Bridge Facilities include a credit of £2.4 million for fees which have been paid as of June 30, 2015 and which are in respect of the refinancing of the drawn amounts under the Bridge Facilities for the acquisition of Carl within the contractually agreed period of time into the Carl Notes. The debt related costs attributable to the Carl Notes comprise the assumed payment of fees accrued and unpaid in the historical financial information of Garfunkelux as of June 30, 2015 of £5.6 million (see also note 7 below) and fees of £5.2 million incurred after June 30, 2015 which were – for the purpose of the pro forma financial information – also assumed to be paid as of June 30, 2015.

(3)

The increase in share premium represents the cash contribution from the shareholder in equity of £56.9 million as disclosed in note (2) in section 4.1.

The adjustments to retained earnings in respect of the funding relate to the following effect:

	(in £ millions)
One-time debt related costs in relation to Bridge Facilities provided for the acquisition of Metis	(8.0)
Amortization of debt related costs in relation to Bridge Facilities initially used for the acquisition of Carl	(6.2)
Credit of debt related costs in relation to Bridge Facilities for the acquisition of Carl due to timely refinancing into Carl Notes	2.4
Relating tax effects	2.7
Total	**(9.1)**

Due to the assumed issuance of the Carl Notes and the Metis Notes as of June 30, 2015, all debt related costs in respect of the Bridge Facilities had to be recognized in retained earnings.

(4)

The carrying amount in non-current borrowings increased due to the assumed issuance of the Carl Notes and the Metis Notes and the shareholder loans as of June 30, 2015. It also includes any directly attributable debt related costs which have to be amortized using the effective interest rate method in accordance with IAS 39. The increase comprises the following adjustments:

	(in £ millions)	
—£555 million 8.50% senior secured notes due 2022		555.0
—£240 million 10.25% senior notes due 2023		240.0
—€365 million 7.50% senior secured notes due 2022		259.7
—Shareholder loans		126.8
—Less: debt related costs attributable to		
Metis Notes	(21.0)	
Carl Notes	(10.8)	(31.8)
Total		**1,149.7**

(5)

The adjustments represents the additional deferred tax assets due to the pro forma adjustments in respect of debt related costs relating to the Bridge Facilities, which were treated as tax-deductible. The adjustment to deferred tax assets amounting to £1.6 million relates to the UK and the adjustment to deferred tax liabilities amounting to £1.0 million relates to Germany, which already considers the netting of deferred tax assets with deferred tax liabilities.

(6)

The adjustment represents the derecognition of the carrying amount of the Carl Bridge Facility, which was used as of June 30, 2015 due to the acquisition of Carl. As the Carl Bridge Facility is assumed to be redeemed by the issuance of the Carl Notes, the carrying amount had to be derecognized and transferred into the non-current borrowings. The carrying amount derecognized includes unamortized debt related costs of £6.2 million with a corresponding debit entry in retained earnings, see note (3).

(7)

The decrease in current trade and other payables represents the payment of debt related costs in respect of the Carl Notes as described in note (2) of this section, which were accrued and unpaid as of June 30, 2015.

4.2. Explanation of “redemption of existing indebtedness” adjustments

(8)

The adjustment represents the additional deferred tax assets ressulting from the pro forma adjustments in respect of the total loss from the early redemption of the Lowell Notes and the Lowell Senior Facilities as shown in note (5) in section 5.2.

(9)

The adjustment relate to the derecognition of prepaid and unamortized fees in respect of the Lowell Senior Facilities which are assumed to be redeemed as of June 30, 2015.

(10)

The adjustment represents the cash outflow for the early redemption of the Lowell Notes as well as the Lowell Senior Facilities assumed to have taken place as of June 30, 2015, see also split in note (11).

(11)

The adjustment to retained earnings represents the expected loss from the early redemption of the Lowell Notes and the Lowell Senior Facilities including any income tax effects thereon, which is computed as follows:

	(in £ millions)
Redemption amount Lowell Notes and Lowell Senior Facilities..	(436.7)
Carrying amount of non-current portion of Lowell Notes to be derecognized......................	382.5
Carrying amount of current portion of Lowell Senior Facilities together with accrued interests on Lowell Notes..	17.1
Carrying amount of bond premium recognized under trade and other payables.................	4.3
Carrying amount of prepaid and unamortized fees in respect of Lowell Senior Facilities....	(5.9)
Recognition of deferred tax assets in respect of the total loss from the early redemption of the Lowell Notes and Lowell Senior Facilities..	7.7
Total	**(31.0)**

(12)

The adjustments represent the carrying amount of the Lowell Notes assumed to be redeemed as of June 30, 2015 and therefore to be derecognized.

(13)

The adjustment represents the carrying amount of the Lowell Senior Facilities together with accrued interests on the Lowell Notes assumed to be redeemed as of June 30, 2015 and therefore to be derecognized.

(14)

The adjustment represents the carrying amount of the bond premium recognized under trade and other paybles, which are in relation to the Lowell Notes and which had to be derecognized due to the assumption of the early redemption of the Lowell Notes as of June 30, 2015.

4.3. Explanation of "acquisition" adjustments

(15)

Based on the Preliminary PPA, the adjustment to goodwill from the assumed acquisition of Metis as of June 30, 2015 in accordance with IFRS 3 is computed as follows:

		(in £ millions)
Purchase consideration for		
acquisition of debt instruments		300.4
acquisition of shares		314.6
Total purchase consideration		**615.0**
Purchase price allocation		
Equity of Metis prior to purchase price allocation		
—Share capital	(1.3)	
—Share premium	(0.1)	
—Retained deficit	87.1	
	85.7	85.7
Derecognition of existing shareholder loans and preference shares	(289.5)	
Adjustment of purchased shareholder loans and preference shares due to interest to be accrued until closing and not yet recognized as of June 30, 2015	(10.9)	
	(300.4)	(300.4)
Elimination of assets remeasured as part of the purchase price allocation		
—Historical goodwill recognised by Metis	(169.8)	
—Forward flow agreements	(2.2)	
—Portfolio investments	(8.0)	
—Deferred taxes	2.0	
	(178.0)	178.0
Fair value step-ups on assets acquired and liabilities assumed attributable to		
—Tradenames	9.3	
—Portfolio investments	28.6	
—Deferred taxes	(7.6)	
	30.3	(30.3)
Goodwill	548.0	548.0
Goodwill recognized as of June 30, 2015		(169.8)
Pro forma adjustment to goodwill		**378.2**

(16)

The adjustment to other intangible assets comprises the fair value step-up on tradenames compensated by the elimination of the carrying amount on forward flow arrangements, which were recognized as of June 30, 2015, but which could not be reliably measured as a separate asset.

(17)

The two adjustments represent the effects of the fair value step-up on the current and non-current portions of portfolio investments for non-performing loans.

(18)

The adjustment to deferred tax assets relates to deferred tax liabilities in relation to the tax effects resulting from the pro forma adjustments due to the provisional PPA as well as to the reclassification of the deferred tax liabilities recognized in the historical financial information of Metis (see note 22). As overall a deferred tax asset for Metis has to be presented, any deferred tax liabilities were already reclassified to deferred tax assets. The adjustment consists of the following:

	(in £ millions)
Deferred tax liabilities on fair value step-ups resulting from the provisional PPA reclassified into deferred tax assets	(5.6)
Reclassification of deferred tax liabilities recognized in the historical financial information of Metris	(1.1)
Total	**(6.7)**

(19)

The adjustment to cash and cash equivalents represents the payment of the purchase price for the acquisition of Metis of £314.6 million plus payment of parts of existing shareholder loans purchased from the sellers of £62.5 million. Furthermore the adjustment includes the payment of transaction related costs in accordance with IFRS 3 of £12.4 million attributable to the acquisition of Metis and £7.1 million attributable to the acquisition of Carl.

(20)

The adjustments to equity relate to the following items:

	(in £ millions)	
Elimination of share capital due to capital consolidation	(1.3)	
Adjustment to share capital		**(1.3)**
Elimination of share premium due to capital consolidation	(0.1)	
Recognition of portion of purchase price assumed to be financed by the issuance of equity instruments	157.8	
Adjustment due to assumed purchase of outstanding ordinary shares in GFKL by means of squeeze-out	(2.1)	
Adjustment to share premium		**155.6**
Elimination of retained earnings due to capital consolidation	87.1	
Adjustment of purchased shareholder loans and preference shares due to interest to be accrued until closing and not yet recognized as of June 30, 2015	(10.9)	
Recognition of transaction related costs in respect to acquisition of Metis	(12.4)	
Elimination of deferred tax assets in relation of squeeze-out	(0.3)	
Adjustment to retained earnings		**63.5**
Derecognition of non-controlling interests assumed to be purchased by means of squeeze-out	(0.1)	
Adjustment to non-controlling interests		**(0.1)**

(21)

The adjustment represents the elimination of the amounts owed to shareholders resulting from shareholder loans as well as preference shares assumed to be purchased by Garfunkel as of June 30, 2015.

(22)

The adjustment consists on the one hand of the elimination of deferred tax assets, which were historically recognized in respect of pending arbitration proceedings with shareholders in the past with claims, which will be settled by means of the squeeze-out, and which were offset against deferred tax liabilities. The deferred tax assets, historically offset against deferred tax liabilities had to be derecognized for the purpose of the unaudited pro forma consolidated statement of financial position as any temporary difference no longer will exist. On the other hand, the adjustment includes the reclassification of deferred tax liabilities into deferred tax assets as described in note (18) in section 4.3.

	(in £ millions)
Elimination of deferred tax asset offset against deferred tax liabilities and in relation to squeeze-out	0.3
Reclassification of deferred tax liabilities recognized in the historical financial information of Metis	(1.1)
Total	**(0.8)**

(23)

The adjustment represents the payment of transaction related costs in respect to the acquisition of Carl, which were accrued as of June 30, 2015 in Garfunkel's historical condensed consolidated financial statements and which are assumed to be paid as of June 30, 2015 for the purpose of the unaudited pro forma consolidated statement of financial position.

(24)

The adjustment represents the additional amount to be recognized as liability resulting from the assumed purchase of all outstanding ordinary shares in GFKL as of June 30, 2015 by means of squeeze-out.

5. Unaudited Pro Forma Consolidated Income Statement for the 12-month period ended December 31, 2014

	Historical Financial Information				Pro Forma Adjustments			
	Garfunkelux Historical	**Carl Historical**	**Metis Historical**	**Total Historical**	**Funding**	**Redemption of Existing Indebtedness**	**Acquisition**	**Pro Forma Consolidated Income Statement**
					(in £ millions)			
Income from portfolio investments	—	35.8	107.1	142.9	—	—	(3.3) (7)	139.6
Portfolio write up	—	19.0	32.0	51.0	—	—	—	51.0
Portfolio release	—	—	—	—	—	—	—	—
Service income	—	71.2	18.3	89.5	—	—	—	89.5
Other revenues	—	70.9	—	70.9	—	—	—	70.9
Total revenue	**—**	**196.9**	**157.5**	**354.4**	**—**	**—**	**(3.3)**	**351.1**
Other income	**—**	**12.9**	**—**	**12.9**	**—**	**—**	**—**	**12.9**
Operating expenses								

	Historical Financial Information				Pro Forma Adjustments			
	Garfunkelux Historical	Carl Historical	Metis Historical	Total Historical	Funding	Redemption of Existing Indebtedness	Acquisition	Pro Forma Consolidated Income Statement
					(in £ millions)			
Collection activity costs	—	114.0	36.0	150.0	—	—	—	150.0
Other expenses	—	62.3	65.1	127.4	—	—	20.1 [8]	147.5
Total operating expenses............	**—**	**176.3**	**101.1**	**277.4**	**—**	**—**	**20.1**	**297.5**
Operating profit......	**—**	**33.5**	**56.4**	**89.9**	**—**	**—**	**(23.4)**	**66.5**
Interest income ...	—	0.6	0.1	0.7	—	—	—	0.7
Interest expenses	—	20.1	65.9	86.0	120.5 [1]	(81.4) [4]	—	125.1
Other financial expenses	—	—	—	—	12.0 [2]	40.1 [5]	—	52.1
Profit/(Loss) before tax..........	**—**	**14.0**	**(9.4)**	**4.6**	**(132.5)**	**41.3**	**(23.4)**	**(110.0)**
Income tax expense .	—	7.3	2.6	9.9	(15.7) [3]	1.9 [6]	(1.0) [9]	(4.9)
Profit/(Loss).............	**—**	**6.7**	**(12.0)**	**(5.3)**	**(116.8)**	**39.4**	**(22.4)**	**(105.1)**

5.1. Explanation of "funding" adjustments

(1)

Due to the assumed funding as of January 1, 2014, additional interest expenses had to be recognized. These relate to the following funding sources:

	(in £ millions)
€365 million 7.50% senior secured notes due 2022..	23.4
£555 million 8.50% senior secured notes due 2022..	48.8
£240 million 10.25% senior notes due 2023	25.1
Shareholder loans..	23.2
Total	**120.5**

The additional interest expenses include the amortization of finance related costs in the amount of £3.5 million.

(2)

The adjustment to other financial expenses relates to debt related costs in respect of the Bridge Facilities, which had to be fully amortized in accordance with IAS 39 due to the assumption that the proceeds from the issuance of the Carl Notes as well as the Metis Notes received as of January 1, 2014. £4.0 million of the other financial expenses are attributable to the Bridge Facilities provided for the acquisition of Carl and £8.0 million of the other financial expenses are attributable to the Bridge Facilities provided for the acquisition of Metis.

(3)

The adjustment relates to the tax effects from the pro forma adjustments in respect of the additional interest expenses as well as other financial expenses as described under the notes (1) and (2) in section 5.1.

5.2. Explanation of "redemption of existing indebtedness" adjustments

(4)

Due to the assumed redemption of existing indebtedness of Metis and Carl as of January 1, 2014, interest expenses had to be eliminated and were as follows:

	(in £ millions)
Interest expenses with respect to the redemption of the indebtedness of Metis	65.9
Interest expenses with respect to the redemption of the indebtedness of Carl	15.5
Total	**81.4**

The interest expenses eliminated with respect to the indebtedness of Metis include interest expenses regarding the assumed redemption of the Lowell Notes and the Lowell Senior Facilities as well as interest expenses regarding the shareholder loans and preference shares, which were assumed to be purchased together with the shares in Metis.

The interest expenses eliminated with respect to the indebtedness of Carl include the interest expenses regarding the assumed redemption of the Carl Credit Facilities.

(5)

The adjustment relates to the total loss from the early redemption of the Lowell Notes together with the Lowell Senior Facilities as well as the Carl Credit Facilities. The loss is computed as follows:

	(in £ millions)
Redemption amount Lowell Notes and Lowell Senior Facilities..	(436.7)
Carrying amount of non-current portion of Lowell Notes to be derecognized.....................	382.5
Carrying amount of current portion of Lowell Senior Facilities together with accrued interests on Lowell Notes..	17.1
Carrying amount of bond premium recognized under trade and other payables................	4.3
Carrying amount of prepaid and unamortized fees in respect of Lowell Senior Facilities....	(5.9)
Loss of early redemption of existing indebtedness of Metis..	**(38.7)**
Redemption amount Carl Credit Facilities...	(40.1)
Carrying amount of Carl Credit Facilities...	38.6
Loss of early redemption of existing indebtedness of Carl..	**(1.4)**

(6)

The adjustment relates to the tax effects from the pro forma adjustments in respect of the redemption of existing indebtedness of Carl and Metis as described under notes (4) and (5) in section 5.2.

5.3. Explanation of "acquisition" adjustments

(7)

The income from portfolio investments also includes the release of fair value step-ups resulting from the remeasurement of portfolio investments at their fair value, which were acquired as part of a business combination in accordance with IFRS 3. Metis' historical financial information for the 12-month period ended December 31, 2014 included a release of fair value step-ups resulting from previous business combinations of £4.6 million taking into account a typical collections income profile of 84 months. The release is netted off against the income from portfolio investments arising from the application of the effective interest rate method. Due to the assumed acquisition of Metis as of January 1, 2014, the unaudited pro forma income statement includes further releases of fair value step-ups from portfolio investments of £3.3 million, i.e. in total £7.9 million.

(8)

The adjustment includes the additional expenses resulting from the fair value step-ups due to the provisional PPAs as well as the transaction related costs, which have to be expenses in accordance with IFRS 3 as of January 1, 2014 for the purpose of the unaudited pro forma consolidated income statements. The adjustment can be drilled down as follows:

	(in £ millions)
Customer relationships GFKL	1.0
Tradename GFKL	0.4
Tradename Lowell	0.6
Elimination of depreciation and amortisation expenses for assets not recognized	(1.4)
Transaction related costs in respect of the acquisition of Carl	7.1
Transaction related costs in respect of the acquisition of Metis	12.4
Total	**20.1**

(9)

The adjustment relates to the income tax effect resulting from the pro forma adjustments in respect of the acquisitions of Carl and Metis as described under notes (7) and (8) in section 5.3.

6. Unaudited Pro Forma Consolidated Income Statement for the 6-month period ended June 30, 2015

	Historical Financial Information				Pro Forma Adjustments			
	Garfunkelux Historical	Carl Historical	Metis Historical	Total Historical	Funding	Redemption of Existing Indebtedness	Acquisition	Pro Forma Consolidated Income Statement
					(in £ millions)			
Income from portfolio investments	—	16.6	60.3	76.9	—	—	(6) (1.4)	75.5
Portfolio write up	—	12.1	10.5	22.6	—	—	—	22.6
Portfolio release	—	—	—	—	—	—	—	—
Service income	—	32.4	5.1	37.5	—	—	—	37.5
Other revenues	—	33.0	—	33.0	—	—	—	33.0
Total revenue	**—**	**94.1**	**75.9**	**170.0**	**—**	**—**	**(1.4)**	**168.6**
Other income	**—**	**3.2**	**—**	**3.2**	**—**	**—**	**—**	**3.2**
Operating expenses								
Collection activity costs	—	52.7	18.9	71.6	—	—	—	71.6
Other expenses	7.1	27.9	31.2	66.2	—	—	(7) (6.6)	59.6
Total operatin	**7.1**	**80.6**	**50.1**	**137.8**	**—**	**—**	**(6.6)**	**131.2**

	Historical Financial Information				Pro Forma Adjustments			
	Garfunkelux Historical	Carl Historical	Metis Historical	Total Historical	Funding	Redemption of Existing Indebtedness	Acquisition	Pro Forma Consolidated Income Statement
					(in £ millions)			
g expense s............								
Operating profit......	**(7.1)**	**16.7**	**25.8**	**35.4**	**—**	**—**	**5.2**	**40.6**
Interest income ...	—	0.4	0.0	0.4	—	—	—	0.4
Interest expense s............	0.3	6.7	33.8	40.8	57.8 (1)	(38.9)(3)	—	59.7
Other financial expense s............	—	1.4	—	1.4	—	(4) (1.4)	—	—
Profit/(Loss) before tax..........	**(7.4)**	**9.0**	**(8.0)**	**(6.4)**	**(57.8)**	**40.3**	**5.2**	**(18.7)**
Income tax expense .	—	3.8	1.0	4.8	(2) (6.1)	5.0(5)	(8) (0.5)	3.2
Profit/(Loss).............	**(7.4)**	**5.2**	**(9.0)**	**(11.2)**	**(51.7)**	**35.3**	**5.7**	**(21.9)**

6.1. Explanation of "funding" adjustments

(1)

The additional interest expenses in relation to the funding can be drilled down as follows:

	(in £ millions)
€365 million 7.50% senior secured notes due 2022..	10.7
£555 million 8.50% senior secured notes due 2022..	24.4
£240 million 10.25% senior notes due 2023	12.6
Shareholder loans...	10.5
Elimination of amortized debt related costs in respect of Bridge Facilities drawn as of June 30, 2015 for the acquisition of Carl	(0.4)
Total	**57.8**

The additional interest expenses include the amortization of finance related costs in the amount of £1.7 million.

(2)

The adjustment relates to the tax effects from the pro forma adjustments in respect of the additional interest expenses as well as other financial expenses as described under the note (1) in section 6.1.

6.2. Explanation of "redemption of existing indebtedness" adjustments

(3)

The interest expenses relating to the indebtedness assumed to be redeemed had to be eliminated and were as follows:

	(in £ millions)
Interest expenses with respect to the redemption of the indebtedness of Metis	33.8
Interest expenses with respect to the redemption of the indebtedness of Carl	5.1

	(in £ millions)
Total	**38.9**

The interest expenses eliminated with respect to the indebtedness of Metis include interest expenses regarding the assumed redemption of the Lowell Notes, the Lowell Senior Facilities and interest expenses regarding the shareholder loans and preference shares, which were assumed to be purchased together with the shares in Metis.

The interest expenses eliminated with respect to the indebtedness of Carl include the interest expenses regarding the assumed redemption of the Carl Credit Facilities.

(4)

The adjustment relates to the loss from the redemption of the Carl Credit Facilities, which was already recognized in the 6-month period ended June 30, 2015 and which had to be eliminated from the unaudited pro forma consolidated income statetement for the 6-month period ended June 30, 2015 due to the assumption that the redemption had taken place as of January 1, 2014. The loss contains the following:

	(in £ millions)
Redemption amount Carl Credit Facilities	(40.1)
Carrying amount of Carl Credit Facilities	38.6
Loss of early redemption of existing indebtedness of Carl	**(1.4)**

(5)

The adjustment relates to the tax effects from the pro forma adjustments in respect of the redemption of existing indebtedness of Carl and Metis as described under notes (3) and (4) in section 6.2.

6.3. Explanation of "acquisition" adjustments

(6)

The income from portfolio investments also includes the release of fair value step-ups resulting from the remeasurement of portfolio investments at their fair value, which were acquired as part of a business combination in accordance with IFRS 3. Metis' historical financial information for the 6-month period ended June 30, 2015 included a release of fair value step-ups resulting from previous business combinations of £1.9 million taking into account a typical collections income profile of 84 months. The release is netted off against the income from portfolio investments arising from the application of the effective interest rate method. Due to the assumed acquisition of Metis as of January 1, 2014, the unaudited pro forma income statement includes further releases of fair value step-ups from portfolio investments of £1.4 million, i.e. in total £3.3 million.

(7)

The adjustment includes the additional expenses resulting from the fair value step-ups due to the provisional PPAs as well as the elimination of transaction related costs in respect of the acquistion of Carl, which were already recognized in Garfunkel's historical condensed consolidated financial statements and which were assumed to have incurred as of January 1, 2014. The adjustment can be drilled down as follows:

	(in £ millions)
Customer relationships GFKL	0.4
Tradename GFKL	0.2
Tradename Lowell	0.3
Elimination of depreciation and amortisation expenses for assets not recognized	(0.4)
Transaction related costs in respect of the acquisition of Carl	(7.1)
Total	**(6.6)**

(8)

The adjustment relates to the income tax effect resulting from the pro forma adjustments in respect of the acquisitions of Carl and Metis as described under notes (6) and (7) in section 6.3.

7. Unaudited Pro Forma Consolidated Income Statement for the 12-month period ended June 30, 2015

	Historical Financial Information				Pro Forma Adjustments			
	Garfunkelux Historical	Carl Historical	Metis Historical	Total Historical	Funding	Redemption of Existing Indebtedness	Acquisition	Pro Forma Consolidated Income Statement
				(in £ millions)				
Income from portfolio investments	—	34.1	116.8	150.9	—	—	(3.2)(6)	147.7
Portfolio write up	—	21.4	23.0	44.4	—	—	—	44.4
Portfolio release	—	—	—	—	—	—	—	—
Service income	—	68.8	16.7	85.5	—	—	—	85.5
Other revenues	—	72.0	—	72.0	—	—	—	72.0
Total revenue	**—**	**196.3**	**156.5**	**352.8**	**—**	**—**	**(3.2)**	**349.6**
Other income	**—**	**14.0**	**—**	**14.0**	**—**	**—**	**—**	**14.0**
Operating expenses								
Collection activity costs	—	113.9	38.3	152.2	—	—	—	152.2
Other expenses	7.1	59.8	66.1	133.0	—	—	(6.4)(7)	126.6
Total operating expenses	**7.1**	**173.7**	**104.4**	**285.2**	**—**	**—**	**(6.4)**	**278.8**
Operating profit	**(7.1)**	**36.6**	**52.1**	**81.6**	**—**	**—**	**3.2**	**84.8**
Interest income	—	0.7	0.0	0.7	—	—	—	0.7
Interest expenses	0.3	16.8	67.4	84.5	117.6(1)	(80.4)(3)	—	121.7
Other financial expenses	—	1.4	—	1.4	—	(1.4)(4)	—	—
Profit/(Loss) before tax	**(7.4)**	**19.1**	**(15.3)**	**(3.6)**	**(117.6)**	**81.8**	**3.2**	**(36.2)**
Income tax expense	—	9.1	2.2	11.3	(12.6)(2)	10.2(5)	(1.1)(8)	7.8
Profit/(Loss)	**(7.4)**	**10.0**	**(17.5)**	**(14.9)**	**(105.0)**	**71.6**	**4.3**	**(44.0)**

7.1. Explanation of "funding" adjustments

(1)

The additional interest expenses in relation to the funding can be drilled down as follows:

	(in £ millions)
€365 million 7.50% senior secured notes due 2022	22.2
£555 million 8.50% senior secured notes due 2022	48.8
£240 million 10.25% senior notes due 2023	25.1
Shareholder loans	21.9
Elimination of amortized debt related costs in respect of Bridge Facilities drawn as of June 30, 2015 for the acquisition of Carl	(0.4)
Total	**117.6**

The additional interest expenses include the amortization of finance related costs in the amount of £3.4 million.

(2)

The adjustment relates to the tax effects from the pro forma adjustments in respect of the additional interest expenses as described under the note (1) in section 7.1.

7.2. Explanation of "redemption of existing indebtedness" adjustments

(3)

The interest expenses relating to the indebtedness assumed to be redeemed are eliminated as follows:

	(in £ millions)
Interest expenses with respect to the redemption of the indebtedness of Metis	67.5
Interest expenses with respect to the redemption of the indebtedness of Carl	12.9
Total	**80.4**

The interest expenses eliminated with respect to the indebtedness of Metis include interest expenses regarding the assumed redemption of the Lowell Notes, the Lowell Senior Facilities and interest expenses regarding the shareholder loans and preference shares, which were assumed to be purchased together with the shares in Metis.

The interest expenses eliminated with respect to the indebtedness of Carl include the interest expenses regarding the assumed redemption of the Carl Credit Facilities.

(4)

The adjustment relates to the loss from the redemption of the Carl Credit Facilities, which were already recognized in the 6-month period ended June 30, 2015 and which had to be eliminated from the unaudited pro forma consolidated income statement for the 12-month period ended June 30, 2015 due to the assumption that the redemption has taken place as of January 1, 2014. The loss contains the following:

	(in £ millions)
Redemption amount Carl Credit Facilities	(40.1)
Carrying amount of Carl Credit Facilities	38.6
Loss of early redemption of existing indebtedness of Carl	**(1.4)**

(5)

The adjustment relates to the tax effects from the pro forma adjustments in respect of the redemption of existing indebtedness of Carl and Metis as described under notes (3) and (4) in section 7.2.

7.3. Explanation of "acquisition" adjustments

(6)

The income from portfolio investments also includes the release of fair value step-ups resulting from the remeasurement of portfolio investments at their fair value, which were acquired as part of a business combination in accordance with IFRS 3. Metis' historical financial information for the 12-month period ended June 30, 2015 included a release of fair value step-ups resulting from previous business combinations of £4.0 million taking into account a typical collections income profile of 84 months. The release is netted off against the income from portfolio investments arising from the application of the effective interest rate method. Due to the assumed acquisition of Metis as of January 1, 2014, the unaudited pro forma income statement includes further releases of fair value step-ups from portfolio investments of £3.2 million, i.e. in total £7.2 million.

(7)

The adjustment includes the additional expenses resulting from the fair value step-ups due to the provisional PPAs as well as the elimination of transaction related costs in respect of the acquisition of Carl, which were already recognized in Garfunkel's historical condensed consolidated financial statements and which were assumed to have incurred as of January 1, 2014. The adjustment can be broken down as follows:

	(in £ millions)
Customer relationships GFKL	1.0
Tradename GFKL	0.4
Tradename Lowell	0.6
Elimination of depreciation and amortisation expenses for assets not recognized	(1.3)
Transaction related costs in respect of the acquisition of Carl	(7.1)
Total	**(6.4)**

(8)

The adjustment relates to the income tax effect resulting from the pro forma adjustments in respect to the acquisitions of Carl and Metis as described under notes (6) and (7) in section 7.3.

8. Continuing and one-time effects of the pro forma adjustments

The pro forma adjustments relating to the provisional PPAs together with the adjustments relating to the interest expenses in respect to the Carl Notes and the Metis Notes reflected in the pro-forma consolidated income statement for the 6-month period ended June 30, 2015 have a continuing effect.

The pro forma adjustments recognized in the unaudited pro forma consolidated income statement as of and for the 12-month period ended December 31, 2014 include the following adjustments with a one-time effect:

- The transaction related acquisition costs for Carl of £7.1 million and Metis of £12.4 million, i.e. in total £19.5 million were recognized immediately in accordance with IFRS 3 as of the assumed acquisition date January 1, 2014.
- The redemption of the existing indebtedness of Metis led to a one-time loss of £38.7 million and the redemption of the existing indebtedness of Carl led to a one-time loss of £1.4 million due to the assumed redemption date of January 1, 2014.
- The Bridge Facilities, which were arranged to ensure the acquisitions of Carl and Metis prior to a successful issuance of the Carl and Metis Notes and are assumed to be replaced by the Notes, resulting in one-time expenses of £4.0 million for Carl and £8.0 million for Metis, i.e. £12.0 million, which had to be recognized immediately in accordance with IAS 39 due to the assumed issuance of the Carl and Metis Notes as of January 1, 2014.

SELECTED LOWELL CONSOLIDATED FINANCIAL INFORMATION

The following table summarizes Lowell's historical consolidated financial data as of the dates and for the periods indicated and should be read in conjunction with the Lowell Audited Financial Statements and the Lowell Unaudited Condensed Consolidated Interim Financial Statements, which are reproduced elsewhere in this Offering Memorandum, and the section entitled "Management's Discussion and Analysis of Lowell's Financial Condition and Results of Operations." The information below is not necessarily indicative of the results of future operations.

The Target, the Lowell Group's consolidating entity, was incorporated on May 31, 2011 for the purpose of consummating TDR Capital's acquisition of LGL, and Lowell's consolidated reporting was carried out at the Target for the period from May 31, 2011 to August 31, 2012, which we refer to as the "Lowell Financial Year 2012." Prior to the acquisition of LGL on September 15, 2011, the Target had no operations and therefore no financial results. Thereafter, its financial results were the product of Lowell's operations. Additionally, the Lowell 2012 Audited Consolidated Financial Statements were adjusted to account for the 15 days that elapsed between the beginning of the Lowell Financial Year 2012 on September 1, 2011 to the date of the LGL acquisition on September 15, 2011. Accordingly, the Lowell Financial Year 2012 figures represent the financial results from 12 months of Lowell's operations. In 2013 the Target changed its financial year end from August 31 to September 30 in order to align the financial reporting schedule to calendar-year quarters. Accordingly, the financial results for the Lowell Financial Year 2013 are presented as of September 30, 2013 and for the 13-month period from September 1, 2012 to September 30, 2013. As a result, the financial results for the Lowell Financial Year 2013 are not directly comparable to those for the Lowell Financial Year 2012. The financial statements for the Lowell Financial Year 2012 included herein are derived from the Lowell 2013 Audited Consolidated Financial Statements, in which the Lowell Financial Year 2012 figures were restated due to a change in accounting policy regarding litigation costs. See note 1 (Litigation Costs) to the Lowell 2013 Audited Consolidated Financial Statements. Therefore, the financial statements for the Lowell Financial Year 2012 will differ from the financial statements in the Lowell 2012 Audited Consolidated Financial Statements.

This section includes consolidated financial information for the Target prepared under UK GAAP and under IFRS. The Target first presented financial statements under IFRS in the Lowell 2014 Audited Consolidated Financial Statements, which include restatements under IFRS of the financial statements for Lowell Financial Year 2013 and a consolidated statement of financial position as of September 1, 2012. The Lowell 2013 Audited Consolidated Financial Statements and the Lowell 2012 Audited Consolidated Financial Statements were both prepared under UK GAAP. This section presents financial statements for the Lowell Financial Year 2013 under both IFRS and UK GAAP.

UK GAAP differs in several respects from IFRS. The differences between UK GAAP and IFRS primarily relate to adjustments to profit attributable to shareholder and shareholder equity, specific changes to acquired portfolio investment accounting, reversal of goodwill amortization, identification of separable intangible assets, expenditure of capitalized costs and certain reclassifications. For a discussion of certain differences between UK GAAP and IFRS as applied by Lowell, see note 3 (Explanation of Transition to IFRS) to the Lowell 2014 Audited Consolidated Financial Statements.

In addition, this Offering Memorandum includes certain unaudited consolidated profit and loss information, as well as certain other financial and operating information, for the 12 months ended June 30, 2015. This information was derived by adding the financial data for the nine months ended June 30, 2015 to the financial data for the Lowell Financial Year 2014 and subtracting the financial data for the nine months ended June 30, 2014. This 12-month data has been prepared solely for the purpose of this Offering Memorandum, is not prepared in the ordinary course of the Target's financial reporting and has not been audited or reviewed by the Target's independent auditors.

Collections on portfolios tend to be seasonally higher in the third and fourth quarters of Lowell's financial year due to customers generally having lower expenses during these months, for example because of lower heating costs. Conversely, collections on portfolios tend to be lower in months where there are fewer working days, for example months with public holidays. As a result, any quarterly results may not be indicative of Lowell's results for a full fiscal year.

The historical data or unaudited pro forma financial information below is not necessarily indicative of results of future operations and should be read in conjunction with "Use of Proceeds," "Capitalization," "Selected Lowell Consolidated Financial and Other Information," "Management's Discussion and Analysis of Lowell's Financial Condition and Results of Operations," the Lowell Unaudited Condensed Consolidated Interim Financial

Statements and the Lowell Audited Consolidated Financial Statements including the notes thereto, which are included elsewhere in this Offering Memorandum.

Summary Lowell Consolidated Profit and Loss

UK GAAP Summary Lowell Consolidated Profit & Loss

	UK GAAP	
	For the Lowell Financial Year[1]	
	2012[2] (restated)	2013
	(in £ millions)	
Consolidated profit and loss account:		
Collections on owned portfolios	135.9	173.7
Amount of purchase cost recovered[3]	(55.1)	(74.5)
Fair value movement in debt portfolios[4]	11.9	11.0
Turnover from debt portfolios	**92.7**	**110.2**
Other turnover	0.3	6.8
Turnover	**93.0**	**117.0**
Cost of sales	(15.9)	(23.6)
Gross profit	**77.1**	**93.4**
Administrative expenses[5]	(25.4)	(37.3)
Depreciation[6]	(2.0)	(2.5)
Operating profit	**49.7**	**53.6**
Interest receivable	0.0	0.9
Interest payable and similar charges[7]	(51.8)	(61.7)
Amortization of intangible assets	(8.0)	(9.4)
Fair value movements in derivatives[8]	0.2	—
Loss on ordinary activities before taxation	**(9.9)**	**(16.6)**
Tax on loss on ordinary activities	(5.6)	(4.8)
Loss for the financial period	**(15.5)**	**(21.4)**

(1) The financial information presented in this table relates to periods of unequal duration. The Lowell Financial Year 2012 figures represent the Target's financial results for the 15-month period from May 31, 2011 to August 31, 2012. Notably, the Target had no operations and therefore no financial results prior to its acquisition of LGL on September 15, 2011. Thereafter, its financial results were the product of Lowell's operations. Additionally, the Lowell 2012 Audited Consolidated Financial Statements were adjusted to account for the 15 days that elapsed between the beginning of the Lowell Financial Year 2012 on September 1, 2011 to the date of the LGL acquisition on September 15, 2011. Accordingly, the Lowell Financial Year 2012 figures represent the financial results from 12 months of Lowell's operations. The Lowell Financial Year 2013 figures represent the Target's financial results for the 13-month period from September 1, 2012 to September 30, 2013.

(2) The financial statements for the Lowell Financial Year 2012 included in this table are derived from the Lowell 2013 Audited Consolidated Financial Statements, in which the Lowell Financial Year 2012 figures were restated due to a change in accounting policy regarding litigation costs. See note 1 (Litigation Costs) to the Lowell 2013 Audited Consolidated Financial Statements. Therefore, the financial statements for the Lowell Financial Year 2012 will differ from the financial statements in the Lowell 2012 Audited Consolidated Financial Statements.

(3) Amount of purchase cost recovered represents the amortization resulting from collections on purchased debt portfolios between the beginning and the end of the period. Increases in amount of purchase cost recovered reflect the growing value of the debt portfolios owned.

(4) Fair value movement in debt portfolios represents any fair value movement resulting from revaluation of each portfolio between the beginning and the end of that period.

(5) Administrative expenses for the Lowell Financial Year 2012 include a bonus of £1.4 million paid to certain key employees and one-time professional fee charges. Administrative expenses for the Lowell Financial Year 2013 include one-time professional costs related to the expansion of the senior management team and one-off project costs and non-recurring lease costs in connection with Lowell's move to its newly leased offices.

(6) Depreciation represents the depreciation charge for the period and any profit or loss on the disposal of fixed assets.

(7) Interest payable and similar charges includes non-cash, paid-in-kind interest expense related to subordinated shareholder instruments. Such non-cash paid-in-kind interest expense represented £34.6 million and £30.3 million in Lowell Financial Year 2012 and Lowell Financial Year 2013, respectively.

(8) Fair value movements in derivatives is reported as a separate line item in Lowell's audited annual consolidated financial statements and represents fair value movements in the value of derivatives held on the balance sheet. The last derivative contracts held by Lowell were closed as of March 31, 2012 and no other contracts have been entered into since that date.

IFRS Summary Lowell Consolidated Statement of Comprehensive Income

	IFRS				
	For the Lowell Financial Year[1]		For the Nine Months ended June 30,	For the Nine Months ended June 30,	For the 12 Months ended June 30,
	2013[2] (restated)	2014	2014	2015	2015
	(in £ millions)				
Continuing operations					
Revenue					
Income from portfolio investments...	93.3	107.1	78.4	92.1	120.8
Portfolio write up	11.9	25.3	17.4	15.1	23.0
Portfolio fair value release	(7.3)	(4.9)	(3.6)	(2.8)	(4.1)
Other revenue	6.8	18.7	10.1	8.1	16.7
Total revenue	**104.8**	**146.2**	**102.3**	**112.5**	**156.4**
Operating expenses					
Collection activity costs	(23.6)	(33.5)	(23.4)	(28.2)	(38.3)
Other expenses	(43.4)	(63.1)	(43.5)	(46.4)	(66.0)
Total operating expenses	**(67.0)**	**(96.6)**	**(66.9)**	**(74.7)**	**(104.3)**
Operating profit	**37.8**	**49.6**	**35.4**	**37.9**	**52.1**
Interest income	0.2	0.1	0.1	0.0	0.0
Finance costs	(60.9)	(63.9)	(47.3)	(50.8)	(67.4)
Goodwill impairment	(0.8)	—	—	—	—
Loss before tax	**(23.7)**	**(14.2)**	**(11.8)**	**(12.9)**	**(15.3)**
Income tax expense	(1.8)	(1.9)	(1.0)	(1.4)	(2.2)
Loss for the period attributable to equity shareholders	**(25.5)**	**(16.1)**	**(12.8)**	**(14.3)**	**(17.5)**
Other comprehensive income	—	—	—	—	—
Total comprehensive expenditure for the period attributable to equity shareholders	**(25.5)**	**(16.1)**	**(12.8)**	**(14.3)**	**(17.5)**

(1) The financial information presented in this table relates to periods of unequal duration. The Lowell Financial Year 2013 figures represent the Target's financial results for the 13-month period from September 1, 2012 to September 30, 2013. The Lowell Financial Year 2014 figures represent the Target's financial results for the 12-month period from October 1, 2013 to September 30, 2014.

(2) The financial statement figures for the Lowell Financial Year 2013 included in this table are derived from the Lowell 2014 Audited Consolidated Financial Statements where the Lowell Financial Year 2013 figures were restated due to a change in the basis of financial statement preparation from UK GAAP to IFRS. See note 3 (Explanation of Transition to IFRS) to the Lowell 2014 Audited Consolidated Financial Statements. Therefore, the restated financial statements for the Lowell Financial Year 2013 derived from the Lowell 2014 Audited Consolidated Financial Statements will differ from those in the Lowell 2013 Audited Consolidated Financial Statements.

Summary Lowell Consolidated Balance Sheet

UK GAAP Summary Lowell Consolidated Balance Sheet

	UK GAAP	
	As of August 31, 2012[(2)] (restated)	As of September 30, 2013
	(in £ millions)	
Consolidated balance sheet:		
Fixed assets		
Intangible assets	152.7	174.3
Tangible assets	4.2	4.7
	156.9	179.0
Current assets		
Debt portfolios	236.8	299.5
Debtors	16.7	22.6
Cash at bank and in hand	9.0	15.3
	262.5	337.4
Creditors: amounts falling due within one year[(1)]	(23.3)	(36.3)
Net current assets	239.2	301.1
Total assets less current liabilities	396.1	480.1
Creditors: amounts falling due after more than one year[(1)]	(410.4)	(515.7)
Net liabilities	(14.3)	(35.6)
Capital and reserves		
Called up share capital	1.2	1.2
Share premium account	0.0	0.1
Profit and loss account	(15.5)	(36.9)
Total shareholders' (deficit)	**(14.3)**	**(35.6)**

(1) Includes a significant proportion of preference shares and unsecured loan notes issued by the Target to its shareholders for the Lowell Financial Year 2012 and their accrued non-cash, paid-in-kind interest expense each year. Creditors: amounts falling due after more than one year, excluding such preference shares and unsecured loan notes, but including accrued interest expense, represented £200.0 million and £275.0 million in the Lowell Financial Year 2012 and the Lowell Financial Year 2013, respectively.

(2) The financial statement figures for the Lowell Financial Year 2013 included in this table are derived from the Lowell 2014 Audited Consolidated Financial Statements where the Lowell Financial Year 2013 figures were restated due to a change in the basis of financial statement preparation from UK GAAP to IFRS. See note 3 (Explanation of Transition to IFRS) to the Lowell 2014 Audited Consolidated Financial Statements. Therefore, the restated financial statements for the Lowell Financial Year 2013 derived from the Lowell 2014 Audited Consolidated Financial Statements will differ from those in the Lowell 2013 Audited Consolidated Financial Statements.

IFRS Summary Lowell Consolidated Statement of Financial Position

	IFRS			
	As of September 1,	As of September 30,		As of June 30,
	2012(1) (restated)	2013(2) (restated)	2014	2015
	(in £ millions)			
Assets				
Non-current assets				
Goodwill	140.2	169.8	169.8	169.8
Intangible assets	9.3	7.4	5.6	4.6
Property, plant and equipment	2.4	2.1	4.0	3.9
Portfolio investments	119.5	146.1	204.6	235.4
Deferred tax assets	0.9	4.3	0.3	—
Total non-current assets	**272.3**	**329.7**	**384.3**	**413.7**
Current assets				
Portfolio investments	105.7	129.3	163.7	183.7
Trade and other receivables	9.2	14.8	33.1	39.8
Cash and cash equivalents	9.0	15.3	34.4	11.2
Total Current assets	**123.9**	**159.4**	**231.2**	**234.7**
Total assets	**396.2**	**489.1**	**615.5**	**648.3**
Equity				
Share capital	1.2	1.2	1.3	1.3
Share premium	0.0	0.1	0.1	0.1
Retained deficit	(31.3)	(56.8)	(72.9)	(87.1)
Total deficit attributable to shareholders	**(30.1)**	**(55.5)**	**(71.5)**	**(85.8)**
Liabilities				
Non-current liabilities				
Borrowings	403.1	508.3	650.0	672.0
Current liabilities				
Trade and other payables	11.2	25.8	36.9	43.9
Borrowings	9.0	10.0	—	17.1
Deferred tax liability	—	—	—	1.1
Current tax liabilities	3.0	0.5	0.1	—
Total current liabilities	**23.2**	**36.3**	**37.0**	**62.1**
Total equity and liabilities	**396.2**	**489.1**	**615.5**	**648.3**

(1) The financial statements as of September 1, 2012 included in this table are derived from the Lowell 2014 Audited Consolidated Financial Statements, where the Lowell Financial Year 2012 figures were restated due to a change in the basis of financial statement preparation from UK GAAP to IFRS. See note 3 (Explanation of Transition to IFRS) to the Lowell 2014 Audited Consolidated Financial Statements. Therefore, the IFRS balance sheet figures for the Lowell Financial Year 2012 shown in this table and in the Lowell 2014 Audited Consolidated Financial Statements will differ from the balance sheet figures in the Lowell 2012 Audited Consolidated Financial Statements which were prepared under UK GAAP.

(2) The financial statements as of September 30, 2013 included in this table are derived from the Lowell 2014 Audited Consolidated Financial Statements where the Lowell Financial Year 2013 figures were restated due to a change in the basis of financial statement preparation from UK GAAP to IFRS. See note 3 (Explanation of Transition to IFRS) to the Lowell 2014 Audited Consolidated Financial Statements. Therefore, the IFRS balance sheet figures for the Lowell Financial Year 2013 shown in this table and in the Lowell 2014 Audited Consolidated Financial Statements will differ from the balance sheet figures in the Lowell 2013 Audited Consolidated Financial Statements which were prepared under UK GAAP.

Summary Lowell Cash Flow Statement Information

UK GAAP Summary Lowell Cash Flow Statement Information

	UK GAAP	
	For the Lowell Financial Year(1)	
	2012(2) (restated)	2013
	(in £ millions)	
Cash flow from operating activities	**2.9**	**(7.6)**
Returns on investments and servicing of finance(3)	(21.8)	(43.6)
Taxation	(6.5)	(4.9)
Capital expenditure and financial investment	(1.9)	(2.7)
Acquisitions and disposals	(232.1)	(30.0)
Cash outflow before financing	**(259.4)**	**(88.8)**
Financing	268.5	95.0
Increase in cash in the period	**9.0**	**6.3**

(1) The financial information presented in this table relates to periods of unequal duration. The Lowell Financial Year 2012 figures represent the Target's financial results for the 15-month period from May 31, 2011 to August 31, 2012. Notably, the Target had no operations and therefore no financial results prior to its acquisition of LGL on September 15, 2011. Thereafter, its financial results were the product of Lowell's operations. Additionally, the Lowell 2012 Audited Consolidated Financial Statements were adjusted to account for the 15 days that elapsed between the beginning of Lowell Financial Year 2012 on September 1, 2011 to the date of the LGL acquisition on September 15, 2011. Accordingly, the Lowell Financial Year 2012 figures represent the financial results from 12 months of Lowell's operations. The Lowell Financial Year 2013 figures represent the Target's financial results for the 13-month period from September 1, 2012 to September 30, 2013.

(2) The financial statements for the Lowell Financial Year 2012 included herein are derived from the Lowell 2013 Audited Consolidated Financial Statements, in which the Lowell Financial Year 2012 figures were restated due to a change in accounting policy regarding litigation costs. See note 1 (Litigation Costs) to the Lowell 2013 Audited Consolidated Financial Statements. Therefore, the financial statements for the Lowell Financial Year 2012 will differ from the financial statements in the Lowell 2012 Audited Consolidated Financial Statements.

(3) Returns on investments and servicing of finance represents cash payments made to service loan debt instruments, principally the Existing Lowell Senior Secured Notes and the Existing Senior Facilities Agreement. In the Lowell Financial Year 2012, returns on investments and servicing of finance relates to interest and fees on the Existing Senior Facilities Agreement, the Existing Lowell Senior Secured Notes and unsecured loan notes issued by the Target to its shareholders. In the Lowell Financial Year 2013, returns on investments and servicing of finance relates to interest and fees on the Existing Senior Facilities Agreement and the Existing Lowell Senior Secured Notes.

IFRS Summary Lowell Cash Flow Statement Information

	IFRS				
	For the Lowell Financial Year[(1)]		For the nine months ended June 30,	For the nine months ended June 30,	For the 12 months ended June 30,
	2013[(2)] (restated)	2014	2014	2015	2015
	(in £ millions)				
Consolidated cash flow statement:					
Net cash from operating activities	**(57.1)**	**(81.2)**	**(61.7)**	**(29.5)**	**(49.0)**
Investing activities					
Interest received	0.2	0.1	0.1	0.0	0.0
Purchase of property, plant and equipment	(0.9)	(3.1)	(3.1)	(0.6)	(0.6)
Purchase of intangible assets	(1.8)	(1.8)	(1.5)	(1.1)	(1.4)
Proceeds of sale of property, plant and equipment	—	0.0	—	—	0.0
Acquisition of subsidiary	(29.2)	—	—	—	—
Net cash from investing activities	**(31.7)**	**(4.7)**	**(4.5)**	**(1.7)**	**(1.9)**
Financing activities					
New borrowings	95.0	115.0	115.0	8.0	8.0
Repayment of borrowings	—	(10.0)	(10.0)	—	—
New share issue	—	0.1	—	—	0.1
Net cash from financing activities	**95.0**	**105.1**	**105.0**	**8.0**	**8.1**
Net increase/(decrease) from cash and cash equivalents	6.3	19.1	38.8	(23.1)	(42.8)
Cash and cash equivalents at the beginning of the period	**9.0**	**15.3**	**15.3**	**34.4**	**54.1**
Cash and cash equivalents at the end of the period	**15.3**	**34.4**	**54.1**	**11.2**	**11.2**

(1) The financial information presented in this table relates to periods of unequal duration. The Lowell Financial Year 2013 figures represent the Target's financial results for the 13-month period from September 1, 2012 to September 30, 2013. The Lowell Financial Year 2014 figures represent the Target's financial results for the 12-month period from October 1, 2013 to September 30, 2014.

(2) The financial statements for the Lowell Financial Year 2013 included in this table are derived from the Lowell 2014 Audited Consolidated Financial Statements where the Lowell Financial Year 2013 figures were restated due to a change in the basis of financial statement preparation from UK GAAP to IFRS. See note 3 (Explanation of Transition to IFRS) to the Lowell 2014 Audited Consolidated Financial Statements. Therefore, the restated figures for the Lowell Financial Year 2013 shown in this table and in the Lowell 2014 Audited Consolidated Financial Statements will differ from the figures in the Lowell 2013 Audited Consolidated Financial Statements which were prepared under UK GAAP.

SELECTED GFKL CONSOLIDATED FINANCIAL INFORMATION

The following tables present the GFKL Group's summary financial information and should be read in conjunction with the GFKL Audited Consolidated Financial Statements, and the GFKL Unaudited Condensed Consolidated Interim Financial Statements, which are reproduced elsewhere in this Offering Memorandum and the section entitled "Management's Discussion and Analysis of GFKL's Financial Condition and Results of Operations." The GFKL Audited Consolidated Financial Statements were prepared in accordance with IFRS and were audited in accordance with Section 317 HGB, and German generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors (Institut der Wirtschaftsprüfer) by E&Y which issued an unqualified auditor's report thereon in each case. The GFKL Unaudited Condensed Consolidated Interim Financial Statements, which were prepared in accordance with IFRS on interim financial reporting, have not been audited. The information below is not necessarily indicative of the results of future operations.

The unaudited financial information for the 12-month period ended June 30, 2015 of GFKL included elsewhere in this Offering Memorandum is based on the GFKL Consolidated Financial Statements and GFKL's internal accounting system, and it is calculated by taking the consolidated interim financial information for the six-month period ended June 30, 2015 derived from the GFKL Unaudited Condensed Consolidated Interim Financial Statements and GFKL's internal accounting system, and adding it to the consolidated financial information for the year ended December 31, 2014 derived from the GFKL 2014 Audited Consolidated Financial Statements and GFKL's internal accounting system and subtracting the consolidated interim financial information for the six-month period ended June 30, 2014 derived from the GFKL Unaudited Condensed Consolidated Interim Financial Statements and GFKL's internal accounting system. This data has been prepared solely for the purpose of this Offering Memorandum, is not prepared in the ordinary course of GFKL's financial reporting and has not been audited.

The GFKL Group financial information as of and for the year ended December 31, 2012, was adjusted in the GFKL 2013 Audited Consolidated Financial Statements due to the first-time application of IAS 19R (relating to the treatment of interest expense on pension obligations) and the retrospective presentation of discontinued operations in the income statement according to IFRS 5. See notes II.2, II.3, III.12 and IV.10 to the GFKL 2013 Audited Consolidated Financial Statements. Accordingly, the financial information presented in this Offering Memorandum for the GFKL Group as of and for the year ended December 31, 2012 was derived from the comparative financial information included in the GFKL 2013 Audited Consolidated Financial Statements.

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

Summary GFKL Consolidated Income Statement Information

	Financial Year			Six-Month Period ended June 30,		12-Month Period ended June 30,
	2012	2013	2014	2014	2015	2015
	(in € million)					
				(unaudited)		(unaudited)
Revenue	157.0	190.4	243.8	114.5	127.0	256.4
Other operating income	9.0	11.1	16.1	2.0	3.4	17.5
Cost of purchased goods and services	—	—	0.8	—	0.5	1.3
Personnel expenses	43.4	44.0	45.2	22.5	23.6	46.3
Depreciation, amortization and impairment expense	4.0	3.9	6.3	1.8	2.1	6.5
Other operating expenses	125.3	134.6	163.8	74.0	81.1	170.9
Interest and similar income	0.9	2.6	0.5	0.2	0.5	0.8
Interest and similar expenses	14.7	14.8	16.0	7.7	6.6	14.9
Profit/loss from investments accounted for using the equity method	0.1	—	—	—	—	—
Earnings/(loss) before tax	**(20.4)**	**6.9**	**28.4**	**10.6**	**16.9**	**34.7**
Income taxes/(income)	0.4	(7.5)	11.0	3.4	5.6	13.2
Profit/(loss) from continuing operations	**(20.8)**	**14.4**	**17.4**	**7.2**	**11.4**	**21.5**
Profit/(loss) from discontinued operations	(3.2)	(12.2)	(2.3)	(1.2)	0.0	(1.0)
Consolidated profit/(loss) for the period	**(24.0)**	**2.3**	**15.1**	**6.0**	**11.4**	**20.5**
Profit attributable to non-controlling interests	0.0	0.0	0.0	—	—	0.0
Loss attributable to non-controlling interests	0.0	0.0	—	0.0	0.1	0.1
Profit/(loss) attributable to equity holders of the parent	**(24.0)**	**2.3**	**15.1**	**6.0**	**11.4**	**20.6**

Summary GFKL Consolidated Balance Sheet

	As of December 31,			As of June 30,
	2012	2013	2014	2015
		(in € million)		(unaudited)
Assets				
Non-current assets				
Property, plant and equipment	2.6	2.4	3.8	3.5
Intangible assets	19.1	16.2	19.3	19.3
Goodwill	35.6	23.5	21.6	21.6
Non-performing loans and receivables acquired for settlement[1]	70.9	59.7	59.5	76.0
Other financial assets	2.6	0.1	8.4	0.1
Deferred tax assets	0.5	—	—	—
Non-current assets	**131.3**	**101.8**	**112.5**	**120.5**
Current assets				
Inventories	—	—	0.0	0.0
Non-performing loans and receivables acquired for settlement[1]	45.9	41.0	43.4	46.1
Trade and other receivables	13.5	10.1	10.8	11.2
Income tax refund claims	1.4	4.6	4.4	4.5
Other financial assets	21.6	12.6	12.9	8.6
Cash and cash equivalents	38.2	58.2	35.7	39.7
Current assets	**120.5**	**126.6**	**107.2**	**110.2**
Assets classified as held for sale	—	11.4	—	—
Total assets	**251.8**	**239.8**	**219.7**	**230.7**
Equity and Liabilities				
Equity attributable to equity holders of the parent	(9.0)	(6.6)	7.0	18.5
Non-controlling interests	(0.1)	(0.1)	0.8	0.7
Total Equity	**(9.0)**	**(6.7)**	**7.8**	**19.2**
Non-current liabilities				
Liabilities to banks	108.3	100.0	71.9	—
Derivatives with negative fair values	2.8	1.6	1.3	0.9
Other financial liabilities	32.7	30.8	32.7	116.9
Provisions	2.5	1.0	0.6	0.6
Provisions for pensions	4.4	4.6	5.3	5.3
Deferred tax liabilities	4.8	5.1	10.7	14.2
Non-current liabilities	**155.4**	**143.1**	**122.5**	**137.9**
Current liabilities				
Liabilities to banks	14.0	10.0	7.5	0.0
Derivatives with negative fair values	1.2	0.4	0.6	0.5
Trade payables and other liabilities	12.8	8.5	9.5	9.3
Other financial liabilities	33.1	41.5	42.5	34.7
Income tax provisions	18.4	14.2	17.6	17.9
Provisions	25.8	24.1	11.7	11.2
Current liabilities	**105.4**	**98.8**	**89.4**	**73.7**
Liabilities classified as held for sale	0.0	4.7	—	—
Total Liabilities	**260.8**	**246.5**	**211.9**	**211.6**
Total equity and liabilities	**251.8**	**239.8**	**219.7**	**230.7**

(1) Sum of current and non-current non-performing loans and receivables required for settlement (unaudited) **116.8** **100.7** **102.8** **122.1**

	As of December 31,			As of June 30,
	2012	2013	2014	2015
		(in € million)		(unaudited)

Summary GFKL Cash Flow Statement Information

	Financial Year			Six-Month Period ended June 30,		12-Month Period ended June 30,
	2012	2013	2014	2014	2015	2015
	(in € million)					
				(unaudited)		(unaudited)
Cash flow from operating activities	18.3	53.3	36.9	21.9	36.0	51.0
Cash flow from investing activities	(14.5)	(22.1)	(29.7)	(15.7)	(34.4)	(48.4)
Cash flow from financing activities	(24.2)	(9.3)	(31.6)	7.6	2.4	(36.8)
Change in cash and cash equivalents	(20.4)	21.9	(24.3)	13.9	4.0	(34.2)
Cash and cash equivalents at the end of the period	38.2	60.1	35.7	73.9	39.7	39.7
Thereof restricted cash[1]	20.3	19.8	24.4	22.4	19.1	19.1

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

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

The following information should be read in conjunction with the selected consolidated financial and operating data and the Lowell Consolidated Financial Statements and notes included elsewhere in this Offering Memorandum. The information below is not necessarily indicative of the results of future operations. The following discussion contains forward-looking statements that reflect Lowell's plans and estimates and our beliefs. Lowell's actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to these differences include, but are not limited to, those discussed below and elsewhere in this Offering Memorandum particularly in the sections entitled "Risk Factors" and "Forward-Looking Statements."

The unaudited financial information for the 12-month period ended June 30, 2015 included elsewhere in this Offering Memorandum is based on the Lowell Consolidated Financial Statements and is calculated by taking the consolidated interim financial information for the nine-month period ended June 30, 2015 derived from the Lowell Unaudited Condensed Consolidated Interim Financial Statements and the Target's internal accounting system, and adding it to the consolidated financial information for the year ended September 30, 2014 derived from the Lowell 2014 Audited Consolidated Financial Statements and the Target's internal accounting system and subtracting the consolidated interim financial information for the nine-month period ended June 30, 2014 derived from the Lowell Unaudited Condensed Consolidated Interim Financial Statements and the Target's internal accounting system. This data has been prepared solely for the purpose of this Offering Memorandum, is not prepared in the ordinary course of our financial reporting and has not been audited.

In 2013, Lowell changed its financial year end from August 31 to September 30 in order to align the financial reporting schedule to calendar year quarters. Accordingly, the financial results for the Lowell Financial Year 2013 are presented as of September 30, 2013 and for the 13-month period from September 1, 2012 to September 30, 2013. As a result, the financial results for the Lowell Financial Year 2013 are not directly comparable to those for the Lowell Financial Year 2012.

The Lowell 2012 Audited Consolidated Financial Statements and the Lowell 2013 Audited Consolidated Financial Statements were prepared in accordance with UK GAAP. For the 2014 Audited Consolidated Financial Statements, Lowell changed the basis of presentation for its accounts from UK GAAP to IFRS and restated certain prior-period results in accordance with IFRS for purposes of comparison. As a result, the Lowell 2014 Audited Consolidated Financial Statements include financial information restated to conform to IFRS for the Lowell Financial Year 2013. UK GAAP differs in several respects from IFRS, and as a result, financial figures prepared in accordance with UK GAAP are not directly comparable to figures prepared under IFRS. For a discussion of certain differences between UK GAAP and IFRS as applied by Lowell, see "Critical Accounting Estimates and Policies" and note 3 (Explanation of Transition to IFRS) to the Lowell 2014 Audited Consolidated Financial Statements.

We present below certain non-IFRS and non-UK GAAP measures and ratios that are not required by or presented in accordance with IFRS or UK GAAP, including Adjusted EBITDA and ERC, among others. There can be no assurance that items we have identified for adjustment as non-recurring will not recur in the future or that similar items will not be incurred in the future. The non-IFRS and non-UK GAAP measures are not measurements of financial performance under IFRS or UK GAAP and should not be considered as alternatives to other indicators of Lowell's operating performance, cash flows or any other measure of performance derived in accordance with IFRS or UK GAAP. The non-IFRS and non-UK GAAP measures as presented in this Offering Memorandum may differ from and may not be comparable to similarly titled measures used by other companies and Adjusted EBITDA may differ from "Consolidated EBITDA" as defined in the sections "Description of the Senior Secured Notes" and "Description of the Senior Notes" of this Offering Memorandum and the Indentures. The calculations for the non-IFRS and non-UK GAAP 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 Lowell's financial condition or results of operations for the periods presented and should not be relied upon when making an investment decision. See "Presentation of Financial and Other Information."

The historical data below is not necessarily indicative of results of future operations and should be read in conjunction with "Use of Proceeds," "Capitalization," "Selected Lowell Consolidated Financial Information," and the Lowell Unaudited Condensed Consolidated Interim Financial Statements, the Lowell Audited Consolidated Financial Statements and the notes thereto, which are included elsewhere in this Offering Memorandum.

Overview

Lowell is a leading purchaser of defaulted consumer debt portfolios in the United Kingdom. The three main sectors from which Lowell primarily purchases debt portfolios are financial services, telecommunications and retail. Lowell typically purchases unsecured, low-balance consumer debt portfolios consisting of a high number of accounts, and it purchases these defaulted debt portfolios at a substantial discount to their face value. Lowell aims to collect the balances owed on the debt portfolios purchased through its in-house, technology-driven call center operations.

Headquartered in Leeds, with more than 1,240 full-time equivalent (''**FTE**'') employees, Lowell benefits from significant scale and experience in its markets. In the 12 months ended June 30, 2015, according to calculations based, in part, upon the UK Company Market Study, Lowell had an estimated 18% share of purchases across the three main UK market sectors it targets (including recessionary delayed sales). From Lowell's inception in May 2004 to June 30, 2015, Lowell has purchased 1,029 debt portfolios with an aggregate face value of £14.7 billion, having invested £873 million at an average price paid of 6.0 pence per pound sterling of the debt's face value.

Lowell recovers outstanding balances by offering customers practical and affordable long-term payment plans tailor-made to their individual circumstances. Lowell's collection strategy is centered on its techniques for assessing a customer's ability to pay through data intelligence and analytics. Because of the diversification of the debt portfolios on Lowell's balance sheet across millions of accounts and its focus on establishing sustainable, long-term payment plans, we believe Lowell's purchased debt portfolios provide significant and predictable cash flows. For example, as of June 30, 2015, Lowell's ERC was £972 million. Lowell expects 40% of this ERC to be generated within the next 24 months and 63% on a cumulative basis to be generated within the next 48 months.

As a result of its strong cash-generation operations, Lowell's Adjusted EBITDA for the 12 months ended June 30, 2015 was £138.3 million.

In May 2013 Lowell purchased Interlaken Group, including Fredricksons International Ltd, a leading UK third-party debt collector. Fredricksons International Ltd manages debt on behalf of a wide variety of third-party clients, including Lowell, and attempts to recover the debt in an appropriate manner. This third-party debt collection element is a relatively small part of Lowell's overall business, representing 7.3% of Lowell's revenue for the 12 months ended June 30, 2015. The main intention of the acquisition was to enhance recoverability within the debt purchase business by sharing best practices and utilizing Interlaken's data and resources.

Illustrative Economics

The following table provides an overview of Lowell's business model and illustrative economics as of and for the 12 months ended June 30, 2015:

Key Economics as of and for the 12 months ended June 30, 2015, respectively		
	Principal value of purchased debt	£14.7 billion
	Total price paid as % (as % of principal value)	6%
	Portfolio purchase price	£873.0 million
	Gross collections[(1)]	£1,146.9 million
	ERC (120 months)	£972 million
	Gross money multiple	2.4x
	Years to break even (gross basis)	<2.0

(1) Represents Gross Collections from May 2004 until June 30, 2015.

Significant Factors Affecting Results of the Debt Purchase Operations

Lowell's primary objective is to optimize the return potential of its debt portfolios, thereby maximizing cash generation and increasing the value of ERC. It aims to achieve this by:

(i) demonstrating pricing discipline when purchasing portfolios;

(ii) using data to optimize its portfolios' gross collection potential; and

(iii) protecting both its own and the debt originators' reputations by offering customers practical, affordable and personalized long-term payment plans.

Portfolio purchases

Lowell typically purchases a large number of lower-value portfolios, which enables it to purchase portfolios regularly in order to expand its operations. As a result, the relative significance of individual debt originators changes from year to year. Lowell also seeks to adopt a diversified purchase strategy and as a result made portfolio purchases from 26 vendors of debt in the 12 months ended June 30, 2015. As of June 30, 2015, Lowell's Backbook was made up of 18.2 million accounts and 1,029 debt portfolios, 60% of which cost less than £0.5 million, with the 30 largest debt portfolios comprising only 26% of Gross ERC. During the 12 months ended June 30, 2015, Lowell received approximately 830,000 payments per month from customers, with an average internal monthly payment (excluding payments from DCAs and other third parties) of £22 for such period. As of June 30, 2015, the average account balance in its debt portfolio was £804. Lowell's debt portfolios are also diversified across three different sectors, with 58% originated in the financial services sector, 25% in the retail sector and 17% in the telecommunications sector (as of June 30, 2015 and based on purchase price).

From Lowell's first full financial year ended August 31, 2005 to June 30, 2015, it has increased its cumulative investment in portfolios from £39.4 million to £873.0 million, its cumulative customer accounts from approximately 0.6 million to approximately 18.2 million and its cumulative aggregate face value of debt from £0.5 billion to £14.7 billion.

The table below highlights the historical scale and stability of Lowell's purchasing activity by setting forth Lowell's cost of portfolios purchased, average price paid and number of portfolios purchased for the financial year ended August 31, 2007, through the Lowell Financial Year 2014. In any period, Lowell purchases debt portfolios that can vary in age, type and ultimate collectability, which explains the year-on-year variation in average prices paid and account balance indicated in this table:

	Lowell Financial Year ended August 31,(2)						Lowell Financial Year(2)		
	2007	2008	2009	2010	2011	2012	2013	2014	Total Since Inception(3)
Portfolio purchase—cost (in £ millions)	49.8	60.0	65.8	57.9	70.0	90.7	124.4	162.2	873.0
Average price paid (p/£)	4.2	3.8	5.7	5.9	5.4	5.6	6.2	7.7	6.0
Number of portfolios purchased in the period(1)	79	91	65	67	65	113	129	162	1,029

(1) Accounts purchased from the same vendor in the same month are grouped together and recorded as one portfolio.

(2) The financial information presented in this chart relates to periods of unequal duration. See "*—Significant Factors Affecting Comparability—Financial periods*."

(3) Total since inception covers the period since Lowell bought its first portfolio in June 2004 to June 30, 2015.

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

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

Competition also affects Lowell's ability to purchase portfolios. The majority of portfolios across all sectors are currently offered to the market through spot sales conducted through a competitive tender process, and Lowell estimates, based on the most recently available data, that in the 12 months ended June 30, 2015, it was invited to participate in virtually all market tenders for non-performing debt in its targeted sectors in the United Kingdom. In recent years, we believe that there has been a trend towards increased concentration of the debt purchase industry around a small core group of purchasers. It is possible that there will be new entrants or companies re-entering the debt purchase market. See "*Risk Factors—Risks Related to our Business and Industry—We are active in competitive markets and may be unable to continue to successfully compete with businesses that may offer more attractive prices or have greater financial resources, less expensive funding or lower return requirements than we have*." Lowell typically competes with one or two of these debt purchasers in the last stages of debt auctions. Lowell competes mainly on the basis of price and compliance credentials, which we believe are enhanced by the following strengths:

- ***Price.*** Lowell's technology platform, data intelligence and automated pricing models provide it with both the ability to evaluate a portfolio for sale before it is purchased, and operational and commercial advantages, as the business benefits from efficiencies that can be passed on to debt originators in the form of more competitive prices. Lowell's integrated collection platform, together with its data-driven ability to identify and prioritize accounts according to their propensity to pay, allows it to achieve a strong servicing cost ratio. Management believes this cost efficiency is a key driver of its returns and therefore of its ability to compete effectively for the purchase of portfolios.
- ***Compliance.*** Because debt originators are highly aware of the reputational risks involved in selling portfolios of defaulted debt, Lowell's track record of regulatory compliance and reputation for treating customers fairly provide Lowell with what we believe to be a strong competitive advantage.

While most of the debt portfolios are sold through competitive tender processes in spot sales, Lowell has many long-standing relationships that have helped improve its portfolio-purchasing ability. For example, 87% of Lowell's income from its purchased portfolios for the Lowell Financial Year 2014 came from portfolios sold to Lowell by clients with which it held a relationship with in 2010. Lowell also purchases portfolios by entering into forward flow agreements, whereby it agrees to purchase all or substantially all of the debt originator's debt sales, generally through a bilateral sale, subject to the debt originator's compliance with pre-agreed criteria. In the 12 months ended June 30, 2015, 36% of the value of Lowell's debt portfolio purchases came from such forward flow agreements. As of June 30, 2015, Lowell had committed portfolio purchases for the financial year 2015 of £137 million, which is equivalent to 85% of the total portfolio purchases completed in the 12 months ended September 30, 2014.

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

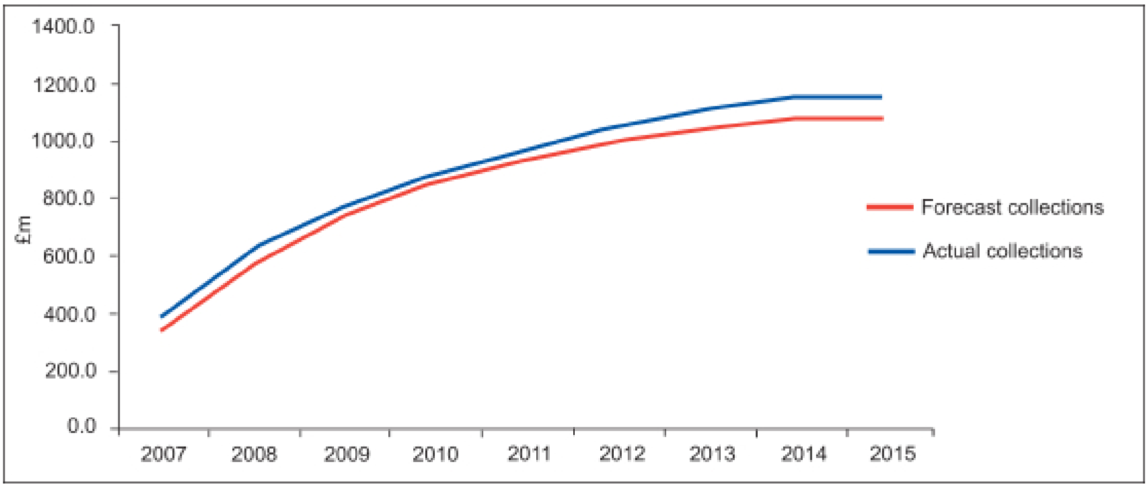
Collections

Lowell's primary source of revenue is the cash proceeds received from its collection efforts on the customer accounts in its owned debt portfolios. In the 12 months ended June 30, 2015, 90% of its debt collections came from its in-house collection efforts and the remaining 10% came from third-party agents. The majority of Lowell's paying customers make their payments through long-term, low-installment plans. These installment plans typically see payments being made through automated and predictable methods such as direct debit.

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

Since the financial year ended 2004, Lowell has demonstrated collection growth each year. From the financial year ended August 31, 2007 to the Lowell Financial Year 2014, it has grown its annual gross collections on owned portfolios from £50.8 million to £196.8 million, and despite the changing economic environment, actual collections closely followed the collection forecasts made before the financial crisis.

The following chart illustrates Lowell's cumulative Gross Collections (on portfolios over six months old) to June 30, 2015 compared to its cumulative monthly model collection expectations, which are based on Lowell's ERC modeling, from the calendar year 2007. Since 2007, Lowell's actual collections are 106% of its collection expectation based upon Lowell's ERC modeling despite the weak economic environment between 2008 and 2011.



Source: Management data. See "*Industry and Market Data*."

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

- ***Low average payments and account diversification.*** During the 12 months ended June 30, 2015, Lowell received approximately 830,000 internal payments per month from customers, with an average monthly payment of £22 for such period. As of June 30, 2015, the average account balance in Lowell's debt portfolios was £804. We believe that Lowell's low average monthly payments and the fact that its customers are typically already in financial distress or unemployed have provided some degree of protection against changes in its customers' disposable income. Lowell's current paying base is also not concentrated on any particular customer demographic, such as geographic postcode or customer age. As of June 30, 2015, Lowell had a balanced mix of account sizes within its portfolios: 21% of its ERC was generated from accounts with a balance below £500, 54% from accounts with a balance between £501 and £1,500, 15% from accounts with a balance from £1,501 to £3,500 and 10% from accounts with a balance above £3,501.
- ***Predictable collections from recurring payment methods.*** Of Lowell's £196.8 million of collections on owned portfolios in the Lowell Financial Year 2014, 78% came from existing accounts already owned at the beginning of the financial year. Across Lowell's Backbook, as of September 30, 2014, the majority of its monthly collections came from recurring payments, such as direct debits and continuous payment authorizations on debit and credit cards. Specifically, during the 12 months ended June 30, 2015, approximately 91% of payments from customer accounts directly managed by Lowell were made from these payment methods.
- ***Close performance monitoring and sophisticated data mining capabilities.*** By tracking the financial circumstances of individual customers, Lowell has been able to proactively adjust its customers' payment plans in a way we believe optimizes returns. Lowell's default rate among its paying customers decreased from 27.4% to 15.2% between August 31, 2008 and June 30, 2015, based on a three-month average. We believe this approach both helps our customers meet their obligations and helps Lowell to reach its return targets. However, Lowell may not always be able to adjust in such a way in the future. See "*Risk factors—Risks Related to Our Business and Industry—Our need to adapt to customers' changing financial circumstances may result in increased servicing costs, reduced cash flow or imprecise modeling.*"

Operational efficiency

Lowell's approach to collections is focused on delivering the highest net return on capital by optimizing costs versus collection potential. Historically, through June 30, 2015, Lowell has only needed to collect from 24% of its customer accounts in order to achieve its returns. To deliver its targeted returns on investments, Lowell uses collection strategies to decide the level of resources to deploy on each account. It conducts extensive empirical analysis on its customers' ability and willingness to pay, which allows it to develop tailored collection strategies to optimize servicing efficiency and return on capital.

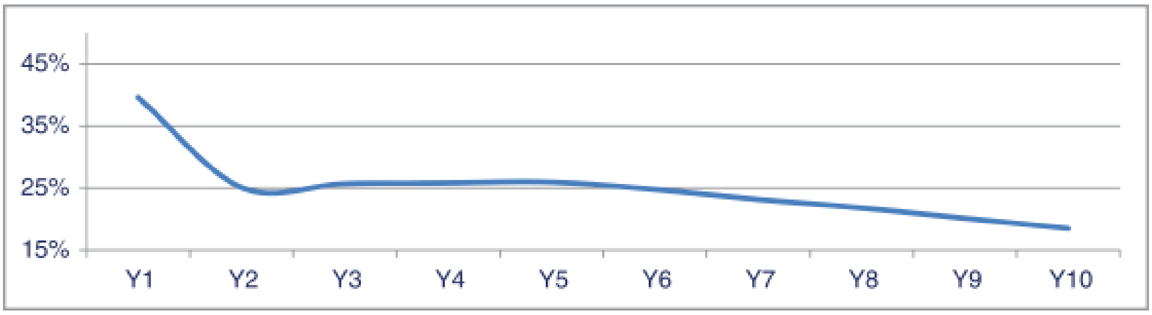
Lowell's Adjusted EBITDA increased from £56.3 million in the financial year ended August 31, 2008 to £138.3 million in the 12 months ended June 30, 2015. See "*Presentation of Financial and Other Information—Financial information—Lowell Group.*"

In the period from August 31, 2009 to September 30, 2014, Lowell's annual collections per customer representative FTE grew from £367,000 to £612,000 and the average annual number of payment plans established per customer representative FTE grew from 1,340 to 3,408, reflecting Lowell's ability to collect on its growing asset base over the period with increasing efficiency.

Volume, mix and phasing of new portfolio purchases in the year

The majority of costs to service a portfolio are incurred at the beginning of Lowell's ownership of the portfolio, mainly driven by the cost of printing and postage associated with sending letters to customers (which Lowell refers to as its "lettering costs") and time spent making contact with its customers. The front-loaded nature of the servicing costs combined with the volume of portfolios purchased in a period therefore has an impact on the servicing cost ratio of Lowell's business in any particular period. In a year of significant portfolio purchase activity, or where a large proportion of portfolios were purchased late in the financial year, Lowell tends to see an increase in the average ratio of servicing costs to gross collections on its entire portfolio asset base. Lowell would expect an opposite effect if it decreased the rate of portfolio purchases, such as in a run-off scenario, or had a higher proportion of portfolio purchases early in the year. The following chart sets forth Lowell's 120-month blended servicing cost curve for all of its debt portfolios purchased between May 2004 and August 31, 2012, and we believe it is indicative of Lowell's typical servicing cost profile for its portfolios from the year the profile is acquired through 10 years post-acquisition.

Blended servicing cost ratio for Lowell's purchased debt porfolios[(1)] (May 2004 – August 31, 2012)



Source: Management data. See "Industry and Market Data."

(1) Lowell typically purchases portfolios that, by design, do not include the accounts of a material number of paying customers. However, the blended servicing cost curve depicted in this chart includes a relatively small number (approximately 6%) of portfolios that were assembled from the accounts of customers who were already paying customers before the portfolio was sold to Lowell ("**Paying Portfolios**"). Since Lowell does not incur costs associated with making contact and establishing payment plans with customers who are already paying customers when their account is acquired, these Paying Portfolios have a lower initial servicing cost than Lowell's typical portfolios, and the inclusion of a small number of Paying Portfolios may have had some effect on the slope of the blended servicing cost ratio curve depicted in this chart.

The sector mix of portfolio purchases can also have an impact on comparing servicing costs between periods, largely due to the fact that portfolios from different sectors typically have different average account balances. Certain of Lowell's costs (such as lettering costs and time-apportioned customer representative salary costs) do not necessarily change with the average balance being collected, and therefore Lowell's servicing cost ratio will be higher over the lifetime of a portfolio with numerous low average balances than over the lifetime of a portfolio with fewer accounts and a higher average balance. For example, as of June 30, 2015, the average balance for telecommunications, retail and financial services customers was £383, £624 and £1,333, respectively. As a result, telecommunications and retail portfolios typically have higher servicing costs ratios than financial services portfolios. Lowell estimates that, on average, telecommunication services have total servicing cost ratios of approximately 44%, retail 31% and financial services 21% for the period between May 2004 and August 31, 2012. Since the financial year ended August 31, 2008, Lowell has increased the combined proportion of portfolios which come from telecommunications and retail, which has increased its average servicing cost ratio across all owned portfolios.

Trends in average monthly payments

Average monthly payments on a payment plan are driven by how much a customer can afford, and are therefore intrinsically linked to that customer's net disposable income. Over the period from September 2011 to September 2014, Lowell has experienced a decrease in the average payment installments of its customers (with average installment falling from £26.8 per month in the Lowell Financial Year 2012 to £23.4 per month in the Lowell Financial Year 2014). We believe this reduction was partly driven by economic conditions resulting in customers having reduced disposable incomes and partly as a result of Lowell's enhanced affordability checks to ensure it agrees sustainable payment plans with its customers. In the 12 months ended June 30, 2015, Lowell saw the rate of decrease in the average payment installment subside, with the average payment per month at the end of the period being £22.1 as compared to £23.6 at the start of the period.

The trend in declining average payments increased the servicing cost ratio in the early phase of a portfolio's collection period, as collections in that phase are lower but the cost of establishing the payment plan is the same. A decline in average monthly collection may also have an effect on Adjusted EBITDA, which may be offset by an increase in the number of monthly payments. We believe the impact is a matter of timing and does not signify a drop in the overall amount of collections over the life of the account although the collection curve elongates. Over the life of the portfolio, we therefore expect servicing cost ratio on portfolios to remain substantially the same. The downward trend in average payments was gradual, and as such has primarily impacted the phasing of collections on new portfolios. We also believe it has stabilized over the last six months. As Lowell's financial results demonstrate, the trend in declining average payments did not prevent it from achieving its target performance on purchased portfolios over the period from September 2011 to June 30, 2015. By systematically tracking and analyzing performance trends on portfolios, Lowell was able to proactively adjust the collection curves and cost profiles on the basis of which it priced these portfolios. Lowell may not always be able to adjust in such a way in the future. See "*Risk factors—Risks related to our business—Our need to adapt to customers' changing financial circumstances may result in increased servicing costs, reduced cash flow or imprecise modeling*."

Regulatory considerations

Lowell's results of operations are affected by a number of laws and regulations. The regulatory environment for debt collection in the United Kingdom requires considerable investment in processes, know-how and management. Lowell has invested, and intends to continue to invest a significant amount of financial and technical resources in order to achieve and maintain compliance with these requirements. From September 30, 2013 to June 30, 2015, for example, Lowell has increased the number of FTEs in its compliance team from 43 to 90. For further discussion of the regulations affecting Lowell and the risks posed by these regulations, see "*Regulation—Key Regulations Affecting Lowell*" and "*Risk Factors—Risks Related to our Business and Industry—We are subject to UK, German, and EU regulations and changes to the regulatory environment or a failure to comply with applicable laws, regulations, licenses and codes of practice may negatively affect our business—Regulations affecting Lowell.*"

Asset base, operating cash generation and returns on portfolios purchased

Historically, Lowell has experienced significant growth in its asset base and cash flow generation, which we believe is the result of (i) the growing volume of portfolios it has been able to purchase and (ii) the strong and stable return on capital it has delivered, which it attributes to its pricing discipline and the sophistication of its collection operations.

Asset base

Lowell has experienced significant growth in its asset base. Based on its models as of June 30, 2015, Lowell expects that the aggregate face value of its owned portfolios of £14.7 billion will generate approximately £972 million in gross collections over the next 120 months. It expects approximately 40% of its ERC to be generated within the next 24 months and approximately 63% to be generated within the next 48 months. These expectations are based on historical data as well as assumptions about future collection rates. Lowell cannot guarantee that it will achieve such collections.

Lowell's ERC on owned portfolios as of June 30, 2015 by year of purchase

The following table sets forth Lowell's ERC vintage by year:

Lowell Financial Year of purchase	0–12 Months	13–24 Months	25–36 Months	37–48 Months	49–60 Months	61–72 Months	73–84 Months	85–96 Months	97–108 Months	109–120 Months	Total
2005	0.7	0.6	0.5	0.4	0.4	0.3	0.3	0.3	0.3	0.2	4.[illegible]
2006	1.3	1.0	0.8	0.7	0.6	0.5	0.5	0.4	0.4	0.4	6.[illegible]
2007	2.8	2.2	1.8	1.4	1.2	1.0	0.9	0.8	0.7	0.7	13.[illegible]
2008	4.7	3.8	3.1	2.4	2.1	1.8	1.6	1.5	1.3	1.2	23.[illegible]
2009	8.5	6.9	5.5	4.4	3.7	3.3	2.9	2.6	2.3	2.0	42.[illegible]
2010	9.1	7.2	5.6	4.4	3.6	3.2	2.8	2.5	2.2	1.9	42.[illegible]
2011	14.0	10.8	8.4	6.6	5.5	4.7	4.1	3.6	3.2	2.8	63.[illegible]
2012	23.3	18.2	14.3	11.4	9.6	8.5	7.6	6.8	6.1	5.5	111.[illegible]
2013	38.4	29.2	22.7	17.9	14.9	13.0	11.5	10.1	9.0	7.9	174.[illegible]
2014	61.1	44.9	35.2	27.9	23.0	19.9	17.4	15.3	13.4	11.8	269.[illegible]
2015	56.9	41.1	30.9	23.3	18.2	14.6	11.8	9.7	8.1	6.7	221.[illegible]
Total...............	**220.6**	**165.8**	**128.7**	**100.8**	**82.7**	**70.8**	**61.3**	**53.5**	**46.9**	**41.1**	**972.[illegible]**
% of total	23	17	13	10	9	7	6	6	5	4	
Cumulative %..	23	40	53	63	72	79	85	91	96	100	

Source: Management data. See "Presentation of Financial and Other Information" and "Industry and Market Data."

For a description of Lowell's portfolio valuation methods, see notes 1, 2 and 14 to the Lowell 2014 Audited Consolidated Financial Statements.

Operating cash generation

Two non-IFRS measures of cash generation used by management are Adjusted EBITDA and cash flow before debt and tax servicing, which represents Adjusted EBITDA less capital expenditure and working capital movement but excluding portfolio purchases. Lowell monitors these measures closely, as it considers them to represent the operating cash flow generation potential of the business available for the servicing of mandatory debt and taxation, before investment decisions in portfolio purchases, which are discretionary.

Lowell's business has been very cash generative. Between the financial year ended August 31, 2008 and the Lowell Financial Year 2014, Adjusted EBITDA increased from £56.3 million to £126.1 million. The following table sets forth Lowell's Adjusted EBITDA for the periods indicated.

	UK GAAP					IFRS	
	For the 12 months ended August 31,				For the Lowell Financial Year (4)	For the Lowell Financial Year(4)	
(£ in millions)	**2008 (2)**	**2009 (3)**	**2010 (3)**	**2011 (3)**	**2012**	**2013**	**2014**
Adjusted EBITDA(1)	56.3	63.7	76.2	85.2	96.6	119.0	126.1

(1) Adjusted EBITDA represents collections on owned portfolios plus other turnover, less cost of sales and administrative expenses (which, together, equals servicing costs) and before exceptional items, depreciation and amortization. For additional information, see "*Presentation of Financial and Other Information*." The table below sets forth a reconciliation of collections on owned portfolios to Adjusted EBITDA.

	UK GAAP					IFRS	
	For the 12 months ended August 31,				For the Lowell Financial Year(4)	For the Lowell Financial Year(4)	
	2008 (2)	**2009 (3)**	**2010 (3)**	**2011 (3)**	**2012**	**2013**	**2014**
(£ in millions)...							
Collections on owned portfolios(a)..............................	75.5	86.3	105.0	120.1	135.9	173.2	196.8
Other revenue/turnover(b)	0.1	0.1	0.2	0.1	0.3	6.8	18.7
Exceptional income(c)...	—	—	—	—	—	—	(5.2)
Servicing costs(d)	(20.1)	(23.7)	(30.3)	(38.2)	(43.2)	(67.0)	(96.6)
Depreciation/amortization(e).......................................	0.9	1.0	1.3	1.8	2.0	5.2	4.3
Exceptional items(f)	—	—	—	1.4	1.7	0.7	8.0
Adjusted EBITDA	56.3	63.7	76.2	85.2	96.6	119.0	126.1

(a) Collections on owned portfolios represents Gross Collections. Under UK GAAP, this is reported in the Lowell profit and loss account as collections on owned portfolios. Under IFRS, this is reported in the notes to the financial statements.
(b) Other revenue/turnover represents "other revenue" (under IFRS) or "other turnover" (UK GAAP).
(c) Exceptional income relates to the release of a provision for additional purchase consideration for the Interlaken acquisition. Certain conditions to payment of the additional consideration were not achieved, and therefore the additional consideration was no longer payable.
(d) Servicing costs represent the sum of "collection activity costs" and "other expenses" (under IFRS) or the sum of "cost of sales," "administrative expenses" and "depreciation" (under UK GAAP).
(e) Depreciation represents the depreciation charge for the period for property, plant and equipment. Amortization represents the amortization charge for the period for intangible assets.
(f) Administrative/other expenses include several one-off, non-recurring items that have been added back as exceptional items to reach Adjusted EBITDA. In the 12 months ended August 31, 2011, exceptional items included £1.4 million of one-off bonus payments. In the Lowell Financial Year 2012, exceptional items included £1.4 million of one-off bonus payments and £0.3 million of professional fees. In the Lowell Financial Year 2013, exceptional items included £0.7 million of one-time professional costs. In the Lowell Financial Year 2014, exceptional items included £0.8 million of one-off project fees and professional fees of £7.2 million. Professional fees in relation to exceptional items are costs incurred in investigating future strategic business opportunities.

(2) The financial information presented in the tables above for the 12 months ended August 31, 2008 is derived solely from management accounts, since the Lowell Group carried out consolidated reporting for only six months of such period.

(3) For the 12 months ended August 31, 2009, 2010 and 2011, Lowell's consolidated reporting was carried out at Lowell Group Limited.

(4) For the Lowell Financial Year 2012, the Lowell Financial Year 2013 and the Lowell Financial Year 2014, Lowell's consolidated reporting was carried out at the Target. The financial information presented in this table relates to periods of unequal duration. See "*—Significant Factors Affecting Comparability—Financial periods*."

The following table sets forth Lowell's record of operating cash generation for the periods indicated. It also shows a reconciliation of Adjusted EBITDA and cash flow before debt and tax servicing to increase/(decrease) in cash in the period.

	IFRS				
	Lowell Financial Year[1]		**Nine months ended June 30,**	**Nine months ended June 30,**	**12 months ended June 30,**
(£ in millions)	**2013**	**2014**	**2014**	**2015**	**2015**
Increase/(Decrease) in cash in the period	**6.3**	**19.1**	**38.8**	**(23.1)**	**(42.8)**
Movement in debt[2]	(95.0)	(105.1)	(105.0)	(8.0)	(8.0)
Portfolio purchases[3]	124.4	162.2	120.2	113.4	155.5
Debt servicing[4]	43.6	38.8	20.1	23.8	42.5
Taxation servicing[5]	4.9	1.5	1.4	(0.7)	(0.7)
Other cash flows[6]	29.2	—	—	—	—
Capital expenditure and financial investment[7]	2.7	4.9	4.6	1.7	2.0
Cash flow before interest, portfolio purchases, tax expenses and capital expenditure[8]	**116.0**	**121.4**	**80.0**	**107.0**	**148.4**
Working capital[9]	3.0	4.7	11.8	(2.9)	(10.1)
Adjusted EBITDA[10]	**119.0**	**126.1**	**91.8**	**104.1**	**138.3**

(1) The financial information presented in this table relates to periods of unequal duration. See "*—Significant Factors Affecting Comparability—Financial periods*."

(2) Movement in debt relates to the net movement on the Existing Lowell Senior Secured Notes. The increase in debt in the Lowell Financial Year 2013 is primarily attributable to the issue of an additional £75 million in aggregate principal amount of Existing Lowell Senior Secured Notes on February 11, 2013 and Lowell's drawings under the Existing Senior Facilities Agreement. The further increase in debt in the Lowell Financial Year 2014 is due to the issue of a further £115 million in principal amount of Existing Lowell Senior Secured Notes on March 11, 2014.

(3) Portfolio purchases are the investments in new portfolios made during the year. See note 1 (Accounting Policies) to the Lowell 2014 Audited Consolidated Financial Statements. Portfolios of purchased debt are recognized on the balance sheet at the point the debt purchase contract is signed and Lowell acquires legal title to the assets. In a number of instances the payment made for the portfolio of purchased debt occurs a few days after the contract is signed, and as a result may fall into a later accounting period. Any timing differences are recognized through the movement in working capital for the period.

(4) Debt servicing includes interest payments and fees in relation to the Existing Lowell Senior Secured Notes and interest and fees payable under the Existing Senior Facilities.

(5) Taxation servicing consists of the corporate tax payments made to HMRC relating to the tax charges that can be seen in the consolidated profit and loss account labeled "income tax expense." The conversion to IFRS resulted in corporation tax losses for the Lowell Group. This has resulted in minimal payments for corporation tax to HMRC and in some cases refunds of previous payments.

(6) Other cash flows represent the acquisition of Interlaken in May 2013.

(7) Cash flow before interest, portfolio purchases, tax expenses and capital expenditure represents Adjusted EBITDA less working capital movement but excluding portfolio purchases in the period. Management monitors cash flow before debt and tax servicing as a measure of the cash available to Lowell to pay down or service debt, pay income taxes, purchase new debt portfolios and for other uses.

(8) Capital expenditure and financial investment represents investment in fixed assets for the business.

(9) Cash flow conversion in the nine months ended June 30, 2015 has increased compared to the nine months ended June 30, 2014 as a result of movements in working capital and capital expenditure. During the nine months to June 30, 2014 Lowell moved its headquarters to new offices and as a result incurred £2.5 million of additional capital expenditure. The movement in working capital has dropped £14.7 million due to a £19.0 million deferred payment on a portfolio purchase, which was partially offset by the deferral of upfront litigation costs onto the statement of financial position. These costs are incurred upfront in the litigation process and are capitalized and released in line with the expected collections income profile.

(10) Adjusted EBITDA represents gross cash collections on owned debt portfolios plus other income, less collection costs and other expenses (excluding exceptional non-recurring items, depreciation and amortization).

The table below demonstrates Lowell's growing levels of cash flow before interest, portfolio purchases, tax expenses and capital expenditures over time. It also shows the high level of conversion of Adjusted EBITDA to cash flow before debt and tax servicing. Adjusted EBITDA has increased from £96.6 million in the financial year ended August 31, 2012 to £126.1 million in the Lowell Financial Year 2014. In the same period, Lowell's business has seen an average 92.4% conversion of Adjusted EBITDA into cash flow before debt and tax servicing.

	For the 12 months ended December 30			For the 9 months ended June 30		For the LTM ended June 30
	2012	**2013**	**2014**	**2014**	**2015**	**2015**
Adjusted EBITDA	96.6	119.0	126.1	91.8	104.1	138.3
Cash flow before interest, portfolio purchases, tax expenses and capital expenditure	93.5	116.0	121.4	80.0	107.0	148.4
% of Adjusted EBITDA	96.8%	97.5%	96.3%	87.2%	102.8%	107.3%

(1) The financial information presented in this table relates to periods of unequal duration. See "—*Significant Factors Affecting Comparability—Financial periods*."

Returns on portfolio purchases

While returns achieved on an individual portfolio can vary, Lowell has a record of generating strong and consistent returns on its aggregate purchased portfolios. Based on historical and expected collections, as of June 30, 2015, its ERC was £972 million. The table below sets forth certain data related to Lowell's purchased debt portfolios and other defaulted receivables by vintage, such as purchase price, collections, Lowell's ERC and Gross Money Multiple incorporating Lowell's ERC as of June 30, 2015.

Vintage	Purchase Price(1)	Gross Collections	ERC(2)	Gross Collections plus 120-month ERC	Gross Money Multiple(3)
			(£ millions)		
2005	39.4	62.3	4.0	66.2	1.7x
2006	39.3	76.7	6.6	84.9	2.2x
2007	49.8	107.2	13.4	121.3	2.4x
2008	60.0	116.6	23.5	140.3	2.3x
2009	65.8	147.6	42.0	187.0	2.8x
2010	57.1	127.5	42.4	171.2	3.0x
2011	68.2	121.9	63.6	184.2	2.7x
2012	93.3	135.9	111.2	247.1	2.6x
2013	124.4	132.3	174.5	306.8	2.5x

Vintage	Purchase Price(1)	Gross Collections	ERC(2)	Gross Collections plus 120-month ERC	Gross Money Multiple(3)
			(£ millions)		
2014	162.2	103.4	269.9	373.4	2.3x
2015	113.4	15.6	221.2	236.8	2.1x
Total	**873.0**	**1,146.9**	**972.3**	**2,119.2**	**2.4x**

(1) Purchase price represents the purchase price at the time the purchased debt portfolio was acquired. Acquisition cost and initial balance sheet valuation may, however, differ as a result of timing differences between the date on which the acquisition for the purchased debt becomes effective and the acquisition closing date, when Lowell recognizes the purchased debt on its consolidated balance sheet.

(2) Estimated Remaining Collections (ERC) is the future collections projected to be received on all of Lowell's purchased debt portfolios based on our forecasting models. As of today, Lowell forecasts collections over a 120-month period. The ERC figures presented in this Offering Memorandum may be a different and distinct measure from the collection forecasts that Lowell uses to value its purchased debt on its consolidated balance sheets.

(3) Gross Money Multiple is the total expected cash return from purchased debt portfolios calculated as the sum of Gross Collections achieved to date and Lowell's ERC divided by purchase price. The Gross Money Multiples for Lowell's early vintages are impacted by the business going through its initial growth cycle. Vintages during the financial crisis benefit from Lowell's leveraging of its growing data asset to enhance both pricing and operational capability and thereby drive increased collection performance. More recent vintages have primarily not had the benefit of time as these older vintages have, as Gross Money Multiple is based on collections to date.

For more information on how Lowell calculates ERC and Gross Money Multiples, see "*Presentation of Financial and Other Information—Non-Financial Operating Data*."

Seasonality

Lowell sees limited seasonal fluctuations in its collection from portfolios, which tend to be greater in the third and fourth quarters of Lowell's financial year due to customers generally having lower expenses during these months, for example because of lower heating costs. Conversely, collections within portfolios tend to be lower for months in which there are fewer working days, for example in months with public holidays.

Significant Factors Affecting Results of the Third Party Collections Operation

Lowell operates a third-party debt collection operation through its subsidiary Interlaken, acquired on May 16, 2013.

This business is much smaller than Lowell's core debt purchase business in terms of financial contribution. The primary objective of the servicing business is to optimize returns by attracting profitable placements of debt from third-party debt originators. Lowell aims to achieve this by:

(i) protecting both its own and the debt originators' reputations by offering customers practical, affordable and personalized long-term payment plans; and

(ii) using data to optimize its portfolios' gross collection potential.

As of June 30, 2015, Interlaken had £493.4 million of third-party debt under its management relating to various third parties, excluding debt managed for Lowell, representing 521.3 thousand active customer accounts. For the 12 months ended June 30, 2015, Gross Collections made on this debt was £89.9 million.

Lowell's debt collection business is affected by the volume and mix of debt passed to it from clients. There are no contractual commitments within the agreements determining the volume of accounts that clients will pass to Lowell at any given time, or the stage those accounts are in. As a result, Lowell's business can see fluctuations in income depending on what volume and quality of debt is passed to it. The table below shows how placement volumes have varied month on month in the nine months ended June 30, 2015.

	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15
Placement volumes ('000)	218	180	163	133	111	126	103	93	121
Placement (£m)	121	90	97	64	61	58	79	62	81

Most costs associated with collection are incurred up front, in tracing and contacting customers and setting up payment plans. The breakeven point can vary significantly with some taking two months and some taking up to three years, however, there is no provision in place within the agreements not to sell or recall the debt prior to it breaking even.

Significant Factors Affecting Comparability

Financial periods

The Lowell 2014 Audited Consolidated Financial Statements, Lowell 2013 Audited Consolidated Financial Statements and Lowell 2012 Audited Consolidated Financial Statements each present financial information from periods of differing length. The Lowell 2012 Audited Consolidated Financial Statements represent the Target's financial results for the 15-month period from May 31, 2011 to August 31, 2012. Notably, the Target had no operations and therefore no financial results prior to its acquisition of LGL on September 15, 2011. Thereafter, its financial results were the product of Lowell's operations. Additionally, the Lowell 2012 Audited Consolidated Financial Statements were adjusted to account for the 15 days that elapsed between September 1, 2011 to the date of the LGL acquisition on September 15, 2011. Accordingly, the Lowell Financial Year 2012 figures represent financial results for 12 months of Lowell's operations. The Lowell 2013 Audited Consolidated Financial Statements, from which the Lowell Financial Year 2013 figures (UK GAAP) were derived, represent Lowell's financial results for the 13-month period from September 1, 2012 to September 30, 2013. The Lowell 2014 Audited Consolidated Financial Statements, from which the Lowell Financial Year 2014 figures and the Lowell Financial Year 2013 figures (IFRS) were derived, represent the financial results for the 12-month period from October 1, 2013 until September 30, 2014. For further discussion of these changes in the length of Lowell's financial reporting periods, see "*Presentation of Financial and Other Information—Lowell Group.*"

Given that the financial results for the Lowell Financial Year 2014 and the Lowell Financial Year 2013 represent Lowell's financial performance over 12- and 13-month periods respectively, these results may not be directly comparable.

Results of Operations

Description of Lowell's Principal IFRS Consolidated Statement of Comprehensive Income Items

Below is a summary description of the key elements of the line items of Lowell's Consolidated Statement of Comprehensive Income for the Lowell Financial Year 2013 and the Lowell Financial Year 2014, as well as for the nine-month periods ended June 30, 2014 and June 30, 2015, each prepared in accordance with IFRS.

Income from portfolio investments

Income from portfolio investments (Lowell's purchased debt portfolios) represents the yield from acquired portfolio investments, net of VAT, all of which arose in the United Kingdom. Acquired portfolio investments are financial instruments that are accounted for using IAS 39 (Financial Instruments), and are measured at amortized cost using the effective interest method.

The effective interest rate ("**EIR**") is the rate that exactly discounts 84 months of estimated future cash receipts of the acquired portfolio asset to the net carrying amount at initial recognition (*i.e.*, the price paid to acquire the asset). An initial EIR is determined at the acquisition of the portfolio investment, and if required reassessed for up to 12 months after the acquisition to reflect refinements made to estimates of future cash flows based on actual data collected during that time period. It is not subsequently changed and this does not have a material impact on the accounts.

Acquired portfolio investments are purchased at a deep discount and as a result the estimated future cashflows reflect the likely credit losses within each portfolio.

When an individual portfolio's carrying value is completely reduced, Lowell recognizes collections as revenue as they are received.

Portfolio write up

Upward adjustments to carrying values as a result of reassessments to forecasted cashflows are recognized in the portfolio write up line item within revenue, with subsequent reversals also recorded in this line. If these reversals exceed cumulative revenue recognized to date, a provision for impairment is recognized as a separate Statement of Comprehensive Income line item.

Portfolio fair value release

As part of the acquisition accounting around the purchase of LGL by the Target on September 15, 2011, the portfolio investments were uplifted to their fair value at the date of acquisition. The portfolio fair value release represents the unwinding of this fair value uplift. This uplift is being unwound in line with the profile of Lowell's ERC over an 84-month period from the date of acquisition, in keeping with a standard collection curve profile. This results in over 50% being released in the first 24 months and almost 80% in 48 months.

Other revenue

Other revenue represents amounts receivable for tracing and debt collecting services (commissions) provided to the debt collection industry, net of VAT, all of which arose in the United Kingdom. The revenue is recognized when the service is provided (accrual basis) which in this case is when cash is collected from the customer on behalf of Lowell's client.

Collection activity costs

Collection activity costs consist of the direct costs of collection related to Lowell's loan portfolios and services as a debt collection agency. Lowell's main cost of sales is the cost of collection letters sent to its customers, including printing and postage costs. Other costs of sales include credit bureau data costs, commissions paid to third-party outsource providers and legal costs associated with collections.

Other expenses

Other expenses consist of operating expenses such as staff costs, depreciation of property, plant and equipment, and amortization of intangible assets, among other expenses.

Interest income

Interest income consists of the interest receivable on Lowell's bank accounts.

Finance costs

Finance costs consist of interest charges and fees on the Existing Lowell Senior Secured Notes and the Existing Senior Facilities, as well as interest accruing on preference shares and intercompany loan notes issued by Lowell's parent undertaking and certain other parties.

Goodwill impairment

Goodwill impairment consists of reductions to the carrying value of acquired businesses that come about as a result of the Lowell Group's impairment review. For more information about Lowell's goodwill accounting policies, see note 1 (Accounting Policies) and note 9 (Goodwill) to the Lowell 2014 Audited Consolidated Financial Statements.

Income tax expense

The charge for taxation is based on trading results, and takes account of taxation deferred or accelerated because of timing differences between the treatments of certain items for taxation and accounting purposes, principally the treatment of capital expenditure, for which depreciation allowable for taxation purposes differs from depreciation for accounting purposes and the non-deductibility of interest accruing on preference shares.

Description of Lowell's Principal IFRS Statement of Financial Position Items

Below is a summary description of the key elements of the line items of Lowell's Consolidated Statement of Financial Position for the Lowell Financial Year 2013 and the Lowell Financial Year 2014, as well as for the nine-month periods ended June 30, 2014 and June 30, 2015, each prepared in accordance with IFRS.

Portfolio investments

Portfolio investments are acquired from institutions at a substantial discount from their face value. The portfolio investments are initially recorded at their fair value, which is their acquisition price, and are subsequently measured at amortized cost using the effective interest rate method in accordance with IAS 39 (Financial Instruments).

The cash flow that each portfolio investment is expected to generate over the 12 months following the date of the statement of financial position is calculated, and this portion of each portfolio asset's carrying value is classified as current. The remaining portion of this carrying value is classified as non-current.

Description of Lowell's Principal UK GAAP Profit and Loss Items

Below is a summary description of the key elements of the line items of Lowell's profit and loss account for the Lowell Financial Year 2012 and the Lowell Financial Year 2013 prepared in accordance with UK GAAP.

Collections on owned portfolios

Collections on owned portfolios consisted of the total amount of reported collections across Lowell's purchased debt portfolios.

Amount of purchase cost recovered and fair value movement in debt portfolios

Lowell valued its purchased debt portfolios in its balance sheet under FRS 26 (Fair Value through Profit or Loss). Amount of purchase cost recovered and fair value movement in debt portfolios represented the amortization resulting from collections on purchased debt portfolios and any fair value movement resulting from the revaluation of each portfolio between the beginning and the end of the period, respectively. The annual portfolio amortization expense was calculated as the difference between the opening and closing balance sheet valuations of portfolios (indicated under debt portfolios below) plus the cost of in-year portfolio purchases. See notes 1 (Accounting Policies) and 2 (Critical Accounting Policies, Judgments and Estimates) to the Lowell 2013 Audited Consolidated Financial Statements.

Other turnover

Other turnover primarily consisted of a combination of monies received for third-party trace services and third-party contingent debt collection commissions. In the Lowell Financial Year 2012, such turnover was generated by Lowell's subsidiary, Tocatto Limited. In the Lowell Financial Year 2013, other turnover has increased significantly, reflecting the acquisition of Interlaken on May 16, 2013, since all of Interlaken's operations consist of contingent debt collection.

Cost of sales

Lowell's cost of sales represented the direct costs of collections related to its loan portfolios. Its main cost of sales was the cost of collection letters sent to its customers, including printing and postage costs. Other costs of sales included credit bureau data costs, commissions paid to third-party outsource providers and legal costs associated with collections.

Administrative expenses

Administrative expenses consisted primarily of staff salaries and benefits costs. The remainder of the expenses predominantly related to information technology, property and professional services costs.

Interest payable and similar charges

Lowell's interest payments included payments under the Existing Lowell Senior Secured Notes and the Existing Senior Facilities Agreement (and historically included payments under the Lowell Former Senior Facilities Agreement before it was repaid in March 2012). In addition, interest payments included interest accruing on preference shares and intercompany loan notes issued by Lowell's parent undertaking.

Amortization of intangible assets

Amortization of intangible assets represented the amortization on Lowell's acquired goodwill balances. The goodwill balances are being amortized on a straight-line basis over 20 years.

Tax on profit/(loss) on ordinary activities

The charge for taxation was based on trading results, and took account of taxation deferred or accelerated because of timing differences between the treatments of certain items for taxation and accounting purposes, principally the treatment of capital expenditure, for which depreciation allowable for taxation purposes differed from depreciation for accounting purposes and the non-deductibility of interest accruing on preference shares.

Profit/(loss) for the financial period

Profit or loss for the financial period represented the result of the consolidated profit and loss account after provision for taxation.

Description of Lowell's Principal UK GAAP Balance Sheet Items

Below is a summary description of the key elements of the line items of Lowell's balance sheets as of August 31, 2012 and September 30, 2013 prepared in accordance with UK GAAP.

Debt portfolios

Under FRS 26, debt portfolios represented the fair value of owned debt portfolios on Lowell's balance sheet. See notes 1 (Accounting Policies) and 2 (Critical Accounting Policies, Judgments and Estimates) to the Lowell 2013 Audited Consolidated Financial Statements. Portfolios were held at fair market value on the balance sheet. When a portfolio was initially purchased, it was held on the balance sheet at the purchase price. Lowell set an initial collections curve for the portfolio, which was used as the basis for the portfolio valuation for the first six months Lowell owned the portfolio. After six months, the portfolio value was recalculated on a monthly basis by creating a revised collection curve using Lowell's portfolio valuation models. Pursuant to Lowell's then-applicable accounting policies, for the first six months it owned a portfolio, the value of the portfolio recorded on its balance sheet never exceeded the original purchase price. If, during months three to six, a portfolio was underperforming, the amount held on the balance sheet was reduced to reflect the observed level of performance. Lowell only wrote up the value of the portfolio on its balance sheet to its fair value based on actual over-performance after it had owned the portfolio for six months. See "*—Description of Lowell's Principal UK GAAP Profit and Loss Items—Amount of purchase cost recovered and fair value movement in debt portfolios." The fair value of a portfolio was tested monthly and defined as the net present value assuming (i) a 15% annual discount rate for non-paying portfolios and a 12% annual discount rate for paying portfolios and (ii) a 25% servicing cost ratio for non-paying portfolios and a 10% servicing cost for paying portfolios, forecast over an 84-month period from the balance sheet date.*

Nine Months Ended June 30, 2015 Compared to Nine Months Ended June 30, 2014

Consolidated Statement of Financial Position

Portfolio Investments

During the nine months to June 30, 2015, portfolio investments increased by £50.7 million from £368.3 million as of September 30, 2014 to £419.0 million as of June 30, 2015. This increase was due to continued new portfolio purchases of £113.4 million in the nine-month period and a £15.1 million portfolio write-up as a result of over-performance of these new portfolios and portfolios already owned. This was offset by cash collections in excess of income from portfolio investments of £74.9 million.

Consolidated Statement of Comprehensive Income

The following table shows the Lowell Group's results for the nine-month periods ended June 30, 2014 and 2015 and the period-to-period change.

	For the nine months ended June 30,		
	2014	2015	Change in %
	£ million - unaudited		
Income from portfolio investments	78.4	92.1	17.5
Portfolio write-up	17.4	15.1	(13.2)
Portfolio fair value release	(3.6)	(2.8)	(22.2)
Other revenue	10.1	8.1	(19.8)
Collection activity costs	(23.4)	(28.2)	20.5

	For the nine months ended June 30,		
	2014	2015	Change in %
	£ million - unaudited		
Other expenses	(43.5)	(46.4)	6.7
Interest income	0.1	0.0	(100.0)
Finance costs	(47.3)	(50.8)	7.4
Loss before tax	**(11.8)**	**(12.9)**	**9.3**
Income tax expense	(1.0)	(1.4)	40.0
Loss for the period attributable to equity shareholders	**(12.8)**	**(14.3)**	**11.7**

Income from portfolio investments

Income from portfolio investments increased by £13.7 million, or 17.5%, to £92.1 million for the nine months ended June 30, 2015 from £78.4 million for the nine months ended June 30, 2014, due primarily to new portfolio purchases and strong collection performance on assets owned in the nine months ended June 30, 2015.

Portfolio write-up

Portfolio write-up decreased by £2.3 million, or 13.2%, to £15.1 million for the nine months ended June 30, 2015 from £17.4 million for the nine months ended June 30, 2014, due to the greater over-performance of collections relative to forecasts for the nine months to June 30, 2014 compared to the over-performance of collections relative to forecasts for the nine months ended June 30, 2015, offset by the rolling nature of the 84-month collection period used to ascertain portfolio carrying value.

Portfolio fair value release

Portfolio fair value release decreased by £0.9 million, or 22.2%, to £2.8 million for the nine months ended June 30, 2015 from £3.6 million for the nine months ended June 30, 2014, due to the uplift being unwound in line with the profile of Lowell's ERC over an 84-month period, resulting in a higher release in the earlier years.

Other revenue

Other revenue decreased by £2.0 million, or 19.8%, to £8.1 million for the nine months ended June 30, 2015 from £10.1 million for the nine months ended June 30, 2014, due to the decision to have Interlaken rationalize its client panel and remove certain members therefrom in order to achieve certain commercial and strategic goals.

Collection activity costs

Collection activity costs increased by £4.7 million, or 20.5%, to £28.2 million for the nine months ended June 30, 2015 from £23.4 million for the nine months ended June 30, 2014. This increase was primarily due to recognition of increased litigation costs on the Lowell statement of comprehensive income for the nine months ended June 30, 2015 compared to the nine months ended June 30, 2014. The increase in recognized litigation costs was due to the phased release of Lowell's capitalized litigation costs. Lowell recognizes litigation-related costs in line with its collection profits. As Lowell litigation strategy only commenced in May 2013, collections with regard to litigation activities for the nine months ended June 30, 2015 were materially greater than for the comparable period in 2014 (resulting in a greater release to the statement of comprehensive income). Capitalized litigation costs are released over 84 months, with the majority of costs returning to the statement of comprehensive income in the first 24 months. As the litigation strategy only commenced in May 2013, the costs released in the nine months ended June 30, 2014 were only in relation to costs incurred in that 14-month period (May 1, 2013 to June 30, 2014) compared to costs from a 26-month period being released during the nine months ended June 30, 2015.

Other expenses

Other expenses increased by £2.9 million, or 6.7%, to £46.4 million for the nine months ended June 30, 2015 from £43.5 million for the nine months ended June 30, 2014. The primary driver of this increase in other expenses was an increase in average headcount over the respective period of 340 FTEs (which includes additional FTEs from the Interlaken acquisition) in 2014 as compared to the prior period and the additional investment in infrastructure, predominantly to further increase the resilience of Lowell's IT platforms.

Interest income

Interest income decreased from £0.1 million for the nine months ended June 30, 2014 to £0.0 million for the nine months ended June 30, 2015.

Finance costs

Finance costs increased by £3.5 million, or 7.4%, to £50.8 million for the nine months ended June 30, 2015 from £47.3 million for the nine months ended June 30, 2014. The primary driver of this increase was increased bond interest and fees of £3.3 million in the nine months ended June 30, 2015, following the issuance of the £115 million aggregate principal amount of 5.875% senior secured notes due 2019 (the "**5.875% Notes**") by Lowell Group Financing plc and an increase of £0.2 million in fees from the Existing Senior Facilities Agreement, following the increase of availability under the Existing Senior Facilities Agreement to £215 million in June 2015.

Income tax expense

Income tax expense increased by £0.4 million, or 40.0%, to £1.4 million for the nine months ended June 30, 2015 from £1.0 million for the nine months ended June 30, 2014.

Lowell Financial Year 2014 Compared to Lowell Financial Year 2013

Consolidated Statement of Financial Position

Portfolio Investments

Portfolio investments increased by £92.9 million, or 33.7%, to £368.3 million as of September 30, 2014 from £275.4 million as of September 30, 2013, due to increased new portfolio purchases in the Lowell Financial Year 2014 of £162.2 million and over-performance of these new portfolios and portfolios already owned at the beginning of that period, which led to a positive fair value movement in debt portfolios of £25.3 million. This was offset by cash collections in excess of income from portfolio investments of £89.8 million.

Consolidated Statement of Comprehensive Income

The following table shows the Lowell Group's results for the Lowell Financial Year 2013 and the Lowell Financial Year 2014 and the period-to-period change.

	For the Lowell Financial Years		
	2013	2014	Change in %
	£ million - audited		
Income from portfolio investments	93.3	107.1	14.8
Portfolio write-up	11.9	25.3	112.6
Portfolio fair value release	(7.3)	(4.9)	(32.9)
Other revenue	6.8	18.7	175.0
Collection activity costs	(23.6)	(33.5)	41.9
Other expenses	(43.4)	(63.1)	45.4
Interest income	0.2	0.1	(50.0)
Finance costs	(60.9)	(63.9)	4.9
Goodwill impairment	(0.8)	—	(100.0)
Loss before tax	**(23.7)**	**(14.2)**	**(40.1)**
Income tax expense	(1.8)	(1.9)	5.6
Loss for the period attributable to equity shareholders	**(25.5)**	**(16.1)**	**(36.9)**

Income from portfolio investments

Income from portfolio investments increased by £13.8 million, or 14.8%, to £107.1 million for the Lowell Financial Year 2014 from £93.3 million for the Lowell Financial Year 2013, primarily due to continued portfolio purchases. Portfolio purchases in the Lowell Financial Year 2013 were £124.4 million, increasing to £162.2 million in the Lowell Financial Year 2014, an increase of 30.4%.

Portfolio write-up

Portfolio write up increased by £13.4 million, or 112.6%, to £25.3 million for the Lowell Financial Year 2014 from £11.9 million for the Lowell Financial Year 2013, due to the outperformance of actual cash collections as compared to forecast collections, along with the impact of higher collections as a result of litigation activity in the Lowell Financial Year 2014.

Portfolio fair value release

Portfolio fair value release decreased by £2.4 million, or 32.9%, to £4.9 million for the Lowell Financial Year 2014 from £7.3 million for the Lowell Financial Year 2013, due to the uplift being unwound in line with the profile of Lowell's ERC over an 84-month period, resulting in a higher release in the earlier years.

Other revenue

Other revenue increased by £11.8 million, or 175.0%, to £18.7 million for the Lowell Financial Year 2014 from £6.8 million for the Lowell Financial Year 2013, due to 2014 reflecting the full year impact of the Interlaken acquisition, which was completed in May 2013. The Lowell Financial Year 2014 also included one-off income of £5.2 million, which was the release of an accrued contingent consideration relating to the acquisition of Interlaken.

Collection activity costs

Collection activity costs increased by £9.9 million, or 41.9%, to £33.5 million for the Lowell Financial Year 2014 from £23.6 million for the Lowell Financial Year 2013. The primary driver of this increase in collection activity costs was increased litigation activity in 2014, with an increase in the number of accounts selected for litigation from approximately 34,000 in 2013 to approximately 236,000 in 2014. This accounted for £5.1 million of the period-to-period variance. The remaining variance reflects the full-year impact of the Interlaken acquisition and increased volumes of printing and postage in line with the growth in portfolio purchases.

Other expenses

Other expenses increased by £19.7 million, or 45.4%, to £63.1 million for the Lowell Financial Year 2014 from £43.4 million for the Lowell Financial Year 2013, due to the following reasons. Average headcount over the financial year increased by 340 FTEs (which includes FTEs from the Interlaken acquisition) year on year, reflecting investment in the senior management team, the IT infrastructure, the general growth of the business and the full-year impact of the Interlaken acquisition (£10.1 million). Premises costs also increased year on year, reflecting the acquisition of Interlaken and the move to larger premises in Leeds (£1.0 million). There was also continued investment in IT due to the increased complexity of the business and the move to a cloud-based platform (£2.9 million). Finally, professional fees were £5.9 million greater in the Lowell Financial Year 2014 than in Lowell Financial Year 2013, mainly due to the fees associated with advice on business strategic options for capital structure and financing.

Interest income

Interest income decreased by £0.1 million, or 50.0%, to £0.1 million for the Lowell Financial Year 2014 from £0.2 million for the Lowell Financial Year 2013. This reflects the decrease in interest rates offered by the Lowell Group's commercial lenders.

Finance costs

Finance costs increased by £3.0 million, or 4.9%, to £63.9 million for the Lowell Financial Year 2014 from £60.9 million for the Lowell Financial Year 2013. The primary driver of this increase was an additional £4.1 million of interest and fees, following the issuance of the 5.875% Notes in March 2014, and interest and fees of £2.6 million, following the issuance of the £75 million aggregate principal amount of 10.75% senior secured notes due 2019 by Lowell Group Financing plc in February 2013, offset by an extra month of interest on all debt in the Lowell Financial Year 2013, which was a 13-month period.

Goodwill impairment

No impairment costs were recognized for the Lowell Financial Year 2014. Lowell recognized goodwill impairment costs of £0.8 million for the Lowell Financial Year 2013 due to a write-down of the goodwill balance related to Tocatto Limited, a Lowell subsidiary, to £nil. Tocatto Limited was a debt collection business purchased by the

Lowell Group in 2008, the operations of which were subsumed by Interlaken after the Interlaken acquisition in May 2013. As a result, Tocatto Limited was wound down and closed at the end of December 2013, resulting in the goodwill having no carrying value.

Income tax expense

Income tax expense increased by £0.1 million, or 5.6%, to £1.9 million for the Lowell Financial Year 2014 from £1.8 million for the Lowell Financial Year 2013.

Lowell Financial Year 2013 Compared to Lowell Financial Year 2012

Balance sheet

Debt portfolios

Debt portfolios increased by £62.7 million, or 26.5%, to £299.5 million as of September 30, 2013 from £236.8 million as of August 31, 2012, due to continued new portfolio purchases in the Lowell Financial Year 2013 of £124.4 million and the over-performance of these new portfolios and portfolios already owned at the beginning of that period, which led to a positive fair value movement in debt portfolios of £11.0 million. This was partially offset by the purchase cost recovered of £74.5 million.

Consolidated profit and loss account

The following table shows the Lowell Group's results for the Lowell Financial Year 2012 and the Lowell Financial Year 2013, and the period-to-period change.

	For the Lowell Financial Years		
	2012	2013	Change in %
	£ million - audited		
Collections on owned portfolios	135.9	173.7	27.8
Amount of purchase cost recovered	(55.1)	(74.5)	35.2
Fair value movement in debt portfolios	11.9	11.0	(7.6)
Other turnover	0.3	6.8	2,166.7
Cost of sales	(15.9)	(23.6)	48.4
Administrative expenses	(25.4)	(37.3)	46.9
Depreciation	(2.0)	(2.5)	25.0
Interest receivable	—	0.9	n/a
Interest payable and similar charges	(51.8)	(61.7)	19.1
Fair value movement in derivatives	0.2	—	n/a
Goodwill amortization	(0.8)	(9.4)	17.5
Loss on ordinary activities before tax	**(9.9)**	**(16.6)**	**67.8**
Tax on loss on ordinary activities	(5.6)	(4.8)	(14.3)
Loss for the financial period	**(15.5)**	**(21.4)**	**38.1**

Collections on owned portfolios

Collections on owned portfolios increased by £37.8 million, or 27.8%, to £173.7 million for the Lowell Financial Year 2013 from £135.9 million for the Lowell Financial Year 2012. Of this increase, £13.7 million was generated in September 2013 and is therefore attributable to the additional month in the Lowell Financial Year 2013 compared to the Lowell Financial Year 2012. The remaining increase in collections on owned portfolios was primarily due to new portfolio purchases and strong collection performances in the Lowell Financial Year 2013.

Amount of purchase cost recovered / Fair value movement in debt portfolios (portfolio amortization)

Portfolio amortization increased by £20.3 million, or 47.0%, to £63.5 million for the Lowell Financial Year 2013 from £43.2 million for the Lowell Financial Year 2012. Of this increase, £4.6 million was generated in September 2013 and is therefore attributable to the additional month in the Lowell Financial Year 2013 compared to the Lowell Financial Year 2012. The amount of purchase cost recovered increased by £19.4 million, or 35.2%, to £74.5 million for the Lowell Financial Year 2013 from £55.1 million for the Lowell Financial Year 2012. This increase is largely in line with the increase in collections on owned portfolios. During the same period, fair value movement in debt portfolios decreased by £0.9 million, or 7.6%, to £11.0 million for the Lowell Financial Year 2013 from £11.9 million for the Lowell Financial Year 2012, reflecting the over-performance of collections in the Lowell Financial Year 2012.

Other turnover

Other turnover increased by £6.5 million to £6.8 million in the Lowell Financial Year 2013, all of which is attributable to the Interlaken acquisition.

Cost of sales / Administrative expenses

Operating expenses increased by £19.6 million, or 47.5%, to £60.9 million for the Lowell Financial Year 2013, from £41.3 million for the Lowell Financial Year 2012. The acquisition of Interlaken increased operating expenses by £6.4 million. In addition, Lowell incurred £4.5 million in operating expenses in September 2013, and the period-to-period increase is therefore partly attributable to the additional month in the Lowell Financial Year 2013 compared to the Lowell Financial Year 2012. Excluding operating expenses of £6.4 million attributable to Interlaken and £4.5 million of operating expenses incurred in September 2013, Lowell would have had operating expenses of £50.2 million, which would have represented an increase of £9.0 million, or 21.8%, compared to the Lowell Financial Year 2012.

This increase is due to additional investments in both collections activity and back-office infrastructure, with an increase of 73 FTE employees on average, or 14%, from 541 FTE employees as of August 31, 2012 to 614 FTE employees as of September 30, 2013 (excluding the Interlaken acquisition). The number of customer accounts is a key driver of costs incurred and in the Lowell Financial Year 2013, Lowell purchased 2.3 million customer accounts, as compared to 2.0 million customer accounts in the Lowell Financial Year 2012, representing an increase of 15.0%.

Interest payable and similar charges

Interest payable and similar charges increased by £9.9 million, or 19.1%, to £61.7 million for the Lowell Financial Year 2013 from £51.8 million for the Lowell Financial Year 2012.

Interest with respect to the Existing Lowell Senior Secured Notes and related fees increased by £20.4 million in the Lowell Financial Year 2013. The interest charge in the Lowell Financial Year 2013 related to 13 months of interest incurred with respect to the £200 million aggregate principal amount of the Existing Lowell Senior Secured Notes and seven months of interest incurred with respect to the £75 million aggregate principal amount of the Existing Lowell Senior Secured Notes. The interest charge in the Lowell Financial Year 2012 relates to only five months of interest incurred with respect to the £200 million aggregate principal amount of the Existing Lowell Senior Secured Notes. The interest charge incurred with respect to the Existing Senior Facilities increased by £1.1 million in the Lowell Financial Year 2013 compared to the Lowell Financial Year 2012. Funds were made available under the Existing Senior Facilities commencing on March 30, 2012, and therefore the Lowell Financial Year 2012 and the Lowell Financial Year 2013 represent five months and 13 months of interest charges respectively.

Preference shares were issued on September 15, 2011 and bear interest at a rate of 15.25%. Accordingly, the Lowell Financial Year 2012 represents 11.5 months of interest charges while the Lowell Financial Year 2013 represents 13 months of interest charges.

Until the original issue date of the Existing Lowell Senior Secured Notes on March 30, 2012, Lowell's group financing was provided for under the Lowell Former Senior Facilities Agreement. On March 30, 2012, such credit facility was fully repaid, and there was limited use of the Existing Senior Facilities for the remainder of the Lowell Financial Year 2012 and throughout the Lowell Financial Year 2013.

On September 15, 2011, loan notes from the parent undertaking were issued to the Lowell Group. A substantial portion of these loan notes was repaid when the Existing Lowell Senior Secured Notes were issued on March 30, 2012. Accordingly, the Lowell Financial Year 2012 represents 11.5 months of interest charges, the first 6.5 months of which elapsed prior to any repayment. The Lowell Financial Year 2013 represents 13 months of interest charges, all of which elapsed after a significant portion of the loan notes had been repaid.

See the table below for further details.

(£ in millions)	UK GAAP	
	For the Lowell Financial Year[(1)]	
	2012	2013
Interest payable and similar charges		
Interest payable on preference shares to Lowell's immediate parent	23.7	26.7
Interest payable on preference shares to other parties	0.7	0.7
Interest payable on the Existing Lowell Senior Secured Notes	9.0	28.4
Loan Notes to Lowell's immediate parent	10.2	2.9
Interest payable to banks	7.2	—
Fees payable on the Existing Lowell Senior Secured Notes	0.5	1.5
Interest and fees payable on the Existing Senior Facilities	0.4	1.5
Total interest payable and similar charges	**51.8**	**61.7**

(1) The financial information presented in this chart relates to periods of unequal duration. See "—*Significant Factors Affecting Comparability—Financial periods*."

Tax on loss on ordinary activities

Tax on profit on ordinary activities decreased by £0.8 million, or 14.3%, to £4.8 million for the Lowell Financial Year 2013 from £5.6 million for the Lowell Financial Year 2012.

Loss for the financial period

Loss for the financial period for the year increased by £5.9 million, or 38.1%, to £21.4 million for the Lowell Financial Year 2013 from a loss of £15.5 million for the Lowell Financial Year 2012, as a result of the factors discussed above.

Liquidity and Capital Resources

Lowell's historical liquidity requirements have arisen primarily from the need for Lowell to meet its debt and tax servicing requirements, to fund debt purchases and capital expenditures, and to fund its working capital.

Lowell's principal sources of liquidity have historically been its operating cash flow, the Existing Lowell Senior Secured Notes and borrowings under the Existing Senior Facilities. The Existing Lowell Senior Secured Notes and the Existing Senior Facilities are expected to be redeemed and repaid, respectively, as part of the Transactions. Going forward, we expect our sources of liquidity to be the combined cash flow from Lowell and GFKL, and the Amended and Restated RCF.

While collections have historically been predictable and consistent throughout the year, Lowell's debt purchase activity can vary from one quarter to the next. This is driven by the timing of one-off debt sales of its clients during the year, the timing of which Lowell does not control, along with its own desire to purchase a portfolio at a given point in time. For example, Lowell purchased £113.4 million of new portfolios in the nine months ended June 30, 2015 and £120.2 million in the nine months ended June 30, 2014.

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

We believe that the combined operating cash flows of Lowell and GFKL, together with the cash resources and future borrowings under the Amended and Restated RCF, will be sufficient to fund our debt and tax servicing requirements as they become due, working capital requirements and anticipated debt purchases, although this may not be the case. In particular, future drawings under the Amended and Restated RCF will only be available if, among other things, we meet the financial covenants included in the Amended and Restated RCF Agreement. See "*Description of Certain Financing Arrangements—Revolving Credit Facility*"

Cash Flow from Operating Activities

The following table sets forth the principal components of Lowell's cash flows, prepared in accordance with IFRS, for the nine months ended June 30, 2015, the nine months ended June 30, 2014, the Lowell Financial Year 2014 and the Lowell Financial Year 2013.

IFRS

	IFRS			
	For the Lowell Financial Year[(1)]		For the nine months ended June 30,	For the nine months ended June 30,
	2013 (restated)	2014	2014	2015
	(in £ millions)			
Consolidated cash flow statement:				
Net cash from operating activities	(57.1)	(81.2)	(61.7)	(29.5)
Net cash from investing activities	(31.7)	(4.7)	(4.5)	(1.7)
Net cash from financing activities	95.0	105.1	105.0	8.0
Net increase from cash and cash equivalents......................	6.3	19.1	38.8	(23.1)
Cash and cash equivalents at the beginning of the period...	9.0	15.3	15.3	34.4
Cash and cash equivalents at the end of the period	**15.3**	**34.4**	**54.1**	**11.2**

(1) The financial information presented in this chart relates to periods of unequal duration. See "*—Significant Factors Affecting Comparability—Financial periods*."

Net cash generated from operating activities

The net cash outflow from operating activities for the nine months ended June 30, 2015, was £29.5 million compared to £61.7 million for the nine months ended June 30, 2014. This decrease in cash outflow was primarily due to lower portfolio purchases during the period. A significant increase in litigation receivables in the nine months ended June 30, 2014 (as a result of Lowell's relatively new litigation strategy), further contributed to this change. In the nine months ended June 30, 2015, the rate at which costs were being capitalized and the rate at which they were being released to the statement of comprehensive income evened out, resulting in a lower increase in the trade receivables over that period and therefore a lower working capital requirement.

The net cash outflow from operating activities for the Lowell Financial Year 2014 was £81.2 million, as compared to £57.1 million for the Lowell Financial Year 2013. The increase in cash outflow was primarily due to the commencement of Lowell's litigation strategy, which resulted in £15.8 million of costs being capitalized onto the statement of financial position during the Lowell Financial Year 2014 compared to £1.6 million during the Lowell Financial Year 2013. This increase, combined with an increase of £37.8 million in loan portfolio purchases in the Lowell Financial Year 2014 as compared to the Lowell Financial Year 2013, resulted in the increased cash outflow from operating activities in the Lowell Financial Year 2014.

Net cash generated from investing activities

The net cash outflow from investing activities for the nine months ended June 30, 2015 was £1.7 million compared to £4.5 million for the nine months ended June 30, 2014. This difference is primarily due to £2.5 million in capital expenditure incurred during the nine months ended June 30, 2014 as a result of Lowell's relocation of its headquarters.

The net cash outflow from investing activities for the Lowell Financial Year 2014 was £4.7 million compared to £31.7 million for the Lowell Financial Year 2013. The decrease in cash used in investing activities was primarily the result of the acquisition of Interlaken in the Lowell Financial Year 2013, which cost Lowell £29.2 million. This was partially offset by greater capital expenditure in the Lowell Financial Year 2014, incurred as a result of the relocation of Lowell's headquarters as explained above.

Net cash generated from financing activities

The net cash inflow from financing for the nine months ended June 30, 2015, was £8.0 million compared to £105.0 million for the nine months ended June 30, 2014. This change in financing cash flows was primarily related to the issuance of a further £115 million aggregate principal amount of Existing Lowell Senior Secured Notes on March 11, 2014. These Notes were issued pursuant to a separate indenture from the one governing the £275 million aggregate principal amount of Existing Lowell Senior Secured Notes.

The net cash inflow from financing for the Lowell Financial Year 2014 was £105.1 million compared to £95.0 million for Lowell Financial Year 2013. This change in financing cash flows was primarily related to the issuance of £75 million aggregate principal amount of Existing Lowell Senior Secured Notes on February 11, 2013 and the further issuance of £115 million aggregate principal amount of Existing Lowell Senior Secured Notes as explained above.

UK GAAP

The following table sets forth the principal components of our cash flows, prepared in accordance with UK GAAP, for the Lowell Financial Year 2013 and the Lowell Financial Year 2012.

	UK GAAP	
	For the Lowell Financial Year[1]	
	2012	2013
	(in £ millions)	
Cash flow from operating activities	2.9	(7.6)
Returns on investments and servicing of finance[2]	(21.8)	(43.6)
Taxation	(6.5)	(4.9)
Capital expenditure and financial investment	(1.9)	(2.7)
Acquisitions and disposals	(232.1)	(30.0)
Cash outflow before financing	**(259.4)**	**(88.8)**
Financing	268.5	95.0
Increase in cash in the period	**9.0**	**6.3**

(1) The financial information presented in this chart relates to periods of unequal duration. See *"—Significant Factors Affecting Comparability—Financial periods*."

(2) Returns on investments and servicing of finance represents cash payments made to service loan debt instruments, principally the Existing Lowell Senior Secured Notes and the Existing Senior Facilities Agreement. In the Lowell Financial Year 2012, returns on investments and servicing of finance related to interest and fees on the Lowell Former Senior Facilities Agreement, the Existing Senior Facilities Agreement, the Existing Lowell Senior Secured Notes and unsecured loan notes issued by Lowell to its shareholders. In the Lowell Financial Year 2013, returns on investments and servicing of finance related to interest and fees on the Existing Senior Facilities Agreement and the Existing Lowell Senior Secured Notes.

Cash flow before financing

The net cash outflow before financing for the Lowell Financial Year 2013 was £88.8 million compared to £259.4 million for the Lowell Financial Year 2012.

Returns on Investments and Servicing of Financing

Returns on investments and servicing of finance represented cash payments made to service debt instruments, principally the Existing Lowell Senior Secured Notes, the Existing Senior Facilities Agreement and, until it was repaid in March 2012, the Lowell Former Senior Secured Facilities Agreement.

For the Lowell Financial Year 2013, returns on investments and servicing of finance was £43.6 million compared with £21.8 million for the Lowell Financial Year 2012. The Lowell Financial Year 2012 included £7.6 million of interest payable on £110 million of unsecured loan notes issued by the Target to its shareholder. In the Lowell Financial Year 2012, Lowell issued £200 million aggregate principal amount of the Existing Lowell Senior Secured Notes, entered into the Existing Senior Facilities Agreement and incurred arrangement fees and commissions. Lowell made interest payments on the Existing Lowell Senior Secured Notes in September and March, and therefore no interest was payable in the Lowell Financial Year 2012. However, Lowell made three interest payments on the Existing Lowell Senior Secured Notes in the Lowell Financial Year 2013, due to the extra calendar month included in this 13-month period.

Taxation

Taxation represented cash taxes paid and reflected a different amount than profit and loss taxation due to tax being paid quarterly, with 50% being due in the reporting year and the remaining 50% in the following year. For the Lowell Financial Year 2013, cash outflows related to taxation were £4.9 million compared to £6.5 million for the Lowell Financial Year 2012. The decrease was as a result of increased deductible interest charges and a reduced tax rate.

Capital Expenditure and Financial Investment

Lowell's capital expenditure comprises (i) IT hardware; (ii) IT software and development; and (iii) fixtures and fittings. Lowell incurred capital expenditure and financial investment amounting to £1.9 million for the Lowell Financial Year 2012 and £2.7 million for the Lowell Financial Year 2013.

Acquisitions and Disposals

Lowell spent £29.2 million in connection with the acquisition of Interlaken in the Lowell Financial Year 2013.

An amount of £232.1 million was spent in the Lowell Financial Year 2012 in connection with the acquisition of Lowell by the Target on September 15, 2011.

Financing

The net cash inflow from financing for the Lowell Financial Year 2013 was £95.0 million compared to £268.5 million for the Lowell Financial Year 2012.

Financing represented the net drawdown (positive) or repayment (negative) under the Existing Senior Facilities Agreement and the Existing Lowell Senior Secured Notes or under the Lowell Former Senior Facilities Agreement and shareholder loans.

Lowell's net drawdown of £95.0 million in the Lowell Financial Year 2013 was primarily related to the issuance of £75 million in aggregate principal amount of Existing Lowell Senior Secured Notes on February 11, 2013, along with a £7.1 million premium and £10 million drawdown on the Existing Senior Facilities Agreement as of September 30, 2013.

Lowell's net drawdown of £268.5 million in the Lowell Financial Year 2012 was comprised of the following:

	(£ in millions)
Existing Lowell Senior Secured Notes	200.0
Issue of ordinary share capital	1.2
Issue of preference shares	165.8
Unsecured loan note issued by Metis Bidco Limited to its shareholder	110.0
Repayment of unsecured loan note issued by Metis Bidco Limited to its shareholder	(92.4)
Repayment of mezzanine debt	(35.4)
Repayment of amounts borrowed under the Lowell Former Senior Facilities Agreement	(80.8)
Total	**268.5**

Capital Expenditure

Lowell's capital expenditure comprised (i) IT hardware, (ii) IT software and development, (iii) leasehold improvements, (iv) fixtures and fittings and (v) office equipment. Lowell's capital expenditures for the nine months ended June 30, 2015 were £1.7 million compared to £4.6 million for the nine months ended June 30, 2014. The decrease of £2.9 million, or 63.0%, was primarily due to significant expenditure on leasehold improvements in the nine months ended June 30, 2014 as a result of Lowell's move to larger premises in Leeds in April 2014.

Lowell's capital expenditures for the Lowell Financial Year 2014 were £4.9 million compared to £2.7 million for the Lowell Financial Year 2013. The increase of £2.2 million, or 81.5%, was primarily due to significant expenditure on the leasehold improvements associated with the relocation of Lowell's headquarters in 2014.

Lowell's capital expenditures for the Lowell Financial Year 2013 were £2.7 million compared to £1.9 million for the Lowell Financial Year 2012. This increase of £0.8 million, or 42.1%, was primarily due to increased expenditure on IT software and hardware to improve Lowell's technology infrastructure in 2013.

Lowell's budgeted capital expenditure for the financial year ending September 30, 2016 is £5.3 million, compared to £2.6 million for the financial year ended September 30, 2015. This increase of £2.7 million in budgeted capital expenditure is driven by continuing expenditure on key IT projects.

Working Capital

Lowell's working capital requirements have historically been low and typically consistent throughout the year. During the 12 months ended June 30, 2015, 91.1% of payments from customer accounts directly managed by Lowell were made through recurring payment methods, such as direct debits and continuous payment authorizations on debit and credit cards. Furthermore, Lowell has few supplier contracts, and therefore low and stable current debtors and creditors.

Cash flow conversion for the nine months ended June 30, 2015 has increased compared to the nine months ended June 30, 2014 as a result of movements in working capital. This increase was partly a result of a £19.0 million loan portfolio purchase for which the contract was transferred during this nine-month period, although Lowell's payment was not made until after June 30, 2015. Also contributing to the increase in working capital was a reduction in the difference between the recognition of capitalized litigation costs and the cash payments made in connection with such costs. In the nine months ended June 30, 2014, cash outflows associated with litigation costs were £8.4 million greater than the corresponding expense recognized in Lowell's statement of comprehensive income. This discrepancy fell to £2.2 million for the nine months ended June 30, 2015, as the monthly release on historical costs started to approach the level of cash outflows associated with these litigation expenses.

During the Lowell Financial Year 2014, the cash flow conversion decreased from 97.5% in the Lowell Financial Year 2013 to 96.3%. This decrease was primarily due to increased capital expenditure in connection with Lowell's relocation of its headquarters to Leeds.

Lowell's Qualitative and Quantitative Disclosures About Foreign Exchange Rate Risk, Interest Rate Risk, Market Risk and Credit Risk

Lowell has no significant exposures to foreign exchange rate risk. It is exposed to changes in interest rates because it finances certain operations through fixed and variable rate debt instruments. Changes in these rates may have an impact on future cash flow and earnings. Lowell manages these risks through normal operating and financing activities and, when deemed appropriate, through the use of derivative financial instruments. It does not enter into financial instruments for trading or speculative purposes.

By using derivative instruments, Lowell is subject to credit and market risk. The fair market value of the derivative instruments is determined by using valuation models whose inputs are derived using market- observable inputs, including interest-rate yield curves, and reflects the asset or liability position as of the end of each reporting period. When the fair value of a derivative contract is positive, the counterparty owes Lowell, thus creating a receivable risk for Lowell. Lowell is exposed to counterparty credit risk in the event of non-performance by counterparties to its derivative agreements. Lowell seeks to minimize counterparty credit (or repayment) risk by entering into transactions with major financial institutions of investment grade credit rating. Its exposure to market risk is not hedged in a manner that completely eliminates the effects of changing market conditions on earnings or cash flow.

As of June 30, 2015, Lowell had no outstanding derivative contracts.

Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual payment obligations.

The risk from the concentration of customer credit risk is limited due to the high number of individual customers and the relatively low value of each of the individual's debts. As of June 30, 2015, the Group had 18.2 million individual customer accounts, of which 12.2 million were still open and of which 1.6 million made at least one payment during the previous 12 months. The average balance on a customer account as of June 30, 2015 was £804.

Critical Accounting Estimates and Policies

The financial statements for the Lowell Financial Year 2013 included in this Offering Memorandum are derived from the Lowell 2014 Audited Consolidated Financial Statements in which the Lowell Financial Year 2013 figures were restated due to a change in the basis of financial statement preparation from UK GAAP to IFRS. Therefore, the restated figures for the Lowell Financial Year 2013 shown in this Offering Memorandum and in the Lowell 2014 Audited Consolidated Financial Statements will differ from the figures in the Lowell 2013 Audited Consolidated Financial Statements, which were prepared under UK GAAP.

The following represents a summary of some of the principal adjustments to profit attributable to shareholder and shareholder's equity as a result of the change in the basis of preparation from UK GAAP to IFRS.

Purchased portfolio accounting

Loan portfolios were previously accounted for using the fair value option under FRS 26. However in order to better represent the nature of the underlying transactions and business model of the Lowell Group, on transition to IFRS a policy of amortized cost, under IAS 39, was adopted.

Reversal of goodwill amortization

Goodwill was previously amortized under UK GAAP. This is not permitted under IFRS so the previously amortized amounts have been reversed.

Identification of separable intangible assets

IFRS 3 and IAS 38 require recognition of identifiable, separable intangible assets prior to recognizing goodwill from a business combination. The intangible assets that have been identified from past business combinations have been separated out, reclassified and amortized over their useful economic lives.

Expenditure of capitalized costs

Costs in relation to business combinations were previously capitalized under UK GAAP as part of the recognized goodwill. IFRS is more restrictive on this matter, and any costs that did not meet the capitalization criteria in IFRS 3 and IAS 38 have been expensed.

Reclassifications

Software and development costs were previously classified as tangible assets under UK GAAP. Such costs have been reclassified to intangible assets with corresponding depreciation having been reclassified to amortization as per IAS 38.

Deferred tax adjustments

Under UK GAAP, deferred tax assets were classified as current assets. Under IFRS they are classified as non-current assets.

For further discussion of this change in the basis of preparation for Lowell's financial statements and its effects, see note 3 (Explanation of Transition to IFRS) to the Lowell 2014 Audited Consolidated Financial Statements.

For a discussion of Lowell's critical accounting estimates and policies as applied to Lowell's financial information prepared in accordance with IFRS, see note 1 (Accounting Policies) to the Lowell 2014 Audited Consolidated Financial Statements. For a discussion of Lowell's critical accounting estimates and policies as applied historically for Lowell's financial information prepared in accordance with UK GAAP, see note 1 (Accounting Policies) to the Lowell 2013 Financial Year Audited Consolidated Financial Statements.

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

The following information should be read in conjunction with the selected consolidated financial and operating data and the consolidated financial statements and notes included elsewhere in this Offering Memorandum. The GFKL Audited Consolidated Financial Statements were prepared in accordance with IFRS and were audited in accordance with Section 317 HGB, and German generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors (Institut der Wirtschaftsprüfer) by E&Y which issued an unqualified auditor's report thereon in each case. The GFKL Unaudited Condensed Consolidated Interim Financial Statements, which were prepared in accordance with IFRS on interim financial reporting, have not been audited. The information below is not necessarily indicative of the results of future operations. The following discussion contains forward-looking statements that reflect GFKL's plans and estimates and our beliefs. GFKL's actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to these differences include, but are not limited to, those discussed below and elsewhere in this Offering Memorandum particularly in the sections entitled "Risk Factors" and "Forward-Looking Statements."

The unaudited financial information for the 12-month period ended June 30, 2015 included elsewhere in this Offering Memorandum is based on the GFKL Consolidated Financial Statements and is calculated by taking the consolidated interim financial information for the six-month period ended June 30, 2015 derived from the GFKL Unaudited Condensed Consolidated Interim Financial Statements and GFKL Holdco's internal accounting system, and adding it to the consolidated financial information for the year ended December 31, 2014 derived from the GFKL 2014 Audited Consolidated Financial Statements and GFKL Holdco's internal accounting system and subtracting the consolidated interim financial information for the six-month period ended June 30, 2014 derived from the GFKL Unaudited Condensed Consolidated Interim Financial Statements and GFKL Holdco's internal accounting system. This data has been prepared solely for the purpose of this Offering Memorandum, is not prepared in the ordinary course of our financial reporting and has not been audited.

The financial information as of and for the year ended December 31, 2012, was adjusted in the GFKL 2013 Audited Consolidated Financial Statements due to the first-time application of IAS 19R (relating to the treatment of interest expense on pension obligations) and the retrospective presentation of discontinued operations in the income statement according to IFRS 5. See notes II.2, II.3, III.12 and IV.10 to the GFKL 2013 Audited Consolidated Financial Statements. Accordingly, the financial information presented in this Offering Memorandum as of and for the year ended December 31, 2012 was derived from the comparative financial information included in the GFKL 2013 Audited 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 ERC, among others. There can be no assurance that items we have identified for adjustment as non-recurring will not recur in the future or that similar items will not be incurred in the future. The non-IFRS measures are not measurements of financial performance under IFRS and should not be considered as alternatives to other indicators of GFKL's operating performance, cash flows or any other measure of performance derived in accordance with IFRS. The non-IFRS measures as presented in this Offering Memorandum may differ from and may not be comparable to similarly titled measures used by other companies and Reported EBITDA Normalized EBITDA, Pro Forma Normalized EBITDA and Adjusted EBITDA may differ from "Consolidated EBITDA" contained in the sections "Description of Senior Secured Notes" and "Description of Senior Secured Notes" of this Offering Memorandum and the Indentures. The calculations for the non-IFRS measures are based on various assumptions. This information is inherently subject to risks and uncertainties. It may not give an accurate or complete picture of GFKL's financial condition or results of operations for the periods presented and should not be relied upon when making an investment decision. See "Presentation of Financial and Other Information."

The historical data below is not necessarily indicative of results of future operations and should be read in conjunction with "Use of Proceeds," "Capitalization," "Selected GFKL Consolidated Financial Information," and the GFKL Unaudited Condensed Consolidated Interim Financial Statements, the GFKL Audited Consolidated Financial Statements and the notes thereto, which are included elsewhere in this Offering Memorandum.

Overview

GFKL is the number one non-captive receivables management company and one of the top-four receivables management companies in Germany by 2013 revenue according to the German Company Market Study. GFKL specializes in third-party collections, debt purchase and the provision of value-added services for unsecured consumer debt. GFKL provides debt collection services to, and acquires portfolios of defaulted debt from, GFKL's clients, which are primarily corporate originators of consumer credit. GFKL is a non-captive company, which means the debt it services stems from originators outside of the GFKL Group. As of December 31, 2013, GFKL held market-leading positions in the insurance and fitness sectors and top-five positions in the banking, retail, e-commerce, telecommunications and public sectors, as well as a top 10 position in the utilities sector in Germany measured by 2013 revenue. For the year ended December 31, 2014, GFKL generated revenue of €243.8 million and Adjusted EBITDA of €66.5 million. For the 12 months ended June 30, 2015, GFKL generated revenue of €256.4 million and Adjusted EBITDA of €75.9 million. For a discussion of how GFKL define Adjusted EBITDA please see "*Presentation of Financial and Other Information*."

GFKL provides its clients with a comprehensive approach to receivables management, including:

- *Third-Party Collection Services*. GFKL provides debt collection and other receivables management services that are tailored to its clients' needs to help them improve cash flows from the recovery of outstanding balances from their debtors. GFKL's offering covers all stages of the debt collection process, from amicable collections to litigation, enforcement and long-term monitoring. In addition, GFKL provides its clients with a range of value-added services, including payment and risk management solutions, e-commerce solutions and data information services. These value-added services generally help GFKL get involved earlier in the debt recovery process and ultimately builds stronger client relationships. These value added services complement GFKL's core service offerings and differentiate it from competitors when it comes to new business opportunities. GFKL also has a successful track record of carving out and acquiring its clients' existing in-house debt collection operations, including staff transfers, in exchange for multi-year collection agreements. For the 12 months ended June 30, 2015, 55% of GFKL's revenue was generated from its third-party collection services business, excluding lawyer service revenue and other services revenue (other services is shown as "other" in the notes to the GFKL 2013 Audited Consolidated Financial Statements, representing the sum of "service and programming revenue," "maintenance revenue and royalties" and "other" in the notes to the GFKL 2014 Audited Consolidated Financial Statements). Lawyer service revenue is excluded as GFKL typically earns service revenue from lawyers only where it has engaged such lawyers to assist with its collection efforts, however, this revenue does not have a positive impact on GFKL's Reported EBITDA or net income as the fees paid to the lawyers are higher than the related service revenue earned by GFKL.
- *Debt Purchase*. GFKL acquires unsecured, non-performing and defaulted debt portfolios from its clients, generally at a discount to the principal value of the debt, except for a small amount of debt that it purchases at face value through its PayProtect service. GFKL uses a market-standard approach to pricing debt portfolios, which, together with its collection effectiveness, has enabled it to achieve actual collections on purchased debt portfolios that have exceeded projected recoveries. As of June 30, 2015, GFKL's Gross Collections since September 30, 2003 cumulatively exceeded the original forecast generated at the time of purchase by 21%. GFKL's debt purchase has been successful in engaging clients in "forward flow agreements" in which GFKL has agreed to purchase an amount of NPLs over a defined period of time at a pre-agreed price. As of June 30, 2015, 38% of GFKL's purchased portfolios were acquired in forward flow agreements, representing €125 million in debt purchased since September 30, 2003. Between September 30, 2003 and June 30, 2015, GFKL has invested approximately €333 million to acquire debt portfolios with an aggregate principal amount outstanding at the time of purchase (this amount may include accrued interest and fees at that time) of €3.6 billion. Over the same period, GFKL's Gross Collections were €661 million from purchased portfolios, representing 2.0x its aggregate investment over more than 12 years, and had gross estimated remaining collections over a 180-month period of €472 million as of June 30, 2015, generating a Gross Money Multiple of 3.4x on a cumulative basis. The Gross Money Multiple represents the total expected cash return from purchased debt portfolios, calculated as the sum of Gross Collections achieved from September 30, 2003 to June 30, 2015 and GFKL ERC divided by the purchase price. For the 12 months ended June 30, 2015, 45% of GFKL's revenue excluding lawyer service revenue and other services revenue was generated from GFKL's debt purchase business (other services revenue is shown as "other" in the GFKL 2013 Audited Consolidated Financial Statements, representing the sum of "service and programming revenue," "maintenance revenue and royalties" and "other" in the 2014 Audited Consolidated Financial Statements).

As a result of GFKL's favorable position in an attractive market and its leading practices and services, GFKL has enjoyed a strong record of returns, growth and improved profitability. For example, from 2012 to 2014, GFKL's revenue and Adjusted EBITDA grew at a CAGR of 24.6% and 17.5%, respectively. As of June 30, 2015, GFKL employed 805 FTEs, operating in 13 locations throughout Germany (with one additional location added as of

March 31, 2015), including GFKL's headquarters in Essen. GFKL receivables management teams, which consist of 698 FTEs as of December 31, 2014, are located at each of its major operating centers.

Illustrative Economics

- In GFKL's third-party collection services business, it manages overdue claims on behalf of its clients. As of June 30, 2015, GFKL had €10.4 billion of third-party debt under management, which generated €89.8 million of revenue for the 12 months ended June 30, 2015;
- In GFKL's debt purchase business, it acquires portfolios of defaulted debt from clients, typically at a discount to the outstanding principal value. The principal value at the time of purchase of GFKL's purchased debt acquired between September 30, 2003 and June 30, 2015 amounted to €3.6 billion. The purchase price totaled €333 million or 9% of principal value on average for debt purchased between September 30, 2003 and June 30, 2015. Based on our Gross Collections as of June 30, 2015 and GFKL's ERC, GFKL expects to collect 3.4x the purchase price over the next 180 months on the portfolios that we owned as of June 30, 2015.

The following table provides an overview of GFKL's illustrative economics as of and for the 12 months ended June 30, 2015.

Key Economics as of and for the 12 months ended June 30, 2015, respectively				
	Third-party debt under management	€10.4 billion	Principal value of purchased debt[1]	€3.6 billion
	Collections	€114.8 million	Total price paid (as % of principal value)	9%
	Revenue	€87.1 million	Portfolio purchase price	€333 million
	Revenue (as a % of collections)	76%	Gross collections	€661 million
			ERC (180 months)	€472 million
			Gross money multiple[2]	3.4x
			Years to break even (gross basis)	2.0

(1) Principal value of purchased debt is calculated as the principal amount that may include accrued interest and fees at the time of purchase of debt portfolios since 2003.

(2) Total expected cash return from purchased debt portfolios—calculated as the sum of Gross Collections achieved from September 30, 2003 through June 30, 2015 and GFKL's ERC divided by purchase price.

Factors Affecting GFKL's Results of Operations

GFKL's business and results of operations, as well as the key operating metrics discussed below, have been, and are expected to continue to be, affected by certain key factors including, in particular, level of debt and other defaulted receivables available for third-party collection and for purchase, the price at which we purchase portfolios of debt and other defaulted receivables, competition for portfolios and third-party collection contracts and pricing, gross collection levels, collection costs and operational efficiency, economic conditions and regulatory considerations. Each of these factors is discussed in more detail below.

Level of Consumer Debt and Other Defaulted Receivables Available for Third-Party Collections and Purchase

GFKL's results of operations are linked to the overall level of defaulted consumer debt and other defaulted receivables available for third-party collection and for purchase in Germany. The amount of addressable debt is therefore dependent on the following three key factors:

- *The overall level of outstanding unsecured consumer credit in the market*. Germany is the largest European economy and benefits from the largest consumer credit industry when measured by flow of unsecured consumer debt. In 2013, German consumers had approximately €310 billion of unsecured consumer credit newly created, which the German Company Market Study estimates is the largest unsecured consumer debt market in Europe. We anticipate that improving macroeconomic conditions in Germany will drive further growth of the amount of unsecured consumer credit outstanding.
- *Stable default rates*. Germany boasts a large flow of unsecured defaulted consumer debt being created each year, with approximately €9.5 billion created in 2013. Customer defaults are a structural component of consumer lending and certain volumes of defaults on consumer debt can be expected to occur throughout the credit cycle. As a result, originators typically manage their pricing to a target default level in accordance

with such expectations. Further, default rates have been and are expected to remain broadly stable in Germany as a result of improved macroeconomic conditions such as growing GDP, low interest rates, decreasing unemployment rates and low inflation.

- *The increasing propensity of creditors to outsource their receivables management function*. Outsourcing receivables collections can be achieved through third-party collection contracts with, or the sale of defaulted debt portfolios to, specialized receivable management companies. Recently, the German market has benefited from a trend whereby more German corporations have sought to outsource their receivable management functions. According to the German Company Market Study, in 2013, the principal value of unsecured defaulted consumer debt in Germany that was outsourced or sold to third parties was €4.8 billion, representing a 50% rate of outsourcing receivables management activities to third parties. We believe the trend to outsource the collection of outstanding debt and other receivables has been driven, in part, by corporations' desire to focus on core activities instead of non-core debt collection functions. Further, some sectors that have traditionally kept debt collection functions in-house, such as public utilities, are beginning to outsource their debt collection functions, as third-party debt collectors and purchasers tend to achieve greater collection levels. We believe GFKL has significant opportunities to expand further, within both third-party collection services and debt purchases as we expect the trend for corporations to outsource their debt collection and receivables management functions to continue. There are strong potential benefits for creditors in further outsourcing their debt recovery activities, including but not limited to a higher recovery rate, a lower cost to achieve recoveries and the ability to focus on the originator's core business. See "*Industry and Market Data.*"

Origination of New Business in Both GFKL's Third-Party Collection Services and Debt Purchasing Businesses

GFKL's ability to generate new business from its existing clients and procure new client contracts in both its third-party collection services and debt purchase businesses has been a key driver of GFKL's results of operations in the periods under review and will continue to be a key driver of GFKL's growth and profitability going forward.

We believe that maintaining high customer satisfaction has a direct impact on our number of long-term relationships and new business opportunities. GFKL's strong client relationships are evidenced by the fact that it has worked with many of its key originator clients for three or more years. In addition, 74% of GFKL's revenue for the year ended December 31, 2014 was generated from clients with which it had already established a relationship as of 2010. For the year ended December 31, 2014, GFKL's top 10 clients across its two core businesses accounted for in aggregate 72% of GFKL's third-party collection services and debt purchasing revenue (excluding revenue from lawyer service fees), and approximately 91% of the face value of GFKL's purchased debt portfolios was acquired from repeat clients. GFKL's strong relationships with its clients is further evidenced by its contract retention. For example, 86% of the revenue that GFKL generated from its third-party collection services and debt purchase business for the year ended December 31, 2014 was from clients with which GFKL had contracts as of January 1, 2014. We believe these strong relationships with GFKL's clients have provided it with both a steady stream of repeat business and revenue visibility.

In addition to maintaining long-standing relationships with its clients, GFKL has enjoyed a strong track record of gaining new business. Between January 1, 2013 and December 31, 2014 GFKL achieved an increase of 45% in new business receivables under contract and its average fixed new business contract length for large, well-known clients increased from 1.7 to 2.3 years. GFKL continues to attract new clients, especially large, well-known companies, adding 23 such companies in 2013 and 26 in 2014.

Purchases of Debt Portfolios and Other Defaulted Receivables at the Right Price

GFKL's ability to purchase debt portfolios and other defaulted receivables at the right price has been a key driver of its results of operations in the periods under review and will continue to be a key driver going forward. Purchased debt consists mainly of portfolios of debt and other defaulted receivables purchased at prices at a discount to the face value except for the face value purchases that GFKL makes in connection with GFKL's PayProtect product. Before purchasing portfolios, GFKL engages in a strict due diligence and valuation process to determine what price GFKL should offer to the client, see *"Our Business—Debt Portfolio Purchase—GFKL Debt Portfolio Purchasing."* We believe that since GFKL purchased its first debt portfolio in 2003 GFKL has improved its ability to effectively price and accurately predict future collections GFKL realizes on its purchased debt portfolios. GFKL's cautious and diligent approach has, we believe, led to a significant financial outperformance of its existing portfolios since 2003. GFKL's performance is dependent on its ability to purchase debt portfolios and other defaulted receivables that meet its investment criteria, including prices that generate an appropriate return on purchased debt. After purchasing a portfolio, GFKL's performance is further dependent on its ability to generate collections at or in excess of its expectations for that portfolio.

As of June 30, 2015, GFKL owned 215 unsecured portfolios of defaulted debt consisting of approximately 10.8 million accounts. Between September 30, 2003 and June 30, 2015, GFKL's Gross Collections on purchased portfolios represented nearly double its total initial investments of €333 million. Its portfolios are expected to continue to yield predictable cash flows, with 180-month ERC as of June 30, 2015 of €472 million, resulting in an expected total Gross Money Multiple of 3.4x (calculated including GFKL's ERC) on portfolios purchased as of June 30, 2015. A substantial portion of GFKL's ERC is expected to be generated from older vintages of debt portfolios for which GFKL has solid historical visibility on portfolio performance over time. Gross Collections on purchased debt increased from €86.7 million for the year ended December 31, 2013 to €91.6 million for the year ended December 31, 2014 despite a lower amount of debt portfolio purchases in 2014 (€27.8 million acquisitions of purchased debt portfolios) compared to 2013 (€30.3 million acquisitions of purchased debt portfolios including a purchase made in December 2012), demonstrating the strength of its collection techniques.

The table below presents information on the portfolios of unsecured debt and other defaulted receivables that GFKL purchased during the periods under review. In any period, GFKL purchases portfolios of debt that can vary in age, size, type and ultimate collectability, which, together with the supply and demand dynamics in the market, results in period-to-period variation in average prices paid and face value purchased.

	For the year ended December 31,			For the six months ended June 30,	
	2012	2013	2014	2014	2015
	(€ million, unless indicated)				
Acquisitions of purchased debt portfolios[(1)]	27.5	30.3	27.8	13.0	37.5
Face value of debt purchased during the period[(2)]	168.9	159.2	111.0	59.5	378.1
Total price paid as % of face value[(3)]	16.3%	19.1%	25.0%	21.7%	9.9%

(1) Acquisitions of purchased debt portfolios represents the purchase prices at the time the purchased debt portfolio was acquired. Acquisition cost and initial balance sheet valuation may, however, differ as a result of timing differences between the date on which the acquisition for the purchased debt becomes effective and on the acquisition closing date, when GFKL recognizes the purchased debt on its consolidated balance sheet. The timing difference of €4.3 million relates to a portfolio for which the purchase price was recognized as a cash outflow in 2012, but that GFKL presents here as corresponding to the year ended December 31, 2013 as the acquisition closed at the end of December 2012 and it did not start onboarding the receivables until January 2013. Therefore the acquisition was not recognized on its consolidated balance sheet until 2013. Purchases of PayProtect debt include the respective day-one impairments for the purpose of GFKL's purchased debt business. All further analysis of GFKL's purchased debt business are net of the PayProtect day-one impairments. For the year ended December 31, 2014 and for the six months ended June 30, 2015, this impairment totaled €0.6 million. The figure for the year ended December 31, 2012 includes the impact of GFKL's GCG Acquisition of €15.1 million.

(2) Face value of the purchased debt acquired during the period relates to the nominal value of receivables excluding any accrued interest, fees and costs at the time of purchase. For the six months ended June 30, 2015, GFKL converted two former third-party collection services portfolios into debt purchase portfolios with a face value of €309 million.

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

There are two principal models for purchasing portfolios of debt: spot sale agreements and forward flow agreements. In a spot sale, we agree to buy a portfolio of claims that we receive in one transaction upon payment. In Germany, spot sales are mostly conducted through auctions, especially in the financial services sector. In a forward flow agreement, we agree to buy claims with predetermined characteristics at a pre-defined price or price range for a given volume from a client on an ongoing basis. See "*Our Business—Debt Purchase—Debt Portfolio Purchase—Types of Debt Purchase Agreements*." In the period from September 30, 2003 to June 30, 2015, 38% of GFKL's portfolios were purchased in forward flow agreements, representing €125 million in purchased debt, while 62%, or €208 million, of portfolios were purchased in spot sales since September 30, 2003. We believe our ability to secure and renew forward flow agreements is a key driver of its performance as these increase client retention and thereby provide greater earnings visibility. Since 2008, more than 50% of GFKL's purchased debt was purchased under forward flow agreements and forward flow purchases have increased as a percentage of its total debt purchases since 2008.

GFKL's ability to purchase portfolios is dependent on its internally generated funding resources and its access to financing at the time portfolios become available for purchase. Prior to the GFKL Acquisition, GFKL funded its purchases of portfolios with cash generated from its operating activities, securitizations of purchased debt portfolios and borrowings under a prior credit facility. Going forward, we expect to be able to finance GFKL's debt purchases primarily with cash generated from its operating activities, borrowings under the Amended and Restated RCF and potentially other sources of funding. We believe that GFKL will be able to continue to have access to financing sources subject to market conditions. See "*—Liquidity and Capital Resources"* for additional information on the funding of GFKL's portfolio purchases and see "*—Economic Conditions*" for additional information on the effects of economic conditions on its business and results of operations.

Competition and Pricing

Competition and pricing levels in the market in which it operates affect GFKL's ability to successfully and profitably purchase portfolios of debt and other defaulted receivables and carry out its debt collection services. The German receivables management market is fragmented, consisting of many large corporates and smaller companies. Despite the fragmented nature of the market, there is significant concentration in revenue generation with only four firms representing 40% of the market by revenue, each of which generated revenue in excess of €100 million in 2013, according to the German Company Market Study. According to that market study, the larger receivables management services providers in Germany, including GFKL, have outpaced market growth in the recent term, with revenue growth averaging between approximately 12-15% per annum compared to general market growth of approximately 4%. We believe the strong performance of the larger German receivables companies as compared to the rest of the market in terms of revenue growth has historically been driven by the ability to leverage economies-of-scale as competitive advantages as well as by organic and inorganic growth. These scale effects include being able to cover multiple sectors, acquire and retain well-known clients and pursue multiple growth opportunities. For example, GFKL's diversified, full-service platform provides a "one-stop" receivables management solution for its clients, with a wide range of services throughout the debt collection value chain, including outsourced collection services, purchases of debt portfolios and other receivables management services.

In addition, we believe that GFKL's diversified business model increases its strategic flexibility, enabling it to allocate resources efficiently and opportunistically to its third-party collection services or debt purchase businesses in response to market conditions and portfolio pricing cycles. Similarly, GFKL's varied industry exposure allows it to allocate its focus and commercial efforts across the business sectors it services and, as a result, GFKL is able to benefit from divergent trends and evolving pricing cycles. For example, for the 12 months ended June 30, 2015, GFKL's third-party collection services business generated approximately 53% of its revenue from the insurance sector, with 11%, 12% and 7% derived from the telecommunications, financial services and retail sectors, respectively. For the same period, GFKL's debt purchase business derived 33%, 25%, 15%, 9% and 7% of its revenue from the retail, financial services, telecommunications, fitness and insurance sectors, respectively. See "*Risk Factors—Risks Related to Our Business and Industry—We are active in competitive markets and may be unable to continue to successfully compete with businesses that may offer more attractive prices or have greater financial resources, less expensive funding or lower return requirements than we have.*"

Gross Collection and Revenue Levels

GFKL primarily generates revenue from: (i) fees and cost-reimbursements from its third-party collection services and (ii) income from collections received from customers linked to claims in its purchased debt portfolios. The ability and willingness of a customer to pay depends on several factors, such as his or her employment status, the availability of funds and asset ownership. We believe that GFKL's business benefits from the quality of the data that it can gather about a customer's circumstances and the analysis that GFKL performs on such data in order to confirm the customer's employment status and/or his or her level of asset ownership. Such data and analytical capabilities help GFKL assess the customer's ability or willingness to pay and ultimately determine the best collection strategy for each individual. We believe that GFKL's business benefits from the bespoke nature of its collection process, whereby it tailors repayment plans to the individual situation of the relevant customers.

Germany is a particularly attractive market for the management of defaulted debt, as receivables management companies are able to generate income from a combination of fees and interest that are charged to the customer and fees charged to the originator. In addition, in Germany, debt remains collectable for a longer period than many other jurisdictions, which provides additional collection opportunities. For example, creditors in Germany have a long enforcement period against customers, as the statute of limitations for prosecuting debt claims is 30 years after obtaining an enforcement title. See "*Industry and Market Data—Legal and Regulatory Framework—Germany—Enforcement of Claims under German Law*."

Gross Collection Levels in GFKL's Third-Party Collection Services Business

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

For more information about GFKL's third-party collection services, see "—*Key Operating Metrics for Third-Party Collection Services*."

Gross Collection Levels on Purchased Debt Portfolios and the Ability to Extract Value and Maintain Collection Levels on Purchased Debt Portfolios

Revenue generated from claims in GFKL's purchased debt portfolios is impacted by the gross collection levels (put-backs included in gross collection levels do not impact revenue) that GFKL is able to achieve over time on the portfolios that it owns. The ability to maintain high gross collection levels is affected by its ability to effectively price the debt portfolios during the bidding phase. In order to accurately price a debt portfolio and to understand the potential return on investment, GFKL needs to assess a range of data points from the debt portfolio, including, but not limited to, customer information, receivables information and payment history. If GFKL misinterprets any of the data that it analyzes in connection with the diligence process, or any of the data proves to be faulty or otherwise incorrect, then an information asymmetry would result and its pricing for the debt portfolio may be incorrect. GFKL has a strong track record in outperforming its initial collection forecasts on the portfolios purchased. For example, between September 30, 2003, when GFKL purchased its first debt portfolio, and June 30, 2015, GFKL achieved Gross Collections of €661 million from these purchased portfolios and, as of June 30, 2015, these portfolios had a 180-month ERC of €472 million, generating a Gross Money Multiple of 3.4x (calculated based upon GFKL's ERC) on a cumulative basis. The Gross Money Multiple is the total expected cash return from purchased debt portfolios—calculated as the sum of Gross Collections achieved to date and GFKL's ERC divided by purchase price. Furthermore, we believe that GFKL is able to maximize its collection process by offering diversified, time efficient solutions to facilitate payments by customers.

Collection Costs and Operational Efficiency

Implementing an effective and efficient debt collection strategy at all stages of the collection life cycle is a key factor driving GFKL's revenue and operating expenses. GFKL's debt collection process is standardized and highly automated, with the goal of maximizing the total amount collected over the life of the debt through amicable collections or through an enforcement judgment. GFKL endeavors to foster payment solutions, such as bespoke repayment plans, that provide visibility on the cash collected and minimize default risk for customers.

We believe access to data and intelligent collection solutions is a key factor driving successful debt recovery at efficient prices. GFKL is harnessing its data and analytics as tools to determine the most efficient, effective and regulation-compliant way to collect debt from its customers. For example, the ability to segment GFKL's accounts, using internally developed scorecards, will allow it to locate those accounts which are most able and/or likely to pay and simultaneously will increase its collection rates and lower its costs.

GFKL has systematically carried out projects that have had, and that we believe will continue to have, a positive effect on its operations. GFKL has divested a number of non-core activities and smaller businesses during the periods under review, including its operations in Spain. In addition to making strategic divestitures, GFKL has made strategic acquisitions to complement its collections processes, such as the acquisition of DMA in 2014, a data solution provider that sources information from more than 15 data information companies into one platform. The acquisition of DMA has afforded its data analytics team a competitive advantage by providing them a multi-sourcing data information tool, and GFKL has improved its collection processes by implementing internal initiatives such as the GFKL Service Center, which is a centralized automated hub for managing mail and processing millions of incoming and outgoing letters annually.

Year-on-year and other period-on-period trends in GFKL's collection cost percentages are not necessarily indicative of its operational efficiency and the return on capital GFKL can achieve on its acquired portfolios, as they are impacted by the varying characteristics of the portfolios GFKL purchases in different years and differences in the timing of portfolio purchases during the year. Specifically, we believe that recent trends in GFKL's collection cost ratio have been driven by: (i) the characteristics of the purchased debt portfolio (*i.e.*, the industry or specific contractual arrangement of the debt); (ii) significant improvements in the operational efficiency of its collections team, primarily due to GFKL's implementation of a more automated and centralized debt collection function; (iii) changes in the volume of claims and other outstanding debt collected which can vary in any given period based on a number of factors outside of GFKL's control, such as the general macroeconomic condition in Germany; and (iv) recent statutory increase to legal fees, which has improved its revenue. See "—*Economic Conditions*."

Economic Conditions

During the periods under review, the German economy has remained relatively stable. However, a change in the economic and market conditions in Germany can have various effects on GFKL's operations. For example, adverse economic conditions and increased levels of unemployment may lead to higher default rates on outstanding debt, which may increase the amount of debt and other defaulted receivables held by GFKL's debt collection clients, thereby potentially increasing the volume of claims outsourced to GFKL for collection. Similarly, negative economic developments in turn may increase the stock of debt portfolios available for it to purchase and positively impact GFKL's prospects of purchasing debt portfolios with attractive returns. However, if adverse economic conditions materially reduce the ability of customers to repay their debt, GFKL's revenue from both the third-party collection services and debt purchase businesses could decrease.

Improved economic conditions are likely to increase income available to German households, increasing customers' ability to repay their debt, which will ultimately improve GFKL's overall collections. Positive economic conditions may also increase the underlying credit stock, driven by higher private consumption and continued low interest rates, in turn driving the amounts of consumer credit. Conversely, lower default rates on loans, could negatively impact the growth of the stock of debt portfolios available to be outsourced to GFKL for collection or for it to purchase, which would negatively impact GFKL's revenue from both third-party collection services and debt purchasing.

Should the economic environment affect creditors' preferences to either sell or outsource, we believe GFKL's diversified business model offers GFKL the flexibility to follow the changing market trends by rebalancing its capacity towards either of its business units.

Regulatory Considerations

GFKL's results of operations are affected by a number of laws and regulations in Germany. GFKL is subject to regulatory and compliance requirements relating to labor, license requirements, consumer credit, debt collection, default interest calculation, statutes of limitation, data protection, anti-corruption, tax and VAT, handling of client funds and other regulatory regimes. GFKL has detailed policies and procedures in place that are designed to foster compliance with applicable law and to ensure that compliance issues, if any, are identified and appropriately elevated within the organization. GFKL's policy regarding regulatory compliance defines, among other things, governing principles regarding identification of governing laws and regulations, delegation of compliance responsibilities, guidelines on education and competence, testing and documentation of regulatory compliance control measures.

In Germany, creditors have a long enforcement period against customers as the statute of limitations to apply for and obtain enforcement title against customers is generally three years and once obtained, the enforcement title is valid for 30 years. See "*Our Business—Legal Framework—Enforcement of Claims under German Law*." German law further regulates the fees that are charged by third-party debt collectors and third-party law firms engaged in the collection process. German law regulates whether, and how much, such fees may be passed on to the customer for collection. Any new laws or regulations that may be adopted, as well as changes to existing laws or regulations, could constrain or prevent GFKL's ability to operate. See "*Regulation*" and "*Risk Factors—We are subject to German and EU regulations and changes to the regulatory environment or a failure to comply with applicable laws, regulations, licenses and codes of practice may negatively affect our business*" and "*Industry and Market Data—Legal and Regulatory Framework*."

Recognition of Purchased Debt Portfolios, Revenue Recognition, Estimation of Collection Forecast and Revaluation of Purchased Debt Portfolios

The following sections describe how GFKL historically, and for the periods under review herein, recognized purchased debt portfolios at the time of purchase and subsequently in its consolidated balance sheet, and how the returns generated through debt collections on such purchased debt portfolios were reflected in its consolidated income statements. The measures GFKL historically utilized to value and recognize revenue from its purchased debt portfolios were derived from a number of other measures that were not defined under IFRS and which involve a higher degree of judgment or complexity, including IRR and collections forecast, and these were areas where assumptions and estimates were significant to the GFKL Consolidated Financial Statements. See "*Presentation of Financial and other Information—Non-IFRS and Non-UK GAAP Financial Measures.*" GFKL anticipates it will recognize the value and revenue from its debt portfolios differently going forward. See "*—Factors Affecting Comparability.*"

Recognition of Purchased Debt Portfolios

Purchased debt consisted mainly of portfolios of debt purchased at prices below the face value. In most cases, GFKL owns title to the debt portfolios that it purchased, but in some cases GFKL only possesses the right to collect upon the underlying debt. Purchased debt was reported at fair value through profit and loss as "Non-performing loans and receivables acquired for settlement" on GFKL's consolidated balance sheet. Portfolios are initially recognized on its balance sheet at their acquisition cost, which typically corresponds to the purchase price paid by GFKL and represents the present value of estimated future collections net of estimated servicing costs. Acquisition cost and initial balance sheet valuation may, however, differ as a result of timing differences between the date on which the acquisition of the purchased debt becomes effective and the acquisition closing date, when GFKL recognizes the purchased debt on its consolidated balance sheet. The balance sheet asset is then amortized based on the collections on the claims of the purchased debt. Further, the amount recognized on GFKL's balance sheet is affected by put-back claims and fair value changes which reflect primarily the actual over/under performance in the collection process as well as changes in estimated future collections.

The bids GFKL submits for purchased debt are generally based on the estimated pricing collections forecast (including collection on unpaid interest, costs and fees), net of expected servicing costs, with both the collections forecast and expected servicing costs discounted at a target rate (internal rate of return or "**IRR**"). The pricing collections forecast is based on forecasted collection plans with a typical length of up to 120 months depending on the industry. GFKL uses information on the purchased debt provided by the applicable seller in the course of a due diligence process together with reference data from GFKL's other purchased debt and its data analytic teams to determine the collections forecast, expected servicing costs and the IRR. The average estimated service cost rate (i) depends on the characteristics of the purchased debt portfolio, (ii) reflects the level of debt collection activities already undertaken and (iii) includes an allocated amount for general expenses, including direct external costs, direct staff costs and an adequate portion of overhead. Average service cost rates range from 12% to 48% of the expected collections depending on the characteristics of the purchased debt portfolios. Similar to the estimated servicing costs, the IRR is initially set based on the characteristics of the purchased debt portfolio. IRR is generally set at a range between 8% and 40%. For example, during the course of 2014, GFKL typically calculated its purchased debt with a Net IRR of approximately 12%. The actual IRR can change over the term of the portfolio due to fluctuations in interest rates in the capital markets. Changes to the actual IRR lead to additional monthly income or expenses which are ultimately reflected on GFKL's consolidated income statements.

In addition to one-time spot transactions, GFKL also purchases portfolios under forward flow agreements which represent an obligation and/or an option to purchase debt from the same vendor in a series of spot transactions (typically on a monthly basis with a contractually agreed bandwidth of debt volume). Accounting for assets purchased under forward flow agreements is not different from accounting for assets purchased in spot transactions.

Following the initial recognition of the purchased debt portfolios at their purchase price, the purchased debt portfolios are subsequently measured at fair value through profit and loss using a market value-based model. For an illustrative example detailing how purchased debt portfolios are recognized in GFKL's consolidated balance sheet and further information regarding the revaluation of the purchased debt portfolio, see "*—Revaluation of Purchased Debt Portfolios*."

Recognition of Revenue from Purchased Debt

The recognition of collections in GFKL's debt purchase business can be split into three components, two of which are recognized as revenue in the GFKL consolidated income statements, with the remaining one affecting GFKL's consolidated balance sheet. Revenue in GFKL's consolidated income statement comprises the following items: service cost revenue and investment income.

- Service income is recorded on a monthly basis by multiplying an imputed, fixed estimated service cost ratio by the collections during the specified period for the purchased debt portfolio. The service cost rate reflects the level and scope of debt collection activities undertaken and typically differs for each portfolio depending on its characteristics such as the applicable debt origination industry, and an allocated amount for general expenses and overheads. Because the service cost revenue is tied to the amount of collections, service cost revenue is positively influenced by growing collections.
- Investment income represents a capital return on the investment in the purchased debt portfolio and is recorded on a monthly basis by multiplying the individual portfolio carrying amount (specifically the monthly opening balance) by the IRR designated at purchase (the weighted average IRR for GFKL's debt purchase business was 12.9% as of December 31, 2014).

The remaining component of collections relates to the amount of the purchased debt repaid, which amortizes the capitalized book value disclosed on GFKL's consolidated balance sheet. This portfolio amortization is the difference between actual collections and the sum of service cost revenue and investment income. While portfolio amortization is recognized on the balance sheet, it is also cash effective, but not recognized as revenue.

For an illustrative example of how portfolio revenue is recognized, see the chart under the heading "*—Revaluation of Purchased Debt Portfolios*."

Revaluation of Purchased Debt Portfolios

Following the initial recognition of a purchased debt portfolio at its purchase price, the carrying value of purchased debt is rolled forward each month and decreased by the calculated portfolio amortization. See "*—Recognition of Revenue from Purchased Debt*." A purchased debt portfolio is recognized at fair value. Its fair value is changed, either positively or negatively, typically at the end of each fiscal year, although an intra-year revaluation may be triggered when current collections over the previous three months positively or adversely deviate from forecast collections by more than 15%. Changes in the fair value of a debt portfolio are recorded in GFKL's consolidated income statement. These changes are not cash effective. Developments which could result in a revaluation include:

- <u>Additional collections or a shortfall in collections in the period</u>: represents unplanned additional collections or shortfalls in collections;
- <u>Updated collection plans</u>: represents positive or negative fair value adjustments when comparing the amortized carrying amount and the net discounted portfolio collection forecasts, the latter determined on the basis of an updated collection plan reflective of the changes in the estimated collection forecast since the last revaluation. At the first revaluation, the estimated collection forecasts are compared against the collection forecasts at pricing and at the second revaluation, the estimated collection forecasts are compared against the collection forecast at the first revaluation, with iterative revaluations in the following months;
- <u>Changes in market interest rates</u>: represents any positive or negative variance between the estimated collection forecast discounted at the IRR which was determined at the time of purchase and the maturity matching EURIBOR six-month swap rates, which may increase or decrease the carrying amount of the financial asset (tested on a monthly basis) and adjust the actual IRR used to calculate investment income; and
- <u>Changes in service cost rates</u>: represents changes in carrying amounts resulting from updated service cost rates with an impact on estimated net collections. Since the year ended December 31, 2012, service cost rates have largely remained constant except for a small number of portfolios which have been affected.

First, a portfolio analysis is conducted by the valuation team, which prepares a range of collection curves with the aid of a specialized software tool, for comparison against the debt collection plan presently applied. These various analyses provide the following information: (a) regular payments analysis: a forecast curve, which projects patterns of regularly paying customers into the future; (b) installment plan analysis: a forecast curve derived from agreed installment plans in place at the time of revaluation; (c) decay rate analysis: a forecast curve based on historical decay rates; (d) regression analysis: a forecast based on statistical analysis of actual collections; and (e) cohort analysis: a forecast curve based on collection patterns for different clusters grouped by principal value (either based on patterns from the portfolio itself or a reference portfolio).

In the second step, the portfolio manager, the valuation team and the management of the relevant operating entity review the results of the portfolio analysis and discuss which of the derived curves (as described above), or even a blended curve, might be the best fit, *i.e.,* reflecting the specific operational circumstances as well as the inherent uncertainties. The outcome of this review might be a proposal to adjust the collections forecast, which could influence the carrying value of the portfolio on GFKL's consolidated balance sheet and also the revenue in its consolidated income statement.

In the third and final step, senior management of the relevant operating company and/or senior GFKL management (depending on the materiality of the revaluation) are asked for their approval of the proposed adjustment.

The overall process (collection curve analysis, reasoning, approval) is properly documented and regularly reviewed by the auditors.

Fair value adjustments are recognized as revenue in GFKL's consolidated income statement and are accrued to the carrying value of the acquired portfolio on GFKL's consolidated balance sheet. While fair value adjustments in the purchased debt portfolio are recognized in GFKL's consolidated income statement, they are not cash effective components.

In each revaluation process, if the remaining term from the initial forecast is less than 84 months, then the planning period for such revaluation period is set at 84 months. If the remaining term is more than 84 months, then the remaining term is used for the revaluation process.

Illustration of Accounting Principles

The table below sets forth an illustrative example of purchased debt portfolio revenue recognition and how it is reflected in GFKL's consolidated financial statements. The below assumes actual collections are in line with initial forecast, there are no changes in future collections expectations and no changes in market interest rates or the estimated cost of service.

Illustrative Purchased Debt Portfolio Accounting

€k	Year 1	Year 2	Year 3	Year 4
Portfolio valuation at purchase ("PV")				
Gross collections forecast	1,000	800	600	**2,400**
(-) Service costs (40% service cost rate)	(400)	(320)	(240)	**(960)**
(-) Discounting (13% IRR)	(69)	(104)	(111)	**(284)**
= Purchase price				**1,156**
Collections forecast				
Planned collections	1,000	800	600	**2,400**
PV net collections forecast (begin of period)	1,156	707	319	
PV net collections forecast (end of period)	707	319	–	
Actual collections	1,000	800	600	**2,400**
Balance sheet carrying amount				
Beginning of period	**1,156**	**707**	**319**	–
(-) Collections	(1,000)	(800)	(600)	**(2,400)**
(+) Service income (40% service cost rate)	400	320	240	**960**
(+) Investment income (13% IRR)	150	92	41	**284**
(-) Portfolio amortization	**(450)**	**(388)**	**(319)**	**(1,156)**
(+) Fair value changes	–	–	–	–
= End of period	**707**	**319**	–	–
P&L revenues				
Service income	400	320	240	**960**
Investment income	150	92	41	**284**
Additional or shortfall in collections in the period	–	–	–	–
Updated collection plans	–	–	–	–
Changes in market interest rates				
Changes in service cost rates				
Fair value changes	–	–	–	–
Total revenue	**550**	**412**	**281**	**1,244**

- **Scenario: Actual collections are in line with the initial forecast**
- The portfolio is initially recognized at cost (purchase price) which typically represents the net present value of the collection forecast
- Collections receipts are split into three different components to account for realized revenue as well as the amortization of the purchased debt portfolio carrying amount
  - Service cost revenue is calculated as imputed service cost rate (e.g., 40%) multiplied by the collections of the current period (*i.e.*, 40% x 1,000 = 400 in Year 1)
  - Investment income is calculated as IRR (determined at purchase, e.g. 13%) multiplied by the opening carrying amount of the current period (*i.e.*, 13% x 1,156 = 150 in Year 1)
  - The remainder of collections after allocation of service cost revenue and investment income represents the fair value recognized on the balance sheet in the Consolidated Financial Statements (*i.e.*, 450 in Year 1)
- At the end of each period, the carrying amount reflects the accounting forecast (present value of forecasted net collections)

Estimation of Cash Flow Forecasts From Purchased Debt Portfolios

The estimation of collection forecasts is a key variable in GFKL's policies on purchased debt portfolios. The initial estimates are based on GFKL's collection history with respect to portfolios comprising similar attributes and characteristics, such as date of purchase, debt originator, type of receivable, customer payment histories, customer location, and the time since the original charge-off, as well as on GFKL's experience and the existing schedule of repayment plans on the particular portfolio for which it is determining IRR. Further, the carrying amount of purchased debt portfolios in accordance with IFRS is based on GFKL's collection forecast for its acquired portfolios. As a result, we believe it is important to assess GFKL's purchased portfolios by analyzing the development of its collection plans.

Recognition of Prepayments related to Third-Party Collection Services, Revenue Recognition and Cash Flows from Third-Party Collection Services

The following sections describe how revenue and related balance sheet items are recognized for GFKL's third-party collection services business.

Revenue Recognition

Revenue from GFKL's third-party collection services business activities consists of collections, potential cost reimbursements and lawyer services revenue. Collections received are either retained as compensation for collection activities or forwarded to the applicable client in accordance with individual contractual arrangements. In addition, some contracts provide for the reimbursement of certain collection-related costs such as court fees. Such reimbursements are recorded as revenue. Both collections and reimbursements are typically fully cash effective.

Recognition of Upfront Payments to Clients

Certain contracts in GFKL's third-party collection services business stipulate that it provides collection guarantees, which trigger upfront payments to its clients. These upfront payments are capitalized as "Receivables from guaranteed collections" within financial assets on GFKL's consolidated balance sheet. Once capitalized, these assets are subsequently amortized when collections attributable to the serviced portfolio are received. See "*Our Business—Debt Collection—Overview*."

Factors Affecting Comparability

GFKL currently plans to change how it recognizes its purchased debt portfolios, including the recognition of revenue from its debt portfolios and portfolio amortization. Going forward, GFKL intends to recognize its debt portfolio assets in a method consistent with how Lowell recognizes its purchased debt portfolios. For a description of how Lowell values and recognizes revenue from its purchased debt portfolios, see "*Management's Discussion and Analysis of Lowell's Financial Condition and Results of Operation—Results of Operations—Description of Lowell's Principal IFRS Consolidated Statement of Comprehensive Income Items—Income from portfolio investments*", "*Management's Discussion and Analysis of Lowell's Financial Condition and Results of Operation—Results of Operations—Description of Lowell's Principal IFRS Consolidated Statement of Comprehensive Income Items—Portfolio write up" and* "*Management's Discussion and Analysis of Lowell's Financial Condition and Results of Operation—Results of Operations—Description of Lowell's Principal IFRS Consolidated Statement of Comprehensive Income Items—Portfolio fair value release."* As a result of this contemplated change, the value of, and revenue from, GFKL's current and non-current non-performing loans and receivables acquired for settlement (GFKL's purchased debt), going forward may not be comparable to the figures presented herein for the periods under review. See "*Summary Combined Non-Financial Operating Data*."

Key Operating Metrics

Purchased Debt Portfolios

During the periods under review, GFKL experienced significant growth in its asset base and cash flow generation, which we believe was the result of: (i) the growing volume of the purchased debt portfolios GFKL was able to acquire; (ii) its pricing discipline; and (iii) the efficiency and sophistication of its third-party collection services operations.

The table below sets forth an overview of GFKL's total holdings of purchased debt portfolios and other defaulted receivables as of and for the periods indicated.

	As of and for the year ended December 31,			As of and for the six months ended June 30,	
	2012	2013	2014	2014	2015
			(unaudited)		
Number of active claims (in thousands) at the end of the period	1,782	1,866	1,944	1,924	2,344
Face value of purchased debt with active claims (€ billion) at the end of the period(1)	5.3	5.0	5.0	5.1	5.5
Gross Collections from purchased debt (including payment receipts from secured portfolios) (€ million)(2)	82.2	88.8	91.7	45.7	54.9

(1) Includes accrued interest, fees and other charges for the active claims.
(2) See "*Summary GFKL Consolidated Financial and Other Information—Other Financial and Operating Data—Footnote 1*."

The table below sets forth the movement in GFKL's carrying value of purchased debt for the periods indicated.

	As of and for the year ended December 31,			As of and for the six months ended June 30,	
	2012	2013	2014	2014	2015
			(€ million)	(unaudited)	
Carrying amount of non-performing loans and receivables acquired for settlement at the beginning of the period	121.5	116.8	100.7	100.7	102.8
Reclassification to assets classified as held for sale(1)	—	4.1	—	—	—
Acquisitions	31.6	26.1	27.8	13.0	37.5
Disposals(2)	(2.0)	(6.0)	(1.7)	(1.1)	(5.0)
Amortization(3)	(38.2)	(39.5)	(43.1)	(21.1)	(24.6)
Measurement at fair value(4)	3.8	7.5	19.2	9.4	11.3
Carrying amount of non-performing loans and receivables acquired for settlement at the end of the period	**116.8**	**100.7**	**102.8**	**101.0**	**122.1**

(1) Reclassification to assets classified as held for sale relates to GFKL's Spanish operation's assets that were still outstanding as of September 20, 2013 following the divestiture of the Spanish operations which were reclassified as held for sale in accordance with IFRS 5.

(2) Relates to put-backs and the sale of secured portfolios.

(3) Amortization represents purchased debt portfolio collections for the period less service cost revenue and investment revenue and is labelled as "Repayment" in the notes to GFKL's Consolidated Financial Statements.

(4) The following table outlines the components of the measurement at fair value line-item presented above for the above periods. For further detail see "—*Revaluation of Purchased Debt Portfolios*."

	For the year ended December 31,			For the six months June 30,	
	2012	2013	2014	2014	2015
			(€ million)	(unaudited)	
Additional amounts collected	6.2	10.0	8.1	2.2	1.4
Correction of direct write-downs	—	—	0.0	0.0	0.0
Plan adjustments	7.2	14.0	17.0	8.4	11.9
Service cost adjustments	—	—	—	—	0.4
Changes in market interest rates	2.2	2.3	1.9	1.2	1.3
Write-ups	**15.7**	**26.3**	**27.0**	**11.9**	**15.1**
Shortfalls in amounts collected	(4.5)	(2.6)	(1.6)	(0.3)	(0.4)
Direct write-downs	—	—	(0.6)	(0.1)	(0.6)
Plan adjustments	(6.3)	(11.9)	(4.1)	(1.3)	(0.6)
Risk adjustments	(0.0)	—	—	—	—
Service cost adjustments	(0.1)	(0.2)	(0.5)	(0.4)	(0.9)
Changes in market interest rates	(1.0)	(4.1)	(1.0)	(0.4)	(1.2)
Impairment expense	**(11.9)**	**(18.9)**	**(7.8)**	**(2.5)**	**(3.8)**
Measurement at fair value	**3.8**	**7.5**	**19.2**	**9.4**	**11.3**

Estimated Remaining Collections ("ERC")

GFKL defines Estimated Remaining Collections ("**ERC**") as the future collections expected to be received on all of its purchased debt portfolios during a 180-month period. These projections were prepared for illustrative purposes only and are different from the forecasts GFKL uses to calculate the fair value of its purchased debt portfolios as recognized in the GFKL Consolidated Financial Statements. GFKL's purchased debt forecasts were based on its own historical data and collection forecast of typically up to 180 months and represented its estimates as to what an exit price would be in a single transaction for the specific portfolio. References to GFKL's ERC in this Offering Memorandum are references to gross ERC (which includes estimated collections in respect of principal balance, costs, service costs and fees). ERC calculations are often used by other companies to present collections estimates covering collection periods comparable throughout the receivables management industry even though ERC might be calculated differently in detail. We believe that GFKL's 180-month ERC represents an important supplemental measure to compare its cash generating capacity with other companies in the receivables management industry, even though we can provide no assurance that GFKL will achieve such collections within the specified time period, or at all.

The table below sets forth a reconciliation from the IFRS carrying amount of GFKL's purchased debt to GFKL's ERC.

	As of June 30, 2015
	(€ million, unless indicated) (unaudited)
Non-performing loans and receivables acquired for settlement	**122.1**
less purchased debt related to discontinued operations of PPS entity[(1)]	(0.3)
plus purchased portfolios eliminated in group consolidation[(2)]	0.1
Carrying amount of purchased debt portfolios analyzed for estimated remaining collections	**122.5**
less capitalized market interest rate effect[(3)]	(5.0)
plus amounts collected	1.6
plus estimated collection costs[(4)]	87.1
plus discounting effect[(5)]	39.6
Gross estimated remaining collections forecast used for fair value calculation	**245.8**
plus extending forecast curves to 180 months[(6)]	112.8
plus application of back-tested forecast curves	113.3
Gross estimated remaining collections forecast for 180 months for illustrative purpose (ERC)	**471.9**

(1) Purchased debt portfolios comprising collateralized bank loans are not included in GFKL's ERC, and as a result are eliminated in the above reconciliation, because GFKL has exited that business, but continues to service debt from those purchased debt portfolios.

(2) Represents the estimated remaining collections for purchased portfolios that were eliminated in group consolidation.

(3) In order to reflect a marked-to-market valuation of purchased debt portfolios, any difference in discounting of the collection forecasts between using (i) a maturity matching swap rate and (ii) the internal rate of return of each individual portfolio (as determined at acquisition) is capitalized.

(4) Collections forecasts are prepared on a gross of collection cost basis (including estimated collections in respect of the principal, costs, service costs and fees). For reporting purposes, however, the net cash flow stream paid to GFKL is considered.

(5) For financial reporting purposes, collections are shown at their present value by discounting them at the IRR of each individual purchased debt portfolio (as determined at acquisition), whereas GFKL's ERC is prepared on an undiscounted basis.

(6) The majority of portfolio forecast curves included in the collection forecast underlying the IFRS fair value end prior to June 30, 2025 (*i.e.*, their forecast period comprises less than 120 months). For illustration purposes all curves have been extended to 180 months using consistent decay rates.

The table below sets forth the ERC for GFKL's purchased debt by vintage as of June 30, 2015.

Vintage	0-12 months	13-24 months	25-36 months	36-48 months	49-60 months	61-72 months	73-84 months	85-96 months	97-108 months	109-120 months	121-132 months	133-144 months	145-156 months	157-168 months	169-180 months	Total
2003	0.[illegible]	0.[illegible]	0.[illegible]	0.[illegible]	0.[illegible]	0.[illegible]	0.[illegible]	0.[illegible]	0.[illegible]	0.[illegible]	0.[illegible]	0.[illegible]	0.[illegible]	0.[illegible]	0.[illegible]	1.[illegible]
2004	1.[illegible]	1.[illegible]	0.[illegible]	0.[illegible]	0.[illegible]	0.[illegible]	0.[illegible]	0.[illegible]	0.[illegible]	0.[illegible]	0.[illegible]	0.[illegible]	0.[illegible]	0.[illegible]	0.[illegible]	8.[illegible]
2005	0.[illegible]	0.[illegible]	0.[illegible]	0.[illegible]	0.[illegible]	0.[illegible]	0.[illegible]	0.[illegible]	0.[illegible]	0.[illegible]	0.[illegible]	0.[illegible]	0.[illegible]	0.[illegible]	0.[illegible]	3.[illegible]
2006	2.[illegible]	1.[illegible]	1.[illegible]	1.[illegible]	1.[illegible]	1.[illegible]	1.[illegible]	0.[illegible]	0.[illegible]	0.[illegible]	0.[illegible]	0.[illegible]	0.[illegible]	0.[illegible]	0.[illegible]	14.[illegible]
2007	12.[illegible]	10.[illegible]	9.[illegible]	8.[illegible]	7.[illegible]	7.[illegible]	6.[illegible]	6.[illegible]	5.[illegible]	4.[illegible]	4.[illegible]	3.[illegible]	3.[illegible]	3.[illegible]	2.[illegible]	94.[illegible]
2008	0.[illegible]	0.[illegible]	0.[illegible]	0.[illegible]	0.[illegible]	0.[illegible]	0.[illegible]	0.[illegible]	0.[illegible]	0.[illegible]	0.[illegible]	0.[illegible]	0.[illegible]	0.[illegible]	0.[illegible]	2.[illegible]
2009	17.[illegible]	15.[illegible]	13.[illegible]	11.[illegible]	10.[illegible]	9.[illegible]	9.[illegible]	8.[illegible]	7.[illegible]	5.[illegible]	5.[illegible]	4.[illegible]	4.[illegible]	3.[illegible]	3.[illegible]	125.[illegible]
2010	3.[illegible]	3.[illegible]	2.[illegible]	2.[illegible]	2.[illegible]	2.[illegible]	2.[illegible]	2.[illegible]	2.[illegible]	1.[illegible]	1.[illegible]	1.[illegible]	1.[illegible]	1.[illegible]	1.[illegible]	33.[illegible]
2011	1.[illegible]	1.[illegible]	1.[illegible]	0.[illegible]	0.[illegible]	0.[illegible]	0.[illegible]	0.[illegible]	0.[illegible]	0.[illegible]	0.[illegible]	0.[illegible]	0.[illegible]	0.[illegible]	0.[illegible]	8.[illegible]
2012	5.[illegible]	3.[illegible]	2.[illegible]	2.[illegible]	1.[illegible]	1.[illegible]	1.[illegible]	0.[illegible]	0.[illegible]	0.[illegible]	0.[illegible]	0.[illegible]	0.[illegible]	0.[illegible]	0.[illegible]	20.[illegible]
2013	8.[illegible]	5.[illegible]	4.[illegible]	3.[illegible]	2.[illegible]	2.[illegible]	2.[illegible]	1.[illegible]	1.[illegible]	0.[illegible]	0.[illegible]	0.[illegible]	0.[illegible]	0.[illegible]	0.[illegible]	33.[illegible]
2014	19.[illegible]	12.[illegible]	9.[illegible]	7.[illegible]	5.[illegible]	4.[illegible]	4.[illegible]	3.[illegible]	2.[illegible]	1.[illegible]	0.[illegible]	0.[illegible]	0.[illegible]	0.[illegible]	0.[illegible]	67.[illegible]
2015	16.[illegible]	8.[illegible]	5.[illegible]	4.[illegible]	3.[illegible]	3.[illegible]	3.[illegible]	3.[illegible]	2.[illegible]	2.[illegible]	1.[illegible]	1.[illegible]	1.[illegible]	0.[illegible]	0.[illegible]	59.[illegible]

Vintage	0-12 months	13-24 months	25-36 months	36-48 months	49-60 months	61-72 months	73-84 months	85-96 months	97-108 months	109-120 months	121-132 months	133-144 months	145-156 months	157-168 months	169-180 months	Total
Total..	**90.4**	**65.3**	**52.2**	**43.2**	**36.5**	**31.3**	**27.2**	**23.7**	**20.9**	**18.2**	**15.0**	**13.8**	**12.4**	**11.2**	**10.1**	**471.9**

While returns achieved on an individual portfolio can vary, GFKL has a consistent record of returns on GFKL's aggregate purchased portfolios. The table below sets forth certain data related to GFKL's purchased debt portfolios and other defaulted receivables by vintage, such as purchase price, collections, GFKL's ERC and Gross Money Multiple (calculated using GFKL's ERC) as of June 30, 2015. It demonstrates GFKL's ability to continue to extract value from its purchased portfolios over a long period of time.

Vintage[1]	Purchase Price[2]	Gross Collections	ERC[3]	Gross Collections plus 180-Month ERC	Gross Money Multiple[4]
	(€ millions)		(€ millions)		
2003	0.8	2.7	1.5	4.2	5.1x
2004	10.5	29.5	8.0	37.5	3.6x
2005	2.4	8.4	3.3	11.7	4.9x
2006	17.9	40.9	14.5	55.4	3.1x
2007	71.9	191.2	94.4	285.6	4.0x
2008	8.1	20.5	2.2	22.7	2.8x
2009	71.8	206.3	125.8	332.1	4.6x
2010	16.4	34.8	33.6	68.4	4.2x
2011	11.4	20.4	8.7	29.1	2.5x
2012	27.5	33.2	20.0	53.2	1.9x
2013	30.3	38.8	33.1	71.9	2.4x
2014	41.8	27.8	67.8	95.6	2.3x
2015	22.2	6.1	59.0	65.2	2.9x
Total	**333.1**	**660.7**	**471.9**	**1,132.6**	**3.4x**

(1) Includes data from purchased debt portfolios purchased through forward flow agreements.

(2) Purchase price represents the purchase prices at the time the purchased debt portfolio was acquired. Acquisition cost and initial balance sheet valuation may, however, differ as a result of timing differences between the date on which the acquisition for the purchased debt becomes effective and on the acquisition closing date, when GFKL recognizes the purchased debt on GFKL's consolidated balance sheet.

(3) Estimated Remaining Collections (ERC) is the future collections projected to be received on all of GFKL's purchased debt portfolios based on our forecasting models. As of today, GFKL's internal models forecast over a 180-month period. GFKL's ERC as presented in this Offering Memorandum is a different and distinct measure from the collection forecasts that it uses to value GFKL's purchased debt on GFKL's consolidated balance sheets.

(4) Gross Money Multiple is the total expected cash return from purchased debt portfolios, calculated as the sum of Gross Collections achieved to date and ERC divided by purchase price.

Key Operating Metrics for Third-Party Collection Services

The table below sets forth the total volume of GFKL's third-party collection services as of the periods indicated.

	As of and for the year ended December 31,			As of and for the six months ended June 30,	
	2012	2013	2014	2014	2015
Number of active claims (in thousands)	1,292	1,322	1,461	1,319	1,400
Face value (€ in billions)[1]	11.7	11.9	11.4	11.5	10.4
Gross Collections from third-party collection services (in € million)	231.6	242.3	261.5[2]	144.8[2]	114.8

(1) Includes fees, interest and other charges for the active claims.

(2) Gross Collections for the year ended December 31, 2014 and the six months ended June 30, 2014 included €28.3 million purchase price consideration from a secured real estate portfolio that was sold on behalf of one of GFKL's third-party collection services clients.

Description of the GFKL Group's Principal Balance Sheet Line Items

The following is a discussion of the key consolidated balance sheet line items for GFKL.

Non-performing loans and receivables acquired for settlement

Non-performing loans and receivables acquired for settlement represent GFKL's purchased debt portfolios purchased at prices significantly below the face value and which are recognized at purchase price initially and are subsequently measured at fair value through profit and loss using a market value-based investment model. See "*—Recognition of Purchased Debt Portfolios, Revenue Recognition, Estimation of Collection Forecast and Revaluation of Purchased Debt Portfolios*."

Descriptions of the GFKL Group's Key Income Statement Items

Set forth below is a brief description of the composition of the key line items of GFKL's consolidated statement of profit or loss:

Revenue

Revenue is primarily comprised of debt collection revenue, debt purchase revenue and lawyer service revenue. Debt collection revenue consists of fees and cost reimbursements from the management of third-party debt portfolios. Debt purchase revenue consists of portfolio-related service and investment income from the settlement of non-performing loans and receivables. GFKL also recognizes revenue on its purchased debt portfolios to reflect fair value changes to the portfolio. Changes in fair value may be caused by changes in collection estimates on GFKL's acquired portfolios, or by actual cash collections exceeding or falling short of the collection estimate for the relevant period. Lawyer service revenue results from rendering administrative services to collection lawyers.

Other Operating Income

Other operating income includes reversals of provisions and accrued liabilities, reversals of valuation allowances on receivables, purchase price adjustments for the sale of subsidiaries and disposal of non-current assets.

Cost of Purchased Goods and Services

Cost of purchased goods and services is largely attributable to the acquisition of hardware and access systems at intratech GmbH during the relevant period.

Personnel Expenses

Personnel expenses represents salary and other employee-related expenses such as long-service bonus commitments, severance of employees and Executive Board members and pensions and other post-employment benefit obligations.

Depreciation Amortization and Impairment Expense

Depreciation, amortization and impairment expense includes the depreciation of tangible fixed assets and amortization of intangible assets on a straight line basis over the useful lives of the assets.

Other Operating Expenses

Other operating expenses includes legal, court and dunning expenses related to the collection process, postage and other expenses incurred in the collection of receivables, valuation allowances and write-downs on receivables and financial assets, administrative expenses, contributions and rents including leases for vehicles and office equipment, expenses from the measurement of non-performing loans and receivables acquired for settlement, personnel recruitment and freelancers fees, consulting and auditing fees, commissions and incidental refinancing costs and expenses that arise from the disposal of assets.

Interest and Similar Income

Interest and similar income relates mainly to the fair value measurement of derivatives.

Interest and Similar Expense

Interest and similar expense arise mainly from certain loan liabilities and expenses from fair value measurement as well as interest expenses from derivatives.

Income Taxes

The income tax expense comprise current and deferred tax, with GFKL Group's tax expense calculated using a tax rate of approximately 32%. The current tax charge is calculated on the basis of tax laws enacted or substantively enacted at the balance sheet date. Tax positions are periodically evaluated and positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. GFKL establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. Deferred income tax is calculated using the liability method on temporary differences at the balance sheet date between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes.

Profit/loss from Discontinued Operations

Profit/loss from discontinued operations includes the profit/loss from the Spanish subsidiaries of GFKL that were held for sale or sold during the relevant periods. The Spanish subsidiaries comprised Multigestión Portfolio S.L., Multigestión Cartera 2004 S.A.U., Multigestión Iberia S.A.U. and CORPORACIÓN DE GESTIÓN Y ASESORAMIENTO DE SERVICIOS Y FINANZAS ASOCIADOS S.A.U (together, the "**Multigestión Group**" or the "**Spanish Subsidiaries**"). The sale of these companies was completed as of December 30, 2014. In 2012, GFKL disposed of its former "Software" business and presented it as discontinued operations (GENEVA-ID GmbH).

GFKL Group's Results of Operations

Comparison of the GFKL Consolidated Balance Sheet as of June 30, 2015 with December 31, 2014

Non-performing loans and receivables acquired for settlement

Current and non-current non-performing loans and receivables acquired for settlement (GFKL's purchased debt), increased to €122.1 million as of June 30, 2015 from €102.8 million as of December 31, 2014, representing an increase of €19.3 million, or 15.8%. The increase was due primarily to the acquisition of various purchased debt portfolios in the first half of 2015, which it previously managed under its third-party collection services business at GCG with a purchase price of €14.7 million and purchases at PCS with a purchase price of €12.1 million, most of it in connection with clients Barclays and UCFIN.

Comparison of the Six-Month Period ended June 30, 2015 with the Six-Month Period ended June 30, 2014

The following table shows the GFKL Group's results of operations for the six-month periods ended June 30, 2014 and 2015 and the period-to-period changes.

	For the six months ended June 30,		
	2014	**2015**	**Change in %**
		(€ million) (unaudited)	
Revenue	114.5	127.0	10.9
Other operating income	2.0	3.4	69.7
Cost of purchased goods and services	—	0.5	—
Personnel expenses	22.5	23.6	5.0
Depreciation, amortization and impairment expense	1.8	2.1	11.6
Other operating expenses	74.0	81.1	9.6
Interest and similar income	0.2	0.5	107.8
Interest and similar expenses	7.7	6.6	(14.6)
Earnings before tax	10.6	16.9	59.5
Income taxes	3.4	5.6	63.4

	For the six months ended June 30,		
	2014	2015	Change in %
		(€ million) (unaudited)	
Profit/(loss) from continuing operations	7.2	11.4	57.6
Profit/(loss) from discontinued operations	(1.2)	—	—
Consolidated profit/(loss) for the period	6.0	11.4	90.7
Profit attributable to non-controlling interests	—	—	—
Loss attributable to non-controlling interests	0.0	0.1	—
Profit/(loss) attributable to equity holders of the parent	6.0	11.4	92.1

Revenue

Revenue was €127.0 million for the six months ended June 30, 2015 compared to €114.5 million for the six months ended June 30, 2014, representing an increase of €12.5 million, or 10.9%, for the six months ended June 30, 2015 as compared to the prior period. The increase was primarily driven by GCG, which increased its lawyer service revenue by €8.4 million.

The following table shows the sales contributions of GFKL's businesses for the six-month periods ended June 30, 2014 and 2015 and the period-to-period changes in these revenue contributions.

	For the six months ended June 30,				Change 2014 vs. 2015
	2014		2015		
	(€ million)	(in % of revenue)	(€ million)	(in % of revenue)	(%)
			(unaudited)		
Third-party collection services	42.3	37.0%	42.8	33.7%	1.1%
Debt purchase	33.6	29.3%	37.7	29.7%	12.2%
Other services	—	—	1.4	1.1%	—
Lawyer service revenue	38.6	33.7%	45.1	35.5%	16.9%
Total	**114.5**	**100.0%**	**127.0**	**100.0%**	**10.9%**

Other Operating Income

Other operating income was €3.4 million for the six months ended June 30, 2015 compared to €2.0 million for the six months ended June 30, 2014, representing an increase of €1.4 million, or 69.7%, for the six months ended June 30, 2015 as compared to the corresponding period in the prior year. The increase was largely due to two effects. First the recognition of time-barred overpayment at GCG where customer overpayments, that could not be returned, have been booked as other income after the statutory period of limitation had passed. Second the release of a provision for an onerous debt purchase contract at PCS where the customer did not deliver as much unfavorable debt as he or she could have according to the contract so that the anticipated loss was reduced.

Cost of Purchased Goods and Services

Cost of purchased goods and services was €0.5 million for the six months ended June 30, 2015 with no comparable costs being recorded for the six months ended June 30, 2014. The costs are mainly IT hardware costs and primarily relate to ITT, GFKL's software and service subsidiary, which was acquired in July 2014.

Personnel Expenses

Personnel expenses were €23.6 million for the six months ended June 30, 2015 compared to €22.5 million for the six months ended June 30, 2014, representing an increase of €1.1 million, or 5.0%, for the six months ended June 30, 2015 as compared to the corresponding period in the prior year. The increase reflects the effect of the regular income increase of 2% as well as the effects of (1) provisions for vacation entitlement which increased for the six months ended June 30, 2015 relative to the same period during the prior year due to the postponement of vacation during the 2015 fiscal year as a result of the workload related to the selling of the company and the subsequent refinancing project, (2) an increase in the size of the data analytics team during the first half of 2015 resulting in additional personnel expenses and (3) an increase in bonus expenses.

Depreciation, amortization and impairment expense

Depreciation, amortization and impairment expenses were €2.1 million for the six months ended June 30, 2015 compared to €1.8 million for the six months ended June 30, 2014, representing an increase of €0.2 million, or 11.6%, for the six months ended June 30, 2015 as compared to the corresponding period in the prior year.

Other Operating Expenses

Other operating expenses were €81.1 million for the six months ended June 30, 2015 compared to €74.0 million for the six months ended June 30, 2014, representing an increase of €7.1 million, or 9.6%, for the six months ended June 30, 2015 as compared to the corresponding period in the prior year. The increase was largely driven by a €6.8 million increase collection lawyer expenses for the six months ended June 30, 2015, relative to the six months ended June 30, 2014, due to the continued roll-out of GFKL's collection lawyer outsourcing model. Increased court, bailiff and other dunning process costs were also incurred in the six months ended June 30, 2015, relative to the six months ended June 30, 2014, in connection with this collection lawyer outsourcing model.

Net Interest and Similar Income/Expenses

Net interest and similar expenses was €6.1 million for the six months ended June 30, 2015 compared to €7.5 million for the six months ended June 30, 2014, representing a decrease of €1.4 million, or 18.3%, for the six months ended June 30, 2015 as compared to the corresponding period in the prior year. The decrease was mainly driven by lower interest expenses resulting from a refinancing arrangement, which was concluded in September 2014.

Profit/loss from Discontinued Operations

Net profit in discontinued operations was negligible in the six months ended June 30, 2015, compared to a net loss of €1.2 million for the six months ended June 30, 2014. The decrease in net loss was attributable to the sale of the Spanish subsidiaries of the Multigestión Group in December 2014.

Consolidated Profit/Loss for the Period

Consolidated profit for the period was €11.4 million for the six months ended June 30, 2015 and €6.0 million for the six months ended June 30, 2014, representing an increase of €5.4 million, or 90.7%, for the six months ended June 30, 2015 as compared to the corresponding period in the prior year for the reasons explained above.

Comparison of the GFKL Consolidated Balance Sheet as of December 31, 2014 with December 31, 2013

Non-performing loans and receivables acquired for settlement

Non-performing loans and receivables acquired for settlement (GFKL's purchased debt), increased to €102.8 million as of December 31, 2014 from €100.7 million as of December 31, 2013, representing an increase of €2.1 million, or 2.1%. The increase was due primarily to acquisitions of €27.8 million and fair value changes (shown as measurement at fair value in the notes to the GFKL Consolidated Financial Statements) of €19.2 million, which were partly offset by repayments of €43.1 million and disposals of €1.7 million. In comparison to the prior year, acquisitions increased slightly by €1.7 million and the positive fair value changes were significantly higher than in the prior period. This effect relates to a €11.1 million decrease in impairment expense in 2014 reflecting GFKL's operating performance.

Comparison of the Financial Year ended December 31, 2014 with the Financial Year ended December 31, 2013

The following table shows the GFKL Group's results of operations for the year ended December 31, 2014 and 2013 and the period-to-period changes.

	For the years ended December 31,		
	2013	**2014**	**Change in %**
		(€ million)	
Revenue	190.4	243.8	28.1
Other operating income	11.1	16.1	45.0
Cost of purchased goods and services	—	0.8	—
Personnel expenses	44.0	45.2	2.8

	For the years ended December 31,		
	2013	2014	Change in %
	(€ million)		
Depreciation, amortization and impairment expense	3.9	6.3	63.0
Other operating expenses	134.6	163.8	21.7
Interest and similar income	2.6	0.5	(79.4)
Interest and similar expenses	14.8	16.0	8.2
Earnings/(loss) before tax	**6.9**	**28.4**	**310.8**
Income taxes/(income)	(7.5)	11.0	—
Profit/(loss) from continuing operations	**14.4**	**17.4**	**20.1**
Profit/(loss) from discontinued operations	**(12.2)**	**(2.3)**	**(81.4)**
Consolidated profit/(loss) for the period	**2.3**	**15.1**	**559.7**
Profit attributable to non-controlling interests	—	0.0	—
Loss attributable to non-controlling interests	0.0	—	—
Profit/(loss) attributable to equity holders	**2.3**	**15.1**	**555.1**

The overall development of GFKL's results of operations between the years ended December 31, 2013 and 2014 was characterized by regulatory changes in the German Act on the Remuneration of Attorneys (*Rechtsanwaltsvergütungsgesetz*) that increased the rates charged by individual lawyers that became effective as of August 1, 2013. This amendment led to price inflation in GFKL's direct costs (such as court and bailiff fees and collection lawyer charges) but also enabled higher revenue from debt collection fees and cost reimbursements, which are, however, lagging behind the corresponding costs.

Revenue

Revenue was €243.8 million for the year ended December 31, 2014 compared to €190.4 million for the year ended December 31, 2013, representing an increase of €53.4 million, or 28.1%, for the year ended December 31, 2014 as compared to the prior year. The growth was realized by an increase in debt collection revenue by €9.5 million, or 12.4%, reflecting the full-year impact of a newly acquired retail client and price inflation from the aforementioned increase in rates charged by individual lawyers, and higher debt purchase revenue of €6.2 million, or 10.1%. The higher debt purchase revenue primarily resulted from fair value changes triggered by the outperformance of prevailing collection plans. The roll-out of GFKL's successful collection lawyer model to GCG's telecommunication portfolios during 2014 also contributed a further significant increase in lawyer service revenue of €36.0 million, or 69.3%, to the overall revenue development.

The following table shows the sales contributions of GFKL's businesses for the years ended December 31, 2014 and 2013 and the period-to-period changes in these sales contributions.

	For the years ended December 31,				Change 2013 vs. 2014
	2013		2014		
	(€ million) (unaudited)	(in % of revenue) (unaudited)	(€ million) (unaudited)	(in % of revenue) (unaudited)	(%) (unaudited)
Third-party collection services	77.1	40.5	86.6	35.5	12.4
Debt purchase	61.4	32.2	67.6	27.7	10.1
Other services	(0.0)	(0.0)	1.7	0.7	—
Lawyer service revenue	51.9	27.3	87.9	36.1	69.3
Total	**190.4**	**100.0**	**243.8**	**100.0**	**28.1**

Other Operating Income

Other operating income was €16.1 million for the year ended December 31, 2014 compared to €11.1 million for the year ended December 31, 2013, representing an increase of €5.0 million, or 45.0%, for the year ended December 31, 2014 as compared to the prior year. The increase was driven primarily by the reversal of provisions recognized in 2011 for VAT back payments of €7.1 million as well as the correction of non-deductible input VAT reductions of €4.1 million that were recognized in 2012. These effects were partly offset by lower income from retrospective purchase price corrections relating to the previous subsidiary ULG of €3.8 million, which was included in the prior year amount.

Cost of Purchased Goods and Services

Cost of purchased goods and services was €0.8 million for the year ended December 31, 2014 with no comparable costs being recorded for the year ended December 31, 2013. This increase of cost of purchased goods and services was primarily attributable to the acquisition of hardware and access systems related to GFKL's non-wholly owned software and service subsidiary ITT, which was acquired in July 2014.

Personnel Expenses

Personnel expenses were €45.2 million for the year ended December 31, 2014 compared to €44.0 million for the year ended December 31, 2013, representing an increase of €1.2 million, or 2.8%, for the year ended December 31, 2014 as compared to the prior year. The increase mainly reflects the build-up of personnel in the debt collection process and the newly established data analytics team, the latter of which was, however, mostly offset by savings from the centralization of IT and other support services during 2014.

Depreciation, Amortization and Impairment Expense

Depreciation, amortization and impairment expense was €6.3 million for year ended December 31, 2014 compared to €3.9 million for the year ended December 31, 2013, representing an increase of €2.4 million, or 63.0%, for the year ended December 31, 2014 as compared to the prior year. The increase was mainly driven by the €2.4 million impairment loss recognized on the goodwill of ZYK. The 2014 impairment loss reflected an alignment of the carrying value to the performance of the subsidiary in recent years compared to GFKL's original budget. Its budget had assumed effects from a strategic repositioning of the company, which management, upon reflection, has decided not to implement.

Other Operating Expenses

Other operating expenses were €163.8 million for the year ended December 31, 2014 compared to €134.6 million for the year ended December 31, 2013, representing an increase of €29.2 million, or 21.7%, for the year ended December 31, 2014 as compared to the prior year. The increase was primarily due to a €36.6 million increase in expenses for collection lawyers incurred in connection with the further roll-out of GFKL's collection lawyer outsourcing model and the aforementioned increase in rates charged by individual lawyers. This increase was partially offset by the €6.3 million lower expense from the measurement of NPL receivables.

Interest and Similar Income

Interest and similar income was €0.5 million for the year ended December 31, 2014 compared to €2.6 million for the year ended December 31, 2013, representing a decrease of €2.1 million, or 79.4% as compared to the prior year. The decrease was largely attributable to lower income from the fair value measurement of derivatives.

Interest and Similar Expense

Interest and similar expenses was €16.0 million for the year ended December 31, 2014 compared to €14.8 million for the year ended December 31, 2013, representing an increase of €1.2 million, or 8.2%, for the year ended December 31, 2014 as compared to the prior year. The increase was driven by the refinancing and securitization of certain portfolios of purchased debt in the year ended December 31, 2014 as part of the Milla Securitization program.

Income Taxes

Income taxes changed to an expense of €11.0 million for the year ended December 31, 2014 from an income of €7.5 million for the year ended December 31, 2013. The change was primarily attributable to increased income tax expenses of €8.3 million for the year ended December 31, 2014 resulting from the recognition of deferred taxes of €5.6 million in that year and tax expenses of €2.7 million incurred in prior years but recognized in 2014. GFKL recognized income of €9.1 million for the year ended December 31, 2013 as a result of a reversal of provisions for a tax audit of €5.6 million and the recognition of a receivable of €3.5 million due to changed court rulings on the recognition of profit and loss transfer agreements.

Profit/loss from Discontinued Operations

Loss from discontinued operations was €2.3 million for the year ended December 31, 2014 compared to a loss of €12.2 million for the year ended December 31, 2013, representing a decrease of €9.9 million, or 81.4%, for the year ended December 31, 2014 as compared to the prior year. The decrease was due to the impairment loss of €12.1 million recognized for the year ended December 31, 2013 on the goodwill allocated to the Spanish Subsidiaries. A comparable loss was not recognized for the year ended December 31, 2014. The net loss from discontinued operations for the year ended December 31, 2014 includes the current results of the Spanish Subsidiaries, the expenses for the sale process and the loss from the sale of Multigestión Group.

Consolidated Profit/Loss for the Period

Consolidated profit for the period was €15.1 million for the year ended December 31, 2014 compared to €2.3 million for the year ended December 31, 2013, representing an increase of €12.8 million for the year ended December 31, 2014 as compared to the prior year. This increase was largely attributable to a substantial decrease in loss from discontinued operations for the aforementioned periods and an increase in profit from continuing operations.

Comparison of the GFKL Consolidated Balance Sheet as of December 31, 2013 with December 31, 2012

Non-performing loans and receivables acquired for settlement

Non-performing loans and receivables acquired for settlement, which consisted of GFKL's purchased debt portfolios (including revaluations and excluding balances from the Multigestión Group in 2013), decreased to €100.7 million as of December 31, 2013 from €116.8 million as of December 31, 2012, representing a decrease of €16.1 million, or 13.8%. Non-performing loans and receivables acquired for settlement decreased between the two periods largely due to higher acquisitions in 2012 (€31.6 million as of December 31, 2012 as compared to €26.1 million as of December 31, 2013), the reclassification of the purchased debt of the Multigestión Group to assets held for sale (€4.1 million) and fewer disposals in 2012 (€2.0 million as of December 31, 2012 as compared to €6.0 million as of December 31, 2013).

Comparison of the Financial Year ended December 31, 2013 with the Financial Year ended December 31, 2012

The following table shows the GFKL Group's results of operations for the years ended December 31, 2013 and 2012 and the period-to-period changes.

	For the years ended December 31,		
	2012	2013	Change in %
	(€ million)		
Revenue	157.0	190.4	21.3
Other operating income	9.0	11.1	22.8
Personnel expenses	43.4	44.0	1.3
Depreciation, amortization and impairment expense	4.0	3.9	(3.5)
Other operating expenses	125.3	134.6	7.4
Interest and similar income	0.9	2.6	192.9
Interest and similar expenses	14.7	14.8	1.2
Profit/loss from investments in associates	0.1	—	—
Earnings/(loss) before tax	**(20.4)**	**6.9**	**133.9**
Income taxes/(income)	0.4	(7.5)	—
Profit/(loss) from continuing operations	**(20.8)**	**14.4**	**169.4**
Profit/(loss) from discontinued operations	**(3.2)**	**(12.2)**	**283.0**
Consolidated profit/(loss) for the period	**(24.0)**	**2.3**	**109.5**
Profit attributable to non-controlling interests	0.0	—	—
Loss attributable to non-controlling interests	0.0	0.0	—
Profit/(loss) attributable to equity holders	**(24.0)**	**2.3**	**109.6**

Revenue

Revenue was €190.4 million for the year ended December 31, 2013 compared to €157.0 million for the year ended December 31, 2012, representing an increase of €33.4 million, or 21.3%, for the year ended December 31, 2013 as compared to the prior year. The increase was driven by higher debt collection revenue (representing an increase of €10.9 million, or 16.5%, as compared to the prior period), additional lawyer service revenue (representing an increase of €12.5 million, or 31.6%, as compared to the prior period) and improved debt purchase revenue (representing an increase of €10.0 million, or 19.6%, as compared to the prior period). The overall increase was positively affected by the full-year impact of GCG (€11.9 million), which was acquired in July 2012. GCG contributed revenue of €4.0 million in the year ended December 31, 2012.

The following table shows the sales contributions of GFKL's businesses for the years ended December 31, 2012 and 2013 and the period-to-period changes in these sales contributions.

	For the years ended December 31,				Change 2012 vs. 2013
	2012		2013		
	(€ million) (unaudited)	(in % of revenue) (unaudited)	(€ million) (unaudited)	(in % of revenue) (unaudited)	(%) (unaudited)
Third-party collection services.................	66.2	42.2	77.1	40.5	16.5
Debt purchase	51.3	32.7	61.4	32.2	19.6
Other services...	(0.0)	—	(0.0)	—	—
Lawyer service revenue...........................	39.5	25.1	51.9	27.3	31.6
Total	**157.0**	**100.0**	**190.4**	**100.0**	**21.3**

Other Operating Income

Other operating income was €11.1 million for the year ended December 31, 2013 compared to €9.0 million for the year ended December 31, 2012, representing an increase of €2.1 million, or 22.8%, for the year ended December 31, 2013 as compared to the prior year. The increase was driven by subsequent purchase price adjustments of €3.8 million relating to a company sold in prior years (ULG) and €2.8 million reversals of provisions mainly relating to onerous contracts, litigation and contractual guarantees. These effects were partially offset by the absence of a €4.5 million excess redemption payment, which was received during a bank loan refinancing in June 2012.

Personnel Expenses

Personnel expenses were €44.0 million for the year ended December 31, 2013 compared to €43.4 million for the year ended December 31, 2012, representing an increase of €0.6 million, or 1.3%, for the year ended December 31, 2013 as compared to the prior year. Taking into account the full-year impact of GCG's personnel expenses of €2.1 million for the year ended December 31, 2013 and the *pro rata* inclusion of €0.9 million thereof in the prior year, personnel expenses decreased slightly overall, which was primarily driven by staff reductions related to operational efficiency improvements.

Depreciation, amortization and impairment expense

Depreciation, amortization and impairment expenses were €3.9 million for the year ended December 31, 2013 compared to €4.0 million for the year ended December 31, 2012, representing a decrease of €0.1 million, or 3.5%, for the year ended December 31, 2013 as compared to the prior year. The marginal decrease was largely due to consistent depreciation, amortization, impairment expense between the periods and amortization on the customer relations of GCG which was largely offset by an extension of the useful life of GFKL's financial IT software.

Other Operating Expenses

Other operating expenses was €134.6 million for the year ended December 31, 2013 compared to €125.3 million for the year December 31, 2012, representing an increase of €9.2 million, or 7.4%, for the year ended December 31, 2013 as compared to the prior year. The increase was primarily due to a €12.0 million increase in expenses for collection lawyers, an additional €7.9 million expense relating to the settlement of a legal dispute with a former service provider and €1.0 million in fees for address services, which were partially offset by a

€5.5 million decrease in one-time costs from the set-up of provisions for onerous contracts, restructuring and severance payments, a €2.4 million decrease in general and administrative expenses, contributions and rent expenses and a €3.4 million decrease in valuation allowance on receivables.

Interest and Similar Income

Interest and similar income was €2.6 million for the year ended December 31, 2013 compared to €0.9 million for the year ended December 31, 2012, representing an increase of €1.7 million, or 192.9%. This increase was largely attributable to higher income from the fair value measurement of derivatives.

Interest and Similar Expense

Interest and similar expenses were €14.8 million for the year ended December 31, 2013 compared to €14.7 million for the year ended December 31, 2012.

Income Taxes

Income taxes were an income of €7.5 million for the year ended December 31, 2013 compared to an expense of €0.4 million for the year ended December 31, 2012. This change was primarily attributable to the reversal of provisions for the tax audit of €5.6 million and the recognition of a receivable of €3.5 million due to changed court rulings on the recognition of profit and loss transfer agreements. The prior-year tax expense included the special effect of the recognition of tax provisions of €4.8 million due to a tax audit.

Profit/loss from Discontinued Operations

Loss from discontinued operations was €12.2 million for the year ended December 31, 2013 compared to a loss of €3.2 million for the year ended December 31, 2012, representing an increase of €9.0 million in loss from discontinued operations for the year ended December 31, 2013 compared to the prior year. The loss increase was driven by recognition of the impairment loss of €12.1 million on the goodwill allocated to the Spanish Subsidiaries.

Consolidated Profit/Loss for the Period

Consolidated profit for the period was €2.3 million for the year ended December 31, 2013 compared to a loss of €24.0 million for the year ended December 31, 2012. This increase was largely attributable to increased revenue for the year ended December 31, 2013, and relatively stable expenses as compared to the year ended December 31, 2012, as discussed above.

Liquidity and Capital Resources

Historically, GFKL's liquidity requirements consisted mainly of debt and tax servicing requirements, funding of its purchases of debt portfolios, capital expenditure and working capital and its principal sources of liquidity have been its net cash generated from operating activities (before debt portfolio purchases), borrowings under the GFKL Holdco Credit Facility, which were repaid in full on July 23, 2015, securitizations of purchased debt portfolios such as the Milla Securitization, and loans procured by its majority shareholder.

Following the Transactions, we expect our sources of liquidity be the combined cash flow from Lowell and GFKL, and the Amended and Restated RCF. See "*Managements' Discussion and Analysis of Lowell's Financial Condition and Results of Operation—Liquidity and Capital Resources*."

While GFKL's collections have historically been predictable throughout the year, its debt purchase activity can vary greatly from one quarter to the next. This is driven by the timing of one-off debt sales by vendors during the year, the timing of which GFKL does not control, along with its own desire to purchase a portfolio at a given point in time. This could lead to volatility in GFKL's cash balances quarter on quarter. GFKL's ability to generate cash from operations depends on its future operating performance, which is in turn dependent, to some extent, on general economic, financial, competitive, market, regulatory and other factors, many of which are beyond its control, as well as other factors discussed in the section titled "Risk Factors."

GFKL Group's Cash Flows

The following table sets forth the principal components of GFKL's cash flows for the years ended December 31, 2014, 2013 and 2012 and the six months ended June 30, 2015 and 2014.

	For the year ended December 31,			For the six months ended June 30,	
	2012	2013	2014	2014	2015
	(in € million)				
				(unaudited)	
Cash flow from operating activities	18.3	53.3	36.9	21.9	36.0
Cash flow from investing activities	(14.5)	(22.1)	(29.7)	(15.7)	(34.4)
Cash flow from financing activities	(24.2)	(9.3)	(31.6)	7.6	2.4
Change in cash and cash equivalents	(20.4)	21.9	(24.3)	13.9	4.0
Cash and cash equivalents at the end of the period	**38.2**	**60.1**	**35.7**	**73.9**	**39.7**
thereof restricted cash	20.3	19.8	24.4	22.4	19.1

Net cash generated from operating activities

Cash flow from operating activities increased by €14.1 million from net cash generated from operating activities of €21.9 million for the six months ended June 30, 2014 to €36.0 million for the six months ended June 30, 2015. This increase was due primarily to the decrease in other receivables and specifically in guaranteed collections as a result of GCG purchasing debt portfolios that were formerly serviced by GFKL's third-party collection services business. Of the cash and cash equivalents, restricted cash decreased by €3.3 million from €22.4 million for the six months ended June 30, 2014 to €19.1 million for the six months ended June 30, 2015. Restricted cash and cash equivalents consist of earmarked funds, which relate to the pass-through obligations from portfolio management and administered trust accounts in receivables management.

Cash flow from operating activities decreased by €16.4 million from €53.3 million for the year ended December 31, 2013 to €36.9 million for the year ended December 31, 2014. This decrease was primarily due to the loss of collections revenue from a discontinued Spanish subsidiary and increased cash outflows for upfront payments to customers under third-party service contracts with collection guarantees (guaranteed collections). Of the cash and cash equivalents, restricted cash increased by €4.6 million from €19.8 million for the year ended December 31, 2013 to €24.4 million for the year ended December 31, 2014.

Cash flow from operating activities was €18.3 million for the year ended December 31, 2012 compared to €53.3 million for the year ended December 31, 2013. This increase was primarily due to improved operational margins and the cash inflow from the initiation of the liquidation of a Spanish subsidiary in 2013. Of the cash and cash equivalents, restricted cash decreased by €0.6 million from €20.3 million for the year ended December 31, 2012 to €19.8 million for the year ended December 31, 2013.

Cash flow from investing activities

Cash flow used in investing activities increased by €18.7 million from cash flow used in investing activities of €15.7 million for the six months ended June 30, 2014 to €34.4 million for the six months ended June 30, 2015. The increase in net cash used in investing activities was due primarily to GCG's purchase of debt portfolios that were formerly serviced by GFKL's third-party collection services business.

Cash flow used in investing activities increased by €7.6 million from cash flow used in investing activities of €22.1 million for the year ended December 31, 2013 to €29.7 million for the year ended December 31, 2014. The increase was due primarily to higher cash outflow for the acquisition of property, plant and equipment/intangible assets (representing an increase of €2.9 million), higher investments in GFKL's NPL portfolios (representing an increase of €1.7 million) and lower divestments of NPL portfolios (representing a decrease of €4.3 million), which were partially offset by net cash inflows from the sale of the Spanish Multigestión Group and SBL Mobilien GmbH.

Cash flow used in investing activities increased by €7.6 million from €14.5 million for the year ended December 31, 2012 to €22.1 million for the year ended December 31, 2013. This increase was primarily related to increase in investments in NPL portfolios, which amounted to €26.1 million cash used for the year ended December 31, 2013 from €16.5 million in the prior year. Further, in 2012 GFKL received cash inflows from the sale of Universal Leasing GmbH, which occurred in 2011, amounting to €24.6 million (shown as cash received from transferred receivables in the GFKL 2013 Audited Consolidated Financial Statements), which were largely offset by the cash outflow for the acquisition of GCG amounting to €23.3 million in 2012 (shown as acquisition of companies and shares less net cash acquired in the GFKL 2013 Audited Consolidated Financial Statements).

Cash flow from financing activities

Cash inflow from financing activities was €7.6 million for the six months ended June 30, 2014 compared to a cash outflow of €2.4 million for the six months ended June 30, 2015. This change was primarily due to the refinancing cash inflow of the Milla Securitization in the six months ended June 30, 2014.

Cash flow used in financing activities was €9.3 million for the year ended December 31, 2013 compared to €31.6 million for the year ended December 31, 2014. This increase was primarily due to the repayment of bank loans and the increased repayment of financing for NPL portfolios.

Cash flow used in financing activities was €24.2 million for the year ended December 31, 2012 compared to €9.3 million for the year ended December 31, 2013. This decrease was primarily related to cash received from financing NPL portfolios, which was €18.3 million for the year ended December 31, 2013 and €0.0 million in the prior year.

GFKL currently holds a cash pool at DZ Bank, and it will continue to evaluate GFKL's inter-bank-pooling options moving forward. Every cash pool entity/subsidiary has a pool account that is pooled on a daily basis to the master account. Debit or credit positions will be cleared by the pooling bank at the end of each business day.

GFKL Group's Capital Expenditure

GFKL's investments in intangible and tangible fixed assets (capital expenditure, shown as acquisition of property, plant and equipment/ intangible assets in the GFKL Consolidated Financial Statements) consisted mainly of: (i) IT hardware; (ii) IT software and development; and (iii) office equipment and infrastructure, such as the relocation of GFKL's headquarters to Essen and the establishment of the GFKL Service Center in Gelsenkirchen.

Capital expenditure decreased by €0.7 million, from €2.5 million for the six months ended June 30, 2014 to €1.8 million for the six months ended June 30, 2015, primarily as a result of increased capital expenditures incurred in the first six months of 2014 in connection with the relocation of GFKL's office in Essen, Germany and IT projects including data warehousing and IT development initiatives.

Capital expenditure increased by €2.9 million, from €2.0 million for the year ended December 31, 2013 to €5.0 million for the year ended December 31, 2014, due primarily to GFKL's office relocation, IT hardware and prepayments for software licenses and software development projects. Capital expenditure for the year ended December 31, 2012 was €2.9 million, which was €0.8 million more than the year ended December 31, 2013 due to the capitalization of service fees paid by Proceed Collection Services GmbH.

GFKL Group's Other Financial Obligations: Pension and Other Post-Employment Obligations

For a description of certain pension plans and obligations of the GFKL Group, see "Note III. 25" to the GFKL 2014 Audited Consolidated Financial Statements included elsewhere in this Offering Memorandum.

GFKL Group's Off-Balance Sheet Arrangements

GFKL is not party to any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on GFKL's financial condition, changes in financial condition, revenue or expenses, results of operations, liquidity, capital expenditure or capital resources.

GFKL Group's Qualitative and Quantitative Disclosures on Market Risk

See "Note II. 9." to the GFKL 2014 Audited Consolidated Financial Statements included elsewhere in this Offering Memorandum for additional information on its exposure to market risk and the risk of loss that may result from the potential change in interest levels, refinancing and credit risks.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Amounts drawn under the Amended & Restated RCF will bear interest at a floating rate, and changes in interest rates will affect the interest payments.

While GFKL may enter into hedging agreements in the future, it may also elect not to do so or the terms on which it hedges may not be satisfactory or may fail to adequately protect it from changes in market interest rates.

Market Risks

The main market risk is related to general macroeconomic conditions and local rules and statutory regulations in the markets in which GFKL operates and which, in turn, affects the customers' ability to pay and GFKL's clients' ability and willingness to sell portfolios of loans and receivables and potential commission from third-party collection services.

Counterparty Risks

Counterparty risk describes the possibility that a cash loss could arise due to a contractual partner not or only partly fulfilling its contractual (payment) obligations. GFKL is exposed to various kinds of counterparty risk, namely (a) directly due to the investment of cash and cash equivalents, (b) indirectly through the purchase of portfolios of secured and unsecured non-performing loans (investment risk), and (c) through derivative positions (settlement risk).

From GFKL's perspective, investment risk was the most significant form of risk as of the balance sheet date.

The credit risks arising from the investment of cash and cash equivalents is limited by the fact that the GFKL Group only works with partners with an exemplary credit rating.

Price Risks

Price risks entail negative changes in the value of asset and liability items caused by unexpected market price fluctuations. Included in the price risks which the GFKL Group faces directly or indirectly through the group companies are interest rate and margin risks.

- *Interest rate risks* are the risk of a decrease in the present value of the entire cash flow from all relevant investments, corresponding financing arrangements and hedging instruments due to changes in interest rates. This can occur both at the group holding company level and at the level of the group companies and in the form of both fixed and variable interest rate risk. Risk management and financial management as a whole are performed centrally at the group level. When it comes to interest rate risk, GFKL's risk policy aims to achieve consistent safeguards against all significant risks, whether in the form of risk avoidance through refinancing with matching maturities, or compensation through the use of interest rate hedging instruments.
- *Margin risks* occur in receivables management. Due to rising competition and increasing price sensitivity of defaulted debt sellers, the GFKL Group is subject to margin risks. They can entail returns (margins) that fall below their expected value. This risk affects both service mandates and defaulted debt purchases.

Liquidity Risks

Liquidity risks are the danger that the GFKL Group will be unable to fulfill its contractual payment obligations on time or not in the correct amount. Liquidity risks are managed at the group level. For this purpose, sophisticated management tools are in place comprising the following three components:

- GFKL Holdco's short-term cash management comprises the daily rolling, local and direct recording of the liquidity situation of the individual group companies with the help of the corresponding applications in the treasury management system. Reports on current liquidity are sent daily by the Treasury department to the entire Executive Board.
- GFKL Holdco's medium-term operational liquidity planning provides four-week rolling plans of the development of available liquidity balances for each company on a local basis for each of the next 13 weeks and for a period of 52 weeks (one year) on a monthly basis.
- Strategic liquidity management provides a plan for the GFKL Group's liquidity development once a year by identifying all cash items of the GFKL Group's financial plan for a period of five years. The first forecast period is presented on a monthly basis and the other forecast periods on a quarterly basis.

Significant Accounting Risks

In May 2014, the International Accounting Standards Board ("**IASB**") issued IFRS 15, which specifies how and when an IFRS reporting company will recognize revenue as well as requiring such entities to provide readers of financial statements, to a greater extent than previously required, with more informative, relevant disclosure. Specifically, it provides a single, principles-based five-step model to be applied to all contracts with clients. IFRS 15 was initially intended to apply to an annual reporting period beginning on or after January 1, 2017; however, IASB as of the date hereof, intends to shift the beginning of a mandatory application to January 1, 2018. Although GFKL has not fully assessed the impact of IFRS 15, we believe that how and when GFKL recognizes revenue will be affected by implementing IFRS 15. See also Notes II. 3. b. of the GFKL 2014 Audited Consolidated Financial Statements.

INDUSTRY AND MARKET DATA

Certain information set forth in this section has been derived from external sources, including the Company Market Studies. These external sources generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information are not guaranteed. While we believe that these external sources are reliable, we have not independently verified them and cannot guarantee their accuracy or completeness. Therefore, the following data, in particular regarding market sizes, past growth rates and competitive positions, should be viewed with caution and may differ from market and competitive data contained in other analyses or calculations of competitors. See "Presentation of Industry and Market Data." Additional factors that should be considered in assessing the market and competitive data set forth in this section are described elsewhere in this Offering Memorandum, including, in particular, in the section entitled "Risk Factors."

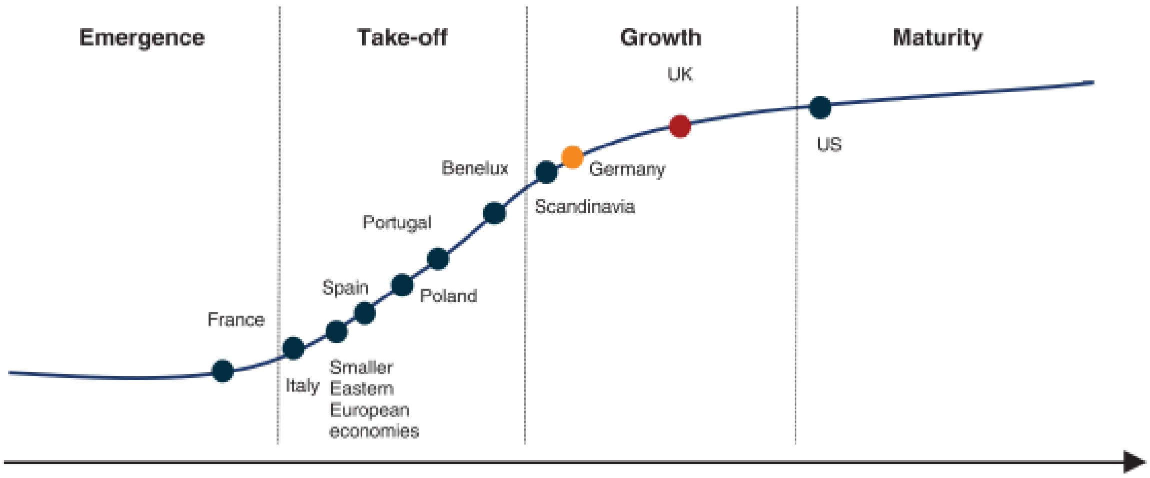
Introduction to the Receivables Management Industry

Debt is created when a debt originator extends credit to a person, who in turn becomes a customer of that debt originator. Such arrangements occur routinely and include the extension of loans by financial institutions and the issuance of invoices by trade-sector companies (*e.g.*, retail and telecommunications companies or public-sector entities, among others) for services rendered. When a customer does not repay the debt according to the terms on which it was created, the debt becomes defaulted. Defaulted debt is an inherent feature of unsecured lending. Debt originators typically expect a certain percentage of customers to default and, accordingly, manage their pricing to a target default level. Defaulted debt may be collected by the debt originator itself, by a law firm on behalf of the debt originator or by a receivables management company, such as Lowell and GFKL.

For many debt originators, the management of defaulted debt is a low priority or non-core activity because volumes of defaulted debt are small relative to the overall scale of lending. Accordingly, outsourcing the collection of defaulted debt to a receivables management company is an attractive option for many debt originators. Depending on the debt originators' preferences and objectives, a receivables management company either manages the defaulted debt on behalf of the debt originator according to a servicing agreement or purchases the defaulted debt from the debt originator, thereby taking legal ownership of the debt and acquiring the right to collect on it for its own account. Lowell and GFKL both purchase defaulted debt and, to varying degrees, manage defaulted debt on behalf of third-party debt originators.

We operate in the two largest consumer credit markets in Europe, the United Kingdom and Germany. The following chart illustrates the relative maturity profile of the receivables management industry in our two markets as compared to the receivables management industry in other key international markets. As the chart indicates, the United Kingdom and Germany are the two most mature receivables management markets behind the United States. Each has an attractive growth profile driven by the opportunity for greater debt collection outsourcing and debt portfolio sales. We also believe that there is further room for consolidation led by large players such as Lowell and GFKL.

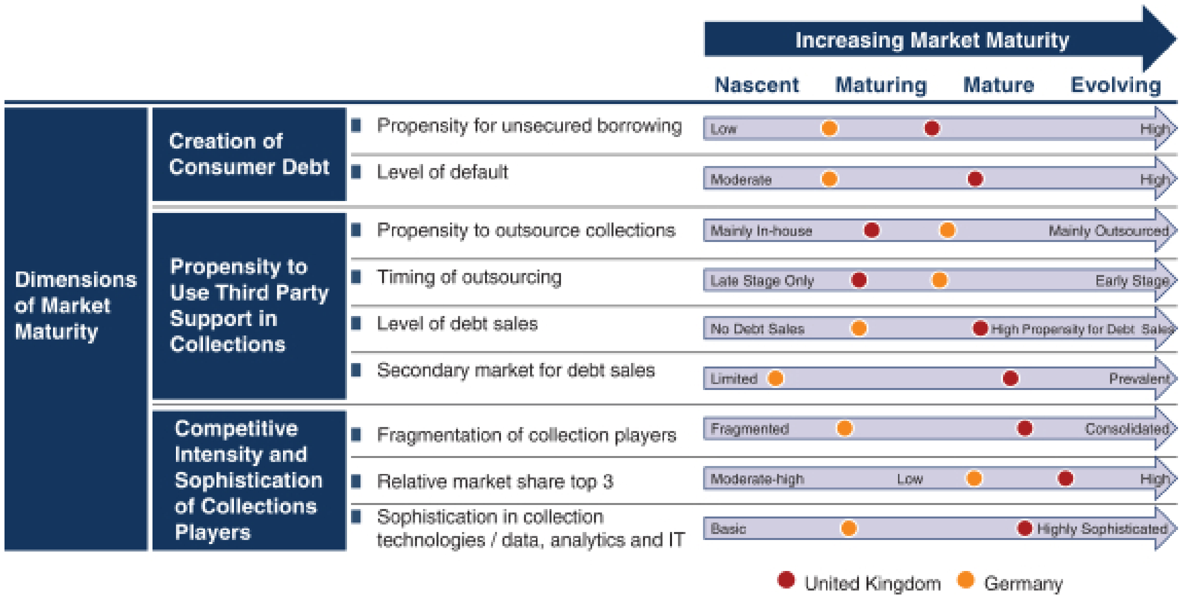
Illustrative Relative Development of Key Debt Recovery Markets



Source: Company Market Studies

The diagram below provides a comparative overview of the United Kingdom's and Germany's key market features. This diagram highlights the areas of opportunity for growth in each market and demonstrates the domains, such as data, analytics and IT, in which UK expertise might facilitate an expansion of the receivables management industry in Germany.

Relative Maturity of UK and German Receivables Management Markets



Source: Company Market Studies

Credit Lifecycle

Receivables management services are an established part of the credit lifecycle in the German and UK markets. Credit providers, known as debt originators or vendors, typically outsource debt collection activities or sell debt portfolios to receivables management companies at the various stages described below. The debt recovery cycles in the UK and German markets are broadly similar in their components. However, the relative importance of third-party collection versus debt purchase and the timing of third parties' involvement in the recovery cycle tend to differ between the two markets. For instance, in the United Kingdom, a portfolio is often sold following at least one DCA placement, while in Germany, debt sale and third-party collection are often viewed as alternatives to recovering on defaulted debt. Due to their scale, expertise, specialization and data capabilities, large receivables management companies can make outsourcing an attractive option by offering efficient debt-collection strategies.

The debt recovery cycle encompasses the following steps:

- **Origination of debt**. A customer obtains credit from a debt originator. The financial services sector has historically been one of the largest sources of credit for consumers, but short- or long-term consumer credit is also a core component of business models across many other sectors, including telecommunications, retail and utilities.
- **Default**. A customer defaults on his or her payment obligations. For example, the customer may fail to make a series of scheduled payments. This may happen because of a change in the customer's circumstances (*e.g.*, the loss of a job) or because the customer entered into debt arrangements that prove unmanageable.
- **In-house recovery**. The debt originator uses its internal resources to attempt to recover the defaulted debt. Debt originators typically have standard procedures that apply when a customer account falls into arrears, which include the use of internal recovery strategies and in-house debt collection activity to attempt to rehabilitate customer accounts. Regularly, debt originators either fail to make contact with the customer or are unable to reach an acceptable agreement on a payment.

- **Engagement of DCA**. Defaulted debt portfolios are serviced by third parties for a fee. The legal ownership and balance-sheet exposure remain with the debt originators. Debt collection agencies use a range of collection and contact techniques, including letters, phone calls, text messages, event campaigns and litigation to recover the outstanding debt. Litigation techniques are often used when the customer's ability to pay has been demonstrated but the customer is unwilling to pay.

  In the United Kingdom, debt originators often commence an external recovery process by passing on the customers' details to a DCA once the debt has fallen more than 180 past due, although some pass debt to DCAs at 90 days past due. The external recovery process may encompass the use of two or three cycles of placements with DCAs.

  In Germany, debt originators generally tend to outsource debt once it is 45 days past due or, in the case of financial services debt, both 90 days past due and terminated. Alternatively, debt originators in Germany often sell defaulted consumer debt without ever outsourcing it to a DCA.

- **Debt sale**. Defaulted debt portfolios are sold to third parties at a significant discount to the principal value of the debt. The legal ownership and balance-sheet exposure are thereby transferred to the debt purchasers.

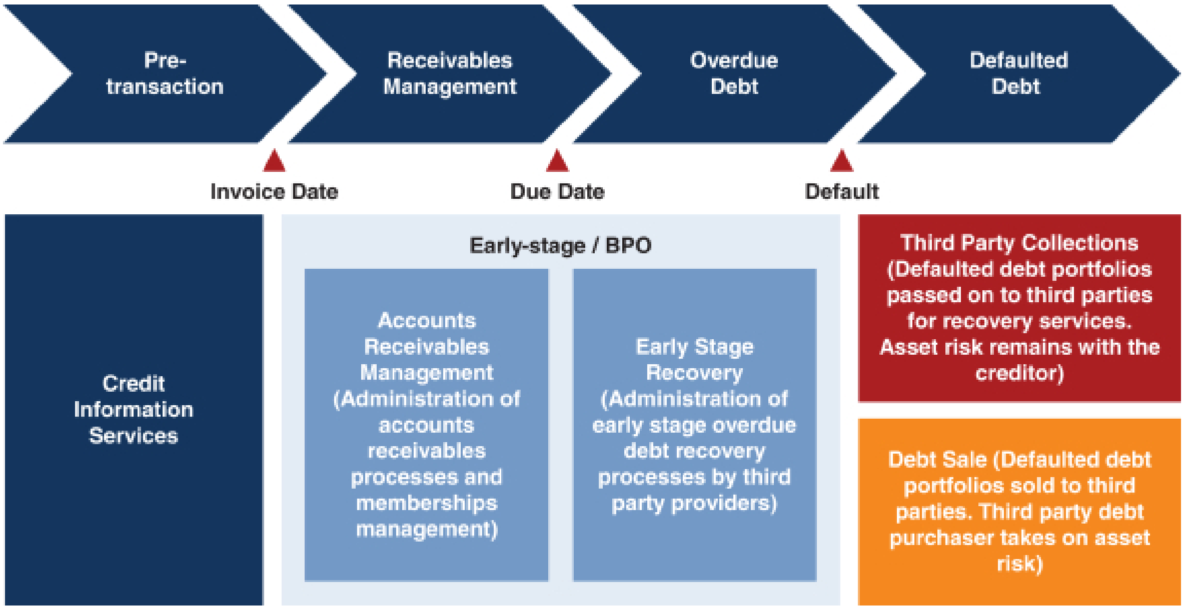
  In the United Kingdom, if one or more DCAs are unable to recover amounts due, debt originators often sell off portfolios of non-performing debt to debt purchasers. Such sales typically commence once the debt in question has fallen more than 180 days past due, and could happen without debt being placed with any DCA. In general, the "fresher" the debt, the higher the price the debt originator can achieve. Prices are reduced for accounts that have passed through several DCA placement cycles, reflecting reduced expected recovery rates for such accounts.

  In Germany, debt sale is perceived by debt originators as both an alternative to third-party collections and a subsequent option. The decision whether to sell or outsource depends on the objective the debt originator is aiming to achieve through the externalization. The propensity to sell also varies with the sector of the debt originator (*e.g.*, the insurance and the public sectors in Germany tend to refrain from debt sales due to regulatory constraints) and with general market conditions.

- **Other receivables management services**. In both the United Kingdom and Germany, receivables management services companies are increasingly active throughout the recovery process. End-to-end recovery management provides growth opportunities for such companies, for instance, in early-stage recovery (*e.g.*, prior to the customer's default). Before debt originators extend credit to customers, receivables management companies can also provide credit scoring and other forms of credit information services, such as data extraction and modeling. Receivables management companies also provide payment processing services, including invoice administration, subsidiary ledger accounting, invoice printing, payment reminders and consumer checks related to the ability to make purchases on account. These services can be provided either before or after debt is defaulted and, in certain cases, before the debt originator-customer relationship is first created (*i.e.*, before a consumer purchase takes place).

  The chart below gives an overview of the debt recovery cycle.

Typical Debt Lifecycle and Receivables Management Services



Overview of Key Market Sectors

There are different ways to classify the defaulted consumer debt available for purchase or servicing. For example, such debt may be classified by its quality. Key drivers of the quality of debt, and therefore its price, include its age, its average balance and the level of difficulty in contacting its customer base. Accordingly, receivables management companies may, for instance, classify consumer debt by its stage in the debt-recovery cycle. Credit card asset classes, for example, typically vary from fresh write-offs (*i.e.*, accounts that have generally not been placed with DCAs at the time of sale) to accounts that have remained defaulted for a longer period of time prior to being outsourced, and receivables management companies may focus on one or more of such classes.

Consumer debt may also be classified by market sector. The three main sectors in which defaulted debt is outsourced or sold to third parties in the United Kingdom are financial services, telecommunications and retail. Lowell has focused its efforts on each of those sectors. In Germany, GFKL is active in a high number of the sectors that originate and outsource consumer debt, including the financial services, insurance, retail, telecommunications, fitness, public and utilities sectors.

- **Financial services**. The financial services sector includes financial institutions other than insurance providers. Defaulted debt in the financial services sector includes, for example, balances outstanding on credit cards, unsecured loans and overdrafts, and affinity cards or other cards issued by financial institutions or other initial suppliers of credit to consumers to enhance the loyalty of their customer base. As a general rule, when consumer debt of these varieties becomes more than 90 days overdue, it is categorized as an NPL.

  The financial services sector is the largest and most developed sector of the debt purchase market in the United Kingdom, representing approximately 85% of the total amount spent on debt purchases in 2014. It is highly diversified by type, age and quality of debt and debt originator. In particular, debt portfolios in the United Kingdom are categorized as “paying” or “non-paying.” Paying portfolios encompass accounts with customers who still make payments on their debt, albeit in amounts and on dates that are not in compliance with the contractual repayment schedule (*i.e.*, in amounts that are typically lower than the contractual installments and/or in accordance with installment periods that are typically longer than the regular installment periods specified under the contract). Since competition is fierce in the UK financial services sector, Lowell has focused its investments in that sector where it believes its operational platform provides a competitive advantage allowing it to generate higher returns (*e.g.*, lower-balance non-paying debt, in relation to which operational efficiency and low servicing costs are key). From the summer of 2008 to the summer of 2010, the volume of debt portfolios sold annually in the United Kingdom decreased due to the disruption in the financial markets. Because of the economic downturn, prices for debt portfolios generally declined, which led certain UK financial services institutions to temporarily reduce their debt sale activity, choosing instead to warehouse debt for sale at a later date or to outsource debt portfolios for further third-party collection. Over the same time period, while debt originators realigned debt provisioning levels to the prices being offered and because of the high consumer credit write-off rates, the inventory of debt for sale in the United Kingdom grew. These trends have led to the creation of a backlog of unsold and non-performing financial services debt in the United Kingdom. We believe that residual recessionary backlog and remaining warehoused debt in the United Kingdom are likely to be sold by the end of 2016, which will provide additional sourcing opportunities for debt purchasers.

The German financial services market, which accounted for approximately 50% of the face value of unsecured defaulted consumer debt outstanding in Germany as of December 31, 2013, according to the German Company Market Study, is divided between “credit” banks, “savings” banks and “cooperative” banks. Credit banks (*e.g.*, Deutsche Bank and Commerzbank) resort intensively to third-party collections in their recovery process, while savings banks (*e.g.*, Sparkassen) and cooperative banks (*e.g.*, Volksbanken), which represent a substantial portion of the country’s banking assets, typically utilize in-house collection facilities, resulting in potential headroom for growth in outsourcing and representing a possible growth opportunity for receivables management providers. In keeping with the practice of other receivables management companies in Germany, GFKL has focused its investments in the financial services sector on the defaulted consumer debt of credit banks.

- **Insurance**. Defaulted debt in the insurance sector is usually created due to a customer’s failure to keep up with installment payments on insurance premiums. In the United Kingdom, insurance providers historically have been a relatively insignificant presence among debt originators in the receivables management market. The UK Company Market Study estimates that the insurance sector, together with the utilities sector and secondary sales from other debt purchasers, accounted for only approximately 1% of the total amount spent to purchase debt portfolios in the United Kingdom in 2014. In the German insurance sector, only third-party collections and other services are possible in the majority of cases because the German regulatory framework prohibits the sale of most types of debt in this sector.
- **Retail**. References in this Offering Memorandum to the retail sector are to the home retail credit sector in the context of the United Kingdom, and to the retail and e-commerce sector in the context of Germany.

  Home retail credit. In the United Kingdom, Lowell has developed expertise in a retail subsector called home retail credit, which relates to companies engaged in catalog, phone or online shopping and in which balance sizes typically range from approximately £800 to £900. Lowell helped evolve the sale of debt portfolios in this sector after identifying the high levels of consumer credit used as part of a discount and sales growth strategy and the importance of cash management for businesses in this sector, which in effect operate as hybrids of retail and financial services businesses. Debt purchases in the UK retail sector include balances outstanding on the retail credits extended to customers of home retail companies. Debt portfolios in the UK retail sector are sold early in the receivables management cycle, typically prior to placement with DCAs, and as a result tend to be of higher quality. Because prices are adjusted to reflect recoverability, prices in the retail sector are therefore higher on average compared to the other two main sectors on which Lowell focuses. Outstanding receivable balances held by debt originators in the retail sector have increased recently, as some consumers who have been unable to access credit from traditional sources have turned to alternative sources, such as retail providers.

  Retail and e-commerce. Debt in the German retail sector is generated when customers order on account, such that goods are received and an invoice is issued prior to payment. Retail debt usually relates to large purchases, such as appliances, furniture and clothing, rather than everyday items. E-commerce debt in Germany is created through online shopping when an item is delivered prior to payment and the invoice is payable on receipt of purchase, as is typically the case in Germany. In Germany, the retail sector is relatively consolidated, with debt originators served by a group of large, established debt collection providers, including GFKL.
- **Telecommunications**. Defaulted debt in the telecommunications sector is typically created when contracts with minimum term installments are not paid or contracts are terminated prematurely. Debt purchases in the telecommunications sector include balances outstanding on unpaid mobile phone bills or mobile phone contracts set up to provide a discount on a mobile device that were terminated prior to their agreed maturity. Other sources of telecommunications debt are broadband, landline and pay television invoices. Telecommunications debt portfolios typically have lower balances than debt in most other sectors. In the United Kingdom, telecommunications debt portfolios are often sold after one or two DCA placements, while in Germany, the assignment of claims arising from telecommunications debt portfolios from one DCA

to another might be held void by courts. In light of the low balances of telecommunications debt portfolios, collection efforts must typically be few in number and low in cost in order to be economically viable, which we believe favors debt purchasers with significant scale and discourages disruption from new market entrants. Market growth in the telecommunications sector has historically been driven by increasing mobile telephone revenue and average contract sizes, supported by the increasing penetration of higher-value smart-phones and the growing diversity of services offered on mobile phones (*e.g.*, data transaction services).

We believe that Lowell has played a key role in developing debt sales in the UK telecommunications sector, in which it remains a leading player. In Germany, there is no clear receivables management services leader established in the telecommunications market, which has led to ongoing price competition among receivables management service providers.

- **Fitness**. Defaulted debt in the fitness sector consists of unpaid gym contracts. If the contract is paid in installments and the customer defaults, the customer may be liable to pay for the full length of the contract. In the United Kingdom, debt originators in the fitness sector currently do not use receivables management services, which we believe presents us with an opportunity to develop a new source of revenue. In Germany, receivables management service providers are active in the fitness sector. In general, a customer in Germany must fail to make two monthly payments before either the entire remaining term of his or her gym contract or a percentage thereof becomes immediately due and payable.
- **Public sector**. Unpaid self-assessment income tax, local authority council tax, public transport fines and unpaid television licenses are examples of public sector defaulted debt. We believe there is potential for growth in both the UK and German public sectors, each of which is at an early stage of development. Central government, regional government and other public sector entities in both the United Kingdom and Germany are facing increasing cost and efficiency pressure and are consequently starting to consider initiating or increasing receivables management outsourcing.

In the United Kingdom, Lowell has been active in developing its relationship with the UK government, which has started to outsource debt collection and is considering the sale of some defaulted debt. We believe that both national and local government agencies in the United Kingdom could provide attractive growth opportunities. Further, we believe that the size of Lowell's customer database and its collection efficiency would give it a competitive advantage in exploiting such growth opportunities in the event they materialize.

Applicable laws in Germany, including judicial rulings and data protection laws and regulations, prevent receivables management companies from purchasing any public-sector debt and servicing some public-sector debt (even on a third-party collector basis). While typical public-sector debt such as tax and housing payments is not currently being outsourced, recent regulations would permit the outsourcing of certain ancillary services (*e.g.*, address checks) as long as the responsibilities of public administration (*e.g.*, enforcement) continue to be performed by the relevant public-sector entity.

- **Utilities**. Defaulted debt in the utilities sector consists of unpaid heating, water, gas and electricity bills. Utilities providers are facing mounting pressure to reduce costs and improve efficiency overall, which may increase outsourcing rates in this sector.

In the United Kingdom, Lowell continues to develop relationships in sectors in which debt portfolios have not previously been sold, or have been sold in only limited quantities. The utilities sector in particular, including electricity, gas and water suppliers, holds large defaulted debt portfolios, but has so far undertaken only limited debt sales.

German utilities providers, which had traditionally kept debt-collection functions in house, are beginning to outsource such functions. In Germany, utilities-sector debt is only accessible if the account of the customer is settled, the supply has been cut off and the contract is terminated, which usually occurs approximately five months after non-payment.

In addition to the sectors described above, the German defaulted consumer debt market includes several other sectors in which GFKL participates to a limited extent (*e.g.*, the media, medical debt and business-to-business sectors).

Methods of Debt Sale

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

- **Spot sale**. The sale of a single portfolio at a particular point in time. Spot sales may be one or more of the following:

  Auction. A panel of debt purchasers is invited to submit bids for a portfolio. An auction process can take many forms, including sealed bids or more competitive online procedures, and can be facilitated by a broker or more typically the seller's management team.

  Bilateral sale. Debt sellers negotiate the sale of a portfolio with one selected party (or sometimes a few). In a bilateral sale, the debt seller targets debt purchasers with particular competencies or differentiated abilities to take on a given portfolio.

  In situ sale. In an *in situ* sale, a debt seller sells a portfolio to a debt purchaser that is already managing the portfolio for the debt seller as part of the debt purchaser's third-party collection operations.

  Secondary sale. A secondary sale involves a debt purchaser's sale of accounts to another debt purchaser, either after a limited period of trial collections activity to establish value or after dividing a portfolio into smaller pieces. Secondary sales generate additional liquidity by facilitating the release of capital earlier. They also provide debt originators with a platform to sell increasingly larger portfolios to well-funded debt purchasers, which in turn can sell to other debt purchasers smaller portions of those portfolios that are less in line with their investment strategy and better suited for specialist collection activity.

- **Forward flow agreement**. A forward flow agreement is an agreement to sell several portfolios over a period of time at a predetermined price, specified credit quality and specific point in the debt recovery cycle. We have entrenched forward flow agreements with a number of our strategically important UK and German debt originators. We are protected against downside risk in debt quality through provisions in the forward flow agreements allowing flexibility to modify pricing upon a detailed review of the portfolios, in the case of our UK forward flow agreements, and through put-back mechanisms and certain representation and warranties from the seller, in the case of our German forward flow agreements. In the United Kingdom, forward flow agreements are generally transacted through bilateral sales processes, while in Germany, forward flow agreements are transacted through both auctions and bilateral sales processes.

Size and Attractions of the UK and German Receivables Management Services Markets

The countries in which we operate are two of the largest European producers of annual NPL volumes across industries, driven by the size of their respective economies.

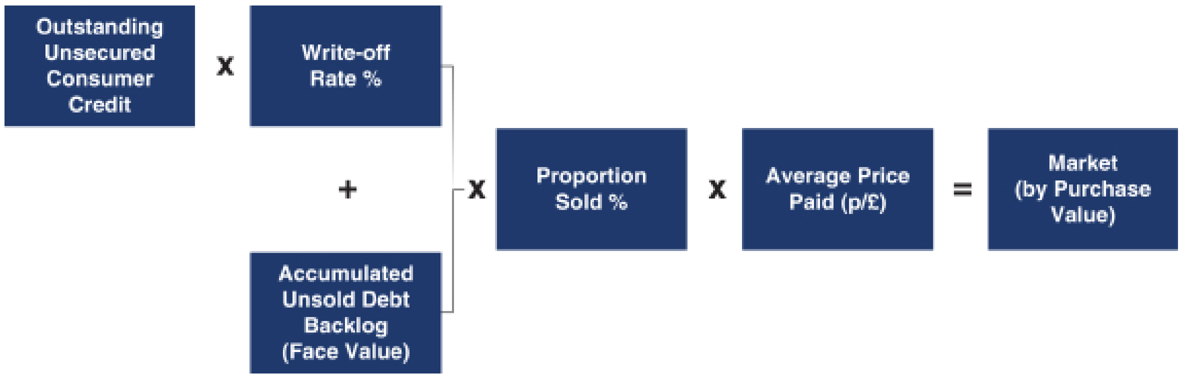
United Kingdom

The receivables management market was established in the United Kingdom in the late 1990s following the success of more established markets in the United States and Scandinavia, and has grown considerably since then. This market was initially developed as a method for debt originators to manage defaulted loans and to accelerate capital release for defaulted debt the value of which had already been significantly written down. The market commenced with small-scale transactions by DCAs that generally had access to small funding lines. As the market developed, access to funding increased, and new DCAs and debt purchasers entered the market. Today, the debt purchase and collection industry has become an integral component of the debt recovery process in the United Kingdom and helps UK debt originators manage the asset quality in their loan portfolios. This has become particularly important as capital and liquidity requirements imposed by regulators and investors increase. Increasingly, receivables management services have also become an important tool for non-financial debt originators, such as telecommunications and retail companies (as described below), to outsource the management of their bad debt and focus on their core businesses.

The volume of debt portfolios sold by debt originators each year comes from the book of defaulted debt in such year and the backlog of unsold defaulted debt from prior years. The pricing of debt portfolios also affects the volume of debt portfolios sold each year as it determines whether it is more economically attractive for a vendor to sell its debt portfolios or to warehouse them for further in-house or outsourced collections. The value of debt purchases is a function of the volume of debt sold and the price of that debt expressed as a percentage of its face value. Price is linked to factors determining the quality of the underlying debt, such as its age and the traceability and financial profile of the underlying customers.

The chart below illustrates the method of calculating the overall amount spent by debt purchasers on defaulted debt.

Overall Amount Spent by Debt Purchasers



Factors Underlying the Size of the UK Receivables Management Services Market

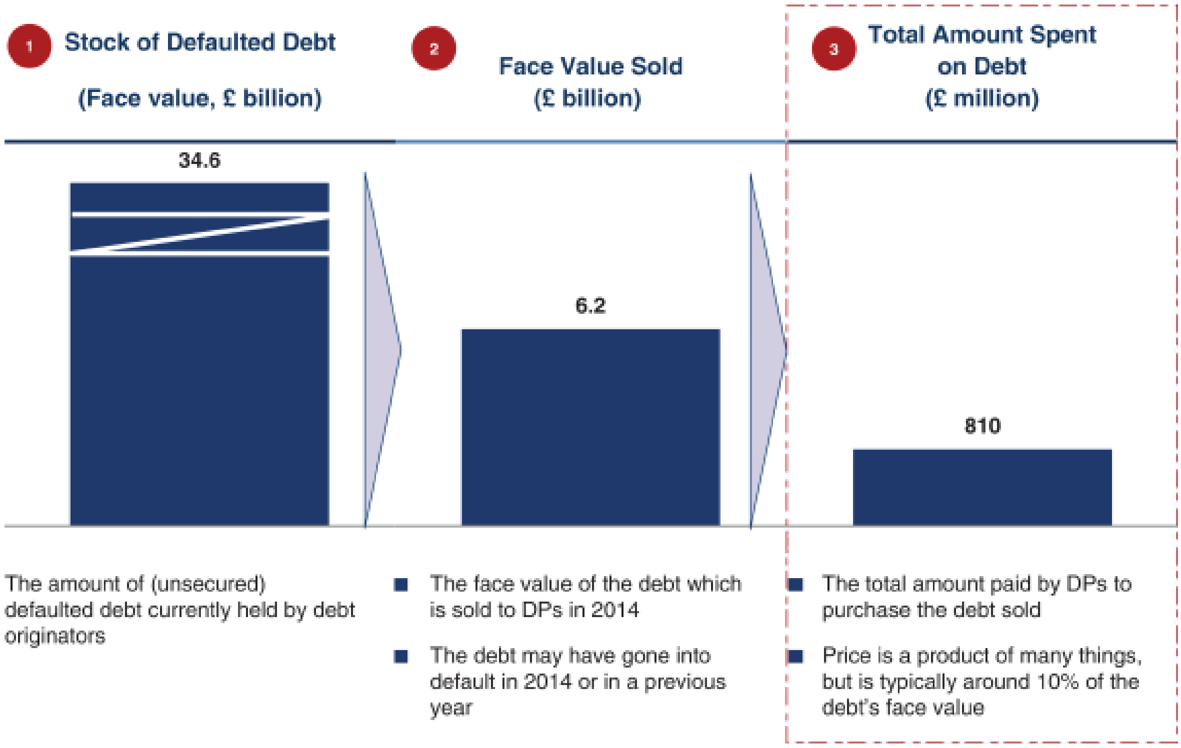
The United Kingdom has one of the largest defaulted consumer debt markets in Europe. This is illustrated by the following key features:

- **Second-largest consumer credit market in Europe**. The United Kingdom has high levels of unsecured consumer indebtedness, with an estimated £241.9 billion in flow of unsecured consumer debt in 2014, according to the Company Market Study.
- **Large volumes of defaulted debt**. We believe that the United Kingdom was the largest consumer NPL market in Europe by flow of unsecured defaulted consumer debt in 2014, with approximately £7.4 billion in face value of unsecured consumer debt newly defaulted in the year ended December 31, 2014, according to the UK Company Market Study.
- **Rebounding debt purchase market**. Spending on debt purchases grew from approximately £57 million in 2000 to approximately £625 million in 2008. From the onset of the most recent financial crisis in 2008 to 2010, the sector went through a period of decreased activity due to the withdrawal of substantial funding available to debt purchasers. Since the beginning of 2010, the debt purchasing market has witnessed renewed growth, driven by the sale of recession-generated debt portfolios, increased availability of funding and the increasing willingness of debt originators to sell their debt portfolios.

These features of the UK consumer credit market create a large and mature market for debt purchase. In 2014, the UK Company Market Study estimates that approximately £6.2 billion of face value in debt portfolios was sold for an acquisition cost of approximately £810 million, with financial services, retail, telecommunications and other sectors (utilities, insurance and secondary sales from other debt purchasers) accounting for approximately 84%, 11%, 4% and 1% of the total amount spent in such sales, respectively.

The chart below illustrates the amount of total defaulted debt, the portion that is sold to debt purchasers and the total amount spent by debt purchasers in 2014 to acquire such debt in the United Kingdom.

Size of UK Debt Sales Market[(1)] (2014)



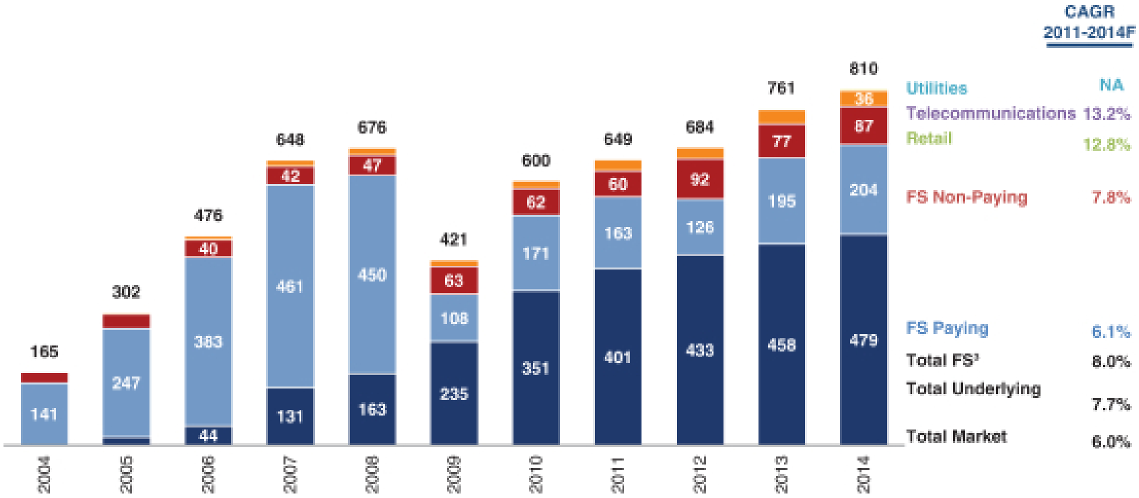
Source: UK Company Market Study

(1) Excludes public sector and recessionary delayed sales.

Attractions of the UK Receivables Management Services Market

- **Increasing concentration**. In recent years, we believe that there has been a trend towards increased concentration of the UK receivables management industry around a small core group of leading DCAs and debt purchasers. Industry consolidation has been further supported by the tightening supply of credit globally during the financial crisis, with only the most experienced and reputable market participants being able to secure the necessary financing to support an active debt collection and debt acquisition program during such period.
- **Increasing tendency to outsource**. Lowell's management has observed a growing propensity on the part of UK debt originators to sell debt portfolios earlier in the recovery process. For example, according to the UK Company Market Study, the proportion of defaulted debt sold prior to placement with a DCA in 2014 was 10%, 29% and 50% for the UK financial services, telecommunications and retail sectors, respectively, compared to 4%, 20% and 7% for those sectors in 2011.
- **Emerging market sectors**. In the United Kingdom, the utilities, insurance and public sectors have historically accounted for a relatively small proportion of debt purchase and debt collection revenue as compared to the financial services, telecommunications and retail sectors. We believe these sectors represent new sources of supply for UK receivables management companies. For example, according to the UK Company Market Study, the total face value of defaulted debt in the UK public sector was approximately £25 billion as of December 31, 2014. According to the UK Company Market Study, the majority of this defaulted debt has so far been collected in-house and, as of June 25, 2015, approximately 5% of total UK public sector debt was under management by the private sector. We believe that the UK government's plan to raise funds from the sale of public assets to boost investment in the UK economy may lead to further debt sales in the future, involving both student loans and other types of government debt.

UK Debt Purchasers' Spending on Debt by Sector[1] (2004-2014)[2]



Source: Company Market Studies

(1) Excludes public sector sales.

(2) CAGR excludes recessionary delayed sales; including these gives total growth in FS of 4.9% from 2011 to 2014.

Germany

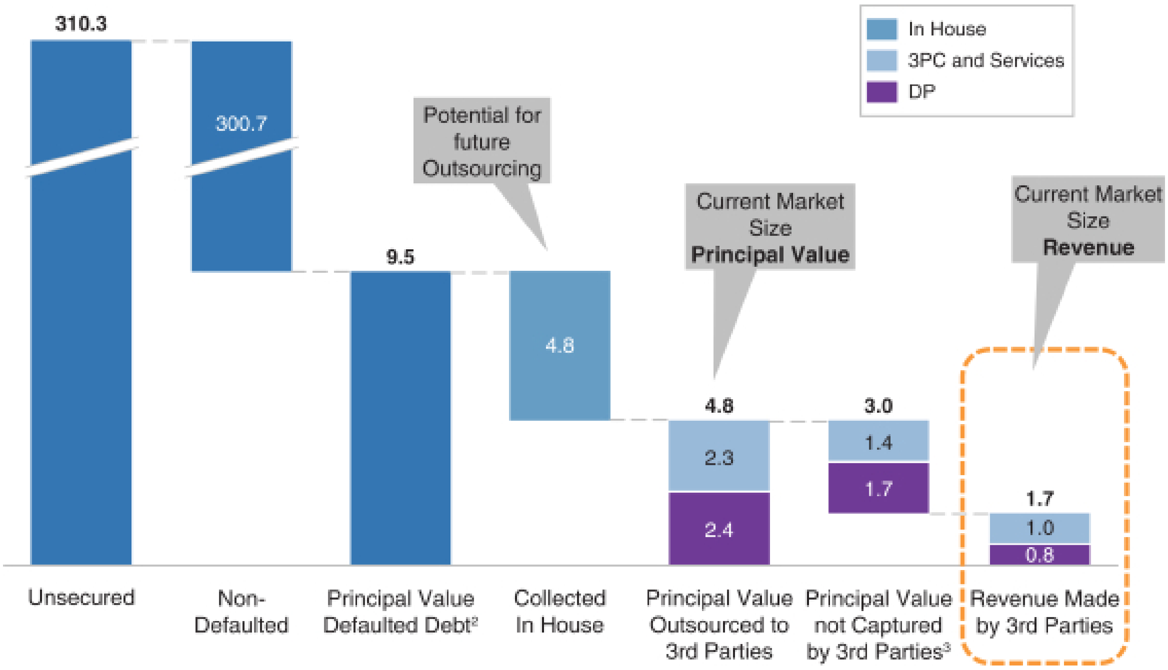
Unless otherwise stated, references to defaulted debt or NPLs in this section refer to unsecured consumer debt that remains unpaid for more than 45 days or, in the case of receivables sourced from the financial services industry, generally 90 days past the original payment due date.

Factors Underlying the Size of the German Receivables Management Services Industry

Germany has one of the largest addressable defaulted consumer debt markets in Europe. This is illustrated by the following key features:

- **Largest consumer credit market in Europe**. In 2013, there was approximately €310 billion of unsecured consumer credit newly created in the German market, which the German Company Market Study estimates is the largest unsecured consumer debt market in Europe. Germany also benefits from having one of the most stable economic outlooks in Europe, with steady GDP growth and contained unemployment levels supporting a steady extension of consumer credit.
- **Low default rate**. Germany has a low default rate compared to other countries in Europe, with a default rate of approximately 3% for unsecured consumer debt in 2013, reflecting a culture of debt repayment by borrowers and the resilience of the economy to macroeconomic cycles.
- **Large volumes of defaulted debt**. Germany boasts a large flow of newly created unsecured defaulted consumer debt each year. The German Company Market Study estimates that, of the €9.5 billion of defaulted consumer debt created in 2013 in Germany, approximately €6.5 billion was from the financial services and insurance sectors, with the remaining €3.0 billion from other sectors, including the telecommunications, retail and public sectors. The e-commerce segment of Germany's retail sector is growing especially rapidly, with a growth rate of approximately 20% per year from 2009 to 2013.

Flow of Unsecured Consumer Debt in the German Market and Revenue Potential for Receivables Management Companies in € billion (2013)[(1)]



Source: German Company Market Study

(1) Interest and additional fees are included in the revenue conversion rate.

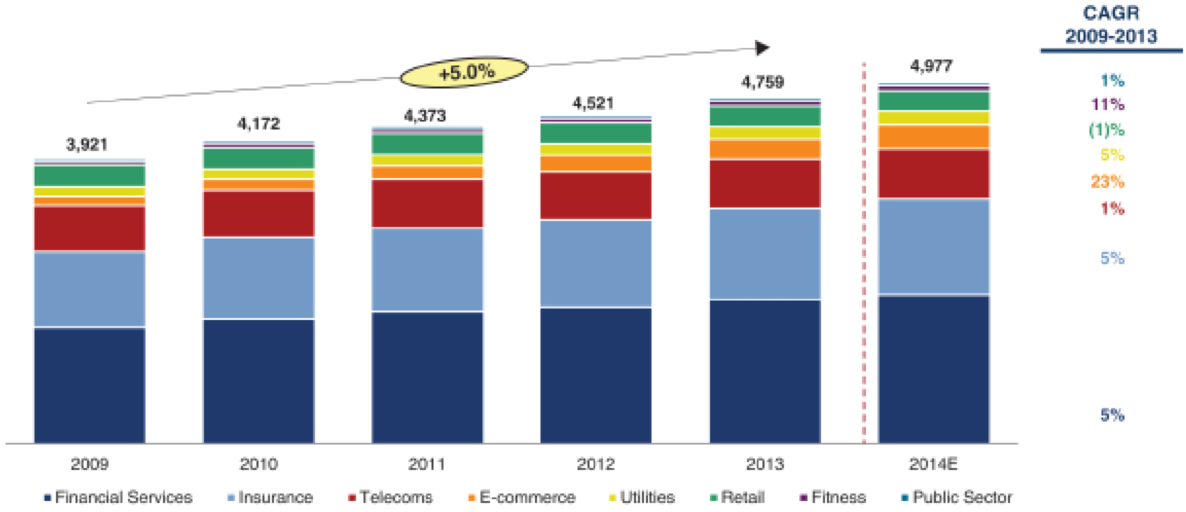
(2) Defaulted debt is debt that is unpaid after 45 days after the payment due date.

(3) Principal value not captured by third parties includes discounts, principal value not collected and collections paid back to the debt originator.

- **High outsourcing**. According to the German Company Market Study, outsourcing rates in 2013 were estimated to be approximately 50% of unsecured defaulted consumer debt, albeit with certain variations by sector. German debt originators across various sectors have a high propensity to outsource early in the credit cycle (*i.e.*, after the due date, but before the debt becomes overdue by 45 days or, in the financial services sector generally, by 90 days), due to the limited presence of in-house collection operations at German debt originators.

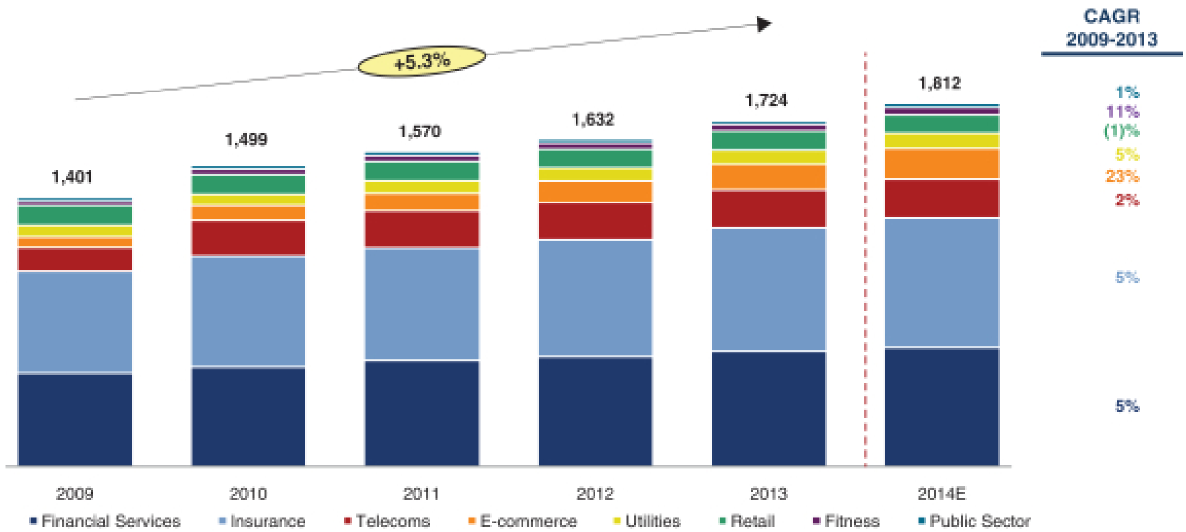
The financial services sector is the largest debt originator in Germany, accounting for an estimated €2.0 billion in principal value of outsourced defaulted debt and approximately €0.6 billion of outsourced debt revenue potential in 2013. The insurance sector accounted for an estimated €1.3 billion of aggregate principal value of outsourced defaulted debt and approximately €0.6 billion of outsourced debt revenue potential in 2013.

Outsourced Defaulted Debt by Sector (2009-2014)[(1)]



Source: Company Market Studies

Outsourced Defaulted Debt Revenue Potential by Sector (2009-2014)(1)



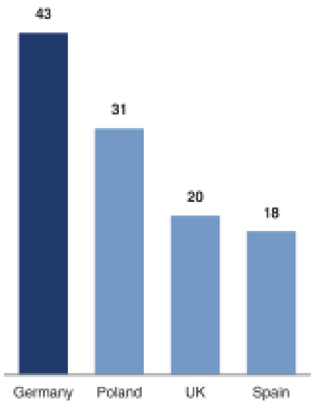
Source: Company Market Studies and related analysis

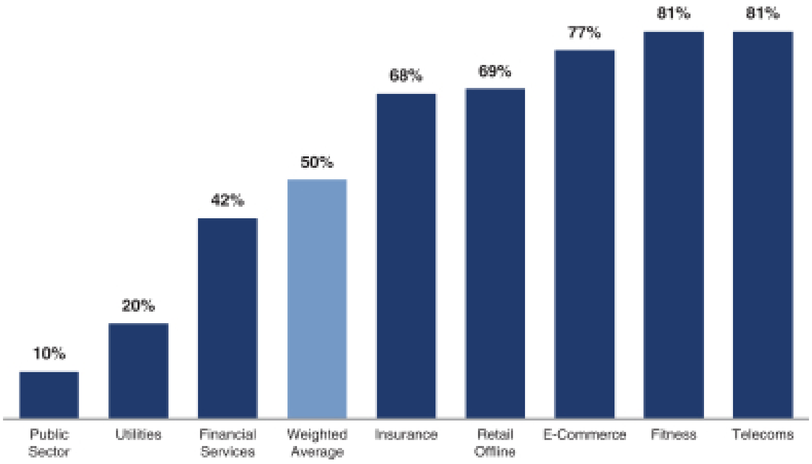
(1) Revenue figures are based on information we received from external sources or estimated internally based on the information available from external sources. Revenue recognition policies may differ among CMS companies and therefore the revenue figures may not be comparable

High Propensity to Use External Providers in Germany (2013)

Usage of DCAs by Debt Originators

Percentage of Defaulted Debt Outsourced





Source: Company Market Studies

Together, these features of the German consumer credit market create a very large market for debt collection and debt purchase. According to the German Company Market Study, the principal value of newly created unsecured and defaulted consumer debt was approximately €9.5 billion as of December 31, 2013, with an estimated €4.8 billion of principal value serviced in-house and an estimated €4.8 billion of principal value outsourced to third parties. Overall, a revenue potential of €1.7 billion for receivables management companies existed in 2013.

Attractions of the German Receivables Management Services Market

- **Stable and strong economy with a strong growth outlook**. Germany has been experiencing strong and positive real GDP growth since 2010, and low unemployment relative to other European economies. The stability and strength of the economy support increased investments and borrowing.
- **Supportive environment for outsourced receivables management services**. Due to the limited in-house resources of many debt originators in Germany, receivables management companies benefit from a large supply of outsourced debt. Furthermore, the number of potential debt collectors chosen by a specific company tends to be small (one to three collectors, on average, according to the German Company Market Study) for third-party collections and services, providing an opportunity to build partnership-like relationships with debt originators early in the recovery cycle.
- **Wide range of revenue opportunities and longer time to work on debt**. Debt is outsourced relatively early through BPO services prior to its due date, and outsourced collections and debt sales generally start 45 days after the respective due dates of the obligations. This “fresh” debt typically is of higher quality and has higher collection expectations, because less work has been applied to the assets to obtain customer payments. Furthermore, it is possible to engage in long-term monitoring to identify potential solvency changes of customers for up to 30 years (and, in some cases, for a longer period) in line with the applicable statute of limitations. Earlier access to debt and longer-term monitoring provide wider opportunities to capture fees and allow for more time to recover debt.
- **Cultural attitudes towards debt repayment**. German consumers tend to use debt for payments to a substantially lesser degree than do consumers in other European countries, preferring instead to use cash and debit cards. The low comparative usage of credit in Germany could be driven by the additional fees charged to defaulted customers, as well as by cultural attitudes towards indebtedness. As a result, consumers who do incur debt are generally more likely to want to repay it when able to do so.

Market Growth Drivers and Trends

Market Growth Drivers

The following factors represent drivers of growth in both the UK and German receivables management industries:

- **Continued expansion of overall unsecured credit**. In the United Kingdom, unsecured consumer indebtedness has returned to growth since 2011, after a short period of decline following the most recent financial crisis. The sustained growth experienced in UK consumer lending, and consequently in defaulted loans, will be a key driver for future debt sale volumes. The growth of unsecured consumer credit in Germany tends to be less cyclical and is expected to remain in line with growth rates observed in recent years.

- **Default rates**. In the United Kingdom, we believe that the increase in unsecured consumer lending in the post-crisis recovery period, which has been associated with riskier credit, has tended to result in an increase in default rates. Management expects default rates in Germany to remain relatively stable over the coming years, although the Federal Association of German Debt Collection Companies (*Bundesverband Deutscher Inkasso-Unternehmen e.V.*) has projected a deterioration in general consumer payment behavior in 2015 (see "*Risk Factors—Risks Related to Our Business and Industry—Changes in the economic environment, in particular in Germany, may have a material adverse effect on our financial condition, financial returns and results of operations*"). According to the German Company Market Study, the default rate in Germany on unsecured consumer debt was approximately 3% in 2013.
- **Increased outsourcing of collections and debt sales**. Debt originators increasingly tend to outsource the recovery of defaulted debt on account of their lack of internal resources, the desire to focus internal resources on core activities, the increased compliance cost and regulatory risk associated with increased regulation and the generally better cost structure of receivables management companies. Receivables management companies offer a wide range of services, providing debt originators with a comprehensive solution for the management of delinquent debt that extracts higher value from their NPLs.

  In Germany, the aggregate outsourced principal value of newly defaulted consumer debt coming to the market each year has grown at a CAGR of 5.3% from 2009 to 2013 for debt purchasing and at a CAGR of 4.6% for third-party collections and services, according to the German Company Market Study. Third-party collections and services accounted for approximately €2.3 billion of aggregate outsourced principal value of defaulted consumer debt in 2013, which, according to the German Company Market Study, translated into around €1.0 billion of revenue potential, and debt purchasing accounted for an estimated €2.4 billion of aggregate outsourced principal value of defaulted consumer debt, which, according to the German Company Market Study, translated into €0.8 billion of revenue potential in 2013.
- **Emerging market sectors**. We believe that some sectors in both the United Kingdom and Germany are still relatively nascent or underdeveloped, and we expect these sectors to experience growth in the short term. In the United Kingdom, there are opportunities to develop relationships with sectors that have not previously outsourced receivables management at all, or have done so only to a limited extent, such as the opportunities described above with respect to the public and utilities sectors. In Germany, there are various growth opportunities arising from small and medium-sized enterprises ("**SMEs**"), and large companies and certain sectors with limited current use of third-party services (*e.g.,* the public and utilities sectors). In particular, SMEs that still use staff dedicated to run collection activities may consider outsourcing opportunities because of cost benefits, improved collection rates and the professional approach to collection provided by receivables management companies. Furthermore, within large companies across all relevant sectors, there is an ongoing shift towards replacing in-house departments with third-party outsourcing services.
- **Price**. The pricing of receivables management activities, such as the level of commissions for contingent collections and the price of debt for debt purchase, is an important driver of the overall demand for such services and the overall supply of debt for sale. We believe that competitive pricing tends to encourage market growth by increasing the demand for collection services and the supply of debt for sale. Moreover, we believe that receivables management companies that benefit from economies of scale tend to be able to compete more effectively on pricing, which gives them an advantage when price competition increases.

Competitive Dynamics

In recent years, we believe that there has been a trend towards increased concentration of the receivables management industry around a small core group of companies. See "—*Barriers to Entry*."

The UK Market

Industry consolidation has been supported by the tightening supply of credit globally during the financial crisis, with only experienced and high-quality debt purchasers in the market being able to secure competitive financing to support an active debt-acquisition program both during the crisis and thereafter. Recently however, several international players from the Scandinavian and the U.S. markets (*e.g.*, Hoist and Encore) have expanded from their traditional geographical focuses and sought to compete in the United Kingdom.

Lowell tends to compete with one or two of these leading purchasers in the final stage of each debt tender process. We believe that many of Lowell's current competitors have evolved with a specific investment focus and associated operational infrastructure, which may make them more or less suited to particular sectors of the market. Some purchasers are more focused on higher-balance debt or paying debt, which often requires less tracing capability and cost to collect efficiencies. The importance of historical benchmark data to guide prices on new debt portfolios means that market participants may also gravitate towards specialty niches in which they have been more active in the past. As a result, current competitive dynamics primarily reflect the ability of each debt purchaser to generate appropriate returns on investment, based on its cost structure and operational capabilities.

We believe that large, high-end debt purchasers have outpaced broader market growth in the United Kingdom. For example, according to the UK Company Market Study, Lowell and three of its large competitors increased their total share of the UK debt purchase market (by purchase value) from approximately 39% in 2012 to approximately 57% in 2014. As the market consolidates further and panel size reduces, we expect leading players to continue to be materially advantaged and outperform both the market and their smaller peers in growth and profitability.

The German Market

With approximately 600 to 900 players, the German receivables management services market is highly fragmented. Players can be generally distinguished by service activity and sector focus. According to the German Company Market Study, "Tier I" debt collection companies with revenue of more than €100 million have outpaced broader market growth, growing at an annual rate of approximately 12% to 15% between 2011 and 2013. Notwithstanding the fragmentation of the German receivables management services market, there is a trend toward consolidation. A small group of four Tier I players, including EOS (part of the Otto Group), GFKL, Creditreform and Arvato (part of the Bertelsmann Group), is significantly larger by revenue than the other players in the market, representing approximately 40% of the overall German receivables management market by revenue in 2013, according to the German Company Market Study.

"Tier II" players, which comprise companies with revenue in the €10 million to €100 million range, have grown at a lower rate, with a representative sample of companies with revenue in the €30 million to €100 million range having grown at approximately 6% annually and a comparable sample of companies with revenue in the €10 million to €30 million range having grown at approximately 1% annually. Tier II players generally focus on one or two industries or are the German subsidiaries of international receivables management corporations. Small- and medium-sized players typically have a regional focus and serve smaller debt originators, often only in the third-party collections and services business.

Barriers to Entry

The concentration in the UK and German receivables management markets over the last several years has resulted in a maturing of the industry, with the key participants increasing in scale both organically and inorganically and becoming ever more operationally sophisticated. We believe this has created certain challenges for a new entrant to create a sustainable business. We believe the following significant barriers to entry exist in the industry:

- **Regulatory environment and compliance**. The industry is subject to increasing levels of legal and regulatory oversight. In the United Kingdom, for example, the OFT was given powers to immediately suspend CCLs in July 2012. Debt purchase and debt collections activity migrated from the OFT to the FCA in 2014. The trend in the United Kingdom over the past 20 years has been to make debt collections a mainstream financial services activity subject to a comparable level of regulatory scrutiny as that to which the activities of debt originators in the financial services sector are subjected. We believe that, in this context, compliance track record and reputation are key to developing strong relationships with debt originators. In Germany, we believe that the law against dubious business practices for receivables management companies (*Gesetz gegen unseriöse Geschäftspraktiken—GguG*), which sets forth the limit for debt collection fees payable by customers and introduced more stringent requirements relating to transparency, increases the burden on smaller businesses (for more details regarding this law, see "—*Legal and Regulatory Framework—Germany*"). Accordingly, we believe that debt collection in both the United Kingdom and Germany requires considerable investment in processes, know-how and management, making it potentially difficult for a new entrant to be competitive and increasing barriers to entry. See ''*Regulation*.''

- **Data and pricing models**. A new entrant would be unlikely to have an established model with which to price debt portfolios, given its lack of historical data sets important for substantiating and benchmarking collection curves and ultimately for formulating rational prices across varying debt types and customer characteristics.
- **Trace and collections platform**. The ability to determine the financial circumstances of account holders and the recoverability of their debt is fundamental to success in collecting in a cost-effective manner and generating an appropriate return on investment. The systems of a debt purchaser such as Lowell or GFKL have been developed over an extensive period of time, requiring substantial investment and expertise.
- **Funding**. Since 2012, several leading UK debt purchasers such as Lowell, Cabot and Arrow have issued high-yield bonds, which provide more stable medium-term financing. Additionally, GFKL pioneered the issuance of high-yield bonds by non-captive receivables management companies in Germany in 2015 and has undertaken the securitization of certain of its purchased debt portfolios. In both the United Kingdom and Germany, high-yield financing is used in combination with revolving credit facilities provided by major banks as a flexible means of funding the purchase of additional debt portfolios. Without a successful track record and verifiable projections supported by reliable pricing models, it could be difficult for a new entrant to obtain cost-effective debt funding to purchase debt portfolios.
- **Economies of scale**. Large debt purchasers can spread their fixed costs across their book of existing debt portfolios. This scale provides a cost advantage to an established debt purchaser when pricing new debt portfolios.
- **Vendor relationships**. Key debt originators have established relationships with the leading receivables management companies in the United Kingdom and Germany. Increasingly, such vendors are seeking to maintain relationships with a smaller number of service providers. Based on the panel relationships we have, we believe that vendors have reduced the size of their panels. This means that it is increasingly important for us to be present on panels. We believe both Lowell and GFKL are among the large debt purchasers present on nearly all major panels in their respective markets. Whether a debt purchaser has a reputation for being able to transact purchases on a sustainable basis and a track record of regulatory compliance is a key consideration for certain vendors and may represent a considerable challenge for new entrants.
- **Management expertise**. The receivables management market is relatively concentrated among top players. Proven management with deep industry knowledge may be difficult to find and hire.

Legal and Regulatory Framework

United Kingdom

The debt recovery process in the United Kingdom is limited by the applicable statute of limitations, which does not allow a creditor to legally enforce collections on debt either five or six years (in Scotland or in England, Wales and Northern Ireland, respectively) after the last non-verbal acknowledgement of such debt (*e.g.*, the last payment made on the account).

Receivables management companies in the United Kingdom are regulated by several bodies, including the FCA, Lending Standards Board ("LSB"), CSA, SRA and Civil Procedure Rules Committee ("CPRC"). The FCA took over consumer compliance oversight from the Office of Fair Trading ("OFT") in April 2014, and a breach of its "Treating Customers Fairly" mandate can be a serious matter. The LSB predominantly governs banks and credit card companies via the Lending Code, which makes debt originators responsible for the behavior of a debt purchaser that purchases their debts, and third parties must follow guidelines set out in the code.

We believe that the UK regulatory environment favors participants with scale, such as Lowell, which are more likely to have the resources necessary to comply with the increasing volume of regulation in the industry and with a potentially stricter new FCA regime.

Furthermore, a receivables management company must be authorized to carry on regulated activities, which from April 1, 2014 include specified consumer credit activities, in order to do business in the United Kingdom. For more information regarding the regulatory framework applicable to Lowell, see "*Regulation—Key Regulations Affecting Lowell*."

FCA rule modifications may also be required by firms in the debt recovery industry who wish to rely on so-called continuous payment authorities for debt collection where their right to do so is not provided for under the relevant credit agreement. FCA rules prevent such uses of continuous payment authorities but the rule modifications allow the enhancement of the efficiency of the collection processes.

Germany

The legal framework in Germany allows creditors to use a variety of collection methods to support the consumer debt recovery process. Once a debt collection agency is engaged by a debt originator, certain fees can be added to the principal value of the debt. If creditors or their agents need to use more complex processes to recover the debt owed, the law provides that creditors can add additional fees and costs incurred during the collections process.

As part of the creditor's default damage, servicer fees of a debt collection company can be charged to the debtor up to the amount of fees a lawyer could charge pursuant to the German Lawyer Remuneration Act (*Rechtsanwaltsvergütungsgesetz*). Similarly, costs in connection with the subsequent retention of external lawyers are frequently passed on to the customer.

The recovery process in Germany is typically longer than in peer markets, as debt is generally considered defaulted after 45 days or, in the case of financial services debt, 90 days) and debt originators tend to outsource it earlier than in their peer markets. Therefore, receivables management companies in Germany have access to "fresher" debt. Unlike in peer markets, in Germany debt can be serviced for a period of 30 years (after obtaining an enforcement title) following the creation of the debt (or longer in certain cases). For some players, a significant portion of total collections comes from debt that is older than 10 years.

The debt collection services industry in Germany is not a regulated activity with its own regulator, but DCAs must register under the German Legal Services Act (*Rechtsdienstleistungsgesetz*) to be permitted to carry out debt collection services. Supervision is effected through the court system. The determination of the competent court typically depends on the region in which the debt collection company is headquartered. The Higher Regional Courts (*Oberlandesgerichte*) of Düsseldorf, Hamm, Cologne and Brandenburg are the competent authorities for the GFKL Group. The supervision of debt collection companies and their activities is governed by a number of key laws: the German Legal Services Act (*Rechtsdienstleistungsgesetz—RDG*), the Introductory Act to the German Legal Services Act (*Einführungsgesetz zum Rechtsdienstleistungsgesetz—RDGEG*) and the Implementing Regulations to the German Legal Services Act (*Verordnung zum Rechtsdienstleistungsgesetz—RDV*).

The law against dubious business practices for receivables management companies (*Gesetz gegen unseriöse Geschäftspraktiken—GguG*) came into effect in Germany in October 2013. The law sets forth the limit for debt collection fees payable by customers and introduced more stringent requirements relating to transparency, including as to what information must be provided to a customer during the debt collection process. We believe this development reflected the way that the largest players already operated and increased the burden on smaller businesses, accelerating the sector's consolidation.

Debt Purchase—Assignment of Debts

When we purchase debt portfolios, the underlying claims are frequently assigned to us. Under German law, a creditor may generally assign claims in which it holds ownership in accordance with applicable law, in particular Sections 398 *et seq.* of the German Civil Code (*Bürgerliches Gesetzbuch*). Such assignment is not required to be made in writing. Section 402 of the German Civil Code stipulates that the assignor has to provide the assignee with any information necessary for the enforcement of the underlying claim. An assignment of claims may be restricted either by contractual or legal limitations or held void under certain circumstances. For example, according to some courts' decisions, Section 88 (3) sentence 2 of the German Law on Telecommunication (*Telekommunikationsgesetz*) in connection with Section 134 of the German Civil Code provides that payment claims derived from telecommunication services may not be assigned due to the underlying limitation of the German telecommunications secrecy (*Fernmeldegeheimnis*). However, the Federal Court of Justice (*Bundesgerichtshof*) has ruled in accordance with a decision in a preliminary court ruling of the European Court of Justice that an assignment of such claims will not be void if the provider (*Diensteanbieter*) as assignor ensures that the assignee processes traffic data (*Verkehrsdaten*) in accordance with applicable law, the assignor retains the right to audit the assignee's compliance with such requirements at any time and the contract between the provider and the assignee contains respective provisions. Additionally, such claims may only be assigned once from the provider to an assignee.

On the other hand, the debtor may make use of any objections that are based and founded on the legal relationship to the original debtor. He may in particular object on grounds of statutes of limitation. German civil law provides under Section 195 of the German Civil Code for a so-called "standard limitation period" (*regelmäßige Verjährungsfrist*) of three years, which generally commences at the end of the year in which the underlying claim arose and the creditor obtains knowledge of the circumstances giving rise to the claim and of the identity of the debtor, or would have obtained such knowledge if he had not shown gross negligence. The limitation period expands according to Section 197 (1) No. 4 to 30 years if a claim has been legally established as final and absolute, which is the case, for example, if a court has issued a final and absolute judgment (*rechtskräftiges Urteil*) or the creditor obtains a binding enforcement order (*Vollstreckungsbescheid*).

Restrictions on Debt Purchase in Certain Industries

By regulation under the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*), companies operating in certain industries are not allowed to sell their overdue and defaulted receivables to third parties (*e.g.*, in the insurance industry for premiums). While it is prohibited to purchase their debt, we may provide these companies with up-front payments, which are made after the receivables have been transferred for service to us. In exchange for providing up-front payment, GFKL receives all further collections as a fee. The up-front guarantee only reflects a portion of what a similar debt portfolio may cost in an open market purchase, as we purchase only the economic right to collect on a portfolio of debt, not full title to the underlying debt. See "*Risk Factors—Risks Related to Our Business and Industry—We are subject to German, UK and EU regulations and changes to the regulatory environment or a failure to comply with applicable laws, regulations, licenses and codes of practice may negatively affect our business.*"

Enforcement of Claims under German Law

According to the provisions of the German Code of Civil Procedure (*Zivilprozessordnung, ZPO*), enforcement of claims under German law generally requires a creditor to obtain an enforcement title stating his claim (*Vollstreckungstitel*) with a court certificate of enforceability (*Vollstreckungsklausel*) which has to be delivered to the creditor. If these requirements are met, the creditor may initiate enforcement measures depending on the type of claim. For example, if the debtor owes payment, the creditor may, subject to certain prerequisites and exemptions, instruct a bailiff to initiate attachment of movable assets of the debtor, which is generally followed by a foreclosure, or to attach claims of the debtor and transfer the garnished claims.

An execution title is not automatically transferred with the underlying claim, but is generally rendered in the name of a specific creditor who has the sole right to enforce the claim. Although we benefit in many portfolio debt purchases, to the extent German law applies, from acting as a beneficial owner with the original creditor as trustee, which allows us to enforce on the basis of existing execution titles, we may not enforce the claim using the existing execution title if the original creditor is no longer available to serve as trustee (*e.g.*, if the creditor is liquidated). We also may not use an existing execution title if we are the legal owner of the claim. In such situations, an execution title may only be amended by way of a circumscription of title (*Titelumschreibung*), subject to certain legal requirements set forth by the German Code of Civil Procedure (*Zivilprozessordnung*). This procedure allows other persons who are not named in the respective execution title to use it for enforcement. See "*Risk Factors—Risks Related to Our Business and Industry—We may purchase portfolios that contain accounts that are not eligible to be collected, including due to defects in customer documentation that may make the credit agreements unenforceable, and an enforcement of related claims may be difficult.*"

German Insolvency Proceedings regarding Natural Persons

Insolvency proceedings regarding natural persons are tightly regulated in Germany. A natural person is only insolvent in case of an (imminent) inability to pay its debt as and when it falls due (*Zahlungsunfähigkeit*). An insolvency based on over-indebtedness (*Überschuldung*) does not apply to natural persons.

To the extent a natural person resident in Germany does not operate commercially (and has not done so recently), the consumer insolvency proceedings (*Verbraucherinsolvenzverfahren*) might apply to any such natural persons. These insolvency proceedings include three stages: (1) Prior to the filing for insolvency, the debtor has to set up and offer its creditors a plan to settle his debts in the course of an out-of-court debt-adjustment procedure (*außergerichtliches Schuldenbereinigungsverfahren*). During this out-of-court procedure, the general rules apply with respect to an enforcement of security interests, *i.e.*, there are no restrictions on enforcement of security. (2) If the debtor fails to reach a settlement with its creditors, he/she may file for insolvency. The insolvency court will then initiate an in-court debt-adjustment procedure (*gerichtliches Schuldenbereinigungsverfahren*) in which the court may, under certain circumstances, replace a creditor's objection to a settlement (*cram-down*). During this in-court procedure, the preliminary insolvency proceedings (*vorläufiges Insolvenzverfahren*) are pending but the court may order preliminary restrictions on enforcement of security. (3) If the in-court procedure also fails, the court may open insolvency proceedings. With respect to security interests granted by a natural person, the insolvency proceedings do not differ much from the general insolvency proceedings. The consumer insolvency proceedings may also include an insolvency plan (*Insolvenzplan*) but the debtor may not apply for debtor-in-possession status (*Eigenverwaltung*). If not the natural person but one of its creditors files for insolvency over the assets of the natural person, the court allows the natural person/debtor to file for insolvency as well. If the debtor does so, he/she has to follow the above mentioned three steps. If the debtor refuses to file for insolvency, the court may directly open insolvency proceedings.

Natural persons may under certain circumstances apply to be discharged from all residual debt remaining at the end of an insolvency proceeding (*Restschuldbefreiung*) if they agree to assign the seizable part of their wages for a period of generally six years from the opening of the insolvency proceedings to a court-appointed trustee. The period can be reduced to five years if the debtor has paid all costs of the proceedings or even three years if the amount that has been paid to the trustee is sufficient to repay at least 35% of the debt. The insolvency creditors may request the court to deny the discharge based on certain reasons stated in the German Insolvency Code (*Insolvenzordnung*). The discharge of all residual debt would generally not affect the security interests granted by the respective natural person that is subject to the insolvency proceedings as the German Insolvency Code (*Insolvenzordnung*) excludes certain security interests from the effects of the discharge.

An insolvency administrator may void the granting of guarantees, security interests, payments made by customers, etc., by the insolvent natural person. See "*Certain Limitations on Validity and Enforceability of the Note Guarantees and the Collateral and Certain Insolvency Law Considerations—Germany—German insolvency proceedings regarding natural persons*."

Carve-Out Transactions—Transfer of Business

Our carve-out transactions may be subject to regulation under Section 613a of the German Civil Code (*Bürgerliches Gesetzbuch*), which provides that the acquirer of a business becomes the legal successor of the former owner if a transfer of business (*Betriebsübergang*) occurs. According to the jurisdiction of the European Court of Justice and the Federal Court of Justice (*Bundesgerichtshof*), a transfer of business is assumed when an economic entity (*wirtschaftliche Einheit*) is transferred which retains its identity. Whether an identity is retained is assessed based on several indicative factors, including the transfer of material assets, essential parts of the employees or of customers and/or the continuation of the activities of the former owner. If the requirements stipulated by Section 613a are met and unless an employee objects within one month upon receipt of due information about the transfer of the business by either the former owner or the acquirer, the latter will automatically be party to any existing labor contracts and may not terminate any of the contracts solely for reason of the transfer. This also applies for any existing collective bargaining agreements (*Tarifverträge*) or works agreements (*Betriebsvereinbarungen*), which may generally not be altered or amended to the detriment of the employees within one year after entering into effect of the transfer of business, unless the acquirer and the employees agree on a new collective bargaining agreement or works agreement. Collective bargaining agreements or works agreements may also be amended if they cease to be effective within this period or where it is not the case that both parties are bound by a collective agreement in the scope of applicability of another collective agreement, the application of that collective agreement is agreed between the acquirer and the employee. For example, due to the applicability of Section 613a of the German Civil Code, the relationship to some of our employees is subject to the collective bargaining agreement for the private insurance industry (*Tarifvertrag für das private Versicherungsgewerbe*) and the collective bargaining agreement for the private banking industry (*Tarifvertrag für das private Bankengewerbe*).

See also "*Regulation*."

OUR BUSINESS

Overview

Upon completion of the Acquisition, our business will combine Lowell, a leading purchaser of non-performing consumer debt portfolios in the United Kingdom, and GFKL, a leading receivables management company in Germany. The combination of these two companies is expected to create one of the largest receivables management businesses in Europe by revenue as well as by ERC on purchased debt portfolios and current outstanding face value of debt portfolios managed on behalf of third parties. We believe the combined group has strong growth prospects in the two largest European consumer credit markets and clear common core competencies: longstanding and multifaceted client relationships built on differentiated strategies for originating new business; a broad business model that is diversified across product offerings, markets and sectors; a strong track record of return on capital and reliable portfolio pricing; a cash-generation capability featuring high predictability and visibility into future cash flows; and a robust governance framework with a focus on compliance that we believe is embedded in our operational activity.

With respect to our debt purchase business, as of June 30, 2015, we had invested a combined total of £1.1 billion in the acquisition of 1,244 debt portfolios with an aggregate face value of £17.5 billion. As of June 30, 2015, the Gross Money Multiple for Lowell's and GFKL's purchased debt portfolios was 2.4x and 3.4x, respectively. After giving *pro forma* effect to the Transactions, the GFKL Acquisition and the offering of the Existing 2022 Senior Secured Notes in connection therewith as if they had occurred on January 1, 2014, we would have generated *pro forma* revenue of £349.6 million and Combined *Pro Forma* Adjusted EBITDA of £204.3 million for the 12 months ended June 30, 2015. On a combined basis, the Group ERC for the Combined Business would have been £1.3 billion as of June 30, 2015. After giving *pro forma* effect to the Transactions, the GFKL Acquisition and the offering of the Existing 2022 Senior Secured Notes in connection therewith as if they had both occurred on January 1, 2014, the Combined Business would have generated *pro forma* revenue from third-party collections of £77.3 million for the 12 months ended June 30, 2015. After giving *pro forma* effect to the Acquisition, the Combined Business would have had £7.9 billion in face value of third-party debt under management as of June 30, 2015. For a discussion of how the Lowell and GFKL financial data were combined to produce illustrative data for the Combined Business, see "*Presentation of Financial and Other Information—Non-Financial Operating Data*" and "*Presentation of Financial and Other Information—Unaudited Pro Forma Condensed Consolidated Financial Information*." For a discussion of how Lowell and GFKL determine their respective number of portfolios purchased during a given period, see "*Portfolio Purchases Face Value of Purchased Debt & Gross Money Multiples by Vintage*," note 1. For a discussion of how we define Combined *Pro Forma* Adjusted EBITDA and Group ERC, see "*Presentation of Financial and Other Information—Pro Forma Non-IFRS Measures*" and "*Presentation of Financial and Other Information—Non-Financial Operating Data*."

Each company already enjoys a leading position in its domestic market built on its key capabilities. In the United Kingdom, Lowell built its reputation as a preeminent debt purchaser as a result of advanced data analytics, the unique insights it derives from its comprehensive customer information databases and its highly efficient operational platform. We expect that Lowell will contribute sophisticated pricing, data analytics and cost-optimization experience to the combined business. In Germany, GFKL is the number one non-captive receivables management company and one of the top-four receivables management companies by 2013 revenue, according to the German Company Market Study. Non-captive receivables management companies are generally standalone businesses that typically do not service or purchase any debt that was originated by their own group companies. We expect that GFKL will provide proven experience in servicing and business process outsourcing ("**BPO**") to the combined business.

We believe that the combination of the businesses will facilitate the roll-out of a broad receivables management offering, providing end-to-end receivables management services with strong growth prospects, leveraging our competitive strengths in both the UK and German markets. We expect that the combination will be enhanced by sharing best practices between the two businesses and utilizing their complementary competencies in debt purchasing and outsourced credit services. In addition, we expect the cross-fertilization of Lowell's and GFKL's existing debt originator relationships and debt portfolio origination capabilities to further benefit the combined business. The ability to cross-sell services currently sold in only one of our markets to debt originators in the other market, and to offer new services in our existing markets, presents further growth prospects, especially since there is limited overlap in Lowell's and GFKL's respective client bases. We expect that our combined operations will also benefit from the diversification of our income streams, which we anticipate will substantially enhance our risk profile and operational advantages.

We believe that we derive significant competitive advantages from the combination of two franchises that are among the leaders in their respective markets. We expect that the combination of Lowell and GFKL will enable us to use the competitive advantages of each business to inform the practices of the other and thereby to create a preeminent player in the European receivables management services sector, with significant revenue and cost-synergy potential. We expect to further capitalize on our strengths by: maintaining pricing discipline to drive industry-leading returns on capital; continuing to invest in our people and corporate culture; seeking to remain a leader in compliance and customer experience; continuing to innovate and invest in our IT, data and collection platforms; developing stronger client relationships (including by investing in our one-stop service offering); and participating opportunistically in industry consolidation when accretive opportunities arise.

Our Key Strengths

Leading Positions in Europe's Two Largest Consumer Credit Markets

The combination of Lowell and GFKL brings together two market-leading and complementary businesses operating in the two largest consumer credit markets in Europe, as measured by the Company Market Studies. According to estimates in the Company Market Studies, the United Kingdom had approximately £242 billion in 2014 and Germany had approximately €310 billion (£263 billion) in 2013 of flow of unsecured consumer debt. In the United Kingdom, we are a leading purchaser of defaulted consumer debt portfolios as measured by purchased receivables under management. In the Lowell Financial Year 2014, Lowell invested £162 million to purchase debt portfolios with an aggregate face value of £2.1 billion. According to management calculations based, in part, upon the UK Company Market Study, we believe this investment represented 18% of debt portfolio purchases (including recessionary delayed sales) in the United Kingdom across the three UK market sectors we target, which sectors accounted for 99% of the face value of debt portfolios sold in the United Kingdom in 2014. In Germany, as of December 31, 2013, GFKL was the number one non-captive receivables management company and one of the top-four receivables management companies by 2013 revenue, according to the German Company Market Study. For the 12 months ended June 30, 2015, we generated revenue of £349.6 million after giving *pro forma* effect to the Transactions, the GFKL Acquisition and the issuance of the Existing 2022 Senior Secured Notes in connection therewith as if they had each occurred on January 1, 2014.

In addition, we believe that by focusing on a broad range of sectors, we are able to address a greater portion of all consumer credit volumes generated annually in the United Kingdom and Germany than we would be able to address with a less comprehensive approach. We are a market leader and a pioneer in servicing debt originators across multiple sectors. In the United Kingdom, for the 12 months ended September 30, 2014, we believe we had a market-leading share of debt portfolio purchases in each of the telecommunications sector, the retail sector and the low-balance segment of the financial services sector of the UK debt purchase market, as well as a top-tier position in the public sector of the UK third-party collection services market. In Germany, as of December 31, 2013, GFKL held market-leading positions in the insurance and fitness sectors and top-five positions in the financial services, retail, telecommunications and public sectors according to the German Company Market Study. We have a strong track record of successfully entering new market sectors and gaining high market shares in those sectors, such as the telecommunications, retail and public sectors in the United Kingdom and the insurance and fitness sectors in Germany.

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

Attractive Market Dynamics Supporting Growth and Profitability

We believe that the characteristics of the two markets in which we operate are conducive to sustainable growth and profitability for our combined Group. Both the United Kingdom and Germany currently benefit from stable macroeconomic conditions, including real GDP growth, low inflation, low interest rates and low unemployment. In addition, we believe that the legal and regulatory environment in each jurisdiction is strong and stable, which, in our view, fosters market stability. We also believe that the demanding nature of regulatory compliance in both the

United Kingdom and Germany can be burdensome to small businesses and may therefore increase consolidation opportunities for large players in the receivables management market.

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

In addition, we believe that the consumer credit market in the United Kingdom has several distinctive features that make it attractive to receivables management companies like us. We believe that the United Kingdom is one of the largest consumer NPL markets in Europe by face value of defaulted debt sold annually, with approximately £6.2 billion of unsecured defaulted consumer debt sold in the year ended December 31, 2014, according to the UK Company Market Study. Moreover, the UK consumer NPL market has grown at a CAGR of approximately 6.0% from 2011 to 2014, according to the UK Company Market Study. The UK Company Market Study further estimates that the total price paid for debt portfolio purchases will increase (excluding public sector and recessionary delayed sales), at a CAGR of 13% from 2014 to 2019. We believe that the UK consumer NPL market is consolidating around a small number of sophisticated and large-scale players, such as our UK business, which we believe are competitively advantaged to grow more quickly, and at higher levels of profitability, than their smaller peers. We believe such players have a number of structural advantages, including, for example, an ability to exploit more extensive customer databases, a heightened capacity to absorb the burdens of an increasingly demanding compliance environment and an ability to more readily develop a comprehensive service offering for their clients. Moreover, management has observed a growing propensity on the part of UK debt originators to sell debt portfolios earlier in the recovery process, and we believe that their demand for other receivables management services throughout the credit cycle is likely to increase.

The consumer credit market in Germany is also distinguished by several features that, in our view, make it attractive to receivables management companies. We believe that Germany is one of the largest consumer NPL markets in Europe by flow of newly created unsecured consumer defaulted debt, with approximately €9.5 billion (£8.1 billion) of unsecured defaulted consumer debt created in 2013, according to the German Company Market Study. Moreover, the aggregate outsourced principal value of newly defaulted consumer debt coming to the German market each year has grown at a CAGR, of approximately 5.3% from 2009 to 2013 for debt purchasing and at a CAGR, of approximately 4.6% for third-party collections and services, according to the German Company Market Study. The German Company Market Study further estimates that the outsourced consumer NPL market in Germany is set to grow at a rate of approximately 4% per year through 2018. A diverse range of German businesses, from sectors such as financial services, fitness, retail and telecommunications, originates consumer credit from a diverse customer base. These businesses use a varied set of collection methods to support the debt recovery process and typically outsource receivables collections. For example, according to the German Company Market Study, in 2013 less than 26% of German consumer creditors relied solely on in-house staff for debt collection, while the majority of businesses outsourced debt collections to law firms or debt collection agencies. Moreover, management has observed demand among German debt originators for BPO services and a willingness on the part of German debt originators to outsource collection in the early stages of the recovery process (for example, by as early as 45 days after the original payment due date). Since the German receivables management market is highly fragmented, with approximately 600 to 900 players, we believe that large players, such as our German business, have a competitive advantage due to their scale and the breadth of their client relationships. In addition, we believe that Germany has both a strong repayment culture and creditor-friendly laws and regulations, and that together these features create a favorable environment for debt collection. Creditors in Germany benefit from a long enforcement period against customers, since the statutory limitation period in Germany for applying for and obtaining enforcement title against customers is generally three years and, once obtained, the enforcement title is valid for 30 years. Further, under German law, creditors are generally entitled to charge additional amounts to the customer as damage caused by delayed payment, including default interest, the costs of third-party collection services and legal costs. Each of these factors has, in our view, helped to drive up the profitability of debt collection in Germany.

A Broad Business Model with Significant Diversification Benefits

We operate a broad and diversified business model in the two largest European consumer credit markets, with 71% and 29% of our combined revenue (excluding lawyer service revenue and other services) in the 12 months ended June 30, 2015 generated from our debt purchase businesses, and third-party collection, respectively. We earn revenue from a large client base, within which there is minimal overlap between the clients of our UK business and those of our German business, and which encompasses clients in the financial services, insurance, retail, telecommunications, fitness, public and utilities sectors, among others. For the 12 months ended June 30, 2015, our combined revenue split by industry was financial services (36%), retail (23%), telecommunications (17%), insurance (15%), fitness (2%), public sector (1%) and other (6%). We are able to provide these clients with a one-stop service offering that includes third-party collection, risk management and BPO services. We believe this full-service offering helps us both to build strategic partnerships and to embed ourselves further in our clients' credit-management processes. For example, management has observed that our provision of third party debt collection services can lead to debt purchases and help improve our debt portfolio modeling, while risk management and BPO services can act as "door openers" by creating opportunities to cross-sell to our clients additional services with higher margins.

By combining Lowell and GFKL, we believe we can further diversify our business and realize a number of tangible benefits from which we stand to gain a key competitive advantage. Since we expect to make our investment decisions at the Group level, we believe we may have greater flexibility than either our UK or our German business had previously with respect to both originating new business and allocating capital across markets, sectors and clients to wherever the returns are most attractive. We believe that this increased flexibility enhances our adaptability and resilience in changing market trends and economic cycles. Moreover, since we have a higher volume of accounts, spread across a more diverse array of sectors and debt originators, we believe we are advantaged in our pricing accuracy and our ability to enhance the efficiency of our collection processes.

Longstanding Client Relationships Built on a Differentiated Origination Strategy

We benefit from strong, longstanding client relationships, many of which are with large companies that are well-known to the public, across a broad range of industries. In both the United Kingdom and Germany, we strive to develop more embedded relationships with our clients by offering them an expanding range of services, such as risk management and BPO services, capable of addressing our clients' needs throughout the credit cycle, from debt extension to defaulted debt recovery.

We believe the strength of our client relationships provides us with significant financial benefits derived from a steady stream of business and good visibility into new business origination and future cash flows. In addition, approximately 42% of our portfolio purchases (by expenditure and on a *pro forma* basis) in the 12 months ended June 30, 2015 was acquired through forward flow agreements with debt originators. We believe that our one-stop services offering helps us to maintain the longevity of our client relationships.

In addition to maintaining longstanding relationships with our clients in both of our markets, we have enjoyed a particularly strong track record of gaining new business. For example in Germany, from January 1, 2013 to December 31, 2014, the GFKL Group achieved an increase of 45% in new business receivables under contract based on the face value of debt outstanding, including fees and other charges, and its average fixed new business contract length for large, well-known clients increased from 1.7 to 2.3 years. The GFKL Group added 20 large, well-known companies as new clients in 2012, 23 in 2013 and 26 in 2014.

We believe that our UK and German businesses' strong franchises and leading market positions have made each of them a preferred partner among clients across all industry sectors in its respective market. As a result, we believe that there are compelling opportunities for us to cross-sell to each of our UK and German businesses' existing client bases, including, in particular, the Group's large, international clients.

Competitive Advantage Embedded in Advanced, Scalable Operating Platform

Each of our UK and German businesses is supported by what we believe to be industry-leading IT and data platforms. Our systems are technologically sophisticated, highly automated and driven by data derived from our databases of owned and serviced customer portfolios in the United Kingdom and Germany, each of which we believe to be the largest in its country. As of June 30, 2015, our combined systems held data derived from the transactional records of some 18 million and 11 million customer accounts in the United Kingdom and Germany, respectively. Since our UK business has historically favored low-balance customer accounts, we believe it has been able to accumulate a higher volume of customer accounts per portfolio purchased than competitors that favor customer accounts with higher balances. Moreover, we believe that our data systems benefit from a virtuous circle that further strengthens our informational advantage relative to that of our competitors: in our experience, the more debt portfolios we service or purchase, the more data and collection experience we derive and the more accurate our tracing and pricing systems become. We also believe that our systems' increasing sophistication has the additional benefit of making them increasingly difficult to replicate.

Our IT and data platforms are subject to an ongoing process of improvement and innovation, which we support with ongoing investment. In the United Kingdom, Lowell has invested £6.2 million in its IT and data systems since September 1, 2012. We believe that these investments, which have focused on improvements and innovations in Lowell's pricing, tracing, collections and IT systems, have yielded clear results. For example, Gross Collections per customer representative FTE in the United Kingdom grew from approximately £367,000 to approximately £612,000 between 2009 and 2014, and we believe that the increasing sophistication of our IT and data systems was one of the factors contributing to this growth. In Germany, GFKL invested €16.4 million between January 1, 2011 and December 31, 2014 in the acquisition of property, plant and equipment and intangible assets, and this was mainly invested in its IT and data systems, in addition to acquiring DMA in October 2014. GFKL's investments in its IT and data systems have been focused on increasing standardization and automation while streamlining operations in order to reduce operating costs. Bolstered by these investments, from 2012-2014, Gross Collections per FTE at GFKL (as of the respective year-end) increased at a CAGR of 10% per annum from 2012 to 2014. In addition, third-party collection services per FTE at GFKL's three largest subsidiaries in Germany increased by 12.9% between 2012 and 2014, which we believe is a strong growth rate in the German third-party collection services market. The acquisition of DMA, a critical strategic decision aimed at enhancing our data analytics sophistication in Germany, has provided us with a valuable tool to support our data analytics activities.

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

Robust Compliance and Risk-Management Framework Supporting our Reputation

We believe the data sophistication that underlies our collection techniques contributes to our ability to manage compliance and reputational risk. We further believe that our focus on and extensive experience in compliance and risk management resonate well with debt originators and provide us with a competitive advantage in the UK and German regulatory environments, which, though different in their particular legal frameworks and regulations, are similarly well-developed, robust and stable. It is our view that such environments are a barrier to entry for prospective competitors in the UK and German receivables management markets and favor strong market participants, such as our UK and German businesses, which have the scale and experience necessary to meet demanding compliance requirements.

Across both our UK and German businesses, compliance is at the heart of our operations. In our UK business, we work with customers in a proactive and supportive way based on data intelligence and analytics, which we use to create sustainable payment solutions tailored to our customers' financial circumstances. Similarly, in our German business, we work to reach mutual agreements with customers before we resort to legal procedures. We believe that we have a strong track record with respect to customer complaints in both the United Kingdom and Germany. For the 12 months ended June 30, 2015, the FOS-filed complaint ratio in our UK business was low, with 29 cases per one million active financial services accounts. In our German business, GFKL's largest German operating entity received, on average, only 0.045% new customer complaints per year as a percentage of active accounts from 2012 through 2014. Further, our UK business has received numerous accolades for its strong track record with respect to the quality of its customer service. In 2014 for example, our UK business was awarded an "Exceptional" rating by Investor in Customers, a UK customer-experience consultancy. In addition, in 2014 our UK business received a positive Net Promoter Score that exceeded the Net Promoter Scores received by most well-known retail banks in the United Kingdom which we believe is particularly remarkable given our customers do not choose to be customers of Lowell. Our German business has also been recognized for its customer service. GFKL received the highest S&P Servicer Rating among German receivables management service providers in 2014.

Our focus on risk management is grounded in both the management structure and the processes of our UK and German businesses. Our UK and German businesses employ "three lines of defense" risk-management models that we believe mirror the highest risk-management standards in the financial services industries of their respective markets. Following the Acquisition, we expect to implement our risk-management approach with oversight from a combined Group internal audit function.

Strong Track Record of Return on Capital and Portfolio Pricing

We believe that we have a track record of strong and stable return on capital supported by continuous improvement in data analytics and the use of feedback from our collection operations. Our aggregate Gross Money Multiples on portfolios purchased as of June 30, 2015 were 2.4x and 3.4x for our UK and German businesses, respectively. Moreover, since we expect to make investment decisions at the Group level following the Acquisition, we believe that we may be able to deploy our capital across our UK and German businesses to wherever returns are most promising, which we believe would contribute to our ability to maintain high returns on capital. We believe that continuous improvement in data analytics and leveraging feedback from collection operations has helped our UK and German businesses strengthen their underwriting, resulting in a narrower disparity between forecasted and actual returns. Overall, collections on portfolios for our UK business have exceeded the original forecast generated at the time of purchase by 2% since our inception in May 2004 to June 30, 2015. In the period between September 30, 2003 and June 30, 2015, our German business's Gross Collections on its purchased debt portfolios cumulatively exceeded the original forecast generated at the time of purchase by 21%. Furthermore, the disparity between our pricing forecasts and pricing results for our UK operations has narrowed over time. In May 2007 our actual collections were 107% of its forecasted collections, while in the 12 months ended June 30, 2015, our UK business's actual collections were 101% of its forecasted collections.

We believe that our disciplined approach to portfolio pricing has helped us to avoid overbidding on debt portfolios. Our portfolio pricing process begins with a rigorous and extensive due diligence and valuation exercise, which may involve, among other things, building a synthetic debt portfolio with actual performance data and similar customer characteristics and/or performing on-site file testing to assess the underlying quality of the debt portfolio before submitting our final bid. Our due diligence and valuation methods benefit from the market-leading scale of our data in both the United Kingdom and Germany, our sophisticated and automated data systems and our experienced and skilled portfolio pricing specialists. Upon the successful completion of due diligence, a debt portfolio is subject to a clear and systematic internal review and approval process culminating in a decision to either approve or reject the proposed portfolio investment. Historically, in our UK business, the unanimous approval of the members of a pricing committee has been required for debt portfolios with a purchase price in excess of £1 million. Debt portfolios with a purchase price of £1 million or less were required to be reviewed by a subcommittee and approved by the senior pricing committee prior to the submission of a bid. Historically, in our German business, the governance process that has applied to a proposed portfolio investment has likewise depended on the total amount to be invested but has generally comprised three separate committee approvals before submission of a final bid, all of which have required review by our German business's investment committee.

Cash-Generative Business Model with Strong Cash-Flow Visibility

Our debt portfolio purchase business provides excellent visibility into future earnings, as well as substantial cash-flow generation backed by a significant asset base. We believe that the multi-year nature of our forward flow agreements, for example, helps to provide us with visibility into new business origination and expected returns. In the Lowell Financial Year 2014, 36% of the total price paid for our UK business's debt portfolio purchases came from forward flow agreements, which were entered into with 18 debt originators and carried fixed terms for up to three years. As of June 30, 2015, 81% of our UK business's re-tendered forward flow agreements have been renewed at least once. Forward flow agreements accounted for 38% of our German business's debt portfolio purchases between September 2003 and June 30, 2015. In addition, we believe that the volume of debt portfolios we purchase from repeat clients (*i.e.*, clients with which we previously concluded a spot purchase or forward flow agreement) helps to strengthen our visibility into new business and future cash flow generation. Repeat clients accounted for approximately 84% of the total price paid for our UK business's purchased debt portfolios in the Lowell Financial Year 2014 and 91% of the total price paid for our German business's purchased debt portfolios in the year ended December 31, 2014. We believe that our significant asset base of debt portfolios is capable of continuing to yield predictable cash flows. As of June 30, 2015, Lowell and GFKL collectively owned 1,244 debt portfolios, and our Group ERC was £1,308 million as of June 30, 2015. To date Lowell and GFKL have collectively invested £1.1 billion in defaulted debt portfolios, resulting in aggregate Gross Money Multiples on portfolios purchased as of June 30, 2015 of 2.4x and 3.4x for our UK and German businesses, respectively. For a discussion of how Lowell and GFKL determine their respective number of portfolios purchased during a given period, see "*Portfolio Purchases Face Value of Purchased Debt & Gross Money Multiples by vintage*," note 1.

GFKL's third-party collection services business is also cash generative and typically enables GFKL to scale its business without requiring significant incremental investments. We believe that the contractual arrangements in GFKL's third-party collection services business, which are both stable and of increasing durations (notably for contracts with large, well-known clients), provide visibility into future collections, the fees we derive from them as well as associated cash-flow generation. In addition, we believe that our Group ERC forecast is reliable and resilient, since, for example, a significant proportion of our future collections is tied to long-term repayment plans across a diverse range of portfolios. We believe we take a cautious approach to repayment by attempting to establish recurring payment methods with lower rates of default, such as direct debits and continuous payment authorizations on debit and credit cards. We expect approximately 38% of our Group ERC to be generated within the next 24 months and approximately 23% to be generated within the following 24-month period.

Our Combined *Pro Forma* Adjusted EBITDA was £204.3 million for the 12 months ended June 30, 2015. For the 12 months ended June 30, 2015, our *pro forma* cash conversion was 101.7%. For more information regarding Combined *Pro Forma* Adjusted EBITDA and cash conversion, see "*Presentation of Financial and Other Information—Pro Forma Non-IFRS Measures*."

Proven Management Team Supported by Skilled and High-Quality Business Professionals

We are managed by a strong executive team, which comprises individuals with many years of relevant experience and provides leadership across all functional areas of our business. In particular, we believe that our combined business will have one of the most experienced senior management teams among European receivables management companies. For example, one of our co-CEOs served as CEO of our UK business since it was established in 2004, while our other co-CEO and our CFO combine 51 years of relevant managerial and financial professional experience. Furthermore, our co-CEO at the head of our German business oversaw a management team that we believe made significant contributions to the repositioning of our German business as a leading receivables management company in Germany. In addition, we believe he has helped our German business achieve considerable improvements in its commercial, operating and financial effectiveness and results.

In addition, strong teams of qualified professionals, who are drawn from the wider financial services industry and other large corporate entities involved in consumer outreach, support our senior management team by performing central business functions and assisting in the execution of our strategy. These skilled managers are supported by a workforce of approximately 2,045 FTEs as of June 30, 2015. We continuously invest in our employees with sustained efforts to create an inclusive and staff-friendly work environment and to provide meaningful career-development opportunities.

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

Our Strategy

We believe that we will derive significant competitive advantages from the combination of two franchises that are among the leaders in their respective markets. We expect that the combination of Lowell and GFKL will enable us to use the competitive advantages of each business to inform the practices of the other and thereby create a preeminent player in the European credit management services sector, with significant revenue- and cost-synergy potential. We expect to further capitalize on our strengths by: maintaining pricing discipline to drive industry-leading returns on capital; continuing to invest in our people and corporate culture; seeking to remain a leader in compliance and customer experience; continuing to innovate and invest in our IT, data and collection platforms; developing stronger client relationships (including by investing in our one-stop service offering); and participating opportunistically in industry consolidation when accretive opportunities exist.

Realize Benefits of Combining and Sharing Best Practices between Lowell and GFKL, Including Revenue and Cost Synergies

Our strategy is ultimately to become the leading provider of receivables management services in Europe. We believe that the combination of our two businesses, which have separate but complementary sets of competitive advantages, will be essential to helping us achieve this goal and will yield significant revenue and cost-synergy potential. Lowell is a leader in the UK receivables management market and possesses one of the most sophisticated debt purchase platforms in Europe. GFKL is a leading player in the German debt purchase and third-party collection services markets and provides its clients with a diversified service offering that harnesses its expertise in a range of receivables management services, including BPO and risk-management services.

We intend to further enhance Lowell's and GFKL's respective market positions and competitive advantages by sharing best practices between the two businesses. On the one hand, we expect that Lowell's advanced modelling, pricing, data-analytics and cost-optimization techniques will help to enhance GFKL's already sophisticated data platforms. On the other hand, we expect GFKL to provide Lowell with a gateway to the continental European market and certain large, multinational clients, along with the benefits of its longstanding expertise in third-party collection services and BPO services, as well as industry expertise in sectors that are currently not covered by Lowell and that Lowell could address in the future. In addition, we believe that Lowell and GFKL stand to benefit from additional growth opportunities by virtue of the fact that the sectors in which each business has particular strengths only partially overlap. For example, Lowell had market-leading shares of the debt portfolio purchases in the retail and telecommunications sectors in the 12 months ended September 30, 2014, as well as a top-tier position in the public sector of the UK third-party collection services market, while GFKL held market-leading positions in the insurance and fitness sectors as of December 31, 2013. We believe that this complementary sector expertise provides us with significant opportunities to cross-sell services to clients of each of our UK and German businesses such as providing GFKL's risk management solutions, e-commerce solutions and data information services to UK clients, such as GFKL's PayProtect solution. Accordingly, we believe that the Acquisition has the potential to produce substantial revenue synergies for the Group.

We expect to realize a number of operational benefits as a result of the combination of Lowell and GFKL and the sharing of best practices between them. We intend to take advantage of the scale provided by the combination of the two businesses in order to streamline our operations and administrative functions, which we believe will help us optimize efficiency and control costs.

Although we are bringing together our UK and German businesses in a combined structure, each business continues to pursue the strategy that brought it success prior to the Acquisition. Accordingly, we employ a co-CEO management structure, which we believe contributes to our efforts to ensure that the combination of our UK and German businesses yields its anticipated benefits while causing minimal disruption to each business's plans in its respective market.

Maintain Clear Pricing Discipline to Drive Industry-Leading Returns on Capital

Pricing discipline and systematic, objective pricing processes are an integral part of our strategy. We believe that as a result of our pricing discipline, among other factors, we have been able to grow our asset base and profits, notwithstanding the changing economic environment, and have maintained stable, strong and predictable overall return on capital across our sectors. We plan to continue to invest in our pricing methodologies and capitalize on the virtuous circle by which the customer profiles and collections data we gather each month continuously add to the accuracy and sophistication of our systems and models. Moreover, since we expect to make investment decisions at the Group level following the Acquisition, we believe we may be able to deploy our capital across our UK and German businesses to wherever returns are most promising, which we believe would contribute to our ability to maintain high returns on capital.

Continue Investing in Our People and Corporate Culture

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

Deliver a Compliant Customer Experience through Best Practices

We aim to extend our track record of operating ethically, transparently and in compliance with all applicable rules, regulations and guidance. We intend to continue to work with each customer to develop a realistic and sustainable payment plan that is tailor-made to the customer's circumstances and allows the customer to restore his or her financial standing and continue to access mainstream credit products. To maintain and enhance this individualized approach to our customers, we intend to continue to leverage our data-analytics capabilities in order to help ensure that the customer profiles we build are as accurate and up-to-date as possible. As the legal and regulatory environments in which we operate continue to evolve, we intend to adapt our culture, practices and policies appropriately, while seeking always to be the model that others look to for compliance standards and best practices.

A strong approach to compliance constitutes an increasingly important differentiating factor in the markets in which we operate. We believe that our focus on compliance reassures our clients that their customers and reputations are in safe hands, and thus will give us a key competitive advantage going forward.

Continuously Improve our IT, Data and Collection Platforms through Innovations and Investment

We are continuously looking to improve our IT, data and collection platforms and processes and harmonize our core applications in order to strengthen our services offering and operate more efficiently. We aim to extend our strong track record of implementing incremental technological and collection process improvements, which have contributed to enhanced performance and increased efficiency throughout our business. For example, in the United Kingdom we are actively deploying technology, including the BLAZE software platform, that allows us to pursue more customizable letter strategies, through which we are able to more closely tailor our contact to the customer's unique circumstances. Our UK business is also planning to implement certain application simplification measures, which we believe will enable the reuse of underlying infrastructure and ease the integration of external applications and services, as well as considering measures designed to further optimize its deployment of speech analytics and IVR capabilities. In Germany, our data analytics team has identified more than 50 operational initiatives including, for example, initiatives to improve our tracing capabilities and litigation selection processes. We believe these initiatives will improve the efficiency of our operations platform through cost reductions, increased collections or a combination of these two effects, and GFKL is currently developing an implementation timetable for the resulting program of work.

Invest in our One-Stop Service Offering and Continue to Build Ever Stronger Client Relationships

Our strategy is focused on building our current share of the receivables management markets in the United Kingdom and Germany by continuing to work closely with the main debt originators in each of our key sectors. We have adopted a proactive approach to managing our relationships with debt originators, with an emphasis on transparency and building longstanding professional relationships based on a granular understanding of a debt originator's business and receivables management services requirements.

Our leading market positions in the United Kingdom and Germany, along with our longstanding client relationships and high volumes of data in each market, contribute to our ability to anticipate our clients' changing needs while identifying new market opportunities. We believe that debt originators are increasingly seeking a holistic, cost-efficient and fully compliant approach to receivables management. To address this growing need, we aim to continue to develop our one-stop service offering, a differentiated services offering that addresses each step of the debt recovery cycle and thereby helps us to further embed our operations within those of our clients. We intend to develop our one-stop service offering in a number of ways, including, for example, by capitalizing on GFKL's experience in BPO and carve-out transactions. Moreover, we have a strong track record of opening up new sectors of the receivables management market, and we seek to continue to build relationships with entities that have not previously sold debt portfolios or purchased receivables management services. For example, we expect that Interlaken, our third-party collection platform in the United Kingdom, will enable our expansion into the public sector, since it is one of a select group of debt collection agencies chosen by HM Revenue & Customs, the United Kingdom's tax and customs authority, to provide collection services for central government departments.

Participate Opportunistically in Consolidation of our Industry when Accretive Opportunities Exist

We have a strong track record of selective and accretive expansion in the United Kingdom and Germany, as demonstrated by Lowell's acquisition of Interlaken in 2013 and GFKL's acquisitions of ITT and DMA in 2014. We intend to participate opportunistically in the consolidation of the European receivables management industry in order to build scale, address untapped customer segments and create new relationships with debt originators. We intend to strategically pursue further carve-out transactions with current clients and small, credit-accretive bolt-on acquisitions. We will continue to apply our strong and disciplined approach to pricing in connection with these potential acquisitions.

Our History

Our business combines two companies: Lowell, which operates in the United Kingdom, and GFKL, which operates in Germany. Following the Acquisition, both businesses will be controlled by Permira. The GFKL Acquisition closed on June 30, 2015. On August 7, 2015, Permira announced its plan to acquire Lowell from TDR Capital and combine Lowell and GFKL to create a leading pan-European receivables management business. The Acquisition is expected to close in October 2015. See "*The Transactions*."

Lowell was established in 2004 and is a leading provider of receivables management services in the United Kingdom, the sole jurisdiction in which it operates. While Lowell focuses mainly on debt purchase, it performs limited third-party collection services in several sectors and offers a growing selection of other receivables management services. Headquartered in Leeds and with offices in Surrey, Lowell had 1,240 FTEs as of June 30, 2015.

GFKL was founded in 1992 and is a leading provider of receivables management services in Germany, the sole jurisdiction in which it operates. GFKL is active across the full value chain of receivables management. It operates out of 13 locations throughout Germany (12 locations upon the expected relocation of its Potsdam offices to its Dusseldorf location), including its Essen headquarters, and it had 805 FTEs as of June 30, 2015. Both Lowell and GFKL benefit from significant scale, expertise and experience in their respective core operations.

Lowell's History

Lowell was established in May 2004 and became active in the debt purchase market in June 2004, following the acquisition by Cabot Square Capital of Premier Seekers, a UK trace specialist established by Andrew Bartle (Lowell's COO). Premier Seekers started trading in 1996 and was subsequently renamed Lowell Financial Limited. Lowell's initial focus was on developing expertise in tracing and technology that would provide a competitive advantage across pricing and collection operations, as the ability to trace account holders effectively is fundamental to success in collecting on defaulted debt portfolios. In April 2008, Lowell's business was acquired by Exponent, which sought to increase Lowell's funding capacity to support its strategies for growth. Under the ownership of Exponent, Lowell continued to invest in technology, processes and management, which increased its technological and operational advantages. In September 2011, TDR Capital acquired Lowell from Exponent, and it has continued to maintain its majority interest in Lowell following the sale of a 36% economic interest in the Lowell Group to OTPP in 2014, which will be rolled over at the time of the Acquisition. In 2013, Lowell Finance Limited acquired Interlaken Group Limited ("**Interlaken**"), a Surrey-based third-party collection services agency, in order to expand its debt-collection activities. See "*The Transactions*" for further information.

GFKL's History

Since its founding in 1992, GFKL has grown to become the number one non-captive receivables management company and one of the top-four receivables management companies in Germany by 2013 revenue, according to the German Company Market Study. In 1997-1998, GFKL started a debt collection business and in 2003, it purchased its first German debt portfolio. In 2009, GFKL was acquired by funds advised by Advent International Corporation, and it began a process of disposal of all non-core assets, including all non-debt collection and non-German operations. Beginning in 2012, GFKL made several strategic acquisitions to expand its value chain in the receivables management market in Germany, including the acquisition of 100% of the ownership interests in GCG (2012) and DMA (2014) and the acquisition of a majority stake in ITT (2014).

Operations and Service Offerings

Following the Acquisition, we believe the Group will be one of Europe's leading providers of receivables management services specializing in debt recovery, data analytics and customer insights. In both the United Kingdom and Germany, we provide a full-service offering covering the debt collection value chain, consisting primarily of purchases of debt portfolios, as well as third-party collection services and other receivables management services. We believe this offering provides our clients with a "one-stop" solution that delivers value throughout the credit lifecycle. Furthermore, we believe that many of our clients have significant incentives to outsource their debt collection or to sell their portfolios of overdue debt as a result, for example, of their strategy to focus on core business activities that do not include defaulted debt management.

The table below sets forth the Group's combined revenue by business for the 12 months ended June 30, 2015, excluding lawyer service revenue.

	For the 12 months ended June 30,
	2015
	(£ million) (unaudited)
Debt purchase	194.4
Third-party collection, related services and other services	79.7
Total	**274.2**

Revenue generated by Lowell's operations and service offerings is primarily derived from its debt purchase business, although Lowell also offers third-party collection services through its subsidiary, Interlaken. The table below sets forth Lowell's revenue by business for the periods under review.

	For the Lowell Financial Year		For the 12 months ended June 30,
	2013	2014	2015
		(£ million) (unaudited)	
Debt purchase	98.0	127.5	139.7
Third-party collection and related services	6.8	13.5	11.5
Other income(1)	—	5.2	5.2
Total	**104.8**	**146.2**	**156.4**

(1) Other income for the Lowell Financial Year 2014 and the 12 months ended June 30, 2015 consists of the release of deferred compensation related to the Interlaken acquisition that was no longer needed.

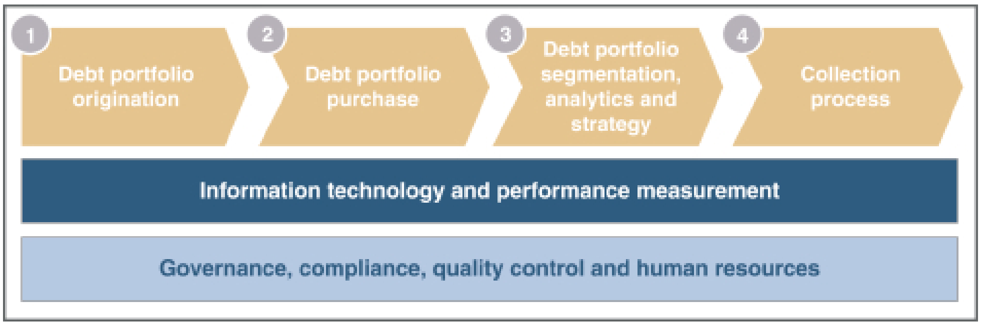
Revenue generated by GFKL's operations and service offerings is derived from both its debt purchase and its third-party collection services businesses. The table below sets forth GFKL's revenue by business for the periods under review.

	For the year ended December 31,			For the 12 months ended June 30,
	2012	2013	2014	2015
		(€ million) (unaudited)		
Debt purchase	51.3	61.4	67.6	71.7
Third-party collection(1)	66.2	77.1	86.6	87.1
Lawyer service revenue(2)	39.5	51.9	87.9	94.4
Other services(3)	0.0	(0.0)	1.7	3.2
Total	**157.0**	**190.4**	**243.8**	**256.4**

(1) Includes third-party collection services revenue, which refers to the fees from the collection process and cost refunds from the collection process as shown in the notes to the GFKL Consolidated Financial Statements (excluding any lawyer service revenue).
(2) GFKL typically earns outsourcing revenue from lawyers only where GFKL has engaged such lawyers to assist with its collection efforts. The outsourcing revenue from lawyers does not have a positive impact on GFKL's Reported EBITDA or net income, since the fees GFKL pays to lawyers are higher than the related outsourcing revenue GFKL earns.
(3) "Maintenance revenue and royalties" and "other" in the notes to the GFKL 2014 Audited Consolidated Financial Statements.

Debt Purchase

The debt purchase process of Lowell and GFKL unfolds in several stages, including: (1) debt portfolio origination; (2) debt portfolio purchase; (3) debt portfolio segmentation, analytics and strategy; and (4) the collection process.



Debt Portfolio Origination

Lowell's Debt Portfolio Origination

Lowell has been active in the debt purchase market since 2004 and, as of June 30, 2015, Lowell had purchased 1,029 debt portfolios from 59 clients, consisting of approximately 18.2 million accounts, for an acquisition cost of £873 million and a total debt portfolio face value of £14.7 billion. The majority of debt portfolios are currently offered to the market through spot sales featuring a competitive tender process, which typically involves three or four debt purchasers selected by the client. These auctions may be managed directly by the vendor or may be facilitated by an intermediary, such as TDX Group Limited. We estimate, based on the most recent available data, that for the 12 months ended June 30, 2015, Lowell was invited to participate in virtually all market debt tenders in its targeted sectors in the United Kingdom. Other spot sales channels include, for example, an increasingly common bilateral process in which a debt portfolio is offered to a single purchaser on an exclusive basis. Furthermore, Lowell has entered into forward flow agreements with a number of top debt originators, pursuant to which it has purchased all or substantially all of such debt originators' debt sales, subject to pre-agreed criteria. Lowell generally enters into its forward flow agreements through a competitive bidding process and renews such agreements on a bilateral basis. See "*Debt Portfolio Purchase—Types of Debt Purchase Agreements—Forward flow agreements*." To facilitate its portfolio purchases, Lowell maintains a comprehensive market database with data on up to 12 months of forecast debt portfolio sales in the UK market, including estimates of face value, number of accounts, debt type, pricing and timing of individual acquisition opportunities. This database allows Lowell's executive team to actively track and pursue opportunities and tailor Lowell's strategy to changing conditions. The 12-month forecast is reviewed by Lowell's sales team on a weekly basis and enables Lowell to monitor the progress of its debt portfolio purchases throughout its financial year.

GFKL's Debt Portfolio Origination

GFKL has been active in the debt purchase market since 2003 and, as of June 30, 2015, GFKL had purchased 215 debt portfolios consisting of approximately 10.8 million accounts, for an acquisition cost of €333 million (£237 million) and a total debt portfolio face value of €3.6 billion (£2.6 billion). GFKL acquires debt portfolios through spot sales and forward flow agreements, each of which can be transacted by way of market debt tender or off-market sales. We believe GFKL is invited to nearly all major market debt tender processes in the German market. In a typical off-market sale, GFKL is one of a limited number of purchasers engaged in discussions with a debt originator. In these situations, GFKL has the opportunity to negotiate the content of the portfolio acquired and can work with the debt originator to agree on terms that maximize target outcomes for both parties. GFKL's specialized sales teams maintain close relationships with debt originators and leverage these relationships, along with GFKL's strong reputation in the German debt collection market, to win new business and thus to originate new portfolios.

We believe that Lowell and GFKL are unique in their respective markets in terms of the proportion of debt portfolios that each acquires pursuant to forward flow agreements.

Debt Portfolio Purchase

Lowell's Debt Portfolio Purchasing

In the United Kingdom, a debt portfolio vendor will supply interested parties with a tender document that includes debt portfolio information at an account level, which in Lowell's experience is typically stale and incomplete. Lowell's automated portfolio pricing models and tracing systems, along with its significant track record with debt originators, provide Lowell with the ability to evaluate a debt portfolio for sale in great detail before it makes a decision to purchase. With what we believe to be the largest customer database in the UK receivables management market and efficient tracing capabilities, Lowell is able to supplement the information provided by the debt originator to improve its analysis of the portfolio. The high crossover rate of accounts between sectors further improves Lowell's tracing capabilities and increases the amount of customer data Lowell has available to inform its pricing decisions. Given the size of the reference database on Lowell's backbook, Lowell has been able to carry out significant statistical analyses to determine the key variables that drive collection performance on customer accounts. See "*—Data and Analytics—Lowell's Data and Analytics.*" Lowell develops detailed collection curves and cost curves for a new debt portfolio to determine a maximum price to bid, while benchmarking the characteristics of the debt portfolio's customer base against similar debt portfolios purchased from the same debt originators. Lowell also builds synthetic debt portfolios with actual performance data and customer characteristics similar to those of the portfolio being considered. These methods allow Lowell to make a detailed pricing recommendation to its pricing committee, which will determine Lowell's final bid price.

Lowell is invited to bid on a large proportion of debt sold in the UK market, driven by its reputation and experience. During 2014, Lowell was invited to bid on 83% of debt sales in the UK. Where Lowell is not invited are typically sectors that Lowell chooses not to target.

GFKL's Debt Portfolio Purchasing

Prior to acquiring a debt portfolio, GFKL evaluates the purchase opportunity through a multi-stage process consisting of two rounds of bidding, an indicative bid and a final bid, along with extensive due diligence throughout the process. As part of its due diligence, GFKL receives both customer information (*e.g.*, gender, age and address) and receivables information (*e.g.*, outstanding principal balance, interest and fees due, claim size and payment history information). If the debt originator accepts GFKL's indicative bid, it will then typically provide GFKL with additional information on the portfolio, allowing GFKL to perform a more complete review to determine the underlying quality of the portfolio. In this second phase of due diligence, GFKL typically performs a detailed on-site assessment of the portfolio's value. In both the indicative and final bid stages, GFKL uses historical payment and reference portfolio analyses to determine a potential price that represents the discounted value of estimated cash flows net of costs. GFKL's governance process with regard to new investments depends on the total amount to be invested but generally comprises three separate committee approvals before submission of a final bid, all of which require the review of GFKL's investment committee. This robust process enables GFKL to focus on lower-risk, higher-yield portfolios. We believe that GFKL's selectivity in choosing portfolios on which to submit final bids contributes to its success rate in winning such portfolios. GFKL bids on approximately 60% of all investment opportunities initially identified. Approximately 60% of GFKL's final bids are successful, meaning that it ultimately wins approximately 36% of all investment opportunities initially identified.

Types of Debt Purchase Agreements

In both the United Kingdom and Germany, we purchase debt portfolios pursuant to two types of arrangements: spot sales and forward flow agreements.

- **Spot sales**. Lowell and GFKL purchase debt portfolios through "spot" agreements, the terms of which are individually negotiated on a case-by-case basis. A spot agreement generally relates to a single portfolio. In the United Kingdom, spot sales may be conducted through auctions, bilateral sales or *in situ* sales. In Germany, spot sales are mostly conducted through auctions. For the 12 months ended June 30, 2015, spot agreements accounted for approximately 64% of the total purchase price of Lowell's debt portfolio purchases and approximately 36% of the purchase price (or approximately €18 million (£13 million)) of GFKL's acquired portfolios. See "*Industry and Market Data—Methods of Debt Sale—Spot sale*."
- **Forward flow agreements**. A forward flow agreement is an agreement to sell several portfolios over a period of time at a predetermined price, specified credit quality and point in the debt recovery cycle. Both Lowell and GFKL have entered into forward flow agreements with a number of top debt originators. In the Lowell Financial Year 2014, forward flow agreements accounted for approximately 36% of the total purchase price of Lowell's debt portfolio purchases. For the year ended December 31, 2014, 91% of the total purchase price of GFKL's debt portfolio purchases was purchased pursuant to forward flow agreements. For the twelve months ended June 30, 2015, forward flow agreements accounted for approximately 36% of the total purchase price of Lowell's acquired portfolios and approximately 64% of the total purchase price of GFKL's acquired portfolios, representing approximately £57 million and €33 million (£24 million) in spending for purchased debt, respectively.

Forward flow agreements enable Lowell and GFKL to benefit from tailored, long-term and continuous debt purchase arrangements. The long-term nature of forward flow agreements, combined with the ongoing debt originator relationships that result from them, provide Lowell and GFKL with visibility as to purchase volumes and expected returns. In addition, Lowell is able to adjust the price of the new debt portfolios it purchases over the duration of a forward flow agreement in accordance with the performance of previously purchased portfolios, the quality of debt in the new portfolio and Lowell's current forecasts, which are derived from models mutually agreed between the debt originator and Lowell. Going forward, we intend to explore the possibility of adding such pricing flexibility provisions to GFKL's forward flow agreements. Moreover, debt in portfolios acquired pursuant to forward flow agreements tends to be "fresher" than debt in portfolios sold by other means because there is less of a delay between when the debt is considered defaulted and when we can begin collections. As a general rule, the "fresher" the debt, the higher our collection expectations, since the amount of effort unsuccessfully expended to obtain a customer payment increases as the debt ages. See "*Industry and Market Data—Methods of Debt Sale—Forward flow agreement*."

Debt Portfolio Segmentation, Analytics and Strategy

Lowell's Debt Portfolio Segmentation, Analytics and Strategy

Following the successful acquisition of a debt portfolio, Lowell commences a series of automated processes that load the debt portfolio onto Lowell's collections platform, obtain customer data and append such data to the debt portfolio, and perform an analysis of each individual customer's propensity to pay, following which an initial collections strategy is set. Lowell is able to load the portfolio onto its system and run the related processes within a 24-hour period by analyzing and tracing millions of accounts. This avoids the need to reach out indiscriminately to all accounts, which would increase costs. Lowell tailors its approach and focuses on the customer accounts that it believes have the greatest propensity to pay. Lowell's systems also benefit from a virtuous cycle: the more data it collects, the more accurate its systems become, and the more difficult they are to replicate. Lowell's debt portfolio segmentation, analytics and strategy processes comprise the following:

- **Debt portfolio book-on**. During the portfolio book-on processes, Lowell confirms that the final data file received from the debt originator adheres to the agreed contract, and a "book-on" meeting is held. At this meeting, a specific collection strategy is assigned to the debt portfolio based upon the trace results used by the pricing committee and the due diligence and analysis performed as part of the acquisition process. The debt portfolio is then booked onto Lowell's systems via the fully automated book-on process, during which account data is cleansed, formatted, validated and checked for contractually ineligible accounts (*e.g.*, those involving a bankrupt or deceased customer), and a recourse file is generated for accounts to be returned to the debt originator. Once loaded onto the system, Lowell's software generates the files to be automatically loaded into LIMA, Lowell's tracing and customer data intelligence system.
- **Automated trace and customer data intelligence**. The ability to locate a customer and understand his or her financial circumstances is fundamental to effective collection, as all debt portfolios contain accounts for which data may be lost or out of date. LIMA, Lowell's tracing and customer data intelligence system, combines substantial knowledge from over 11 years of experience, and it has been continuously upgraded and integrated across Lowell's business. The system is the product of many years of specific development, 400,000 lines of code and 18 version releases since 2008. LIMA has evolved into a customer tracing and data intelligence tool which is used throughout the life of a debt portfolio and can deliver a real-time financial view of all customers for whom data exists. Lowell continues to develop LIMA by adding public and proprietary data. Lowell believes LIMA represents a key competitive advantage. LIMA allows Lowell to trace customers as soon as a debt portfolio is purchased and before the collection process is launched. Management estimates that Lowell's tracing technology has the capacity to run up to 6.4 million traces per month, which represents a significant advantage over manual tracing. While there are numerous products in the UK market that assist in tracing, our management believes that LIMA is the only fully automated solution capable of locating and confirming the residency and contact details of the customer while at the same time shedding light on his or her financial circumstances.
- **Scoring and segmentation**. The detailed output from LIMA, in conjunction with daily credit file movements and information from internal sources, is used to score and segment the accounts based on Lowell's ability to contact the customer and its assessment of the customer's propensity to pay. The LIMA output and other information are used to populate the "dialer files" and propensity-to-pay "scorecards," with each account then combined with a collection strategy based on the customer's individual circumstances. Dialer files provide up-to-date customer contact details. Scorecards, which incorporate an analysis of customers' behavioral attributes, key customer data sets (obtained as part of the LIMA trace and data

appending process) and prior collection activity, allow accounts to be categorized as high, medium or low according to their assumed propensity to pay. The implementation of scorecards has had a substantial impact on collection performance and servicing efficiency. For example, scored accounts generate 19% greater collections from litigation and 30% lesser letter-related costs than non-scored accounts. For more information regarding the use of dialer files and scorecards in Lowell's dialer strategy, see "*—Collection Process—Lowell's Collection Process*."

- **Manual trace**. As a result of the high level of automation in Lowell's trace process, Lowell employs only a small, dedicated team of nine experienced tracers. The team's primary responsibilities are to check and adjust the logic of the LIMA system, support trace-related queries from debt originators and reconcile mis-traces, and its specific duties include:
  - tracing accounts that were rejected by LIMA on the basis of contradictory data;
  - testing and developing data sources with LIMA;
  - verifying sample output from LIMA; and
  - performing other related tasks, including handling returned mail.

GFKL's Debt Portfolio Segmentation, Analytics and Strategy

Upon receipt of a customer's account file, GFKL "onboards," or integrates, it into its database. Following the onboarding, the account file is cross-checked using GFKL's existing internal database in order to update and complete the customer's contact information with information derived from GFKL's third-party data sources. Throughout the collection process, GFKL retrieves additional customer data via its external data providers. GFKL's acquisition of DMA has allowed it to create a consistent, GFKL Group-wide data framework for this purpose. DMA enables GFKL to optimize its data queries to external providers and therefore to maximize information gathering while minimizing cost. All of GFKL's operating entities are interfaced with DMA, and this centralization of data sources has improved data quality and consistency and allows GFKL to more efficiently track and update new customer accounts throughout the collections process. GFKL's highly automated operating platform allows it to onboard a significant amount of new accounts, with GFKL currently onboarding more than one million new accounts each year. As of June 30, 2015, GFKL had serviced 10.8 million accounts (with 3.7 million accounts remaining active) and had collected information on 7.7 million individual customers. This information allows GFKL to more accurately determine collection strategies.

Collection Process

Lowell's Collection Process

Lowell's approach to collections is focused on delivering the optimum return on capital employed by minimizing cost versus collection potential. Contacting customers with the highest propensity to pay is key to minimizing servicing costs and optimizing returns. Between June 2004 and June 30, 2015, Lowell has needed to collect from only 24% of its customer accounts in order to achieve its returns. To achieve this result, Lowell uses a sophisticated statistical analysis of extensive customer information and empirical collections data designed to match the right strategy to the right customer at the right time. Lowell's approach to customers is based on obtaining an accurate understanding of their financial circumstances and is designed to identify repayment options that achieve a beneficial outcome both for Lowell and for the customer, in order to foster a positive relationship and reduce the frequency of complaints. Lowell's collections department has access to detailed and constantly updated customer profiles to aid in the development of sustainable payment plans.

This data-driven approach is supported by a technologically advanced and highly automated collections platform and implemented via a multi-channel contact strategy that utilizes call-center contact, letters, text messages and emails. Accounts determined to have the highest propensity to pay are treated with a specific letter and out-bound dialer strategy designed for such accounts. Less collectable accounts are treated with different strategies that are tailored to the customer's financial circumstances and our business's capacity and desire to deploy the required resources.

- **Letter strategies**. All letters are drafted in a customer-friendly utility-bill format designed to encourage customers to contact the call center. The collaborative tone of each letter is designed to engender engagement. The approach of each letter is tailored to each customer and determined by debt portfolio segmentation during the book-on process.

- **Dialer strategy**. Predictive dialing is a key component of Lowell's call-center strategy, allowing numerous calls to be queued simultaneously and allocated to available representatives. Lowell's telephony system and fully automated, predictive dialer have benefited from a significant level of investment. Key features of Lowell's telephony system and dialer include:
  - the use of a blended in-bound and out-bound dialer with the ability to prioritize valuable in-bound calls;
  - the ability to automatically select and sort customer records based on scoring and segmentation parameters;
  - the ability to screen answer machines and unanswered calls to help ensure that representatives maximize time spent speaking to customers;
  - the ability to capture telephone numbers and time of day at which previous calls have been successful for reference when each account is recycled through the dialer; and
  - the ability to route calls to representatives based on defined capability and priority parameters (such as debt type).

Increasingly, Lowell is investing in web, email, SMS and mobile applications to contact customers and allow them to communicate and pay through their preferred method of payment.

When a customer engages with Lowell by contacting a representative in Lowell's call center, the representative who is responsible for adherence to compliance requirements has a full view of established payment plans (if already set up by the customer), and benefits from the use of daily-updated information about movements in a customer's file. Collections performance is monitored at an account level on a daily basis using automated reports detailing monies received in the month to date, forecast collections for the remainder of the month and expected variances from targets by debt portfolio. Lowell also has access to a wide range of management reports on a real-time basis and individual account details, using Lowell's business intelligence reporting software. This ability to access information on a flexible, efficient and immediate basis is critical to allow management to design, implement and, when required, change collection strategies on existing portfolios and pricing strategies on prospective portfolio purchases. This also allows management to optimize value and protect returns on the debt portfolios that Lowell owns. Lowell also saw a reduction in its customers' default rate from 27.3% to 15.2% between August 31, 2008 and June 30, 2015 based on a three-month average. The default rate is calculated as the aggregate monetary value of payments due but not collected under payment arrangements with paying customers divided by the aggregate amount due under these arrangements.

With the acquisition of Interlaken, Lowell's third-party collection services subsidiary, and combination with GFKL, Lowell anticipates leveraging their respective experience and expertise to pursue and develop a litigation collection process for collection on its debt purchase portfolios. By bringing what was previously an outsourced process into Lowell's in-house operations, we believe we will enhance our ability to monitor and direct each step of the litigation process. We believe that having these enhanced monitoring and oversight capabilities over litigation will enable Lowell to provide a more seamless experience for its customers, implement a more efficient process that will generate commercial efficiencies for investors and improve the visibility of our control and oversight over the end-to-end collection process for our clients.

In certain situations, (*e.g.,* when specialist collection skills may be required), Lowell outsources some of its accounts to third-party DCAs. Outsourced collections represented approximately 10% of Lowell's collection revenue for the 12 months ended June 30, 2015 Lowell engages third-party DCAs either to selectively benchmark Lowell's own performance or when the defaulted debt requires highly specialized attention and is less cost-effective for Lowell to pursue directly. Third-party DCAs selected to work on Lowell's behalf are subject to a stringent due diligence process. To ensure that regulatory and compliance standards are maintained, Lowell further undertakes a program of regular audits of the third-party DCAs it employs, which include telephone questionnaires and on-site audits during which Lowell examines account activity and monitors live calls.

GFKL's Collection Process

In Germany, the unsecured consumer credit recovery cycle typically has three stages, the characteristics of which may differ depending on factors such as collection activities already taken by the debt originator or whether there is a fixed payment date. The three stages are: (1) ongoing accounts receivables management on performing loans and/or debt outstanding; (2) early-stage recoveries for unpaid debt within 45 days (or, in the case of receivables sourced from the financial services industry, generally 90 days) after the payment due date for debt that specifies a payment date; and (3) ongoing debt collection activities for defaulted debt beyond the 45-day (or, in the case of receivables sourced from the financial services industry, generally 90-day) early-stage recovery period. Ongoing accounts receivables management is typically handled in-house, whereas debt collection services are typically outsourced to third-party providers at the early-stage recovery phase and in the ongoing collection phase. GFKL's products and services cover the full debt recovery cycle and, in some instances, risk management solutions implemented prior to the origination of debt, enabling GFKL to benefit from a longer servicing period. We believe that GFKL also benefits from the fact that it services its purchased portfolios through one of its servicing subsidiaries. In doing so, GFKL controls the entire debt collection process, is able to implement optimal third-party collection strategies and benefits from the scale of its collections operations.

Optimizing customer contact at each stage of the collection life cycle is the key to GFKL's collection strategy. GFKL adapts its procedures to maximize the total amount collected over the life of the debt through sustainable payment plans or affordable settlements achieved through an amicable and solution-oriented collection approach rather than by exploiting short-term collection potential. The process consists of the following key phases: (1) the pre-legal or "amicable" phase; (2) the legal phase; and (3) the long-term monitoring phase. During this process, GFKL has the potential to earn fees on collections by passing through statutory fees to the customer and earning contractually based success fees, generally during the long-term monitoring phase, from debt originators.

- **Pre-legal or "amicable" phase**. During the pre-legal phase, GFKL's goal is to agree to a voluntary payment plan or settlement with the customer. Any repayment arrangements with customers are structured in accordance with specific internal policy guidelines and debt originator contract requirements, if applicable, and are designed to be sustainable and affordable for the customer. To enhance efficiency during the collection process, GFKL leverages its centralized core debt management system, "phinAMV," and the information in its extensive databases in order to swiftly assess a customer's ability to pay and tailor an optimal collection strategy for each individual customer. Ultimately, the combination of collection methods that GFKL uses for a specific debt originator depends on various factors, including the claim size, the debt originator GFKL is acting on behalf of, applicable laws and regulations, and the individual customer.

  In general, one or two days following onboarding, GFKL makes initial contact with the customer by means of a "hello" letter. If, after a maximum of one month, the customer has not repaid or demonstrated his or her willingness to repay the outstanding balance, GFKL will begin to send escalation letters to the customer, which include tailored messages and are often sent by third-party law firms engaged by GFKL. Throughout this phase, GFKL's call center personnel will contact the customer to assess his or her willingness and ability to pay for purposes of performing an income-expenditure assessment. GFKL's five industrialized and automated call centers, with a total of 149 agents, made 109 calls per FTE in continuing operations per day in 2014. In addition to calling customers, GFKL has also started sending text messages to customers with a request to call back and has realized a higher callback rate through text messages than through standard voicemail messages. Whether a voluntary payment plan or settlement is agreed with the customer depends on the results of GFKL's income-expenditure assessment (*i.e.*, the evaluation of a customer's willingness and ability to pay), and on any restrictions the debt originator may have placed on GFKL. In the year ended December 31, 2014, for two of GFKL's major operating subsidiaries (SIR and PCS), 55% of GFKL's total collections were realized in the pre-legal phase of the collection process, including pursuant to payment agreements with the customer.

- **Legal phase**. Typically, three weeks after sending the escalation letters, legal action can be initiated on claims that have not been repaid or settled. A claim moves into the legal phase if GFKL determines that the customer has the ability to pay but is otherwise unwilling to voluntarily pay, or if GFKL has been unable to agree to a solution with the customer in the pre-legal phase. While GFKL aims to resolve claims by working with customers without relying on legal enforcement, GFKL will employ legal methods if it believes that this is the optimal strategy and if the economics of the legal proceedings are attractive to it. Examples of solutions GFKL seeks in the legal phase include garnishment of wages, sale of collateral, bankruptcy proceedings and debt restructuring. When legal action is taken, litigation costs are paid for by the customer if the court decision is in the creditor's favor.

  Prior to taking legal action, GFKL determines whether a particular account is suitable for court action based on a variety of factors. GFKL accesses available information about the customer from credit bureaus, including the customer's credit score and any "negative entries" showing that the customer is vulnerable or does not have the ability to pay. If there are negative entries indicating that legal action is inappropriate, GFKL will transfer the account to the long-term monitoring phase and continue to monitor it on a regular basis for any changes to the customer's personal and/or financial circumstances. If GFKL determines that a customer's account is suitable for legal action, then GFKL will seek a judicial order to pay. GFKL processed approximately 400,000 court orders and approximately 500,000 foreclosures in 2014. GFKL's processing capabilities are enhanced by the GFKL Service Center, a centralized, automated hub for managing mail, digitizing customer files and physically archiving court documents, which printed approximately 8.4 million pages, scanned more than 2.7 million new documents and hosted more than five million files in 2014. In the year ended December 31, 2014, for two of GFKL's major operating subsidiaries (SIR and PCS), 38% of GFKL's total collections were realized in the legal phase of the collection process.

- **Long-term monitoring phase**. The long-term monitoring phase typically commences when a claim is written off due to the customer's being insolvent and/or the claim being deemed uncollectable. If GFKL has obtained enforcement title to the claim, this phase can last up to 30 years. During this phase, GFKL monitors changes in the circumstances of the individual customer in order to determine whether its ability to begin payment has been enhanced. When it appears through surveillance that a customer's financial position has improved, GFKL then looks to both pre-legal and legal means to collect on the claim. GFKL has a strong track record of collecting on older claims in its purchased debt portfolios. In 2014, more than 50% of GFKL's collections for its major operating subsidiaries (SIR, PCS and IBW) were on debt that was overdue for more than 10 years.

GFKL undertakes substantially the same collection process in both its third-party collection services for external clients and in collecting on its purchased debt portfolios. However, when GFKL performs third-party collection services on behalf of its clients, GFKL typically operates within the guidelines that it sets regarding settlements, as well as according to specific collections procedures. For its purchased debt portfolios, GFKL generally has the flexibility to set guidelines regarding when to settle a claim and what procedures are utilized, subject to any contractual limitations or other arrangements with the relevant debt originator. For example, GFKL is typically restricted from deploying contractors who physically visit customers' homes. Actions taken during the collection process are designed to take into account any restrictions imposed by applicable laws and regulations, and to preserve GFKL's and its clients' reputation. For further information regarding GFKL's third-party collection services business, see "*—Third-Party Collection and Other Receivables Management Services—Third-Party Collection Services—GFKL's Third-Party Collection Services*."

Third-Party Collection Services and Other Receivables Management Services

Third-Party Collection Services

Lowell's Third-Party Collection Services

In May 2013, Lowell acquired Interlaken, a UK DCA specializing in high-volume consumer credit collection, with a track record of over 23 years, approximately 290 FTEs and 0.7 million customer accounts as of June 30, 2015 and Gross Collections of £87.0 million in the 12 months ended June 30, 2015 from active accounts with a total face value of £685.2 million. Interlaken now provides third-party collection services both to Lowell, in respect of Lowell's own purchased debt portfolios, and to Lowell's clients. Interlaken has a client base complementary to Lowell's and is active in various sectors, including the financial services, telecommunications, home retail credit, public and utilities sectors.

Interlaken positions Lowell to enter new market sectors, particularly the public sector and the high-balance portfolio segment within the financial services sector. Interlaken is one of a select group of DCAs appointed by HM Revenue & Customs ("**HMRC**"), the United Kingdom's tax and customs authority, to be a member of HMRC's framework agreement to provide collection services for central government departments. As a result, we believe Lowell is well placed to continue servicing HMRC's debt recovery needs. Lowell has also entered into several trials with HMRC and other government departments with respect to unpaid taxes and other government-related payment obligations. In addition, Interlaken's expertise in servicing high-balance accounts in the financial services sector enhances Lowell's data assets, and we believe this will further improve its collection experience and accelerate portfolio purchases in that sector.

As a result of changing legislation that allows corporate entities to own a solicitors firm under the Alternative Business Structure ("**ABS**") rules, the Solicitors Regulation Authority ("**SRA**") granted Lowell approval in June 2015, which will take effect on October 1, 2015, to establish its own in-house legal firm, Lowell Solicitors. Lowell is one of the few businesses in the UK receivables management industry to have applied for and received approval from the SRA to proceed with in-house legal activities. The rollout of litigation capabilities is a major step towards the expansion of our fully integrated, in-house, end-to-end receivables management approach. We believe that having an in-house litigation capability will enable us to provide a more seamless experience for our customers, a more efficient process that will generate commercial efficiencies for our investors, while improving the visibility of our control and oversight over the end-to-end collection process for our clients.

GFKL's Third-Party Collection Services

In Germany, GFKL provides collection services in the German market to collect overdue debt and receivables both for its clients and for its purchased debt portfolios. As of June 30, 2015, GFKL had serviced 10.8 million accounts (with 3.7 million accounts remaining active), representing approximately 7.7 million individual customer accounts, with an aggregate face value of owned debt on open accounts of €15.8 billion (£11.2 billion) including fees, interest and costs added to the principal amount. GFKL's third-party collection services clients are debt originators in a range of sectors, including primarily the insurance sector, followed by the financial services, telecommunications, retail, fitness, public and utilities sectors. For the 12 months ended June 30, 2015, GFKL's third-party collection services business generated 55% of GFKL's revenue, excluding lawyer service revenue and other services revenue (other services revenue is shown as "other" in the notes to the GFKL 2013 Audited Consolidated Financial Statements, corresponding to the sum of "service and programming revenue," "maintenance revenue and royalties" and "other" in the notes to the GFKL 2014 Audited Consolidated Financial Statements).

The collection process that GFKL uses in its third-party collection services business is substantially similar to the collection process that it uses in its debt purchase business. For further details regarding these collection processes, see "*—Debt Purchase—Collection Process—GFKL's Collection Process*."

GFKL generates servicing fees through multiple channels, all of which are supported by the German legal framework for debt collection, which provides for statutory and regulation-based fees for third-party collection companies. The service fees GFKL earns depend on the contractual agreements GFKL has with its clients. The fees that are passed on to the customer are capped at statutory amounts under applicable regulation, including the German Introductory Act to the Legal Services Act (*Einführungsgesetz zum Rechtsdienstleistungsgesetz*) and the German Law on the Remuneration of Lawyers (*Rechtsanwaltsvergütungsgesetz*). Fees of third-party collection companies are limited to the amount a lawyer could claim for similar activities and are tied to the amount in dispute. Further fees are incurred by the customer if a lawyer is eventually engaged in the collection process. These fees are passed to the customer as an additional damage amount. For further information on the regulatory environment in which GFKL operates, see "*Industry and Market Data—Legal and Regulatory Framework*" and "*Regulation*."

GFKL's third-party collection services do not require significant ramp-up costs and are therefore less capital-intensive than debt portfolio purchases. While a purchased portfolio is recognized on the balance sheet, third-party collection services can be performed with limited balance-sheet impact, which mostly relates to certain upfront guaranteed payments on future collections that we grant some of our larger third-party collection services clients. In such cases, we guarantee that we will successfully collect a certain percentage of the outstanding principal amount of claims. These guaranteed payments are capitalized on our balance sheet.

In addition to managing third-party receivables through contractual relationships with its clients, GFKL has a successful track record of structuring a number of outsourcing deals in which GFKL carved-out and took over a client's in-house collection operations. We believe GFKL is the only top-four receivables management company in Germany (as measured by 2013 revenue) with such a track record. These carve-out agreements may include transferring staff and growing the collection teams GFKL takes over. In exchange for these deals, GFKL receives multi-year exclusive collection agreements and access to early-stage recovery debt. Since GFKL conducted its first transaction of this kind in 2004, it has successfully carved out receivables management teams from clients within the telecommunications, insurance and financial services industries in four additional transactions. GFKL has secured long-term collection agreements with terms of up to six years with the respective debt originators from which it has taken over the collection platform. Such transactions are typically done without upfront payment to the debt originator, although GFKL may sometimes structure share deals equaling to the value of long-term service contracts.

We believe GFKL's carve-out platform is mutually beneficial. GFKL enables its clients to collect more receivables at lower cost due to its operating scale, experience, processes and tools. Long-term servicing contracts give GFKL earning visibility and support its future revenue and cash flow generation. Exclusive access to early-stage debt also gives GFKL opportunities to cross-sell other services, such as debt purchase, down the debt recovery cycle as it gains specialized familiarity with the clients' debt portfolio.

Other Receivables Management Services

Lowell's Other Receivables Management Services

In June 2014, Lowell introduced a suite of value-added services (branded "Accumulus") that are specifically targeted at strengthening client relationships. They provide bespoke data and technology solutions that add value to the client throughout the client's credit life-cycle. These services, which we offer free of charge to certain of our debt originator clients, are complementary to our collection services offerings and facilitate our strategy of further embedding ourselves in our clients' receivables management chain.

GFKL's Other Receivables Management Services

In addition to GFKL's core third-party collection services and debt purchase businesses, GFKL also provides a suite of further value-added services to its clients. GFKL's other services primarily cover three areas: risk management solutions, e-commerce solutions and data information services. Examples of these services include PayProtect (which provides credit checks and creditworthiness information for e-commerce retailers), OrderCheck (which performs customer default risk assessment before order execution for online payments) and the ClientMatching service (which matches known customers with e-commerce sector clients). According to the terms of its PayProtect offering, if GFKL approves a consumer as creditworthy but the consumer defaults on the invoice, GFKL is contractually bound to acquire the consumer's debt at face value. The commissions GFKL generates for running credit checks are recorded as revenue in GFKL's third-party collection services business. However, the defaulted debt acquired is recorded in the debt purchase business, which, in accordance with statutory reporting rules, is immediately recognized with an impairment from the face value of the debt. In addition, GFKL offers logistical and administrative services to the external lawyers it engages.

Data and Analytics

Lowell's Data and Analytics

We believe Lowell's operational efficiency and low-cost structure, which we believe are key contributors to its competitive advantage, are, in part, the result of investments in sophisticated logic sequences that are highly automated and integrated with both proprietary and other highly advanced software applications. We believe the level of sophistication and automation embedded in Lowell's technology enables Lowell to price its debt portfolios both rapidly and accurately based on significant detail and analysis, which we believe increases the efficiency and effectiveness of its collection efforts while also supporting its customer satisfaction and compliance goals. We believe Lowell's technology also helps it optimize its choice of contact medium and collection strategies for its customers. Accordingly, Lowell data and analytics has provided it with what we believe to be a significant competitive advantage over other participants in the UK receivables management market.

Lowell leverages the breadth of its data and collection experience to develop more accurate systems and achieve significant scale in its analytics platform. For example, Lowell has data available for approximately 18 million accounts and 9 million customer accounts and its data and analytic systems manage 73 bespoke IT applications and process 455,000 account reviews per day and 44 million traces per year. We believe that incorporating these data and analytic processes into technology-focused solutions allows for increased collections and lower costs. For example, we believe that Lowell's sophisticated matching techniques, which harness its extensive customer database and advanced analytic capabilities, enable it to improve its pricing accuracy, more easily find customers associated with new accounts and devise payment arrangements that optimize customer outcomes. As reported in the UK Company Market Study, Lowell's match rate for new portfolios (*i.e.*, the proportion of accounts in a portfolio that can be associated with existing customer data) was 56%. Our diversification enables a greater enrichment of our data base often resulting in stronger match rate and data insight when pricing contracts or portfolios. We believe that Lowell's culture encourages continuous technological and operational innovation that contributes to improvements in Lowell's performance and the ease with which Lowell's customers are able to engage with it. Technology is a key component of Lowell's business model, and Lowell has invested heavily in its IT platform. Since September 1, 2012, Lowell has invested £6.2 million in aggregate in its platform, focusing on improvements and innovations in its pricing, tracing, collections and systems.

Lowell Group has a track record of implementing incremental technological and collection process improvements that have contributed to increased performance and efficiency throughout the business. In 2006, Lowell introduced LIMA, an automated tracing and customer intelligence system with an automatic link to the Experian public database. LIMA has subsequently been linked to full bureau Credit File. Between 2006 and 2015, Lowell continued to improve its trace and technology measures through the introduction of CIS (Credit File information to front line), daily bureau data feeds, ECAPs data, single customer identifiers, the Dual Bureau, trading floor data and TAC current account data. As a result, the effectiveness of our platform has increased materially and the amount of right party connections per account, which we believe a measure of Lowell's tracing and contact systems' efficiency, has increased from 17% in 2008 to 21% in 2014. Some of Lowell's key IT and data systems include:

- **LIMA**. LIMA is Lowell's proprietary automated tracing and customer data intelligence system. It has the ability to cleanse and append account data and customer attributes, trace and verify customers' addresses using several data sources processed through thousands of logic sequences, provide refreshed contact information, employment details and up–to-date financial profiles that enable us to know where Lowell's customers reside, and assess customers' financial circumstances while providing us with a greater ability to contact them. Management estimates that Lowell's automated tracing technology has the capacity to run up to 6.4 million traces per month.
- **Workflow**. Workflow is a document management system that scans and routes the vast majority of Lowell's incoming correspondence from its approximately 18 million customer accounts. The system is programmed to translate forms, key phrases and words, and then automatically allocate the account to the correct work queue. The system thus enables a more cost-effective and speedier solution to dealing with in-bound queries and customer correspondence than manually sorting and routing them. Workflow also maintains an image trail of all correspondence that can be accessed easily at any time.
- **SAS**. SAS is a data mining, process automation and data modeling tool that allows for complex statistical analysis. This system automates complex data mapping techniques and produces sophisticated propensity-to-pay scorecards that are used across the entire business, from ranking customers on their ability and willingness to pay to constructing "effort sloping" scores that can optimize net yield on an account.
- **Qlikview**. Qlikview is a business-intelligence reporting tool that provides Lowell with both scheduled and real-time management information. The system can perform low-level "drill down" analysis and apply complex statistical formulas while providing a number of graphical outputs. This enables Lowell to effectively understand key trends, and thus to manage Lowell's business more effectively.
- **IVR**. Lowell's IVR system enables us to service high call volumes, reduce costs and, we believe, improve the customer experience. Based on the account type, incoming calls are matched and routed in real-time to the call center agent best placed to answer the call. This system also extends service outside of normal business hours, enabling customers to make an automated payment on their account.

As the sophistication of our platform has grown, we have been able to increase our match rate from 34% as of December 2010 to 46% as of December 2013, 54% as of December 2014 and 60% as of July 2015. The number of accounts has increased over recent years from 10 million as of December 2012 to 16 million as of December 2014 and 18 million as of July 2015.

GFKL's Data and Analytics

GFKL platform leans on a combination of proprietary systems and software as well as solutions provided by external vendors. In early 2014, GFKL initiated the creation of a dedicated analytics team that has since developed into a team of 10 experienced and highly trained experts in data science, comprising mathematicians and statisticians, with the goal of implementing predictive analytics at GFKL to improve collection strategies, pricing and valuation, assess data quality and improve internal processes.

GFKL seeks to continuously improve the sources, quality and pricing of data that is required to locate customers and predict their payment behavior. Its acquisition of DMA in October 2014 has allowed it to create a consistent, GFKL Group-wide data framework for this purpose. DMA enables all of GFKL's operating entities to source data from more than 15 data information companies through a single unified interface. Information sourced through DMA covers three main types of raw data: creditworthiness, phone numbers and address data. GFKL uses DMA's resources to focus on the development of analytical capabilities in GFKL's operations, such as the development of portfolio-specific scoring models to tailor collection strategies and to optimize the ratio between cash collected and processing costs. DMA also holds a data trading license, which provides us with the future potential to expand into the data trading field and offer information services to GFKL's clients and other external parties.

GFKL is continuing to develop its data analytic capabilities with respect to historical third-party collection information and to develop a centralized data warehouse for all of GFKL's data assets. The ultimate goal of these development initiatives is to provide an enhanced interface for managers to track the performance of their respective departments in real-time (*e.g.*, through the analysis of up-to-date sales data and collections performance).

Geographic Footprint and Operating Subsidiaries

Lowell's Geographic Footprint and Operating Subsidiaries

Since it was established in 2004, Lowell has focused on organic growth with regard to its core debt purchase business in the United Kingdom. In May 2013, Lowell acquired Interlaken, a debt collection agency in the United Kingdom. As of June 30, 2015, Lowell had four operating entities all solely located in the United Kingdom. As of June 30, 2015, Lowell's operational subsidiaries operated out of its headquarters in Leeds and Interlaken subsidiaries operated out of the Interlaken offices in Surrey as shown in the following table.

Operating Subsidiaries	Office Locations	Area of Expertise
Lowell		
Lowell Financial Ltd	Leeds	Consumer debt purchase & collection
Lowell Portfolio I Ltd	Leeds	Consumer debt purchase & collection
Interlaken		
Fredrickson International Limited	Surrey	Consumer debt collection
SRJ Debt Recoveries Limited	Surrey	Consumer debt collection

GFKL's Geographic Footprint and Operating Subsidiaries

Between 2009 and 2014 GFKL refocused its operations by exiting non-core activities and businesses in other European markets to focus on its core attractive receivables management activities in Germany. GFKL disposed of its last remaining non-German operation in July 2014 and now operates exclusively in Germany. As of December 31, 2014, GFKL had 11 legal operating entities operating solely in Germany. GFKL's core operations comprised GFKL's German group parent, seven domestic third-party collection entities and two domestic entities providing ancillary services. As of June 30, 2015, GFKL's subsidiaries operated out of 13 locations across Germany (12 locations upon the expected relocation of its Potsdam offices to its Dusseldorf location) as shown in the following table.

Operating Subsidiaries	Office Locations	Area of Expertise
Corporate Center		
GFKL Holdco	Essen	Holding company operations
Deutsche Multiauskunftei GmbH (DMA)	Karlsruhe (registered office), Essen	Data analysis, data sourcing
GFKL Service Center GmbH (GSC)	Gelsenkirchen (registered office), Essen	Service center for mailing, filing
Subsidiaries Supporting Large, Well-Known Clients		
Sirius Inkasso GmbH (SIR)	Düsseldorf (registered office), Cologne, Dresden, Hamburg	Insurance, utilities, telecommunications
Proceed Collection Services GmbH (PCS)	Essen (registered office), Munich	Financial Services
GFKL Collections GmbH (GCG)	Potsdam (to be moved to Düsseldorf)	Telecommunications
Subsidiaries Supporting SMEs		
Inkasso Becker Wuppertal GmbH & Co. KG (IBW)	Wuppertal	SMEs, mail order, media, fitness
intratech GmbH (ITT)	Cologne (registered office), Berlin	Software, fitness
Domnowski Inkasso GmbH (DIG)	Essen	E-commerce, business-to-business
Zyklop Inkasso Deutschland GmbH (ZYK)	Krefeld	All industries issuing invoices
Proceed Portfolio Services GmbH (PPS)	Essen	Release of collaterals of bank loans

Clients

We engage with clients across a range of industries and hold leading positions in the telecommunications and retail sectors (with respect to Lowell's debt purchase business) and the public sector (with respect to Lowell's third-party collection services business) in the United Kingdom and leading, top-five, or top-ten market share positions across a number of sectors in Germany, including the financial services, insurance, retail, e-commerce, telecommunications, fitness, public and utilities sectors. We believe that our diversification across numerous sectors decreases our exposure to changes in any one industry.

Lowell's Clients

Lowell has strong client relationships across several sectors, such as the financial services, home retail credit, insurance, telecommunications, public and utilities sectors. It has purchased debt portfolios from 59 clients, and its average relationship length was six years as of June 30, 2015. During the 12 months ended June 30, 2015, Lowell purchased debt portfolios from 26 clients with which it has active relationships, and many of these active clients are major companies with which Lowell has established a long-term relationship.

Lowell has a strong track record in maintaining long-standing relationships with its clients across all sectors that it operates in. In the retail segment, as an example, we have had a relationship for 8 years and total purchases of £165 million. In the financial services, for instance, we have had 10-year relationships with three selected originators, securing cumulative portfolio investments of £76 million, £59 million and £43 million, respectively. In the telecommunication sector, for instance, we have had two 7-year relationships and one 6-year relationship with selected originators securing cumulative portfolio investments of £45 million, £32 and £28 million, respectively.

GFKL's Clients

GFKL has a client base of several thousand clients throughout the large, well-known client and small and medium enterprise segments, with its largest client representing approximately 26% of GFKL's revenue in its third-party collection services business for the year ended December 31, 2014. GFKL provided services to 26 large, well-known clients in 2014. GFKL has also successfully increased the average length of its service contracts with large, well-known clients to 2.3 years in 2014, up from 1.7 years in 2013. For the year ended December 31, 2014, 74% of GFKL's revenue was generated from clients with whom it had already established a relationship as of 2010.

GFKL has a broad sector coverage based on revenues for the 12 months ended June 30, 2015 (excluding lawyer services revenue), generating a revenue split amongst its clients across several industries, including financial services (18%), telecommunications (13%), fitness (4%), retail (19%), insurance (32%), public sector (1%) and other (13%). As of December 31, 2013, we held market-leading positions in the insurance and fitness sectors and top-five positions in the banking, retail, e-commerce, telecommunications and public sectors, as well as a top 10 position in the utilities sector in Germany measured by 2013 revenue.

Marketing and Client Relations

Lowell's Marketing and Client Relations

Lowell places great emphasis on the strength of its marketing and client relationships. Lowell has developed long-term, strategic relationships with clients across many sectors, including financial services, retail, telecommunications and utilities. In addition, Lowell has been externally recognized for its marketing and branding within the UK debt purchase market. Due to its reputation in the market, Lowell is invited to virtually all market debt tenders in the United Kingdom in the sectors it actively targets. As of June 30, 2015, Lowell has purchased debt portfolios from 59 clients, and its average relationship length was six years. For the Lowell Financial Year 2014, 87% of revenue was derived from clients with which Lowell had a relationship in 2010. Lowell places a particular emphasis on securing long-term forward flow agreements with clients, with some contracts running for three years and an average contract length of over 1.6 years as of June 30, 2015. Approximately one-third of Lowell's debt purchase spending since its inception has been generated through forward flows, which management believes to be higher than any other debt purchaser in the United Kingdom. In addition, over the last four years, Lowell renewed approximately four out of five retendered forward flow agreements.

Lowell uses a dedicated account management strategy with clients, backed up by senior executive relationships within the company. In addition, Lowell has client relationships across many functions, including operations, compliance and external recoveries, with central coordination via Lowell's sales and business development team. With respect to clients with which Lowell has relationships in both its debt purchase and third-party collection services businesses, Lowell employs a group management structure in order to provide such clients with a single "go-to" point of contact in addition to a full stakeholder management structure. Client reviews for such clients include account management representatives from both the debt purchase and third-party collection services businesses.

Lowell believes that its transparent approach to client management enhances the strength of its client relationships. Regular performance reviews are carried out with all clients, with the frequency determined by the strategic importance of the relationship to Lowell. Performance reviews include analysis of portfolio performance, customer treatment, future pipeline initiatives/developments, business updates and suggestions for further interaction/enhancements to the relationship. In June 2014, Lowell introduced a suite of value-added services (branded "Accumulus") that are specifically targeted at strengthening client relationships through providing bespoke data and technology solutions that add value to the client throughout the customer credit life-cycle. See "*—Third-Party Collection Services and Other Receivables Management Services—Other Receivables Management Services*."

GFKL's Marketing and Client Relations

GFKL employs a comprehensive and coordinated approach to marketing and client relations. GFKL has developed marketing and sales strategies that are tailored to each client sector. In addition to GFKL's in-house sales team, it has external sales representatives who support its sales efforts in specific industries.

GFKL believes that caring for existing clients contributes to increased trust, which in turn results in a larger number of long-term relationships and new business opportunities. In addition, GFKL strives to invest in value-added partnerships and products that enhance its ability to serve its clients. For example, GFKL has an international Global Credit Solution network that enables it to service its clients globally through its local partners (however, this applies to a very limited amount of GFKL's third-party collection efforts). GFKL's focus on client satisfaction is reflected by its track record of receiving repeat purchases from existing clients, and its ability to increase average contract terms to 2.3 years as of December 31, 2014, up from 1.7 years as of December 31, 2013. GFKL won 20, 23 and 26 large, well-known clients in 2012, 2013 and 2014, respectively. In addition, GFKL acquired more than a thousand new contracts with SMEs in 2014. From January 1, 2013 to December 31, 2014, GFKL increased its new business receivables under contract by 45%, based on face value of debt outstanding including fees and other charges.

Compliance and Risk Management

Lowell's Compliance and Risk Management

Compliance is central to Lowell's operations. We believe that Lowell's focus on compliance resonates with debt originators and is essential for providers of receivables management services to succeed in an increasingly regulated market. Lowell's focus on compliance means that "treating customers fairly" is embedded within Lowell's day-to-day processes. Lowell maintains a dedicated compliance team of approximately 90 FTEs as of June 30, 2015, up from 43 FTEs in 2013, which actively promotes compliance best practices across the business and seeks to achieve low rates of complaints. For example, for the 12 months ended June 30, 2015, Lowell achieved a rate of 0.175% for internal complaints.

For the 12 months ended June 30, 2015, Lowell's FOS-filed complaint ratio was low, with 2.9 cases per 100,000 financial services accounts. Lowell works with customers to obtain debt repayment in a proactive and supportive way based on data intelligence, analytics and, in the vast majority of cases, without the need to use litigation. Since Lowell's inception in May 2004, it has never faced any enforcement actions by any of the entities that regulate Lowell's operations, including the OFT and the FCA. Lowell is a member of the Consumer Credit Trade Association, Civil Courts Users Association and Finance and Leasing Association. As a full member of the Credit Services Association, Lowell complies with certain codes of practice. In addition, in April 2013, Lowell launched its FAIR program, which outlines its policies on treating customers fairly, customer focused behavior, fair outcomes, assessing affordability and responding to client audits.

Lowell's approach to compliance includes a "three lines of defense" model to promote a strong compliance culture: (1) "Operational Controls," (2) "Accountable for Oversight" and (3) "Accountable for Assurance." The first line of defense, Operational Controls, focuses on operational adherence to compliance requirements and is achieved through reporting by the operations team and monitoring by team leaders and by the quality assurance team, including call-quality monitoring. The second line of defense, Accountable for Oversight, focuses on quality assurance through managerial oversight of operational activity and review of the control testing of the first line of defense. The third line of defense, Accountable for Assurance, comprises internal audit and consists of reviewing and assessing the adequacy of controls in place. Lowell's internal audit function ultimately reports to Lowell's audit committee.

Furthermore, Lowell's investment in operations has improved compliance oversight throughout its collections process. For example, Lowell records all calls with its speech analytics and call-monitoring systems. Lowell has also invested in teams to monitor performance and fill roles poorly suited to automation, such as manual pre-litigation checking. We believe that Lowell's account databases also represent a source of compliance advantage, providing better data to inform decisions as to whether to seek collection, the most appropriate collection approach and the customer's likely ability to repay. Accounts are selected for litigation as a last resort when they have reached the end of an alternative strategy and a customer has not engaged with us or made a reasonable offer of repayment. Selection involves a combination of quality, policy and scoring processes to ensure that only customers that we believe are in a position to pay are selected. Automation of selection ensures consistent application of rules to exclude, for example, vulnerable customers or those with a negative disposable income where this has been captured during any contact. Credit bureau data is used to verify the customer's whereabouts and the status of their credit profile which is taken into account when scoring for suitability. Prior to the commencement of any action, a manual sample check of selected accounts is made to ensure the integrity of the process before accounts are approved for release into the process by the COO and Director of Litigation.

We believe that Lowell's significant investment in operations has created an industry standard in compliance practices, with regular recognition for its strong focus on fair practices with respect to its clients, customers and regulators. In 2014, Lowell was awarded an "Exceptional" rating by Investors in Customers ("**IIC**"), a UK customer-experience consultancy. The award was granted based on feedback from over 1,800 customers and 500 team members and senior management in order to judge how well Lowell understands the needs of its customers and the quality of the service it delivers. The research undertaken by IIC also assessed the strength of Lowell's customer relationships using the Net Promoter Score measure. While many financial service companies fail to achieve a positive Net Promoter Score, Lowell received a favorable score of +0.38 in 2014, which it believes reflects its approach of working with customers to agree to mutually acceptable payment plans tailored to the customers' personal circumstances. This Net Promoter Score exceeded the scores received by most well-known retail banks in the United Kingdom.

GFKL's Compliance and Risk Management

We believe a focus on compliance and risk management is critical for GFKL's business, as its clients regard its ethical behavior and strict compliance with laws and regulations as essential in order for them to utilize GFKL's services. A strong compliance culture is an increasingly important differentiating factor in the highly competitive and fragmented German debt collection market, as smaller players typically have weaker compliance systems and debt originators are increasingly more focused on reputation, compliance track record and audit trail. All of GFKL's processes incorporate what we believe to be leading compliance standards, which enable GFKL to preserve its reputation and the reputation of its clients. We believe that GFKL's compliance culture reflects our beliefs in: taking a fair and reasonable stance when interacting with customers; ensuring a fair outcome for the customer, taking into account sustainability and affordability of payments; and treating customers with respect and dignity.

GFKL has a clear governance structure and experienced senior management across all parts of its organization, so that all key components of the business receive appropriate attention. GFKL's centralized operational risk management and compliance functions ensure central implementation of requirements and guidelines, as well as standardized risk policy and measures. GFKL's compliance operations have been designed with a focus on three main objectives: to ensure compliance with applicable laws and regulations, to enforce a fair treatment of customers and to preserve GFKL's reputation and the reputations of its clients. GFKL's key areas of risk management include data protection, anti-money laundering and fraud prevention.

GFKL's approach to compliance includes a "three lines of defense" model to mirror the highest risk management standards in the financial services industry: (1) operational risk management; (2) risk and compliance framework; and (3) internal and external audit. GFKL's Executive Board is responsible for the overall effectiveness of risk management and compliance throughout its operating entities and is under the supervision of GFKL's Supervisory Board. GFKL conducts GFKL Group-wide compliance audits as well as ad hoc audits as necessary. In addition, as part of the annual accounting close, external auditors conduct a review of the adequacy of the risk management and compliance functions.

In 2014, GFKL implemented a governance, risk and compliance ("**GRC**") software tool to standardize and professionalize risk monitoring and reporting across all of its operating entities. Designed according to the standard IDW PS 980 from the German Institute of Certified Accountants (*Institut der Wirtschaftsprüfer*), the GRC tool enables centralized implementation of requirements and guidelines and standardized risk approaches and measures, provides a unified risk and reporting interface and enables GFKL's compliance officer to effectively identify compliance risks, the materiality of the risks and the appropriate function level at which to address the risk.

We believe that GFKL's compliance structure contributes to its low customer complaints track record. In 2014, Standard & Poor's rated GFKL with the best possible "Strong" servicer rating as a special servicer of consumer finance, based on two of GFKL's major subsidiaries (PCS and SIR). In addition, at its largest operating entity (SIR), GFKL received, on average, only 0.045% new customer complaints per year as a percentage of active accounts from 2012 through 2014. For further information on the regulatory environment that GFKL operates under, see "*Industry and Market Data—Legal and Regulatory Framework*" and "*Regulation*."

Technology Infrastructure

Lowell's Technology Infrastructure

Lowell's business models, including debt purchase, third-party collection services and litigation services, are supported by a sophisticated technology landscape, which has received continuous and balanced investment. From September 2012 to June 2015, we invested £6.2 million in our technology infrastructure in the United Kingdom. Accordingly, we currently do not plan to make significant additional investments in our UK technology infrastructure in the near future.

Lowell's business strategy is based on sustaining a continuously improving technology infrastructure, with its IT organization focused on the goals of centralization, standardization, scalability, security and high availability. Lowell leverages a blend of sophisticated proprietary systems and partnerships with technology industry leaders in order to achieve these goals.

Lowell's IT department is focused on:

- **Provision of IT services across the Lowell Group**. Lowell's IT organization has a centralized model that covers project management, development and integration and service management. The centralized model enforces common IT governance, policies, methodologies, standards and consistency across processes and tools, thus helping to ensure economies of scale, cost savings and cost avoidance across IT services. It also allows Lowell to implement an effective segregation of duties, which increases confidence in accountability and quality controls.

  In support of Lowell's internal governance and management framework, Lowell has obtained various accreditations with respect to industry standards, such as PCI DSS compliance (credit card standards), ISO27001 (IT security), ISO9001 (quality management) and ISO14001 (environment management).

- **Industrialized infrastructure**. Lowell aims to provide industry-leading IT infrastructure services, which include a scalable, resilient and highly available data center (with a private cloud) and wide area data network, with full disaster recovery services and an around-the-clock service-management model.

  Lowell's strategic IT infrastructure service providers are Rackspace and Azzurri. Rackspace, which provides the private cloud for our data center and disaster recovery services, is an international, industry-leading service provider that works in partnership with global infrastructure providers such as Dell, HP and EMC. Azzurri, in partnership with industry-leading telecommunications companies, is Lowell's wide area data network service provider.

  Lowell's IT infrastructure services are fully implemented, with the first phase operational since February 2014. Lowell's infrastructure model provides strategic flexibility: the services are "location independent," providing flexibility to the business in support of future acquisition and location strategies. Lowell's IT infrastructure hosts all of the Lowell Group's applications and data, resulting in cost savings and cost avoidance.

- **Enhanced data management and customer insight**. Lowell has delivered a centralized data warehouse populated from multiple source systems with data of approximately nine million customers and 18 million accounts, which supports the centralized management information and data analytics teams, thus enhancing our customer insights. This initiative became operational in April 2013 and has enabled Lowell's databases to be reduced from approximately 900 to 300.

Lowell is committed to maintaining high standards of data protection, client information and information security. All infrastructure and systems are protected by firewalls and are constantly updated to avoid cyber-attacks.

- **Application simplification**. We believe Lowell's application simplification efforts will, over the course of 2015 to 2016, deliver an enhanced application integration layer that will enable Lowell to reuse certain underlying application infrastructure and thereby ease the process of integrating external business applications or services (e.g., Bank Wizard, which validates bank account details) with Lowell's IT systems. Through such enhancement, application simplification is expected to improve productivity in Lowell's delivery of technology solutions and lower the costs associated with the development of these solutions by allowing Lowell to more fully adopt a "build once, use many times" approach when adding functionality to its IT systems. For example a single new account services function is now used by three different business applications. We believe application simplification will also reduce data replication through facilitating an increasingly centralized approach to data management services, and we believe this, in turn, will both reduce expenses associated with Lowell's data management services and help to ensure data-retention policies are effective. A number of new business solutions that make use of external technology have been enabled by this strategy, including our use of BLAZE, a contact strategy decision engine from leading U.S.-based software provider FICO (Fair Isaac Corporation). We believe that use of Blaze will promote Lowell's use of contact strategies that are tailored to a customer's individual needs and circumstances and thereby reducing expenses related to establishing contact by, for example, providing information that will allow us to avoid unnecessary letters and instead contact customers through other lower cost channels. Other solutions include new platforms for Lowell's external recoveries (AMOS), digital processes and query management system, all of which we believe will provide net benefits.

  We believe we will be able to continue to extend Caseflow, our proprietary collections and customer management application, to support other critical business functions. In July 2014 we implemented and integrated Customer Complaints, additional functionality that integrates the Caseflow platform with our customer complaints system, and in September 2015 we implemented Query Management, a system that enhances Lowell's receivables management services. A similar technology solution designed to enhance Lowell's data-use capabilities in connection with litigation services is expected to be first implemented by the end of 2015.

  The ultimate goal of these initiatives is to provide a centralized customer management system that will shift away from an account-focused processing toward a single customer view and customer-based processing. By implementing a single customer view, we believe we will be able to make the Lowell's core operational processes more efficient for both Lowell and its customers by enabling initiatives such as single customer lettering, to be implemented in the first half of 2016, which consolidates a customer's multiple account details onto a single letter, thereby reducing cost and improving the customer experience. In addition, we also believe we will be able to decommission other existing systems, which we anticipate will lead to cost savings.

- **Extended customer self-service via an enhanced digital channel**. An improved business-to-customer ("**B2C**") channel, which is scheduled for implementation by November 2015, is expected to provide an enhanced customer experience involving more self-service capability and an improved look and feel. This solution completely replaces the current B2C channel, and will feature improved security features, customer discounts, straight-through processing of payments and changes to customer details, uninterrupted availability, a customer budget planner and many other features. The channel will be accessible from various mobile devices and supports different internet browsers. We expect that Lowell's new, content management system, Umbraco, will enable Lowell business to make changes to the site quickly and with no or limited external IT intervention or support. Further releases are expected to provide mobile-specific applications, web chat functionality and the ability to deliver online letters and statements, as well as support marketing and letter strategies.

GFKL's Technology Infrastructure

GFKL's business model is based on a modern IT infrastructure that we believe is a key asset supporting GFKL's business needs in an efficient, scalable and optimized fashion. In the period between January 1, 2011 and December 31, 2014, GFKL invested €16.4 million in the acquisition of property, plant and equipment/intangible assets, which mainly relate to GFKL's IT systems and related projects, with the goal of increasing standardization and automation while reducing operating costs by streamlining its IT operations. These projects include the harmonization and centralization of GFKL's receivables management application, phinAMV, the implementation of enterprise resource planning systems running on industry leading software (SAP Finance and Oracle Hyperion), and the ongoing centralization and improvement of the IT organization and processes.

GFKL's IT organization is overseen by its chief information officer and comprises five operational areas, including its solution center, application operations and management, systems operations, IT service manager and IT operations manager. As of December 31, 2014, GFKL had 48 FTEs in its IT operations, a decrease from 63 FTEs in 2012, reflecting improved efficiencies throughout the IT structure.

GFKL has made major investments and is continuing to build on these investments to improve its IT functionality.

GFKL's disaster recovery processes, documents and guidelines, as well as the relevant IT infrastructure, meet the information technology security techniques and information security management systems requirements standards published by the International Organization for Standardization and the International Electrotechnical Commission, or ISO/IEC 27001. GFKL is committed to maintaining high standards of data protection, client information and information security and has also aligned its information security management processes to the ISO/IEC 27001 standard. In addition, GFKL effectively manages contracts with IT vendors and IT service providers to ensure compliance and optimize cost control.

Workforce

Lowell's Workforce

As of June 30, 2015, Lowell had 1240 FTEs. Lowell is committed to recruiting, training, developing and retaining employees. Lowell's management team believes that its recruitment and training programs provide a competitive advantage to its business, as management encourages its agents to achieve results by building a relationship with the customer, while maintaining a record of compliance with laws and regulations.

Lowell's training program for representatives is an ongoing process. First, induction, which runs for two weeks, ensures an understanding of Lowell's corporate purpose, culture and behaviors, how it conducts its business, the proper handling of the sensitive issues of a customer's debt and financial circumstances, general communication skills, compliance with laws and regulations, operational systems, rules and procedures, the structure of a typical call with a customer and negotiation skills. To help ensure that new employees complete the induction fully equipped with the right skills and knowledge, Lowell requires that they complete a series of assessments throughout the two-week induction. Assessments include practical role-playing scenarios, knowledge tests and an independently scored CSA accreditation exam that tests knowledge of compliance standards and industry legislation. Throughout the following 10 weeks, the representatives are put in a "live" call center environment with a high level of support through assigned mentors (experienced representatives), with daily performance reviews and "buzz sessions" to cover more complex areas of knowledge. Representatives will also return to training periodically during the course of their employment. Average tenure for a representative is 2.4 years.

GFKL's Workforce

As of December 31, 2014, GFKL employed 801 FTEs in its continuing operations, representing 965 individual employees. Despite its significant growth, GFKL has decreased its headcount from 856 FTEs in its continuing operations as of December 31, 2012, due to its continuous streamlining of operations and efficiency improvements, as well as the centralization of certain functions (*e.g.*, human resources, finance and IT). The majority of GFKL's employees are directly involved in claims management (debt collection and servicing), as well as its call centers. GFKL has been certified as a "Top Employer" in Germany by the Top Employers Institute alongside certain blue-chip companies, reflecting GFKL's ability to attract talent and sector expertise.

Litigation

Lowell's Litigation

Lowell is from time to time party to various claims and legal proceedings arising in the ordinary course of its business. Lowell has not been within the past 12 months, and it is not currently, a party to any governmental, legal, administrative, arbitration or dispute proceedings, either individually or in the aggregate, that have had, or are expected to have, a material adverse effect on Lowell's financial position or profitability, nor so far as Lowell is aware, are any such proceedings pending or threatened.

GFKL's Litigation

GFKL is from time to time party to various claims and legal proceedings arising in the ordinary course of its business. Other than as discussed below, GFKL has not been within the past 12 months, and it is not currently, a party to any governmental, legal, administrative, arbitration or dispute proceedings, either individually or in the aggregate, that have had, or are expected to have, a material adverse effect on GFKL's financial position or profitability, nor so far as GFKL is aware, are any such proceedings pending or threatened.

There are currently three ongoing litigation matters involving GFKL Holdco with an amount in dispute in excess of €375,000.

- **ABIT appraisal proceedings**. At the time of the approval of the merger of ABIT AG with GFKL Holdco in June 2005, an exchange ratio of six GFKL Holdco shares for 17 ABIT AG shares was determined, and GFKL Holdco subsequently offered former shareholders of ABIT AG the right to repurchase their new shares of GFKL Holdco at a price of €13.93 per share. A group of former ABIT AG shareholders sued GFKL Holdco for cash compensation pursuant to Section 15 of the German Transformation Act (*Umwandlungsgesetz*) (*bare Zuzahlung*) claiming that the exchange ratio was inaccurate, and also sought a higher cash amount to compensate for the loss of the ability to trade shares in an organized market (*Barausgleich*). Upon the unsuccessful termination of initial settlement discussions, in November 2012 the District Court (*Landgericht*) of Düsseldorf determined a higher cash amount to compensate for the loss of the ability to trade shares in an organized market but denied the claim for a cash compensation amount pursuant to Section 15 of the German Transformation Act. An immediate appeal (*sofortige Beschwerde*) was filed by several claimants as well as by GFKL AG against this decision. On October 31, 2013, the Higher Regional Court (*Oberlandesgericht*) of Düsseldorf repealed the decision of the District Court of Düsseldorf and referred the proceedings back for a new decision. A hearing was then held by the District Court (*Landgericht*) of Düsseldorf in September 2014 in which an auditor presented a new range of values for the two entities involved in the merger. On May 12, 2015, the District Court of Düsseldorf held in a procedural decision that recent changes in the interpretation of applicable law by the German Federal Supreme Court (*Bundesgerichtshof*) would not apply to the pending appraisal proceedings to determine a higher cash amount to compensate for the loss of the ability to trade shares in an organized market. Subsequently, GFKL Holdco has filed an appeal against this procedural decision. This court procedure was delegated to the Higher Regional Court of Düsseldorf (*Oberlandesgericht Düsseldorf*) and has not yet been resolved. Based on the District Court (*Landgericht*) of Düsseldorf's decision, as of December 31, 2014, GFKL Holdco has made a provision in an amount of €7.3 million (£5.7 million) that we believe would be sufficient to cover additional cash payments to minority shareholders.
- **Neckermann litigation**. Pursuant to a receivables purchase agreement entered into in November 2007, GFKL Holdco purchased more than €270 million principal amount in enforceable receivables at a total purchase price of €17.2 million from neckermann.de GmbH ("**Neckermann**"). GFKL Holdco transferred its rights under the receivables purchase agreement as part of a financing in 2007 to Compass Explorec Limited ("**Compass**") and, upon termination of the financing, the rights passed back to GFKL Holdco in February 2014. Compass is currently in liquidation. In 2009, Compass filed a claim against Neckermann with an amount in dispute of more than €2 million based on an alleged infringement of guarantee claims under the original receivables purchase agreement. Insolvency proceedings over the assets of Neckermann were opened in December 2012. Compass filed its claim against Neckermann with Neckermann's insolvency administrator, who subsequently disputed the claim. As successor in interest to Compass' claims, GFKL Holdco is currently negotiating with the insolvency administrator regarding a potential withdrawal of the respective claims from this filing as well as a settlement of the legal proceedings.
- **Corporate income taxation litigation**. In August 2009, GFKL Holdco requested a binding tax ruling (*verbindliche Auskunft*) by the German tax authorities regarding the application of a restructuring privilege under then-existing German corporate income tax legislation. The binding tax ruling was issued in September 2009 confirming the applicability of the restructuring privilege and therefore the possibility to apply the losses carried forward by GFKL Holdco in future financial years irrespective of any change in the majority shareholding. The European Commission subsequently declared the restructuring privilege to be unlawful state aid and, in April 2011, the German tax authorities withdrew the previous binding tax ruling. The formal objection of GFKL Holdco in April 2011 was rejected and the tax assessments for the financial years 2009 and 2010 denied the tax loss carry-forward; however, suspension of payment was granted in the amount of the applicable tax loss carry-forward. In December 2011, GFKL Holdco, along with 14 similarly affected companies, filed suit against the European Commission before the European Court of First Instance. Currently, 12 of these actions have been suspended, with only two claims, including that of GFKL

Holdco, going forward as model suits. Written pleadings have been filed in GFKL Holdco's suit and the written proceedings have ended; an oral hearing was held in early July 2015. Although a resolution of this matter is expected by the end of 2015, as of the date hereof, the outcome remains uncertain. GFKL Holdco has made a provision in the full amount of suspended tax payments and corresponding interest due (*i.e.*, €14.0 million (£9.96 million) (including interest) was allocated to the provisions as of June 30, 2015) if the tax losses cannot be carried forward.

Insurance

Our insurance policies include insurance to cover risks associated with our businesses, including general liability, crime insurance, professional liability and directors' and officers' liability insurance. We believe that the types and amounts of insurance coverage that we maintain are consistent with customary industry standards in the United Kingdom and Germany. However, no assurances can be given that we will continue to maintain current levels of insurance coverage. A successful claim of sufficient magnitude that is not covered, or only partially covered by insurance, could have a material adverse effect on us and our financial condition. Furthermore, our insurance policies do not cover any violation of representations and warranties in debt purchase contracts. In addition, we did not take out insurance for our representations and warranties in the purchase agreements related to the disposal of certain former group companies.

Real Property

Lowell's Real Property

Lowell currently leases its headquarters and call centers, located at Ellington House, 9 Savannah Way, Leeds Valley Park, Leeds LS10 1AB, United Kingdom, which are used for Lowell's day-to-day operations. Lowell leases three other properties from third parties, from which it operates a range of services. Lowell's property portfolio is managed internally by its facilities team, supported by external specialists where appropriate. This team is responsible for ensuring that each site is in compliance with statutory requirements, including health and safety requirements.

GFKL's Real Property

GFKL operates its businesses at premises that are leased from third parties pursuant to 13 lease agreements, mainly for fixed terms, relating to its 12 operating locations and IT storage facility. GFKL does not own any real estate. We believe that GFKL has entered into the lease agreements on customary terms. Although some of the lease agreements may not be renewed at the end of their respective terms, GFKL's operations would not be disrupted if it decided not to renew the leases or if the leases were cancelled.

Intellectual Property

Lowell's Intellectual Property

The Lowell Group owns 40 trademarks (39 UK trademarks and one EU trademarks). The majority of the trademarks used within the Lowell Group are owned by Lowell Group Limited, Lowell Holdings Limited and Lowell Financial Limited. Additionally, Lowell holds 98 domain names, of which 52 are actively being used. There are no known infringements or legal disputes with regard to any of the Lowell Group's intellectual property rights.

There are various intra-Lowell Group licenses allowing intellectual property rights to be used within the group in the ordinary course of business.

GFKL's Intellectual Property

GFKL holds ten trademarks (five German trademarks and five EU trademarks) and 16 active domain names. We are not aware of any legal disputes regarding intellectual property, whether pending or threatened in writing, to which GFKL is or may become a party. Additionally, GFKL has not been provided with information about any actual or potential infringement of intellectual property rights owned or used by any third party for which it may be held responsible.

GFKL does not currently license out its intellectual property, except for the licensing of standard and proprietary software products by its operating entity, ITT, to its clients in the ordinary course of business.

REGULATION

Key Regulations Affecting Lowell

The UK receivables management industry is highly regulated. The regulatory environment for debt collection and debt purchase in the UK requires considerable investment in processes, know-how and management. Our management believes that the regulatory environment fundamentally creates strong barriers to entry. Debt originators are increasingly careful in their selection of their debt collector partners, and those who can demonstrate robust compliance processes are favored. The key entities and laws that govern our business are set out below.

The Financial Conduct Authority

The FCA is the current regulator of consumer credit in the UK. The FCA took over regulation of consumer credit from the OFT on April 1, 2014. Consumer credit agencies are now subject to a new statutory regime under the statutory umbrella of the Financial Services and Markets Act ("FSMA"). Pursuant to the FSMA, in order to carry on consumer credit activities, a firm needs to be authorized by FCA to do so (instead of being licensed by the OFT as was formerly the case) or otherwise be exempt. The FSMA and its related secondary legislation is supported by the detailed FCA Handbook of Rules and Guidance (the "FCA Rules") and the associated FCA supervision and enforcement powers. As a result, the future regulation of consumer credit activity will be aligned in large part with the current regulatory regime for banks, insurance and investment firms. At the same time, however, many of the specific statutory requirements governing consumer credit activity under the CCA will continue to co-exist alongside the FSMA regime, with the FCA assuming the OFT's former responsibility regarding enforcement of this legislation. The FCA's enforcement powers and approach is also significantly enhanced from that of the old OFT.

As a result of the transfer of the old Financial Services Authority's functions now being split between the FCA for conduct matters and the new Prudential Regulation Authority, for prudential matters (with the latter's responsibilities confined mainly to banking and insurance), the FCA has been granted enhanced enforcement powers and is taking a more proactive and interventionist approach to regulation and enforcement than its predecessor. The FCA's enforcement powers and approach is significantly enhanced from that of the old OFT.

Under the new FCA regime, historical requirements applicable to us will continue to apply under the CCA, along with new requirements deriving from the FSMA and the FCA Rules. In the latter case, many of the new FCA requirements are similar to those that apply already to banks and other regulated financial services firms. In addition, the FCA has created a new sector-specific Consumer Credit Sourcebook ("CONC"), which applies specifically to consumer credit firms such as ourselves. Among other things, CONC incorporates some of the previous CCA provisions and historic OFT guidance, in many cases as rules. The FCA's stated general approach to retaining OFT guidance has been to carry it across to CONC in substantially the same form and with substantially the same effect as previously.

FCA Rules also prohibit us from using so-called continuous payment authorities for debt collection where our right to do so is not provided for under the relevant credit agreement. We have at times had to rely on FCA Rule modifications to allow us to enhance the efficiency of our collection processes. We intend to apply to renew our previous waivers—however, since the waivers would be granted at the FCA's discretion, it cannot be guaranteed that a new waiver will be granted. If we were unable to rely on continuous payment authorities this could have a material impact on our ability to collect debts from customers who had not granted us these rights under their credit agreements.

Licence Types and New Rules Applicable

From April 1, 2014, businesses that perform debt collection (including servicing companies which collect debt on behalf of third parties) are required to either be FCA authorized or exempt, unless their debt collection activities relate solely to the collection of debts owed to them as creditor in which case they will not carry on a regulated activity at all.

Within the Lowell group of companies, there are five operating companies, with customer involvement as follows:

(a) Lowell Portfolio I Limited is solely a purchaser of consumer debt and undertakes no debt collection activities;

(b) Lowell Financial Limited undertakes debt collection work solely for Lowell Portfolio I Limited in respect of its purchased debts;

(c) Tocatto Limited undertook debt collection work as the authorized agent for various third parties but no longer undertakes any active debt collection activities;

(d) Fredrickson International Limited undertakes debt collection work as the authorized agent for various third parties; and

(e) SRJ Debt Recoveries Limited undertook debt collection work as the authorized agent for various third parties but no longer undertakes any active debt collection activities.

All of these companies who require interim permissions hold them. Interim permission holders are deemed to be FCA authorized until the FCA deals with their permanent permission application or earlier if the firm fails to submit an application.

As part of its new supervisory role in the consumer credit industry, the FCA will classify consumer credit firms into lower and higher risk categories, depending on the types of activities provided. Further firm-specific sub-classification by the FCA will determine the level of supervisory scrutiny to which individual consumer credit firms are subject. Firms undertaking debt collection and administration activities are categorized as "high risk" and as such it is expected that companies in the Lowell group will be subject to a more onerous authorization process and ongoing supervisory regime.

In high level terms, the key areas of FCA regulation that apply, or will apply, to us under the full FCA regime include:

- high level "Threshold Conditions" for authorization (including adequate resources and "suitability" of firms and their affiliates from a fitness and propriety perspective);
- high level "Principles for Businesses" (breach of which is enforceable by FCA fines and other enforcement actions);
- systems and controls, including governance, record keeping, conflicts of interest management and internal audit (some of which will apply as guidance rather than mandatory rules);
- approved persons (that is, directors and other senior management/key staff requiring individual FCA approval and being subject at an individual level to FCA Principles and enforcement powers);
- controllers (major shareholders and others) to be FCA approved;
- auditors;
- consumer credit conduct of business and marketing, including debt collection;
- regulatory reporting;
- complaints handling;
- financial crime/AML; and
- FCA enforcement powers.

Certain requirements, in particular those around approval of individual managers and controllers, will only apply following the conversion of interim permission to permanent Part 4 permission. Other obligations apply now, including the obligation to comply with the FCA's Principles for Businesses (the "Principles"), which include the obligation of a firm to "pay due regard to the interests of its customers and treat them fairly." This Principle is supported by detailed FCA guidance on "Treating Customers Fairly" ("TCF"), which sets out the FCA's expectations in relation to a regulated business treatment of its customers, which are similar to the rules governing fair treatment of debtors under the previously applicable OFT's Debt Collection Guidance, which has largely been carried across to CONC.

The FCA has the power to take enforcement action against a firm and/or its individual management for breach of one or more of the Principles, which may result in the imposition of substantial fines. Breach of certain requirements under the FSMA also carries potential criminal liability. Consumers can also bring private claims for damages in certain circumstances.

Transitional Arrangements

The FCA has provided for certain phase-in arrangements in order to enable existing consumer credit providers such as ourselves to manage the transition from OFT regulation more effectively. To enable firms already carrying out regulated credit activities to manage the transition with minimal disruption, an FCA "interim permission" regime has been put place from April 1, 2014 and April 1, 2016. All of the entities listed above who were required to do so have obtained interim permissions from the FCA to carry out consumer credit regulated activities including debt purchase and debt collection. Our valid interim permission enables us to continue to carry out our current activities during this interim period without having to make an immediate authorization application to the FCA.

The FCA has allocated each firm with interim permission a three month “landing slot” in which the firm will apply for full authorization from the FCA. The landing slot for the Lowell group companies is from October 1, 2015 to December 31, 2015. The Lowell group intends to apply for full authorization for Lowell Portfolio I Limited, Lowell Financial Limited and Fredrickson International Limited. The interim permission regime will apply to us until the FCA makes its final decision on our application for FCA authorization and it is deemed to be complete. The FCA is under a statutory obligation to inform us of its decision within six months from the date the FCA considers our application for FCA authorization complete. Any decision by us to add additional activities to our interim permission will also trigger the requirement to apply for full authorization from the FCA, thus accelerating the timetable for completing an FCA application and being fully compliant with the FCA regime. In order to become authorized by the FCA, firms are required to comply with new rules for financial promotions and in relation to financial crime, regulations including the Money Laundering Regulations, which as a debt purchaser, Lowell already had to comply with under the OFT regime. The FCA will require more frequent (and ad hoc) reporting on consumer credit businesses.

Further ongoing statutory obligations

The OFT issued specific guidance called the Debt Collection Guidance (“DCG”), which set out detailed standards that businesses that collect debt or carry out tracing activities must meet. The DCG has been superseded by CONC which applies specifically to consumer credit firms such as ourselves. CONC in effect is the relevant provisions of the Consumer Credit Act, the DCG and other OFT Guidance redrafted into formal FCA rules and guidance. CONC sets out a number of overarching principles that businesses should adopt in any debt recovery activities:

(1) treating debtors fairly;

(2) being transparent when dealing with debtors;

(3) exercising forbearance and due consideration—in particular towards debtors experiencing difficulty;

(4) acting proportionately when seeking to recover debts;

(5) establishing and implementing clear, effective and appropriate policies and procedures for engaging with debtors and other relevant parties; and

(6) establishing and implementing clear, appropriate and effective policies and procedures for identifying and dealing with particularly vulnerable debtors.

CONC also provides examples of the types of behavior that the FCA would regard as amounting to unfair or improper practices and unacceptable behavior. Examples include:

- issuing communications to debtors that are unfair, inaccurate, unclear or misleading (whether directly or through the way they appear or information which they may omit to mention);
- falsely representing their authority or legal position (for example, falsely claiming to work on instructions from the courts as bailiffs);
- using physical or psychological harassment to collect debts (including contacting debtors at inappropriate times of the day or too often, failing to allow for alternative, affordable repayment amounts when a reasonable proposal is made, or inappropriately threatening to disclose debt details to third parties);
- using deceptive or unfair methods (for example, sending demands to a person without establishing that he or she is the actual debtor);
- inappropriately or unfairly charging for debt recovery (for example, misleading debtors into believing they are liable for recovery charges, where the underlying credit agreement does not so provide);
- acting in a threatening or unclear way on debt collection visits (for example, visiting the debtor at times when it is understood that such debtor might be particularly vulnerable or entering a debtor’s property without consent or appropriate court order);
- continuing to collect statute barred debt in an unfair way (for example, implying that such debt may be recoverable through the courts); and

- failing to have adequate procedures and processes to ensure that customer data is accurate.

The FCA also expects regulated firms to take responsibility for third parties they use (for example, third party debt collectors).

Generally the use of DCAs probably represents one of the more significant conduct risks faced by us, particularly in the way this part of our business model tests our controls in relation to DCAs.

Consumer credit legislative requirements

As noted above, many of the provisions of the pre-existing statutory regime under the CCA and related secondary legislation, will continue to apply to our business and our relationships with customers, notwithstanding the transition to the FCA and the various new requirements introduced as a result. Although this summary does not purport to provide a full description of all such current or future requirements, a key ongoing area of responsibility for any properly regulated debt collection business arises under the UTCCRs, and as a result of the interaction of the UTCCRs with the CCA. This is also an area of the law in which further regulatory changes are anticipated in the medium term. Both CCA and the UTCCRs set out specific requirements for the entry into and ongoing management of consumer credit arrangements. The legislation includes both prescriptive and generic provisions on the terms of consumer credit agreements, the advertising of consumer credit services, and what constitutes, and the consequences of, any unfair relationships and unfair terms. This legislation applies both to our own activities and to those of any initial credit provider, including our vendors. The principal aim of the legislation is consumer protection. These legal requirements oblige creditors to, among other things:

- provide customers with heavily prescribed credit agreement documentation at the outset;
- enable customers to obtain copies of credit agreement documentation;
- provide customers with prescribed forms of post contractual notices at prescribed times;
- provide a fair relationship between themselves and the customer (an "unfair relationship" can be the result of an act or omission at any time); and
- ensure that their agreements do not contain unfair terms (and provides that any unfair terms are not binding on the customer).

Under the CCA, a customer may request a court to determine whether there has been an "unfair relationship" between the customer and the lender (which can include assignees). There are extensive and onerous requirements that apply when such a determination is made, and the burden of proof is on a lender to prove that an unfair relationship does not exist.

To the extent that the credit agreement is regulated by the CCA or treated as such, the credit agreement may be deemed unenforceable against the debtor if the lender does not hold the required consumer credit license at the point when the agreement is made. A credit agreement may also be unenforceable in whole or in part in cases where the lender fails to comply with certain other prescribed requirements of the CCA in relation to the content and process governing regulated credit agreements. The UTCCRs apply to agreements which have not been individually negotiated, which are entered into with a consumer on or after July 1, 1995 and may affect our ability to seek enforcement of certain terms of its customers' original contracts, such as rights of the lender to vary the interest rate and certain terms imposing early repayment charges and terms which give the lender a unilateral right to vary the contract or interpret any term of the contract. In light of the broad and general wording of the UTCCRs which makes any assessment of the fairness of terms largely subjective, it is difficult to predict whether or not a court would find a term to be unfair. It is therefore possible that any credit agreement that has been made or may be made to customers covered by the UTCCRs may contain terms that are, if challenged, found to be unfair, which may result in the possible unenforceability of such terms of such credit agreement.

This may also result in enforcement by the FCA either for breach of specific CCA or UTCCRs requirements and/or non-compliance with the FCA's TCF or other Principles. A credit agreement may also be deemed to be unenforceable in whole or in part in cases where the lender fails to comply with certain other prescribed requirements of the CCA in relation to the content of and process governing regulated credit agreements.

The Consumer Rights Act 2015 received Royal Assent on March 26, 2015 and its main provisions came into force on October 1, 2015. The adoption of the Consumer Rights Act consolidates reform of consumer law in the United Kingdom including the revocation of the UTCCRs for new consumer contracts. The substantive provisions of the UTCCRs have, however, been retained in the Consumer Rights Act, which merges the provisions of the UTCCRs with the provisions of the (wider scope) Unfair Contract Terms Act 1977 to consolidate and clarify the two regimes. The Consumer Rights Act also extends the scope of the regulatory regime on unfair terms in part to "consumer notices" provided by the service provider. Consumer notices include an announcement or other communication which it is reasonable to assume is intended to be read by a consumer.

The FOS acts as an independent adjudicator of the consumer credit complaints made to it. Chargeable claims attract a fee that is paid by the business, and a decision by the FOS is binding on the business, but not on the customer. Not all cases are determined to be "chargeable" however, the fee in respect of a chargeable case is payable by the business, whether or not the business successfully defends such case. There are escalation procedures for a consumer to make a complaint to the FOS. The FOS makes a decision on the basis of what is fair and reasonable and good practice rather than, necessarily, on the basis of compliance with the law.

Data protection

As a debt purchase business, we must comply with the requirements established by the Data Protection Act 1998 in relation to processing the personal data of our customers. The Information Commissioner's Office ("ICO") is an independent governmental authority responsible for maintaining, upholding and promoting the best business practices and legislative requirements for processing personal data and safeguarding the information rights of individuals and their rights to access their personal data. Any business processing personal data, such as debt purchaser firms or debt collection firms, must maintain a data processing registration with the ICO for each of their companies. Our business maintains and processes significant amounts of personal data; therefore, we have a data protection policy and have established data protection processes to comply with the requirements of the Data Protection Act 1998 and the applicable guidance issued from time to time by the ICO, such as the handling of Data Subject Access requests from individuals. The ICO is empowered to impose requirements or enforcement notices, issue monetary fines and prosecute criminal offenses under the Data Protection Act 1998.

The European Commission has proposed substantial changes to the EU data protection regime, involving replacement of the current Data Protection Act 1998 in the UK by a directly applicable EU Regulation which will come into force at the earliest at the end of 2017. The regulation, if it becomes law in its currently proposed form, would impose a substantially higher compliance burden on us and materially increase the maximum level of fines for compliance failures from its current level.

Lending Code standards

We also operate in accordance with the provisions of the Lending Code (a voluntary, but widely adhered to, code of practice applicable to banks and building societies in the UK) that are relevant to lending and debt collection activities. While we are not a subscriber to the Lending Code, a number of our clients are banks, and as such they have to ensure that third parties they use offer standards that meet the requirements of the Lending Code.

Other regulatory bodies

We are also regulated by a number of other government bodies, including the Office of Communications Services ("OFCOM"), the independent regulator and competition authority for the UK communications industries. All telephone calls made to and received from account holders are recorded, and OFCOM monitors, for example, the number of abandoned calls made by businesses to ensure that any business does not have 3% or more in any one campaign. We use automated dialing equipment and other communications tools in our business, and our telephony activities are compliant with OFCOM's regulations.

Since October 1, 2015 we are also regulated by the SRA by virtue of a legal services licence which we plan to use to bring our collections litigation team in-house. This means that the acquisition requires the prior approval of the SRA. If we were to experience any difficulty on that score we would consider surrendering the licence to avoid a delay in closing the transaction.

Our compliance and quality control

Debt vendors regard strict compliance with laws and regulations as essential for debt buyers to succeed in an increasingly regulated market, and in accordance with market practice, debt sale agreements usually contain warranties given by the debt purchaser that it shall comply with such laws and regulations. Failure to comply with laws and regulations or revocation of a permission, or other actions by us that may damage the reputation of a vendor, may entitle a vendor to terminate the debt purchase agreement or entitle it to repurchase portfolios we previously acquired from it. Our management team considers quality control and compliance to be of the utmost importance, and we believe our compliance and quality control record is a competitive advantage. We are proactively involved in the Credit Services Association ("CSA"). Our Chief Risk Officer served as the President of the CSA for two and a half years both before and after joining Lowell, during which time she led the working party which re drafted the CSA Code of Practice. She is now the CSA Director with responsibility for the compliance portfolio.

The laws and regulations under which we operate have at their core the fair treatment of all customers, which we have sought to embed within our day to day processes. We seek to provide realistic repayment options for all consumers and in particular those in financial difficulty. By offering customers flexible and sustainable payment plans tailor made to their individual needs, we help customers pay down their debt and improve their credit histories on a consensual basis. As a general policy, we have historically not added any charges or fees to the debt that we collect. We have dedicated policies and processes to deal with customers, which are periodically reviewed and enhanced where necessary, and we liaise with external bodies such as the CSA to promote best practice. Also, in her role with the CSA, our Chief Risk Officer has regular meetings with the FCA to discuss industry topics.

We have a clear governance structure and experienced senior management talent across all parts of our organization so that all key components of the business receive appropriate focus. The executive team has established a compliance framework, operational procedures and governance structures, supported by a number of proprietary systems, to enable us to conduct business in accordance with applicable rules, regulations and guidance. Our Chief Risk Officer has ultimate responsibility for regulatory compliance, with each member of the executive team responsible for compliance within their particular organizational function. The executive team is supported by a 90 strong compliance, governance, quality control and audit team with extensive experience in the financial services industry, managed by individuals who have mainly worked in compliance roles within FCA regulated companies or legal firms. The compliance team's responsibilities include setting compliance policy, maintaining proactive regulator relationships, managing and responding to complaints, monitoring and quality assurance, responding to client audits, setting up training programs, management reporting, risk management framework and internal audit.

Further, we have invested heavily in training our employees to be fully aware of our regulatory requirements and our policies. We have an internal policy regarding the handling of consumers who are considered vulnerable and disadvantaged (e.g., consumers who are 70 years of age or older, seriously or mentally ill, or serving in the armed forces), which we believe goes beyond requirements of the regulatory bodies in the United Kingdom and is based on what we believe is the right and proper way of treating such customers. Depending on individual case assessment, the debt may be written off or reduced, payment terms may be reset, or a payment holiday may be granted. We have a comprehensive operational quality assurance function in place that includes regular quality monitoring checks, data checks, performance reviews and other operational reviews to ensure that collectors are operating within our guidelines.

Industry engagement

We are actively engaged in setting compliance policies within the industry. We have established relationships with governmental bodies, including the FCA (many of the individuals previously employed by the OFT have transferred to the FCA) the ICO and the FOS, as well as trade organizations relevant to our industry, such as the CSA, the Finance and Leasing Association ("FLA"), the County Court Association ("CCUA") and the Consumer Credit Trade Association ("CCTA"), so that we may make use of best practices.

We have promoted a collaborative approach to regulation within the debt purchase industry. Industry groups such as the CSA which as the United Kingdom's only national association for companies providing debt collection services, acts as a trade body promoting professional industry standards, publish codes of conduct and receive complaints regarding improper behavior. While we are in direct contact with regulators because of our scale and market leadership position, we also take an active part in the trade associations that represent the industry's interests.

Through our participation in these organizations, we actively promote best practices by contributing resources when needed to debate or campaign for wider industry initiatives and by leading by example within the membership base. We are a full member of the CSA, and therefore must abide by its code of practice.

We have established a 'primary authority' relationship with our local trading standards office. Under this primary authority, we meet with representatives of the office typically on a monthly basis to discuss any trends in queries or complaints and seek guidance for any new projects and processes that affect customers. Further, if any queries or complaints are made to any other trading standards office, they will be referred to our local office, facilitating a productive and accurate response. The primary authority arrangement increases transparency and enables our local trading standards office to have a better understanding of our business and practices.

Compliance track record

We have a record of low complaints with regulators. No regulatory body has ever imposed sanctions on us for the unfair treatment of our customers and there are no outstanding issues with the FCA.

Through our carefully designed collection processes and communications strategies, including letters and telephone calls, we seek to ensure that the number of complaints is as low as possible. Our success in this area is evidenced by the fact that the number of complaints as a percentage of live accounts owned was approximately 0.1% in the 12 month period July 2014 – June 2015.

Where a financial services customer is dissatisfied with our response to a complaint, they are informed that they can refer the matter to FOS. After investigation, FOS will decide whether or not to treat the matter as a formal case. In the same period (June 2014-July 2015), there were a total of 184 FOS cases in respect of Lowell customers. In the same period, FOS made decisions on 154 cases, 19% of which were decided in favor of our customers. This compares favorably with our direct peer group where the average upheld rate is c40%.

The FCA can take into account the number of complaints received about a business to decide if that firm is complying with the relevant regulatory framework and remains fit to continue to be authorized by the FCA. They can take regulatory action against a regulated firm and insist that a business change its practices. If any complaint is found in favor of a customer by the FOS, we are required to pay the customer whatever sum the FOS determines is appropriate, but no fine or other penalty can be imposed by the FOS, although cases that reveal systemic problems with a business could be investigated by the FCA.

Key Regulations Affecting GFKL

Debt collection services are to a limited extent subject to regulatory supervision in Germany. The legal framework governing debt collection services in Germany comprises, among others, the German Banking Act (*Kreditwesengesetz—KWG*), the German Legal Services Act (*Rechtsdienstleistungsgesetz*), the German Introductory Act to the Legal Services Act (*Einführungsgesetz zum Rechtsdienstleistungsgesetz*) and the German Legal Services Regulation (*Rechtsdienstleistungsverordnung*) (together, the "**German Legal Services Regime**"). Our operations, including debt collection, debt purchase, the lawyer outsourcing process and our operations related to payment streams, are subject to these regulations. See "*Risk Factors*" and "*Our Business—Legal Framework*."

Regulation pursuant to the German Banking Act

Pursuant to the German Banking Act, factoring, *i.e*., the ongoing purchase of receivables in a commercial manner or on a scale that requires professionally organized business operations and on the basis of framework agreements, qualifies as the provision of financial services which requires a license by the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*, "**BaFin**"). BaFin has, however, taken the view that the ongoing purchase of receivables only qualifies as financial services if such purchase serves financing purposes, which according to BaFin is not the case if the purchased receivables are already due and payable. In line with the interpretation by BaFin of the relevant provision of the German Banking Act, the purchase of receivables which are due and payable does not qualify as the provision of financial services under the German Banking Act and does not constitute factoring. As a result, BaFin has confirmed in writing that the debt collection business of the relevant subsidiaries of GFKL Holdco does not qualify as factoring within the meaning of the German Banking Act and consequently no license under the German Banking Act is required.

Regulation pursuant to the German Payment Services Supervisory Act

Pursuant to the German Payment Services Supervisory Act (*Zahlungsdiensteaufsichtsgesetz*), the provision and receipt of payments in the context of debt collection services may, under certain circumstances, amount to the provision of payment services, including in particular to the provision of financial transfer business (*Finanztransfergeschäft*), which would require a license pursuant to the German Payment Services Supervision Act. However, in line with BaFin's current administrative practice, debt collection does not amount to financial transfer business where the provision of debt collection services is limited to defaulted debt that has been outstanding for a certain period of time.

Regulation under the German Legal Services Regime

In Germany, debt collection for third parties qualifies as the provision of legal services which in general requires a registration under the German Legal Services Regime. Any debt collection agency applying for registration under the German Legal Services Regime needs to demonstrate, in particular, personal aptitude and reliability, theoretical and practical expertise in the area of the legal services to be provided and professional liability insurance coverage and is subject to supervision by the Higher Regional Courts (*Oberlandesgericht*).

Legal entities are required to appoint at least one qualified employee, director or officer who commands the required aptitude, reliability and expertise. Such qualified person must be permanently employed at the respective debt collection company, must be authorized to issue instructions, but must not be subject to any instructions, with regard to all legal services provided by the respective agency and must be authorized to represent the debt collection company vis-à-vis third parties. The following subsidiaries of GFKL Holdco are registered for the provision of debt collection services under the German Legal Services Regime: SIR, DIG, PCS, IBW, ZYK, GCG, ITT and PPS.

In addition to these registration requirements, the German Legal Services Regime regulates the manner of the provision of debt collection services, in particular, with regard to information requirements and, indirectly, the remuneration of debt collection agencies, which is recognized to be part of a creditor's default damage (*Verzugsschaden*). As part of the creditor's default damage, servicer fees of a debt collection company can be charged to the debtor up to the amount of fees a lawyer could charge pursuant to the German Lawyer Remuneration Act (*Rechtsanwaltsvergütungsgesetz*). Similarly, costs in connection with the subsequent retention of external lawyers are frequently passed on to the debtor. Since November 2014, debt collection agencies have been subjected to increased notification and information obligations with respect to their dealings with debtors.

Data Protection

Several companies in the GFKL Group process personal data in their businesses, both when providing third-party debt collection and debt purchase services. The processing of personal data by companies established in Germany is governed by the German Federal Data Protection Act (*Bundesdatenschutzgesetz*). The requirements include that personal data may only be collected, processed and used for legitimate purposes. Furthermore, data subjects need to be notified about the storage of their personal data and certain limitations for the storage period apply. Under the German Federal Data Protection Act, data subjects are also entitled to request information as to what is shared. Specific provisions in the German Data Protection Act regulate the legitimacy of credit reporting and scoring as well as transparency requirements for such types of data processing. Personal data relating to collected or purchased debt is partly governed by sector specific data protection regulations or secrecy obligations. Our business is dependent on the ability of third parties to provide us with personal data relating to collected or purchased debt, including personal data provided by the original creditors, credit information bureaus as well as publicly available personal data.

We are also subject to the supervision of local data protection authorities (**"DPA"**) in several states of the Federal Republic of Germany. To comply with regulatory requirements imposed on us, we have established data protection processes, including without limitation, appointing data protection officers, where required, and having in place protection policies for all employees dealing with personal data. Those of our subsidiaries that are credit bureaus, maintain or are in the process of obtaining data protection registrations with the applicable DPAs for each relevant subsidiary that controls the processing of personal data.

Data subjects, DPAs, competitors as well as consumer protection groups and other authorized associations may pursue claims against subsidiaries of GFKL Holdco for breach of the German Data Protection Act. The German parliament is currently working on a bill to extend the rights of consumer protection groups and other authorized associations to pursue such claims. Furthermore, debtors may challenge the validity of the transfer of purchased debt based on the infringement of data protection regulations or secrecy obligations. Unfavorable decisions or judgments based on these types of claims or challenges may adversely impact our business.

On January 25, 2012, the European Commission published its draft Data Protection Regulation (*EU-Datenschutz-Grundverordnung*). The current form of the draft regulation proposes substantial changes to the EU data protection regime, involving the partial replacement of the current national data protection laws by an EU regulation. When implemented, the regulation will likely strengthen individuals' rights and impose stricter requirements on companies processing personal data. Some of the main requirements proposed by the regulation include fines up to €1 million, or 2% of the global turnover on a group basis, whichever is greater, for breaches of the regulation, stricter requirements and internal processes for the transparency of processed data of individuals, requirements on computer safety measures and controls, increased rights of individuals to demand the deletion of processed data and obligations to demonstrate compliance with the regulation, including submitting data breach notifications to the relevant DPA and data subjects. On March 12, 2014, the European Parliament formally passed a revised proposal of the regulation that strengthened individuals' rights under the regulation and proposed stricter sanctions with fines of up to €100 million, or 5% of the global turnover on a group basis, whichever is greater. This was followed by an agreed draft of the European Council in June 2015.

The proposed regulation is continuing to progress through the legislative process. The next steps are for the European Council of Ministers to start the informal process and negotiate the proposed regulation with the European Parliament and the European Commission. In July 2015, the Trilogue stage of the legislative process began. This is where all three drafts are discussed and negotiated between the Council, the EU-Commission and the European Parliament. As such, it is not currently possible to assess its full impact on our business, but the current drafts indicate that the regulation may include substantial further limitations and administrative burdens compared to the present law. In particular, the regulation could impair debt collectors' ability to use debtor data, for example, by restricting their ability to create debtor profiles. It is still uncertain whether the regulation will come into force at all and, if so, when this will occur. Furthermore, additional changes could be made to the draft that we cannot foresee at this time and that may have a materially adverse impact on our business, including debt collectors and debt purchasers. The present expectation is, that the regulation will be adopted by the end of 2015. If adopted, the regulation is expected to become directly applicable in the member states two years later.

Anti-Money Laundering and Terrorist Financing

Certain companies in the GFKL Group must comply with applicable rules and regulations concerning anti-money laundering and terrorist financing. We have implemented a GFKL Group-wide procedure in relation to anti-money laundering and terrorist financing.

International Conventions

In our international debt collection operations we are subject to European Union legislation and international conventions, such as the European Council Regulation (EU) No. 1215/2012 of December, 12, 2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters ("**Brussels Ia**"), which applies as from January 10, 2015 and supersedes the European Council Regulation (EC) No. 44/2001 of December 22, 2000 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters ("**Brussels I**"), and the Conventions on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters as of October 30, 2007 ("**Lugano II**"). Brussels Ia and Lugano II both address issues on jurisdiction and recognition and enforcement of judgments in civil and commercial matters. The contents are mainly the same, but whereas Brussels Ia applies between the member states of the European Union, Lugano II applies between Iceland, Norway and Switzerland and the member states of the European Union in relation to these three states.

Under both Brussels Ia and Lugano II, judgments are, as a general rule, recognized without any special proceedings between the relevant states. Further, Brussels Ia and Lugano II allow judgments given and enforceable in one relevant state to be enforced in another relevant state following only an application to that effect.

MANAGEMENT

The Issuers

The Issuers are public limited liability companies (*sociétés anonymes*), incorporated and existing under the laws of Luxembourg, and both were formed to facilitate the Transactions. The directors of both the Senior Secured Notes Issuer and the Senior Notes Issuer are Cedric Pedoni, Christopher Pell and Eddy Perrier. The professional address for each of Cedric Pedoni and Eddy Perrier is 488, route de Longwy, L-1940 Luxembourg, Grand Duchy of Luxembourg, while the professional address for Christopher Pell is 80 Pall Mall, London, SW1Y 5ES, United Kingdom.

Management of Lowell

Investment board of Simon Midco

Following the Acquisition, it is expected that Lowell's investment decisions will be made by the investment board of Simon Midco, whose members are expected to include representatives of Permira.

Board of directors and senior management team of LGL

The board of directors of Lowell Group Limited ("**LGL**") and the senior management team of LGL is comprised of the following members:

Name	Age	Title
Adrian Hill	57	Chairman
James Cornell..	42	Director and Chief Executive Officer
Colin Storrar...	43	Director and Chief Financial Officer
Andrew Bartle	46	Director and Chief Operating Officer
Richard Llewellyn Davies	50	Director and Business Development Director
Michael Lynn-Jones...............................	49	Director and Director of HR
Gary Edwards	57	Director and Chief Information Officer
Dominic Briggs.......................................	47	Director and Managing Director of Interlaken Group
Sara de Tute	54	Director and Chief Risk Officer and Legal Counsel

Summarized below is a brief description of the experience of the individuals who serve as members of the board of directors of LGL.

Adrian Hill. Mr. Hill was appointed Chairman of Lowell in 2008, and has remained the Chairman since that time. Mr. Hill has more than 20 years of experience in the financial industry. Mr. Hill was from 2008 to 2013 an Independent Non-Executive Director of Tesco Bank. He was formerly Managing Director of HFC Bank between 1997 to 2003, a General Manager of HSBC Bank responsible for all HSBC's UK direct to consumer and internet businesses (including First Direct, M&S money, General Insurance) between 2003 to 2005, and Chairman of the Consumer Finance Division of the Finance and Leasing Association in London. He is Chairman of several other private equity-backed companies and a former trustee of Opportunity International, a UK microfinance charity specializing in microfinance in developing countries. He also serves as a Director of the Target. Mr. Hill is a Fellow of the Institute for Financial Services and the RSA and holds an MA in modern history from Oxford University. Following the Acquisition, Mr. Hill may step down as Chairman of LGL.

James Cornell. Mr. Cornell was appointed as Chief Executive Officer of LGL in April 2004. He co-founded LGL after joining Premier Seekers (now known as LGL) in July 2003. Previously, Mr. Cornell was interim managing director of Edward James International Limited, a UK debt purchase and collection business. Prior to that, he was Head of Risk at the Caudwell Group. Mr. Cornell has also worked at credit bureau Equifax PLC, where he had a number of roles, including Commercial Director of its B2B Division. Mr. Cornell is a qualified accountant and a member of the Institute of Credit Management. He also serves as a Director of the Target.

Colin Storrar. Mr. Storrar was appointed as Chief Financial Officer of LGL in February 2013. From 2008 to 2013, Mr. Storrar was employed by HSBC, having been the Chief Financial Officer at First Direct and then HSBC contact centers, before taking on overall general management responsibility for the latter business unit. Mr.Storrar's financial stewardship enabled First Direct to achieve growth during the financial crisis from 2008 to 2010. From 2002 to 2008, he held the positions of Financial Controller, Head of Internal Audit and Director of Financial Planning at GE Consumer Finance and prior to this, Mr. Storrar held various audit and consultancy positions with Arthur Andersen and Deloitte. Mr. Storrar holds a first class Bachelor of Arts in Modern History from the University of Leeds and an MSc in Economics and Economic History from the London School of Economics.

Andrew Bartle. Mr. Bartle was appointed as Chief Operating Officer of LGL in April 2004. He co-founded LGL, and has been with LGL since its inception. Prior to that, Mr. Bartle worked within a corporate sales call center for Thomson Directories. Mr. Bartle is a member of the Institute of Credit Management, and also represents the industry on the Steering Committee on Reciprocity (SCOR), which is responsible for the sharing and reciprocity of data held at the consumer credit bureau.

Dominic Briggs. Mr. Briggs joined and was appointed as a Director of LGL in November 2013. From 1997 to 2013, Mr. Briggs held various management and senior management positions, at BT plc, including Head of Group Volume Collections from 2011 to 2013. Over the last 16 years, in addition to the aforementioned directorships, Mr. Briggs was also director of BT Seventy Ltd, Brozebase (Versus Technology) Ltd, BT Payments Services Ltd and Homestart Southwark. He holds an Accountancy and Economics degree from City University London and is a member of the Institute of Chartered Accountants of England and Wales.

Gary Edwards. Mr. Edwards was appointed as Chief Information Officer of LGL in November 2012. He joined LGL in November 2012 from Thomas Cook plc where he was formerly Group Chief Information Officer. Mr. Edwards has held senior IT, change and transformational roles at various financial services companies during this 35 year engineering and IT career, including positions at Barclays, Lloyds Banking Group, Barclaycard and Cattles.

Richard Llewellyn Davies. Mr. Davies joined LGL in October 2010 and was thereupon appointed as Business Development Director, as which he is responsible for portfolio origination and establishing and maintaining relationships with debt sellers, and is integrally involved in the execution of portfolio purchases. Previously, Mr. Davies was a Senior Vice President at Visa Europe. Prior to that, Mr. Davies served as Managing Director for the Barclaycard Partnerships business unit, which was his last of numerous roles at Barclaycard. Mr. Davies holds a BEng in Mechanical Engineering from Bath University.

Michael Lynn-Jones. Mr. Lynn-Jones was appointed as a Director of LGL in October 2014. Prior to joining LGL, he was HR Director-UK Services (2010 to 2014), reporting to the Managing Director for Carillion Services and the Group HRD, with responsibility for the Corporate Facilities Management, Commercial Energy & Engineering, Defence, Health and Local Government Business Sectors, plus the shared service functions of UK Employee Relations and Business Development. Prior to Carillion, he was the Group Organization Development Director (2007-2010), reporting to the Group HR Director with responsibility for organization design; talent management; senior resourcing, development/deployment, key HR strategy projects across the Group and as HRD for the Wincanton Engineering Services Sector.

Sara de Tute. Ms. de Tute was appointed as a Director of LGL in May 2013. Prior to joining LGL, she was Legal & Compliance Director at Wescot Credit Services which she joined in 2003. During her time at Wescot Credit Services, Ms. de Tute led a compliance transformation. Ms. de Tute sits on the board of the Credit Services Association (the debt collection and purchase trade association) and was President from September 2011 to February 2014. She is now a director with responsibility for Compliance at the CSA. Ms. de Tute is a qualified solicitor and holds a Bachelor of Law degree from the University of Leeds.

Board practices

LGL is managed by its board of directors, which is made up of eleven members, eight of whom are LGL Executive Directors (defined herein). LGL's board of directors is responsible for setting our direction through the establishment of strategies, key policies, and the approval of financial objectives and targets. The board of directors monitors the implementation of strategies and policies through a structured approach of reporting by senior management and recognizes the importance of managing relationships with various stakeholders. The LGL Executive Directors are involved in our day to day business activities.

LGL's board of directors meets on a monthly basis and reviews strategy, operating and capital budgets, operating results and other matters relating to our overall objectives. Additional board meetings are held during the year if required.

Committees

Lowell's governance framework is designed to provide strong oversight across the business while supporting an exceptional growth trajectory.

Executive Committee

The Executive Committee consists of the Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Director of Business Development, Chief Risk Officer and Legal Counsel, Chief Information Officer, Director of Human Resources and Managing Director of Interlaken (the "**LGL Executive Directors**") and is responsible for setting corporate strategy and managing the business.

Compliance Council

The Compliance Council consists of the LGL Executive Directors, Chairman, Head of Legal Services, Head of Compliance, Head of Internal Audit, Head of Quality, Director of Operations and Director of External Recoveries. It meets monthly and is responsible for (1) ensuring that the Group is compliant with all applicable laws, regulations and codes of conduct and that any risks are being managed appropriately, (2) overseeing internal audits, (3) providing direction on any new, emerging or realized legal or regulatory risks, and (4) approving changes to policies and practices with a legal or regulatory risk impact.

Pricing Committee

The Pricing Committee consists of the Chief Executive Officer, the Chief Financial Officer, the Chief Operations Officer, the Director of Business Development, Director of Pricing and various members of the business development and pricing teams. It is responsible for (1) using all available information and commercial experience in order to reach agreement on the optimal bid for portfolios that have come to the debt purchase market, (2) ensuring that regulatory and reputational risks are taken into account in every pricing decision, and (3) confirming that information learned from due diligence is considered in final bid submission.

Audit Committee

The Audit Committee consists of the Chairman, the Chief Executive Officer, the Chief Financial Officer, the Chief Risk Officer and the Financial Controller. It currently meets quarterly and is responsible for reviewing reports from management and the external auditors on accounting and internal control matters and the Group's annual financial statements before submission to the LGL Board for approval.

Remuneration and Recruitment Committees

The Remuneration Committees set the emoluments of the Executive Committee in addition to the remuneration policies of Lowell, including reviewing and proposing changes to bonus and commission schemes.

Conflicts of interest

We believe that there are currently no conflicts of interest between the duties owed by executive management to us and their private interests. Certain of the Directors are representatives of TDR Capital, which is our indirect majority shareholder. In certain situations, the interests of TDR Capital, as indirect majority shareholder, may differ from the interests of our other shareholders. See "*Risk Factors—Risks Related to Our Structure and the Financing—The interests of our controlling shareholder may differ from the interests of the holders of the Notes*."

Compensation and Share Ownership

The aggregate compensation paid by Lowell to its directors and its senior management team for the Lowell Financial Year 2014 was £2.2 million.

We have established an incentive program for key employees to help us meet our strategic objectives, reward superior performance and encourage achievement of personal objectives. The program incentivizes such key employees through an annual cash bonus program linked to our key financial performance measures.

We have also established an employee share trust, whereby a number of key employees have beneficial ownership of a portion of the ordinary shares of the Target including certain members of our board of directors and senior management. See "*Certain Relationships and Related-Party Transactions—Management Equity Participation Program.*"

Management of GFKL Holdco

GFKL Holdco is a stock corporation (Aktiengesellschaft) organized under the laws of Germany. It was incorporated on August 24, 1992 as a limited partnership with a limited liability company as a general partner

(GmbH & Co. KG) originally named PRO LEASE Leasinggesellschaft mbh & Co. KG (subsequently renamed Gesellschaft für Kommunal-Leasing mbh & Co KG). Pursuant to a partners' resolution dated August 12, 1997, it changed its legal form to a stock corporation and was renamed Gesellschaft für Kommunal-Leasing Aktiengesellschaft. On June 7, 1999, the shareholder's meeting of the company resolved to change its name to GFKL Financial Services Aktiengesellschaft ("**GFKL Holdco**"). GFKL Holdco is registered with the commercial register of the local court of Essen (*Amtsgericht*) under registration number HRB 13522 and its registered office is Am Europa Center 1b, 45145 Essen, Germany. In accordance with the German Stock Corporation Act (*Aktiengesetz*), it has a two-tier board system consisting of the Executive Board (*Vorstand*) and the Supervisory Board (*Aufsichtsrat*). The two boards are separate and, subject to limited exceptions, no individual may serve concurrently as a member of both boards.

The Executive Board is responsible for managing the day-to-day business of GFKL Holdco in accordance with applicable German law and the Articles of Association (*Satzung*) as well as its rules of procedure (*Geschäftsordnung*). In addition, the Executive Board must ensure appropriate control of risk within GFKL Holdco and its subsidiaries so that any developments jeopardizing its future as a going concern may be identified at an early stage. The Executive Board legally represents GFKL Holdco in dealings with third parties and in court.

The Supervisory Board advises the Executive Board on the management of GFKL Holdco, monitors its conduct of business and is responsible for appointing and dismissing the members of the Executive Board for good cause. It also represents GFKL Holdco in transactions between a member of the Executive Board and GFKL Holdco. While the Executive Board is responsible for submitting regular reports on GFKL Holdco's business activities and fundamental issues relating to corporate planning (including financial, investment and personnel planning) to the Supervisory Board, the Supervisory Board has the right to request special reports at any time from the Executive Board. The Executive Board is also obliged to duly report to the Supervisory Board such transactions as may be of particular importance to GFKL Holdco's profitability (in particular the return on equity) or liquidity, so that the Supervisory Board may have an opportunity to express its views on such transactions before they are concluded. The Supervisory Board may also request a report at any time on matters concerning GFKL Holdco, on the legal and commercial relationships with affiliated companies or on commercial operations at these companies that may have a significant impact on it and its subsidiaries.

The Supervisory Board generally may not exercise management functions. The rules of procedure of the Executive Board, however, require that certain types of transactions may not be carried out by the Executive Board without the prior consent of the Supervisory Board. If the Supervisory Board refuses to approve a particular transaction or business activity contemplated by the Executive Board, the Executive Board can request that the shareholders' meeting (*Hauptversammlung*) decide the matter. However, the shareholders' meeting of a German stock corporation may not issue directives to the Executive Board.

The members of the Executive Board and the Supervisory Board owe duties of loyalty and care *vis-à-vis* GFKL Holdco. In discharging their duties, the members of these corporate bodies must consider a broad range of interests, which in turn includes the interests of shareholders, employees, creditors and, to a certain extent, the general public. The Executive Board must also take due account of the shareholders' right to equal treatment and equal information. The members of the Executive Board or of the Supervisory Board are jointly and severally liable to GFKL Holdco for any damages that may arise if they fail to discharge their duties.

As a basic principle under German law, a shareholder has no direct recourse against the members of the Executive Board or the Supervisory Board in the event that they breach a duty *vis-à-vis* GFKL Holdco. Except for certain special circumstances, only the company itself has the right to bring claims for damages against members of either board, whereby the company is represented by the Executive Board when bringing claims against the Supervisory Board and by the Supervisory Board when bringing claims against the Executive Board. Pursuant to a ruling by the German Federal Court of Justice (*Bundesgerichtshof*), the Supervisory Board is obliged to bring claims which are likely to be successful against the Executive Board unless material considerations pertaining to the interest of the corporation outweigh or are at least equivalent to those in favor of enforcing such claim. Despite a refusal of the Supervisory Board to pursue a claim for damages, such a claim must be enforced (i) upon a resolution of the general shareholders' meeting, (ii) upon a petition with the competent court by minority shareholders meeting a certain minimum requirement as to their stake in GFKL Holdco, or (iii) by GFKL Holdco's creditors whose claims could not be settled by the company. GFKL Holdco may only waive or settle such claims for damages if at least three years have passed and if the shareholders approve the waiver or settlement at the shareholders' meeting with a simple majority of the votes cast, provided that opposing shareholders do not hold, in the aggregate, one tenth or more of the share capital and do not have their opposition formally recorded in the minutes maintained by the notary.

Under German law, no individual shareholder (or any other person) may exert its influence on GFKL Holdco to cause a member of the Executive Board or the Supervisory Board to engage in any act detrimental to the company. Shareholders with a controlling interest may not use it to cause GFKL Holdco to act against its own interest unless the prejudice to its interests is compensated for. Any shareholder using its interest in GFKL Holdco to cause a member of the Executive Board, a member of the Supervisory Board or a person who holds a power of attorney (*Prokurist*) or is authorized to act for the company (*Handlungsbevollmächtigter*) to engage in any act detrimental to GFKL Holdco or to its shareholders must compensate the company and the shareholders for any loss sustained thereby. GFKL Holdco has taken out a directors and officers liability insurance policy for all members of the Executive Board and the Supervisory Board.

Executive Board

General Information

The Executive Board is responsible for managing the business of GFKL Holdco in accordance with the German Stock Corporation Act, the GFKL Holdco Articles of Association and the rules of procedure (*Geschäftsordnung*) for the Executive Board. According to the Articles of Association, the Executive Board must generally consist of a minimum of two members, while the Supervisory Board may determine the number of members of the Executive Board in its own discretion. It also appoints such members and may appoint the Chairman and Deputy Chairman of the Executive Board. Members of the Executive Board are appointed for a maximum term of five years. They may be repeatedly reappointed or their term of office may be extended, in each instance for a period of up to five years. The Supervisory Board may revoke the appointment of a member of the Executive Board before the end of his or her term of office for cause, such as gross breach of duty or in case of a vote of no confidence by the shareholders' meeting.

Following the consummation of the German Company Conversion, the shareholders' meeting (*Gesellschafterversammlung*) will generally appoint one or more managing directors (*Geschäftsführer*) who will be responsible for managing the business of GFKL Holdco and its representation in accordance with the German Limited Liability Companies' Act (*GmbHG*) and GFKL Holdco Articles of Association.

The Executive Board has overall responsibility for GFKL Holdco's business. In accordance with its rules of procedures (*Geschäftsordnung*), each member of the Executive Board is assigned an area of responsibility defined in a plan forming part of the rules of procedure, which sets out the allocation of duties. Notwithstanding the overall responsibility held by the Executive Board, each member of the Executive Board is responsible for the area allocated to him or her. Pursuant to the rules of procedure of the Executive Board, certain management actions may only be taken, and certain types of transactions may only be concluded, with the approval of the Supervisory Board. As a rule, the Executive Board should meet twice per month. The Executive Board has a quorum if a meeting has been called with due notice and half of the members, but at least two members are present. If not otherwise required by law, the Executive Board decides by a simple majority of the votes cast. In the event of a tie, the meeting shall vote again with the chairman having two votes. Members of the Executive Board may not deal with, or vote on, measures relating to proposals, arrangements or contracts between himself or herself and GFKL Holdco.

Individual board members serve as representatives with primary responsibility for GFKL Holdco's various corporate functions and for the fields of business in which it operates. Despite this internal allocation of responsibilities, each member of the Executive Board has overall responsibility (*Gesamtverantwortung*) for GFKL Holdco as a whole.

The GFKL Holdco Articles of Association provide that it can only be legally represented by two members of the Executive Board or by one member of the Executive Board in conjunction with an authorized signatory who holds a power of attorney (*Prokurist*).

Executive Board Membership

The Chief Operating Officer and Chief Financial Officer of GFKL Financial Services AG, recently stepped down from the Executive Board and left GFKL. As of August 24, 2015, the Executive Board consisted of a single member.

The following table sets forth the membership of the GFKL Holdco Executive Board.

Name	Age	Member since	Appointed until	Responsibility	Other principal positions
Kamyar Niroumand.................	55	October 1, 2012	August 14, 2017	Chief Executive Officer	Managing Director of Proceed Portfolio Services GmbH

Kamyar Niroumand is GFKL Holdco's Chief Executive Officer. Following completion of his studies in business and engineering, Mr. Niroumand started his professional career at Siemens-Nixdorf Computer AG in 1986. In 1991, Mr. Niroumand became Head of Sales of computing services with debis Systemhaus GmbH and served as a Managing Director of dSH sfi GmbH. In 2000, Mr. Niroumand was a Managing Director of debis Systemhaus Solution for Healthcare GmbH and became Chairman of the Executive Board of T-Systems CSM GmbH in 2001. From 2005, he was a member of the executive committee of T-Systems as Chief Sales & Service Officer. As Managing Director of T-Systems International GmbH, he was also responsible for business in growth regions. In 2006, Mr. Niroumand was appointed Chairman of the executive board of Beta Systems Software AG, a position that he held until 2009. Prior to joining GFKL Financial Services AG as CEO in 2012, Mr. Niroumand served as member of the executive board of Software AG.

As of August 24, 2015, the Chief Operating Officer and Chief Financial Officer, respectively, of GFKL Holdco, left GFKL and no longer serve on the Executive Board.

The business address of the member of the Executive Board is Am Europa Center 1b, 45145 Essen, Germany.

Supervisory Board

Overview

The Supervisory Board consists of three members of which two are elected by the GFKL Holdco's shareholders at the shareholders' meeting. The third member of the Supervisory Board is appointed by delegates of the employees of GFKL Holdco in accordance with the German One-Third Participation Act (*Drittelbeteiligungsgesetz*) and the Articles of Association.

The Supervisory Board members elect one of the members as chairman (*Vorsitzender*) and at least one other member as vice-chairman (*Stellvertreter*) by a simple majority of the votes cast.

The term of a member of the Supervisory Board elected by the shareholders expires at the end of the shareholders' meeting resolving on the ratification of actions for the fourth financial year after the term of office commenced, not including the financial year in which the term of office commences. If a member of the Supervisory Board retires, or is removed from office prior to the end of his or her term of office, the substitute member's term of office expires at the end of the term of the resigning or removed board member, unless the shareholders' meeting decides otherwise. There is no compulsory retirement age for the members of the Supervisory Board. No former Executive Board members are currently serving on the Supervisory Board.

Unless otherwise required by applicable law, resolutions of the Supervisory Board are passed by a simple majority of the votes cast. In order to constitute a quorum, all members must be invited with due notice and at least three members of the Supervisory Board must participate in the voting, which currently requires the participation of all members of the Supervisory Board.

The Supervisory Board is required to meet at least twice in each half of every calendar year.

Supervisory Board Membership

The following table sets forth the name, age, position and the year of appointment for each of the members of GFKL's Supervisory Board:

Name	Age	Member since	Appointed until	Other principal positions
Ulrich Gasse	42	2015	2017	Partner, Permira Beteiligungsberatung GmbH
Nicole Linke	39	2012	2017	—
Philip Muelder...	40	2015	2017	Partner, Permira Advisers LLP

Ulrich Gasse holds a degree in Law from Heidelberg University, Germany, and is a member of the bar association of Frankfurt am Main, Germany. Mr. Gasse is a partner of Permira Beteiligungsberatung

GmbH and a member of the board of Permira Holdings Limited (PHL). Prior to joining Permira in 2004, Mr. Gasse worked for five years in the M&A and private equity department of an international law firm. Mr. Gasse is also a member of various supervisory boards.

Nicole Linke completed a traineeship as a legal secretary. In 2005, Ms. Linke became employed in the telephone debt collection department of Sirius Inkasso GmbH. Since 2011, she has served as a team manager. In 2007, Ms. Linke was elected as a member of the works council (*Betriebsrat*) of Sirius Inkasso GmbH, and became chairwoman in 2008. Ms. Linke was also chairwoman of the group works council (*Konzernbetriebsrat*). In 2012, Ms. Linke was elected as an employee representative on the Supervisory Board of GFKL Financial Services AG.

Philip Muelder is a partner at Permira and head of the London Office. He joined Permira in 2004 and was closely involved with establishing the Financial Services team in 2008. Philip has worked on a number of transactions including The AA, Saga, Provimi, Just Retirement, Bestinvest, Tilney and GFKL. Prior to joining Permira, Philip was a consultant at Bain & Co in London and Hong Kong. Philip holds an MBA from Harvard Business School.

The business address of each member of the Supervisory Board is Am Europa Center 1b, 45145 Essen, Germany.

Supervisory Board Committees

The Supervisory Board has not formed any committees.

Compensation of the Executive Board and Members of the Supervisory Board

Pursuant to the GFKL Holdco Articles of Association, members of the Supervisory Board receive a fixed annual compensation in the amount of €20,000, while the Chairman receives a fixed annual compensation in the amount of €40,000. In addition, GFKL Holdco pays an attendance fee of €1,000 per meeting to each member of the Supervisory Board up to a maximum amount of €6,000 per business year and reimburses the members of the Supervisory Board for their out-of-pocket expenses incurred in the performance of their duties as Supervisory Board members. In 2014, the aggregate compensation of the members of the Executive Board and the members of the Supervisory Board amounted to €2.0 million.

Further Information about Members of the Executive Board and the Supervisory Board

During the last five years, no member of the Executive Board or the Supervisory Board has been convicted in relation to fraudulent offenses.

During the last five years, no member of the Executive Board or the Supervisory Board has acted in any capacity at any entity which was subject to any bankruptcies, receiverships or involuntary liquidations.

No official public incrimination and/or sanctions by any statutory or regulatory authority against any member of the Executive Board or the Supervisory Board has occurred. No member of the Executive Board or the Supervisory Board has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct the affairs of any issuer during the last five years.

GFKL Holdco has not granted any loans to Executive Board or Supervisory Board members. The members of the two corporate bodies have not concluded any transactions with it that lie outside its normal operating activities.

No members of the Executive Board or the Supervisory Board have any actual or potential conflicts of interest between their duties to GFKL Holdco and their private or other interests.

No Executive Board or Supervisory Board member has concluded any service contract with any of the Group’s companies that includes special benefits upon the end of the service. No family relationships exist among the members of the Executive Board and the Supervisory Board or within any of these bodies. No member of the Executive Board and the Supervisory Board (including persons closely related to them) currently directly holds shares in GFKL Holdco. However, prior to the Acquisition, the members of the Executive Board participated in a management equity participation program at GFKL Holdco’s parent level, which allow the members of the Executive Board to indirectly participate in the company. A similar program is expected to be implemented going forward. See also “*Principal Shareholders*” and “*Certain Relationships and Related Party Transactions—Management Equity Participation Program*.”

Shareholders' Meetings

Pursuant to the Articles of Association, shareholders' meetings are convened by the Executive Board or, in certain instances, by the Supervisory Board. General shareholders' meetings take place at GFKL Holdco's registered office. Each of the shares carries one vote at the GFKL Holdco shareholders' meeting. There are no restrictions on voting rights of the shares of the company.

Unless mandatory provisions of the German Stock Corporation Act or the Articles of Association state otherwise, shareholders' meeting resolutions are passed with a simple majority of the votes cast and, unless a majority of the capital is required by legal provisions over and above a majority of votes, with a simple majority of the share capital represented and entitled to vote on the resolution, unless a larger majority is required by mandatory legal provisions. The regular shareholders' meeting takes place within the first eight months of every business year.

PRINCIPAL SHAREHOLDERS

Our principal shareholders are (a) Permira Funds, a European private equity firm, which holds a 55.4% beneficial interest in the Group; (b) the Ontario Teachers' Pension Plan Board, an independent single-profession pension plan in Canada, which holds a 30% beneficial interest in the Group; and (c) certain members of GFKL and Lowell management, who hold a 14.6% beneficial interest in the Group.

Permira Funds is a European private equity firm with a global reach. Permira, as adviser to the Permira Funds, has approximately 130 professionals in 14 offices worldwide, including Dubai, Frankfurt, Guernsey, Hong Kong, London, Luxembourg, Madrid, Menlo Park, Milan, New York, Paris, Seoul, Stockholm and Tokyo. Since 1985, it has secured €25 billion of committed capital across 14 buy-out funds. Over the last three decades, Permira Funds has completed over 200 transactions, investing in companies across the five key sectors on which they are focused (Consumer, TMT, Industrials, Financial Services and Healthcare).

OTPP is a large single-profession pension plan in Canada, managing C$154.5 billion in net assets as of December 31, 2014. It is an independent organization responsible for investing the pension fund's assets and administering the pensions of Ontario's 311,000 active and retired teachers. OTPP has offices in Toronto, New York, London and Hong Kong. Teachers' Private Capital ("TPC") is the private investment arm of OTPP, managing C$21 billion in invested capital as of December 31, 2014. TPC has invested in more than 300 companies and funds. It was the first Canadian pension plan to do private equity co-investments as well as being a direct private equity investor.

In August 2014, OTPP acquired a 36% stake in the Target, holding company of Lowell. Under OTPP ownership, Lowell achieved strong performance with 13% growth in Adjusted EBITDA year-on-year to the 12 months ended June 30, 2015. TPC rolled its proceeds from the sale of Lowell to Permira into the combined entity, demonstrating its support for the combination of Lowell and GFKL.

In addition to holding our capital stock, our principal shareholders hold certain subordinated shareholder funding claims that will not mature or require cash payments of any kind prior to the date that is six months subsequent to the maturity date of the Senior Notes. We do not expect to account for such claims as indebtedness on our consolidated balance sheet.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

We enter into transactions with certain related parties or our affiliates from time to time and in the ordinary course of our business. We believe these agreements are on terms no more favorable to the related parties or our affiliates than they would expect to negotiate with disinterested third parties.

Management Equity Participation Program

Prior to the Acquisition, members of Lowell's management participated in a management equity participation program at the level of the Target. Following the Acquisition, a similar program is expected to be implemented Group-wide at an entity that has yet to be determined (but may be Garfunkelux Holdco 1 S.à r.l.).

Indemnification Arrangements

To provide protection to individuals serving as our directors and executive officers, the current articles of association provide each of our present and former officers with an indemnity against loss or liability to the extent allowed by law. In addition, we maintain D&O insurance for the entire Group.

Consulting Services

We may enter into a consulting services agreement with Permira. Under the terms of the Indentures, we will be permitted to pay up to £1.0 million per year plus certain additional amounts to Permira for annual management, consulting, monitoring or advisory fees and related expenses.

Service Contract Relating to Web / IT Services

In January 2015, GFKL Holdco and AgenturWebfox GmbH, a limited liability company (*Gesellschaft mit beschränkter Haftung*) under German law owned primarily by Ms. Andrea Niroumand, the spouse of our CEO, and Mr. Darius Niroumand who is the son of our CEO, entered into two website service contracts which will expire in January 2016 and February 2017, respectively. Both contracts will automatically renew for another 12 months if the parties do not terminate the contracts with prior written notice. Under these agreements, AgenturWebfox GmbH renders certain services to GFKL Holdco in connection with, *inter alia*, the establishment and development of GFKL Holdco's PayProtect website as well as IT-maintenance and support, in consideration for an hourly fee of €75 (net) and €60 (net), with a monthly budget of 60 hours and 70 hours, respectively.

Minority Interest in ITT

GFKL Holdco has 12 wholly owned direct or indirect subsidiaries and one indirect subsidiary with a consolidated stake of 51% (ITT). The minority interest in ITT is held by Mr. Frank Haße, one of the managing directors of ITT.

DESCRIPTION OF CERTAIN FINANCING ARRANGEMENTS

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 describe all of the applicable terms and conditions of such arrangements and are qualified in their entirety by reference to the actual agreements. For further information regarding our existing indebtedness, see "Use of Proceeds," "Capitalization," "Management's Discussion and Analysis of GFKL's Financial Condition and Results of Operations," and "Management's Discussion and Analysis of Lowell's Financial Condition and Results of Operations."

Revolving Credit Facility Agreement

Overview and structure

On June 29, 2015, Garfunkel Holding (as original borrower), the Senior Secured Notes Issuer and Garfunkel Holding (as original guarantors), the Senior Notes Issuer (as topco in respect of certain specific provisions), Goldman Sachs Bank USA, Credit Suisse AG, Citibank, N.A. London Branch, London Branch and ING Bank, a Branch of ING-DiBa AG (as lenders), ING Bank N.V. (as facility agent) and Citibank, N.A., London Branch (as security agent) (amongst others) (the "**Original RCF Parties**") entered into the Revolving Credit Facility Agreement. On August 18, 2015, the Original RCF Parties, JPMorgan Chase Bank N.A., London Branch, Simon Holdco, Simon Midco and Simon Bidco (amongst others) entered into an amendment and restatement agreement in respect of the Revolving Credit Facility Agreement, pursuant to which the Revolving Credit Facility Agreement was restated on the Completion Date (the "**Amended and Restated RCF Agreement**," the facility provided thereunder the "**Amended and Restated RCF**").

The Revolving Credit Facility Agreement originally provided for borrowings up to an aggregate principal amount of €60.0 million on a committed basis. The Amended and Restated RCF Agreement provides for borrowings of up to €200.0 million on a committed basis. The Amended and Restated RCF may be utilized by any current or future borrower under the Amended and Restated RCF in euro, US dollars, Pounds Sterling or certain other currencies (if agreed) by the drawing of cash advances, the issue of Letters of Credit (upon the appointment of an Issuing Bank) and by way of any Ancillary Facilities that may be made available thereunder (each as defined in the Amended and Restated RCF Agreement). Subject to certain exceptions, loans may be borrowed, repaid and re-borrowed at any time. Borrowings are available to be used for general corporate and working capital purposes of the Group (as defined in the Amended and Restated RCF Agreement) including, without limitation, for payment of interest under the Notes and, in respect of the issue of Letters of Credit, the Squeeze-Out.

In addition, the Senior Secured Notes Issuer may elect to request additional facilities either as a new facility or as additional tranches of an existing facility under the Amended and Restated RCF Agreement (the "**Additional Facility Commitments**") in amounts up to the greater of €25 million and 7.9% of the Group's 84-month ERC. The Senior Secured Notes Issuer and the lenders may agree to certain terms in relation to the Additional Facility Commitments, including the margin, the termination date and the availability period (each subject to parameters as set out in the Amended and Restated RCF Agreement). There are certain limitations (including as to maximum amount) on the ability to incur Additional Facility Commitments.

Availability

The Amended and Restated RCF is able to be utilized from (but excluding) the GFKL Completion Date until the date falling one month prior to the maturity date of the Amended and Restated RCF.

Borrowers and Guarantors

Garfunkel Holding and Simon Bidco are the original borrowers under the Amended and Restated RCF. A mechanism is included in the Amended and Restated RCF Agreement to enable certain of the Senior Secured Notes Issuer's subsidiaries to accede as additional borrowers or additional guarantors under the Amended and Restated RCF, subject to certain conditions. The Amended and Restated RCF Agreement also requires that, subject to, for the avoidance of doubt, the section entitled "*Guarantees*" below, in the future each member of the Group (as defined in the Amended and Restated RCF Agreement) which is or becomes a Material Company (as defined in the Amended and Restated RCF Agreement), or is otherwise required to become a guarantor in order to satisfy the Guarantor Coverage Test (as defined below), becomes an additional guarantor under the Amended and Restated RCF Agreement (subject to agreed security principles).

Maturity and Repayment Requirements

The Amended and Restated RCF matures on December 31, 2021. Each advance will be repaid on the last day of the interest period relating thereto, subject to a netting mechanism against amounts to be drawn on such date. All outstanding amounts under the Amended and Restated RCF must be repaid in full on or prior to the maturity date for the Amended and Restated RCF. Amounts repaid by the borrowers on loans made under the Amended and Restated RCF may be re-borrowed during its availability period, subject to certain conditions. The termination date for a facility under an Additional Facility Commitment is the date agreed between the Senior Secured Notes Issuer and the relevant lenders.

Interest Rate and Fees

The interest rate on loans under the Amended and Restated RCF is the rate per annum equal to the aggregate of the applicable margin plus LIBOR (or, in relation to advances in euro, EURIBOR) (as each term is defined in the Amended and Restated RCF Agreement). The initial margin under the Amended and Restated RCF is 3.50% per annum. If at least 12 months have expired since June 30, 2015, provided that no event of default has occurred and is continuing, the margins on the loans are reduced if certain consolidated leverage ratios (as defined in the Amended and Restated RCF Agreement and representing the ratio of Consolidated Leverage (less certain cash and cash equivalents) on such quarter date to Consolidated EBITDA for the period of the most recent four consecutive financial quarters (subject to certain provisions and adjustments), are met.

A commitment fee is payable on the aggregate undrawn and uncancelled amount of the Amended and Restated RCF which shall accrue from (and including) the GFKL Completion Date to (and including) the last day of the availability period for the Amended and Restated RCF at the rate of 35% of the then applicable margin for the Amended and Restated RCF. The commitment fee is payable quarterly in arrears on the last day of the availability period of the Amended and Restated RCF and on the date the Amended and Restated RCF is cancelled in full or on the date on which a lender’s commitment is cancelled.

Default interest on overdue amounts are calculated at a rate which is 1% higher than that applicable to the loans under the Amended and Restated RCF.

Simon Bidco, the Senior Secured Notes Issuer and the Senior Notes Issuer are also required to pay customary agency fees to the facility agent and the Security Agent in connection with the Amended and Restated RCF Agreement.

Guarantees

Garfunkel Holding, Simon Holdco, Simon Midco, Simon Bidco, the Senior Notes Issuer and the Senior Secured Notes Issuer have provided a senior guarantee of all amounts payable to the Finance Parties (as defined in the Amended and Restated RCF Agreement) by them or any of their subsidiaries which accede to the Amended and Restated RCF Agreement as additional borrowers or additional guarantors.

Under the Amended and Restated RCF Agreement the Senior Secured Notes Issuer must ensure that, within 60 days of the Completion Date and subject to agreed security principles, (i) Carl Holding GmbH was to accede to the Revolving Credit Facility Agreement as an additional guarantor unless the merger between Garfunkel Holding and Carl Holding GmbH became effective within such time period (which it has) and, (ii) sufficient members of the Group accede to the Amended and Restated RCF Agreement as additional guarantors in order that the guarantors under the Amended and Restated RCF Agreement represent no less than 80% of each of the consolidated EBITDA or the gross assets of the Group (as defined in the Amended and Restated RCF Agreement) (subject to certain exceptions) (the “**Guarantor Coverage Test**”).

The Amended and Restated RCF Agreement requires that (subject to agreed security principles) each subsidiary of the Senior Secured Notes Issuer that is or becomes a Material Company (which definition includes, among other things, any member of the Group (as defined in the Amended and Restated RCF Agreement) that has earnings before interest, tax, depreciation and amortization representing more than 5% of our consolidated EBITDA or gross assets representing more than 5% of the gross assets of the Group (as defined in the Amended and Restated RCF Agreement), subject to certain exceptions) following the Completion Date will be required to become an additional guarantor under the Amended and Restated RCF Agreement within 60 days following delivery of the annual financial statements for the relevant fiscal year demonstrating that such subsidiary is a Material Company.

Furthermore, if on the last day of a fiscal year of the Senior Secured Notes Issuer falling after the Completion Date, the Guarantor Coverage Test is not satisfied, within 60 business days following delivery of the annual financial statements for the relevant fiscal year, such other restricted subsidiaries of the Senior Secured Notes Issuer (subject to agreed security principles and certain exceptions) are required to become additional guarantors until the Guarantor Coverage Test is satisfied (to be calculated as if such additional guarantors had been guarantors on such last day of the relevant fiscal year).

Notwithstanding the preceding three paragraphs, the obligations and/or undertakings under the Amended and Restated RCF Agreement to accede as guarantors as mentioned in such paragraphs shall not be required to be satisfied prior to the date falling 10 business days after the date of the Structure Event, *provided* that the Senior Secured Notes Issuer has first used its reasonable endeavors (as defined below) to satisfy such obligations and/or undertakings but the Executive Board of GFKL Holdco has withheld its consent (or has otherwise failed to give its consent) to the giving of the relevant guarantees and security. The Senior Secured Notes Issuer shall be taken to have used its reasonable endeavors for these purposes, if the Senior Secured Notes Issuer has procured that the immediate holding company of GFKL Holdco has, within 60 days of the GFKL Completion Date: (i) requested that the Executive Board of GFKL Holdco review the finance documents relating to the Amended and Restated RCF Agreement and the Existing 2022 Senior Secured Notes with a view to GFKL Holdco and/or certain of its subsidiaries becoming additional guarantors to facilitate compliance with such obligations and/or undertakings; (ii) provided the Executive Board of GFKL Holdco with all necessary information and co-operation reasonably requested by the Executive Board of GFKL Holdco to enable it to decide whether or not to consent to the providing of such guarantees and security; and (iii) if the Executive Board of GFKL Holdco has referred such decision to the shareholders assembly of GFKL Holdco, voted in favor of such decision.

Security

Under the terms of the Intercreditor Agreement, proceeds from the enforcement of the Collateral (whether or not shared with the holders of the Notes) will be required to be applied to repay indebtedness outstanding in respect of the Amended and Restated RCF in priority to the Notes.

Any Material Company or other member of the Group (each as defined in the Amended and Restated RCF Agreement) which becomes a guarantor of the Amended and Restated RCF is required (subject to agreed security principles) to grant security over certain of its material assets and (if wholly owned by another member or members of the Group) to have its shares (or equivalent ownership interests) secured in favor of the Security Agent.

Representations and Warranties

The Amended and Restated RCF Agreement contains certain customary representations and warranties, subject to certain customary materiality, actual knowledge and other qualifications, exceptions and baskets, and with certain representations and warranties being repeated, including: (i) status and incorporation; (ii) binding obligations; (iii) non-conflict with constitutional documents, laws or other obligations; (iv) power and authority; (v) authorizations; (vi) governing law and enforcement; (vii) no event of default; and (viii) accuracy of most recent financial statements delivered.

Covenants

The Amended and Restated RCF Agreement contains certain incurrence covenants and related definitions (with certain adjustments) that will be amended following the Issue Date to reflect the terms of the Indentures. In addition, the Amended and Restated RCF Agreement also contains certain other affirmative and negative covenants. Set forth below is a brief description of such covenants, all of which are subject to customary materiality, actual knowledge or other qualifications, exceptions and baskets.

The Amended and Restated RCF Agreement also contains a financial covenant, a brief description of which is set out below.

Notes Purchase Condition

The Amended and Restated RCF Agreement restricts the repayment, prepayment, purchase, redemption, defeasance, acquisition or retirement of the principal amount of the Notes or any permitted refinancing thereof prior to its scheduled maturity date in any manner which involves the payment of cash consideration by a member of the Group to a person who is not a member of the Group (each as defined in the Amended and Restated RCF Agreement) (a "**Notes Payment**"). A Notes Payment is permitted under certain circumstances, including where commitments under the Amended and Restated RCF are permanently cancelled (and, as applicable, amounts outstanding under the Amended and Restated RCF are permanently prepaid) in at least the same proportion as that by which the Notes or permitted refinancing thereof (as applicable) is repaid, prepaid, purchased, redeemed, defeased, acquired or otherwise retired (calculated by reference to the total Amended and Restated RCF commitments (as at the date the Amended and Restated RCF Agreement is entered into) and the aggregate principal amount of the Notes or permitted refinancing thereof (as applicable) in existence at the GFKL Completion Date or incurred at any time thereafter) at a time when no Event of Default (as defined in the Amended and Restated RCF Agreement) is continuing or would result from such payment. If the commitments under the Amended and Restated RCF have been reduced to €70 million no further cancellation and repayment under the Notes Purchase Condition shall be required as a condition to making a Notes Payment (*provided* that no event of default is continuing or would result from such Notes Payment).

Affirmative Covenants

The affirmative covenants include, among others: (i) providing certain financial information, including annual audited and quarterly financial statements, compliance certificates and an annual budget; (ii) authorizations, (iii) compliance with laws and regulations; (iv) payment of taxes; (v) maintenance of material assets; (vi) maintenance of *pari passu* ranking of the Amended and Restated RCF; (vii) preservation of rights under the Acquisition Agreement; (viii) maintenance of insurance arrangements; (ix) rights of access for the facility agent and Security Agent; (x) maintenance of intellectual property; (xi) satisfaction of Guarantor Coverage Test; (xii) repayment of certain existing financing arrangements; (xiii) implementation of the Squeeze-Out, the German Company Conversion and certain other related conditions subsequent; and (xiv) further assurance provisions.

Negative Covenants

The negative covenants include restrictions, among others, with respect to: (i) substantially changing the general nature of the business of the German Target Group or the UK Target Group (each as defined in the Amended and Restated RCF Agreement); (ii) the holding company activities of the Senior Secured Notes Issuer, Simon Holdco, Simon Bidco and Garfunkel Holding; (iii) amending, waiving or terminating the terms of the Acquisition Agreement; (iv) deliberately changing centers of main interest; and (v) non-compliance with economic sanctions. Otherwise, the negative covenants in the Amended and Restated RCF Agreement will be substantially the same as the negative covenants in the Indentures (following the amendments referred to under the heading "Covenants" above).

Covenant Suspension

Certain of the covenants under the Amended and Restated RCF Agreement will be suspended upon (i) a public offering of equity securities by any member of the Group (as defined in the Amended and Restated RCF Agreement) or any of the Senior Secured Notes Issuer's holding companies and an achievement of a Leverage Ratio (defined as the ratio of Consolidated Net Indebtedness on the last day of such period to Consolidated EBITDA for the period of the most recent four consecutive financial quarters, each such term as defined in the Amended and Restated RCF Agreement) equal to or less than 2.00:1 (pro forma for any prepayment of certain indebtedness from the proceeds of such public offering) or (ii) an achievement by the Senior Secured Notes Issuer (or any of its affiliates) of a long-term corporate credit rating of Baa3/BBB- or better by Moody's Investor Services, Inc. or Standard & Poor's Investors Ratings Services.

Mandatory Prepayment Requirements upon a Change of Control

On a Change of Control (as defined in the Amended and Restated RCF Agreement), each lender under the Amended and Restated RCF Agreement shall be entitled for a 30-day period after receiving notice thereof to require that all amounts payable under the Senior Finance Documents by the obligors to that lender will become immediately due and payable and the borrowers will immediately prepay or procure the prepayment of all utilizations provided by that lender and the undrawn commitments of that lender will be cancelled and such lender shall have no obligation to participate in further utilizations requested under the Amended and Restated RCF Agreement, in each case save to the extent that any ancillary lender or issuing bank, as between itself and the relevant member of the Group, agrees to continue to provide an ancillary facility or letter(s) of credit, in which case, after notification thereof to the facility agent such arrangements shall continue on a bilateral basis and not as part of, or under, the Senior Finance Documents (each defined term as defined in the Amended and Restated RCF Agreement).

Financial Covenants

If, on any quarter date in respect of the period of the most recent four consecutive financial quarters, the aggregate amount outstanding of all loan utilizations under the Amended and Restated RCF exceeds an amount equal to 30 per cent. of the total commitments under the Amended and Restated RCF, the Senior Secured Notes Issuer is required to confirm whether or not the Leverage Ratio (as defined in the Amended and Restated RCF Agreement and representing the ratio of Consolidated Leverage (less certain cash and Cash Equivalents) on such quarter date to Consolidated EBITDA for the period of the most recent four consecutive financial quarters (subject to certain provisions and adjustments) (the first such period ending on the first quarter date that falls at least three months after the GFKL Completion Date, each such term as defined in the Amended and Restated RCF Agreement)) exceeds 7.00:1.00. The covenant will be tested quarterly.

Any excess in the financial ratio test set out above will only permit the lenders under the Amended and Restated RCF Agreement to prevent a new utilization of the Amended and Restated RCF (excluding rollovers of existing utilizations) and will not constitute, or result in, a breach of any representation, warranty, undertaking, default, event of default or other term in the Amended and Restated RCF Agreement or any finance documents pertaining thereto.

The Senior Secured Notes Issuer is permitted to prevent or cure excesses in the Leverage Ratio as described above by applying any cure amount (being amounts received by the Senior Secured Notes Issuer in cash pursuant to any new equity or permitted subordinated debt) as if Consolidated Net Indebtedness (as defined the Amended and Restated RCF Agreement) had been reduced by such amount. There is no requirement to apply any cure amount in prepayment of the Amended and Restated RCF. No more than four cure amounts may be taken into account during the term of the Amended and Restated RCF and cure amounts in successive financial quarters will not be permitted.

Events of Default

The Amended and Restated RCF Agreement contains substantially the same events of default, with certain adjustments, as those applicable to the Notes as set forth in the section entitled "*Description of the Senior Secured Notes—Events of Default" and "Description of the Senior Notes—Events of Default.*" In addition, the Amended and Restated RCF Agreement contains the following events of default:

- inaccuracy of a representation or statement when made;
- breach of the Intercreditor Agreement; and
- unlawfulness, repudiation, rescission, invalidity or unenforceability of the finance documents entered into in connection with the Amended and Restated RCF Agreement.

Intercreditor Agreement

On June 29, 2015 the Senior Secured Notes Issuer, Garfunkel Holding (together with the Senior Secured Notes Issuer and the Senior Notes Issuer, the "**Original Debtors**"), the Senior Notes Issuer, Garfunkelux Holdco 1 S.à r.l., the lenders under the Revolving Credit Facility Agreement, and the Security Agent, among others, entered into an intercreditor agreement (the "**Intercreditor Agreement**"), to which the Original Senior Secured Notes Trustee and the Senior Notes Issuer acceded on Original Issue Date, and to which Simon Holdco, Simon Midco and Simon Bidco (as debtors, together with the Original Debtors, the "**Completion Date Debtors**") and JPMorgan Chase Bank N.A. (as a lender under the Amended and Restated RCF Agreement, with all lenders under the Amended and Restated RCF Agreement, being the "**RCF Lenders**") acceded on August 18, 2015. Certain hedging providers and certain subsidiaries of the Senior Secured Notes Issuer (such subsidiaries, collectively with the Completion Date Debtors, the "**Debtors**") may accede in the future. By accepting a Note, the relevant holder thereof shall be deemed to have agreed to, and accepted the terms and conditions of, the Intercreditor Agreement and shall be deemed to have authorized the relevant Trustee to accede to the Intercreditor Agreement on its behalf.

The following description is a summary of certain provisions, among others, contained in the Intercreditor Agreement and which relate to the rights and obligations of the holders of the Notes following the Trustees' accession to the Intercreditor Agreement on the Issue Date. It does not restate the Intercreditor Agreement in its entirety. As such, you are urged to read the Intercreditor Agreement because it, and not the description that follows, defines certain rights of the holders of the Notes.

The Intercreditor Agreement sets out, among other things, the relative ranking of certain indebtedness of the Debtors, the relative ranking of certain security granted by the Debtors, when payments can be made in respect of debt of the Debtors, when enforcement action can be taken in respect of that indebtedness, the terms pursuant to which certain of that indebtedness will be subordinated upon the occurrence of certain insolvency events and turnover provisions.

Unless otherwise defined in this section or elsewhere in this Offering Memorandum to the extent not defined in the Intercreditor Agreement, capitalized terms set forth and used in this section have the same meanings as set forth in the Intercreditor Agreement, which may have different meanings from the meanings given to such terms and used elsewhere in this Offering Memorandum.

Parties

Upon the issuance of the Notes (and following the relevant accessions), the principal parties to the Intercreditor Agreement will be: (i) Garfunkelux Holdco 1 S.à r.l. in the capacity of Original Investor, (ii) the Senior Notes Issuer as TopCo and a Senior Debt Issuer, (iii) the Senior Secured Notes Issuer as the Parent and a Senior Secured Debt Issuer, (iv) the agent for the finance parties under the Amended and Restated RCF Agreement (the "**RCF Facility Agent**"), (v) the RCF Lenders, (vi) the Original Senior Secured Notes Trustee, (vii) the Trustees, (viii) the Security Agent, and (ix) the Completion Date Debtors.

The "**Super Senior Creditors**" include the RCF Lenders together with, upon accession, the Priority Hedge Counterparties (as defined below).

The "**Senior Secured Creditors**" include holders of the Original Senior Secured Notes (as defined in the Intercreditor Agreement), the Original Senior Secured Notes Trustee and the Trustees together with, upon accession, the Non-Priority Hedge Counterparties (as defined below) and the Permitted Senior Secured Financing Creditors (as defined below, including the holders of the Senior Secured Notes).

The "**Group**" means the Senior Secured Notes Issuer and its Restricted Subsidiaries.

The "**Holdco Group**" means the Senior Notes Issuer and each member of the Group.

The Intercreditor Agreement allows for accession by certain future creditors in order to share (to the extent set out in the Intercreditor Agreement) in the relevant security, including:

(i) hedge counterparties pursuant to interest rate and foreign exchange hedging agreements in respect of liabilities to the RCF Lenders, liabilities to the holders of the Senior Secured Notes, the Permitted Senior Secured Financing Liabilities, the Permitted Senior Financing Liabilities and any other indebtedness which is not prohibited under the Secured Debt Documents and which ranks *pari passu* with any of the foregoing listed debt, which are secured on a super senior basis with (among other liabilities) the Amended and Restated RCF (the "**Priority Hedging Agreements**" and the providers thereof the "**Priority Hedge Counterparties**");

(ii) hedge counterparties pursuant to interest rate or foreign exchange hedging agreements which are secured on a *pari passu* basis with (among other liabilities) the Senior Secured Notes and are not Priority Hedging Agreements (the "**Non-Priority Hedging Agreements**" and the providers thereof, the "**Non-Priority Hedge Counterparties**" and together with the Priority Hedge Counterparties, the "**Hedge Counterparties**," the Non-Priority Hedging Agreements together with the Priority Hedging Agreements, the "**Hedging Agreements**");

(iii) creditors of the Senior Secured Notes and future indebtedness of the Group (the "**Permitted Senior Secured Financing Creditors**"), which is not prohibited under the terms of the Amended and Restated RCF Agreement and the Senior Secured Notes, is *pari passu* with, and not subordinated in right of payment to, the liabilities owed to the Senior Secured Creditors and which is not prohibited, under the terms of the Amended and Restated RCF Agreement or the Senior Secured Notes, from sharing in the Transaction Security with the rights and obligations of Permitted Senior Secured Financing Creditors (the "**Permitted Senior Secured Financing Debt**") the liabilities owed to such creditors being the "**Permitted Senior Secured Financing Liabilities**"); and

(iv) creditors of the Senior Notes and other future indebtedness of the Holdco Group (the "**Permitted Senior Financing Creditors**"), which is not prohibited under the terms of the Amended and Restated RCF and the Senior Secured Notes and which is subject to certain provisions of the Intercreditor Agreement, junior to, and subordinated in right of payment to, the liabilities owed to the Senior Secured Creditors ("**Permitted Senior Financing Debt**"), the liabilities owed to such creditors being the "**Permitted Senior Financing Liabilities**," the agreements evidencing such liabilities (including the Senior Notes Indenture) and the fee letters in connection therewith (and any other document or instrument designated as such by the Senior Notes Issuer and the Senior Notes Trustee or other agent, trustee or other relevant representative in respect of such liabilities (including the Senior Notes Trustee the "**Permitted Senior Financing Representative**")) being the "**Permitted Senior Debt Documents**."

In addition: (i) any shareholder of the Senior Notes Issuer that is a creditor of certain indebtedness of the members of the Holdco Group (an "**Investor**") shall be a party to the Intercreditor Agreement in that capacity. The Intercreditor Agreement contains customary subordination provisions and restrictions relating to the receivables owing from any member of the Holdco Group to any such Investor (the "**Investor Liabilities**"); and (ii) certain members of the Group that lend to a Debtor that is a member of the Group (each an "**Intra-Group Lender**") shall be a party to the Intercreditor Agreement with respect to such loans or indebtedness owing from such Debtor to such members of the Group (the "**Intra-Group Liabilities**") provided the aggregate amount due by such Debtors to any such member of the Group exceeds €5,000,000 and, in the case of a member of the GFKL Group, the Structure Event has occurred or the Executive Board of GFKL Holdco has previously consented to such member of the GFKL Group acceding to Intercreditor Agreement as an Intra-Group Lender. The Intercreditor Agreement contains subordination provisions relating to any such Intra-Group Liabilities. However, Debtors will not be prohibited from incurring, amending or making payments in respect of any Intra-Group Liabilities until an acceleration event under the Amended and Restated RCF, the Existing Indenture, or the Senior Secured Notes Indenture or the Senior Notes Indenture is continuing; and (iii) if the Senior Notes Issuer lends to a member of the Group (the "**Holdco Lender**") it shall be a party to the Intercreditor Agreement with respect to such loans or indebtedness made to members of the Group (the "**Holdco Liabilities**"), which includes the on-lending of the proceeds of any Permitted Senior Financing Debt by the Holdco Lender (the "**Holdco (Proceeds Loan) Liabilities**"). The Intercreditor Agreement contains subordination provisions relating to any such Holdco Liabilities.

The Intercreditor Agreement also includes the ability to: (i) replace the Amended and Restated RCF Agreement with a replacement revolving credit facility benefiting from a similar position under the terms of the Intercreditor Agreement; and (ii) issue further senior secured notes and/or senior notes after the Issue Date. The terms set out in this summary in relation to the Amended and Restated RCF will apply to such replacement revolving credit facility and in relation to the Senior Secured Notes or Senior Notes, will apply to such further senior secured notes or senior notes (as applicable).

Ranking and Priority

Priority of Indebtedness

The Intercreditor Agreement provides that the liabilities of the Debtors (other than any Senior Debt Issuer, as defined in the Intercreditor Agreement) shall rank in right and priority of payment in the following order and are postponed and subordinated to any prior ranking liabilities as follows:

(a) ***first***, the liabilities owed to the Super Senior Creditors (the "**Super Senior Creditor Liabilities**"), the liabilities owed to the Senior Secured Creditors including with respect to the Senior Secured Notes (the "**Senior Secured Liabilities**"), the liabilities owed to any Hedge Counterparty (the "**Hedging Liabilities**") (to the extent not already included in the Super Senior Creditor Liabilities), the Permitted Senior Secured Financing Liabilities, certain customary costs and expenses of the Original Senior Secured Notes Trustee, the Senior Secured Notes Trustee, the Senior Notes Trustee (each an "**ICA Trustee**" and together, the "**ICA Trustees**") and any representative acting as a trustee under any issue of notes (the "**Trustee Liabilities**"), the liabilities owed to any agent (the "**Agent Liabilities**") under any Debt Documents (as such term is defined in the Intercreditor Agreement) the liabilities owed to any arranger under any Debt Document (the "**Arranger Liabilities**") and the liabilities owed to the Security Agent (excluding any parallel debt liabilities or similar), *pari passu* and without any preference between them;

(b) ***second***, any guarantee liabilities owed to any Permitted Senior Financing Creditor (the "**Senior Guarantee Liabilities**," and, together with the Permitted Senior Financing Issuer Liabilities, the "**Senior Liabilities**") *pari passu* and without any preference between them;

(c) ***third***, the Holdco (Proceeds Loans) Liabilities;

(d) ***fourth***, the Intra-Group Liabilities; and

(e) ***fifth***, the Holdco Liabilities (other than the Holdco (Proceeds Loans) Liabilities).

The Intercreditor Agreement also provides that the liabilities of any Senior Debt Issuer (which term includes the Senior Notes Issuer) shall rank in right and priority of payment in the following order and are postponed and subordinated to any prior ranking liabilities as follows:

(a) ***first***, the Super Senior Creditor Liabilities, the Senior Secured Liabilities, the Hedging Liabilities (to the extent not already included in Super Senior Creditor Liabilities), the Agent Liabilities, the Arranger Liabilities, the liabilities owed to the Security Agent (excluding any parallel debt liabilities or similar), the Trustee Liabilities, any Senior Liabilities due by any Senior Debt Issuer in its capacity as a principal debtor with respect to the Permitted Senior Financing Liabilities (the "**Permitted Senior Financing Issuer Liabilities**") *pari passu* and without any preference amongst them; and

(b) ***second***, any Investor Liabilities.

Priority of Security

The Intercreditor Agreement provides that (subject to the proceeds of such security being distributed in accordance with the Payments Waterfall defined below) the security provided for the Super Senior Creditor Liabilities, the Senior Secured Liabilities (including the Permitted Senior Secured Financing Liabilities), the Hedging Liabilities (to the extent not already included in the Super Senior Creditor Liabilities), the Agent Liabilities, the Arranger Liabilities, the liabilities owed to the Security Agent (excluding any parallel debt liabilities or similar) and the Trustee Liabilities (the "**Transaction Security**") shall secure these liabilities *pari passu* and without any preference among them (but only to the extent that such Transaction Security is expressed to secure those liabilities).

The Intercreditor Agreement contemplates that certain of the Collateral that is permitted to also be for, or is expressed to be for, or is not prohibited from being for, the benefit of the Permitted Senior Financing Creditors (which includes the security granted to secure the Senior Notes) by the terms of the finance documents shall be "Shared Security" as defined in the Intercreditor Agreement (the "**Shared Security**") and shall rank and secure liabilities listed at (a) and (b) below in the following order:

(a) ***first***, the Super Senior Creditor Liabilities, Senior Secured Liabilities (including the Permitted Senior Secured Financing Liabilities), the Hedging Liabilities (to the extent not already included in the Super Senior Creditor Liabilities), the Agent Liabilities, the Arranger Liabilities, the liabilities owed to the Security Agent (excluding any parallel debt liabilities or similar), and the Trustee Liabilities, *pari passu* between them (but only to the extent that such Transaction Security is expressed to secure those liabilities); and

(b) ***second***, the Permitted Senior Financing Liabilities *pari passu* between them (but only to the extent that such Transaction Security is expressed to secure those liabilities).

The Investor Liabilities, the Holdco Liabilities and the Intra-Group Liabilities shall not be secured by the Transaction Security or the Shared Security.

Payments and Prepayments; Subordination of the Permitted Senior Financing Debt

The Debtors may make payments and prepayments in respect of the Senior Secured Liabilities and the Trustee Liabilities at any time in accordance with their terms.

The Debtors may make payments and prepayments in respect of the Priority Hedging Agreements and the Non-Priority Hedging Agreements if such payment is a scheduled payment arising under any such agreement or other customary payments under such agreement.

Any Senior Debt Issuer may make payments and prepayments in respect of any Senior Liabilities at any time in accordance with the terms of the relevant senior finance documents in its capacity as a borrower, issuer or equivalent.

Prior to the discharge of all Senior Secured Liabilities and all the Super Senior Creditor Liabilities due to the RCF Lenders (themselves the "**Senior Secured Debt Liabilities**" and such date being "**Senior Secured Debt Discharge Date**" and with the discharge date of all Super Senior Creditor Liabilities due to the RCF Lenders being the "**RCF Lenders Discharge Date**"), no member of the Group may make payments in respect of the Senior Liabilities without the Required Senior Consent (as that term is defined in the Intercreditor Agreement) except, and in addition to the paragraph above, as permitted by the Intercreditor Agreement including the following:

(1) if:

(a) the payment is of:

(i) any of the principal amount of or capitalized interest on the Senior Liabilities which is either (1) not prohibited from being paid by the Amended and Restated RCF Agreement, the Senior Secured Notes Indenture or any Permitted Senior Secured Financing Debt finance document or (2) paid on or after the final maturity date of the relevant Senior Liabilities or, in each case, a corresponding amount of Holdco Liabilities; or

(ii) any other amount which is not an amount of principal or previously capitalized interest (including any scheduled interest (whether cash pay or payment-in-kind) and default interest) or a corresponding amount of Holdco Liabilities;

(b) no notice delivered pursuant to the terms of the Intercreditor Agreement blocking payments in respect of the Senior Liabilities (a "**Senior Payment Stop Notice**") is outstanding; and

(c) no event of default under the finance documents in respect of the Senior Secured Debt Liabilities arising by reason of non-payment of any amounts due in connection therewith (a "**Senior Secured Payment Default**") has occurred and is continuing; or

(2) certain amounts due to any ICA Trustee for its own account;

(3) costs and expenses of any holder of a mortgage, charge, pledge, lien or other security interest having a similar effect ("**Security**") in relation to the protection, preservation or enforcement of such Security;

(4) administrative and maintenance costs, taxes, fees and expenses of any Senior Debt Issuer (in its capacity as a borrower or issuer) incurred in respect of or in relation to (or reasonably incidental to) any Permitted Senior Debt Documents (including in relation to any reporting or listing requirements), provided that such costs and expenses are not incurred in respect of current, threatened or pending litigation against the Secured Parties (as such term is defined in the Intercreditor Agreement) (other than any Permitted Senior Financing Creditor); or

(5) costs, commissions, taxes, fees, premiums and expenses incurred in respect of or in relation to (or reasonably incidental to) any refinancing of the Permitted Senior Financing Liabilities not prohibited by the Intercreditor Agreement, the Amended and Restated RCF Agreement, the Existing Indenture, the Senior Secured Notes Indenture and any Permitted Senior Secured Financing Document.

Prior to the Senior Secured Debt Discharge Date, if a Senior Secured Payment Default is continuing all payments in respect of the Senior Liabilities (other than those for which Required Senior Consent has been obtained) will be suspended.

In addition, if an event of default (other than a Senior Secured Payment Default) under the finance documents in respect of the Senior Secured Debt Liabilities (each "**Senior Secured Event of Default**") is continuing and any relevant Permitted Senior Financing Representative has received a Senior Payment Stop Notice from either the RCF Facility Agent or the Senior Secured Notes Trustee or other relevant representative of the Permitted Senior Secured Financing Debt (each, a "**Senior Secured Agent**"), from the date the relevant Permitted Senior Financing Representative, the Security Agent and the Senior Notes Issuer receive the Senior Payment Stop Notice, all payments in respect of Senior Liabilities (other than those for which Required Senior Consent has been obtained) are suspended until the earliest of:

(a) 179 days after the receipt by the relevant Permitted Senior Financing Representative of the Senior Payment Stop Notice;

(b) if a Senior Standstill Period (as defined below) is in effect at any time after delivery of that Senior Payment Stop Notice, the date on which that Senior Standstill Period expires;

(c) the date on which there is a waiver or remedy of the relevant Senior Secured Event of Default;

(d) the date on which the Senior Secured Agent which delivered the Senior Payment Stop Notice notifies (among others) the relevant Permitted Senior Financing Representative, the Security Agent and the Senior Notes Issuer that the Senior Payment Stop Notice is cancelled;

(e) the Senior Secured Debt Discharge Date; and

(f) the date on which the Security Agent or Senior Secured Agent takes any enforcement action (including acceleration and/or demand for payment and certain similar actions) ("**Enforcement Action**") against a Debtor which it is permitted to take in accordance with the Intercreditor Agreement,

provided that none of the circumstances described above shall prevent the Senior Debt Issuer from making or the Permitted Senior Financing Creditors from receiving payments in respect of the Senior Liabilities in accordance with the terms of the relevant Permitted Senior Debt Documents as a borrower and/or an issuer but only to the extent that the payment is not funded from the proceeds of a payment received from a member of the Group which is otherwise prohibited by the above or the relevant provisions in respect of Holdco Liabilities.

No new Senior Payment Stop Notice may be served by a Senior Secured Agent unless 360 days have elapsed since the immediately prior Senior Payment Stop Notice. No Senior Payment Stop Notice may be served in respect of a Senior Secured Event of Default more than 60 days after the date that the Senior Secured Agent received notice of that Senior Secured Event of Default. No Senior Secured Agent may serve more than one Senior Payment Stop Notice with respect to the same event or set of circumstances, and no Senior Payment Stop Notice may be served in respect of a Senior Secured Event of Default notified to a Senior Secured Agent at the time at which an earlier Senior Payment Stop Notice was issued.

If a Senior Payment Stop Notice ceases to be outstanding or the relevant Senior Secured Event of Default or Senior Secured Payment Default has ceased to be continuing (by being waived by the relevant creditors/creditor's representative or remedied) the relevant Debtor may then make those payments it would have otherwise been entitled to pay under the Permitted Senior Financing Debt and if it does so promptly any Senior Event of Default (and any cross-default or similar provision under any other debt document) which may have occurred as a result of that suspension of payments shall be waived and any notice which may have been issued as a result of that Senior Event of Default shall be waived. A Senior Secured Payment Default is remedied by the payment of all amounts then due.

Restrictions on Enforcement by the Permitted Senior Financing Debt; Senior Standstill Period

Without prejudice to the rights of the Permitted Senior Financing Creditors to take Enforcement Action in relation to the Permitted Senior Financing Issuer Liabilities, prior to the Senior Secured Debt Discharge Date, no Permitted Senior Financing Creditor shall:

(a) direct the Security Agent to enforce or otherwise require the enforcement of any Transaction Security; or

(b) take or require the taking of any Enforcement Action in relation to the Senior Guarantee Liabilities,

without the prior consent of or as required by an Instructing Group (as defined below), except that such restriction will not apply if:

(a) an event of default under the finance documents in respect of the Senior Liabilities (a "**Senior Event of Default**") is continuing;

(b) each Senior Secured Agent has received notice of the relevant Senior Event of Default from the relevant Permitted Senior Financing Representative;

(c) a Senior Standstill Period (as defined below) has expired; and

(d) the relevant Senior Event of Default is continuing at the end of the Senior Standstill Period.

A "**Senior Standstill Period**" shall mean the period starting on the date that the relevant Permitted Senior Financing Representative serves an enforcement notice on each of the Senior Secured Agents until the earliest of:

(a) 179 days after such date;

(b) the date on which the Senior Secured Parties take any Enforcement Action in relation to a particular guarantor of the Senior Liabilities (a "**Senior Guarantor**"), *provided* that the Permitted Senior Financing Creditors may only take the same Enforcement Action against such Senior Guarantor as is taken by the Senior Secured Parties;

(c) the date on which an insolvency event occurs in respect of any Senior Guarantor, in which case Enforcement Action is to be taken only against such Senior Guarantor;

(d) the date of the consent of the relevant Senior Secured Agents (acting on behalf of the relevant creditors); and

(e) the expiration of any other Senior Standstill Period which was outstanding at the date that the current Senior Standstill Period commenced (other than as a result of a cure, waiver or permitted remedy thereof).

Consultation

Prior to the Credit Facility Lender Discharge Date, if the Security Agent has received Conflicting Enforcement Instructions (as defined in the Intercreditor Agreement), it shall promptly notify each Hedge Counterparty (as applicable) and the Senior Secured Agents (each, an "**Agent**") and such Agents will consult with each other and the Security Agent in good faith for 30 days from the earlier of (i) the date of the latest such Conflicting Enforcement Instruction and (ii) the date falling ten Business Days after the date the original Enforcement Proposal (as such term is defined in the Intercreditor Agreement) is delivered in accordance with the Intercreditor Agreement (the "**Consultation Period**").

No such consultation shall be required where the Agents are in agreement with regard to any proposed Enforcement Action, or if:

(f) any of the Transaction Security has become enforceable as a result of an insolvency event; or

(g) creditors holding more than 66 $\frac{2}{3}$% of the participations in the Super Senior Credit Liabilities (the "**Majority Super Senior Creditors**") or the creditors holding more than 50% of the participations in the Senior Secured Liabilities (the "**Majority Senior Secured Creditors**") determine in good faith (and notify each other representative agent of the Super Senior Creditors, the Senior Secured Creditors and the Permitted Senior Secured Financing Creditors, as applicable) that any delay caused by such consultation could reasonably be expected to have a material adverse effect on the Security Agent's ability to enforce any of the Transaction Security or the realization proceeds of any enforcement of the Transaction Security; or

(h) if the relevant Senior Secured Agents agree that no consultation period is required.

Following the Consultation Period (or if the Consultation Period was terminated or not required as provided for above), there shall be no further obligation to consult and the Security Agent may act in accordance with the instructions as to enforcement (an "**Enforcement**") then or previously received from the Instructing Group (as defined below) and the Instructing Group may issue instructions as to Enforcement to the Security Agent at any time thereafter.

If the Majority Super Senior Creditors or the Majority Senior Secured Creditors (acting reasonably) consider that the Security Agent is enforcing the Transaction Security in a manner which is not consistent with the Security Enforcement Principles (as defined below), subject to the above, the relevant Senior Secured Agent shall give notice to the other representatives after which each such representative shall consult with the Security Agent for a period of 30 days (or such lesser period as the Senior Secured Agents may agree) with a view to agreeing the manner of Enforcement, *provided* that such representatives shall not be obliged to consult more than once in relation to each Enforcement.

For the purposes of Enforcement, an "**Instructing Group**" means, if prior to the Credit Facility Lender Discharge Date (as that term is defined in the Intercreditor Agreement), the Majority Super Senior Creditors and the Majority Senior Secured Creditors, *provided* that if:

(a) the Super Senior Creditor Liabilities have not been repaid in full in cash within six months of the date of the first instructions of Enforcement given to the Security Agent; or

(b) the Security Agent has not commenced any Enforcement (or any transaction in lieu thereof) or other Enforcement Action within three months of the date of the first instructions of Enforcement given to the Security Agent,

then the Security Agent shall thereafter follow any instructions that are given (at the same time or subsequently) by the Majority Super Senior Creditors (in each case provided the same comply with the Security Enforcement Principles ("**Qualifying Instructions**") to the exclusion of those given by the Majority Senior Secured Creditors (to the extent conflicting with any instructions previously given by the Majority Senior Secured Creditors) and "Instructing Group" in relation to such Enforcement shall mean the Majority Super Senior Creditors.

Subject to the foregoing, if at the end of the Consultation Period, the Security Agent has received Conflicting Enforcement Instructions then, in relation to such Enforcement, “Instructing Group” shall mean the Majority Senior Secured Creditors, *provided* that such instructions from the Majority Senior Secured Creditors are Qualifying Instructions, it being acknowledged that, subject to the other provisions of the Intercreditor Agreement, the timeframe for the realization of value from the enforcement of the Transaction Security or Distressed Disposal (as defined below) pursuant to such instructions will be determined by the Majority Senior Secured Creditors.

Security Enforcement Principles

The Intercreditor Agreement provides that Enforcement instructions must be consistent with the following principles (the “**Security Enforcement Principles**”):

(c) It shall be the primary and overriding aim of any enforcement of the Transaction Security to maximize, so far as is consistent with a prompt and expeditious realization of value from Enforcement of the Transaction Security, recovery by the Super Senior Creditors and the Senior Secured Creditors (the “**Security Enforcement Objective**”).

(d) The Transaction Security will be enforced and other action as to Enforcement will be taken such that either (i) all proceeds of Enforcement are received by the Security Agent in cash for distribution in accordance with the Payments Waterfall (as defined below); or (ii) if Enforcement is at the direction of the Majority Senior Secured Creditors, sufficient proceeds from Enforcement will be received by the Security Agent in cash to ensure that when the proceeds are applied in accordance with the Payments Waterfall, the Super Senior Creditor Liabilities are repaid and discharged in full (unless the Majority Super Senior Creditors agree otherwise).

(e) The Enforcement Action must be prompt and expeditious it being acknowledged that, subject to the other provisions of the Intercreditor Agreement, the time frame for the realization of value from the Enforcement of the Transaction Security or Distressed Disposal will be determined by the Instructing Group, *provided* that it is consistent with the Security Enforcement Objective.

(f) On (i) a proposed Enforcement of any of the Transaction Security over assets other than shares in a member of the Holdco Group, where the aggregate book value of such assets exceeds €5,000,000 (or its equivalent); or (ii) a proposed Enforcement of any of the Transaction Security over some or all of the shares in a member of the Holdco Group over which Transaction Security exists, the Security Agent shall, upon instruction from the Instructing Group (unless it is incompatible with enforcement proceedings in a relevant jurisdiction) appoint an accounting firm of international standing and reputation, any reputable and independent international investment bank or other reputable and independent professional services firm with experience in restructuring and enforcement, in each case as selected by the Security Agent acting reasonably and in good faith (a “**Financial Advisor**”) to opine as expert that the proceeds received from any such Enforcement are fair from a financial point of view after taking into account all relevant circumstances (the “**Financial Advisor’s Opinion**”).

(g) The Security Agent shall be under no obligation to appoint a Financial Advisor or to seek the advice of a Financial Advisor, unless expressly required to do so by the Intercreditor Agreement.

(h) The Financial Advisor’s Opinion (or any equivalent opinion obtained by the Security Agent in relation to any other Enforcement of the Transaction Security that such action is fair from a financial point of view after taking into account all relevant circumstances) will be conclusive evidence that the Security Enforcement Objective has been met.

(i) Where the Instructing Group is the Majority Senior Secured Creditors, the Majority Senior Secured Creditors may waive the requirement for a Financial Advisor’s Opinion where sufficient proceeds from enforcement will be received by the Security Agent in cash to ensure that when the proceeds are applied in accordance with the Payments Waterfall below, the Super Senior Creditor Liabilities are repaid and discharged in full.

(j) In the event that an Enforcement of the Transaction Security is over assets and shares referred to in (d) above and such Enforcement is conducted by way of public auction, the Super Senior Creditors and the Senior Secured Creditors shall be entitled to participate in such auction on the basis of equal information and access rights as other bidders and financiers in the auction. There is no requirement in the Security Enforcement Principles summarized in this paragraph (h) that requires the Enforcement of Transaction Security to take place by way of public auction.

(k) In the absence of written notice from a Secured Party or group of Secured Parties that are not part of the relevant Instructing Group that such Secured Party/ies object to any Enforcement of the Transaction Security on the grounds that such Enforcement Action does not aim to achieve the Security Enforcement Objective (an "**Objection**"), the Security Agent is entitled to assume that such Enforcement of the Transaction Security is in accordance with the Security Enforcement Objective.

(l) If the Security Agent receives an Objection (and without prejudice to the ability of the Security Agent to rely on other advisors and/or exercise its own judgment in accordance with the Intercreditor Agreement), a Financial Advisor's Opinion (or any equivalent opinion obtained by the Security Agent in relation to any other Enforcement of the Transaction Security that such action is fair from a financial point of view after taking into account all relevant circumstances) to the effect that the particular action could reasonably be said to be aimed at achieving the Security Enforcement Objective will be conclusive evidence that the requirement of paragraph (a) above has been met.

The Security Enforcement Principles may be amended, varied or waived with the prior written consent of the Majority Super Senior Creditors and the Majority Senior Secured Creditors, *provided* that no additional obligations may be imposed on a member of the Holdco Group without the consent of the Senior Secured Notes Issuer.

Turnover

Subject to certain exclusions set out therein, the Intercreditor Agreement also provides that if any Senior Secured Creditors, Permitted Senior Financing Creditors or Super Senior Creditors (each, a "**Primary Creditor**") receives or recovers the proceeds of any enforcement of all or part of the Transaction Security or any Distressed Disposal other than in accordance with the Payments Waterfall, then it shall:

- in relation to receipts or recoveries not received or recovered by way of set-off, (i) hold an amount of that receipt or recovery equal to the relevant liabilities on trust for the Security Agent and separate from other assets, property or funds and promptly pay that amount to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and (ii) promptly pay an amount equal to the amount (if any) by which receipt or recovery exceeds the relevant liabilities to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and
- in relation to receipts and recoveries received or recovered by way of set-off, promptly pay an amount equal to that recovery to the Security Agent for application in accordance with the terms of the Intercreditor Agreement.

Certain further turnover obligations following receipt of non-permitted payments apply to Permitted Senior Financing Creditors and Subordinated Creditors.

Application of Proceeds/Waterfall

All amounts from time to time received or recovered by the Security Agent in connection with the realization or enforcement of all or any part of the Transaction Security (other than the Shared Security) and all amounts required to be turned over pursuant to the Intercreditor Agreement (the "**Enforcement Proceeds**") shall be applied by the Security Agent at any time as the Security Agent (in its discretion) sees fit, to the extent permitted by applicable law, in the following order of priority (the "**Payments Waterfall**"):

- *first*, in discharging any sums owing to the Security Agent, any receiver or any of its delegates, on a *pro rata* and *pari passu* basis;
- *second*, in discharging (i) any Agent Liabilities, (ii) any Arranger Liabilities and (iii) any Trustee Liabilities, on a *pro rata* and *pari passu* basis;
- *third*, in or towards payment of all costs and expenses incurred by the Super Senior Creditors or Senior Secured Creditors in connection with any realization or enforcement of the Transaction Security (other than Shared Security) taken in accordance with the terms of the Intercreditor Agreement or any action taken at the request of the Security Agent under the Intercreditor Agreement;
- *fourth*, in payment to the Super Senior Creditors for application towards the discharge of the Super Senior Creditor Liabilities on a *pro rata* basis and *pari passu*;
- *fifth*, in payment to the Senior Secured Creditors for application towards the discharge of the Liabilities owed to the Senior Secured Creditors on a *pro rata* basis and *pari passu*;

- *sixth*, after the Final Discharge Date (as defined in the Intercreditor Agreement), in payment of the balance, if any, to the relevant Debtor or any other person entitled to it.

All amounts from time to time received or recovered by the Security Agent in connection with the realization or enforcement of all or any part of the Shared Security shall be applied by the Security Agent at any time as the Security Agent (in its discretion) sees fit, to the extent permitted by applicable law, in the following order of priority:

- *first*, in discharging any sums owing to the Security Agent, any receiver or any of its delegates, on a *pro rata* and *pari passu* basis;
- *second*, in discharging (i) any Agent Liabilities or (ii) Arranger Liabilities and (iii) any Trustee Liabilities, on a *pro rata* and *pari passu* basis;
- *third*, in payment of all costs and expenses incurred by any Super Senior Creditor or Senior Secured Creditor in connection with any realization or enforcement of the Shared Security taken in accordance with the terms of this Agreement or any action taken at the request of the Security Agent under the Intercreditor Agreement;
- *fourth*, in payment to the Super Senior Creditors for application towards the discharge of the Super Senior Creditor Liabilities on a *pro rata* basis and *pari passu*;
- *fifth,* in payment to the Senior Secured Creditors for application towards the discharge of the Liabilities owed to the Senior Secured Creditors on a *pro rata* basis and *pari passu*;
- *sixth*, in payment of all costs and expenses incurred by any Permitted Senior Financing Creditor in connection with any realization or enforcement of the Shared Security taken in accordance with the terms of this Agreement or any action taken at the request of the Security Agent under the Intercreditor Agreement;
- *seventh*, in payment to the Permitted Senior Financing Creditors for application towards the discharge of the Senior Liabilities on a pro rata basis and *pari passu*; and
- *eighth*, following the Final Discharge Date, the balance, if any, in payment to the relevant Debtor to the relevant Debtor or any other person entitled to it.

Release and/or Transfer of Claims and Liabilities in Respect of the Permitted Senior Financing Debt and the Senior Secured Notes and the Transaction Security

Non-distressed Disposal

The Security Agent will (at the request and cost of the relevant Debtor or the Senior Notes Issuer) promptly release from the Transaction Security and the relevant documents:

- any Transaction Security (and/or any other claim relating to a relevant finance document (a "**Secured Debt Document**")) over any asset which is the subject of:
  - (i) a disposal not prohibited by the terms of any Secured Debt Document (*provided* that, in the case of a disposal to a member of the Holdco Group, the section entitled "Release of Liens" in the Existing Indenture (or any equivalent provision in any other Secured Debt Document (including the Indenture)) are, or will be, complied with by the relevant members of the Holdco Group); or
  - (ii) any other transaction not prohibited by the terms of any Secured Debt Document pursuant to which that asset will cease to be held or owned by a member of the Holdco Group;
- any Transaction Security (and/or any other claim relating to a Secured Debt Document) over any document or other agreement requested in order for any member of the Holdco Group to effect any amendment or waiver in respect of that document or agreement or otherwise exercise any rights, comply with any obligations or take any action in relation to that document or agreement (in each case to the extent not prohibited by the terms of any Secured Debt Document);
- any Transaction Security (and/or any other claim relating to a Secured Debt Document) over any asset of any member of the Holdco Group which has ceased to be a Debtor in accordance with the terms of the Secured Debt Documents; and
- any Transaction Security (and/or any other claim relating to a Secured Debt Document) over any other asset to the extent that such release is in accordance with the terms of the Secured Debt Documents.

In the case of a disposal of shares or other ownership interests in a Debtor (or any holding company of any Debtor), or any other transaction pursuant to which a Debtor (or any holding company of any Debtor) will cease to be a member of the Group or a Debtor, in each case, *provided* that such disposal or other transaction is not prohibited under a Secured Debt Document, the Security Agent will (at the request and cost of the relevant Debtor or the Senior Notes Issuer) promptly release that Debtor and its Subsidiaries from all present and future liabilities (both actual and contingent) under the Secured Debt Documents and the respective assets of such Debtor and its Subsidiaries (and the shares in any such Debtor and/or Subsidiary) from the Transaction Security and the Secured Debt Documents (including any claims relating to a Secured Debt Document and any guarantee or other liabilities).

When making any request for a release pursuant to the above the Senior Notes Issuer will confirm in writing to the Security Agent that: (i) in the case of any release requested pursuant to sub-paragraph (i) above, the relevant disposal or other action is not prohibited by the terms of any Secured Debt Document and, in the case of a disposal to a member of the Holdco Group, the section entitled “Release of Liens” in the Existing Indenture (or any equivalent provision in any other Secured Debt Document (including the Indenture)) are, or will be, complied with by the relevant members of the Holdco Group); and (ii) the release requested (or relevant action needing the release) is in accordance with (or is not prohibited by) the terms of, any Secured Debt Document and the Security Agent shall be entitled to rely on that confirmation for all purposes under the Secured Debt Documents.

The Security Agent will (at the cost and expense of the relevant Debtor but without the need for any further consent, sanction, authority or further confirmation from any Creditor or Debtor) promptly enter into and deliver such documentation and/or take such other action as the Senior Notes Issuer (acting reasonably) will require to give effect to any release or other matter contemplated by this section.

Without prejudice to the foregoing and for the avoidance of doubt, if requested by the Senior Notes Issuer in accordance with the terms of any of the Secured Debt Documents, the Security Agent and the other Secured Party will (at the cost of the relevant Debtor and/or the Senior Notes Issuer) promptly execute any guarantee, security or other release and/or any amendment, supplement or other documentation relating to the Transaction Security documents as contemplated by the terms of any of the Secured Debt Documents (and the Security Agent is authorized by the Secured Parties to execute, and will promptly execute if requested by the Senior Notes Issuer, without the need for any further any consent, sanction, authority or further confirmation from any Secured Party, any such release or document on behalf of the Secured Parties). When making any request pursuant to this paragraph, the Senior Notes Issuer will confirm in writing to the Security Agent that such request is in accordance with the terms of a Secured Debt Document and the Security Agent will be entitled to rely on that confirmation for all purposes under the Secured Debt Documents.

In the case of any release of Transaction Security requested by the Senior Secured Notes Issuer pursuant to the Amended and Restated RCF Agreement as part of a Permitted Transaction (as that term is defined in the Amended and Restated RCF Agreement) (a “**Permitted Transaction Request**”), when making that request the Senior Secured Notes Issuer will confirm to the Security Agent that:

- such request is a Permitted Transaction Request (and absent any such statement in a request for a release the Security Agent shall be entitled to assume for all purposes that such request is not a Permitted Transaction Request); and
- it has determined in good faith (taking into account any applicable legal limitations and other relevant considerations in relation to that Permitted Transaction) that it is either not possible or not desirable to implement that Permitted Transaction on terms satisfactory to the Senior Secured Notes Issuer by granting additional Transaction Security and/or amending the terms of the existing Transaction Security in lieu of the requested release,

and the Security Agent will be entitled to rely on that confirmation for all purposes under the Secured Debt Documents.

For the avoidance of doubt and notwithstanding anything to the contrary in the Permitted Senior Debt Documents, if any member of the Holdco Group is required to apply, or not prohibited under the Permitted Senior Debt Documents from applying, the proceeds of any disposal or other transaction in prepayment, redemption or any other discharge or reduction of any Senior Secured Liabilities:

- no such application of those proceeds will require the consent of any party or Permitted Senior Financing Creditor or will result in a direct or indirect breach of any Permitted Senior Debt Document; and

- any such application will discharge in full any obligation to apply those proceeds in prepayment, redemption or any other discharge or reduction of any Permitted Senior Financing Liabilities.

The above paragraph is without prejudice to any right of any member of the Holdco Group to apply any proceeds of any disposal or other transaction in prepayment, redemption or any other discharge or reduction of any Permitted Senior Financing Liabilities to the extent permitted or contemplated by the Intercreditor Agreement or not prohibited by any other Secured Debt Document.

The Security Agent is irrevocably authorized to:

- release the Transaction Security; and
- release each investor (an "**Investor**"), Debtor and other member of the Group from all liabilities, undertakings and other obligations under the Secured Debt Documents,

on the Final Discharge Date (or at any time following such date on the request of the Senior Notes Issuer), subject, in respect of the second bullet point above, to certain agency or trustee protective provisions in any of the Secured Debt Documents, which will survive the termination of the Intercreditor Agreement.

Distressed Disposal

A "**Distressed Disposal**" means a disposal of an asset of a member of the Holdco Group subject to the Transaction Security which is:

(a) being effected at the request of an Instructing Group in circumstances where the Transaction Security has become enforceable in accordance with the terms of the relevant Transaction Security documents;

(b) being effected by enforcement of the Transaction Security in accordance with the terms of the relevant Transaction Security documents; or

(c) being effected, after the occurrence of an Acceleration Event, by a Debtor or the Senior Notes Issuer to a person or persons which is not a member of the Holdco Group.

Where a Distressed Disposal is being effected, the Intercreditor Agreement provides that the Security Agent is authorized:

(i) to release the Transaction Security, or any other claim over that asset and execute and deliver or enter into any release of that Transaction Security, or claim and issue any letters of non-crystallization of any floating charge or any consent to dealing that may, in the discretion of the Security Agent, be considered necessary or desirable;

(ii) if the asset which is disposed of consists of shares in the capital of an Debtor, to release on behalf of the relevant Creditors, Debtors and Agents (a) that Debtor and any subsidiary of that Debtor from all or any part of: (x) the liabilities it may have as a principal Debtor in respect of financial indebtedness arising under the Debt Documents (whether incurred solely or jointly) (the "**Borrowing Liabilities**") (other than Borrowing Liabilities of the Senior Secured Notes Issuer and the Senior Debt Issuer); (y) the liabilities under the Debt Documents (present or future, actual or contingent and whether incurred solely or jointly) it may have as or as a result of its being a guarantor or surety or giving an indemnity, contribution or subrogation and in particular any guarantee or indemnity arising under or in respect of the Senior Secured Liabilities Documents or the Permitted Senior Debt Documents (as each such term is defined in the Intercreditor Agreement) (the "**Guarantee Liabilities**") and (z) any trading and other liabilities (not being Borrowing Liabilities or Guarantee Liabilities) it may have to any Agent (other than any Hedge Counterparty), Arranger (as such term is defined in the Intercreditor Agreement), any Intra-Group Lender or any Debtor (the "**Other Liabilities**"); (b) any Transaction Security granted by that Debtor or any subsidiary of that Debtor over any of its assets; and (c) any other claim of an Investor, an Intra-Group Lender, or other Debtor over that Debtor's assets or over the assets of any subsidiary of that Debtor;

(iii) if the asset which is disposed of consists of shares in the capital of any holding company of a Debtor, to release on behalf of the relevant Creditors, Debtors and Agents (a) that holding company and any subsidiary of that holding company from all or any part of its Borrowing Liabilities (other than Borrowing Liabilities of the Senior Secured Notes Issuer or the Senior Debt Issuer), Guarantee Liabilities and Other Liabilities; (b) any Transaction Security granted by that holding company or any subsidiary of that holding company over any of its assets; and (c) any other claim of any Investor, Intra-Group Lender or another Debtor over the assets of that holding company or of any subsidiary of that holding company;

(iv) if the asset which is disposed of consists of shares in the capital of a Debtor or a holding company of a Debtor and the Security Agent decides to dispose of all or any part of (y) all present and future moneys, debts, liabilities and obligations due at any time of any Debtor or any holding company of such Debtor or any subsidiary of such Debtor or holding company owed to any Creditor under the Debt Documents, both actual and contingent and whether incurred solely or jointly with any other person or in any other capacity, together with any additional liabilities (the "**Liabilities**") (other than Borrowing Liabilities of the Senior Secured Notes Issuer or the Senior Debt Issuer); or (z) any liabilities owed by that Debtor to any other Debtor (whether actual or contingent and whether incurred solely or jointly) (the "**Debtor Liabilities**") (A) if the Security Agent does not intend that any transferee of those Liabilities or Debtor Liabilities will be treated as a Primary Creditor or a Secured Party for the purposes of the Intercreditor Agreement, to execute and deliver or enter into any agreement to dispose of all or part of those Liabilities or Debtor Liabilities *provided* that notwithstanding any other provision of any Debt Document, the transferee shall not be treated as a Primary Creditor or a Secured Party for the purposes of the Intercreditor Agreement; and (B) if the Security Agent does intend that any transferee will be treated as a Primary Creditor or a Secured Party for the purposes of the Intercreditor Agreement, to execute and deliver or enter into any agreement to dispose of (I) all (and not part only) of the Liabilities owed to the Primary Creditors; and (II) all or part of any other Liabilities and the Debtor Liabilities, on behalf of, in each case the relevant creditors and Debtors; and

(v) if the asset which is disposed of consists of shares in the capital of a Debtor or the holding company of a Debtor (the "**Disposed Entity**") and the Security Agent decides to transfer to another Debtor all or part of the Disposed Entity's obligations or any obligations of any Subsidiary of that Disposed Entity in respect of (x) the Intra-Group Liabilities; (y) the Holdco Liabilities; or (z) the Debtor Liabilities, to execute and deliver or enter into any agreement to (A) agree to the transfer of all or part of the obligations in respect of those Intra-Group Liabilities, Holdco Liabilities or Debtor Liabilities on behalf of the relevant Intra-Group Lenders, the Holdco Lender and relevant Debtors to which those obligations are owed and on behalf of the Debtors which owe those obligations; and (B) to accept the transfer of all or part of the obligations in respect of those Intra-Group Liabilities, Holdco Liabilities or Debtor Liabilities on behalf of the receiving entity or receiving entities to which the obligations in respect of those Intra-Group Liabilities, Holdco Liabilities or Debtor Liabilities are to be transferred.

If a Distressed Disposal is being effected such that Shared Security or any guarantees in respect of the Permitted Senior Financing Debt will be released or Permitted Senior Financing Debt will be disposed of, it is a condition to the release that either:

(i) each Permitted Senior Financing Representative has approved the release and/or disposal (as applicable) (acting on the instructions of the required percentage of Permitted Senior Financing Creditors in respect of which it is the Permitted Senior Financing Representative under the relevant Permitted Senior Debt Documents); or

(ii) where shares or assets of a Senior Guarantor or assets of the Senior Debt Issuer are sold:

  (A) the proceeds of such sale or disposal are in cash (or substantially in cash); and

  (B) all present or future obligations owed to the Super Senior Creditors and Senior Secured Creditors under the applicable Secured Debt Documents (the "**Senior Secured Debt Documents**") and the Hedging Agreements by a member of the Holdco Group all of whose shares are sold or disposed of pursuant to such Distressed Disposal, are unconditionally released and discharged or sold or disposed of concurrently with such sale (and such obligations are not assumed by the purchaser or one of its affiliates), and all Transaction Security in respect of the assets that are sold or disposed of is simultaneously and unconditionally released concurrently with such sale, provided that if each Senior Secured Agent (acting reasonably and in good faith):

    - determines that the Super Senior Creditors and the Senior Secured Creditors (excluding in each case for these purposes the Hedge Counterparties) will recover a greater amount if any such claim is sold or otherwise transferred to the purchaser or one of its affiliates and not released and discharged; and

    - serves a written notice on the Security Agent confirming the same,

  the Security Agent shall be entitled to sell or otherwise transfer such claim to the purchaser or one of its affiliates; and

(C) such sale or disposal is made:

- pursuant to a public auction; or
- where a Financial Adviser selected by the Security Agent has delivered an opinion in respect of such sale or disposal that the amount received in connection therewith is fair from a financial point of view, taking into account all relevant circumstances, including the method of enforcement and the circumstances giving rise to such sale or disposal, *provided* that the liability of such Financial Adviser may be limited to the amount of its fees in respect of such engagement (it being acknowledged that the Security Agent shall have no obligation to select or engage any Financial Adviser unless it shall have been indemnified and/or secured and/or prefunded to its satisfaction).

Application of Proceeds of a Distressed Disposal

The net proceeds of a Distressed Disposal (and the net proceeds of any disposal of Liabilities or Debtor Liabilities) will be paid to the Security Agent for application in accordance with the provisions set forth under "—*Application of Proceeds/Waterfall*" as if those proceeds were the proceeds of an enforcement of the Transaction Security.

Voting and Amendments

Voting in respect of the Amended and Restated RCF, the Senior Secured Notes and/or Permitted Senior Secured Financing Debt will be in accordance with the relevant documents.

Except for amendments of a minor, technical or administrative nature which may be effected by the Security Agent and subject to the paragraph below and certain customary exceptions contained in the Intercreditor Agreement, amendments to or waivers and consents under the Intercreditor Agreement requires the written consent of:

(b) if the relevant amendment or waiver (the "**Proposed Amendment**") is prohibited by the Amended and Restated RCF Agreement, the RCF Facility Agent in accordance with that agreement;

(c) if any Senior Secured Notes (including the Original Senior Secured Notes and the Senior Secured Notes (as defined elsewhere in this Offering Memorandum)) have been issued and the Proposed Amendment is prohibited by the terms of the relevant Senior Secured Notes Indenture (as defined in the Intercreditor Agreement), the Senior Secured Notes Trustee;

(d) if any Permitted Senior Secured Financing Debt has been incurred and the Proposed Amendment is prohibited by the terms of the relevant Permitted Senior Secured Financing Agreement, the Permitted Senior Secured Financing Representative in respect of that Permitted Senior Secured Financing Debt in accordance with that agreement;

(e) if any Permitted Senior Financing Debt (including the Senior Notes) has been incurred and the Proposed Amendment is prohibited by the terms of the relevant Permitted Senior Debt Document, the Permitted Senior Financing Representative (as defined in the Intercreditor Agreement) in respect of that Permitted Senior Financing Debt in accordance with that document;

(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 Senior Notes Issuer to the Security Agent at the time of the relevant amendment or waiver);

(g) the Investors; and

(h) the Senior Notes Issuer.

An amendment, waiver or consent which only affects secured parties under one Debt Document and does not materially and adversely affect the interests of other creditors, will require only the written agreement from the affected Secured Parties.

Other than when any such amendments, waivers or consents would adversely affect the nature of the Charged Property or the manner in which enforcement proceeds are applied, the Security Agent may, if authorized by an Instructing Group, and if the Senior Notes Issuer consents, amend the terms of, waive any of the requirements of or grant consents under, any of the Transaction Security documents which shall be binding on each party to the Intercreditor Agreement.

An amendment, waiver or consent which adversely relates to the express rights or obligations of an Agent, an Arranger or the Security Agent (in each case in such capacity) may not be effected without the consent of that Agent, that Arranger or the Security Agent (as the case may be) at such time.

The terms of the immediately preceding paragraph does not apply to any release of Transaction Security, claim or Liabilities or to any consent which the Security Agent gives in accordance with certain clauses of the Intercreditor Agreement.

Option to Purchase

Following an acceleration event under the Amended and Restated RCF Agreement, the Existing Indenture, the Existing Indenture, the Senior Secured Notes Indenture, in relation to any Permitted Senior Secured Financing Debt or in relation to any Permitted Senior Financing Debt (including under the Senior Notes Indenture) (an "**Acceleration Event**"), by giving 10 days' notice to the Security Agent, the holders of the Original Senior Secured Notes or the Permitted Senior Secured Financing Liabilities (including the holders of the Senior Secured Notes) may require the transfer to them of all, but not part, of the rights, benefits and obligations in respect of the Credit Facility Lender Liabilities (as such term is defined in the Intercreditor Agreement), subject to certain conditions (including but not limited to full payment of all Credit Facility Lender Liabilities, cash cover, and associated costs and expenses, and provision of certain indemnities).

Following an Acceleration Event or the enforcement of any Transaction Security and after a Senior Secured Acceleration Event (as defined in the Intercreditor Agreement), a simple majority of the Permitted Senior Financing Creditors may, by giving 10 days' notice to the Security Agent, require the transfer to them of all, but not part, of the rights, benefits and obligations in respect of the Senior Secured Liabilities, *provided* that certain conditions are met.

Hedging

All scheduled payments arising under a Hedging Agreement are permitted payments for the purposes of the Intercreditor Agreement.

The Intercreditor Agreement contains customary provisions in relation to the circumstances in which a Priority Hedge Counterparty and a Non-Priority Hedge Counterparty may take Enforcement Action in relation to its hedging.

General

The Intercreditor Agreement contains provisions dealing with:

(a) close-out rights for the Priority Hedge Counterparties and the Non-Priority Hedge Counterparties;

(b) permitted payments (including without limitation, the repayment of Investor Liabilities and the payment of permitted distributions in each case to the extent not prohibited under the terms of the Amended and Restated RCF Agreement, the Existing Indenture, the Senior Secured Notes Indenture, or the finance documents relating to the Permitted Senior Secured Financing Debt or the Permitted Senior Financing Debt (including the Senior Notes Indenture));

(c) incurrence of Permitted Senior Secured Financing Debt or additional Permitted Senior Financing Debt that will allow certain creditors and agents with respect to such Permitted Senior Secured Financing Debt or additional Permitted Senior Financing Debt, as the case may be, to accede to the Intercreditor Agreement and benefit from, and be subject to, the provisions of the Intercreditor Agreement so long as not prohibited under the Amended and Restated RCF Agreement, the Existing Indenture or the Senior Secured Notes Indenture; and

(d) customary protections for the Security Agent, any future Permitted Senior Financing Representative, any future Permitted Senior Secured Financing Representative, the Trustee of the Senior Notes, the Trustee of the Senior Secured Notes and the Trustee of the Original Senior Secured Notes.

The Intercreditor Agreement is governed by English law and the courts of England have exclusive jurisdiction to settle any disputes arising from it.

7.500% Senior Secured Notes due 2022

On July 23, 2015, the Senior Secured Notes Issuer issued €365 million 7.500% Senior Secured Notes due 2022 (the "**Existing 2022 Senior Secured Notes**"). The interest on the Existing 2022 Senior Secured Notes is payable semi-annually on February 1 and August 1 of each year, commencing on February 1, 2016. The Existing 2022 Senior Secured Notes mature on August 1, 2022.

The Senior Secured Notes Issuer may redeem all or part of the Existing 2022 Senior Secured Notes prior to August 1, 2018, at a redemption price equal to 100% of the principal amount of such notes redeemed plus a make-whole premium and accrued and unpaid interest to the redemption date. The Senior Secured Notes Issuer may redeem all or part of the Existing 2022 Senior Secured Notes on or after August 1, 2018 at specified redemption prices plus accrued and unpaid interest to the redemption date. The specified redemption prices decrease annually to 100% on or after August 1, 2020.

The Existing 2022 Senior Secured Notes benefit from substantially the same guarantees and security as the Senior Secured Notes on an equal and ratable basis and subject to the same conditions and timing requirements. Certain GFKL subsidiaries may provide limited guarantees and share and intragroup receivables security to the Existing 2022 Senior Secured Notes, but will not guarantee the Senior Secured Notes, the Senior Notes or the Revolving Credit Facility or provide security to the Senior Secured Notes or the Revolving Credit Facility until the occurrence of the Structure Event. The security interests are subject to limitations under applicable laws and may be released under certain circumstances.

We have agreed to observe certain covenants with respect to the Existing 2022 Senior Secured Notes including limitations on dividend distributions and other payments, indebtedness, asset sales, liens, guarantees, mergers and consolidations. In case of a change of control, (including, among others, if all or substantially all of the properties or assets of the Senior Secured Notes Issuer and certain of its subsidiaries taken as a whole are sold, transferred or otherwise disposed of, or if any person acquires the majority of voting power of the Senior Secured Notes Issuer), holders of the Existing 2022 Senior Secured Notes have the right to require the Senior Secured Notes Issuer to repurchase all or any part of their Existing 2022 Senior Secured Notes at a purchase price equal to 101% of the principal amount of the Existing 2022 Senior Secured Notes repurchased, plus accrued and unpaid interest to the date of purchase. In the event of certain asset sales, after which the proceeds are not reinvested in the form envisaged by the Existing Indenture and as a result of which such proceeds exceed €15 million, the Senior Secured Notes Issuer is required to make an offer to repurchase the Existing 2022 Senior Secured Notes at 100% of the principal amount.

The Existing 2022 Senior Secured Notes contain various events of default, including, among others, non-payment, breach of certain covenants, breach of other obligations set forth in the Existing Indenture, any security interest under the security document in an amount greater than €5 million ceases to be in full force and effect after a grace period of 10 days, any guarantees of a Significant Subsidiary cease to be in full force and effect after a grace period of 10 days, a cross-default in relation to certain indebtedness aggregating €20 million or more at any time outstanding not being paid prior to the expiration of the grace period provided in such indebtedness or indebtedness becoming due and payable before its specified maturity, failure to pay final judgments in excess of €20 million following a grace period, and certain events of bankruptcy and insolvency, the occurrence of which, with respect to certain events of default, would result in the Existing 2022 Senior Secured Notes becoming due and payable or, with respect to certain other events of default, would allow noteholders to declare the Existing 2022 Senior Secured Notes due and payable.

The offering of the Existing 2022 Senior Secured Notes was not registered under the Securities Act or any U.S. state securities laws. The Existing 2022 Senior Secured Notes were offered and sold within the United States only to qualified institutional buyers as defined in Rule 144A under the Securities Act and to non-U.S. persons outside the United States in reliance on Regulation S under the Securities Act. The Existing 2022 Senior Secured Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF market.

Existing 2022 Senior Secured Notes Proceeds Loan Agreement ("Garfunkel Proceeds Loan Agreement")

On June 30, 2015, the GFKL Acquisition completion date, the Senior Secured Notes Issuer loaned the drawings under a high-yield bridge facility agreement dated June 26, 2015, to Garfunkel Holding pursuant to the Garfunkel Proceeds Loan Agreement ("**Garfunkel Proceeds Loan**") dated on June 30, 2015. Following the repayment of the borrowings under the high-yield bridge facility agreement dated June 26, 2015 with the proceeds of the offering of the Existing 2022 Senior Secured Notes, the Garfunkel Proceeds Loan Agreement was deemed to have on-lent the aggregate principal amount of the Existing 2022 Senior Secured Notes.

The Garfunkel Proceeds Loan is denominated in euros in an aggregate principal amount equal to the aggregate principal amount of the Existing 2022 Senior Secured Notes. The Garfunkel Proceeds Loan bears interest from July 23, 2015, the issue date of the Existing 2022 Senior Secured Notes, at a rate at least equal to the interest rate of such notes. Interest on the Garfunkel Proceeds Loan is payable semi-annually in arrears. The Garfunkel Proceeds Loan Agreement provides that Garfunkel Holding will pay the Senior Secured Notes Issuer interest and principal that becomes payable on the Existing 2022 Senior Secured Notes and any additional amounts due thereunder and any other amounts that may be required as a consequence of a Change of Control Offer or Asset Sale Offer (as defined in the Existing 2022 Senior Secured Notes indenture). The Garfunkel Proceeds Loan will mature on the maturity date of the Existing 2022 Senior Secured Notes.

Except as otherwise required by law, all payments under the Garfunkel Proceeds Loan Agreement will be made without deductions or withholding for, or on account of, any applicable tax. In the event that Garfunkel Holding is required to make any such deduction or withholding, it shall pay such additional amounts to the Senior Secured Notes Issuer as may be necessary to ensure that the Senior Secured Notes Issuer receives and retains, in the aggregate, a net payment equal to the payment which it would have received under the Garfunkel Proceeds Loan Agreement had no such deduction or withholding been made.

The Garfunkel Proceeds Loan Agreement provides that all payments made pursuant thereto will be made by Garfunkel Holding under this loan on a timely basis in order to ensure that the Senior Secured Notes Issuer can satisfy its payment obligations under the Garfunkel Proceeds Loan Agreement Notes and the Existing 2022 Senior Secured Notes indenture.

Senior Proceeds

Senior Proceeds Loan Agreement

The Senior Notes Issuer loaned the aggregate amount of the borrowings outstanding under the Senior Bridge Facility on the Completion Date to the Senior Secured Notes Issuer pursuant to the Senior Proceeds Loan Agreement dated on the Completion Date.

The Senior Proceeds Loan is denominated in pounds sterling in an aggregate principal amount at Completion equal to the aggregate principal amount of the borrowings outstanding under the Senior Bridge Facility as of the Completion Date (or, as of the Issue Date, the aggregate principal amount of the Senior Notes). The Senior Proceeds Loan bears interest prior to the Issue Date at a rate at least equal to the interest rate under the Senior Bridge Facility Agreement and an arm's length remuneration, and from the Issue Date at a rate at least equal to the interest rate of the Senior Notes and an arm's length remuneration. In consideration for receiving the Senior Proceeds Loan from the Senior Notes Issuer, the Senior Secured Notes Issuer paid to the Senior Notes Issuer an amount equal to one-off costs and expenses incurred in connection with, amongst others, the issue of the Senior Notes and the Senior Proceeds Loan Agreement (as further described in the Senior Proceeds Loan Agreement). Interest on the Senior Proceeds Loan is payable quarterly prior to the Issue Date and semi-annually following the Issue Date, in arrears. The Senior Proceeds Loan Agreement provides that the Senior Secured Notes Issuer will pay the Senior Notes Issuer interest and principal that becomes payable on the Senior Bridge Facility or Senior Notes (as applicable), and any additional amounts due thereunder (as defined under "*Description of the Senior Notes*").

The Senior Proceeds Loan will mature on the maturity date of the Senior Bridge Facility, or, after the Issue Date, the Senior Notes. Except as otherwise required by law, all payments under the Senior Proceeds Loan Agreement will be made without deductions or withholding for, or on account of, any applicable tax. In the event that the Senior Secured Notes Issuer is required to make any such deduction or withholding, it shall pay such additional amounts to the Senior Notes Issuer as may be necessary to ensure that the Senior Notes Issuer receives and retains, in the aggregate, a net payment equal to the payment which it would have received under the Senior Proceeds Loan Agreement had no such deduction or withholding been made.

The Senior Proceeds Loan Agreement provides that all payments made pursuant thereto will be made by the Senior Secured Notes Issuer under the Senior Proceeds Loan in such amounts and on such dates as necessary in order to ensure that the Senior Notes Issuer can satisfy its payment obligations under the Senior Bridge Facility Agreement, the Senior Notes and the Senior Indenture.

Bidco Proceeds Loan Notes – Senior Notes

On the Completion Date, following the Senior Notes Issuer's extension of the Senior Proceeds Loan to the Senior Secured Notes Issuer, Simon Bidco issued loan notes (the "**Senior Bidco Proceeds Loan Notes**") to the Senior

Secured Notes Issuer pursuant to a loan note instrument dated the Completion Date (the "**Senior Bidco Proceeds Loan Instrument**"), in an aggregate amount equal to the aggregate principal amount of the borrowings outstanding under the Senior Bridge Facility. The Senior Notes Bidco Proceed Loan Notes represent the on-lending of the aggregate amount of the Senior Notes Proceeds Loan from the Senior Secured Notes Issuer to Simon Bidco. It is intended that the Senior Bidco Proceed Loan Notes will be listed on the Channel Islands Securities Exchange.

The Senior Bidco Proceeds Loan Notes are denominated in sterling in an aggregate principal amount equal to the aggregate amount of the Senior Proceeds Loan. The Senior Bidco Proceeds Loan Notes bear interest from the date of issue (the Completion Date) at a rate equal to at least the interest rate of the Senior Proceeds Loan. Interest on the Senior Bidco Proceeds Loan Notes will be payable on each date the Senior Secured Notes Issuer is required to pay interest under the Senior Proceeds Loan Agreement, and semi-annually following the Issue Date in arrears. On and following the Issue Date, the Senior Bidco Proceeds Loan Instrument provides that Simon Bidco will pay the Senior Secured Notes Issuer interest and principal that becomes payable on the Senior Proceeds Loan and any additional amounts due thereunder and any other amounts that may be required as a consequence of certain events as set out or referenced in the Senior Proceeds Loan. The redemption date of the Senior Bidco Proceeds Loan Notes will be on the maturity date of the Senior Proceeds Loan.

Except as otherwise required by law and subject to the provisions of the Senior Proceed Loan Instrument, the payments made by or on behalf of Simon Bidco under the Senior Bidco Proceeds Loan Instrument will be made free and clear of and without withholding or deduction for, or on account of any taxes. In the event that Simon Bidco is required to make any such deduction or withholding, it shall pay such additional amounts to the Senior Secured Notes Issuer as may be necessary to ensure that the Senior Secured Notes Issuer receives and retains, in the aggregate, a net payment not less than the amount which it would have received under the Senior Bidco Proceeds Loan Notes in the absence of such withholding or deduction.

The Senior Bidco Proceeds Loan Instrument provides that in the event that any sum due is not paid by Simon Bidco on the due date, Simon Bidco shall pay to the Senior Secured Notes Issuer late payment interest on such sums.

Senior Secured Proceeds

Bidco Proceeds Notes – Senior Secured Notes

On the Completion Date, Simon Bidco issued one or more loan notes (the "**Senior Secured Bidco Proceeds Loan Notes**" and, together with the Senior Bidco Proceed Loan Notes, the "**Bidco Proceeds Loan Notes**") to the Senior Secured Notes Issuer pursuant to a loan note instrument dated the Completion Date (the "**Senior Secured Bidco Proceeds Loan Instrument**"), in an aggregate amount equal to the borrowings under the Senior Secured Bridge Facility. The Senior Secured Bidco Proceeds Loan Notes represents the on-lending of the borrowings under the Senior Secured Bridge Facility from the Senior Secured Notes Issuer to Simon Bidco on and from the Completion Date, and the deemed on-lending of the proceeds of the Senior Secured Notes on and from the Issue Date. It is intended that the Senior Secured Bidco Proceeds Loan Notes will be listed on the Channel Islands Securities Exchange.

The Senior Secured Bidco Proceeds Loan Notes are denominated in pounds sterling in an aggregate principal amount on the Completion Date equal to the borrowings under the Senior Secured Bridge Facility. The Senior Secured Bidco Proceeds Loan Notes bear interest prior to the Issue Date at a rate at least equal to the interest rate under the Senior Secured Bridge Facility Agreement and, from the Issue Date, at a rate equal to at least the interest rate of the Senior Secured Bridge Facililty, or, after the Issue Date, the Senior Secured Notes. Interest on the Senior Secured Bidco Proceeds Loan Notes will be payable on each date the Senior Secured Issuer is required to pay interest under the Senior Secured Bridge Facility Agreement prior to the Issue Date and semi-annually following the Issue Date, in arrears. On and following the Issue Date, the Senior Secured Bidco Proceeds Loan Instrument will provide that Simon Bidco will pay the Senior Secured Notes Issuer interest and principal that becomes payable on the Senior Secured Bridge Facility, the Senior Secured Notes and any additional amounts due thereunder and any other amounts that may be required as a consequence of a Change of Control Offer or Asset Disposition Offer (as defined under "*Description of the Senior Secured Notes*"). The redemption date of the Senior Secured Notes Bidco Proceeds Loan Notes will be on the maturity date of the Senior Secured Bridge Facility or, after the Issue Date, the Senior Secured Notes.

Except as otherwise required by law and subject to the provisions of the Senior Secured Bridge Facility or, after the Issue Date, the Senior Secured Notes, all payments made by or on behalf of Simon Bidco under the Senior Secured Bidco Proceeds Loan Instrument will be made free and clear of and without withholding or deduction for, or on account of any taxes. In the event that Simon Bidco is required to make any such deduction or withholding, it shall pay such additional amounts to the Senior Secured Notes Issuer as may be necessary to ensure that the Senior Secured Notes Issuer receives and retains, in the aggregate, a net payment not less than the amount which it would have received under the Senior Secured Bidco Proceeds Loan Notes in the absence of such withholding or deduction.

The Senior Secured Bidco Proceeds Loan Instrument provides that in the event that any sums due are not paid by Simon Bidco on the due date, Simon Bidco shall pay to the Senior Secured Notes Issuer late payment interest on such sums.

Shareholder Loans

In connection with the Acquisition, on or about the Completion Date the Senior Notes Issuer received from Garfunkelux Holdco 1 S.à r.l. a subordinated loan ("**Senior Notes Issuer Subordinated SHL**") and the Senior Secured Notes Issuer received from the Senior Notes Issuer a subordinated loan (together with the Senior Notes Issuer Subordinated SHL, the "**Subordinated SHL**"). Until no earlier than the date that is six months subsequent to the maturity date of the latest maturing of the third-party debt of the Senior Notes Issuer or the Senior Secured Notes Issuer, as applicable, the Subordinated SHL will not require any cash payments, will not permit enforcements or accelerations and must remain held by holders of the ordinary share capital of the Senior Notes Issuer or Senior Secured Notes Issuer, as applicable. We expect the Subordinated SHL to constitute "Subordinated Shareholder Funding" under the Indentures.

Milla Securitization

GFKL Holdco and certain of its subsidiaries have sold certain non-performing receivables to Milla Securitisation (No. 1) Limited ("**Milla**"), a special purpose company established in Jersey, Channel Islands, pursuant to certain receivables purchase agreements entered into between GFKL Holdco and certain of its subsidiaries as sellers and Milla as purchaser. The outstanding principal amount of senior loans (the "**Senior Loans**") under the Senior Loan Agreements (as defined below) was €4.2 million as of June 30, 2015.

Receivables Purchase Agreements and Portfolios

GFKL Holdco, PCS and IBW (each a "**Milla Seller**" and together, the "**Milla Sellers**") have sold certain portfolios of non-performing receivables to Milla pursuant to separate receivables purchase agreements entered into between the Milla Sellers as sellers and Milla as purchaser (the "**Receivables Purchase Agreements**"). GFKL Holdco has sold non-performing receivables originated by a German retailer from the mail order business and goods sold on credit to private individuals (the "**German Retailer Portfolio**") to Milla for a certain purchase price in 2013. PCS has sold non-performing receivables to Milla for a certain purchase price in 2013 and has sold additional non-performing receivables to Milla for a certain purchase price in 2014 (together, the "**PCS Portfolios**"). IBW has sold non-performing receivables to Milla for a certain purchase price in 2014 (the "**IBW Portfolio**" and, together with the Milla Portfolio and the PCS Portfolios, the "**Portfolios**").

The respective Milla Sellers each provides certain representations and warranties for the benefit of Milla as purchaser. The breach of some of the representations and warranties which relate to the sold receivables, may result in an obligation of the Milla Seller to repurchase the affected sold receivable upon request from Milla at a percentage of the *pro rata* share of the purchase price for the affected receivable by nominal outstanding balance of the receivable plus interest accrued at a certain percentage until repurchase.

Under the Receivables Purchase Agreements, Milla has appointed the respective Milla Seller under that Receivables Purchase Agreement (each, a "**Servicer**") to service on behalf of Milla the receivables sold by that Milla Seller for certain customary fees. GFKL Holdco has subcontracted the actual servicing activities to its subsidiaries SIR, DIG, PCS, IBW, and ZYK as sub-servicers (the "**Sub-Servicers**") which hold a collection license pursuant to the German Act on Legal Services (*Rechtsdienstleistungsgesetz*). The Sub-Servicers have confirmed the sub-services in a separate agreement with Milla.

Senior and Subordinated Funding

Milla has financed the payment of the purchase price for the acquisition of the Portfolios through funding by way of certain senior loan agreements entered into between, *inter alios*, Milla as borrower and Goldman Sachs Lending Partners LLC as original lender (the "**Senior Loan Agreements**") and certain subordinated loan agreements entered into between Milla as borrower and the respective Milla Seller as subordinated lender (the

“**Subordinated Loan Agreements**”). Payments by Milla of amounts owing by it are made pursuant to certain priority of payment waterfalls (the “**Priority of Payments**”) set out in the documents.

With respect to GFKL Holdco and PCS as Milla Sellers of the German Retailer Portfolio and the PCS Portfolios, Milla has entered into a senior loan agreement with Goldman Sachs Lending Partners LLC as original lender and certain other transaction parties (as amended and restated on March 19, 2014, including an increase of the commitment of the original lender). With respect to IBW as Milla Seller of the IBW Portfolio, Milla has entered into a senior loan agreement with Goldman Sachs Lending Partners LLC as original lender and certain other transaction parties. Milla is obliged to repay the Senior Loans in certain amounts on each payment date in accordance with the Priority of Payments. The remainder shall be repaid at a certain repayment date. No amount repaid may be re-borrowed.

The lenders under the Senior Loan Agreements are entitled to transfer all of their rights and obligations under the Senior Loan Agreements to GFKL Holdco for a price being equal to the principal amount outstanding under the Senior Loan Agreements, accrued and unpaid interest and outstanding costs, for a period of one month after becoming aware of a change of control and if the cash payments actually provided are more than 20% below the planned expected cash flows on average over any aggregated period of three consecutive months at any time during the life of the Milla Securitisation (the “**Milla Put**”). A “change of control” occurs, *inter alia*, if any person or persons acting in concert acquire directly or indirectly more than 50% (or 30% after an initial public offering) of the shares in GFKL Holdco (or the respective subsidiary of GFKL Holdco acting as seller under the related Receivables Purchase Agreement) or such number of shares in GFKL Holdco (or the respective subsidiary of GFKL Holdco acting as seller under the related Receivables Purchase Agreement) carrying more than 50% of the voting rights normally exercisable at the general meetings of GFKL Holdco or the respective subsidiary. Following the Acquisition, a change of control for purposes of the Milla Put was not deemed to have occurred because such change of control was waived by the lenders under the Senior Loan Agreements through a waiver dated June 29, 2015.

The obligations of Milla as borrower under the Senior Loan Agreements are secured by pledges over the respective operating accounts, assignment of all rights and claims under the fiduciary agreements regarding the collection accounts held by the servicers for the benefit of Milla and assignment of rights and claims of Milla under the transaction documents (excluding the Subordinated Loan Agreements). The Senior Loan Agreements contain certain negative and affirmative undertakings as well as a series of customary termination grounds, such as failure to pay, breach of other obligations, misrepresentation, insolvency, insolvency proceedings, creditors’ process, unlawfulness and repudiation and material litigation.

In the event that GFKL Holdco were to be replaced as servicer under the Receivables Purchase Agreement relating to the Milla Portfolio, GFKL Holdco is entitled to demand transfer of all of the rights and obligations under the Senior Loan Agreements to itself.

GFKL Holdco, PCS and IBW as lenders have granted subordinated loans to Milla as borrower. The claims of the lenders under the Subordinated Loan Agreements rank junior to those of the lenders under the Senior Loan Agreements. Disbursement of each of the loans under the Subordinated Loan Agreements is set off in a corresponding amount against the purchase price payable to the Milla Seller under the respective Receivables Purchase Agreement and the sellers therefore did not receive the full purchase price in cash.

DESCRIPTION OF THE SENIOR SECURED NOTES

You will find definitions of certain capitalized terms used in this "*Description of the Senior Secured Notes*" under the heading "*Certain Definitions*." For purposes of this "*Description of the Senior Secured Notes*," references to the "*Issuer*" are to Garfunkelux Holdco 3 S.A. only and not to any of its Subsidiaries. References to "we" or "us" or the "Group" are to the Issuer and its Subsidiaries (including the Target and its Subsidiaries), taken as a whole.

The Issuer will issue £565 million aggregate principal amount of 8.500% Senior Secured Notes due 2022 (the "*Senior Secured Notes*"). The Senior Secured Notes will be issued under an indenture to be dated as of October 19, 2015 (the "*Senior Secured Notes Indenture*"), between, *inter alios*, the Issuer, the Senior Notes Issuer, Garfunkel Holding, Simon Bidco, Simon Midco, and Simon Holdco, as guarantors, Citibank, N.A., London Branch, as trustee (the "*Trustee*"), Citibank, N.A., London Branch, as paying agent, Citibank, N.A., London Branch, as transfer agent (the "*Transfer Agent*"), Citibank, N.A., London Branch, as registrar (the "*Registrar*"), and Citibank, N.A., London Branch, as security agent (the "*Security Agent*"), in a private transaction that is not subject to the registration requirements of the U.S. Securities Act. The Senior Secured Notes Indenture will not be qualified under the U.S. Trust Indenture Act of 1939, as amended.

The following description is a summary of the material provisions of the Senior Secured Notes Indenture and the Senior Secured Notes and refers to the Security Documents and the Intercreditor Agreement. It does not restate those agreements in their entirety. We urge you to read the Senior Secured Notes Indenture, the Senior Secured Notes the Security Documents and the Intercreditor Agreement because they, and not this description, define your rights as holders of the Senior Secured Notes ("*Holders*"). Copies of the Senior Secured Notes Indenture, the forms of Notes, the Security Documents and the Intercreditor Agreement are available as set forth in this Offering Memorandum under the caption "*Listing and General Information*."

The proceeds of the offering of the Senior Secured Notes sold on the Issue Date will be used by the Issuer, together with cash on hand, to refinance the Senior Secured Bridge Facility and pay estimated fees and expenses incurred in connection with the Transactions, each as set forth in this Offering Memorandum under the caption "*Use of Proceeds*."

Upon the initial issuance of the Senior Secured Notes, the Senior Secured Notes will be obligations of the Issuer and will be guaranteed by the Senior Secured Notes Issue Date Guarantors on a senior basis. Within 60 days of the Completion Date, the Senior Secured Notes Post-Completion Date Guarantors will become party to the Senior Secured Notes Indenture and will, subject to the Agreed Security Principles, guarantee the Senior Secured Notes on a senior basis. In addition, if the Structure Event occurs, no later than 10 Business Days thereafter, the Issuer will procure that sufficient Group entities will become party to the Senior Secured Notes Indenture and will, subject to the Agreed Security Principles, guarantee the Senior Secured Notes on a senior basis so as to satisfy the Security Coverage Test, if such test was not previously satisfied. See "*—The Note Guarantees*."

The Senior Secured Notes Indenture will be subject to the terms of the Intercreditor Agreement and any Additional Intercreditor Agreement (as defined below). The terms of the Intercreditor Agreement are important to understanding relative ranking of indebtedness and security, the ability to make payments in respect of the indebtedness, procedures for undertaking enforcement action, subordination of certain indebtedness, turnover obligations, release of security and guarantees, and the payment waterfall for amounts received by the Security Agent.

The registered Holder of a Senior Secured Note will be treated as the owner of it for all purposes. Only registered Holders will have rights under the Senior Secured Notes Indenture, including, without limitation, with respect to enforcement and the pursuit of other remedies. The Senior Secured Notes have not been, and will not be, registered under the U.S. Securities Act and are subject to certain transfer restrictions.

As of the Issue Date, all of our Subsidiaries will be "Restricted Subsidiaries" for purposes of the Senior Secured Notes Indenture. However, under the circumstances described below under "*—Certain Definitions—Unrestricted Subsidiary*," we will be permitted to designate certain of our Subsidiaries as "Unrestricted Subsidiaries." Our Unrestricted Subsidiaries will not be subject to any of the restrictive covenants in the Senior Secured Notes Indenture and will not guarantee the Senior Secured Notes.

The Senior Secured Notes

The Senior Secured Notes will:

- be general senior obligations of the Issuer, secured as set forth under "*—Security*";

- rank *pari passu* in right of payment with any existing and future Indebtedness of the Issuer that is not expressly subordinated in right of payment to the Senior Secured Notes, including the obligations of the Issuer under the Existing 2022 Senior Secured Notes, the Revolving Credit Facility and certain Hedging Obligations;
- rank senior in right of payment to any existing and future Indebtedness of the Issuer that is expressly subordinated in right of payment to the Senior Secured Notes, including obligations of the Issuer under the Senior Proceeds Loan and its guarantee of the Senior Notes;
- be effectively subordinated to any existing or future Indebtedness or obligation of the Issuer and its Subsidiaries that is secured by property and assets that do not secure the Senior Secured Notes, to the extent of the value of the property and assets securing such Indebtedness (including the Existing 2022 Senior Secured Notes in the event that limited credit support is provided thereto by GFKL Holdco and its Subsidiaries prior to the Structure Event);
- be guaranteed by the Guarantors as described under "—*The Note Guarantees*";
- be structurally subordinated to any existing or future Indebtedness of the Subsidiaries of the Issuer that are not Guarantors, including obligations to trade creditors;
- mature on November 1, 2022; and
- be represented by one or more registered notes in global registered form, but in certain circumstances may be represented by Definitive Registered Notes (see "*Book-Entry, Delivery and Form*").

The operations of the Issuer were conducted through the GFKL Group prior to the Completion Date and, after the Completion Date, are conducted through both the GFKL Group and Metis Bidco Limited (the "*Target*") and its Subsidiaries (the "*Target Group*"), and the Issuer will depend on the cash flow of the GFKL Group and the Target Group to meet its obligations under the Senior Secured Notes. GFKL Holdco and its Subsidiaries will not provide guarantees or security interests in respect of the Senior Secured Notes prior to the German Company Conversion and, until the completion of the Squeeze Out, any dividend from GFKL Holdco will be subject to payment of a pro rata dividend to GFKL Holdco's minority shareholders. Under applicable German regulation, cash and cash equivalents held by the entities within the GFKL Group can only be upstreamed to their direct or indirect parent entities, including to the Issuer for purposes of servicing the Senior Secured Notes, to the extent that sufficient cumulative distributable profits and cumulative reserves exist within these legal entities and that they continue to meet the relevant minimum capital requirements. See "*Risk Factors—Risks Related to Our Structure and the Financing—Each Issuer is a holding company dependent upon cash flow from subsidiaries to meet its obligations under the applicable Notes and Note Guarantees and the corporate structure of the Group will limit GFKL Holdco's ability to upstream cash to the Issuers*" and "*Certain Limitations on Validity and Enforceability of the Note Guarantees and the Collateral and Certain Insolvency Law Considerations*." Additionally, until the Top-Up Share Conversion occurs, any dividends from Simon Holdco will be subject to payment of a *pro rata* dividend to OTPP. As of the Completion Date, the Top-Up Shares represented approximately 24% of the Capital Stock of Simon Holdco with the potential to represent up to an additional 2.5% if the maximum amount of additional Top-Up Shares are issued as purchase price adjustments. See "*Risk Factors—Risks Related to Our Structure and the Financing—The covenants will not prevent us from issuing dividends on the Top-Up Shares*."

As of June 30, 2015, after giving pro forma effect to the Transactions as if they had occurred on that date, the Issuer and its consolidated Subsidiaries would have had £828.6 million of secured Indebtedness (excluding local facilities). In addition, there would have been €198.7 million available for drawing under the Revolving Credit Facility and £230 million representing the senior subordinated guarantees of the Senior Notes issued under the Senior Notes Indenture. In addition, on September 24, 2015, €10.5 million of the Revolving Credit Facility was utilized but undrawn in connection with providing a guarantee for the Squeeze Out (the "*Squeeze Out Guarantee*").

The Note Guarantees

General

As of the Issue Date, the Senior Secured Notes Issue Date Guarantors will guarantee the Senior Secured Notes on a senior basis. Within 60 days of the Completion Date, the Senior Secured Notes Post-Completion Date Guarantors will become party to the Senior Secured Notes Indenture and will, subject to the Agreed Security Principles, guarantee the Senior Secured Notes on a senior basis. In addition, if the Structure Event occurs, the Issuer shall procure that, no later than 10 Business Days thereafter, sufficient additional Restricted Subsidiaries will, subject to the Agreed Security Principles at the time of grant, guarantee the Senior Secured Notes on a senior basis so as to satisfy the Security Coverage Test unless the Security Coverage Test has been previously satisfied (the "*Post-Structure- Event Guarantors*" and, together with the Senior Secured Notes Issue Date Guarantors and the Senior Secured Notes Post-Completion Date Guarantors, the "*Initial Guarantors*"). In addition, if required by the covenant described under "*—Certain Covenants—Limitation on Additional Guarantees*," subject to the Intercreditor Agreement and the Agreed Security Principles, certain other Restricted Subsidiaries may provide a Note Guarantee in the future (together with the Initial Guarantors, the "*Guarantors*"). The Note Guarantees will be joint and several obligations of the Guarantors.

The Note Guarantee of each Guarantor will:

- be a general senior obligation of that Guarantor, secured as set forth under "*—Security*";
- rank *pari passu* in right of payment with any existing and future Indebtedness of that Guarantor that is not expressly subordinated in right of payment to such Note Guarantee (including such Guarantor's obligations under the Existing 2022 Senior Secured Notes, the Revolving Credit Facility and certain Hedging Obligations and the Senior Notes Issuer's obligations under the Senior Notes);
- rank senior in right of payment to any existing and future Indebtedness of such Guarantor that is expressly subordinated in right of payment to such Note Guarantee (including the obligations of such Guarantor (other than the Senior Notes Issuer), if any, under the Senior Notes);
- be effectively subordinated to any existing or future Indebtedness or obligation of such Guarantor that is secured by property and assets that do not secure such Note Guarantee, to the extent of the value of the property and assets securing such Indebtedness (including its Guarantee of the Existing 2022 Senior Secured Notes in the event that limited credit support is provided thereto by GFKL Holdco and its Subsidiaries prior to the Structure Event); and
- be structurally subordinated to any existing or future Indebtedness of the Subsidiaries of such Guarantor that are not Guarantors, including obligations to trade creditors.

The obligations of a Guarantor under its Note Guarantee will be limited as necessary to prevent the relevant Note Guarantee from constituting a fraudulent conveyance, preference, transfer at under value or unlawful financial assistance under applicable law, or otherwise to reflect corporate benefit rules, "thin capitalization" rules, retention of title claims, laws on the preservation of share capital, limitations of corporate law, regulations or defenses affecting the rights of creditors generally or other limitations under applicable law which, among other things, might limit the amount that can be guaranteed by reference to the net assets and legal capital of the relevant Guarantor. Additionally, the Note Guarantees will be subject to certain corporate law procedures being complied with. The Note Guarantees will be further limited as required under the Agreed Security Principles which apply to and restrict the granting of guarantees and security in favor of obligations under the Revolving Credit Facility and the Senior Secured Notes where, among other things, any such grant would be restricted by general statutory or other legal limitations or requirements and may be precluded if the cost of such grant is disproportionate to the benefit to the creditors, including the Holders, of obtaining the applicable guarantee. By virtue of these limitations, a Guarantor's obligation under its Note Guarantee could be significantly less than amounts payable with respect to the Senior Secured Notes, or a Guarantor may have effectively no obligation under its Note Guarantee.

As of June 30, 2015, the Senior Secured Notes Issue Date Guarantors and the Senior Secured Notes Post-Completion Date Guarantors that are members of the Target Group represented 82% of the consolidated assets of the Target Group. At the time the last of the Initial Guarantors provides its Note Guarantee (which will be no later than 10 Business Days after the Structure Event, if any), the Guarantors will represent, subject to the Agreed Security Principles, at least 80% of (i) Consolidated EBITDA (disregarding the EBITDA of any member of the Group that generates negative EBITDA) and (ii) the gross assets of the Group (excluding all intra-Group items). Claims of creditors of Restricted Subsidiaries that are not Guarantors, including trade creditors and creditors holding debt and guarantees issued by those Restricted Subsidiaries, and claims of preferred stockholders (if any) of those Restricted Subsidiaries and minority stockholders of Restricted Subsidiaries that are not Guarantors (if any) generally will have priority with respect to the assets and earnings of those Restricted Subsidiaries over the claims of creditors of the Issuer and the Guarantors, including Holders of the Senior Secured Notes. The Senior Secured Notes and each Note Guarantee therefore will be structurally subordinated to creditors (including trade creditors) and preferred stockholders (if any) of Restricted Subsidiaries of the Issuer (other than the Guarantors) and minority stockholders of Restricted Subsidiaries that are not Guarantors (if any). Although the Senior Secured Notes Indenture will limit the Incurrence of Indebtedness, Disqualified Stock and Preferred Stock of Restricted Subsidiaries, the limitation is subject to a number of significant exceptions. Moreover, the Senior

Secured Notes Indenture will not impose any limitation on the Incurrence by Restricted Subsidiaries of liabilities that are not considered Indebtedness, Disqualified Stock or Preferred Stock under the Senior Secured Notes Indenture. See "*—Certain Covenants—Limitation on Indebtedness*."

Note Guarantees Release

The Note Guarantee of a Guarantor will terminate and release:

- upon a sale or other disposition (including by way of consolidation or merger) of the Capital Stock of the relevant Guarantor (whether by direct sale or sale of a holding company), if the sale or other disposition does not violate the Senior Secured Notes Indenture and the Guarantor ceases to be a Restricted Subsidiary as a result of the sale or other disposition;
- upon the sale or disposition (including by way of consolidation or merger) of all or substantially all the assets of the Guarantor (other than to the Issuer or any Restricted Subsidiaries), if the sale or other disposition does not violate the Senior Secured Notes Indenture;
- upon the designation in accordance with the Senior Secured Notes Indenture of the Guarantor as an Unrestricted Subsidiary;
- upon legal defeasance, covenant defeasance or satisfaction and discharge of the Senior Secured Notes, as provided in "*—Defeasance*" and "*—Satisfaction and Discharge*";
- upon the release of the Guarantor's Note Guarantee under any Indebtedness that triggered such Guarantor's obligation to guarantee the Senior Secured Notes under the covenant described in "*—Certain Covenants—Limitation on Additional Guarantees*";
- in accordance with an enforcement action pursuant to the provisions of the Intercreditor Agreement or any Additional Intercreditor Agreement;
- as described under "*—Amendments and Waivers*";
- in connection with the implementation of a Permitted Reorganization; or
- with respect to an entity that is not the successor Guarantor, as a result of a transaction permitted by "*—Certain Covenants—Merger and Consolidation—The Guarantors*."

The Trustee and the Security Agent shall take all necessary actions reasonably requested in writing by the Issuer, including the granting of releases or waivers under the Intercreditor Agreement or any Additional Intercreditor Agreement, to effectuate any release of a Note Guarantee in accordance with these provisions, subject to customary protections and indemnifications. Each of the releases set forth above shall be effected by the Trustee and the Security Agent without the consent of or liability to the Holders or any other action or consent on the part of the Trustee or the Security Agent.

Principal, Maturity and Interest

On the Issue Date, the Issuer will issue £565 million in aggregate principal amount of Senior Secured Notes ("*this series of Senior Secured Notes*"). This series of Senior Secured Notes will mature on November 1, 2022. The redemption price at maturity is 100.000%. This series of Senior Secured Notes will be issued in minimum denominations of £100,000 and integral multiples of £1,000 in excess thereof.

Interest on this series of Senior Secured Notes will accrue at the rate of 8.500% per annum. Interest on this series of Senior Secured Notes will:

- accrue from the Issue Date or, if interest has already been paid, from the date it was most recently paid;
- be payable in cash semi-annually in arrears on May 1 and November 1, commencing on May 1, 2016;
- be payable to the holder of record of such Senior Secured Notes on April 15 and October 15 immediately preceding the related interest payment date; and
- be computed on the basis of a 360-day year comprised of twelve 30-day months.

Interest on overdue principal, interest, premium or Additional Amounts will accrue at a rate that is 1% higher than the rate of interest otherwise applicable to this series of Senior Secured Notes.

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

Additional Senior Secured Notes

From time to time, subject to the Issuer's compliance with the covenants described under "*—Certain Covenants—Limitation on Indebtedness*" and "*—Certain Covenants—Limitation on Liens*," the Issuer is permitted to issue additional Senior Secured Notes of the same or different series, which shall have terms substantially identical to this series of Senior Secured Notes except in respect of any of the following terms which shall be set forth in an Officer's Certificate supplied to the Trustee ("***Additional Senior Secured Notes***"):

(1) the title of such Additional Senior Secured Notes;

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

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

(4) the rate or rates (which may be fixed or floating) at which such Additional Senior Secured 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 Senior Secured Notes shall be denominated and the currency in which cash or government obligations in connection with such series of Additional Senior Secured 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 Senior Secured Notes may be redeemed, in whole or in part;

(7) if other than in denominations of £100,000 and in integral multiples of £1,000 in excess thereof, the denominations in which such Additional Senior Secured Notes shall be issued and redeemed;

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

(9) any relevant limitation language with respect to Note Guarantees and Security Documents.

All series of Additional Senior Secured Notes will be treated, along with all other Senior Secured Notes, as a single class for the purposes of the Senior Secured Notes Indenture with respect to waivers, amendments and all other matters which are not specifically distinguished for any applicable series. Unless the context otherwise requires, for all purposes of the Senior Secured Notes Indenture and this "*Description of the Senior Secured Notes*," references to "*Senior Secured Notes*" shall be deemed to include references to the Senior Secured Notes initially issued on the Issue Date as well as any Additional Senior Secured Notes. Additional Senior Secured Notes may be designated to be of the same series as the Senior Secured Notes initially issued on the Issue Date, but only if they have terms substantially identical in all material respects to the Senior Secured Notes initially issued on the Issue Date, and shall be deemed to form one series therewith, and references to this series of Senior Secured Notes shall be deemed to include the Senior Secured Notes initially issued on the Issue Date as well as any such Additional Senior Secured Notes.

Methods of Receiving Payments on the Senior Secured Notes

Principal, interest and premium and Additional Amounts, if any, on the Global Notes (as defined below) will be made by one or more Paying Agents by wire transfer of immediately available funds to the account specified by the registered Holder thereof (being the common depositary or its nominee for Euroclear and Clearstream).

Principal, interest and premium, and Additional Amounts, if any, on any certificated securities ("*Definitive Registered Notes*") will be payable at the specified office or agency of one or more Paying Agents maintained for such purposes in the City of London. In addition, interest on the Definitive Registered Notes may be paid, at the option of the Issuer, by check mailed to the address of the Holder entitled thereto as shown on the register of Holders of Senior Secured Notes for the Definitive Registered Notes. See "*—Paying Agent and Registrar for the Senior Secured Notes*" below.

Paying Agent and Registrar for the Senior Secured Notes

The Issuer will maintain one or more Paying Agents for the Senior Secured Notes in the City of London (including the initial Paying Agent). The Issuer will also undertake to maintain a Paying Agent in a European Union member state that will not be obligated to withhold or deduct tax pursuant to the European Union Directive 2003/48/EC (as amended) or any other directive implementing the conclusions of the ECOFIN meeting of November 26 and 27, 2000 regarding the taxation of savings income (the "*Directive*"), or any law implementing or complying with or introduced in order to conform to, such Directive. The initial Paying Agent will be Citibank, N.A., London Branch (the "*Paying Agent*").

The Issuer will also maintain a registrar (the "*Registrar*") and a transfer agent (the "*Transfer Agent*"). The initial Registrar will be Citibank, N.A., London Branch and the initial Transfer Agent will be Citibank, N.A., London Branch. The Registrar will maintain a register reflecting ownership of the Senior Secured Notes outstanding from time to time, if any, and together with the Transfer Agent, will facilitate transfers of the Senior Secured Notes on behalf of the Issuer. A register of the Senior Secured Notes shall be maintained at the registered office of the Issuer. In case of inconsistency between the register of the Senior Secured Notes kept by the Registrar and the one kept by the Issuer at its registered office, the register kept by the Issuer shall prevail.

The Issuer may change any Paying Agent, Registrar or Transfer Agent for the Senior Secured Notes without prior notice to the Holders of the Senior Secured Notes. However, for so long as the Senior Secured Notes are listed on the Official List of the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, the Issuer will publish notice of any change of Paying Agent, Registrar or Transfer Agent in a newspaper having a general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, to the extent and in the manner permitted by such rules, post such notice on the official website of the Luxembourg Stock Exchange (*www.bourse.lu*). The Issuer or any of its Subsidiaries may act as Paying Agent or Registrar in respect of the Senior Secured Notes.

Transfer and Exchange

The Senior Secured Notes will be issued in the form of several registered notes in global form without interest coupons, as follows:

- each series of Senior Secured Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A under the Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the "*144A Global Notes*"). The 144A Global Notes will, on the Issue Date, be deposited with and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream; and
- each series of Senior Secured Notes sold outside the United States pursuant to Regulation S under the Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the "*Regulation S Global Notes*" and, together with the 144A Global Notes, the "*Global Notes*"). The Regulation S Global Notes will, on the Issue Date, be deposited with and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.

Ownership of interests in the Global Notes ("*Book-Entry Interests*") will be limited to persons that have accounts with Euroclear and Clearstream or persons that may hold interests through such participants.

Ownership of Book-Entry Interests and transfers thereof will be subject to the restrictions on transfer and certification requirements summarized below and described more fully under "*Transfer Restrictions*." In addition, transfers of Book-Entry Interests between participants in Euroclear or participants in Clearstream will be effected by Euroclear and Clearstream pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear or Clearstream and their respective participants.

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

Subject to the foregoing, Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of 144A Book-Entry Interests only upon delivery by the transferor of a written certification (in the form provided in the Senior Secured Notes Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under "*Transfer Restrictions*" and in accordance with any applicable securities law of any other jurisdiction.

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

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

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

Notwithstanding the foregoing, the Registrar and the Transfer Agent are not required to register the transfer or exchange of any Senior Secured Notes:

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

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

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

(4) which the Holder has tendered (and not withdrawn) for repurchase in connection with a Change of Control Offer or an Asset Disposition Offer.

The Issuer, the Trustee, the Paying Agents, the Transfer Agent and the Registrar will be entitled to treat the registered Holder of a Senior Secured Note as the owner thereof for all purposes.

Security

General

On the Issue Date, subject to the terms of the Security Documents and the Agreed Security Principles, the Senior Secured Notes will be secured by first-priority security interests ranking *pari passu* with (a) the security interests securing the Revolving Credit Facility and certain hedging obligations (collectively, the "*Super Senior Obligations*") (subject to the provisions of the Intercreditor Agreement) and (b) the security interests securing the Existing 2022 Senior Secured Notes over:

- the share capital of the Issuer held by the Senior Notes Issuer, the share capital of Simon Holdco and Garfunkel Holding held by the Issuer and the share capital of GFKL Holdco held by Garfunkel Holding;
- the Senior Notes Issuer's receivables, including those owing from the Issuer under the Senior Proceeds Loan and the Senior Notes Issuer Shareholder Loan;
- the Issuer's receivables under the proceeds loan from the Issuer to Garfunkel Holding, the Issuer's receivables arising from certain intercompany loan notes issued by Simon Bidco and Simon Midco; and any other receivables of the Issuer under loans made to its direct and indirect subsidiaries;
- bank accounts of the Issuer and Garfunkel Holding;

- substantially all assets of Simon Holdco, Simon Midco and Simon Bidco; and
- Garfunkel Holding's rights under the agreement governing the GFKL Acquisition and its receivables under any intragroup loans owed by the GFKL Holdco's Subsidiaries.

Within 60 days of the Completion Date, subject to the terms of the Security Documents and the Agreed Security Principles, the Senior Secured Notes will be secured by first-ranking security interests ranking *pari passu* with the Super Senior Obligations (subject to the provisions of the Intercreditor Agreement) and the Existing 2022 Senior Secured Notes over substantially all assets (including bank accounts, shares, and intra-group receivables) of each of the Senior Secured Notes Post-Completion Date Guarantors.

The Issuer will use commercially reasonable efforts to procure that New Luxco will become party to the Senior Secured Notes Indenture within 60 days of the Completion Date. To the extent that New Luxco becomes a party to the Senior Secured Notes Indenture, New Luxco will provide first-priority security interests over any T-Shares of the Issuer and the Subsidiary Guarantors held by New Luxco, subject to the terms of the Security Documents and the Agreed Security Principles, within 60 days of the Completion Date.

If the Structure Event occurs, no later than 10 Business Days thereafter, the Senior Secured Notes will be secured by first-priority security interests ranking *pari passu* with the Super Senior Obligations (subject to the provisions of the Intercreditor Agreement) and the Existing 2022 Senior Secured Notes over certain of the material assets, share capital and/or intragroup receivables of the Post-Structure-Event Guarantors, subject to the Agreed Security Principles; *provided* that, for the avoidance of doubt, any security interest to be granted (i) by a Post-Structure-Event Guarantor incorporated, organized or established under the laws of the Federal Republic of Germany, (ii) over any asset located in the Federal Republic of Germany, and/or (iii) under a Security Document governed by the laws of the Federal Republic of Germany shall only be over share capital and/or intragroup receivables.

If the Structure Event occurs and to the extent that New Luxco has become a party to the Senior Secured Notes Indenture, New Luxco will provide first-priority security interests over any T-Shares of the Subsidiary Guarantors held by New Luxco not previously provided, subject to the terms of the Security Documents and the Agreed Security Principles, within 60 days of the Structure Event.

As described above, the Collateral will also secure the liabilities under the Existing 2022 Senior Secured Notes, the Revolving Credit Facility and certain Hedging Obligations and may also secure certain future Indebtedness, including Additional Senior Secured Notes. Furthermore, the Collateral granted by the Senior Notes Issuer will also secure the Senior Notes (and Guarantees thereof) on a second-priority basis for purposes of enforcement under the Intercreditor Agreement. The proceeds from the enforcement of the Collateral may not be sufficient to satisfy the obligations owed to the Holders of the Senior Secured Notes. No appraisals of the Collateral have been made in connection with this issuance of Senior Secured Notes. By its nature, some or all of the Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, the Collateral may not be able to be sold in a short period of time, or at all.

Notwithstanding the provisions of the covenant described below under "*—Certain Covenants—Limitation on Liens*," certain property, rights and assets may not be pledged, and any pledge over property, rights and assets may be limited (or the Liens not perfected), in accordance with the Agreed Security Principles, including (but not limited to) if:

- the security interest to be granted is (i) by a member of the Group incorporated, organized or established under the laws of the Federal Republic of Germany, (ii) over any asset located in the Federal Republic of Germany governed, and/or (iii) under security document governed by the laws of the Federal Republic of Germany and would create security interests other than with respect to the intragroup receivables of, and the shares held by members of the Group in, the relevant entity;
- providing such security or guarantee would be prohibited by general legal and statutory limitations, such as regulatory restrictions, financial assistance, corporate benefit, capital maintenance, fraudulent preference, "interest stripping," "controlled foreign corporation," transfer pricing or "thin capitalization" rules, tax restrictions, retention of title claims and similar principles; *provided* that the Issuer or the relevant Restricted Subsidiary, as applicable, shall use commercially reasonable endeavors to overcome any such limitation;
- providing such security or guarantee would require the consent of a supervisory board, works council, regulator or regulatory board (or equivalent), or another external body or person, unless such consent has been received; *provided* that reasonable endeavors have been used by the Issuer or the relevant Restricted Subsidiary, as applicable, to obtain the relevant consent;

- (subject to certain exceptions) the cost of providing such security or guarantee (including adverse effects on taxes, interest deductibility and stamp duty, notarization and registration fees) is disproportionate to the benefit accruing to the holders;
- the assets are subject to third-party arrangements which may prevent those assets from being secured (or are assets which, if secured, would give a third party the right to terminate or otherwise amend any rights, benefits and/or obligations of either the Issuer or any of the Restricted Subsidiaries in respect of those assets or require such entity to take any action materially adverse to the interests of the Issuer and the Restricted Subsidiaries or any member thereof); *provided* that reasonable endeavors to obtain consent to charging any such assets shall be used by the Issuer or such Restricted Subsidiary, as applicable, in certain circumstances;
- providing such security or guarantee would not be within the legal capacity of the Issuer or relevant Restricted Subsidiary, or if the same would conflict with the fiduciary duties of those directors or contravene any legal prohibition, *bona fide* contractual restriction or regulatory condition or would, despite market standard limitation language, result in (or in a material risk of) personal or criminal liability on the part of any officer; *provided* that the Issuer or relevant Restricted Subsidiary, as applicable, shall use reasonable endeavors to overcome any such obstacle;
- providing such security or guarantee would have a material adverse effect on the ability of the relevant security provider to conduct its operations and business in the ordinary course (as otherwise permitted by the relevant finance documents); and
- the assets are those of any joint venture or similar arrangement or any minority interest.

For further information regarding limitations arising under or imposed by local law and defenses generally available to providers of Collateral (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose or benefit, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law, see "*Certain Limitations on Validity and Enforceability of the Note Guarantees and the Collateral and Certain Insolvency Law Considerations*."

Priority

The relative priority with regard to the security interests in the Collateral that are created by the Security Documents (the "*Security Interests*" and each, a "*Security Interest*") as between (a) the lenders under the Revolving Credit Facility, (b) the counterparties under certain Hedging Obligations, (c) the Trustee, the Security Agent and the Holders of the Senior Secured Notes under the Senior Secured Notes Indenture; (d) the trustee, the security agent and the holders of the Senior Notes under the Senior Notes Indenture; (e) the trustee, the security agent and the holders of the Existing 2022 Senior Secured Notes under the Existing 2022 Senior Secured Notes Indenture; and (f) the creditors of certain other Indebtedness permitted to be secured by the Collateral, respectively, is established by the terms of the Intercreditor Agreement, the Security Documents and the security documents relating to the Revolving Credit Facility, the Existing 2022 Senior Secured Notes, the Senior Notes and such Hedging Obligations, which provide, among other things, that the obligations under the Revolving Credit Facility, certain Hedging Obligations, the Senior Secured Notes and the Existing 2022 Senior Secured Notes are secured equally and ratably by first priority Security Interests. However, under the terms of the Intercreditor Agreement, the Holders of the Senior Secured Notes and the Existing 2022 Senior Secured Notes will only receive proceeds from the enforcement of the Collateral after certain super senior priority obligations including (i) obligations under the Revolving Credit Facility and (ii) certain priority Hedging Obligations have been paid in full. In addition, pursuant to the Intercreditor Agreement or Additional Intercreditor Agreements entered into after the Issue Date, the Collateral may be pledged to secure other Indebtedness. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*," "*—Release of Liens*," "*—Certain Covenants—Impairment of Security Interest*" and "*—Certain Definitions—Permitted Collateral Liens*."

Security Documents

Under the Security Documents, the Senior Notes Issuer, the Issuer, New Luxco and certain of the Guarantors have granted, or will grant, security over the Collateral to secure the payment when due on the Issuer's and the Guarantors' payment obligations under the Senior Secured Notes, the Note Guarantees and the Senior Secured Notes Indenture. The Security Documents have been, or will be, entered into by the relevant security provider and the Security Agent as agent for the secured parties. When entering into the Security Documents, the Security Agent has acted in its own name, but for the benefit of the secured parties (including itself, the Trustee and the holders of Senior Secured Notes from time to time). Under the Intercreditor Agreement, the Security Agent will also act as security agent for the Senior Notes, the Existing 2022 Senior Secured Notes, the Revolving Credit Facility and certain Hedging Obligations.

The Senior Secured Notes Indenture and the Intercreditor Agreement provide that, to the extent permitted by the applicable laws, only the Security Agent will have the right to enforce the Security Documents on behalf of the Trustee and the holders of the Senior Secured Notes. As a consequence of such contractual provisions, holders of the Senior Secured Notes will not be entitled to take enforcement action in respect of the Collateral securing the Senior Secured Notes, except through the Trustee under the Senior Secured Notes Indenture, who will (subject to the provisions of the Senior Secured Notes Indenture) provide instructions to the Security Agent in respect of the enforcement of the Collateral. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*."

The Senior Secured Notes Indenture will provide that, subject to the terms thereof and of the Security Documents and the Intercreditor Agreement, the Senior Secured Notes and the Note Guarantees, as applicable, will be secured by Security Interests in the Collateral until all obligations under the Senior Secured Notes, the Note Guarantees and the Senior Secured Notes Indenture have been discharged. However, the Security Interests with respect to the Senior Secured Notes and the Senior Secured Notes Indenture may be released under certain circumstances as provided under "*—Release of Liens*."

In the event that the Issuer or its Subsidiaries enter into insolvency, bankruptcy or similar proceedings, the Security Interests created under the Security Documents or the rights and obligations enumerated in the Intercreditor Agreement could be subject to potential challenges. If any challenge to the validity of the Security Interests or the terms of the Intercreditor Agreement were successful, the Holders may not be able to recover any amounts under the Security Documents.

Subject to the terms of the Senior Secured Notes Indenture, the Senior Secured Notes, the Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreement, the Senior Notes Issuer, the Issuer and the Guarantors will have the right to remain in possession and retain exclusive control of the Collateral securing the Senior Secured Notes, to freely operate the property and assets constituting Collateral and to collect, invest and dispose of any income therefrom (including any and all dividends, distributions or similar cash and non-cash payments in respect of Capital Stock of the Guarantors that is part of the Collateral).

Enforcement of Security Interest

The Senior Secured Notes Indenture and the Intercreditor Agreement restrict the ability of the Holders or the Trustee to enforce the Security Interests and provide for the release of the Security Interests created by the Security Documents in certain circumstances upon enforcement by the lenders under the Revolving Credit Facility or certain hedge counterparties or holders of the Existing 2022 Senior Secured Notes or the Senior Notes. The ability to enforce may also be restricted by similar arrangements in relation to future Indebtedness that is secured on the Collateral in compliance with the Senior Secured Notes Indenture and the Intercreditor Agreement. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*."

The creditors under the Revolving Credit Facility, the counterparties to Hedging Obligations secured by the Collateral, the holders of the Existing 2022 Senior Secured Notes and the trustee under the Existing 2022 Senior Secured Notes have (i) appointed the Security Agent to act as their respective agent under the Intercreditor Agreement and the security documents securing such Indebtedness, including the Security Documents and (ii) authorized the Security Agent to (A) perform the duties and exercise the rights, powers and discretions that are specifically given to it under the Intercreditor Agreement and the security documents securing such Indebtedness, together with any other incidental rights, power and discretions and (B) execute each security document, waiver, modification, amendment, renewal or replacement expressed to be executed by the Security Agent on its behalf.

Upon accession to the Intercreditor Agreement, each of the trustee under the Senior Notes issued under the Senior Notes Indenture and the Trustee, by accepting a Senior Secured Note, each Holder of Senior Secured Notes, and by accepting a Senior Note, each Holder will be deemed to have, (i) appointed the Security Agent to act as its agent under the Intercreditor Agreement and the security documents securing such Indebtedness, including the Security Documents and (ii) authorized the Security Agent to (A) perform the duties and exercise the rights, powers and discretions that are specifically given to it under the Intercreditor Agreement and the security documents securing such Indebtedness, together with any other incidental rights, power and discretions; and (B) execute each security document, waiver, modification, amendment, renewal or replacement expressed to be executed by the Security Agent on its behalf.

Intercreditor Agreement; Additional Intercreditor Agreements; Agreement to be Bound

The Senior Secured Notes Indenture will provide that it will be subject to the provisions of the Intercreditor Agreement and that the Issuer and the Trustee will be authorized (without any further consent of the Holders of the Senior Secured Notes) to enter into the Intercreditor Agreement and to give effect to its provisions.

The Senior Secured Notes Indenture will also provide that each Holder of the Senior Secured Notes, by accepting such Senior Secured Note, will be deemed to have:

(1) appointed and authorized the Security Agent and the Trustee to give effect to the provisions in the Intercreditor Agreement, any Additional Intercreditor Agreements and the Security Documents;

(2) agreed to be bound by the provisions of the Intercreditor Agreement, any Additional Intercreditor Agreements and the Security Documents; and

(3) irrevocably appointed the Security Agent and the Trustee to act on its behalf to enter into and comply with the provisions of the Intercreditor Agreement, any Additional Intercreditor Agreements and the Security Documents.

Similar provisions to those described above may be included in any Additional Intercreditor Agreement (as defined below) entered into in compliance with the provisions described under "*—Certain Covenants—Additional Intercreditor Agreements*."

Release of Liens

New Luxco, the Senior Notes Issuer, the Issuer and its Subsidiaries will be entitled to release the Security Interests in respect of the Collateral under any one or more of the following circumstances:

(1) other than the existing Security Interest in respect of shares of Capital Stock of the Issuer, in connection with any sale or other disposition of Collateral to a Person that is not the Issuer or a Restricted Subsidiary (but excluding any transaction subject to "*—Certain Covenants—Merger and Consolidation*"), if such sale or other disposition does not violate the covenant described under "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*" or is otherwise permitted in accordance with the Senior Secured Notes Indenture;

(2) in the case of a Guarantor that is released from its Note Guarantee pursuant to the terms of the Senior Secured Notes Indenture, the release of the property and assets, and Capital Stock, of such Guarantor;

(3) as described under "*—Amendments and Waivers*";

(4) upon payment in full of principal, interest and all other obligations on the Senior Secured Notes or legal defeasance, covenant defeasance or satisfaction and discharge of the Senior Secured Notes, as provided in "*—Defeasance*" and "*—Satisfaction and Discharge*";

(5) if the Issuer designates any Restricted Subsidiary to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Senior Secured Notes Indenture, the release of the property and assets, and Capital Stock, of such Unrestricted Subsidiary;

(6) in connection with the implementation of a Permitted Reorganization;

(7) in connection with the granting of Liens on such property or assets, which may include Collateral, or the sale or transfer of such property or assets, which may include Collateral, in each case pursuant to a Qualified Receivables Financing;

(8) in connection with any disposal of Collateral to the Issuer or a Restricted Subsidiary; provided that such release is followed by an immediate retaking of a Lien of at least equivalent ranking over the same assets in a manner consistent with, and pursuant to applicable formalities under, the covenant described under "*—Certain Covenants—Impairment of Security Interest*";

(9) in the case of the Security Interest in respect of the Capital Stock of the Issuer, in connection with a Public Offering of the Issuer, which release shall be limited to any shares of Capital Stock of the Issuer sold or otherwise transferred to a Person that is not the Issuer or a Restricted Subsidiary; or

(10) as otherwise permitted in accordance with the Senior Secured Notes Indenture.

In addition, the Security Interests created by the Security Documents will be released (a) in accordance with an enforcement action pursuant to the Intercreditor Agreement or any Additional Intercreditor Agreement and (b) as may be permitted by the covenant described under "—*Certain Covenants—Impairment of Security Interest*."

The Security Agent and the Trustee will take all necessary action reasonably requested in writing by the Issuer to effectuate any release of Collateral securing the Senior Secured Notes and the Note Guarantees, in accordance with the provisions of the Senior Secured Notes Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement and the relevant Security Document subject to customary protections and indemnifications. Each of the releases set forth above shall be effected by the Security Agent without the consent of the Holders or any action on the part of the Trustee (unless action is required by it to effect such release).

Optional Redemption

Except as described below and except as described under "—*Redemption for Taxation Reasons*," this series of Senior Secured Notes is not redeemable until November 1 2018.

On and after November 1, 2018, the Issuer may otherwise redeem all or, from time to time, part of this series of Senior Secured Notes upon not less than 10 nor more than 60 days' written notice (except as permitted under "—*Selection and Notice*" below), at the following redemption prices (expressed as a percentage of principal amount) plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the twelve-month period beginning on November 1 of the years indicated below:

Year	Redemption Price
2018	104.250%
2019	102.125%
2020 and thereafter	100.000%

The redemption price at maturity is 100.000%. Prior to November 1, 2018, the Issuer may on any one or more occasions redeem in the aggregate up to 40% of the original principal amount of this series of Senior Secured Notes (including the original principal amount of any Additional Senior Secured Notes of the same series), upon not less than 10 or more than 60 days' notice, with funds in an aggregate amount (the "*Redemption Amount*") not exceeding the Net Cash Proceeds of one or more Equity Offerings (excluding the Equity Contribution) at a redemption price (expressed as a percentage of principal amount) of 108.500% as of the date of the applicable redemption notice, plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided* that:

(1) at least 60% of the original principal amount of this series of Senior Secured Notes (including the original principal amount of any Additional Senior Secured Notes of the same series) issued under the Senior Secured Notes Indenture remain outstanding after each such redemption; and

(2) the redemption occurs within 180 days after the closing of such Equity Offering.

In addition, prior to November 1, 2018, the Issuer may redeem all or, from time to time, a part of this series of Senior Secured Notes upon not less than 10 nor more than 60 days' notice (except as permitted under "—*Selection and Notice*" below), at a redemption price equal to 100% of the principal amount of this series of Senior Secured Notes, plus the Applicable Premium and accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date).

General

We may repurchase the Senior Secured Notes at any time and from time to time in the open market or otherwise. Notice of redemption will be provided as set forth under "—*Selection and Notice*."

If the Issuer effects an optional redemption of Senior Secured Notes, it will, for so long as Senior Secured Notes are listed on any securities exchange and the rules of such an exchange so require, inform the exchange of such optional redemption and confirm the aggregate principal amount of Senior Secured Notes that will remain outstanding immediately after such redemption.

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 Senior Secured Note is registered at the close of business on such record date, and no additional interest will be payable to Holders whose Senior Secured Notes will be subject to redemption by the Issuer.

In connection with any redemption of Senior Secured Notes (including with the proceeds from an Equity Offering), any such redemption may, at the Issuer's discretion, be subject to one or more conditions precedent.

Sinking Fund

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

Selection and Notice

If less than all of any series of Senior Secured Notes are to be redeemed at any time, the Paying Agent or the Registrar will select Senior Secured Notes for redemption on a *pro rata* basis or in accordance with the procedures of Clearstream or Euroclear (as applicable), unless otherwise required by law or applicable stock exchange or depository requirements. Neither the Paying Agent nor the Registrar will be liable for any selections made by it in accordance with this paragraph.

For so long as the Senior Secured Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF and the rules of the Luxembourg Stock Exchange so require, the Issuer shall publish notice of redemption in accordance with the prevailing rules of the Luxembourg Stock Exchange and in addition for such publication, not less than 10 nor more than 60 days prior to the redemption date (except as permitted below), mail such notice to Holders of the Senior Secured Notes by first-class mail, postage prepaid, at their respective addresses as they appear on the registration books of the Registrar with a copy to the Trustee and the Paying Agent. Such notice of redemption may also be sent in accordance with the rules and procedures of the Clearstream or Euroclear (as applicable). On and after the redemption date, interest ceases to accrue on the Senior Secured Notes or the part of the Senior Secured Notes called for redemption.

If any series of Senior Secured Notes is to be redeemed in part only, the notice of redemption that relates to that series of Senior Secured Notes shall state the portion of the principal amount thereof to be redeemed. In the case of a Definitive Registered Note, a new Definitive Registered Note in principal amount equal to the unredeemed portion of any Definitive Registered Note redeemed in part will be issued in the name of the Holder thereof upon cancellation of the original Definitive Registered Note. In the case of a Global Note, an appropriate notation will be made on such Global Note to decrease the principal amount thereof to an amount equal to the unredeemed portion thereof. Subject to the terms of the applicable redemption notice, Senior Secured Notes called for redemption become due on the date fixed for redemption. If such redemption is subject to the satisfaction of one or more conditions precedent, the related notice may, for the avoidance of doubt, state that, in the Issuer's discretion, the redemption date may be delayed until such time as any or all such conditions shall be satisfied or waived (provided that in no event shall such date of redemption be delayed to a date later than 60 days after the date on which such notice was sent, except that redemption notices may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Senior Secured Notes or a satisfaction and discharge of the Senior Secured Notes Indenture), or such redemption may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied or waived by the redemption date, or by the redemption date so delayed.

Redemption for Taxation Reasons

The Issuer may redeem any series of Senior Secured Notes in whole, but not in part, at any time upon giving not less than 10 nor more than 60 days' prior written notice to the Holders of the relevant series of Senior Secured Notes with a copy to the Trustee and the Paying Agent (which notice will be irrevocable) at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed for redemption (a "*Tax Redemption Date*") (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date) and all Additional Amounts (as defined below under "*—Withholding Taxes*"), if any, then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise, if any, if the Issuer determines in good faith that, as a result of:

(1) any change in, or amendment to, the law or treaties (or any regulations or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction (as defined below) affecting taxation; or

(2) any amendment to, or change in an official application, administration or written interpretation of such laws, treaties, regulations or rulings (including by reason of a holding, judgment or order by a court of competent jurisdiction or a change in published practice)

(each of the foregoing in clauses (1) and (2), a "*Change in Tax Law*"), a Payor (as defined below) is, or on the next interest payment date in respect of the Senior Secured Notes would be, required to pay Additional Amounts with respect to the Senior Secured Notes (but, in the case of a Guarantor, only if the payment giving rise to such requirement cannot be made by the Issuer or another Guarantor who can make such payment without the obligation to pay Additional Amounts), and such obligation cannot be avoided by taking reasonable measures available to the Payor (including, for the avoidance of doubt, the appointment of a new Paying Agent where this would be reasonable). Such Change in Tax Law must be publicly announced and become effective on or after the Issue Date (or if the applicable Relevant Taxing Jurisdiction became a Relevant Taxing Jurisdiction on a date after the Issue Date, such later date). The foregoing provisions shall apply (a) to a Guarantor only after such time as such Guarantor is obligated to make at least one payment on the Senior Secured Notes and (b) *mutatis mutandis* to any successor Person, after such successor Person becomes a party to the Senior Secured Notes Indenture, with respect to a change or amendment occurring after the time such successor Person becomes a party to the Senior Secured Notes Indenture.

Notice of redemption for taxation reasons will be published in accordance with the procedures described under "*—Selection and Notice*." Notwithstanding the foregoing, no such notice of redemption will be given earlier than 60 days prior to the earliest date on which the Payor would be obligated to make such payment of Additional Amounts. Prior to the publication or mailing of any notice of redemption of any series of Senior Secured Notes pursuant to the foregoing, the Issuer will deliver to the Trustee (a) an Officer's Certificate stating that it is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to its right so to redeem have been satisfied and that the Payor cannot avoid its obligation to pay Additional Amounts by taking reasonable measures available to it and (b) an opinion of an independent tax counsel of recognized standing and reasonably satisfactory to the Trustee (such approval not to be unreasonably withheld) to the effect that the Payor has been or will become obligated to pay Additional Amounts as a result of a Change in Tax Law. The Trustee will accept and shall be entitled to rely on such Officer's Certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, without further inquiry, in which event it will be conclusive and binding on the Holders.

Withholding Taxes

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

(1) any jurisdiction from or through which payment on any such Senior Secured Note is made by or on behalf of the Payor or any political subdivision or governmental authority thereof or therein having the power to tax; or

(2) any other jurisdiction in which a Payor is incorporated or organized, engaged in business for tax purposes, or otherwise considered to be a resident for tax purposes, or any political subdivision or governmental authority thereof or therein having the power to tax

(each of clause (1) and (2), a "*Relevant Taxing Jurisdiction*"), will at any time be required by law to be made from any payments made by or on behalf of the Payor or the relevant Paying Agent with respect to any Senior Secured Note or any Note Guarantee, as applicable, including payments of principal, redemption price, interest or premium, if any, the Payor will pay (together with such payments) such additional amounts (the "*Additional Amounts*") as may be necessary in order that the net amounts received in respect of such payments, after such withholding or deduction (including any such deduction or withholding from such Additional Amounts), will not be less than the amounts which would have been received in respect of such payments on any such Senior Secured Note or Note Guarantee, as applicable, in the absence of such withholding or deduction; *provided, however*, that no such Additional Amounts will be payable for or on account of:

(1) any Taxes that would not have been so imposed but for the existence of any present or former connection between the relevant Holder or beneficial owner (or between a fiduciary, settlor, beneficiary, member, partner or shareholder of, or possessor of power over the relevant Holder or beneficial owner, if the relevant Holder or beneficial owner is an estate, nominee, trust, partnership, limited liability company or corporation) and the Relevant Taxing Jurisdiction (including, without limitation, being resident for tax purposes, or being a

citizen or resident or national of, or carrying on a business or maintaining a permanent establishment in, or being physically present in, the Relevant Taxing Jurisdiction) but excluding, in each case, any connection arising solely from the acquisition, ownership or holding of such Senior Secured Note or the receipt of any payment or the exercise or enforcement of rights under such Senior Secured Note, the Senior Secured Notes Indenture, a Note Guarantee, the Intercreditor Agreement, any Additional Intercreditor Agreement or a Security Document;

(2) any Tax that is imposed or withheld by reason of the failure by the Holder or the beneficial owner of the Senior Secured Note to comply with a reasonable written request by the Payor addressed to the Holder, after reasonable notice (at least 30 days before any such withholding or deduction would be payable), to provide certification, information, documents or other evidence concerning the nationality, residence or identity of the Holder or such beneficial owner or to make any declaration or similar claim or satisfy any other reporting requirement relating to such matters, which is required by a statute, treaty, regulation or administrative practice of the Relevant Taxing Jurisdiction as a precondition to exemption from, or reduction in the rate of deduction of, all or part of such Tax but only to the extent the Holder or beneficial owner is legally entitled to provide such certification or documentation;

(3) any Taxes, to the extent that such Taxes were imposed or withheld as a result of the presentation of the Senior Secured Note for payment (where Senior Secured Notes are in the form of Definitive Registered Notes and presentation is required) more than 30 days after the relevant payment is first made available for payment to the Holder (except to the extent that the Holder would have been entitled to Additional Amounts had the Senior Secured Note been presented on the last day of such 30-day period);

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

(5) any estate, inheritance, gift, sales, excise, transfer, personal property or similar tax, assessment or other governmental charge;

(6) any Taxes that are required to be deducted or withheld on a payment to an individual pursuant to the Directive, the Agreement between the European Community and the Swiss Confederation dated October 26, 2004 providing for measures equivalent to those laid down in the Directive (the "*Swiss Agreement*") or any law implementing, or complying with, or introduced in order to conform to, such Directive or the Swiss Agreement;

(7) any Taxes imposed or withheld in connection with a Senior Secured Note presented for payment by or on behalf of a Holder or beneficial owner who would have been able to avoid such Taxes by presenting the relevant Senior Secured Note to, or otherwise accepting payment from, another Paying Agent in a member state of the European Union;

(8) any Taxes that are required to be deducted or withheld pursuant to section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "*Code*"), or otherwise imposed or withheld pursuant to sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental agreement relating thereto; or

(9) any combination of the items (1) through (8) above.

In addition, no Additional Amounts shall be paid with respect to a Holder who is a fiduciary or a partnership or any person other than the beneficial owner of the Senior Secured Notes, to the extent that the beneficiary or settler with respect to such fiduciary, the member of such partnership or the beneficial owner would not have been entitled to Additional Amounts had such beneficiary, settler, member or beneficial owner directly held such Senior Secured Notes.

The Payor will (i) make any required withholding or deduction and (ii) remit the full amount deducted or withheld to the Relevant Taxing Jurisdiction in accordance with applicable law. The Payor will provide certified copies of tax receipts evidencing the payment of any Taxes so deducted or withheld to each Relevant Taxing Jurisdiction imposing such Taxes, or if such tax receipts are not available, certified copies of other reasonable evidence of such payments as soon as reasonably practicable to the Trustee. Such copies shall be made available to the Holders upon reasonable request and will be made available at the offices of the relevant Paying Agent.

If any Payor is obligated to pay Additional Amounts under or with respect to any payment made on any Senior Secured Note or any Note Guarantee, at least 30 days prior to the date of such payment, the Payor will deliver to the Trustee an Officer's Certificate stating the fact that Additional Amounts will be payable and the amount estimated to be so payable and such other information necessary to enable the Paying Agent to pay Additional

Amounts to Holders on the relevant payment date (unless such obligation to pay Additional Amounts arises less than 45 days prior to the relevant payment date, in which case the Payor may deliver such Officer's Certificate as promptly as practicable thereafter). The Trustee shall be entitled to rely solely on such Officer's Certificate as conclusive proof that such payments are necessary.

Wherever in the Senior Secured Notes Indenture, the Senior Secured Notes or this "*Description of the Senior Secured Notes*" there is mentioned, in any context:

(1) the payment of principal;

(2) purchase prices in connection with a purchase of Senior Secured Notes;

(3) interest; or

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

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

The Payor will pay and indemnify the Holder for any present or future stamp, issue, registration, court or documentary taxes, or similar charges or levies (including any related interest or penalties with respect thereto) or any other excise, property or similar taxes or similar charges or levies (including any related interest or penalties with respect thereto) that arise in a Relevant Taxing Jurisdiction from the execution, delivery, registration, enforcement of, or receipt of payments with respect to any Senior Secured Notes, any Note Guarantee, the Senior Secured Notes Indenture, the Security Documents or any other document or instrument in relation thereto (other than in each case, in connection with a transfer of the Senior Secured Notes after this issuance of Senior Secured Notes and limited solely in the case of taxes attributable to the receipt of any payments with respect thereto, to any such taxes imposed in a Relevant Taxing Jurisdiction that are not excluded under clauses (1) through (3) and (5) through (8) or any combination thereof).

The foregoing obligations will survive any termination, defeasance or discharge of the Senior Secured Notes Indenture and any transfer by a Holder or beneficial owner, and will apply *mutatis mutandis* to any jurisdiction in which any successor to a Payor is organized, engaged in business for tax purposes or otherwise resident for tax purposes, or any jurisdiction from or through which any payment under, or with respect to the Senior Secured Notes (or any Note Guarantee) is made by or on behalf of such Payor, or any political subdivision or governmental authority thereof or therein having the power to tax.

Change of Control

If a Change of Control occurs, subject to the terms of the covenant described under this heading "*Change of Control*," each Holder will have the right to require the Issuer to repurchase all or any part (equal to £100,000 or integral multiples of £1,000 in excess thereof, if applicable; *provided* that Senior Secured Notes of £100,000 or less may only be redeemed in whole and not in part) of such Holder's Senior Secured Notes at a purchase price in cash equal to 101% of the principal amount of the Senior Secured Notes repurchased, plus accrued and unpaid interest and Additional Amounts, if any, to the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided*, *however*, that the Issuer shall not be obligated to repurchase any series of Senior Secured Notes as described under this heading, "*Change of Control*," in the event and to the extent that it has unconditionally exercised its right to redeem all of the Senior Secured Notes of such series and given notice of redemption as described under "*—Optional Redemption*" and that all conditions to such redemption have been satisfied or waived.

Unless the Issuer has unconditionally exercised its right to redeem all the Senior Secured Notes and given notice of redemption as described under "*—Optional Redemption*" and all conditions to such redemption have been satisfied or waived, no later than the date that is 60 days after any Change of Control, the Issuer will mail a notice (the "*Change of Control Offer*") to each Holder of the Senior Secured Notes, with a copy to the Trustee:

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

(2) stating the repurchase date (which shall be no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the "*Change of Control Payment Date*");

(3) stating that any Senior Secured Note accepted for payment pursuant to the Change of Control Offer will cease to accrue interest on the Change of Control Payment Date unless the Change of Control Payment is not paid, and that any Senior Secured Notes or part thereof not tendered will continue to accrue interest;

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

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

(6) if such notice is mailed 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 Senior Secured 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 Senior Secured Notes so tendered;

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

A Holder willing to tender Senior Secured Notes into the Change of Control Offer shall notify its account manager of its election, who shall in turn notify the Paying Agent and the Trustee of such Holder's election. Once such tender has been accepted by the Issuer and notified to the Paying Agent, the Paying Agent shall promptly credit the bank account of such Holder the Change of Control Payment for such Senior Secured Notes so tendered and deduct the corresponding amount of such Senior Secured Notes from such Holder's Euroclear or Clearstream (as applicable) account.

Except as described above with respect to a Change of Control, the Senior Secured Notes Indenture does not contain provisions that permit the Holders to require that the Issuer repurchase or redeem the Senior Secured Notes in the event of a takeover, recapitalization or similar transaction. Holders' right to require the Issuer to repurchase Senior Secured Notes upon the occurrence of a Change of Control may deter a third party from seeking to acquire the Issuer or its Subsidiaries in a transaction that would constitute a Change of Control.

The Issuer will not be required to make a Change of Control Offer upon a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Senior Secured Notes Indenture applicable to a Change of Control Offer made by the Issuer and purchases all Senior Secured Notes validly tendered and not withdrawn under such Change of Control Offer. Notwithstanding anything to the contrary contained herein, a Change of Control Offer may be made in advance of a Change of Control, conditioned upon the consummation of such Change of Control, if a definitive agreement is in place providing for the Change of Control at the time the Change of Control Offer is made.

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

The Issuer's ability to repurchase Senior Secured Notes issued by it pursuant to a Change of Control Offer may be limited by a number of factors. The occurrence of certain of the events that constitute a Change of Control would require a mandatory prepayment of Indebtedness at the option of each lender under the Revolving Credit Facility and an obligation to repurchase notes at the option of holders of the Senior Notes issued under the Senior Notes Indenture and the Existing 2022 Senior Secured Notes.

Future Indebtedness of the Issuer or its Subsidiaries may also contain prohibitions of certain events that would constitute a Change of Control or require such Indebtedness to be repurchased upon a Change of Control.

Moreover, the exercise by the Holders of their right to require the Issuer to repurchase the Senior Secured Notes could cause a default under, or require a repurchase of, such Indebtedness, even if the Change of Control itself does not, due to the financial effect of such repurchase on the Issuer. Finally, the Issuer's ability to pay cash to the Holders upon a repurchase may be limited by the Issuer's then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make any required repurchases.

The definition of "Change of Control" includes a disposition, in one or a series of related transactions, of all or substantially all of the assets of the Issuer and its Restricted Subsidiaries taken as a whole to specified other Persons. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase "substantially all" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "all or substantially all" of the assets of the Issuer and its Restricted Subsidiaries taken as a whole. As a result, it may be unclear as to whether a Change of Control has occurred and whether a Holder may require the Issuer to make an offer to repurchase the Senior Secured Notes as described above.

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

Certain Covenants

Limitation on Indebtedness

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, Incur any Indebtedness (including Acquired Indebtedness); *provided*, *however*, that the Issuer and any Guarantor may Incur Indebtedness (including Acquired Indebtedness) if, on the date of such Incurrence, after giving *pro forma* effect to the Incurrence of such Indebtedness (including *pro forma* application of the proceeds thereof), (1) the Fixed Charge Coverage Ratio for the Issuer and its Restricted Subsidiaries would have been at least 2.0 to 1.0; and (2) to the extent that the Indebtedness is Senior Secured Indebtedness, the Consolidated Senior Secured Leverage Ratio for the Issuer and its Restricted Subsidiaries would have been no greater than 4.5 to 1.0.

The first paragraph of this covenant will not prohibit the Incurrence of the following Indebtedness ("*Permitted Debt*"):

(1) Indebtedness Incurred by the Issuer or any Restricted Subsidiary pursuant to any Credit Facility (including in respect of letters of credit or bankers' acceptances issued or created thereunder), and any Refinancing Indebtedness in respect thereof and Guarantees in respect of such Indebtedness in a maximum aggregate principal amount at any time outstanding not exceeding (i) €200 million, *plus* the greater of £25 million and 7.9% of ERC, *plus* (ii) in the case of any refinancing of any Indebtedness permitted under this clause (1) or any portion thereof, the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses Incurred in connection with such refinancing;

(2) (a) Guarantees by the Issuer or any Restricted Subsidiary of Indebtedness of the Issuer or any Restricted Subsidiary, so long as the Incurrence of such Indebtedness is permitted to be Incurred by another provision of this covenant; *provided* that, if the Indebtedness being guaranteed is subordinated to the Senior Secured Notes or a Note Guarantee, then the guarantee must be subordinated to the Senior Secured Notes or such Note Guarantee to the same extent as the Indebtedness being guaranteed; or (b) without limiting the covenant described under "*—Limitation on Liens*," Indebtedness arising by reason of any Lien granted by or applicable to such Person securing Indebtedness of the Issuer or any Restricted Subsidiary so long as the Incurrence of such Indebtedness is permitted under the terms of the Senior Secured Notes Indenture;

(3) Indebtedness of the Issuer owing to and held by any Restricted Subsidiary or Indebtedness of a Restricted Subsidiary owing to and held by the Issuer or any Restricted Subsidiary; *provided*, *however*, that:

    (a) if the Issuer or a Guarantor is the obligor on any such Indebtedness and the obligee is a Restricted Subsidiary that is not a Guarantor, such Indebtedness is unsecured and (i) except in respect of intercompany current liabilities incurred in the ordinary course of business in connection with the cash management operations of the Issuer and its Restricted Subsidiaries and (ii) to the extent legally permitted (the Issuer and the Restricted Subsidiaries having completed all procedures required in the reasonable judgment of directors or officers of the obligee or obligor to protect such Persons from any penalty or civil or criminal liability in connection with the subordination of such Indebtedness)) expressly subordinated to the prior payment in full in cash of all obligations with respect to the Senior

Secured Notes, in the case of the Issuer, or the applicable Note Guarantee, in the case of a Guarantor; and

(b) any subsequent issuance or transfer of Capital Stock or any other event which results in any such Indebtedness being beneficially held by a Person other than the Issuer or a Restricted Subsidiary and any sale or other transfer of any such Indebtedness to a Person other than the Issuer or a Restricted Subsidiary, shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (3) by the Issuer or such Restricted Subsidiary, as the case may be;

(4) (a) Indebtedness represented by the Senior Secured Notes (other than any Additional Senior Secured Notes) and the related Note Guarantees;

(b) Indebtedness represented by the Existing 2022 Senior Secured Notes;

(c) any Indebtedness of the Issuer and its Restricted Subsidiaries (other than Indebtedness Incurred under the Revolving Credit Facility or Indebtedness described in clauses (1), (2), (3), (4)(a) or (4)(b) of this paragraph) Incurred or outstanding on the Issue Date, after giving *pro forma* effect to the Transactions;

(d) (i) any Guarantees of the Senior Notes issued on the Issue Date (including Guarantees provided subsequent to the Issue Date) and (ii) the Senior Proceeds Loan;

(e) Refinancing Indebtedness Incurred in respect of any Indebtedness described in clauses (4)(a), (4)(b), 4(c), (4)(d) and (5) of this paragraph or Incurred pursuant to the first paragraph of this covenant; and

(f) Management Advances;

(5) Indebtedness of any Person (i) outstanding on the date on which such Person becomes a Restricted Subsidiary or is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) the Issuer or any Restricted Subsidiary or (ii) Incurred to provide all or a portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was otherwise acquired by the Issuer or a Restricted Subsidiary; *provided* that, with respect to this clause (5), at the time of such acquisition or other transaction and after giving *pro forma* effect to such acquisition or other transaction and to the related Incurrence of Indebtedness, either (x) the Issuer would have been able to Incur £1.00 of additional Indebtedness pursuant to clause (1) of the first paragraph of this covenant or (y) the Fixed Charge Coverage Ratio for the Issuer and its Restricted Subsidiaries would not be less than it was immediately prior to giving effect to such acquisition or other transaction and to the related Incurrence of Indebtedness;

(6) Indebtedness under Currency Agreements and Interest Rate Agreements not for speculative purposes (as determined in good faith by the Board of Directors or an Officer of the Issuer);

(7) Indebtedness consisting of (A) Capitalized Lease Obligations, mortgage financings, Purchase Money Obligations or other financings, Incurred for the purpose of financing all or any part of the purchase price or cost of construction or improvement of property, plant or equipment used in a Similar Business or (B) Indebtedness otherwise Incurred to finance the purchase, lease, rental or cost of design, construction, installation or improvement of property (real or personal) or equipment that is used or useful in a Similar Business, whether through the direct purchase of assets or the Capital Stock of any Person owning such assets, and any Indebtedness which refinances, replaces or refunds such Indebtedness, in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (7) and then outstanding, will not exceed at any time the greater of £18 million and 12.4% of Total Assets;

(8) Indebtedness in respect of (a) workers' compensation claims, self-insurance obligations, performance, indemnity, surety, judgment, appeal, advance payment, customs, value added tax ("*VAT*") or other tax guarantees or other similar bonds, instruments or obligations and completion guarantees and warranties provided by the Issuer or a Restricted Subsidiary or relating to liabilities, obligations or guarantees Incurred in the ordinary course of business or in respect of any governmental requirement, (b) letters of credit, bankers' acceptances, guarantees or other similar instruments or obligations issued or relating to liabilities or obligations Incurred in the ordinary course of business or in respect of any governmental requirement; *provided*, *however*, that upon the drawing of such letters of credit or other similar instruments, the obligations are reimbursed within 30 days following such drawing, (c) the financing of insurance premiums in the ordinary course of business and (d) any customary cash management, cash pooling or netting or setting off arrangements in the ordinary course of business;

(9) Indebtedness arising from the Acquisition Agreements and the GFKL Acquisition agreement and Indebtedness arising from agreements providing for customary guarantees, indemnification, obligations in respect of earnouts or other adjustments of purchase price or, in each case, similar obligations, in each case, Incurred or assumed in connection with the acquisition or disposition of any business or assets or Person or any Capital Stock of a Subsidiary (other than Guarantees of Indebtedness Incurred by any Person acquiring or disposing of such business or assets or such Subsidiary for the purpose of financing such acquisition or disposition); *provided* that, in connection with a disposition, the maximum liability of the Issuer and its Restricted Subsidiaries in respect of all such Indebtedness shall at no time exceed the gross proceeds, including the fair market value of non-cash proceeds (measured at the time received and without giving effect to any subsequent changes in value), actually received by the Issuer and its Restricted Subsidiaries in connection with such disposition;

(10) (a) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; *provided, however*, that such Indebtedness is extinguished within 30 Business Days of Incurrence;

(b) customer deposits and advance payments received in the ordinary course of business from customers for goods or services purchased in the ordinary course of business;

(c) Indebtedness owed on a short-term basis of no longer than 30 days to banks and other financial institutions Incurred in the ordinary course of business of the Issuer and its Restricted Subsidiaries with such banks or financial institutions that arises in connection with ordinary banking arrangements to manage cash balances of the Issuer and its Restricted Subsidiaries; and

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

(11) Indebtedness in an aggregate outstanding principal amount which, when taken together with any Refinancing Indebtedness in respect thereof and the principal amount of all other Indebtedness Incurred pursuant to this clause (11) and then outstanding, will not exceed the greater of £18 million and 7.9% of ERC;

(12) Indebtedness Incurred in a Qualified Receivables Financing;

(13) Indebtedness of the Issuer and the Guarantors in an aggregate outstanding principal amount which, when taken together with any Refinancing Indebtedness in respect thereof and the principal amount of all other Indebtedness Incurred pursuant to this clause (13) and then outstanding, will not exceed 100% of the Net Cash Proceeds received by the Issuer from the issuance or sale (other than to a Restricted Subsidiary) of its Subordinated Shareholder Funding or Capital Stock (other than Disqualified Stock, Designated Preference Shares, a Parent Debt Contribution or an Excluded Contribution) or otherwise contributed to the equity (other than through the issuance of Disqualified Stock, Designated Preference Shares, a Parent Debt Contribution or an Excluded Contribution) of the Issuer, in each case, subsequent to the Issue Date other than the Equity Contribution; *provided*, *however*, that (i) any such Net Cash Proceeds that are so received or contributed shall be excluded for purposes of making Restricted Payments under the first paragraph and clauses (1), (6) and (10) of the third paragraph of the covenant described under "*—Limitation on Restricted Payments*" to the extent the Issuer and its Restricted Subsidiaries Incur Indebtedness in reliance thereon and (ii) any Net Cash Proceeds that are so received or contributed shall be excluded for purposes of Incurring Indebtedness pursuant to this clause (13) to the extent the Issuer or any of its Restricted Subsidiaries makes a Restricted Payment under the first paragraph and clauses (1), (6) and (10) of the third paragraph of the covenant described under "*—Limitation on Restricted Payments*" in reliance thereon;

(14) Indebtedness Incurred under local overdraft and other local Credit Facilities and any Refinancing Indebtedness in respect thereof and Guarantees in respect of such Indebtedness in a maximum aggregate principal amount at any time outstanding not exceeding the greater of £7 million and 5.0% of Total Assets; and

(15) Indebtedness arising from the Transactions;

provided, *however*, that no more than the greater of £7 million and 5.0% of Total Assets of Indebtedness at any time outstanding may be Incurred by a Restricted Subsidiary which is not a Guarantor pursuant to clauses (11) and (14) under the second paragraph of this covenant.

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

(1) in the event that Indebtedness meets the criteria of more than one of the types of Indebtedness described in the first and second paragraphs of this covenant, the Issuer, in its sole discretion, will classify, and may from time to time reclassify, such item of Indebtedness, other than Indebtedness which will continue to be secured on the Collateral and which benefits from super senior priority status pursuant to clause (b)(iii) of the definition of Permitted Collateral Liens, and only be required to include the amount and type of such Indebtedness in one of the clauses of the second paragraph or the first paragraph of this covenant;

(2) all Indebtedness outstanding under the Revolving Credit Facility on the Issue Date shall be deemed initially Incurred under clause (1) of the second paragraph of this covenant and not the first paragraph of this covenant;

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

(4) if obligations in respect of letters of credit, bankers' acceptances or other similar instruments are Incurred pursuant to any Credit Facility and are being treated as Incurred pursuant to clause (1), (7), (11), (13) or (14) of the second paragraph above or the first paragraph above and the letters of credit, bankers' acceptances or other similar instruments relate to other Indebtedness, then such other Indebtedness shall not be included;

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

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

(7) the amount of Indebtedness issued at a price that is less than the principal amount thereof will be equal to the amount of the liability in respect thereof determined on the basis of IFRS.

Accrual of interest, accrual of dividends, the accretion of accreted value, the accretion or amortization of original issue discount, the payment of interest in the form of additional Indebtedness, the payment of dividends in the form of additional shares of Preferred Stock or Disqualified Stock or the reclassification of commitments or obligations not treated as Indebtedness due to a change in IFRS will not be deemed to be an Incurrence of Indebtedness for purposes of the covenant described under this "*—Limitation on Indebtedness*." The amount of any Indebtedness outstanding as of any date shall be (a) the accreted value thereof in the case of any Indebtedness issued with original issue discount and (b) the principal amount, or liquidation preference thereof, in the case of any other Indebtedness.

If at any time an Unrestricted Subsidiary becomes a Restricted Subsidiary, any Indebtedness of such Subsidiary shall be deemed to be Incurred by a Restricted Subsidiary as of such date (and, if such Indebtedness is not permitted to be Incurred as of such date under the covenant described under this "*—Limitation on Indebtedness*," the Issuer shall be in Default of this covenant).

For purposes of determining compliance with any EUR- or pound sterling-denominated (as applicable) restriction on the Incurrence of Indebtedness, the EUR or pound sterling equivalent (as applicable) of the principal amount of Indebtedness denominated in another currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term Indebtedness, or first committed or first Incurred (whichever yields the lower EUR or pound-sterling equivalent, as applicable), in the case of Indebtedness Incurred under a revolving credit facility; provided that (a) if such Indebtedness is Incurred to refinance other Indebtedness denominated in a currency other than EUR or pounds sterling, as applicable, and such refinancing would cause the applicable EUR or pound sterling-denominated restriction, as applicable, to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such pound sterling-denominated restriction, as applicable, shall be deemed not to have been exceeded so long as the principal amount of such Refinancing Indebtedness does not exceed the amount set forth in clause (2) of the definition of Refinancing Indebtedness; (b) the EUR or pound-sterling equivalent, as applicable, of the principal amount of any such Indebtedness outstanding on the Issue Date shall be calculated based on the relevant currency exchange rate in effect on the Issue Date; and (c) if any such Indebtedness that is denominated in a different currency is subject to a Currency Agreement (with respect to the EUR or pounds sterling, as applicable) covering principal amounts payable on such Indebtedness, the amount of such Indebtedness expressed in EUR or pounds sterling, as applicable, will be adjusted to take into account the effect of such agreement.

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

Neither the Issuer nor any Guarantor will Incur any Indebtedness (including Permitted Debt) that is contractually subordinated in right of payment to any other Indebtedness of the Issuer or any Guarantor unless such Indebtedness is also contractually subordinated in right of payment to the Senior Secured Notes and the applicable Note Guarantee, if any, on substantially identical terms; *provided, however*, that no Indebtedness will be deemed to be contractually subordinated in right of payment to any other Indebtedness of the Issuer or any Guarantor solely by virtue of being unsecured or by virtue of being secured with different collateral or by virtue of being secured on a junior priority basis or by virtue of the application of waterfall or other payment ordering provisions affecting different tranches of Indebtedness.

Limitation on Restricted Payments

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

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

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

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

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

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

(4) make any payment (whether of principal, interest or other amounts) on, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value any Subordinated Shareholder Funding (other than any payment of interest thereon in the form of additional Subordinated Shareholder Funding); or

(5) make any Restricted Investment in any Person,

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

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

(b) the Issuer is not able to Incur an additional £1.00 of Indebtedness pursuant to clause (1) of the first paragraph of the covenant described under "*—Limitation on Indebtedness*" after giving effect, on a *pro forma* basis, to such Restricted Payment; or

(c) the aggregate amount of such Restricted Payment and all other Restricted Payments made subsequent to the Original Issue Date (and not returned or rescinded) (including Permitted Payments permitted below by clauses (5), (10), (11), (15) or (17) of the second succeeding paragraph, but excluding all other Restricted Payments permitted by the second succeeding paragraph) would exceed the sum of (without duplication):

(i) 50% of Consolidated Net Income for the period (treated as one accounting period) from the first day of the fiscal quarter commencing immediately prior to the Original Issue Date to the end of the most recent fiscal quarter ending prior to the date of such Restricted Payment for which internal consolidated financial statements of the Issuer are available (or, in the case such Consolidated Net Income is a deficit, *minus* 100% of such deficit);

(ii) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities, received by the Issuer from the issue or sale of its Capital Stock (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding subsequent to the Original Issue Date or otherwise contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Issuer subsequent to the Original Issue Date (other than (v) Subordinated Shareholder Funding or Capital Stock in each case sold to a Subsidiary of the Issuer, (w) Net Cash Proceeds or property or assets or marketable securities received from an issuance or sale of such Capital Stock to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary, (x) Net Cash Proceeds or property or assets or marketable securities to the extent that any Restricted Payment has been made from such proceeds in reliance on clauses (1) or (6) of the second succeeding paragraph, and (y) Excluded Contributions or Parent Debt Contributions);

(iii) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities, received by the Issuer or any Restricted Subsidiary from the issuance or sale (other than to the Issuer or a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary) by the Issuer or any Restricted Subsidiary subsequent to the Original Issue Date of any Indebtedness that has been converted into or exchanged for Capital Stock of the Issuer (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding (*plus* the amount of any cash, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities received by the Issuer or any Restricted Subsidiary upon such conversion or exchange); but excluding (w) Disqualified Stock or Indebtedness issued or sold to a Subsidiary of the Issuer, (x) Net Cash Proceeds to the extent that any Restricted Payment has been made from such proceeds in reliance on clauses (1) or (6) of the second succeeding paragraph, and (y) Excluded Contributions or Parent Debt Contributions;

(iv) (a) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities, received by the Issuer or any Restricted Subsidiary from the disposition of any Unrestricted Subsidiary or the disposition or repayment of any Investment constituting a Restricted Payment made after the Original Issue Date (other than to the Issuer or a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary) or (b) upon the full and unconditional release of a Restricted Investment that is a Guarantee made by the Issuer or one of its Restricted Subsidiaries to any Person after the Original Issue Date, an amount equal to the amount of such Guarantee;

(v) in the event that an Unrestricted Subsidiary is designated as a Restricted Subsidiary or all of the assets of such Unrestricted Subsidiary are transferred to the Issuer or a Restricted Subsidiary, or the Unrestricted Subsidiary is merged or consolidated into the Issuer or a Restricted Subsidiary, 100% of the amount received in cash and the fair market value of any property or marketable securities received by the Issuer or any Restricted Subsidiary in respect of such redesignation, merger, consolidation or transfer of assets, excluding the amount of any Investment in such Unrestricted Subsidiary that constituted a Permitted Investment made pursuant to clause (11) of the definition of "Permitted Investment"; and

(vi) 100% of any dividends or distributions received by the Issuer or a Restricted Subsidiary after the Original Issue Date from an Unrestricted Subsidiary;

provided, however, that no amount will be included in Consolidated Net Income for purposes of the preceding clause (i) to the extent that it is (at the Issuer's option) included in any of the foregoing clauses (iv), (v) or (vi).

The fair market value of property or assets other than cash covered by the preceding sentence shall be the fair market value thereof as determined in good faith by an officer of the Issuer, or, if such fair market value exceeds £7 million, by the Board of Directors of the Issuer.

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

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

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

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

(4) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness: (a) from Net Available Cash to the extent permitted under "*—Limitation on Sales of Assets and Subsidiary Stock*," but only (i) if the Issuer shall have first complied with the terms described under "*—Limitation on Sales of Assets and Subsidiary Stock*" and purchased all Senior Secured Notes tendered pursuant to any offer to repurchase all the Senior Secured Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness and (ii) at a purchase price not greater than 100% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest; (b) following the occurrence of a Change of Control (or other similar event described therein as a "change of control"), but only (i) if the Issuer shall have first complied with the terms described under "*—Change of Control*" and purchased all Senior Secured Notes tendered pursuant to the offer to repurchase all the Senior Secured Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness and (ii) at a purchase price not greater than 101% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest; or (c) (i) consisting of Acquired Indebtedness (other than Indebtedness Incurred (A) to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was otherwise acquired by the Issuer or a Restricted Subsidiary or (B) otherwise in connection with or contemplation of such transaction or series of transactions) and (ii) at a purchase price not greater than 100% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest and any premium required by the terms of such Acquired Indebtedness;

(5) any dividends paid within, or redemption or repurchase consummated within, 60 days after the date of declaration or the giving of the redemption or repayment notice if at such date of declaration or notice such dividend or redemption or repayment, as the case may be, would have complied with this covenant;

(6) the purchase, repurchase, redemption, defeasance or other acquisition, cancellation or retirement for value of Capital Stock of the Issuer, any Restricted Subsidiary or any Parent (including any options, warrants or other rights in respect thereof) and loans, advances, dividends or distributions by the Issuer to any Parent or Special Purpose Vehicle to permit any Parent or Special Purpose Vehicle to purchase, repurchase, redeem,

defease or otherwise acquire, cancel or retire for value Capital Stock of the Issuer, any Restricted Subsidiary or any Parent (including any options, warrants or other rights in respect thereof), or payments to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of the Issuer, any Restricted Subsidiary or any Parent (including any options, warrants or other rights in respect thereof), in each case from Management Investors; *provided* that such payments, loans, advances, dividends or distributions do not exceed an amount (net of repayments of any such loans or advances) equal to (x) £ 5 million, *plus* £ 1 million multiplied by the number of calendar years that have commenced since the Original Issue Date, plus (y) the Net Cash Proceeds received by the Issuer or its Restricted Subsidiaries since the Original Issue Date (including through receipt of proceeds from the issuance or sale of its Capital Stock or Subordinated Shareholder Funding to a Parent) from, or as a contribution to the equity (in each case under this clause (6), other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Issuer from, the issuance or sale to Management Investors of Capital Stock (including any options, warrants or other rights in respect thereof) *plus* (z) the net cash proceeds from key man life insurance policies, to the extent such Net Cash Proceeds in (y) and (z) are not included in any calculation under clause (c)(ii) of the first paragraph describing this covenant and are not Excluded Contributions or Parent Debt Contributions;

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

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

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

(a) the amounts required for any Parent, without duplication, to pay any Parent Expenses or any Related Taxes; or

(b) amounts constituting or to be used for purposes of making payments of fees and expenses Incurred (i) in connection with the Transactions or the GFKL Acquisition or (ii) to the extent specified in clauses (2), (3), (5) and (11) of the second paragraph under "*—Limitation on Affiliate Transactions*";

(10) so long as no Default or Event of Default has occurred and is continuing (or would result therefrom), the declaration and payment by the Issuer of, or loans, advances, dividends or distributions to any Parent to pay, dividends on the common stock or common equity interests of the Issuer or any Parent following a Public Offering of such common stock or common equity interests, in an amount not to exceed in any fiscal year the greater of (a) 6% of the Net Cash Proceeds received by the Issuer from such Public Offering or contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through Excluded Contributions or a Parent Debt Contribution) of the Issuer or contributed as Subordinated Shareholder Funding to the Issuer and (b) following the Initial Public Offering, an amount equal to the greater of (i) the greater of (A) 7% of the Market Capitalization and (B) 7% of the IPO Market Capitalization; *provided* that in the case of this clause (i) after giving *pro forma* effect to such loans, advances, dividends or distributions, the Consolidated Leverage Ratio shall be equal to or less than 3.25 to 1.0 and (ii) the greater of (A) 5% of the Market Capitalization and (B) 5% of the IPO Market Capitalization; *provided* that in the case of this clause (ii) after giving *pro forma* effect to such loans, advances, dividends and distributions, the Consolidated Leverage Ratio shall be equal to or less than 3.5 to 1.0;

(11) so long as no Default or Event of Default has occurred and is continuing (or would result from), Restricted Payments in an aggregate amount outstanding at any time not to exceed the greater of £11 million and 7.4% of Total Assets;

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

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

(14) payment of any Receivables Fees and purchases of Receivables Assets pursuant to a Receivables Repurchase Obligation in connection with a Qualified Receivables Financing;

(15) (i) the declaration and payment of dividends to holders of any class or series of Designated Preference Shares of the Issuer issued after the Issue Date; and (ii) the declaration and payment of dividends to any Parent or any Affiliate thereof, the proceeds of which will be used to fund the payment of dividends to holders of any class or series of Designated Preference Shares of such Parent or Affiliate issued after the Issue Date; *provided* that, in the case of clauses (i) and (ii), the amount of all dividends declared or paid pursuant to this clause (15) shall not exceed the Net Cash Proceeds received by the Issuer or the aggregate amount contributed in cash to the equity (other than through the issuance of Disqualified Stock or an Excluded Contribution or a Parent Debt Contribution or, in the case of Designated Preference Shares by such Parent or Affiliate, the issuance of Designated Preference Shares) of the Issuer or contributed as Subordinated Shareholder Funding to the Issuer, as applicable, from the issuance or sale of such Designated Preference Shares;

(16) dividends or other distributions of Capital Stock, Indebtedness or other securities of Unrestricted Subsidiaries;

(17) so long as no Default or Event of Default has occurred and is continuing (or would result therefrom), any Restricted Payment; *provided* that, on the date of any such Restricted Payment, the Consolidated Leverage Ratio for the Issuer and its Restricted Subsidiaries does not exceed 2.75 to 1.0 on a *pro forma* basis after giving effect thereto;

(18) advances or loans to (a) any future, present or former officer, director, employee or consultant of the Issuer or a Restricted Subsidiary or any Parent to pay for the purchase or other acquisition for value of Capital Stock of the Issuer or any Parent (other than Disqualified Stock or Designated Preference Shares), or any obligation under a forward sale agreement, deferred purchase agreement or deferred payment arrangement pursuant to any management equity plan or stock option plan or any other management or employee benefit or incentive plan or other agreement or arrangement or (b) any management equity plan or stock option plan or any other management or employee benefit or incentive plan or unit trust or the trustees of any such plan or trust to pay for the purchase or other acquisition for value of Capital Stock of the Issuer or any Parent (other than Disqualified Stock or Designated Preference Shares); *provided, however*, that the total aggregate amount of Restricted Payments made under this clause (18) does not exceed £5 million in any calendar year (with unused amounts in any calendar year being carried over in the next two succeeding calendar years);

(19) dividends, loans, distributions, advances or other payments by the Issuer or any of its Restricted Subsidiaries to or on behalf of the direct parent of the Issuer to service the substantially concurrent payment of regularly scheduled interest amounts due under any Senior Notes; *provided* that the net cash proceeds of such Indebtedness or of any Indebtedness for which such Indebtedness constitutes Refinancing Indebtedness have been contributed to the Issuer and such Indebtedness has been guaranteed by, or is otherwise considered Indebtedness of, the Issuer or any of its Restricted Subsidiaries Incurred in accordance with the covenant described under "*—Limitation on Indebtedness*"; and

(20) any dividends, distributions or other payments to any Parent or Unrestricted Subsidiary to the extent that such dividends, distributions or payments are made in order to carry out group contributions under the tax laws or regulations of an applicable jurisdiction up to an amount not to exceed with respect to such Taxes the amount of any such Taxes that the Issuer and its Restricted Subsidiaries would have been required to pay on a separate company basis or on a consolidated basis if the Issuer and its Restricted Subsidiaries had paid tax on a consolidated, combined, group, affiliates or unitary basis on behalf of an affiliate group consisting only of the Issuer and its Restricted Subsidiaries.

The amount of all Restricted Payments (other than cash) shall be the fair market value on the date of such Restricted Payment of the asset(s) or securities proposed to be paid, transferred or issued by the Issuer or such Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment. The fair market value of any cash Restricted Payment shall be its face amount, and the fair market value of any non-cash Restricted Payment shall be determined conclusively by the Board of Directors of the Issuer acting in good faith.

Limitation on Liens

The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create, Incur or suffer to exist any Lien upon any of its property or assets (including Capital Stock of a Restricted Subsidiary), whether owned on the Issue Date or acquired after that date, or any interest therein or any income or profits therefrom, which Lien is securing any Indebtedness (such Lien, the "*Initial Lien*"), except (a) in the case of any property or asset that does not constitute Collateral, (1) Permitted Liens or (2) Liens on property or assets that are not Permitted Liens if the Senior Secured Notes and the Senior Secured Notes Indenture (or a Note Guarantee in the case of Liens of Guarantors) are directly secured, subject to the Agreed Security Principles (but without regard to any Agreed Security Principles limiting the types of assets that may be pledged to secure the Senior Secured Notes and the Note Guarantees under the Senior Secured Notes Indenture), equally and ratably with, or prior to, in the case of Liens with respect to Subordinated Indebtedness, the Indebtedness secured by such Initial Lien for so long as such Indebtedness is so secured, and (b) in the case of any property or asset that constitutes Collateral, Permitted Collateral Liens.

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

Limitation on Restrictions on Distributions from Restricted Subsidiaries

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

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

(b) make any loans or advances to the Issuer or any Restricted Subsidiary; or

(c) sell, lease or transfer any of its property or assets to the Issuer or any Restricted Subsidiary,

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

The provisions of the preceding paragraph will not prohibit:

(1) any encumbrance or restriction pursuant to (a) any Credit Facility (including the Revolving Credit Facility) and any other agreement or instrument, in each case, in effect at or entered into on the Issue Date (including, without limitation, the Acquisition Agreements) or (b) the Senior Secured Notes Indenture, the Senior Secured Notes, the Senior Notes Indenture, the Senior Notes issued on the Issue Date, the Existing 2022 Senior Secured Notes Indenture, the Existing 2022 Senior Secured Notes, the Intercreditor Agreement, the Security Documents or any related security documents;

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

(3) any encumbrance or restriction pursuant to an agreement or instrument that extends, renews, refinances or replaces any of the encumbrances or restrictions referred to in clauses (1) or (2) of this paragraph or this

clause (3) (an "*Initial Agreement*") or contained in any amendment, supplement or other modification to an agreement referred to in clauses (1) or (2) of this paragraph or this clause (3); *provided, however*, that the encumbrances and restrictions with respect to such Restricted Subsidiary contained in any such agreement or instrument are no less favorable in any material respect to the Holders taken as a whole than the encumbrances and restrictions contained in the Initial Agreement or Initial Agreements to which such refinancing or amendment, supplement or other modification relates (as determined in good faith by the Board of Directors or an Officer of the Issuer);

(4) any encumbrance or restriction:

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

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

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

(5) any encumbrance or restriction pursuant to Purchase Money Obligations and Capitalized Lease Obligations permitted under the Senior Secured Notes Indenture, in each case, that impose encumbrances or restrictions on the property so acquired in the nature of clause (c) of the preceding paragraph, or any encumbrance or restriction pursuant to a joint venture agreement that imposes restrictions on the distribution or transfer of the assets or Capital Stock of the joint venture;

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

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

(8) encumbrances or restrictions arising or existing by reason of applicable law or any applicable rule, regulation or order, or required by any regulatory authority or any governmental licenses, concessions, franchises or permits, including restrictions or encumbrances on cash or deposits (including assets in escrow accounts) paid on property;

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

(10) any encumbrance or restriction pursuant to Currency Agreements or Interest Rate Agreements;

(11) any encumbrance or restriction arising pursuant to an agreement or instrument (a) relating to any Indebtedness permitted to be Incurred subsequent to the Issue Date pursuant to the provisions of the covenant described under "*—Limitation on Indebtedness*" if (A) the encumbrances and restrictions contained in any such agreement or instrument taken as a whole are not materially less favorable to the Holders of the Senior Secured Notes than (i) the encumbrances and restrictions contained in the Revolving Credit Facility, together with the security documents associated therewith, and the Intercreditor Agreement, in each case, as in effect on the Issue Date or (ii) as is customary in comparable financings (as determined in good faith by the Board of Directors or an Officer of the Issuer) or (B) the Issuer determines at the time of the Incurrence of such Indebtedness that such encumbrances or restrictions will not adversely affect, in any material respect, the Issuer's ability to make principal or interest payments on the Senior Secured Notes or (b) that constitutes an Additional Intercreditor Agreement;

(12) restrictions effected in connection with a Qualified Receivables Financing that, in the good faith determination of the Board of Directors or an Officer of the Issuer, are necessary or advisable to effect such Qualified Receivables Financing; or

(13) any encumbrance or restriction existing by reason of any lien permitted under "*—Limitation on Liens*."

Limitation on Sales of Assets and Subsidiary Stock

The Issuer will not, and will not permit any Restricted Subsidiary to, consummate any Asset Disposition unless:

(1) the consideration the Issuer or such Restricted Subsidiary receives for such Asset Disposition is not less than the fair market value of the assets sold (as determined by the Board of Directors of the Issuer); and

(2) at least 75% of the consideration the Issuer or such Restricted Subsidiary receives in respect of such Asset Disposition consists of:

   (a) cash (including any net cash proceeds received from the conversion, within 180 days of such Asset Disposition, of securities, notes or other obligations received in consideration of such Asset Disposition);

   (b) Cash Equivalents;

   (c) the assumption by the purchaser of (x) any liabilities of the Issuer or its Restricted Subsidiaries recorded on the Issuer's consolidated balance sheet or the notes thereto (or, if Incurred since the date of the latest balance sheet, that would be recorded on the next balance sheet) (other than Subordinated Indebtedness), as a result of which neither the Issuer nor any of the Restricted Subsidiaries remains obligated in respect of such liabilities or (y) Indebtedness of a Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Disposition, if the Issuer and each other Restricted Subsidiary are released from any guarantee of such Indebtedness as a result of such Asset Disposition;

   (d) Replacement Assets;

   (e) any Capital Stock or assets of the kind referred to in clause (4) or (6) in the second paragraph of this covenant;

   (f) consideration consisting of Indebtedness of the Issuer or any Guarantor received from Persons who are not the Issuer or any Restricted Subsidiary, but only to the extent that such Indebtedness (i) has been extinguished by the Issuer or the applicable Guarantor and (ii) is not Subordinated Indebtedness of the Issuer or such Guarantor;

   (g) any Designated Non-Cash Consideration received by the Issuer or any Restricted Subsidiary having an aggregate fair market value, taken together with all other Designated Non-Cash Consideration received pursuant to this covenant that is at any one time outstanding, not to exceed the greater of £11 million and 7.4% of Total Assets (with the fair market value of each issue of Designated Non-Cash Consideration being measured at the time received and without giving effect to subsequent changes in value); or

   (h) a combination of the consideration specified in clauses (a) through (g) of this clause (2).

If the Issuer or any Restricted Subsidiary consummates an Asset Disposition, the Net Available Cash of the Asset Disposition, within 365 days of the later of (i) the date of the consummation of such Asset Disposition and (ii) the receipt of such Net Available Cash, may be used by the Issuer or such Restricted Subsidiary to:

(1) (i) prepay, repay, purchase or redeem any Indebtedness Incurred under clause (1) of the second paragraph of the covenant described under "—*Limitation on Indebtedness*" or any Refinancing Indebtedness in respect thereof; *provided, however*, that, in connection with any prepayment, repayment, purchase or redemption of term Indebtedness Incurred pursuant to this clause (i), the Issuer or such Restricted Subsidiary will retire such term Indebtedness and will cause the related commitment (if any) to be permanently reduced in an amount equal to the principal amount so prepaid, repaid, purchased or redeemed; (ii) unless included in the preceding clause (1)(i), prepay, repay, purchase or redeem this series of Senior Secured Notes, any other series of Senior Secured Notes and/or Indebtedness (other than Subordinated Indebtedness or Indebtedness owed to the Issuer or any Restricted Subsidiary) that is secured by a Lien on the Collateral on a *pari passu* basis with the Senior Secured Notes, with respect to such other Indebtedness, at a price of no more than 100% of the principal amount of such applicable Indebtedness, plus accrued and unpaid interest and Additional Amounts, if any, to the date of such prepayment, repayment, purchase or redemption and with respect to any series of Senior Secured Notes, at a price of no less than 100% of the principal amount of the applicable series of Senior Secured Notes, plus accrued and unpaid interest and Additional Amounts, if any, to the date of such prepayment, repayment, purchase or redemption; or (iii) prepay, repay, purchase or redeem any Indebtedness of a Restricted Subsidiary that is not a Guarantor or any Indebtedness that is secured by Liens on assets which do not constitute Collateral (in each case other than Subordinated

Indebtedness of the Issuer or a Guarantor or Indebtedness owed to the Issuer or any Restricted Subsidiary); *provided* that the Issuer shall prepay, repay, purchase or redeem Indebtedness (other than the Senior Secured Notes) pursuant to clause (ii) only if the Issuer makes (at such time or in compliance with this covenant) an offer to Holders to purchase their Senior Secured Notes in accordance with the provisions set forth below for an Asset Disposition Offer for an aggregate principal amount of Senior Secured Notes equal to the proportion that (x) the total aggregate principal amount of Senior Secured Notes outstanding bears to (y) the total aggregate principal amount of Senior Secured Notes outstanding plus the total aggregate principal amount outstanding of such Indebtedness (other than the Senior Secured Notes);

(2) purchase any series of Senior Secured Notes pursuant to an offer to all Holders of such series of Senior Secured Notes at a purchase price in cash equal to at least 100% of the principal amount thereof, plus accrued and unpaid interest to, but not including, the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date);

(3) invest in any Replacement Assets;

(4) acquire all or substantially all of the assets of, or any Capital Stock of, another Similar Business, if, after giving effect to any such acquisition of Capital Stock, the Similar Business is or becomes a Restricted Subsidiary;

(5) make a capital expenditure;

(6) acquire other assets (other than Capital Stock and cash or Cash Equivalents) that are used or useful in a Similar Business;

(7) consummate any combination of the foregoing; or

(8) enter into a binding commitment to apply the Net Available Cash pursuant to clause (1), (3), (4), (5) or (6) of this paragraph or a combination thereof; *provided* that a binding commitment shall be treated as a permitted application of the Net Available Cash from the date of such commitment until the earlier of (x) the date on which such investment is consummated and (y) the 180th day following the expiration of the aforementioned 365-day period, if the investment has not been consummated by that date,

provided, however, if the assets disposed of constitute Collateral or constitute all or substantially all of the assets of a Restricted Subsidiary whose Capital Stock has been pledged as Collateral, the Issuer shall pledge or shall cause the applicable Restricted Subsidiary to pledge any Capital Stock or assets acquired with the Net Available Cash from such disposition referred to in this covenant in favor of the Senior Secured Notes on a first-priority basis, subject to the Agreed Security Principles.

The amount of such Net Available Cash not so used as set forth in this paragraph constitutes "*Excess Proceeds*." Pending the final application of any such Net Available Cash, the Issuer may temporarily reduce revolving credit borrowings or otherwise invest such Net Available Cash in any manner that is not prohibited by the terms of the Senior Secured Notes Indenture. On the 366th day after an Asset Disposition or such earlier time if the Issuer elects, if the aggregate amount of Excess Proceeds exceeds £11 million, the Issuer will be required within 30 Business Days thereof to make an offer (an "*Asset Disposition Offer*") to all Holders and, to the extent the Issuer elects, to all holders of other outstanding Pari Passu Indebtedness that is secured by a Lien on the Collateral on a *pari passu* basis with the Senior Secured Notes, to purchase the maximum principal amount of Senior Secured 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 Senior Secured Notes in an amount equal to (and, in the case of any such Pari Passu Indebtedness, an offer price of no more than) 100% of the principal amount of the Senior Secured Notes and 100% of the principal amount of such Pari Passu Indebtedness, in each case, plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the date of purchase, in accordance with the procedures set forth in the Senior Secured Notes Indenture or the agreements governing such Pari Passu Indebtedness, as applicable, in minimum denominations of £100,000 and in integral multiples of £1,000 in excess thereof (if applicable).

To the extent that the aggregate amount of Senior Secured Notes and such Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to an Asset Disposition Offer is less than the Excess Proceeds, the Issuer may use any remaining Excess Proceeds for general corporate purposes, subject to other covenants contained in the Senior Secured Notes Indenture. If the aggregate principal amount of the Senior Secured Notes surrendered in any Asset Disposition Offer by Holders and such other Pari Passu Indebtedness surrendered by holders or lenders, collectively, exceeds the amount of Excess Proceeds, the Excess Proceeds shall be allocated among the Senior Secured Notes and such Pari Passu Indebtedness to be purchased on a *pro rata* basis on the basis of the aggregate principal amount of tendered Senior Secured Notes and such Pari Passu Indebtedness. For the purposes of calculating the principal amount of any such Indebtedness not denominated in pounds sterling, such Indebtedness shall be calculated by converting any such principal amounts into their pound-sterling equivalent determined as of a date selected by the Issuer that is within the Asset Disposition Offer Period (as defined below). Upon completion of any Asset Disposition Offer, the amount of Excess Proceeds shall be reset at zero.

To the extent that any portion of Net Available Cash payable in respect of the Senior Secured Notes is denominated in a currency other than the currency in which the Senior Secured Notes are denominated, the amount thereof payable in respect of such Senior Secured Notes shall not exceed the net amount of funds in the currency in which such Senior Secured Notes are denominated that is actually received by the Issuer upon converting such portion of the Net Available Cash into such currency.

The Asset Disposition Offer, insofar as it relates to the Senior Secured Notes, will remain open for a period of not less than 20 Business Days following its commencement (the "*Asset Disposition Offer Period*"). No later than five Business Days after the termination of the Asset Disposition Offer Period (the "*Asset Disposition Purchase Date*"), the Issuer will purchase the principal amount of Senior Secured Notes and, to the extent it elects, Pari Passu Indebtedness required to be purchased by it pursuant to this covenant (the "*Asset Disposition Offer Amount*") or, if less than the Asset Disposition Offer Amount has been so validly tendered, all Senior Secured Notes and Pari Passu Indebtedness validly tendered in response to the Asset Disposition Offer. On or before the Asset Disposition Purchase Date, the Issuer will, to the extent lawful, accept for payment, on a *pro rata* basis to the extent necessary, the Asset Disposition Offer Amount of Senior Secured Notes and Pari Passu Indebtedness or portions of Senior Secured 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 Senior Secured Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn and in minimum denominations of £100,000 and in integral multiples of £1,000 in excess thereof (if applicable). The Issuer will deliver to the Trustee an Officer's Certificate stating that such Senior Secured Notes or portions thereof were accepted for payment by the Issuer in accordance with the terms of this covenant. The Paying Agent shall deliver to the Holders of Senior Secured Notes the purchase price of Senior Secured Notes validly tendered and not withdrawn and arrange for the deduction of the appropriate amounts of Senior Secured Notes from such Holders' accounts with Euroclear or Clearstream (as applicable). Any Senior Secured Note not so accepted will be promptly mailed or delivered (or transferred by book entry) by the Issuer to the Holder thereof.

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Senior Secured Notes pursuant to the Senior Secured Notes Indenture. To the extent that the provisions of any securities laws or regulations conflict with provisions of this covenant, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Senior Secured Notes Indenture by virtue of such compliance.

Limitation on Affiliate Transactions

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, enter into or conduct any transaction or series of related transactions (including the purchase, sale, lease or exchange of any property or the rendering of any service) with any Affiliate of the Issuer (any such transaction or series of related transactions being an "*Affiliate Transaction*") involving aggregate value in excess of £5 million unless:

(1) the terms of such Affiliate Transaction taken as a whole are not materially less favorable to the Issuer or such Restricted Subsidiary, as the case may be, than those that could be obtained in a comparable transaction on an arm's-length basis at the time of such transaction or the execution of the agreement providing for such transaction in arm's-length dealings with a Person who is not such an Affiliate;

(2) in the event such Affiliate Transaction involves an aggregate value in excess of £10 million, the terms of such transaction or series of related transactions have been approved by a resolution of the majority of the disinterested members of the Board of Directors of the Issuer resolving that such transaction complies with clause (1) above; and

(3) in the event such Affiliate Transaction involves an aggregate consideration in excess of £15 million, the Issuer has received a written opinion (a "*Fairness Opinion*") from an Independent Financial Advisor that such Affiliate Transaction is fair, from a financial standpoint, to the Issuer and its Restricted Subsidiaries or

that the terms are not materially less favorable than those that could reasonably have been obtained in a comparable transaction at such time on an arm's-length basis from a Person that is not an Affiliate.

The provisions of the preceding paragraph will not apply to:

(1) any Restricted Payment permitted to be made pursuant to the covenant described under "*—Limitation on Restricted Payments*," any Permitted Payments (other than pursuant to clause (9)(b)(ii) of the fourth paragraph of the covenant described under "*—Limitation on Restricted Payments*") or any Permitted Investment (other than Permitted Investments as defined in paragraphs (1)(b), (2) and (11) of the definition thereof);

(2) any issuance, transfer or sale of Capital Stock, options, other equity-related interests or other securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, or entering into, or maintenance of, any employment, consulting, collective bargaining or benefit plan, program, agreement or arrangement, related trust or other similar agreement and other compensation arrangements, options, warrants or other rights to purchase Capital Stock of the Issuer, any Restricted Subsidiary or any Parent, restricted stock plans, long-term incentive plans, stock appreciation rights plans, participation plans or similar employee benefits or consultants' plans (including valuation, health, insurance, deferred compensation, severance, retirement, savings or similar plans, programs or arrangements) or indemnities provided on behalf of officers, employees, directors or consultants approved by the Board of Directors of the Issuer, in each case in the ordinary course of business;

(3) any Management Advances and any waiver or transaction with respect thereto;

(4) any transaction between or among the Issuer and any Restricted Subsidiary (or entity that becomes a Restricted Subsidiary as a result of such transaction), between or among Restricted Subsidiaries or between or among the Issuer or any Restricted Subsidiary and any Receivables Subsidiary in connection with a Qualified Receivables Financing;

(5) the payment of reasonable fees and reimbursement of expenses to, and customary indemnities (including under customary insurance policies) and employee benefit and pension expenses provided on behalf of, directors, officers, consultants or employees of the Issuer, any Restricted Subsidiary or any Parent (whether directly or indirectly and including through any Person owned or controlled by any of such directors, officers or employees);

(6) (i) the Transactions, (ii) the entry into and performance of obligations of the Issuer or any of its Restricted Subsidiaries under the terms of any transaction pursuant to or contemplated by, and any payments pursuant to or for purposes of funding, any agreement or instrument in effect as of or on the Issue Date, as these agreements and instruments may be amended, modified, supplemented, extended, renewed, replaced or refinanced from time to time in accordance with the other terms of this covenant or to the extent not more disadvantageous to the Holders in any material respect, and (iii) the entry into and performance of any registration rights or other listing agreement;

(7) the execution, delivery and performance of any Tax Sharing Agreement or any arrangement pursuant to which the Issuer or any of its Restricted Subsidiaries is required or permitted to file a consolidated tax return, or the formation and maintenance of any consolidated group for tax, accounting or cash pooling or management purposes in the ordinary course of business;

(8) transactions with customers, clients, suppliers or purchasers or sellers of goods or services, in each case in the ordinary course of business, which are fair to the Issuer or the relevant Restricted Subsidiary in the reasonable determination of the Board of Directors or an Officer of the Issuer or the relevant Restricted Subsidiary, or are on terms no less favorable than those that could reasonably have been obtained at such time from an unaffiliated party;

(9) any transaction in the ordinary course of business between or among the Issuer or any Restricted Subsidiary and any Affiliate (other than an Unrestricted Subsidiary) of the Issuer or an Associate or similar entity that would constitute an Affiliate Transaction solely because the Issuer or a Restricted Subsidiary or any Affiliate of the Issuer or a Restricted Subsidiary or any Affiliate of any Permitted Holder owns an equity interest in or otherwise controls such Affiliate, Associate or similar entity;

(10) (a) issuances or sales of Capital Stock (other than Disqualified Stock or Designated Preference Shares) of the Issuer or options, warrants or other rights to acquire such Capital Stock or Subordinated Shareholder Funding and entering into any proceeds loan in respect of the proceeds of any issuance of Senior Notes; *provided* that the interest rate and other financial terms of such Subordinated Shareholder Funding or

proceeds loans are approved by a majority of the members of the Board of Directors of the Issuer in their reasonable determination and (b) any amendment, waiver or other transaction, including satisfying payment obligations, with respect to any Subordinated Shareholder Funding or proceeds loan in compliance with the other provisions of the Senior Secured Notes Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement, as applicable;

(11) (a) payments by the Issuer or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent) of annual management, consulting, monitoring or advisory fees and related expenses in an aggregate amount not to exceed £1 million per year and (b) customary payments by the Issuer or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent) for financial advisory, financing, underwriting or placement services or in respect of other investment banking activities, including in connection with loans, capital market transactions, acquisitions or divestitures, which payments (or agreements providing for such payments) in respect of this clause (11) are approved by a majority of the Board of Directors of the Issuer in good faith;

(12) any transactions for which the Issuer or a Restricted Subsidiary delivers a written letter or opinion to the Trustee from an Independent Financial Advisor stating that such transaction is (i) fair to the Issuer or such Restricted Subsidiary from a financial point of view or (ii) on terms not less favorable than might have been obtained in a comparable transaction at such time on an arm's length basis from a Person who is not an Affiliate;

(13) pledges of Capital Stock of Unrestricted Subsidiaries;

(14) any transaction effected as part of a Qualified Receivables Financing; and

(15) any participation in a public tender or exchange offer for securities or debt instruments issued by the Issuer or any of its Subsidiaries that are conducted on arm's-length terms and provide for the same price or exchange ratio, as the case may be, to all holders accepting such tender or exchange offer.

Reports

So long as any Senior Secured Notes are outstanding, the Issuer will furnish to the Trustee the following reports:

(1) within 120 days after the end of the Senior Notes Issuer's fiscal year beginning with the fiscal year ending December 31, 2015, annual reports containing: (i) an operating and financial discussion of the audited financial statements, including a discussion of the financial condition and results of operations, and a discussion of liquidity and capital resources, material commitments and contingencies and critical accounting policies of the Senior Notes Issuer; (ii) *pro forma* income statement and balance sheet information of the Senior Notes Issuer, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year as to which such annual report relates (other than the GFKL Acquisition and the Acquisition and unless such *pro forma* information has been provided in a previous report pursuant to clause (2) or (3) below); *provided* that such *pro forma* financial information will be provided only to the extent available without unreasonable expense, in which case the Issuer will provide, in the case of a material acquisition, acquired company financials; (iii) the audited consolidated balance sheet of the Senior Notes Issuer as at the end of the most recent two fiscal years and audited consolidated income statements and statements of cash flow of the Issuer for the most recent two fiscal years, including appropriate footnotes to such financial statements, for and as at the end of such fiscal years, and the report of the independent auditors on the financial statements; (iv) a description of the management and shareholders of the Senior Notes Issuer, all material affiliate transactions and a description of all material debt instruments; (v) a description of material risk factors and material subsequent events; (vi) ERC calculated on an 84-month, a 120-month and a 180-month basis, gross collections, adjusted EBITDA, ERC for the year's vintage, gross money multiple for the year's vintage and purchases for the year; and (vii) a description of the material differences in the financial condition and results of operations between the Issuer and the Senior Notes Issuer; *provided* that the information described in clauses (iv), (v) and (vi) may be provided in the footnotes to the audited financial statements;

(2) within 60 days (or, in the case of the fiscal quarter ended September 30, 2015, 90 days) following the end of each of the first three fiscal quarters in each fiscal year of the Senior Notes Issuer, beginning with the quarter ended September 30, 2015, unaudited quarterly financial statements containing the following information: (i) the Senior Notes Issuer's unaudited condensed consolidated balance sheet as at the end of such quarter and unaudited condensed statements of income and cash flow for the most recent quarter

year-to-date period ending on the unaudited condensed balance sheet date and the comparable prior period, together with condensed footnote disclosure; (ii) *pro forma* income statement and balance sheet information of the Senior Notes Issuer, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year as to which such quarterly report relates (other than the GFKL Acquisition and the Acquisition and *provided* that such *pro forma* financial information will be provided only to the extent available without unreasonable expense, in which case the Issuer will provide, in the case of a material acquisition, acquired company financials); (iii) an operating and financial discussion of the unaudited financial statements, including a discussion of the consolidated financial condition, results of operations, ERC calculated on an 84-month, a 120-month and a 180-month basis, gross collections, adjusted EBITDA, purchases for the period, and material changes in liquidity and capital resources of the Senior Notes Issuer; (iv) a discussion of material changes in material debt instruments since the most recent report; (v) material subsequent events and any material changes to the risk factors disclosed in the most recent annual report; and (vi) a description of the material differences in the financial condition and results of operations between the Issuer and the Senior Notes Issuer; *provided* that the information described in clauses (iv) and (v) may be provided in the footnotes to the unaudited financial statements; and

(3) promptly after the occurrence of a material event that the Senior Notes Issuer announces publicly or any acquisition (other than the Acquisition), disposition or restructuring, merger or similar transaction that is material to the Issuer and the Restricted Subsidiaries, taken as a whole, or a senior executive officer or director changes at the Senior Notes Issuer or a change in auditors of the Senior Notes Issuer, a report containing a description of such event.

The Issuer shall have the option at any time to provide the reports set forth in (1) and (2) above as if each reference to the "Senior Notes Issuer" had been to the "Issuer," in which case subsections (1)(vii) and (2)(vi) shall not apply.

In addition, the Issuer shall furnish to the Holders and to prospective investors, upon the request of such parties, any information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act for so long as the Senior Secured Notes are not freely transferable under the Exchange Act by persons who are not "affiliates" under the Securities Act.

The Issuer shall also make available to Holders and prospective holders of the Senior Secured Notes copies of all reports furnished to the Trustee on the Issuer's website (currently, www.lowellgroup.co.uk). All financial statement information shall be prepared in accordance with IFRS as in effect on the date of such report or financial statement (or otherwise on the basis of IFRS as then in effect) and on a consistent basis for the periods presented, except as may otherwise be described in such information; *provided, however*, that the reports set forth in clauses (1), (2) and (3) above may, in the event of a change in IFRS, present earlier periods on a basis that applied to such periods. To the extent comparable prior period financial information of the Issuer does not exist, the comparable prior period financial information of the Target Group and the GFKL Group may be provided in lieu thereof. No report need include separate financial statements for any Subsidiaries of the Issuer. In addition, the reports set forth above will not be required to contain any reconciliation to U.S. generally accepted accounting principles. At any time that any of the Issuer's subsidiaries are Unrestricted Subsidiaries and any such Unrestricted Subsidiary or a group of Unrestricted Subsidiaries, taken as a whole, constitutes a Significant Subsidiary of the Issuer, then the quarterly and annual financial information required by the first paragraph of this "*Reports*" covenant will include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, of the financial condition and results of operations of the Issuer and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Issuer.

All reports provided pursuant to this "*Reports*" covenant shall be made in the English language.

In the event that (i) the Issuer becomes subject to the reporting requirements of Section 13(a) or 15(d) of the Exchange Act, or elects to comply with such provisions, for so long as it continues to file the reports required by Section 13(a) with the SEC, or (ii) the Issuer elects to provide to the Trustee reports which, if filed with the SEC, would satisfy (in the good faith judgment of the Issuer) the reporting requirements of Section 13(a) or 15(d) of the Exchange Act (other than the provision of U.S. GAAP information, certifications, exhibits or information as to internal controls and procedures), for so long as it elects, the Issuer will make available to the Trustee such annual reports, information, documents and other reports that the Issuer is, or would be, required to file with the SEC pursuant to such Section 13(a) or 15(d). Upon complying with the foregoing requirement, the Issuer will be deemed to have complied with the provisions contained in the preceding paragraphs.

Merger and Consolidation

The Issuer

The Issuer will not, directly or indirectly, consolidate with or merge with or into, or assign, convey, transfer, lease or otherwise dispose of all or substantially all of its assets as an entirety or substantially as an entirety, in one transaction or a series of related transactions to, any Person, unless:

(1) either the Issuer is the surviving entity, or the resulting, surviving or transferee Person (the "*Successor Company*") will be a Person organized and existing under the laws of any member state of the European Union, any State of the United States of America or the District of Columbia, Canada or any province of Canada or Switzerland and the Successor Company (if not the Issuer) will expressly assume (a) by supplemental indenture, executed and delivered to the Trustee, in form reasonably satisfactory to the Trustee, all the obligations of the Issuer under the Senior Secured Notes and the Senior Secured Notes Indenture and (b) all obligations of the Issuer under the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents, as applicable;

(2) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the Successor Company or any Subsidiary of the Successor Company as a result of such transaction as having been Incurred by the Successor Company or such Subsidiary at the time of such transaction), no Default or Event of Default shall have occurred and be continuing;

(3) immediately after giving effect to such transaction, either (a) the Issuer or the Successor Company would be able to Incur at least an additional £1.00 of Indebtedness pursuant to clause (1) of the first paragraph of the covenant described under "*—Limitation on Indebtedness*" or (b) the Fixed Charge Coverage Ratio for the Issuer or the Successor Company for the most recently ended four full fiscal quarters for which financial statements are available immediately preceding the date on which the transaction is consummated would not be less than it was immediately prior to giving effect to such transaction; and

(4) the Issuer shall have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each to the effect that such consolidation, merger or transfer and such supplemental indenture (if any is required in connection with such transaction) comply with the Senior Secured Notes Indenture, and an Opinion of Counsel to the effect that such supplemental indenture (if any) has been duly authorized, executed and delivered and is a legal, valid and binding agreement enforceable against the Successor Company (in each case, in form and substance reasonably satisfactory to the Trustee); *provided* that in giving an Opinion of Counsel, counsel may rely on an Officer's Certificate as to any matters of fact.

Without prejudice to clause (3) in the immediately preceding paragraph, any Indebtedness that becomes an obligation of the Issuer or any Restricted Subsidiary (or that is deemed to be Incurred by any Restricted Subsidiary that becomes a Restricted Subsidiary) as a result of any such transaction undertaken in compliance with this covenant, and any Refinancing Indebtedness with respect thereto, shall be deemed to have been Incurred in compliance with the covenant described under "*—Limitation on Indebtedness*."

For purposes of this covenant, the sale, lease, conveyance, assignment, transfer or other disposition of all or substantially all of the properties and assets of one or more Subsidiaries of the Issuer, which properties and assets, if held by the Issuer instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Issuer on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Issuer.

The Successor Company will succeed to, and be substituted for, and may exercise every right and power of, the Issuer under the Senior Secured Notes Indenture, but in the case of a lease of all or substantially all of its assets, the predecessor company will not be released from its obligations under the Senior Secured Notes Indenture or the Senior Secured Notes.

There is no precise established definition of the phrase "substantially all" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the properties or assets of a Person.

The Guarantors

No Guarantor (other than a Guarantor whose Note Guarantee is to be released in accordance with the terms of the Senior Secured Notes Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement) may:

(1) consolidate with or merge with or into any Person (whether or not such Guarantor is the surviving corporation);

(2) sell, assign, convey, transfer, lease or otherwise dispose of all or substantially all of its assets as an entirety or substantially as an entirety, in one transaction or a series of related transactions, to any Person; or

(3) permit any Person to merge with or into it unless:

A. the other Person is the Issuer or any Restricted Subsidiary that is a Guarantor or becomes a Guarantor substantially concurrently with such consolidation, merger, sale, assignment, conveyance, transfer, lease or other disposal;

B. (1) either (x) a Guarantor is the continuing Person or (y) the resulting, surviving or transferee Person expressly assumes all of the obligations of the Guarantor under its Note Guarantee and the Senior Secured Notes Indenture (pursuant to a supplemental indenture executed and delivered in a form reasonably satisfactory to the Trustee) and all obligations of the Guarantor under the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents, as applicable; and (2) immediately after giving effect to the transaction, no Default or Event of Default shall have occurred and be continuing; or

C. the transaction constitutes a sale or other disposition (including by way of consolidation or merger) of a Guarantor or the sale or disposition of all or substantially all of the assets of a Guarantor (in each case other than to the Issuer or a Restricted Subsidiary) otherwise permitted by the Senior Secured Notes Indenture;

provided, *however*, that the prohibition in clauses (1), (2) and (3) above shall not apply to the extent that compliance with clauses (A) and (B)(1) could give rise to or result in: (1) any breach or violation of statutory limitations, corporate benefit, financial assistance, fraudulent preference, thin capitalization rules, capital maintenance rules, guidance and coordination rules or the laws, rules or regulations (or analogous restriction) of any applicable jurisdiction; (2) any risk or liability for the officers, directors or (except in the case of a Restricted Subsidiary that is a partnership) shareholders of such Restricted Subsidiary (or, in the case of a Restricted Subsidiary that is a partnership, directors or shareholders of the partners of such partnership); or (3) any cost, expense, liability or obligation (including with respect to any Taxes) other than reasonable out-of-pocket expenses.

The provisions set forth in this "Merger and Consolidation" covenant shall not restrict (and shall not apply to): (i) any Restricted Subsidiary that is not a Guarantor from consolidating with, merging or liquidating into or transferring all or substantially all of its properties and assets to the Issuer, a Guarantor or any other Restricted Subsidiary that is not a Guarantor; (ii) any Guarantor from merging or liquidating into or transferring all or part of its properties and assets to the Issuer or another Guarantor; (iii) any consolidation or merger of the Issuer into any Guarantor; *provided* that, if the Issuer is not the surviving entity of such merger or consolidation, the relevant Guarantor will assume the obligations of the Issuer under the Senior Secured Notes, the Senior Secured Notes Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents, and clauses (1) and (4) under the heading "*—The Issuer*" shall apply to such transaction; or (iv) the Issuer or any Guarantor consolidating into or merging or combining with an Affiliate incorporated or organized for the purpose of changing the legal domicile of such entity, reincorporating such entity in another jurisdiction, or changing the legal form of such entity; *provided*, *however*, that clauses (1), (2) and (4) under the heading "*—The Issuer*" or clauses (A) and (B) under the heading "*—The Guarantors*," as the case may be, shall apply to any such transaction.

Suspension of Covenants on Achievement of Investment Grade Status

If on any date following the Issue Date, the Senior Secured Notes have achieved Investment Grade Status and no Default or Event of Default has occurred and is continuing (a "*Suspension Event*"), then, beginning on that day and continuing until such time, if any, at which the Senior Secured Notes cease to have Investment Grade Status (the "*Reversion Date*"), the provisions of the Senior Secured Notes Indenture summarized under the following captions will not apply to the Senior Secured Notes:

(1) "*—Limitation on Restricted Payments*";

(2) "*—Limitation on Indebtedness*";

(3) "*—Limitation on Restrictions on Distributions from Restricted Subsidiaries*";

(4) "*—Limitation on Affiliate Transactions*";

(5) "*—Limitation on Sales of Assets and Subsidiary Stock*";

(6) "*—Limitation on Additional Guarantees*"; and

(7) the provisions of clause (3) of the first paragraph of the covenant described under "*—Merger and Consolidation—The Issuer*,"

and, in each case, any related default provision of the Senior Secured Notes Indenture will cease to be effective and will not be applicable to the Issuer and its Restricted Subsidiaries.

Such covenants and any related default provisions will again apply according to their terms from the 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 Issuer properly taken during the continuance of the Suspension Event, and no action taken prior to the Reversion Date will constitute a Default or Event of Default. The "*Limitation on Restricted Payments*" covenant will be interpreted as if it has been in effect since the date of the Senior Secured Notes Indenture but not during the continuance of the Suspension Event. On the Reversion Date, all Indebtedness Incurred during the continuance of the Suspension Event will be deemed to have been outstanding on the Issue Date, so that it is classified as permitted under clause (4)(c) of the second paragraph of the covenant described under "*—Limitation on Indebtedness*." In addition, the Senior Secured Notes Indenture will also permit, without causing a Default or Event of Default, the Issuer or any of the Restricted Subsidiaries to honor any contractual commitments or take actions in the future after any date on which the Senior Secured Notes cease to have an Investment Grade Status as long as the contractual commitments were entered into during the Suspension Event and not in anticipation of the Senior Secured Notes no longer having an Investment Grade Status. The Issuer shall notify the Trustee in writing that the conditions set forth in the first paragraph under this caption have been satisfied; *provided* that no such notification shall be a condition for the suspension of the covenants described under this caption to be effective. There can be no assurance that the Senior Secured Notes will ever achieve or maintain an Investment Grade Status.

Impairment of Security Interest

New Luxco, the Issuer and the Senior Notes Issuer shall not, and the Issuer shall not permit any Restricted Subsidiary to, take or knowingly or negligently omit to take any action that would have the result of materially impairing the Security Interest with respect to the Collateral (it being understood, subject to the paragraph below, that the Incurrence of Permitted Collateral Liens shall under no circumstances be deemed to materially impair the Security Interests with respect to the Collateral) for the benefit of the Trustee and the Holders, and New Luxco, the Issuer and the Senior Notes Issuer shall not, and the Issuer shall not permit any Restricted Subsidiary to, grant to any Person other than the Security Agent, for the benefit of the Trustee and the Holders and the other beneficiaries described in the Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement, any interest whatsoever in any of the Collateral.

Notwithstanding the foregoing, (i) New Luxco, the Issuer, the Senior Notes Issuer and the Restricted Subsidiaries may Incur Permitted Collateral Liens, (ii) the Collateral may be discharged and released in accordance with the Senior Secured Notes Indenture, the applicable Security Documents or the Intercreditor Agreement or any Additional Intercreditor Agreement; (iii) the applicable Security Documents may be amended from time to time to cure any ambiguity, mistake, omission, defect, manifest error or inconsistency therein; (iv) New Luxco, the Issuer, the Senior Notes Issuer and the Restricted Subsidiaries may discharge and release Security Interests with respect to the Collateral in connection with the implementation of a Permitted Reorganization and (v) the Security Interests, and the related Security Documents may be amended, extended, renewed, restated, supplemented or otherwise modified or released (followed by an immediate retaking of a Lien of at least equivalent ranking over the same assets); *provided, however*, that in the case of clauses (i) and (v) above, the Security Documents may not be amended, extended, renewed, restated, supplemented, released or otherwise modified or replaced; unless, contemporaneously with any such action, the Issuer delivers to the Trustee either (1) a solvency opinion, in form and substance reasonably satisfactory to the Trustee, from an Independent Financial Advisor confirming the solvency of the Issuer and its Subsidiaries, taken as a whole, of the Senior Notes Issuer and its Subsidiaries, taken as a whole (as applicable) or of New Luxco, and of the person granting such Security Interest, in each case, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, (2) a certificate from the Board of Directors of the relevant Person, in form and substance reasonably satisfactory to the Trustee, which confirms the solvency of the person granting such Security Interest, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, or (3) an Opinion of Counsel, in form and substance reasonably satisfactory to the Trustee, confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, the Lien or Liens created under the Security Documents, as so amended, extended, renewed, restated, supplemented, released, modified or replaced, are valid Liens not otherwise subject to any limitation, imperfection or new hardening period, in equity or at law, to which such Lien or Liens were not otherwise subject immediately prior to such amendment, extension, renewal, restatement, supplement, release, modification or replacement. In the event that the Issuer complies with the requirements of this covenant, the Trustee and the Security Agent shall (subject to each of the Trustee and the Security Agent being indemnified and secured to its satisfaction) consent to such amendments without the need for instructions from the Holders.

Limitation on Additional Guarantees

No Restricted Subsidiary shall Guarantee the Indebtedness outstanding under the Revolving Credit Facility, any Credit Facility or any other Public Debt, in each case, of the Issuer or a Guarantor unless such Restricted Subsidiary is or becomes a Guarantor on the date on which such Guarantee is Incurred and, if applicable, executes and delivers to the Trustee a supplemental indenture in the form attached to the Senior Secured Notes Indenture pursuant to which such Restricted Subsidiary will provide a Note Guarantee; *provided, however*, that such Restricted Subsidiary shall not be obligated to become such a Guarantor to the extent and for so long as the Incurrence of such Note Guarantee is contrary to the Agreed Security Principles or could give rise to or result in: (1) any breach or violation of statutory limitations, corporate benefit, financial assistance, fraudulent preference, thin capitalization rules, capital maintenance rules, guidance and coordination rules or the laws, rules or regulations (or analogous restriction) of any applicable jurisdiction; (2) any risk or liability for the officers, directors or (except in the case of a Restricted Subsidiary that is a partnership) shareholders of such Restricted Subsidiary (or, in the case of a Restricted Subsidiary that is a partnership, directors or shareholders of the partners of such partnership); or (3) any cost, expense, liability or obligation other than reasonable out-of-pocket expenses. At the option of the Issuer, any Note Guarantee may contain limitations on Guarantor liability to the extent reasonably necessary to recognize certain defenses generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law.

Future Note Guarantees granted pursuant to this provision shall be released as set forth under "—*Releases of the Note Guarantees*." A Note Guarantee of a future Guarantor may also be released at the option of the Issuer if at the date of such release there is no Indebtedness of such Guarantor outstanding which was Incurred after the Issue Date and which could not have been Incurred in compliance with the Senior Secured Notes Indenture if such Guarantor had not been designated as a Guarantor. The Trustee and the Security Agent shall each take all necessary actions, including the granting of releases or waivers under the Intercreditor Agreement or any Additional Intercreditor Agreement, to effectuate any release of a Note Guarantee in accordance with these provisions, subject to each of the Trustee and the Security Agent being indemnified and secured to its satisfaction.

Additional Intercreditor Agreements

The Senior Secured Notes Indenture will provide that, at the request of the Issuer or the Senior Notes Issuer, in connection with the Incurrence by the Issuer or its Restricted Subsidiaries of any (1) Indebtedness permitted pursuant to the first paragraph of the covenant described under "—*Limitation on Indebtedness*" or clause (1), (2), (4), (5), (6), (7) (other than with respect to Capitalized Lease Obligations), (11) or (13) of the second paragraph of the covenant described under "—*Limitation on Indebtedness*" and (2) any Refinancing Indebtedness in respect of Indebtedness referred to in the foregoing clause (1), New Luxco, the Senior Notes Issuer, the Issuer, the relevant Restricted Subsidiaries, the Trustee and the Security Agent shall enter into with the holders of such Indebtedness (or their duly authorized Representatives) an intercreditor agreement (an "*Additional Intercreditor Agreement*") or a restatement, amendment or other modification of the existing Intercreditor Agreement on substantially the same terms as the Intercreditor Agreement (or terms not materially less favorable to the Holders), including containing substantially the same terms with respect to release of Note Guarantees and priority and release of the Security Interests; *provided* that such Additional Intercreditor Agreement will not impose any personal obligations on the Trustee or Security Agent or, in the opinion of the Trustee or Security Agent, as applicable, adversely affect the rights, duties, liabilities or immunities of the Trustee or Security Agent under the Senior Secured Notes Indenture or the Intercreditor Agreement.

The Senior Secured Notes Indenture also will provide that, at the direction of the Issuer and without the consent of Holders, the Trustee and the Security Agent shall from time to time enter into one or more amendments to any Intercreditor Agreement to: (1) cure any ambiguity, omission, defect, manifest error or inconsistency of any such agreement, (2) increase the amount or types of Indebtedness covered by any such agreement that may be Incurred by the Issuer or any Restricted Subsidiary that is subject to any such agreement (including, with respect to any Intercreditor Agreement or Additional Intercreditor Agreement, the addition of provisions relating to new Indebtedness ranking junior in right of payment to the Senior Secured Notes), (3) add Restricted Subsidiaries to the Intercreditor Agreement or an Additional Intercreditor Agreement, (4) further secure the Senior Secured Notes (including Additional Senior Secured Notes), (5) make provision for equal and ratable pledges of the Collateral to secure Additional Senior Secured Notes, (6) implement any Permitted Collateral Liens, (7) amend the Intercreditor Agreement or any Additional Intercreditor Agreement in accordance with the terms thereof or (8) make any other change to any such agreement that does not adversely affect the Holders in any material respect. In formulating its opinion on such matters, the Trustee shall be entitled to request and rely absolutely on such evidence as it deems appropriate, including an Officer's Certificate and an Opinion of Counsel. The Issuer shall not otherwise direct the Trustee or the Security Agent to enter into any amendment to any Intercreditor Agreement without the consent of the Holders of the majority in aggregate principal amount of the Senior Secured Notes then outstanding, except as otherwise permitted below under "*—Amendments and Waivers*," and the Issuer may only direct the Trustee and the Security Agent to enter into any amendment to the extent such amendment does not impose any personal obligations on the Trustee or Security Agent or, in the opinion of the Trustee or Security Agent, adversely affect their respective rights, duties, liabilities or immunities under the Senior Secured Notes Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement.

The Senior Secured Notes Indenture shall also provide that, in relation to any Intercreditor Agreement or Additional Intercreditor Agreement, the Trustee (and the Security Agent, if applicable) shall consent on behalf of the Holders to the payment, repayment, purchase, repurchase, defeasance, acquisition, retirement or redemption of any obligations subordinated to the Senior Secured Notes thereby; *provided, however*, that such transaction would comply with the covenant described under "*—Limitation on Restricted Payments*" and the terms of the Intercreditor Agreement and any Additional Intercreditor Agreement.

The Senior Secured Notes Indenture will also provide that each Holder, by accepting a Senior Secured Note, shall be deemed to have agreed to and accepted the terms and conditions of the Intercreditor Agreement or any Additional Intercreditor Agreement (whether then entered into or entered into in the future pursuant to the provisions described herein), and to have directed the Trustee and the Security Agent to enter into any such Additional Intercreditor Agreement. A copy of the Intercreditor Agreement or any Additional Intercreditor Agreement shall be made available for inspection during normal business hours on any Business Day upon prior written request at the offices of the listing agent for the Senior Secured Notes.

Limitation on Holding Company Activities

Neither the Issuer nor Simon Holdco may carry on any business activity, hold any assets or Incur any Indebtedness other than in connection with:

(1) the provision of administrative, strategy, legal, accounting, tax, research and development, employee-related, management and other services to its Affiliates of a type customarily provided by a holding company (including entering into and performing any rights or obligations under any Tax Sharing Agreements and acting as the head of a tax group) and the ownership of assets and incurrence of liabilities related to the provision of such services;

(2) (a) the Incurrence of any Indebtedness or Subordinated Shareholder Funding permitted under the Senior Secured Notes Indenture; (b) the conduct of any activities reasonably incidental to the Incurrence of such Indebtedness or Subordinated Shareholder Funding, including the performance of the terms and conditions thereof; and (c) the granting of Liens to secure Indebtedness, in compliance with the provisions of the Senior Secured Notes Indenture;

(3) activities undertaken with the purpose of fulfilling its obligations or exercising its rights under the Senior Secured Notes Indenture, the Senior Notes Indenture, the Existing 2022 Senior Secured Notes Indenture, the Intercreditor Agreement (or any Additional Intercreditor Agreement), the Security Documents, and any finance and security arrangements not prohibited by the Senior Secured Notes Indenture;

(4) the ownership of (i) cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities, (ii) shares of Simon Holdco and Garfunkel Holding (with respect to the Issuer) and Simon Midco (with respect to Simon Holdco), (iii) Permitted Investments (but, as to Simon Holdco only, excluding Investments in the Capital Stock of any Subsidiary other than Simon Midco or Simon Bidco as contemplated in this Offering Memorandum under the caption "*The Transactions*"), and (iv) other property and assets for the purpose of transferring such property and asset to any Parent or other Person;

(5) the management of Simon Holdco's, the Issuer's and its Subsidiaries' assets and conducting activities and entering into transactions related or incidental to the establishment and/or maintenance of Simon Holdco's, the Issuer's and the Issuer's Subsidiaries' corporate existence and any other transaction of a type customarily entered into by holding companies and their subsidiaries (including the payment of wages, Taxes and the incurrence of obligations and liabilities arising by operation of law or that are typical or incidental to the activities of a holding company);

(6) any activity reasonably relating to the servicing, purchase, redemption, amendment, exchange, refinancing or retirement of the Senior Secured Notes or other Indebtedness (or other items that are specifically excluded from the definition of Indebtedness) not prohibited to be Incurred under the Senior Secured Notes Indenture;

(7) the entering into and performance of any rights or obligations in respect of (i) contracts and agreements with its officers, directors, employees, consultants and other providers of goods and services; (ii) subscription or purchase agreements for securities or preferred equity certificates, public offering rights agreements, voting and other shareholder agreements, engagement letters, underwriting agreements, agreements with Rating Agencies and other agreements in respect of its securities or any offering, issuance or sale thereof; (iii) engagement letters and reliance letters in respect of legal, accounting and other advice or reports received or commissioned by it, in each case, in relation to transactions which are not prohibited under the Senior Secured Notes Indenture; and (iv) sale and purchase agreements in respect of any merger and acquisition activities;

(8) the listing of its Capital Stock and the issuance, offering and sale of its Capital Stock, including compliance with applicable regulatory and other obligations in connection therewith;

(9) the Acquisition, the GFKL Acquisition and the Transactions; and

(10) the undertaking of any other activities, the holding of assets and the incurrence of liabilities which are not specifically listed in this covenant and which are (i) ancillary to or related to those listed in this covenant or (ii) not material to the Issuer and its Restricted Subsidiaries (taken as a whole) or, with respect to Simon Holdco, not material to Simon Holdco,

provided that the restrictions in this covenant shall apply as to Simon Holdco only until the date on which the Issuer or a Subsidiary of the Issuer first holds substantially all of the share capital of Simon Holdco (other than T-Shares).

Post-Closing Undertakings

The Issuer shall use its commercially reasonable efforts to implement the Squeeze Out and complete it in accordance with the applicable German statutory provisions as soon as reasonably practicable after the Completion Date, and in any event, by no later than December 31, 2016, and thereafter to use its commercially reasonable efforts to take all steps required to complete the German Company Conversion, as soon as reasonably practicable after the Squeeze Out is completed, and in any event, within three months of the Squeeze Out being completed.

By the date falling 10 Business Days after the Structure Event, the Issuer shall procure that, unless the Security Coverage Test is satisfied at any time prior to the Structure Event, the Senior Secured Notes will, subject in each case to the Agreed Security Principles, be guaranteed by such further Group entities so as to satisfy the Security Coverage Test. To the extent such Note Guarantees are provided, no later than 10 Business Days after the Structure Event, the Senior Secured Notes will be secured by first-priority security interests over certain of the material assets, share capital and/or intragroup receivables of the Post-Structure-Event Guarantors, subject to the Agreed Security Principles; *provided* that, for the avoidance of doubt, any security interest to be granted (i) by a Post-Structure-Event Guarantor incorporated, organized or established under the laws of the Federal Republic of Germany, (ii) over any asset located in the Federal Republic of Germany and/or (iii) under a Security Document governed by the laws of the Federal Republic of Germany shall only be over share capital and/or intragroup receivables.

Within 60 days of the Completion Date, subject to the terms of the Security Documents and the Agreed Security Principles, (1) the Issuer shall procure that the Senior Secured Notes will be guaranteed by the Senior Secured Notes Post-Completion Date Guarantors and secured by first-priority security interests over all or substantially all of the assets of the Senior Secured Notes Post-Completion Date Guarantors; and (2) the Issuer shall use commercially reasonable efforts to procure that New Luxco become a party to the Senior Secured Notes Indenture. To the extent that New Luxco becomes a party to the Senior Secured Notes Indenture, New Luxco shall within 60 days of the Completion Date provide first-priority security interests over any T-Shares of the Issuer and the Subsidiary Guarantors held by New Luxco, subject to the terms of the applicable Security Documents and the Agreed Security Principles (with New Luxco deemed to be a member of the "Group" as defined therein for purposes of this undertaking).

Within 60 days of the Structure Event, if it occurs, subject to the terms of the Security Documents and the Agreed Security Principles (with New Luxco deemed to be a member of the "Group" as defined therein for purposes of this undertaking), New Luxco shall provide first-priority security interests in any T-Shares of the Subsidiary Guarantors held by New Luxco, to the extent not previously provided.

Listing

The Issuer will use its reasonable best efforts to (i) obtain the listing of the Senior Secured Notes on the Official List of the Luxembourg Stock Exchange and the admission to trading of the Senior Secured Notes on the Euro MTF Market of the Luxembourg Stock Exchange as promptly as practicable after the Issue Date and (ii) maintain such listing and admission to trading for so long as such Senior Secured Notes are outstanding; *provided* that if the Issuer is unable to obtain such listing, or if maintenance of such listing becomes unduly onerous, it will, prior to the delisting of the Senior Secured Notes from the Official List of the Luxembourg Stock Exchange, use its reasonable best efforts to obtain and maintain a listing of such Senior Secured Notes on another "recognised stock exchange" as defined in section 1005 of the Income Tax Act 2007 of the United Kingdom.

Payments for Consent

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any Holder of Senior Secured Notes for or as an inducement to any consent, waiver or amendment of any of the terms of the provisions of the Senior Secured Notes Indenture or the Senior Secured Notes unless such consideration is offered to be paid and is paid to all Holders of the Senior Secured Notes that consent, waive or agree to such amendment in the time frame set forth in the solicitation documents relating to such consent, waiver or agreement. Notwithstanding the foregoing, the Issuer and its Restricted Subsidiaries shall be permitted, in any offer or payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of the Senior Secured Notes Indenture, to exclude Holders of Senior Secured Notes in any jurisdiction or any category of Holders of Senior Secured Notes where (1) the solicitation of such consent, waiver or amendment, including in connection with any tender or exchange offer, or (2) the payment of the consideration therefor could reasonably be interpreted as requiring the Issuer or any of its Restricted Subsidiaries to file a registration statement, prospectus or similar document under any applicable securities laws or listing requirements (including, but not limited to, the United States federal securities laws and the laws of the European Union or any of its member states), which the Issuer in its sole discretion determines (acting in good faith) (a) would be materially burdensome (it being understood that it would not be materially burdensome to file the consent document(s) used in other jurisdictions, any substantially similar documents or any summary thereof with the securities or financial services authorities in such jurisdiction) or (b) such solicitation would otherwise not be permitted under applicable law in such jurisdiction or with respect to such category of Holders of Senior Secured Notes.

Events of Default

Each of the following is an "Event of Default" under the Senior Secured Notes Indenture:

(1) default in any payment of interest on any Senior Secured Note issued under the Senior Secured Notes Indenture when due and payable, continued for 30 days;

(2) default in the payment of the principal amount of or premium, if any, on any Senior Secured Note issued under the Senior Secured Notes Indenture when due at its Stated Maturity, upon optional redemption, upon required repurchase, upon declaration or otherwise;

(3) failure by New Luxco (only with respect to the covenants under the headings "*—Certain Covenants—Impairment of Security Interests*" and "*—Certain Covenants—Additional Intercreditor Agreements*"), the

Issuer, the Senior Notes Issuer or any Restricted Subsidiary to comply for 60 days after notice by the Trustee or the Holders of at least 25% in principal amount of the outstanding Senior Secured Notes with its other agreements contained in the Senior Secured Notes Indenture;

(4) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Issuer or any of its Restricted Subsidiaries (or the payment of which is Guaranteed by the Issuer or any of its Restricted Subsidiaries), other than Indebtedness owed to the Issuer or a Restricted Subsidiary, whether such Indebtedness or Guarantee now exists, or is created after the Issue Date, which default:

 (a) is caused by a failure to pay principal at stated maturity on such Indebtedness, immediately upon the expiration of the grace period provided in such Indebtedness ("*payment default*"); or

 (b) results in the acceleration of such Indebtedness prior to its maturity (the "*cross acceleration provision*"),

and (i) in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a payment default or the maturity of which has been so accelerated, aggregates £15 million or more or (ii) such Indebtedness is incurred pursuant to clause (1) or (6) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" and secured by Collateral that is, in each case, granted super senior priority rights with respect to proceeds of enforcement of Collateral under the Intercreditor Agreement, and the Instructing Group (as defined in the Intercreditor Agreement or any Additional Intercreditor Agreement) has instructed the Security Agent to commence enforcement of Collateral with a fair market value in excess of £15 million in circumstances where the Security Agent is permitted to take enforcement action in accordance with such instructions;

(5) certain events of bankruptcy, insolvency or court protection of the Senior Notes Issuer, the Issuer or a Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Issuer or the Senior Notes Issuer), would constitute a Significant Subsidiary (the "*bankruptcy provisions*");

(6) failure by the Issuer or any Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Issuer or the Senior Notes Issuer), would constitute a Significant Subsidiary to pay final judgments aggregating in excess of £15 million (exclusive of any amounts for which a solvent insurance company has acknowledged liability), which judgments are not paid, discharged or stayed for a period of 60 days after the judgment becomes final (the "*judgment default provision*");

(7) any security interest under the Security Documents shall, at any time, cease to be in full force and effect (other than in accordance with the terms of the relevant Security Document, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Senior Secured Notes Indenture) with respect to Collateral having a fair market value in excess of £5 million for any reason other than the satisfaction in full of all obligations under the Senior Secured Notes Indenture or the release of any such security interest in accordance with the terms of the Senior Secured Notes Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement or the Security Documents or any such security interest created thereunder shall be declared invalid or unenforceable or the Issuer, the Senior Notes Issuer or any Restricted Subsidiary shall assert in writing that any such security interest is invalid or unenforceable, and any such Default continues for 10 days; and

(8) any Note Guarantee of a Significant Subsidiary ceases to be in full force and effect (other than in accordance with the terms of such Note Guarantee or the Senior Secured Notes Indenture) or is declared invalid or unenforceable in a judicial proceeding or any Guarantor denies or disaffirms in writing its obligations under its Note Guarantee and any such Default continues for 10 days.

If an Event of Default (other than an Event of Default described in clause (5) above) occurs and is continuing, the Trustee, by notice to the Issuer, or the Holders of at least 25% in principal amount of the outstanding Senior Secured Notes under the Senior Secured Notes Indenture, by written notice to the Issuer and the Trustee, may, and the Trustee at the request of such Holders shall, declare the principal of, premium, if any, and accrued and unpaid interest on all the Senior Secured Notes under the Senior Secured Notes Indenture to be due and payable. Upon such a declaration, such principal, premium and accrued and unpaid interest will be due and payable immediately. In the event of a declaration of acceleration of the Senior Secured Notes because an Event of Default described in clause (4) under the definition of "*—Events of Default*" has occurred and is continuing, the declaration of acceleration of the Senior Secured Notes shall be automatically annulled if the event of default or payment default triggering such Event of Default pursuant to clause (4) shall be remedied or cured, or waived by the holders of the Indebtedness, or the Indebtedness that gave rise to such Event of Default shall have been discharged in full, within 30 days after the declaration of acceleration with respect thereto and if (1) the annulment of the acceleration of the Senior Secured Notes would not conflict with any judgment or decree of a court of competent jurisdiction and (2) all existing Events of Default, except nonpayment of principal, premium or interest on the Senior Secured Notes that became due solely because of the acceleration of the Senior Secured Notes, have been cured or waived.

If an Event of Default described in clause (5) above occurs and is continuing, the principal of, premium, if any, and accrued and unpaid interest on all the Senior Secured Notes will become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holders. Holders of the Senior Secured Notes may not enforce the Senior Secured Notes Indenture or the Senior Secured Notes except as provided in the Senior Secured Notes Indenture and may not enforce the Security Documents except as provided in such Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement.

The Holders of a majority in principal amount of the outstanding Senior Secured Notes under the Senior Secured Notes Indenture by notice to the Trustee may, on behalf of all Holders, waive all past or existing Defaults or Events of Default (except with respect to nonpayment of principal, premium, interest or Additional Amounts, if any) and rescind any such acceleration with respect to such Senior Secured 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 Senior Secured Notes 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 Senior Secured Notes Indenture at the request or direction of any of the Holders unless such Holders have offered to the Trustee indemnity or security satisfactory to the Trustee against any loss, liability or expense. Except to enforce the right to receive payment of principal or interest when due, no Holder may pursue any remedy with respect to the Senior Secured Notes Indenture or the Senior Secured Notes unless:

(1) such Holder has previously given the Trustee notice that an Event of Default is continuing;

(2) Holders of at least 25% in principal amount of the outstanding Senior Secured Notes have requested the Trustee to pursue the remedy;

(3) such Holder has offered the Trustee security or indemnity satisfactory to the Trustee against any loss, liability or expense;

(4) the Trustee has not complied with such request within 60 days after the receipt of the request and the offer of such security or indemnity; and

(5) the Holders of a majority in principal amount of the outstanding Senior Secured Notes have not given the Trustee a direction that, in the opinion of the Trustee, is inconsistent with such request within such 60-day period.

Subject to certain restrictions, the Holders of a majority in principal amount of the outstanding Senior Secured Notes are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee. The Senior Secured Notes Indenture will provide that, in the event an Event of Default has occurred and is continuing, the Trustee will be required in the exercise of its powers to use the degree of care that a prudent person would use in the conduct of its own affairs. The Trustee, however, may refuse to follow any direction that conflicts with law or the Senior Secured Notes 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 Senior Secured Notes Indenture, the Trustee will be entitled to indemnification or other security satisfactory to it in its sole discretion against all losses, liabilities and expenses caused by taking or not taking such action. Prior to the occurrence of an Event of Default, the Trustee will have no obligation to monitor compliance by the Issuer with the Senior Secured Notes Indenture. The Senior Secured Notes Indenture will provide that if a Default occurs and is continuing and the Trustee is informed in writing of such occurrence by the Issuer, the Trustee must give notice of the Default to the Holders within 60 days after being so notified by the Issuer. Except in the case of a Default in the payment of principal of, or premium, if any, or interest on any Senior Secured Note, the Trustee may withhold notice if and so long as the Trustee determines that withholding notice is in the interests of the Holders.

The Issuer is required to deliver to the Trustee, within 120 days after the end of each fiscal year, an Officer's Certificate indicating whether the signers thereof know of any Default or Event of Default that occurred during the previous year. The Issuer is required to deliver to the Trustee, within 30 days after the occurrence thereof, written notice of any events of which it is aware which would constitute certain Defaults, their status and what action the Issuer is taking or proposes to take in respect thereof.

The Senior Secured Notes Indenture will provide that (i) if a Default occurs for a failure to deliver a required certificate in connection with another default (an "*Initial Default*"), then at the time such Initial Default is cured, such Default for a failure to report or deliver a required certificate in connection with the Initial Default will also be cured without any further action and (ii) any Default or Event of Default for the failure to comply with the time periods prescribed in the covenant entitled "*Certain Covenants—Reports*" or otherwise to deliver any notice or certificate pursuant to any other provision of the Senior Secured Notes Indenture shall be deemed to be cured upon the delivery of any such report required by such covenant or notice or certificate, as applicable, even though such delivery is not within the prescribed period specified in the Senior Secured Notes Indenture.

The Senior Secured Notes Indenture will provide for the Trustee to take action on behalf of the Holders in certain circumstances, but only if the Trustee is indemnified or secured to its satisfaction. It may not be possible for the Trustee to take certain actions in relation to the Senior Secured Notes and, accordingly, in such circumstances the Trustee will be unable to take action, notwithstanding the provision of an indemnity to it, and it will be for Holders to take action directly.

Amendments and Waivers

Subject to certain exceptions, the Senior Secured Notes Documents may be amended, supplemented or otherwise modified with the consent of Holders of at least a majority in principal amount of the Senior Secured Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Senior Secured Notes) and, subject to certain exceptions, any default or compliance with any provisions thereof may be waived with the consent of the Holders of at least a majority in principal amount of the Senior Secured Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Senior Secured Notes); *provided* that, if any amendment, supplement, other modification or waiver will only amend, supplement or waive one series of the Senior Secured Notes, only the consent of a majority in aggregate principal amount of the then outstanding Senior Secured Notes of such series shall be required. However, without the consent of Holders holding not less than 90% of the then outstanding principal amount of the Senior Secured Notes affected, an amendment or waiver may not, with respect to any Senior Secured Notes held by a non-consenting Holder or, if any amendment, waiver or other modification will only amend, supplement, modify or waive one series of the Senior Secured

Notes, without the consent of Holders holding not less than 90% of the then outstanding aggregate principal amount of such series of Senior Secured Notes affected, with respect to any such series of Senior Secured Notes held by a non-consenting Holder:

(1) reduce the principal amount of Senior Secured 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 Senior Secured Note;

(3) reduce the principal of or extend the Stated Maturity of any Senior Secured Note;

(4) reduce the premium payable upon the redemption of any Senior Secured Note or change the time at which any Senior Secured Note may be redeemed, in each case as described under "*—Optional Redemption*";

(5) make any Senior Secured Note payable in money other than that stated in the Senior Secured Note;

(6) impair the right of any Holder to receive payment of principal of and interest or Additional Amounts, if any, on such Holder's Senior Secured Notes on or after the due dates therefor or to institute suit for the enforcement of any such payment on or with respect to such Holder's Senior Secured Notes;

(7) make any change in the provision of the Senior Secured Notes Indenture described under "*—Withholding Taxes*" that adversely affects the right of any Holder of such Senior Secured Notes in any material respect or amends the terms of such Senior Secured Notes in a way that would result in a loss of an exemption from any of the Taxes described thereunder or an exemption from any obligation to withhold or deduct Taxes so described thereunder unless the Issuer agrees to pay Additional Amounts, if any, in respect thereof;

(8) release all or substantially all of the security interests granted for the benefit of the Holders in the Collateral other than in accordance with the terms of the Security Documents, the Intercreditor Agreement, any applicable Additional Intercreditor Agreement or the Senior Secured Notes Indenture;

(9) waive a Default or Event of Default with respect to the nonpayment of principal, premium or interest or Additional Amounts, if any, on the Senior Secured Notes (except pursuant to a rescission of acceleration of the Senior Secured Notes by the Holders of at least a majority in aggregate principal amount of such Senior Secured Notes and a waiver of the payment default that resulted from such acceleration);

(10) release all or substantially all of the Guarantors from their obligations under the Note Guarantees or the Senior Secured Notes Indenture, except in accordance with the terms of the Senior Secured Notes Indenture and the Intercreditor Agreement; or

(11) make any change in the amendment or waiver provisions which require the Holders' consent described in this sentence.

Notwithstanding the foregoing, without the consent of any Holder, the Issuer, the Trustee, the Security Agent and the other parties thereto, as applicable, may amend or supplement any Senior Secured Notes Documents:

(1) to cure any ambiguity, omission, defect, error or inconsistency;

(2) to provide for the assumption by a successor Person of the obligations of the Issuer or any Restricted Subsidiary under any Senior Secured Notes Document;

(3) to add to the covenants or provide for a Note Guarantee for the benefit of the Holders or surrender any right or power conferred upon the Issuer or any Restricted Subsidiary;

(4) to make any change that would provide additional rights or benefits to the Trustee or the Holders or that does not adversely affect the rights or benefits to the Trustee or any of the Holders in any material respect under the Senior Secured Notes Documents;

(5) to make such provisions as necessary (as determined in good faith by the Board of Directors or an Officer of the Issuer) for the issuance of Additional Senior Secured Notes;

(6) to provide for any Restricted Subsidiary to provide a Note Guarantee in accordance with the covenant described under "*—Certain Covenants—Limitation on Indebtedness" or "—Limitation on Additional Guarantees*," to add Note Guarantees with respect to the Senior Secured Notes, to add security to or for the benefit of the Senior Secured Notes, or to confirm and evidence the release, termination, discharge or retaking of any Note Guarantee or Lien (including the Collateral and the Security Documents) or any amendment in respect thereof with respect to or securing the Senior Secured Notes when such release, termination, discharge or retaking or amendment is provided for under the Senior Secured Notes Indenture, the Security Documents, the Intercreditor Agreement or any Additional Intercreditor Agreement;

(7) to conform the text of the Senior Secured Notes Indenture, the Security Documents or the Senior Secured Notes to any provision of this "*Description of the Senior Secured Notes*" to the extent that such provision in this "*Description of the Senior Secured Notes*" was intended to be a verbatim recitation of a provision of the Senior Secured Notes Indenture, the Security Documents or the Senior Secured Notes;

(8) to evidence and provide for the acceptance and appointment under the Senior Secured Notes Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement of a successor trustee or security agent pursuant to the requirements thereof or to provide for the accession by the Trustee or Security Agent to any Senior Secured Notes Document;

(9) in the case of the Security Documents, to mortgage, pledge, hypothecate or grant a security interest in favor of the Security Agent for the benefit of the Holders or parties to the Revolving Credit Facility Agreement, in any property which is required by the Security Documents or the Revolving Credit Facility Agreement (as in effect on the Issue Date) to be mortgaged, pledged or hypothecated, or in which a security interest is required to be granted to the Security Agent, or to the extent necessary to grant a security interest in the Collateral for the benefit of any Person; *provided* that the granting of such security interest is not prohibited by the Senior Secured Notes Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement and the covenant described under "*—Certain Covenants—Impairment of Security Interest*" is complied with; or

(10) as provided in "*—Certain Covenants—Additional Intercreditor Agreements*."

In formulating its decision on such matters, the Trustee shall be entitled to require and rely on such evidence as it deems necessary, including Officer's Certificates and Opinions of Counsel. The consent of the Holders is not necessary under the Senior Secured Notes Indenture to approve the particular form of any proposed amendment of any Senior Secured Notes Document. It is sufficient if such consent approves the substance of the proposed amendment. A consent to any amendment or waiver under the Senior Secured Notes Indenture by any Holder of Senior Secured Notes given in connection with a tender of such Holder's Senior Secured Notes will not be rendered invalid by such tender.

For purposes of determining whether Holders of the requisite aggregate principal amount of any series of Senior Secured Notes have taken any action under the Senior Secured Notes Indenture, the aggregate principal amount of such series of Senior Secured Notes will be deemed to be the pound-sterling equivalent of the aggregate principal amount of such Senior Secured Notes as of (i) the record date in respect of such action (if a record date has been set with respect to the taking of such action) or (ii) the date the taking of such action by Holders of the requisite aggregate principal amount of such Senior Secured Notes has been certified to the Trustee by the Issuer (if no such record date has been set).

Notwithstanding anything to the contrary in the paragraphs above, in order to effect an amendment authorized by clause (3) above to add a Guarantor under the Senior Secured Notes Indenture, it shall only be necessary for the supplemental indenture providing for the accession of such additional Guarantor to be duly authorized and executed by (i) the Issuer, (ii) such additional Guarantor and (iii) the Trustee. Any other amendments permitted by the Senior Secured Notes Indenture need only be duly authorized and executed by the Issuer and the Trustee.

Acts by Holders

In determining whether the Holders of the required principal amount of the Senior Secured Notes have concurred in any direction, waiver or consent, the Senior Secured Notes owned by the Issuer or by any Person directly or indirectly controlling, or controlled by, or under direct or indirect common control with, the Issuer will be disregarded and deemed not to be outstanding; *provided* that, for the purpose of determining whether the Trustee shall be protected in relying on any such direction, waiver or consent, only Senior Secured Notes which the Trustee knows are so owned shall be so disregarded.

Defeasance

The Issuer at any time may terminate all obligations of the Issuer and each Guarantor under the Senior Secured Notes and the Senior Secured Notes 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 Senior Secured Notes, registration of Senior Secured Notes, mutilated, destroyed, lost or stolen Senior Secured Notes and the maintenance of an office or agency for payment and money for security payments held in trust. Subject to the foregoing, if the Issuer exercises its legal defeasance option, the Security Documents and the rights of the Trustee and the Holders under the Intercreditor Agreement or any Additional Intercreditor Agreement in effect at such time will terminate (other than with respect to the defeasance trust).

The Issuer at any time may terminate its and the Restricted Subsidiaries' obligations under the covenants described under "*Certain Covenants*" (other than clauses (1) and (2) under "*—Certain Covenants—Merger and Consolidation—The Issuer*") and "*Change of Control*" and the default provisions relating to such covenants described under "*—Events of Default*" above, the operation of the cross-default upon a payment default, the cross acceleration provisions, the bankruptcy provisions with respect to any Significant Subsidiaries, the judgment default provision, the guarantee provision and the security default provision described under "*—Events of Default*" ("*covenant defeasance*").

The Issuer at its option at any time may exercise its legal defeasance option notwithstanding its prior exercise of its covenant defeasance option. If the Issuer exercises its legal defeasance option, payment of the Senior Secured Notes may not be accelerated because of an Event of Default with respect to such Senior Secured Notes. If the Issuer exercises its covenant defeasance option with respect to the Senior Secured Notes, payment of the Senior Secured Notes may not be accelerated because of an Event of Default specified in clause (3) (other than with respect to clauses (1) and (2) of the covenant described under "*—Certain Covenants—Merger and Consolidation—The Issuer*"), (4), (5) (with respect only to the Significant Subsidiaries), (6), (7) or (8) under "*—Events of Default*."

In order to exercise either defeasance option, the Issuer must irrevocably deposit in trust (the "*defeasance trust*") with the Trustee (or another entity designated or appointed (as agent) by the Trustee for this purpose) cash in pound-sterling or pound-sterling-denominated European Government Obligations or a combination thereof sufficient for the payment of principal, premium, if any, and interest on the Senior Secured Notes to redemption or maturity, as the case may be, and must comply with certain other conditions, including delivery to the Trustee of:

(1) an Opinion of Counsel in the United States to the effect that Holders of the relevant Senior Secured Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit and defeasance and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred (and in the case of legal defeasance only, such Opinion of Counsel in the United States must be based on a ruling received by the Issuer from, or published by, the U.S. Internal Revenue Service or change in applicable U.S. federal income tax law);

(2) an Officer's Certificate stating that the deposit was not made by the Issuer with the intent of defeating, hindering, delaying, defrauding or preferring any creditors of the Issuer;

(3) an Officer's Certificate and an Opinion of Counsel (which opinion of counsel may be subject to customary assumptions and qualifications), each stating that all conditions precedent provided for or relating to legal defeasance or covenant defeasance, as the case may be, have been complied with;

(4) an Opinion of Counsel to the effect that the trust resulting from the deposit does not constitute, or is qualified as, a regulated investment company under the U.S. Investment Company Act of 1940; and

(5) all other documents or other information that the Trustee may reasonably require in connection with either defeasance option.

Satisfaction and Discharge

The Senior Secured Notes Indenture, and the rights of the Trustee and the Holders under the Intercreditor Agreement and any Additional Intercreditor Agreement and the Security Documents will be discharged and cease to be of further effect (except as to surviving rights of conversion or transfer or exchange of the Senior Secured Notes, as expressly provided for in the Senior Secured Notes Indenture) as to all outstanding Senior Secured Notes when (1) either (a) all the Senior Secured Notes previously authenticated and delivered (other than certain lost, stolen or destroyed Senior Secured Notes, and certain Senior Secured 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 Senior Secured Notes not previously delivered to the Paying Agent for cancellation (i) have become due and payable, (ii) will become due and payable at their Stated Maturity within one year or (iii) are to be called for redemption within one year under arrangements reasonably satisfactory to the Trustee for the giving of notice of redemption by the Paying Agent in the name, and at the expense, of the Issuer; (2) the Issuer has deposited or caused to be deposited with the Trustee (or another entity designated or appointed (as agent) by the Trustee for this purpose), money or pound-sterling-denominated European Government Obligations, or a combination thereof, as applicable, in an amount sufficient to pay and discharge the entire Indebtedness on the Senior Secured 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 Senior Secured 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 Senior Secured Notes Indenture; (4) the Issuer has delivered irrevocable instructions to the Trustee under the Senior Secured Notes Indenture to apply the deposited money toward the payment of the Senior Secured Notes at maturity or on the redemption date, as the case may be, and (5) the Issuer has delivered to the Trustee an Officer's Certificate and an Opinion of Counsel (*provided* that such counsel may not be an employee of the Issuer or its Subsidiaries) each to the effect that all conditions precedent under the "*Satisfaction and Discharge*" section of the Senior Secured Notes Indenture relating to the satisfaction and discharge of the Senior Secured Notes Indenture have been complied with; *provided* that any such counsel may rely on any Officer's Certificate as to matters of fact (including as to compliance with the foregoing clauses (1), (2) and (3)).

No Personal Liability of Directors, Officers, Employees and Shareholders

No director, officer, employee, incorporator or shareholder of the Issuer or any of its Subsidiaries or Affiliates, as such, shall have any liability for any obligations of the Issuer or any Guarantor under the Senior Secured Notes Documents or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Senior Secured Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Senior Secured Notes. Such waiver may not be effective to waive liabilities under the U.S. federal securities laws and it is the view of the SEC that such a waiver is against public policy.

Concerning the Trustee and Certain Agents

Citibank, N.A., London Branch is to be appointed as Trustee under the Senior Secured Notes Indenture. The Senior Secured Notes Indenture will provide that, except during the continuance of an Event of Default, the Trustee will perform only such duties as are set forth specifically in the Senior Secured Notes Indenture. During the existence of an Event of Default, the Trustee will exercise such of the rights and powers vested in it under the Senior Secured Notes 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 Senior Secured Notes Indenture will not be construed as an obligation or duty.

The Senior Secured Notes Indenture will impose certain limitations on the rights of the Trustee, should it become a creditor of the Issuer, to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee or any Agent will be permitted to engage in other transactions with the Issuer and its Affiliates and Subsidiaries.

The Senior Secured Notes Indenture will set out the terms under which the Trustee may retire or be removed and replaced. Such terms will include, among others, (1) that the Trustee may be removed at any time by the Holders of a majority in principal amount of then outstanding Senior Secured Notes, or may resign at any time by giving written notice to the Issuer, and (2) that if the Trustee at any time (a) has or acquires a conflict of interest that is not eliminated, or (b) becomes incapable of acting as Trustee or becomes insolvent or bankrupt, then the Issuer may remove the Trustee, or any Holder who has been a bona fide Holder for not less than six months may petition any court for removal of the Trustee and appointment of a successor Trustee. Any removal or resignation of the Trustee shall not become effective until the acceptance of appointment by the successor Trustee.

The Senior Secured Notes Indenture will contain provisions for the indemnification of the Trustee for any loss, liability, Taxes or expenses Incurred without gross negligence, willful misconduct or fraud on its part, arising out of or in connection with the acceptance or administration of the Senior Secured Notes Indenture.

Notices

Notices, warnings, summonses and other communications to the Holders of the Senior Secured Notes from the Trustee shall be sent via Euroclear or Clearstream (as applicable) with a copy to the Issuer and the Luxembourg Stock Exchange (to the extent required by the rules of the Luxembourg Stock Exchange). Any such notice or communication shall be deemed to be given or made when sent from Euroclear or Clearstream (as applicable). The Issuer's written notifications to the Holders of Senior Secured Notes shall be sent through Euroclear or Clearstream (as applicable) with a copy to the Trustee and the Luxembourg Stock Exchange (to the extent required by the rules of the Luxembourg Stock Exchange).

Prescription

Claims against the Issuer and the Guarantors for the payment of principal, or premium, if any, on the Senior Secured Notes will be prescribed 10 years after the applicable due date for payment thereof. Claims against the Issuer and the Guarantors for the payment of interest on the Senior Secured Notes will be prescribed six years after the applicable due date for payment of interest.

Currency Indemnity and Calculation of Pound-Sterling-Denominated Restrictions

The pound sterling is the sole currency of account and payment for all sums payable by the Issuer and the Guarantors, if any, under or in connection with this series of Senior Secured Notes and the related Note Guarantees, including damages. Any amount received or recovered in a currency other than pound sterling (in the case of this series of Senior Secured Notes), whether as a result of, or the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer, any Guarantor or otherwise by any Holder or by the Trustee, in respect of any sum expressed to be due to it from the Issuer or a Guarantor will only constitute a discharge to the Issuer or such Guarantor, as applicable, to the extent of the pounds sterling amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so).

If that pound-sterling amount is less than the pound-sterling amount expressed to be due to the recipient or the Trustee under any Senior Secured Note, the Issuer and the Guarantors will indemnify them against any loss sustained by such recipient or the Trustee as a result. In any event, the Issuer and the Guarantors will indemnify the recipient or the Trustee on a joint and several basis against the cost of making any such purchase. For the purposes of this currency indemnity provision, it will be *prima facie* evidence of the matter stated therein for the Holder of a Senior Secured Note or the Trustee to certify in a manner reasonably satisfactory to the Issuer (indicating the sources of information used) the loss it Incurred in making any such purchase. These indemnities constitute a separate and independent obligation from the Issuer's and the Guarantors' other obligations, will give rise to a separate and independent cause of action, will apply irrespective of any waiver granted by any Holder of a Senior Secured Note or the Trustee (other than a waiver of the indemnities set out herein) and will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Senior Secured Note or any Note Guarantee, or to the Trustee.

Except as otherwise specifically set forth herein, for purposes of determining compliance with any EUR or pound sterling-denominated restriction herein, the EUR or pound-sterling equivalent amount, as applicable, for purposes hereof that is denominated in a currency other than EUR or pounds sterling, as applicable, shall be calculated based on the relevant currency exchange rate in effect on the date such non-EUR or non-pound-sterling amount, as applicable, is Incurred or made, as the case may be.

Enforceability of Judgments

Since substantially all the assets of the Issuer and the Guarantors are located outside the United States, any judgment obtained in the United States against the Issuer or the Guarantors, including judgments with respect to the payment of principal, premium, interest, Additional Amounts, if any, and any redemption price and any purchase price with respect to the Senior Secured Notes, may not be collectable within the United States. See "*Risk Factors—Risks Related to Our Structure and the Financing—Each Note Guarantee and security interest will be subject to certain limitations on enforcement and may be limited by applicable law or subject to certain defenses that may limit its validity and enforceability" and "Certain Limitations on Validity and Enforceability of the Note Guarantees and the Collateral and Certain Insolvency Law Considerations*."

Consent to Jurisdiction and Service

In relation to any legal action or proceedings arising out of or in connection with the Senior Secured Notes Indenture and the Senior Secured Notes, the Issuer and the Guarantors will in the Senior Secured Notes 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 Senior Secured Notes Indenture and the Senior Secured Notes, and the rights and duties of the parties thereunder, shall be governed by and construed in accordance with the laws of the State of New York.

For the avoidance of doubt, the provisions of articles 86 to 94-8 of the Luxembourg act dated 10 August 1915 on commercial companies, as amended (the "*Luxembourg Companies Act 1915*"), are excluded. No Holder may initiate proceedings against the Issuer based on article 98 of the Luxembourg Companies Act 1915. Any resolution of the Holders to amend the corporate objects of the Issuer or the form of the Issuer, to change the nationality of the Issuer and/or increasing the commitments of the shareholders of the Issuer may only be taken, and any meetings of the Holders resolving thereupon must be convened and held, in accordance with the Luxembourg Companies Act 1915 as long as any specific requirements exist in this respect in the Luxembourg Companies Act 1915 (the "*Luxembourg Law Resolutions*"). A Luxembourg Law Resolution must be passed in accordance with the requirements of the Luxembourg Companies Act 1915. There are specific quorum requirements for Luxembourg Law Resolutions set out in the Luxembourg Companies Act 1915. Certain Luxembourg Law Resolutions passed at any meeting of the Holders will be binding on all Holders, whether or not they are present at the meeting. If there cease to be specific requirements under Luxembourg law for the above matters, the resolutions on these matters will be taken in the form of extraordinary resolutions.

Certain Definitions

"*Acquired Indebtedness*" means Indebtedness (1) of a Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary, or (2) assumed in connection with the acquisition of assets from such Person, in each case whether or not Incurred by such Person in connection with such Person becoming a

Restricted Subsidiary or such acquisition or (3) of a Person at the time such Person merges with or into or consolidates or otherwise combines with the Issuer or any Restricted Subsidiary. Acquired Indebtedness shall be deemed to have been Incurred, with respect to clause (1) of the preceding sentence, on the date such Person becomes a Restricted Subsidiary and, with respect to clause (2) of the preceding sentence, on the date of consummation of such acquisition of assets and, with respect to clause (3) of the preceding sentence, on the date of the relevant merger, consolidation or other combination.

"*Acquisition*" means the acquisition of certain shares and indebtedness of the Target pursuant to the Acquisition Agreements, as described in this Offering Memorandum.

"*Acquisition Agreements*" means, collectively, the sale and purchase agreement dated August 7, 2015 between, *inter alios*, the Sellers and Simon Bidco for the sale and purchase of the entire share capital of the Target (except T-Shares), certain loan notes held by the Sellers and certain shareholder loans held by Metis Holdco and 1920297 Ontario Limited, a wholly owned subsidiary of OTPP; the share purchase agreement dated August 7, 2015 between, *inter alios*, certain employee shareholders of the Target and Simon Bidco for the sale and purchase of certain shares of the Target; and the share purchase agreement dated on or around the Completion Date between, *inter alios*, Simon Bidco and an affiliate of TDR Capital LLP for the sale and purchase by New Luxco of certain T-Shares, as described in this Offering Memorandum.

"*Affiliate*" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"*Agreed Security Principles*" means the agreed security principles appended to the Revolving Credit Facility Agreement, as of the Issue Date, as applied *mutatis mutandis* with respect to the Senior Secured Notes in good faith by the Issuer.

"*Applicable Premium*" means the greater of:

(1) 1% of the principal amount of such Senior Secured Note; and

(2) as of any redemption date, the excess (to the extent positive) of:

  (a) the present value at such redemption date of (i) the redemption price of such Senior Secured Note at November 1, 2018 (such redemption price (expressed in percentage of principal amount) being set forth in the table under "—*Optional Redemption*" (excluding accrued but unpaid interest)), plus (ii) all required interest payments due on such Senior Secured Note to and including such date (excluding accrued but unpaid interest), computed upon the redemption date using a discount rate equal to the Gilt Rate at such redemption date plus 50 basis points; over

  (b) the outstanding principal amount of such Senior Secured Note,

as calculated by the Issuer or on behalf of the Issuer by such Person as the Issuer shall designate. For the avoidance of doubt, calculation of the Applicable Premium shall not be an obligation or duty of the Trustee, Registrar, Transfer Agent or any Paying Agent.

"*Asset Disposition*" means any direct or indirect sale, lease (other than an operating lease entered into in the ordinary course of business), transfer, issuance or other disposition, or a series of related sales, leases (other than operating leases entered into in the ordinary course of business), transfers, issuances or dispositions that are part of a common plan, of shares of Capital Stock of a Restricted Subsidiary (other than directors' qualifying shares), property or other assets (each referred to for the purposes of this definition as a "disposition") by the Issuer or any of its Restricted Subsidiaries, including any disposition by means of a merger, consolidation or similar transaction. Notwithstanding the preceding provisions of this definition, the following items shall be deemed not to be Asset Dispositions:

(1) a disposition by a Restricted Subsidiary to the Issuer or by the Issuer or a Restricted Subsidiary to a Restricted Subsidiary;

(2) a disposition of cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;

(3) a disposition of inventory, trading stock, security equipment or other equipment or assets in the ordinary course of business;

(4) a disposition of obsolete, damaged, retired, surplus or worn out equipment or assets or equipment, facilities or other assets that are no longer useful in the conduct of the business of the Issuer and its Restricted Subsidiaries and any transfer, termination, unwinding or other disposition of hedging instruments or arrangements not for speculative purposes;

(5) transactions permitted under "—*Certain Covenants—Merger and Consolidation*" or a transaction that constitutes a Change of Control;

(6) an issuance or transfer of Capital Stock by a Restricted Subsidiary to the Issuer or to another Restricted Subsidiary or as part of or pursuant to an equity incentive or compensation plan approved by the Board of Directors of the Issuer or the issuance of directors' qualifying shares and shares issued to individuals as required by applicable law;

(7) any dispositions of Capital Stock, properties or assets in a single transaction or series of related transactions with a fair market value (as determined in good faith by the Board of Directors or an Officer of the Issuer) of less than the greater of £5 million and 3.7% of Total Assets;

(8) any Restricted Payment that is permitted to be made, and is made, under the covenant described above under "—*Certain Covenants—Limitation on Restricted Payments*" and the making of any Permitted Payment or Permitted Investment;

(9) the granting of Liens not prohibited by the covenant described above under the caption "—*Certain Covenants—Limitation on Liens*";

(10) dispositions of receivables in connection with the compromise, settlement or collection thereof (including, without limitation, Put-Backs) in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements or any sale of assets received by the Issuer or a Restricted Subsidiary upon the foreclosure of a Lien granted in favor of the Issuer or any Restricted Subsidiary;

(11) the licensing, sub-licensing, lease or assignment of intellectual property or other general intangibles and licenses, sub-licenses, leases or subleases of other property, in each case, in the ordinary course of business;

(12) foreclosure, condemnation, taking by eminent domain or any similar action with respect to any property or other assets;

(13) the sale or discount (with or without recourse, and on customary or commercially reasonable terms) of accounts receivable or notes receivable arising in the ordinary course of business, or the conversion or exchange of accounts receivable for notes receivable;

(14) sales or dispositions of receivables in connection with any Qualified Receivables Financing or any factoring transaction or otherwise in the ordinary course of business;

(15) any issuance, sale or disposition of Capital Stock, Indebtedness or other securities of an Unrestricted Subsidiary;

(16) any disposition of Capital Stock of a Restricted Subsidiary pursuant to an agreement or other obligation with or to a Person (other than the Issuer or a Restricted Subsidiary) from whom such Restricted Subsidiary was acquired, or from whom such Restricted Subsidiary acquired its business and assets (having been newly formed in connection with such acquisition), made as part of such acquisition and in each case comprising all or a portion of the consideration in respect of such sale or acquisition;

(17) any surrender or waiver of contract rights or the settlement, release, recovery on or surrender of contract, tort or other claims of any kind;

(18) any disposition of assets to a Person who is providing services related to such assets, the provision of which has been or is to be outsourced by the Issuer or any Restricted Subsidiary to such Person; *provided, however*, that the Board of Directors of the Issuer shall certify that in the opinion of the Board of Directors, the outsourcing transaction will be economically beneficial to the Issuer and its Restricted Subsidiaries (considered as a whole); *provided, further*, that the fair market value of the assets disposed of, when taken together with all other dispositions made pursuant to this clause (18), does not exceed the greater of £7 million and 5.0% of Total Assets;

(19) an issuance of Capital Stock by a Restricted Subsidiary to the Issuer or to another Restricted Subsidiary, an issuance or sale by a Restricted Subsidiary of Preferred Stock or Disqualified Capital Stock that is permitted by the covenant described above under "—*Certain Covenants—Limitation on Indebtedness*" or an issuance

of Capital Stock by the Issuer pursuant to an equity incentive or compensation plan approved by the Board of Directors of the Issuer;

(20) sales, transfers or other dispositions of Investments in joint ventures to the extent required by, or made pursuant to, customary buy/sell arrangements between the joint venture parties set forth in joint venture arrangements and similar binding agreements; *provided* that any cash or Cash Equivalents received in such sale, transfer or disposition are applied in accordance with the "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*" covenant;

(21) any disposition with respect to property built, owned or otherwise acquired by the Issuer or any Restricted Subsidiary pursuant to customary sale and lease-back transactions, asset securitizations and other similar financings permitted by the Senior Secured Notes Indenture;

(22) a disposition of Portfolio Assets (including dispositions of Right to Collect Accounts) or inventory or other assets, in each case, in the ordinary course of business, including into a trust in favor of third parties or otherwise; and

(23) a disposition in connection with the Transactions.

"*Associate*" means (i) any Person engaged in a Similar Business of which the Issuer or its Restricted Subsidiaries are the legal and beneficial owners of between 20% and 50% of all outstanding Voting Stock and (ii) any joint venture entered into by the Issuer or any Restricted Subsidiary.

"*Board of Directors*" means (1) with respect to the Issuer or any corporation, the board of directors or managers, as applicable, of the corporation, or any duly authorized committee thereof; (2) with respect to any partnership, the board of directors or other governing body of the general partner of the partnership or any duly authorized committee thereof; and (3) with respect to any other Person, the board or any duly authorized committee of such Person serving a similar function. Whenever any provision of the Senior Secured Notes Indenture requires any action or determination to be made by, or any approval of, a Board of Directors, such action, determination or approval shall be deemed to have been taken or made if approved by a majority of the directors (excluding employee representatives, if any) on any such Board of Directors (whether or not such action or approval is taken as part of a formal board meeting or as a formal board approval). References to "Board of Directors of the Issuer" shall be construed to mean "Board of Directors" of the Issuer or "Board of Directors" of the Senior Notes Issuer, as determined from time to time by the Issuer.

"*Business Day*" means each day that is not a Saturday, Sunday or other day on which banking institutions in Frankfurt, Germany, Luxembourg or London, United Kingdom are authorized or required by law to close.

"*Capital Stock*" of any Person means any and all shares of, rights to purchase, warrants or options for, or other equivalents of or partnership or other interests in (however designated), equity of such Person, including any Preferred Stock, but excluding any debt securities convertible into such equity.

"*Capitalized Lease Obligation*" means an obligation that is required to be classified and accounted for as a capitalized lease for financial reporting purposes on the basis of IFRS (as in effect on the Issue Date for purposes of determining whether a lease is a capitalized lease). The amount of Indebtedness will be, at the time any determination is to be made, the amount of such obligation required to be capitalized on a balance sheet (excluding any notes thereto) prepared in accordance with IFRS, and the stated maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date such lease may be terminated without penalty.

"*Cash Equivalents*" means:

(1) securities issued or directly and fully Guaranteed or insured by the United States or Canadian government, a member state of the European Union or Switzerland or, in each case, any agency or instrumentality thereof (*provided* that the full faith and credit of such country or such member state is pledged in support thereof), having maturities of not more than two years from the date of acquisition;

(2) certificates of deposit, time deposits, Eurodollar time deposits, overnight bank deposits or bankers' acceptances having maturities of not more than one year from the date of acquisition thereof issued by any lender party to the Revolving Credit Facility or by any bank or trust company (a) whose commercial paper is rated at least "A-1" or the equivalent thereof by S&P or at least "P-1" or the equivalent thereof by Moody's (or if at the time neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) or (b) (in the event that the bank or trust company does not have commercial paper which is rated) having combined capital and surplus in excess of £250 million;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clauses (1) and (2) entered into with any bank meeting the qualifications specified in clause (2) above;

(4) commercial paper rated at the time of acquisition thereof at least "A-2" or the equivalent thereof by S&P or "P-2" or the equivalent thereof by Moody's or carrying an equivalent rating by a Nationally Recognized Statistical Rating Organization, if both of the two named Rating Agencies cease publishing ratings of investments or, if no rating is available in respect of the commercial paper, the issuer of which has an equivalent rating in respect of its long-term debt, and in any case maturing within one year after the date of acquisition thereof;

(5) readily marketable direct obligations issued by any state of the United States of America, any province of Canada, any member of the European Union, Japan, Norway or Switzerland or any political subdivision thereof, in each case, having one of the two highest rating categories obtainable from either Moody's or S&P (or if at the time neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of not more than two years from the date of acquisition;

(6) Indebtedness or preferred stock issued by Persons with a rating of "BBB-" or higher from S&P or "Baa3" or higher from Moody's (or if at the time neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of 12 months or less from the date of acquisition;

(7) bills of exchange issued in the United States, Canada, a member state of the European Union, Switzerland, Norway or Japan eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent);

(8) interests in any investment company, money market or enhanced high yield fund which invests 95% or more of its assets in instruments of the type specified in clauses (1) through (7) above; and

(9) for purposes of clause (2) of the definition of "*Asset Disposition*," the marketable securities portfolio owned by the Issuer and its Subsidiaries on the Issue Date.

"*Change of Control*" means the occurrence of any of the following:

(1) the Issuer becoming aware of (by way of a report or any other filing pursuant to Section 13(d) of the Exchange Act, proxy, vote, written notice or otherwise) any "person" or "group" of related persons (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act as in effect on the Issue Date), other than one or more Permitted Holders, is or becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act as in effect on the Issue Date), directly or indirectly, of more than 50% of the total voting power of the Voting Stock of the Issuer; *provided* that for the purposes of this clause, no Change of Control shall be deemed to occur by reason of the Issuer becoming a wholly-owned Subsidiary of a Successor Parent (subject to any directors' qualifying shares or shares required by any applicable law or regulation to be held by a person other than the Issuer or another wholly-owned Subsidiary that are held by a Person other than such Successor Parent); and

(2) the sale, lease, transfer, conveyance or other disposition (other than by way of merger, consolidation or other business combination transaction), in one or a series of related transactions, of all or substantially all of the assets of the Issuer and its Restricted Subsidiaries taken as a whole to a Person, other than a Restricted Subsidiary or one or more Permitted Holders.

"*Clearstream*" means Clearstream Banking, *société anonyme*, as currently in effect, or any successor securities clearing agency.

"*Collateral*" means any and all assets from time to time in which a security interest has been granted pursuant to any Security Document to secure the obligations under the Senior Secured Notes Indenture, the Senior Secured Notes and/or any Note Guarantee.

"*Compartment*" means, under the Luxembourg Securitization Law of 22 March 2004, as amended or any other similar law, one or more independent parts of such Person's estate distinguishable from the rest of the Person's estate by the nature of assets or liabilities relating to such independent part of such Person and each such independent part of such Person corresponding to a separate part of the assets and liabilities of the Person, created to allow for the management of asset portfolios separate from the remaining assets of such Person. The terms and conditions of the securities issued within a Compartment, as well as the specific objectives of the respective Compartment, are defined by the board of directors and set forth in the articles of association of such

Person, the terms and conditions of such securities and other agreements, if any, entered by the Person in connection with such Compartment, and where (A) creditors of such Compartment are limited to the assets of that Compartment, (B) the assets and liabilities, investments and obligations of a Compartment are exclusively available to satisfy the claims of holders of securities issued within that Compartment, as well as of creditors, whose claims have arisen or will arise in connection with the creation, operation or liquidation of the respective Compartment, and (C) in the relationship of the holders between each other, each Compartment shall be treated as a separate entity.

"*Completion Date*" means the date of completion of the Acquisition.

"*Consolidated EBITDA*" for any period means, without duplication, the Consolidated Net Income for such period, plus any amortization of Portfolio Assets during such period (for the avoidance of doubt, amortization of Portfolio Assets includes the difference between collections and revenue recognized in the consolidated income statement as income from Portfolio Assets), plus the following to the extent deducted in calculating such Consolidated Net Income:

(1) Consolidated Interest Expense;

(2) Consolidated Income Taxes;

(3) consolidated depreciation expense;

(4) consolidated amortization (excluding amortization of a prepaid cash charge or expense that was paid in a prior period) or impairment expense;

(5) any expenses, charges or other costs related to any issuance of Capital Stock, listing of Capital Stock, Investment, acquisition (including amounts paid in connection with the acquisition or retention of one or more individuals comprising part of a management team retained to manage the acquired business and any expenses, charges or other costs related to deferred or contingent payments), disposition, recapitalization or the Incurrence of any Indebtedness permitted by the Senior Secured Notes Indenture (whether or not successful) (including any such fees, expenses or charges related to the GFKL Acquisition or the Transactions (including any expenses in connection with related due diligence activities)), in each case, as determined in good faith by the Board of Directors or an Officer of the Issuer;

(6) any minority interest expense (whether paid or not) consisting of income attributable to minority equity interests of third parties in such period or any prior period or any net earnings, income or share of profit of any Associates, except to the extent of dividends declared or paid on, or other cash payments in respect of, equity interests held by such third parties;

(7) the amount of management, monitoring, consulting and advisory fees and related expenses paid in such period to the Permitted Holders to the extent permitted by the covenant described under "*—Certain Covenants—Limitation on Affiliate Transactions*";

(8) other non-cash charges, write-downs or items reducing Consolidated Net Income (excluding any such non-cash charge, write-down or item to the extent it represents an accrual of or reserve for cash charges expected to be paid in any future period) or other items classified by the Issuer as special, extraordinary, exceptional, unusual or non-recurring items less other non-cash items of income increasing Consolidated Net Income (other than non-cash items increasing Consolidated Net Income pursuant to clauses (1) to (13) of the definition of Consolidated Net Income and excluding any such non-cash item of income to the extent it represents a receipt of cash expected to be paid in any future period);

(9) the proceeds of any business interruption insurance received or that become receivable during such period to the extent the associated losses arising out of the event that resulted in the payment of such business interruption insurance proceeds were included in computing Consolidated Net Income;

(10) payments received or that become receivable with respect to expenses that are covered by the indemnification provisions in any agreement entered into by such Person in connection with an acquisition to the extent such expenses were included in computing Consolidated Net Income;

(11) any Receivables Fees and discounts on the sale of accounts receivable in connection with any Qualified Receivables Financing representing, in the Issuer's reasonable determination, the implied interest component of such discount for such period; and

(12) any amount corresponding to any revaluation of Portfolio Assets, as determined in good faith by the Board of Directors or an Officer of the Issuer (to the extent not duplicated with any non-cash charges set forth in clause (8) hereof).

"*Consolidated Income Taxes*" means Taxes or other payments, including deferred taxes, based on income, profits or capital of any of the Issuer and its Restricted Subsidiaries, whether or not paid, estimated, accrued or required to be remitted to any governmental authority.

"*Consolidated Interest Expense*" means, for any period (in each case, determined on the basis of IFRS), the consolidated net interest income/expense of the Issuer and its Restricted Subsidiaries, whether paid or accrued, plus or including (without duplication) any interest, costs and charges consisting of:

(1) interest expense attributable to Capitalized Lease Obligations;

(2) amortization of original issue discount (but not including deferred financing fees, debt issuance costs, commissions, fees and expenses);

(3) non-cash interest expense;

(4) costs associated with Hedging Obligations (excluding amortization of fees or any non-cash interest expense attributable to the movement in mark-to-market valuation of such obligations);

(5) the product of (a) all dividends or other distributions in respect of all Disqualified Stock of the Issuer and all Preferred Stock of any Restricted Subsidiary, to the extent held by Persons other than the Issuer or a Restricted Subsidiary, multiplied by (b) a fraction, the numerator of which is one and the denominator of which is one minus the then current combined national, state and local statutory tax rate of such Person, expressed as a decimal, as estimated in good faith by a responsible accounting or financial officer of the Issuer;

(6) the consolidated interest expense that was capitalized during such period (but excluding such interest on Subordinated Shareholder Funding);

(7) cash interest actually paid by the Issuer or any Restricted Subsidiary under any Guarantee of Indebtedness or other obligation of any other Person; and

(8) interest accrued on any Indebtedness of a Parent that is Guaranteed by the Issuer or any Restricted Subsidiary to the extent (x) serviced directly or indirectly by the Issuer or any Restricted Subsidiary and (y) not already included in calculating Consolidated Interest Expense;

minus (i) accretion or accrual of discounted liabilities other than Indebtedness and (ii) any expense resulting from the discounting of any Indebtedness in connection with the application of purchase accounting in connection with any acquisition, in each case, to the extent included in interest expense under IFRS.

"*Consolidated Leverage*" means the sum of the aggregate outstanding Indebtedness of the Issuer and its Restricted Subsidiaries (excluding Hedging Obligations entered into for *bona fide* hedging purposes and not for speculative purposes (as determined in good faith by the Issuer)).

"*Consolidated Leverage Ratio*" means, as of any date of determination, the ratio of (x) Consolidated Leverage at such date to (y) the aggregate amount of Consolidated EBITDA for the period of the four most recent fiscal quarters ending prior to the date of such determination for which internal consolidated financial statements of the Issuer are available. In the event that the Issuer or any of its Restricted Subsidiaries Incurs, assumes, guarantees, repays, repurchases, redeems, defeases or otherwise discharges any Indebtedness subsequent to the commencement of the period for which the Consolidated Leverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Consolidated Leverage Ratio is made (the "*Calculation Date*"), then the Consolidated Leverage Ratio will be calculated giving *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of the Issuer), including in respect of anticipated expense and cost reduction synergies, to such Incurrence, assumption, guarantee, repayment, repurchase, redemption, defeasance or other discharge of Indebtedness, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the applicable reference period; *provided, however*, that the *pro forma* calculation shall not give effect to (i) any Indebtedness Incurred on the Calculation Date pursuant to the provisions described in the second paragraph under "*—Certain Covenants—Limitation on Indebtedness*" or (ii) the discharge on the Calculation Date of any Indebtedness to the extent that such discharge results from the proceeds Incurred pursuant to the provisions described in the second paragraph under "*—Certain Covenants—Limitation on Indebtedness*";

In addition, for purposes of calculating the Consolidated Leverage Ratio:

(1) acquisitions and Investments that have been made by the Issuer or any of its Restricted Subsidiaries, including through mergers or consolidations, or any Person or any of its Subsidiaries which are Restricted Subsidiaries acquired by the Issuer or any of its Restricted Subsidiaries, and including all related financing transactions and including increases in ownership of Subsidiaries which are Restricted Subsidiaries, during the reference period or subsequent to such reference period and on or prior to the Calculation Date, or that are to be made on the Calculation Date, will be given *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of the Issuer and may include anticipated expense and cost reduction synergies) as if they had occurred on the first day of the reference period; *provided*, that the *pro forma* calculation may give effect to anticipated acquisitions which have not yet occurred but which have become subject to a definitive purchase agreement or contract, where the Indebtedness to be Incurred is to finance such acquisitions in whole or in part and such Indebtedness, if Incurred prior to the completion of any such acquisition, is funded into escrow and released to the Issuer or any Restricted Subsidiary only in connection with the completion of such acquisition;

(2) the Consolidated EBITDA (whether positive or negative) attributable to discontinued operations, as determined in accordance with IFRS, and operations, businesses or group of assets constituting a business or operating unit (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded on a *pro forma* basis as if such disposition occurred on the first day of such period (taking into account anticipated cost savings resulting from any such disposal, as determined in good faith by a responsible accounting or financial officer of the Issuer);

(3) the Consolidated Interest Expense attributable to discontinued operations, as determined in accordance with IFRS, and operations, businesses or group of assets constituting a business or operating unit (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded on a *pro forma* basis as if such disposition occurred on the first day of such period, but only to the extent that the obligations giving rise to such Consolidated Interest Expense will not be obligations of the Issuer or any of its Restricted Subsidiaries following the Calculation Date;

(4) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such reference period;

(5) any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such reference period; and

(6) if any Indebtedness bears a floating rate of interest, the interest expense on such Indebtedness will be calculated as if the rate in effect on the Calculation Date had been the applicable rate for the entire period (taking into account any Interest Rate Agreement applicable to such Indebtedness), and if any Indebtedness is not denominated in the Issuer's functional currency, that Indebtedness for purposes of the calculation of Consolidated Leverage shall be treated in accordance with IFRS.

"*Consolidated Net Income*" means, for any period, the net income (loss) of the Issuer and its Restricted Subsidiaries determined on a consolidated basis on the basis of IFRS; *provided, however*, that there will not be included in such Consolidated Net Income:

(1) subject to the limitations contained in clause (2) below, any net income (loss) of any Person if such Person is not a Restricted Subsidiary, except that the Issuer's equity in the net income of any such Person for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed by such Person during such period to the Issuer or a Restricted Subsidiary as a dividend or other distribution or return on investment or could have been distributed, as reasonably determined by an Officer of the Issuer (subject, in the case of a dividend or other distribution or return on investment to a Restricted Subsidiary, to the limitations contained in clause (2) below);

(2) solely for the purpose of determining the amount available for Restricted Payments under clause (c)(i) of the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*," any net income (loss) of any Restricted Subsidiary (other than a Guarantor) if such Subsidiary is subject to restrictions on the payment of dividends or the making of distributions by such Restricted Subsidiary to the Issuer by operation of the terms of such Restricted Subsidiary's charter or any agreement, instrument, judgment, decree, order, statute or governmental rule or regulation applicable to such Restricted Subsidiary or its shareholders (other than (a) restrictions that have been waived or otherwise released, (b) restrictions pursuant to the Senior Secured Notes, the Senior Secured Notes Indenture, the Senior Notes issued under the Senior Notes Indenture, the Senior Notes Indenture, the Existing 2022 Senior Secured Notes and the

Existing 2022 Senior Secured Notes Indenture, (c) contractual restrictions in effect on the Issue Date with respect to a Restricted Subsidiary (including pursuant to the Revolving Credit Facility Agreement or the Intercreditor Agreement) and other restrictions with respect to such Restricted Subsidiary that, taken as a whole, are not materially less favorable to the Holders than such restrictions in effect on the Issue Date, and (d) restrictions permitted under the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Restrictions on Distributions from Restricted Subsidiaries*," except that the Issuer's equity in the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed or that could have been distributed by such Restricted Subsidiary during such period to the Issuer or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend to another Restricted Subsidiary (other than a Guarantor), to the limitation contained in this clause);

(3) any net gain (or loss) realized upon the sale or other disposition of any asset or disposed operations of the Issuer or any Restricted Subsidiaries (including pursuant to any sale and lease-back transaction) which is not sold or otherwise disposed of in the ordinary course of business (as determined in good faith by an Officer or the Board of Directors of the Issuer);

(4) any extraordinary, one-off, non-recurring, exceptional or unusual gain, loss, expense or charge, including any charges or reserves in respect of any restructuring, redundancy, relocation, refinancing, integration or severance or other post-employment arrangements, signing, retention or completion bonuses, transaction costs (including costs related to the Transactions, the GFKL Acquisition or any investments), acquisition costs, business optimization, system establishment, software or information technology implementation or development, costs related to governmental investigations and curtailments or modifications to pension or post-retirement benefits schemes, litigation or any asset impairment charges or the financial impacts of natural disasters (including fire, flood and storm and related events);

(5) the cumulative effect of a change in accounting principles;

(6) any non-cash compensation charge or expense arising from any grant of stock, stock options or other equity based awards and any non-cash deemed finance charges in respect of any pension liabilities or other provisions, any non-cash net after tax gains or losses attributable to the termination or modification of any employee pension benefit plan and any charge or expense relating to any payment made to holders of equity-based securities or rights in respect of any dividend sharing provisions of such securities or rights to the extent such payment was made pursuant to the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*";

(7) all deferred financing costs written off and premiums paid or other expenses Incurred directly in connection with any early extinguishment of Indebtedness or Hedging Obligations and any net gain (loss) from any write-off or forgiveness of Indebtedness;

(8) any unrealized gains or losses in respect of Hedging Obligations or other financial instruments or any ineffectiveness recognized in earnings related to qualifying hedge transactions or the fair value or changes therein recognized in earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of Hedging Obligations;

(9) any unrealized foreign currency transaction gains or losses in respect of Indebtedness or other obligations of any Person denominated in a currency other than the functional currency of such Person and any unrealized foreign exchange gains or losses resulting from remeasuring assets and liabilities denominated in foreign currencies;

(10) any unrealized foreign currency translation or transaction gains or losses in respect of Indebtedness or other obligations of the Issuer or any Restricted Subsidiary owing to the Issuer or any Restricted Subsidiary;

(11) any one-time non-cash charges or any amortization or depreciation, in each case to the extent related to the Transactions, the GFKL Acquisition or any acquisition of another Person or business or resulting from any reorganization or restructuring involving the Issuer or its Subsidiaries;

(12) any goodwill or other intangible asset amortization charge, impairment charge or write-off or write-down; and

(13) the impact of capitalized, accrued or accreting or pay-in-kind interest or principal on Subordinated Shareholder Funding.

"*Consolidated Senior Secured Leverage*" means the sum of the aggregate outstanding Senior Secured Indebtedness of the Issuer and its Restricted Subsidiaries (excluding Hedging Obligations entered into for *bona* *fide* hedging purposes and not for speculative purposes (as determined in good faith by an Officer or the Board of Directors of the Issuer)).

"*Consolidated Senior Secured Leverage Ratio*" means, as of any date of determination, the ratio of (x) the Consolidated Senior Secured Leverage at such date to (y) the aggregate amount of Consolidated EBITDA for the period of the four most recent fiscal quarters ending prior to the date of such determination for which internal consolidated financial statements of the Issuer are available, in each case calculated with such *pro forma* and other adjustments as are consistent with the *pro forma* provisions set forth in the definition of Consolidated Leverage Ratio.

"*Contingent Obligations*" means, with respect to any Person, any obligation of such Person guaranteeing in any manner, whether directly or indirectly, any operating lease, dividend or other obligation that does not constitute Indebtedness ("*primary obligations*") of any other Person (the "*primary obligor*"), including any obligation of such Person, whether or not contingent:

(1) to purchase any such primary obligation or any property constituting direct or indirect security therefor;

(2) to advance or supply funds: (a) for the purchase or payment of any such primary obligation; or (b) to maintain the working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor; or

(3) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof.

"*Credit Facility*" means, with respect to the Issuer or any of its Subsidiaries, one or more debt facilities, arrangements, instruments or indentures (including the Revolving Credit Facility or any other commercial paper facilities and overdraft facilities) with banks, institutions or investors providing for revolving credit loans, term loans, notes, receivables financing (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables), notes, letters of credit or other Indebtedness, in each case, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time (and whether in whole or in part and whether or not with the original administrative agent and lenders or another administrative agent or agents or other banks, institutions or investors and whether provided under the original Revolving Credit Facility or one or more other credit or other agreements, indentures, financing agreements or otherwise) and in each case including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including any notes and letters of credit issued pursuant thereto and any note Guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other Guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term "Credit Facility" shall include any agreement or instrument (1) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (2) adding Subsidiaries of the Issuer as additional borrowers or guarantors thereunder, (3) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder or (4) otherwise altering the terms and conditions thereof.

"*Currency Agreement*" means, in respect of a Person, any foreign exchange contract, currency swap agreement, currency futures contract, currency option contract, currency derivative or other similar agreement to which such Person is a party or beneficiary.

"*Default*" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"*Designated Non-Cash Consideration*" means the fair market value (as determined in good faith by the Board of Directors or an Officer of the Issuer) of non-cash consideration received by the Issuer or one of its Restricted Subsidiaries in connection with an Asset Disposition that is so designated as Designated Non-Cash Consideration pursuant to an Officer's Certificate, setting forth the basis of such valuation, less the amount of cash, Cash Equivalents or Temporary Cash Investments received in connection with a subsequent payment, redemption, retirement, sale or other disposition of such Designated Non-Cash Consideration. A particular item of Designated Non-Cash Consideration will no longer be considered to be outstanding when and to the extent it has been paid, redeemed or otherwise retired or sold or otherwise disposed of in compliance with the covenant described under "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*."

"Designated Preference Shares" means, with respect to the Issuer or any Parent, Preferred Stock (other than Disqualified Stock) (a) that is issued for cash (other than to the Issuer or a Subsidiary of the Issuer or an employee stock ownership plan or trust established by the Issuer or any such Subsidiary for the benefit of their

employees to the extent funded by the Issuer or such Subsidiary) and (b) that is designated as "Designated Preference Shares" pursuant to an Officer's Certificate of the Issuer at or prior to the issuance thereof, the Net Cash Proceeds of which are excluded from the calculation set forth in clause (c)(ii) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*."

"*Disqualified Stock*" means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable, in each case, at the option of the holder of the Capital Stock), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder of the Capital Stock, in whole or in part, in each case on or prior to the date that is 90 days after the earlier of (a) the Stated Maturity of the Senior Secured Notes or (b) the date on which there are no Senior Secured Notes outstanding. Notwithstanding the preceding sentence, any Capital Stock that would constitute Disqualified Stock solely because the holders of the Capital Stock have the right to require the issuer thereof to repurchase such Capital Stock upon the occurrence of a Change of Control or an Asset Disposition will not constitute Disqualified Stock if the terms of such Capital Stock provide that the issuer thereof may not repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or redemption complies with the covenant described under the caption "*—Certain Covenants—Restricted Payments*." For purposes hereof, the amount of Disqualified Stock which does not have a fixed repurchase price shall be calculated in accordance with the terms of such Disqualified Stock as if such Disqualified Stock were purchased on any date on which Indebtedness shall be required to be determined pursuant to the Senior Secured Notes Indenture, and if such price is based upon, or measured by, the fair market value of such Disqualified Stock, such fair market value to be determined as set forth herein. Only the portion of Capital Stock which so matures or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to such date will be deemed to be Disqualified Stock.

"*Equity Contribution*" means the "Lowell equity contribution" as described in this Offering Memorandum under the caption "*Use of Proceeds*."

"*Equity Offering*" means (x) a sale of Capital Stock of the Issuer (other than Disqualified Stock and other than offerings registered on Form S-8 (or any successor form) under the Securities Act or any similar offering in other jurisdictions), or (y) the sale of Capital Stock or other securities by any Person, the proceeds of which are contributed as Subordinated Shareholder Funding or to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through Excluded Contributions or a Parent Debt Contribution) of the Issuer or any of its Restricted Subsidiaries.

"*ERC*" means, for any date of calculation, the aggregate amount of estimated remaining gross collections projected to be received by the Issuer and its Restricted Subsidiaries from all Portfolio Assets owned by the Issuer and its Restricted Subsidiaries during the period of 84 months, as calculated by the Portfolio ERC Model, as at the last day of the month most recently ended prior to the date of calculation; *provided* that *pro forma* effect may be given to any acquisition under the conditions, *mutatis mutandis*, set forth under clause (1) of the second paragraph of the definition "Consolidated Leverage Ratio."

"*Escrowed Proceeds*" means the proceeds from the offering of any debt securities or other Indebtedness paid into escrow accounts with an independent escrow agent on the date of the applicable offering or incurrence pursuant to escrow arrangements that permit the release of amounts on deposit in such escrow accounts upon satisfaction of certain conditions or the occurrence of certain events. The term "Escrowed Proceeds" shall include any interest earned on the amounts held in escrow.

"*Euroclear* " means Euroclear Bank SA/NV, as currently in effect, or any successor securities clearing agency.

"*European Government Obligations*" means any security that is (1) a direct obligation of any country that is a member of the European Monetary Union and whose long-term debt is rated "A-1" or higher by Moody's or "A+" or higher by S&P or the equivalent rating category of another internationally recognized Rating Agency on the date of the Senior Secured Notes Indenture, for the payment of which the full faith and credit of such country is pledged or (2) an obligation of a person controlled or supervised by and acting as an agency or instrumentality of any such country the payment of which is unconditionally Guaranteed as a full faith and credit obligation by such country, which, in either case under the preceding clause (1) or (2), is not callable or redeemable at the option of the issuer thereof.

"*Exchange Act*" means the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

"*Excluded Contribution*" means Net Cash Proceeds or property or assets received by the Issuer as capital contributions to the equity (other than through the issuance of Disqualified Stock or Designated Preference

Shares) of the Issuer after the Issue Date or from the issuance or sale (other than to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary) of Capital Stock (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding of the Issuer, in each case, to the extent designated as an Excluded Contribution pursuant to an Officer's Certificate of the Issuer substantially concurrently with the contribution and not constituting a Parent Debt Contribution.

"*Existing 2022 Senior Secured Notes*" means the €365 million aggregate principal amount of 7.500% Senior Secured Notes due 2022 issued by the Issuer on July 23, 2015, pursuant to the Existing 2022 Senior Secured Notes Indenture.

"*Existing 2022 Senior Secured Notes Indenture*" means the indenture dated July 23, 2015, governing the Existing 2022 Senior Secured Notes by and among, inter alios, the Issuer, Garfunkel Holding and Citibank, N.A., London Branch, as trustee.

"*fair market value*" wherever such term is used in this "*Description of the Senior Secured Notes*" or the Senior Secured Notes Indenture (except in relation to an enforcement action pursuant to the Intercreditor Agreement and except as otherwise specifically provided in this "*Description of the Senior Secured Notes*" or the Senior Secured Notes Indenture), may be conclusively established by means of an Officer's Certificate or a resolution of the Board of Directors of the Issuer setting out such fair market value as determined by such Officer or such Board of Directors in good faith.

"*Fixed Charge Coverage Ratio*" means, as of any date of determination, the ratio of (x) the aggregate amount of Consolidated EBITDA of such Person for the period of the four most recent fiscal quarters prior to the date of such determination for which internal consolidated financial statements are available to (y) the Fixed Charges of such Person for such four fiscal quarters.

In the event that the specified Person or any of its Restricted Subsidiaries Incurs, assumes, guarantees, repays, repurchases, redeems, defeases, retires, extinguishes or otherwise discharges any Indebtedness (other than Indebtedness Incurred under any revolving credit facility unless such Indebtedness has been permanently repaid and has not been replaced) or issues, repurchases or redeems Disqualified Stock or Preferred Stock subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Fixed Charge Coverage Ratio is made (the "*Calculation Date*"), then the Fixed Charge Coverage Ratio will be calculated giving *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of such Person), including in respect of anticipated expense and cost reduction synergies, to such Incurrence, assumption, guarantee, repayment, repurchase, redemption, defeasance, retirement, extinguishment or other discharge of Indebtedness, or such issuance, repurchase or redemption of Disqualified Stock or Preferred Stock, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the applicable four-quarter reference period; *provided, however*, that the *pro forma* calculation of Fixed Charges shall not give effect to (i) any Indebtedness Incurred on the Calculation Date pursuant to the provisions described in the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" (other than for the purposes of the calculation of the Fixed Charge Coverage Ratio under clause (5) thereunder) or (ii) the discharge on the Calculation Date of any Indebtedness to the extent that such discharge results from the proceeds Incurred pursuant to the provisions described in the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*."

In addition, for purposes of calculating the Fixed Charge Coverage Ratio:

(1) acquisitions or Investments that have been made by the specified Person or any of its Restricted Subsidiaries, including through mergers or consolidations, or by any Person or any of its Restricted Subsidiaries acquired by the specified Person or any of its Subsidiaries which are Restricted Subsidiaries, and including all related financing transactions and including increases in ownership of Restricted Subsidiaries, during the four-quarter reference period or subsequent to such reference period and on or prior to the Calculation Date, or that are to be made on the Calculation Date, will be given *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of such Person), including in respect of anticipated expense and cost reduction synergies, as if they had occurred on the first day of the four-quarter reference period;

(2) the Consolidated EBITDA (whether positive or negative) attributable to discontinued operations, as determined in accordance with IFRS, and operations, businesses or group of assets constituting a business or operating unit (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded

on a *pro forma* basis as if such disposition occurred on the first day of such period (taking into account anticipated cost savings resulting from such disposition, as determined in good faith by a responsible accounting or financial officer of the Issuer);

(3) the Fixed Charges attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded, but only to the extent that the obligations giving rise to such Fixed Charges will not be obligations of the specified Person or any of its Restricted Subsidiaries following the Calculation Date;

(4) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such four-quarter period;

(5) any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such four-quarter period;

(6) if any Indebtedness bears a floating rate of interest and is being given *pro forma* effect, the interest expense on such Indebtedness will be calculated as if the rate in effect on the Calculation Date had been the applicable rate for the entire period (taking into account any Hedging Obligation applicable to such Indebtedness) and if any Indebtedness is not denominated in the Issuer's functional currency, that Indebtedness for purposes of the calculation of Consolidated Leverage shall be treated in accordance with IFRS; and

(7) interest on a Capitalized Lease Obligation shall be deemed to accrue at an interest rate reasonably determined by a responsible financial or accounting officer of the Issuer to be the rate of interest implicit in such Capitalized Lease Obligation in accordance with IFRS.

"*Fixed Charges*" means, with respect to any specified Person for any period, the sum, without duplication, of:

(1) the Consolidated Interest Expense of such Person for such period; plus

(2) all dividends, whether paid or accrued and whether or not in cash, on or in respect of all Disqualified Stock of the Issuer or any series of Preferred Stock of any Restricted Subsidiary, other than dividends on equity interests payable to the Issuer or a Restricted Subsidiary.

"*Garfunkel Holding*" means Garfunkel Holding GmbH.

"*German Company Conversion*" means the conversion of GFKL Financial Services Aktiengesellschaft into a limited liability company incorporated under the laws of Germany (*Gesellschaft mit beschränkter Haftung*, GmbH) being registered in the competent commercial register (*Handelsregister*).

"*GFKL Acquisition*" means the acquisition by Garfunkel Holding of Carl Holding GmbH (prior to its merger into Garfunkel Holding), including the acquisition of additional shares in GFKL Holdco in the Squeeze Out;

"*GFKL Group*" means GFKL Holdco and its Subsidiaries from time to time.

"*GFKL Holdco*" means, as of the Issue Date, GFKL Financial Services Aktiengesellschaft, and following the Structure Event, GFKL Financial Services GmbH.

"*Gilt Rate*" means, with respect to any redemption date, the yield to maturity as of such redemption date of U.K. Government Securities with a fixed maturity (as compiled by the Office for National Statistics and published in the most recent Financial Statistics that have become publicly available at least two Business Days in London prior to such redemption date (or, if such Financial Statistics are no longer published, any publicly available source of similar market data)) most nearly equal to the period from such redemption date to November 1, 2018; *provided, however*, that if the period from such redemption date to November 1, 2018 is less than one year, the weekly average yield on actually traded U.K. Government Securities denominated in sterling adjusted to a fixed maturity of one year shall be used.

"*Guarantee* " means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person, including any such obligation, direct or indirect, contingent or otherwise, of such Person:

(1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay or to maintain financial statement conditions or otherwise); or

(2) entered into primarily for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); *provided, however*, that the term "Guarantee" will not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"*Guarantors*" means the Initial Guarantors and any Restricted Subsidiary that Guarantees the Senior Secured Notes.

"*Hedging Obligations*" of any Person means the obligations of such Person pursuant to any Interest Rate Agreement or Currency Agreement.

"*Holder*" means each Person in whose name the Senior Secured Notes are registered on the Registrar's books, which shall initially be the respective nominee of Euroclear or Clearstream, as applicable.

"*Holding Company*" means, in relation to any Person, any other Person in respect of which it is a Subsidiary.

"*IFRS*" means International Financial Reporting Standards (formerly International Accounting Standards) endorsed from time to time by the European Union or any variation thereof with which the Issuer or its Restricted Subsidiaries are, or may be, required to comply. Except as otherwise set forth in the Senior Secured Notes Indenture, all ratios and calculations based on IFRS contained in the Senior Secured Notes Indenture shall be computed in accordance with IFRS as in effect from time to time; *provided* that at any date after the Issue Date the Issuer may make an irrevocable election to establish that "IFRS" shall mean, except as otherwise specified herein, IFRS as in effect on a date that is on or prior to the date of such election.

"*Incur*" means issue, create, assume, enter into any Guarantee of, incur or otherwise become liable for; *provided, however*, that any Indebtedness or Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (whether by merger, consolidation, acquisition or otherwise) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and the terms "Incurred" and "Incurrence" have meanings correlative to the foregoing and any Indebtedness pursuant to any revolving credit or similar facility shall only be "Incurred" at the time any funds are borrowed thereunder.

"*Indebtedness*" means, with respect to any Person on any date of determination (without duplication):

(1) the principal of indebtedness of such Person for borrowed money;

(2) the principal of obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(3) all reimbursement obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments (the amount of such obligations being equal at any time to the aggregate then undrawn and unexpired amount of such letters of credit or other instruments plus the aggregate amount of drawings thereunder that have been reimbursed) (except to the extent such reimbursement obligations relate to trade payables or other obligations not constituting Indebtedness and such obligations are satisfied within 30 days of Incurrence), in each case only to the extent that the underlying obligation in respect of which the instrument was issued would be treated as Indebtedness;

(4) the principal component of all obligations of such Person to pay the deferred and unpaid purchase price of property (except trade payables), where the deferred payment is arranged primarily as a means of raising finance, which purchase price is due more than one year after the date of placing such property in service or taking final delivery and title thereto;

(5) Capitalized Lease Obligations of such Person;

(6) the principal component of all obligations, or liquidation preference, of such Person with respect to any Disqualified Stock or, with respect to any Restricted Subsidiary, any Preferred Stock (but excluding, in each case, any accrued dividends);

(7) the principal component of all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided, however*, that the amount of such Indebtedness will be the lesser of (a) the fair market value of such asset at such date of determination (as determined in good faith by the Board of Directors or an Officer of the Issuer) and (b) the amount of such Indebtedness of such other Persons;

(8) Guarantees by such Person of the principal component of Indebtedness of other Persons to the extent Guaranteed by such Person;

(9) to the extent not otherwise included in this definition, net obligations of such Person under Currency Agreements and Interest Rate Agreements (the amount of any such obligations to be equal at any time to the termination value of such agreement or arrangement giving rise to such obligation that would be payable by such Person at such time).

The term "*Indebtedness*" shall not include (i) Subordinated Shareholder Funding, (ii) any lease, concession or license of property (or Guarantee thereof) which would be considered an operating lease under IFRS as in effect on the Issue Date, (iii) prepayments of deposits received from clients or customers in the ordinary course of business, (iv) any asset retirement obligations, or (v) obligations under any license, permit or other approval (or Guarantees given in respect of such obligations) Incurred prior to the Issue Date or in the ordinary course of business.

The amount of Indebtedness of any Person at any time in the case of a revolving credit or similar facility shall be the total amounts of funds borrowed and then outstanding. The amount of Indebtedness of any Person at any date shall be determined as set forth above or otherwise provided in the Senior Secured Notes Indenture, and (other than with respect to letters of credit or Guarantees or Indebtedness specified in clause (7), (8) or (9)) shall equal the amount thereof that would appear on a balance sheet of such Person (excluding any notes thereto) prepared on the basis of IFRS. Indebtedness represented by loans, notes or other debt instruments shall not be included to the extent funded with the proceeds of Indebtedness which the Issuer or any Restricted Subsidiary has guaranteed or for which any of them is otherwise liable and which is otherwise included.

Notwithstanding the above provisions, in no event shall the following constitute Indebtedness:

(1) Contingent Obligations Incurred in the ordinary course of business, obligations under or in respect of Qualified Receivables Financings and accrued liabilities Incurred in the ordinary course of business that are not more than 90 days past due;

(2) in connection with the purchase by the Issuer or any Restricted Subsidiary of any business, any post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing; *provided, however*, that, at the time of closing, the amount of any such payment is not determinable and, to the extent such payment thereafter becomes fixed and determined, the amount is paid within 30 days thereafter;

(3) any obligations in respect of workers' compensation claims, early retirement or termination obligations, pension fund obligations or contributions or similar claims, obligations or contributions or social security or wage taxes or under any Tax Sharing Agreement;

(4) any accrued expenses and trade payables; and

(5) the Squeeze Out Guarantee.

"*Independent Financial Advisor*" means an investment banking or accounting firm of international standing or any third-party appraiser of international standing; *provided, however*, that such firm or appraiser is not an Affiliate of the Issuer.

"*Initial Investors*" means (a) Permira V Funds, any Affiliate of the Permira V Funds (other than any controlling limited partner of the Permira V Funds, if any, and any Subsidiary of such controlling limited partner, in each case to the extent not itself a member of the Permira Group) and any funds or partnerships managed or advised (directly or indirectly) by Permira V G.P. Limited or an Affiliate thereof (other than any controlling shareholder of Permira V G.P. Limited, if any, and any Subsidiary of such controlling shareholder, in each case, to the extent not itself a member of the Permira Group) or an entity controlled by all or substantially all of the managing directors of such fund, and, solely in their capacity as such, any limited partner of any such partnership or fund; *provided* that any portfolio company of the foregoing, other than entities of which the Permira V Funds beneficially owns in the aggregate a majority (or more) of the Voting Stock and which are established to solely hold, directly or indirectly, interests in the Issuer shall not constitute an "Initial Investor" and (b) 1920297 Ontario Limited, a Subsidiary of OTPP.

"*Initial Public Offering*" means an Equity Offering of common stock or other common equity interests of the Issuer or any Parent or any successor of the Issuer or any Parent (the "*IPO Entity*") following which there is a Public Market and, as a result of which, the shares of common stock or other common equity interests of the IPO Entity in such offering are listed on an internationally recognized exchange or traded on an internationally recognized market.

"*Intercreditor Agreement*" means the Intercreditor Agreement dated June 29, 2015, by and among, *inter alios*, the Issuer, Garfunkel Holding and the Security Agent, as amended from time to time, to which the Trustee will accede on the Issue Date.

"*Interest Rate Agreement*" means, with respect to any Person, any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement or other similar agreement or arrangement to which such Person is party or a beneficiary.

"*Investment*" means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the form of any advance, loan or other extensions of credit (other than advances or extensions of credit to customers, suppliers, directors, officers or employees of any Person in the ordinary course of business, and excluding any purchase of Underlying Portfolio Assets, any Right to Collect Accounts or debt or extension of credit represented by a bank deposit other than a time deposit) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or the Incurrence of a Guarantee of any obligation of, or any purchase or acquisition of Capital Stock, Indebtedness or other similar instruments issued by, such other Persons and all other items that are or would be classified as investments on a balance sheet (excluding any notes thereto) prepared on the basis of IFRS; *provided, however*, that endorsements of negotiable instruments and documents in the ordinary course of business will not be deemed to be an Investment. If the Issuer or any Restricted Subsidiary issues, sells or otherwise disposes of any Capital Stock of a Person that is a Restricted Subsidiary such that, after giving effect thereto, such Person is no longer a Restricted Subsidiary, any Investment by the Issuer or any Restricted Subsidiary in such Person remaining after giving effect thereto will be deemed to be a new Investment equal to the fair market value of the Capital Stock of such Subsidiary not sold or disposed of in an amount determined as provided in the final paragraph of the covenant described under the caption "*—Certain Covenants—Limitation on Restricted Payments*."

For purposes of "*—Certain Covenants—Limitation on Restricted Payments*":

(1) "Investment" will include the portion (proportionate to the Issuer's equity interest in a Restricted Subsidiary to be designated as an Unrestricted Subsidiary) of the fair market value of the net assets of such Restricted Subsidiary at the time that such Restricted Subsidiary is designated an Unrestricted Subsidiary; and

(2) any property transferred to or from an Unrestricted Subsidiary will be valued at its fair market value at the time of such transfer, in each case as determined in good faith by the Board of Directors or an Officer of the Issuer.

The amount of any Investment outstanding at any time shall be the original cost of such Investment, reduced (at the Issuer's option) by any dividend, distribution, interest payment, return of capital, repayment or other amount or value received in respect of such Investment.

"*Investment Grade Securities*" means:

(1) securities issued or directly and fully Guaranteed or insured by the United States or Canadian government or any agency or instrumentality thereof (other than Cash Equivalents);

(2) securities issued or directly and fully guaranteed or insured by a member of the European Union, Norway or Switzerland or any agency or instrumentality thereof (other than Cash Equivalents);

(3) debt securities or debt instruments with a rating of "BBB–" or higher from S&P or "Baa3" or higher by Moody's or the equivalent of such rating by such rating organization or, if no rating of Moody's or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Ratings Organization, but excluding any debt securities or instruments constituting loans or advances among the Issuer and its Subsidiaries;

(4) investments in any fund that invests exclusively in investments of the type described in clauses (1), (2) and (3) above which fund may also hold cash and Cash Equivalents pending investment or distribution; and

(5) any investment in repurchase obligations with respect to any securities of the type described in clauses (1), (2) and (3) above which are collateralized at par or over.

"*Investment Grade Status*" shall occur when all of the Senior Secured Notes receive both of the following:

(1) a rating of "BBB–" or higher from S&P; and

(2) a rating of "Baa3" or higher from Moody's;

or the equivalent of such rating by either such rating organization or, if no rating of Moody's or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Ratings Organization.

"*IPO Market Capitalization*" means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity at the time of closing of the Initial Public Offering multiplied by (ii) the price per share at which such shares of common stock or common equity interests are sold in such Initial Public Offering.

"*Issue Date*" means October 19, 2015.

"*Lien*" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof).

"*Management Advances*" means loans or advances made to, or Guarantees with respect to loans or advances made to, directors, officers, employees or consultants of any Parent, the Issuer or any Restricted Subsidiary:

(1) (a) in respect of travel, entertainment or moving-related expenses Incurred in the ordinary course of business or (b) for purposes of funding any such person's purchase of Capital Stock or Subordinated Shareholder Funding (or similar obligations) of the Issuer, its Subsidiaries or any Parent with (in the case of this subclause (b)) the approval of the Board of Directors;

(2) in respect of moving related expenses Incurred in connection with any closing or consolidation of any facility or office; or

(3) (in the case of this clause (3)) not exceeding £5 million in the aggregate outstanding at any time.

"*Management Investors*" means (i) members of the management team of the Issuer or any Restricted Subsidiary investing, or committing to invest, directly or indirectly, in the Issuer as at the Issue Date and any subsequent members of the management team of the Issuer or any Restricted Subsidiary who invest directly or indirectly in the Issuer from time to time; and (ii) such entity as may hold shares transferred by departing members of the management team of the Issuer or any Restricted Subsidiary for future redistribution to such management team.

"*Market Capitalization*" means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity on the date of the declaration of the relevant dividend multiplied by (ii) the arithmetic mean of the closing prices per share of such common stock or common equity interests for the 30 consecutive trading days immediately preceding the date of declaration of such dividend.

"Metis Holdco" means Metis Holdco Limited, a company incorporated in England and Wales with company number 07652402.

"*Milla Securitization*" means the securitization program by which GFKL Holdco, Proceed Collection Services GmbH and INKASSO BECKER WUPPERTAL GmbH & Co. KG sold certain non-performing loans to Milla Securitisation (No. 1) Limited, a special purpose company established in Jersey.

"*Moody's*" means Moody's Investors Service, Inc. or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"*Nationally Recognized Statistical Rating Organization*" means a nationally recognized statistical rating organization within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the Exchange Act.

"*Net Available Cash*" from an Asset Disposition means cash payments received (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise and net proceeds from the sale or other disposition of any securities received as consideration, but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring person of Indebtedness or other obligations relating to the properties or assets that are the subject of such Asset Disposition or received in any other non-cash form) therefrom, in each case net of:

(1) all legal, accounting, investment banking, title and recording tax expenses, commissions and other fees and expenses Incurred, and all Taxes paid or required to be paid or accrued as a liability under IFRS (after taking into account any available tax credits or deductions and any Tax Sharing Agreements), as a consequence of such Asset Disposition;

(2) (a) other than for purposes of the covenant described under "*Limitation on Sales of Assets and Subsidiary Stock*", all payments made on any Indebtedness which is secured by any assets subject to such Asset Disposition, in accordance with the terms of any Lien upon such assets, or which must by its terms, or in

order to obtain a necessary consent to such Asset Disposition, or (b) by applicable law, be repaid out of the proceeds from such Asset Disposition;

(3) all distributions and other payments required to be made to minority interest holders (other than any Parent, the Issuer or any of their respective Subsidiaries) in Subsidiaries or joint ventures as a result of such Asset Disposition; and

(4) the deduction of appropriate amounts required to be provided by the seller as a reserve, on the basis of IFRS, against any liabilities associated with the assets disposed of in such Asset Disposition and retained by the Issuer or any Restricted Subsidiary after such Asset Disposition, including pension and other post-employment benefits liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such transaction.

"*Net Cash Proceeds*," with respect to any issuance or sale of Capital Stock or Subordinated Shareholder Funding, means the cash proceeds of such issuance or sale net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, listing fees, discounts or commissions and brokerage, consultant and other fees and charges actually Incurred in connection with such issuance or sale and net of Taxes paid or payable as a result of such issuance or sale (after taking into account any available tax credit or deductions and any Tax Sharing Agreements).

"*New Luxco*" means Garfunkelux PBA S.à r.l., a private limited company (*société à responsabilité limitée*) incorporated and existing under the laws of Luxembourg with its registered office at 488, route de Longwy, L-1940 Luxembourg, Luxembourg and registered with the RCS Register under the number B 200.498 that is an Affiliate of the Issuer and its successors and assigns. For the avoidance of doubt, New Luxco will not be subject to any restrictions under the Senior Secured Notes Indenture or the Senior Secured Notes unless and until New Luxco becomes a party to the Senior Secured Notes Indenture.

"*Note Guarantee*" means the guarantee by each Guarantor of the Issuer's obligations under the Senior Secured Notes Indenture and the Senior Secured Notes, executed pursuant to the provisions of the Senior Secured Notes Indenture.

"*Officer*" means, with respect to any Person, (1) any member of the Board of Directors, the Chief Executive Officer, the President, the Chief Financial Officer, any Vice President, the Treasurer, any *Prokurist* (in accordance with the terms of its *Prokura*) or the Secretary (a) of such Person or (b) if such Person is owned or managed by a single entity, of such entity, or (2) any other individual designated as an "Officer" for the purposes of the Senior Secured Notes Indenture by the Board of Directors of such Person. References to "Officer of the Issuer" shall be construed to mean "Officer" of the Issuer or "Officer" of the Senior Notes Issuer, as determined by the Issuer from time to time.

"*Officer's Certificate*" means, with respect to any Person, a certificate signed by one Officer of such Person.

"*Opinion of Counsel*" means a written opinion from legal counsel reasonably satisfactory to the Trustee. The counsel may be an employee of, or counsel to, the Issuer or its Subsidiaries.

"*Original Issue Date*" means July 23, 2015.

"*OTPP*" means the Ontario Teachers' Pension Plan Board.

"*Parent*" means any Person of which the Issuer at any time is or becomes a Subsidiary after the Issue Date and any holding companies established by any Permitted Holder for purposes of holding its investment in any Parent.

"*Parent Debt Contribution*" means a contribution to the equity of the Issuer or any of its Restricted Subsidiaries or the issuance or sale of Subordinated Shareholder Funding of the Issuer pursuant to which dividends or distributions may be paid pursuant to clause (19) of the fourth paragraph under "*—Limitation on Restricted Payments*."

"*Parent Expenses*" means:

(1) costs (including all professional fees and expenses) Incurred by any Parent in connection with reporting obligations under or otherwise Incurred in connection with compliance with applicable laws, rules or regulations of any governmental, regulatory or self-regulatory body or stock exchange, the Senior Secured Notes Indenture or any other agreement or instrument relating to Indebtedness of the Issuer or any Restricted Subsidiary, including in respect of any reports filed with respect to the Securities Act, Exchange Act or the respective rules and regulations promulgated thereunder;

(2) customary indemnification obligations of any Parent owing to directors, officers, employees or other Persons under its charter or by-laws or pursuant to written agreements with any such Person to the extent relating to the Issuer and its Subsidiaries;

(3) obligations of any Parent in respect of director and officer insurance (including premiums therefor) to the extent relating to the Issuer and its Restricted Subsidiaries;

(4) fees and expenses payable by any Parent in connection with the Transactions or the GFKL Acquisition;

(5) general corporate overhead expenses, including (a) professional fees and expenses and other operational expenses of any Parent related to the ownership or operation of the business of the Issuer or any of its Restricted Subsidiaries, (b) costs and expenses with respect to the ownership, directly or indirectly, by any Parent, (c) any Taxes and other fees and expenses required to maintain such Parent's corporate existence and to provide for other ordinary course operating costs, including customary salary, bonus and other benefits payable to, and indemnities provided on behalf of, officers and employees of such Parent and (d) to reimburse reasonable out-of-pocket expenses of the Board of Directors of such Parent;

(6) other fees, expenses and costs relating directly or indirectly to activities of the Issuer and its Subsidiaries or any Parent or any other Person established for purposes of or in connection with the Transactions or the GFKL Acquisition or which holds directly or indirectly any Capital Stock or Subordinated Shareholder Funding of the Issuer, in an amount not to exceed £1 million in any fiscal year;

(7) any income taxes, to the extent such income taxes are attributable to the income of the Issuer and its Restricted Subsidiaries and, to the extent of the amount actually received in cash from its Unrestricted Subsidiaries, in amounts required to pay such taxes to the extent attributable to the income of such Unrestricted Subsidiaries; *provided, however*, that the amount of such payments in any fiscal year do not exceed the amount that the Issuer and its Subsidiaries would be required to pay in respect of such taxes on a consolidated basis on behalf of an affiliated group consisting only of the Issuer and its Subsidiaries;

(8) expenses Incurred by any Parent in connection with any public offering or other sale of Capital Stock or Indebtedness; (a) where the net proceeds of such offering or sale are intended to be received by or contributed to the Issuer or a Restricted Subsidiary; (b) in a prorated amount of such expenses in proportion to the amount of such net proceeds intended to be so received or contributed; or (c) otherwise on an interim basis prior to completion of such offering so long as any Parent shall cause the amount of such expenses to be repaid to the Issuer or the relevant Restricted Subsidiary out of the proceeds of such offering promptly if completed; and

(9) costs and expenses equivalent to those set out in clauses (1) to (8) above with respect to a Special Purpose Vehicle.

"*Pari Passu Indebtedness*" means Indebtedness of the Issuer or any Guarantor which does not constitute Subordinated Indebtedness.

"*Paying Agent*" means any Person authorized by the Issuer to pay the principal of (and premium, if any) or interest on any Senior Secured Note on behalf of the Issuer.

"*Permira Group*" means Permira Holdings Limited or any of its Subsidiaries or any funds managed or controlled by Permira Holdings Limited or any of its Affiliates (other than any controlling limited partner of Permira Holdings Limited, if any, and any Subsidiary of such controlling limited partner).

"*Permira V Fund*" means each of the following:

(1) Permira LP1 and P5 Sub L.P.1, each a limited partnership registered in Guernsey under the Limited Partnerships (Guernsey) Law, 1995 (as amended), acting by its general partner, Permira V G.P. L.P., a limited partnership registered in Guernsey under the Limited Partnerships (Guernsey) Law, 1995 (as amended), acting by its general partner Permira V G.P. Limited whose registered office is at Trafalgar Court, Les Banques, St Peter Port, Guernsey, Channel Islands;

(2) Permira V L.P.2, a limited partnership registered in Guernsey under the Limited Partnerships (Guernsey) Law, 1995 (as amended), acting by its general partner, Permira V G.P. L.P., a limited partnership registered in Guernsey under the Limited Partnerships (Guernsey) Law, 1995 (as amended), acting by its general partner Permira V G.P. Limited whose registered office is at Trafalgar Court, Les Banques, St Peter Port, Guernsey, Channel Islands;

(3) Permira Investments Limited, acting by its nominee Permira Nominees Limited whose registered office is at Trafalgar Court, Les Banques, St Peter Port, Guernsey, Channel Islands;

(4) P5 Co-Investment L.P., a limited partnership registered in Guernsey under the Limited Partnerships (Guernsey) Law, 1995 (as amended), acting by its general partner Permira V G.P. L.P., acting by its general partner Permira V G.P. Limited whose registered office is at Trafalgar Court, Les Banques, St Peter Port, Guernsey, Channel Islands;

(5) P5 CIS S.à r.l., a private limited liability company organized under the laws of Luxembourg, registered with the Luxembourg Trade and Companies Register with number B 178 072 with a share capital of EUR 12,500, having its registered office at 488, route de Longwy, L-1940 Luxembourg; and

(6) Permira V I.A.S L.P., a limited partnership registered in Guernsey under the Limited Partnerships (Guernsey) Law, 1995 (as amended), acting by its general partner Permira V G.P. L.P., acting by its general partner Permira V G.P. Limited whose registered office is at Trafalgar Court, Les Banques, St Peter Port, Guernsey, Channel Islands.

"*Permitted Collateral Liens*" means Liens on the Collateral:

(a) that are described in one or more of clauses (2), (3), (4), (5), (6), (8), (9), (11), (12), (14), (18), (20), (23) and (24) of the definition of "Permitted Liens" and, in each case, arising by law or that would not materially interfere with the ability of the Security Agent to enforce the Security Interests in the Collateral;

(b) to secure:

(i) the Senior Secured Notes (other than any Additional Senior Secured Notes) and any related Note Guarantees;

(ii) the Existing 2022 Senior Secured Notes and any related Guarantees;

(iii) Indebtedness permitted to be Incurred under the first paragraph of the covenant described under "—*Certain Covenants—Limitation on Indebtedness*";

(iv) Indebtedness described under clause (1) of "—*Permitted Debt*," which Indebtedness may have super senior priority status in respect of the proceeds from the enforcement of the Collateral, not materially less favorable to the Holders than that accorded to the Revolving Credit Facility pursuant to the Intercreditor Agreement as in effect on the Issue Date;

(v) Indebtedness described under clause (2) of "—*Permitted Debt*," to the extent Incurred by the Issuer or a Guarantor and to the extent such Guarantee is in respect of Indebtedness otherwise permitted to be secured and specified in this definition of Permitted Collateral Liens;

(vi) Indebtedness described under clause (5) of "—*Permitted Debt*" and that is Incurred by the Issuer or a Guarantor; *provided* that, at the time of the acquisition or other transaction pursuant to which such Indebtedness was Incurred and after giving effect to the Incurrence of such Indebtedness on a *pro forma* basis, (a) the Issuer would have been able to Incur £1.00 of additional Senior Secured Indebtedness pursuant to clause (2) of the first paragraph of the covenant entitled "—*Limitation on Indebtedness*" or (b) the Consolidated Senior Secured Leverage Ratio for the Issuer and the Restricted Subsidiaries would not be greater than it was immediately prior to giving *pro forma* effect to such acquisition or other transaction and to the Incurrence of such Indebtedness;

(vii) Indebtedness described under clause (6) of "—*Permitted Debt*" and Hedging Obligations in connection with any Senior Notes; *provided* that to the extent permitted by the Intercreditor Agreement, Hedging Obligations Incurred in compliance with the covenant entitled "—*Limitation on Indebtedness*" that are not subordinated in right of payment to the Senior Secured Notes may have super senior priority status in respect of the proceeds from the enforcement of the Collateral, not materially less favorable to the Holders than that accorded to the Revolving Credit Facility pursuant to the Intercreditor Agreement as in effect on the Issue Date;

(viii) Indebtedness described under clauses (7) (other than with respect to Capitalized Lease Obligations), (11) or (13) of "—*Permitted Debt*", in the case of clauses (7) and (11), of the Issuer or a Restricted Subsidiary, and in the case of clause (13), of the Issuer or a Guarantor; *provided* that for Indebtedness Incurred pursuant to clause (13) thereof, at the time of the transaction pursuant to which such Indebtedness was Incurred and after giving effect to the Incurrence of such Indebtedness on a *pro forma* basis, the Issuer would have been able to Incur £1.00 of additional Senior Secured

Indebtedness pursuant to clause (2) of the first paragraph of the covenant entitled "—*Limitation on Indebtedness*";

(ix) solely with respect to Collateral securing any Senior Notes or Guarantees in respect thereof, Indebtedness issued or borrowed by any issuer of Senior Notes and the Guarantees in respect thereof; *provided* that such Liens rank junior to the Liens on the same Collateral securing the Senior Secured Notes and the Note Guarantees; and

(x) any Refinancing Indebtedness in respect of Indebtedness referred to in the foregoing clauses (i) to (ix);

provided, further, that each of the secured parties to any such Indebtedness (acting directly or through its respective creditor representative) will have entered into the Intercreditor Agreement or an Additional Intercreditor Agreement; *provided, further* that subject to the Agreed Security Principles (but without regard to any Agreed Security Principles limiting the types of assets that may be pledged to secure the Senior Secured Notes and the Senior Secured Notes Guarantees under the Senior Secured Notes Indenture), all property and assets (including, without limitation, the Collateral) of the Issuer or any Restricted Subsidiary securing such Indebtedness (including any Guarantees thereof) or Refinancing Indebtedness secure the Senior Secured Notes and related Note Guarantees and the Senior Secured Notes Indenture on a senior or *pari passu* basis (including by application of payment order, turnover or equalization provisions substantially consistent with the corresponding provisions set forth in the Intercreditor Agreement or any Additional Intercreditor Agreement), except to the extent provided in clauses (iv) and (vii) above.

"*Permitted Holders*" means, collectively, (1) the Initial Investors, (2) the Management Investors, (3) any Related Person of any Persons specified in clauses (1) and (2), (4) any Person who is acting as an underwriter in connection with a public or private offering of Capital Stock of any Parent or the Issuer, acting in such capacity and (5) any group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act or any successor provision) of which any of the foregoing or any Persons mentioned in the following sentence are members; *provided* that, in the case of such group and without giving effect to the existence of such group or any other group, the Initial Investors and such Persons referred to in the following sentence, collectively, have exclusive legal and beneficial ownership of more than 50% of the total voting power of the Voting Stock of the Issuer or any of its direct or indirect parent companies owned by such group. Any person or group whose acquisition of beneficial ownership constitutes a Change of Control in respect of which a Change of Control Offer is made in accordance with the requirements of the Senior Secured Notes Indenture will thereafter, together with its Affiliates, constitute an additional Permitted Holder.

"*Permitted Investment*" means (in each case, by the Issuer or any of its Restricted Subsidiaries):

(1) Investments in (a) a Restricted Subsidiary (including the Capital Stock of a Restricted Subsidiary) or the Issuer or (b) a Person (including the Capital Stock of any such Person) and such Person will, upon the making of such Investment, become a Restricted Subsidiary;

(2) Investments in another Person and as a result of such Investment such other Person is merged, consolidated or otherwise combined with or into, or transfers or conveys all or substantially all of its assets to, the Issuer or a Restricted Subsidiary;

(3) Investments in cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;

(4) Investments in receivables owing to the Issuer or any Restricted Subsidiary created or acquired in the ordinary course of business and Investments in connection with any Qualified Receivables Financing;

(5) Investments in payroll, travel, relocation, entertainment and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;

(6) Management Advances;

(7) Investments in Capital Stock, obligations or securities received in settlement of debts created in the ordinary course of business and owing to the Issuer or any Restricted Subsidiary, or as a result of foreclosure, perfection or enforcement of any Lien, or in satisfaction of judgments or pursuant to any plan of reorganization or similar arrangement, including upon the bankruptcy or insolvency of a debtor;

(8) Investments made as a result of the receipt of non-cash consideration from a sale or other disposition of property or assets, including an Asset Disposition, in each case, that was made in compliance with "—*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*";

(9) Investments in existence on, or made pursuant to legally binding commitments in existence on, the Issue Date, and any extension, modification or renewal of any such Investment; *provided* that the amount of the Investment may be increased (a) as required by the terms of the Investment as in existence on the Issue Date or (b) as otherwise permitted under the Senior Secured Notes Indenture;

(10) Currency Agreements and Interest Rate Agreements and related Hedging Obligations, which transactions or obligations are Incurred in compliance with "*—Certain Covenants—Limitation on Indebtedness*";

(11) Investments, taken together with all other Investments made pursuant to this clause (11) and at any time outstanding, in an aggregate amount at the time of such Investment (net of any distributions, dividends, payments or other returns in respect of such Investments) not to exceed the greater of £14 million and 9.9% of Total Assets; *provided* that, if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*," such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (2) of the definition of "Permitted Investments" and not this clause;

(12) pledges or deposits with respect to leases or utilities provided to third parties in the ordinary course of business or Liens otherwise described in the definition of "Permitted Liens" or made in connection with Liens permitted under the covenant described under "*—Certain Covenants—Limitation on Liens*";

(13) any Investment to the extent made using Capital Stock of the Issuer (other than Disqualified Stock), Subordinated Shareholder Funding or Capital Stock of any Parent as consideration;

(14) any transaction to the extent constituting an Investment that is permitted and made in accordance with the provisions of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Affiliate Transactions*" (except those described in clauses (1), (3), (6), (8), (9) and (12) of that paragraph);

(15) Guarantees not prohibited by the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" and (other than with respect to Indebtedness) guarantees, keepwells and similar arrangements in the ordinary course of business;

(16) Investments in loans under the Revolving Credit Facility, in the Senior Secured Notes and any Additional Senior Secured Notes or in any other Indebtedness of the Issuer and its Restricted Subsidiaries;

(17) Investments acquired after the Issue Date as a result of the acquisition by the Issuer or any of its Restricted Subsidiaries of another Person, including by way of a merger, amalgamation or consolidation with or into the Issuer or any of its Restricted Subsidiaries in a transaction that is not prohibited by the covenant described above under the caption "*—Certain Covenants—Merger and Consolidation*" to the extent that such Investments were not made in contemplation of such acquisition, merger, amalgamation or consolidation and were in existence on the date of such acquisition, merger, amalgamation or consolidation;

(18) Investments of cash held on behalf of merchants or other business counterparties in the ordinary course of business in bank deposits, time deposit accounts, certificates of deposit, bankers' acceptances, money market deposits, money market deposit accounts, bills of exchange, commercial paper, governmental obligations, investment funds, money market funds or other securities;

(19) Investments consisting of purchases and acquisitions of inventory, supplies, materials and equipment or licenses or leases of intellectual property, in each case, in the ordinary course of business and in accordance with the Senior Secured Notes Indenture;

(20) Investments in prepaid expenses, negotiable instruments held for collection and lease, utility, workers' compensation, performance and other similar deposits, in each case, in the ordinary course of business; and

(21) any Investment in connection with the Squeeze Out.

"*Permitted Liens*" means, with respect to any Person:

(1) after the date on which all of the Collateral and Note Guarantees specified in the covenant under the heading "*Certain Covenants—Post-Closing Undertakings*" are granted, Liens on assets or property of a Restricted Subsidiary that is not a Guarantor securing Indebtedness of any Restricted Subsidiary that is not a Guarantor permitted by the covenant described under "*—Certain Covenants—Limitation on Indebtedness*";

(2) pledges, deposits or Liens under workmen's compensation laws, unemployment insurance laws, social security laws or similar legislation, or insurance-related obligations (including pledges or deposits securing liability to insurance carriers under insurance or self-insurance arrangements), or in connection with bids, tenders, completion guarantees, contracts (other than for borrowed money) or leases, or to secure utilities, licenses, public or statutory obligations, or to secure surety, indemnity, judgment, appeal or performance bonds, guarantees of government contracts (or other similar bonds, instruments or obligations), or as security for import or customs duties or for the payment of rent, or other obligations of like nature, in each case Incurred in the ordinary course of business;

(3) Liens imposed by law, including carriers', warehousemen's, mechanics', landlords', materialmen's and repairmen's or other similar Liens, in each case for sums not yet overdue for a period of more than 60 days or that are bonded or being contested in good faith by appropriate proceedings;

(4) Liens for Taxes, assessments or other governmental charges not yet delinquent or which are being contested in good faith by appropriate proceedings; *provided* that appropriate reserves required pursuant to IFRS have been made in respect thereof;

(5) Liens in favor of issuers of surety, performance or other bonds, guarantees or letters of credit or bankers' acceptances (not issued to support Indebtedness for borrowed money) issued pursuant to the request of and for the account of the Issuer or any Restricted Subsidiary in the ordinary course of its business;

(6) encumbrances, ground leases, easements (including reciprocal easement agreements), survey exceptions, or reservations of, or rights of others for, licenses, rights of way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning, building codes or other restrictions (including minor defects or irregularities in title and similar encumbrances) as to the use of real properties or Liens incidental to the conduct of the business of the Issuer and its Restricted Subsidiaries or to the ownership of its properties which do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of the Issuer and its Restricted Subsidiaries;

(7) Liens on assets or property of the Issuer or any Restricted Subsidiary (other than Collateral) securing Hedging Obligations permitted under the Senior Secured Notes Indenture relating to Indebtedness permitted to be Incurred under the Senior Secured Notes Indenture;

(8) leases, licenses, subleases and sublicenses of assets (including real property and intellectual property rights), in each case entered into in the ordinary course of business;

(9) Liens arising out of judgments, decrees, orders or awards not giving rise to an Event of Default so long as any appropriate legal proceedings which may have been duly initiated for the review of such judgment, decree, order or award have not been finally terminated or the period within which such proceedings may be initiated has not expired;

(10) Liens on assets or property of the Issuer or any Restricted Subsidiary for the purpose of securing Capitalized Lease Obligations or Purchase Money Obligations, or securing the payment of all or a part of the purchase price of, or securing other Indebtedness Incurred to finance or refinance the acquisition, improvement or construction of, assets or property acquired or constructed in the ordinary course of business; *provided* that (a) the aggregate principal amount of Indebtedness secured by such Liens is otherwise permitted to be Incurred under clause (7) of the covenant described above under "*—Certain Covenants—Limitation on Indebtedness*" and (b) any such Lien may not extend to any assets or property of the Issuer or any Restricted Subsidiary other than assets or property acquired, improved, constructed or leased with the proceeds of such Indebtedness and any improvements or accessions to such assets and property;

(11) Liens arising by virtue of any statutory or common law provisions or customary standard terms relating to banker's Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a depositary or financial institution;

(12) Liens arising from New York Uniform Commercial Code financing statement filings (or similar filings in other applicable jurisdictions) regarding operating leases entered into by the Issuer and its Restricted Subsidiaries in the ordinary course of business;

(13) Liens existing on, or provided for or required to be granted under written agreements existing on, the Issue Date;

(14) Liens on property, other assets or shares of stock of a Person at the time such Person becomes a Restricted Subsidiary (or at the time the Issuer or a Restricted Subsidiary acquires such property, other assets or shares of stock, including any acquisition by means of a merger, consolidation or other business combination transaction with or into the Issuer or any Restricted Subsidiary); *provided*, that such Liens are limited to all or part of the same property, other assets or stock (plus improvements, accession, proceeds or dividends or distributions in connection with the original property, other assets or stock) that secured (or, under the written arrangements under which such Liens arose, could secure) the obligations to which such Liens relate;

(15) Liens on assets or property of any Restricted Subsidiary that is not a Guarantor securing Indebtedness or other obligations of such Restricted Subsidiary owing to the Issuer or another Restricted Subsidiary, or Liens in favor of the Issuer or any Guarantor;

(16) Liens securing Refinancing Indebtedness Incurred to refinance Indebtedness that was previously so secured, and permitted to be secured under the Senior Secured Notes Indenture; *provided* that any such Lien is limited to all or part of the same property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof) that secured (or, under the written arrangements under which the original Lien arose, could secure) the Indebtedness being refinanced or is in respect of property that is or could be the security for or subject to a Permitted Lien hereunder;

(17) any interest or title of a lessor under any Capitalized Lease Obligation or operating lease;

(18) (a) mortgages, liens, security interest, restrictions, encumbrances or any other matters of record that have been placed by any government, statutory or regulatory authority, developer, landlord or other third party on property over which the Issuer or any Restricted Subsidiary has easement rights or on any leased property and subordination or similar arrangements relating thereto and (b) any condemnation or eminent domain proceedings affecting any real property;

(19) any encumbrance or restriction (including put and call arrangements) with respect to Capital Stock of, or assets owned by, any joint venture or similar arrangement pursuant to any joint venture or similar agreement;

(20) Liens on property or assets under construction (and related rights) in favor of a contractor or developer or arising from progress or partial payments by a third party relating to such property or assets;

(21) Liens created or arising in connection with a Qualified Receivables Financing;

(22) (a) Liens on Escrowed Proceeds for the benefit of the related holders of debt securities or other Indebtedness (or the underwriters or arrangers thereof) or (b) Liens on cash set aside at the time of the incurrence of any Indebtedness or government securities purchased with such cash, in either case, to the extent such cash or government securities pre-fund the payment of interest on such Indebtedness and are held in escrow accounts or similar arrangement to be applied for such purpose;

(23) Liens securing or arising by reason of any netting or set-off arrangement entered into in the ordinary course of banking or other trading activities, or liens over cash accounts and receivables securing cash pooling or cash management arrangements;

(24) Liens arising out of conditional sale, title retention, hire purchase, consignment or similar arrangements for the sale of goods entered into in the ordinary course of business;

(25) Liens on Capital Stock or other securities or assets of any Unrestricted Subsidiary that secure Indebtedness of such Unrestricted Subsidiary;

(26) any security granted over the marketable securities portfolio described in clause (9) of the definition of "Cash Equivalents" in connection with the disposal thereof to a third party;

(27) limited recourse Liens in respect of the ownership interests in, or assets owned by, any joint ventures which are not Restricted Subsidiaries securing obligations of such joint ventures;

(28) (a) Liens created for the benefit of or to secure, directly or indirectly, the Senior Secured Notes, (b) Liens pursuant to the Intercreditor Agreement and the security documents entered into pursuant to the Senior Secured Notes Indenture, the Senior Notes Indenture and the Existing 2022 Senior Secured Notes Indenture, (c) Liens in respect of property and assets securing Indebtedness if the recovery in respect of such Liens is subject to loss-sharing as among the Holders of the Senior Secured Notes and the creditors of such Indebtedness pursuant to the Intercreditor Agreement or an Additional Intercreditor Agreement and

(d) Liens securing Indebtedness incurred under clause (1) of the second paragraph of the covenant entitled "*—Limitation on Indebtedness*" or Liens provided by GFKL Holdco or any of its Subsidiaries prior to the Structure Event securing the Existing 2022 Senior Secured Notes, in each case to the extent the Agreed Security Principles would permit such Lien to be granted to such Indebtedness and not to the Senior Secured Notes;

(29) Liens provided that the maximum amount of Indebtedness secured in the aggregate at any one time pursuant to this clause (29) does not exceed £21 million;

(30) Liens on receivables securing Indebtedness described under clause (12) of "*—Permitted Debt*";

(31) Liens securing Indebtedness described under clause (14) of "*—Permitted Debt*";

(32) Liens created or subsisting in order to secure any pension liabilities or partial retirement liabilities (*Altersteilzeitverpflichtungen*) incurred in order to comply with the requirements of section 8a of the German Partial Retirement Act (*Altersteilzeitgesetz*) or pursuant to section 7e of the Fourth Book of the German Social Security Code ("*SGB IV*");

(33) Liens incurred in connection with the Squeeze Out Guarantee; and

(34) any extension, renewal or replacement, in whole or in part, of any Lien described in the foregoing clauses (1) through (33); *provided* that any such extension, renewal or replacement shall not extend in any material respect to any additional property or assets.

"*Permitted Reorganization*" means any amalgamation, demerger, merger, voluntary liquidation, consolidation, reorganization, winding up or corporate reconstruction involving the Issuer or any of its Restricted Subsidiaries and the assignment, transfer or assumption of intragroup receivables and payables among the Issuer and its Restricted Subsidiaries in connection therewith (a "*Reorganization*") that is made on a solvent basis (including, for the avoidance of doubt, the merger of GFKL Holdco and Garfunkel Holding (the "*GFKL Merger*")); *provided* that: (a) all of the business and assets of the Issuer or such Restricted Subsidiaries remain owned by the Issuer or its Restricted Subsidiaries, (b) any payments or assets distributed in connection with such Reorganization remain within the Issuer and its Restricted Subsidiaries, (c) if any shares or other assets form part of the Collateral, substantially equivalent Liens must be granted over such shares or assets of the recipient such that they form part of the Collateral and (d) the Issuer will provide to the Trustee and the Security Agent an Officer's Certificate confirming that no Default is continuing or would arise as a result of such Reorganization (except in connection with the GFKL Merger).

"*Person*" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company, government or any agency or political subdivision thereof or any other entity.

"*Portfolio Assets*" means all (a) Underlying Portfolio Assets (in each case, that is purchased by, acquired by or otherwise transferred from a third-party to, the Issuer or any of its Restricted Subsidiaries pursuant to a purchase agreement or any other sale agreement) in which the Issuer and its Restricted Subsidiaries or any Receivables Subsidiary has either a direct beneficial ownership interest or a direct beneficial ownership interest and legal ownership (whether such direct ownership is in whole or in part; *provided* that partially owned Portfolio Assets will be recognized to the extent owned) and (b) Right to Collect Accounts.

"*Portfolio ERC Model*" means the models and methodologies that the Issuer uses to calculate the value of its ERC and those of its Subsidiaries, consistently with the calculations used in this Offering Memorandum or, if the Issuer includes ERC in its financial statements, with the most recent published financial statements of the Issuer, the Senior Notes Issuer or GFKL Holdco, as applicable, as of such date of determination.

"*Preferred Stock*," as applied to the Capital Stock of any Person, means Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

"*Public Debt*" means any Indebtedness consisting of bonds, debentures, notes or other similar debt securities issued in (1) a public offering registered under the Securities Act or (2) a private placement to institutional investors that is underwritten for resale in accordance with Rule 144A or Regulation S under the Securities Act, whether or not it includes registration rights entitling the holders of such debt securities to registration thereof with the SEC for public resale.

"*Public Market*" means any time after:

(1) an Equity Offering has been consummated; and

(2) shares of common stock or other common equity interests of the IPO Entity having a market value in excess of £100 million on the date of such Equity Offering have been distributed pursuant to such Equity Offering.

"*Public Offering*" means any offering, including an Initial Public Offering, of shares of common stock or other common equity interests that are listed on an exchange or publicly offered (which shall include an offering pursuant to Rule 144A or Regulation S under the Securities Act to professional market investors or similar Persons).

"*Purchase Money Obligations*" means any Indebtedness Incurred to finance or refinance the acquisition, leasing, construction or improvement of property (real or personal) or assets (including Capital Stock), and whether acquired through the direct acquisition of such property or assets or the acquisition of the Capital Stock of any Person owning such property or assets, or otherwise.

"*Put-Backs*" means Underlying Portfolio Assets that differ from the characteristics specified in the purchase contract thereof and that we consequently sell back at the purchase price or, depending on the contractual arrangement, at a subsequently negotiated price.

"*Qualified Receivables Financing*" means any Receivables Financing that meets the following conditions: (1) the Board of Directors or an Officer of the Issuer shall have determined in good faith that such Qualified Receivables Financing (including financing terms, covenants, termination events and other provisions) is in the aggregate economically fair and reasonable to the Issuer and the Receivables Subsidiary, (2) all sales of accounts receivable and related assets to the Receivables Subsidiary are made at fair market value (as determined in good faith by the Board of Directors or an Officer of the Issuer), (3) the financing terms, covenants, termination events and other provisions thereof shall be on market terms (as determined in good faith by the Board of Directors or an Officer of the Issuer) and may include Standard Securitization Undertakings and (4) is non-recourse to the Issuer or any Restricted Subsidiary (other than a Receivables Subsidiary) except to the extent of any Standard Securitization Undertaking; *provided* that, for the avoidance of doubt, the term Qualified Receivables Financing shall include the Milla Securitization.

"*Rating Agencies*" means Moody's and S&P or, in the event Moody's or S&P no longer assigns a rating to the Senior Secured Notes, any other "nationally recognized statistical rating organization" within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the Exchange Act selected by the Issuer as a replacement agency.

"*Receivable*" means a right to receive payment arising from a sale or lease of goods or services by a Person pursuant to an arrangement with another Person pursuant to which such other Person is obligated to pay for goods or services under terms that permit the purchase of such goods and services on credit.

"*Receivables Assets*" means any Receivables of the Issuer or any of its Subsidiaries or any Compartment of a Subsidiary of the Issuer, and any assets related thereto, including all collateral securing such Receivable, all contracts and all guarantees or other obligations in respect of such Receivable, proceeds collected on such Receivable and other assets which are customarily transferred or in respect of which security interest are customarily granted in connection with asset securitization transactions and any related Hedging Obligations, in each case, whether now existing or arising in the future.

"*Receivables Fees*" means distributions or payments made directly or by means of discounts with respect to any participation interest issued or sold in connection with, and other fees paid to a Person that is not a Restricted Subsidiary in connection with, any Qualified Receivables Financing.

"*Receivables Financing*" means any transaction or series of transactions that may be entered into by the Issuer or any of its Subsidiaries or a Compartment of a Subsidiary of the Issuer pursuant to which the Issuer or any of its Subsidiaries (i) may sell, convey or otherwise transfer (which, for the avoidance of doubt, shall include any synthetic transfer) any Receivables Assets to (a) a Receivables Subsidiary (in the case of a transfer by the Issuer or any of its Subsidiaries) or (b) any other Person (in the case of a transfer by a Receivables Subsidiary) or (ii) may grant a security interest in any Receivables Assets.

"*Receivables Repurchase Obligation*" means any obligation of a seller of receivables in a Qualified Receivables Financing to repurchase Receivables Assets arising as a result of a breach of a representation, warranty or covenant or otherwise, including as a result of a receivable or portion thereof becoming subject to any asserted defense, dispute, off-set or counterclaim of any kind as a result of any action taken by, any failure to take action by or any other event relating to the seller.

"*Receivables Subsidiary*" means a Subsidiary or a Compartment of a Subsidiary of the Issuer or another Person formed for the purposes of engaging in a Qualified Receivables Financing with the Issuer or any of its Subsidiaries or any Compartment of a Subsidiary of the Issuer, in which the Issuer or any Subsidiary of the Issuer makes an Investment and to which the Issuer or any Subsidiary of the Issuer transfers accounts receivable and related assets, which engages in no activities other than in connection with the financing of accounts receivable of the Issuer and its Subsidiaries, all proceeds thereof and all rights (contractual or other), collateral and other assets relating thereto, and any business or activities incidental or related to such business, and which is designated by the Board of Directors of the Issuer (as provided below) as a Receivables Subsidiary and:

(1) no portion of the Indebtedness or any other obligations (contingent or otherwise) of which (i) is guaranteed by the Issuer or any other Restricted Subsidiary (excluding guarantees of obligations (other than the principal of, and interest on, Indebtedness) pursuant to Standard Securitization Undertakings), (ii) is subject to terms that are substantially equivalent in effect to a Guarantee of any losses on securitized or sold receivables by the Issuer or any other Restricted Subsidiary, (iii) is recourse to or obligates the Issuer or any other Restricted Subsidiary in any way other than pursuant to Standard Securitization Undertakings, or (iv) subjects any property or asset of the Issuer or any other Restricted Subsidiary, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings;

(2) with which neither the Issuer nor any Restricted Subsidiary has any contract, agreement, arrangement or understanding other than on terms which the Issuer reasonably believes to be no less favorable to the Issuer or such Restricted Subsidiary than those that might be obtained at the time from Persons that are not Affiliates of the Issuer; and

(3) to which neither the Issuer nor any Restricted Subsidiary has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels of operating results.

Any such designation by the Board of Directors of the Issuer shall be evidenced to the Trustee by filing with the Trustee a copy of the resolution of the Board of Directors of the Issuer giving effect to such designation and an Officer's Certificate certifying that such designation complied with the foregoing conditions.

"*refinance*" means refinance, refund, replace, renew, repay, modify, restate, defer, substitute, supplement, reissue, resell, extend or increase (including pursuant to any defeasance or discharge mechanism) and the terms "*refinances*," "*refinanced*" and "*refinancing*" as used for any purpose in the Senior Secured Notes Indenture shall have a correlative meaning.

"*Refinancing Indebtedness*" means Indebtedness that is Incurred to refund, refinance, replace, exchange, renew, repay or extend (including pursuant to any defeasance or discharge mechanism) any Indebtedness existing on the date of the Senior Secured Notes Indenture or Incurred in compliance with the Senior Secured Notes Indenture (including Indebtedness of the Issuer that refinances Indebtedness of any Restricted Subsidiary and Indebtedness of any Restricted Subsidiary that refinances Indebtedness of the Issuer or another Restricted Subsidiary) including Indebtedness that refinances Refinancing Indebtedness; *provided*, *however*, that:

(1) if the Indebtedness being refinanced constitutes Subordinated Indebtedness, the Refinancing Indebtedness has a final stated maturity at the time such Refinancing Indebtedness is Incurred that is the same as or later than the final stated maturity of the Indebtedness being refinanced or, if shorter, the maturity date of the Senior Secured Notes;

(2) such Refinancing Indebtedness is Incurred in an aggregate principal amount (or if issued with original issue discount, an aggregate issue price) that is equal to or less than the sum of the aggregate principal amount (or if issued with original issue discount, the aggregate accreted value) then outstanding of the Indebtedness being refinanced (plus, without duplication, any additional Indebtedness Incurred to pay interest or premiums required by the instruments governing such existing Indebtedness and costs, expenses and fees Incurred in connection therewith); and

(3) if the Indebtedness being refinanced is expressly subordinated to the Senior Secured Notes, such Refinancing Indebtedness is subordinated to the Senior Secured Notes on terms at least as favorable to the Holders as those contained in the documentation governing the Indebtedness being refinanced,

provided, further, however, that Refinancing Indebtedness shall not include (i) Indebtedness of the Issuer or a Restricted Subsidiary that refinances Indebtedness of an Unrestricted Subsidiary or (ii) Indebtedness of a Restricted Subsidiary that is not a Guarantor that refinances Indebtedness of the Issuer or a Guarantor.

"*Related Person*" with respect to any Permitted Holder, means:

(1) any controlling equity holder, majority (or more) owned Subsidiary or controlling partner or controlling member of such Person; or

(2) in the case of an individual, any spouse, family member or relative of such individual, any trust or partnership for the benefit of one or more of such individual and any such spouse, family member or relative, or the estate, executor, administrator, committee or beneficiaries of any thereof; or

(3) any trust, corporation, partnership or other Person for which one or more of the Permitted Holders and other Related Persons of any thereof constitute the beneficiaries, stockholders, partners or owners thereof, or Persons beneficially holding in the aggregate a majority (or more) controlling interest therein; or

(4) any investment fund or vehicle managed, sponsored or advised by such Person or any successor thereto, or by any Affiliate of such Person or any such successor,

provided, however, that a Related Person with respect to any Permitted Holder shall not include (x) a controlling partner, member, interest holder, equity holder or limited partner of the Permira V Funds, if any, and any Subsidiary of such controlling partner, member, interest holder, equity holder or limited partner, in each case to the extent not itself a member of the Permira Group and (y) any controlling partner, member, interest holder, equity holder or shareholder of Permira V G.P. Limited, if any, and any Subsidiary of such controlling partner, member, interest holder, equity holder or shareholder, in each case to the extent not itself a member of the Permira Group.

"*Related Taxes*" means:

(1) any Taxes, including sales, use, transfer, rental, ad valorem, value added, stamp, property, consumption, franchise, license, capital, registration, business, customs, net worth, gross receipts, excise, occupancy, intangibles or similar taxes (other than (x) taxes measured by income and (y) withholding imposed on payments made by any Parent), required to be paid (provided such taxes are in fact paid) by any Parent by virtue of its:

    (a) being incorporated or otherwise being established or having Capital Stock outstanding (but not by virtue of owning stock or other equity interests of any corporation or other entity other than, directly or indirectly, the Issuer or any Restricted Subsidiary);

    (b) issuing or holding Subordinated Shareholder Funding;

    (c) being a holding company parent, directly or indirectly, of the Issuer or any Restricted Subsidiary;

    (d) receiving dividends from or other distributions in respect of the Capital Stock of, directly or indirectly, the Issuer or any Restricted Subsidiary; or

    (e) having made or received any payment with respect to any of the items for which the Issuer is permitted to make payments to any Parent pursuant to "*—Certain Covenants—Limitation on Restricted Payments*;" or

(2) if and for so long as the Issuer is a member of a group filing a consolidated or combined tax return with any Parent, any Taxes measured by income for which such Parent is liable up to an amount not to exceed with respect to such Taxes the amount of any such Taxes that the Issuer and its Restricted Subsidiaries would have been required to pay on a separate company basis or on a consolidated basis if the Issuer and its Restricted Subsidiaries had paid tax on a consolidated, combined, group, affiliated or unitary basis on behalf of an affiliated group consisting only of the Issuer and its Restricted Subsidiaries.

"*Replacement Assets*" means non-current properties and assets that replace the properties and assets that were the subject of an Asset Disposition or non-current properties and assets that will be used in the Issuer's business or in that of the Restricted Subsidiaries (including the Target and its Restricted Subsidiaries) as of the Issue Date or any and all other businesses that in the good faith judgment of the Board of Directors or any Officer of the Issuer are related thereto.

"*Representative*" means any trustee, agent or representative (if any) for an issue of Indebtedness or the provider of Indebtedness (if provided on a bilateral basis), as the case may be.

"*Reserved Cash*" means the consolidated total cash of the Issuer and its Restricted Subsidiaries that is shown on the balance sheet as earmarked funds, which relate to pass-through obligations from portfolio management and administered trust accounts.

"*Restricted Investment*" means any Investment other than a Permitted Investment.

"*Restricted Subsidiary*" means any Subsidiary of the Issuer other than an Unrestricted Subsidiary.

"*Revolving Credit Facility*" means the revolving credit facility made available pursuant to the Revolving Credit Facility Agreement.

"*Revolving Credit Facility Agreement*" means the super senior revolving facility agreement dated June 29, 2015, among Garfunkel Holding, as borrower, the Issuer, as a guarantor, and certain financial institutions, as amended pursuant to the amendment and restatement agreement dated August 18, 2015, among, *inter alios*, the Issuer, the Senior Notes Issuer, Simon Bidco, Simon Midco, Simon Holdco, Citibank, N.A., London Branch, Credit Suisse AG, London Branch, Goldman Sachs Bank USA, ING Bank, a Branch of ING-DiBa AG and JPMorgan Chase Bank N.A., London Branch as described in "*Description of Certain Financing Arrangements—Revolving Credit Facility Agreement*," as amended from time to time.

"*Right to Collect Account*" means an Underlying Portfolio Asset that is owned by a Person that is not the Issuer or one of its Restricted Subsidiaries (a "Third Party") and in respect of which (a) such Third Party is unable or unwilling to dispose of the relevant Underlying Portfolio Asset to the Issuer or a Restricted Subsidiary; and (b) the Issuer or a Restricted Subsidiary is entitled to collect and retain substantially all of the amounts due under such Underlying Portfolio Asset or to receive amounts equivalent thereto.

"*S&P* " means Standard & Poor's Investors Ratings Services or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"*SEC*" means the U.S. Securities and Exchange Commission.

"*Securities Act*" means the U.S. Securities Act of 1933, as amended and the rules and regulations of the SEC promulgated thereunder, as amended.

"*Security Coverage Test*" means the test that is satisfied if both of the following statements are true as of the date of determination (based on the most recent published annual financial statements of either the Senior Notes Issuer or the Issuer (or for the year ended December 31, 2014, GFKL Holdco), *provided* that if such financial statements do not include the results of operations of the GFKL Group and the Target Group for a period of twelve months, then the Security Coverage Test shall be based on the *pro forma* combined financial information of the GFKL Group and the Target Group prepared on a basis substantially consistent with the *pro forma* information presented in this Offering Memorandum):

(1) the aggregate of the earnings before interest, tax depreciation and amortization ("EBITDA") of the Guarantors (calculated on an unconsolidated basis but otherwise on the same basis as Consolidated EBITDA) equals or exceeds 80% of Consolidated EBITDA (for this purpose disregarding from Consolidated EBITDA and the aggregate EBITDA of the Guarantors, the EBITDA of any member of the Group that generates negative EBITDA); and

(2) the aggregate of the gross assets of the members of the Group which are Guarantors (calculated on an unconsolidated basis and excluding all intra-Group items) equals or exceeds 80% of the gross assets of the Group.

"*Security Documents*" means the security agreements, pledge agreements, collateral assignments, and any other instrument and document executed and delivered pursuant to the Senior Secured Notes 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 Senior Secured Notes Indenture.

"*Sellers*" means Metis Holdco, Oliver Wyman Limited, a company incorporated in England and Wales with company number 02995605, 1920297 Ontario Limited (an affiliate of OTPP) and certain management sellers.

"*Senior Bridge Facility*" means the £240 million high yield bridge facility that was drawn on the Completion Date in connection with the Acquisition pursuant to the Senior Bridge Facility Agreement, and which is expected to be repaid with the proceeds of the Offering.

"*Senior Bridge Facility Agreement*" means the high yield bridge facility agreement dated August 18, 2015 among the Senior Notes Issuer, as borrower, and Credit Suisse AG, London Branch, Citigroup Global Markets Limited, Goldman Sachs Bank USA, ING Bank, a Branch of ING-DiBa AG, and J.P. Morgan Limited as mandated lead arrangers and bookrunners, and ING Bank, a Branch of ING-DiBa AG, as agent and Citibank, N.A., London Branch as Security Agent.

"*Senior Notes*" means any Indebtedness of the direct parent of the Issuer designated as "Permitted Senior Financing Debt" under the Intercreditor Agreement or any Additional Intercreditor Agreement, including the Senior Notes Issuer's 11.000% Senior Notes due 2023 issued on the Issue Date.

"*Senior Notes Indenture*" means the indenture entered into on the Issue Date between, among others, the Senior Notes Issuer, the Security Agent and Citibank, N.A., London Branch, as trustee, as amended from time to time.

"*Senior Notes Issuer*" means Garfunkelux Holdco 2 S.A. and its successors and assigns.

"*Senior Notes Issuer Shareholder Loan*" means the euro-denominated subordinated shareholder loan issued by the Senior Notes Issuer to the Issuer on or about the Completion Date, maturing no earlier than the date that is six months subsequent to the maturity date of the Senior Secured Notes.

"*Senior Proceeds Loan*" means the loan made under the loan agreement entered into on the Completion Date between the Senior Notes Issuer, as lender, and the Issuer, as borrower, pursuant to which the Senior Notes Issuer advanced the borrowings under the Senior Bridge Facility which was entered into on the Completion Date, as amended, accreted or partially repaid from time to time.

"*Senior Secured Bridge Facility*" means the £555 million high yield bridge facility that was drawn on the Completion Date in connection with the Acquisition pursuant to the Senior Secured Bridge Facility Agreement, and which is expected to be repaid with the proceeds from the Offering;

"*Senior Secured Bridge Facility Agreement*" means the high yield bridge facility agreement dated August 18, 2015 among the Issuer, as borrower, and Goldman Sachs Bank USA, Citigroup Global Markets Limited, Credit Suisse AG, London Branch, ING Bank, a Branch of ING-DiBa AG, and J.P. Morgan Limited as mandated lead arrangers and bookrunners, and ING Bank, a Branch of ING-DiBa AG, as agent and Citibank, N.A., London Branch as Security Agent;

"*Senior Secured Notes*" means the Senior Secured Notes issued on the Issue Date and any Additional Senior Secured Notes.

"*Senior Secured Notes Documents*" means the Senior Secured Notes (including Additional Senior Secured Notes), the Senior Secured Notes Indenture, the Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreements.

"*Senior Secured Notes Indenture*" means the indenture entered into on the Issue Date between, among others, the Issuer, the Security Agent and the Trustee, as amended from time to time.

"*Senior Secured Notes Issue Date Guarantors*" means the Senior Notes Issuer, Garfunkel Holding, Simon Bidco, Simon Midco, and Simon Holdco.

"*Senior Secured Notes Post-Completion Date Guarantors*" means Lowell Finance Holdings Limited, Lowell Group Limited, Lowell Funding Limited, Lowell Acquisitions Limited, Lowell Holdings Limited, Lowell Finance Limited, Lowell Financial Limited, Lowell Portfolio I Limited and Tocatto Limited.

"*Senior Secured Indebtedness*" means, with respect to any Person as of any date of determination, any Indebtedness for borrowed money that is secured by a first-priority Lien on the Collateral and that is Incurred under the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" or clauses (1), (4)(a), (4)(b), 4(c), (5), (7), (11), (13) or (14) of the second paragraph of the covenant described under "—Certain Covenants—Limitation on Indebtedness" and any Refinancing Indebtedness in respect thereof.

"*Significant Subsidiary*" means any Restricted Subsidiary that meets any of the following conditions:

(1) the Issuer's and its Restricted Subsidiaries' investments in and advances to the Restricted Subsidiary exceed 10% of the total assets (excluding Reserved Cash) of the Issuer and its Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year;

(2) the Issuer's and its Restricted Subsidiaries' proportionate share of the total assets (after intercompany eliminations) of the Restricted Subsidiary exceeds 10% of the total assets (excluding Reserved Cash) of the Issuer and its Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year; or

(3) the Issuer's and its Restricted Subsidiaries' proportionate share of the Consolidated EBITDA of the Restricted Subsidiary exceeds 10% of the Consolidated EBITDA of the Issuer and its Restricted Subsidiaries on a consolidated basis for the most recently completed fiscal year.

"*Similar Business*" means (a) any businesses, services or activities engaged in by the Issuer or any of its Restricted Subsidiaries (including the Target and its Restricted Subsidiaries) or any Associates on the Issue Date and (b) any businesses, services and activities that are related, complementary, incidental, ancillary or similar to any of the foregoing or are extensions or developments of any thereof.

"*Simon Bidco*" means the entity incorporated under the laws of England and Wales that is a direct Subsidiary of Simon Midco as of the Issue Date and its successors and assigns.

"*Simon Holdco*" means the entity incorporated under the laws of Jersey that is a direct Subsidiary of the Issuer as of the Issue Date and its successors and assigns.

"*Simon Midco*" means the entity incorporated under the laws of England and Wales that is a direct Subsidiary of Simon Holdco as of the Issue Date and its successors and assigns.

"*Special Purpose Vehicle*" means an entity established by any Parent for the purpose of maintaining an equity incentive or compensation plan for Management Investors.

"*Squeeze Out*" refers to the acquisition of the ordinary shares of GFKL Financial Services AG from the minority shareholders.

"*Squeeze Out Guarantee*" means a guarantee issued in compliance with, and in the form required by, section 327b(3) of the German Stock Corporation Act (*AktG*).

"*Standard Securitization Undertakings*" means representations, warranties, covenants, indemnities and guarantees of performance entered into by the Issuer or any Subsidiary of the Issuer which the Issuer has determined in good faith to be customary in a Receivables Financing, including those relating to the servicing of the assets of a Receivables Subsidiary, it being understood that any Receivables Repurchase Obligation shall be deemed to be a Standard Securitization Undertaking.

"*Stated Maturity*" means, with respect to any security, the date specified in such security as the fixed date on which the payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision, but shall not include any contingent obligations, including those described in "*—Change of Control*" and the covenant under "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*," to repay, redeem or repurchase any such principal prior to the date originally scheduled for the payment thereof.

"*Structure Event*" means the completion of any Squeeze Out followed by the completion of the German Company Conversion.

"*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 Senior Secured Notes or any Note Guarantee pursuant to a written agreement, including the Guarantees of any Senior Notes.

"*Subordinated Shareholder Funding*" means, collectively, any funds provided to the Issuer by any Parent, any Affiliate of any Parent or any Permitted Holder or any Affiliate thereof, in exchange for or pursuant to any security, instrument or agreement other than Capital Stock, in each case issued to and held by any of the foregoing Persons, together with any such security, instrument or agreement and any other security or instrument other than Capital Stock issued in payment of any obligation under any Subordinated Shareholder Funding; *provided*, *however*, that such Subordinated Shareholder Funding:

(1) does not mature or require any amortization, redemption or other repayment of principal or any sinking fund payment prior to six months after the Stated Maturity of the Senior Secured Notes (other than through conversion or exchange of such funding into Capital Stock (other than Disqualified Stock) of the Issuer or any funding meeting the requirements of this definition) or the making of any such payment prior to six months after the Stated Maturity of the Senior Secured Notes is restricted by the Intercreditor Agreement, an Additional Intercreditor Agreement or another intercreditor agreement;

(2) does not require, prior to six months after the Stated Maturity of the Senior Secured Notes, payment of cash interest, cash withholding amounts or other cash gross-ups, or any similar cash amounts or the making of any such payment prior to the six-month anniversary of the Stated Maturity of the Senior Secured Notes is restricted by the Intercreditor Agreement or an Additional Intercreditor Agreement;

(3) contains no change of control or similar provisions and does not accelerate and has no right to declare a default or event of default or take any enforcement action or otherwise require any cash payment, in each case, prior to six months after the Stated Maturity of the Senior Secured Notes or the payment of any amount as a result of any such action or provision or the exercise of any rights or enforcement action, in

each case, prior to six months after the Stated Maturity of the Senior Secured Notes is restricted by the Intercreditor Agreement or an Additional Intercreditor Agreement;

(4) does not provide for or require any security interest or encumbrance over any asset of the Issuer or any of its Subsidiaries; and

(5) pursuant to its terms or to the Intercreditor Agreement, an Additional Intercreditor Agreement or another intercreditor agreement, is fully subordinated and junior in right of payment to the Senior Secured Notes pursuant to subordination, payment blockage and enforcement limitation terms which are customary in all material respects for similar funding or are no less favorable in any material respect to Holders than those contained in the Intercreditor Agreement as in effect on the Issue Date with respect to the "Holdco Liabilities" (as defined therein).

"*Subsidiary*" means, with respect to any Person:

(1) any corporation, association or other business entity (other than a partnership, joint venture, limited liability company or similar entity) of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time of determination owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof; or

(2) any partnership, joint venture, limited liability company or similar entity of which: (a) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general or limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof, whether in the form of membership, general, special or limited partnership interests or otherwise; and (b) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

"*Subsidiary Guarantor*" means a Guarantor that is a Restricted Subsidiary of the Issuer.

"*Successor Parent*" with respect to any Person means any other Person 100% of the total voting power of the Voting Stock (other than directors' qualifying shares or shares required by any applicable law or regulation to be held by a Person other than the Issuer or another wholly-owned Subsidiary) of which is, at the time the first Person becomes a Subsidiary of such other Person, "beneficially owned" (as defined below) by one or more Persons that "beneficially owned" (as defined below) 100% of the total voting power of the Voting Stock (other than directors' qualifying shares or shares required by any applicable law or regulation to be held by a Person other than the Issuer or another wholly-owned Subsidiary) of the first Person immediately prior to the first Person becoming a Subsidiary of such other Person. For purposes hereof, "beneficially own" has the meaning correlative to the term "beneficial owner," as such term is defined in Rules 13d-3 and 13d-5 under the Exchange Act (as in effect on the Issue Date).

"*T-Shares*" means shares or beneficiary units with nominal economic rights expected to be held by New Luxco, as described in this Offering Memorandum;

"*Target*" means Metis Bidco Limited, a private company limited by shares under the law of England and Wales.

"*Tax Sharing Agreement*" means any tax sharing or profit and loss pooling or similar agreement with customary or arm's-length terms entered into with any Parent or Unrestricted Subsidiary, as the same may be amended, supplemented, waived or otherwise modified from time to time in accordance with the terms thereof and of the Senior Secured Notes Indenture.

"*Taxes*" means all present and future taxes, levies, imposts, deductions, charges, duties and withholdings and any charges of a similar nature (including interest and penalties with respect thereto) that are imposed by any government or other taxing authority.

"*Temporary Cash Investments*" means any of the following:

(1) any investment in: (a) direct obligations of, or obligations Guaranteed by, (i) the United States of America or Canada, (ii) any European Union member state, (iii) Japan, Switzerland or Norway, (iv) any country in whose currency funds are being held specifically pending application in the making of an investment or capital expenditure by the Issuer or a Restricted Subsidiary in that country with such funds or (v) any agency or instrumentality of any such country or member state; or (b) direct obligations of any country recognized by the United States of America rated at least "A" by S&P or "A-1" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(2) overnight bank deposits, and investments in time deposit accounts, certificates of deposit, bankers' acceptances and money market deposits (or, with respect to foreign banks, similar instruments) maturing not more than one year after the date of acquisition thereof issued by: (a) any lender under the Revolving Credit Facility; (b) any institution authorized to operate as a bank in any of the countries or member states referred to in sub-clause (1)(a) above; or (c) any bank or trust company organized under the laws of any such country or member state or any political subdivision thereof, in each case, having capital and surplus aggregating in excess of £250 million (or the foreign currency equivalent thereof) and whose long-term debt is rated at least "A-" by S&P or "A-3" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) or (2) above entered into with a Person meeting the qualifications described in clause (2) above;

(4) Investments in commercial paper, maturing not more than 270 days after the date of acquisition, issued by a Person (other than the Issuer or any of its Subsidiaries) with a rating at the time as of which any Investment therein is made of "P-2" (or higher) according to Moody's or "A-2" (or higher) according to S&P (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(5) Investments in securities maturing not more than one year after the date of acquisition issued or fully Guaranteed by any state, commonwealth or territory of the United States of America, Canada, any European Union member state, Japan, Switzerland or Norway or by any political subdivision or taxing authority of any such state, commonwealth, territory, country or member state, and rated at least "BBB–" by S&P or "Baa3" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(6) bills of exchange issued in the United States, Canada, a member state of the European Union, Switzerland, Norway or Japan eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent);

(7) any money market deposit accounts issued or offered by a commercial bank organized under the laws of a country that is a member of the Organization for Economic Co-operation and Development, in each case, having capital and surplus in excess of £250 million (or the foreign currency equivalent thereof) or whose long-term debt is rated at least "A" by S&P or "A2" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;

(8) investment funds investing 95% of their assets in securities of the type described in clauses (1) through (7) above (which funds may also hold reasonable amounts of cash pending investment or distribution); and

(9) investments in money market funds (a) complying with the risk limiting conditions of Rule 2a-7 (or any successor rule) of the SEC under the U.S. Investment Company Act of 1940, as amended, or (b) rated "AAA" by S&P or "Aaa" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization).

"*Total Assets*" means the consolidated total assets of the Issuer and its Restricted Subsidiaries as shown on the balance sheet of such Person prepared on the basis of IFRS, and may give *pro forma* effect to any acquisition under the conditions, *mutatis mutandis*, set forth under clause (1) of the second paragraph of the definition of "Consolidated Leverage Ratio"; *provided* that such Total Assets shall not include any amount of Reserved Cash.

"*Transactions*" has the meaning assigned to such term in this Offering Memorandum under the heading "The Transactions" and the Squeeze Out.

"*U.K. Government Securities*" means direct obligations of, or obligations guaranteed by, the United Kingdom, and the payment for which the United Kingdom pledges its full faith and credit.

"*U.S. GAAP*" means generally accepted accounting principles in the United States of America as in effect from time to time.

"*Underlying Portfolio Asset*" means performing, sub-performing, non-performing or charged-off accounts, loans, receivables, mortgages, debentures, notes, claims and other similar assets or instruments (in each case, however pooled, aggregated, fractionally owned or contractually divided).

"*Uniform Commercial Code*" means the New York Uniform Commercial Code.

"*Unrestricted Subsidiary*" means:

(1) any Subsidiary of the Issuer that at the time of determination is an Unrestricted Subsidiary (as designated by the Board of Directors of the Issuer in the manner provided below); and

(2) any Subsidiary of an Unrestricted Subsidiary.

The Board of Directors of the Issuer may designate any Subsidiary of the Issuer (including any newly acquired or newly formed Subsidiary or a Person becoming a Subsidiary through merger, consolidation or other business combination transaction, or Investment therein to be an Unrestricted Subsidiary only if:

(1) such Subsidiary or any of its Subsidiaries does not own any Capital Stock or Indebtedness of, or own or hold any Lien on any property of, the Issuer or any other Subsidiary of the Issuer which is not a Subsidiary of the Subsidiary to be so designated or otherwise an Unrestricted Subsidiary; and

(2) such designation and the Investment of the Issuer in such Subsidiary comply with "*—Certain Covenants—Limitation on Restricted Payments*."

Any such designation by the Board of Directors of the Issuer shall be evidenced to the Trustee by filing with the Trustee a copy of the resolution of the Board of Directors of the Issuer giving effect to such designation and an Officer's Certificate certifying that such designation complies with the foregoing conditions.

The Board of Directors of the Issuer may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that immediately after giving effect to such designation (1) no Default or Event of Default would result therefrom and (2)(x) the Issuer could Incur at least £1.00 of additional Indebtedness under clause (1) of the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" or (y) the Fixed Charge Coverage Ratio would not be less than it was immediately prior to giving effect to such designation, in each case, on a *pro forma* basis taking into account such designation. Any such designation by the Board of Directors shall be evidenced to the Trustee by promptly filing with the Trustee a copy of the resolution of the Board of Directors giving effect to such designation or an Officer's Certificate certifying that such designation complied with the foregoing provisions.

"*Voting Stock*" of a Person means all classes of Capital Stock of such Person then outstanding and normally entitled to vote in the election of directors.

DESCRIPTION OF THE SENIOR NOTES

You will find definitions of certain capitalized terms used in this "*Description of the Senior Notes*" under the heading "*Certain Definitions*." For purposes of this "*Description of the Senior Notes*," references to the "*Issuer*" are to Garfunkelux Holdco 2 S.A. only and not to any of its Subsidiaries. References to "we" or "us" "or the Group" are to the Issuer and its Subsidiaries (including the Target and its Subsidiaries), taken as a whole.

The Issuer will issue £230 million aggregate principal amount of 11.000% Senior Notes due 2023 (the "*Senior Notes*"). The Senior Notes will be issued under an indenture to be dated as of October 19, 2015 (the "*Senior Notes Indenture*"), between, *inter alios*, the Issuer, the Senior Secured Notes Issuer, Garfunkel Holding, Simon Bidco, Simon Midco, and Simon Holdco, as guarantors, Citibank, N.A., London Branch, as trustee (the "*Trustee*"), Citibank, N.A., London Branch, as paying agent, Citibank, N.A., London Branch, as transfer agent (the "*Transfer Agent*"), Citibank, N.A., London Branch, as registrar (the "*Registrar*"), and Citibank, N.A., London Branch, as security agent (the "*Security Agent*"), in a private transaction that is not subject to the registration requirements of the U.S. Securities Act. The Senior Notes Indenture will not be qualified under the U.S. Trust Indenture Act of 1939, as amended.

The following description is a summary of the material provisions of the Senior Notes Indenture and the Senior Notes and refers to the Security Documents and the Intercreditor Agreement. It does not restate those agreements in their entirety. We urge you to read the Senior Notes Indenture, the Senior Notes, the Security Documents and the Intercreditor Agreement because they, and not this description, define your rights as holders of the Senior Notes ("*Holders*"). Copies of the Senior Notes Indenture, the forms of Notes, the Security Documents and the Intercreditor Agreement are available as set forth in this Offering Memorandum under the caption "*Listing and General Information*."

The proceeds of the offering of the Senior Notes sold on the Issue Date will be used by the Issuer, together with cash on hand, to refinance the Senior Bridge Facility and pay estimated fees and expenses incurred in connection with the Transactions, each as set forth in this Offering Memorandum under the caption "*Use of Proceeds*."

Upon the initial issuance of the Senior Notes, the Senior Notes will be obligations of the Issuer and will be guaranteed by the Senior Notes Issue Date Guarantor on a senior subordinated basis. Within 60 days of the Completion Date the Senior Notes Post-Completion Date Guarantors will become party to the Senior Notes Indenture and will, subject to the Agreed Security Principles, guarantee the Senior Notes on a senior subordinated basis. In addition, if the Structure Event occurs, no later than 10 Business Days thereafter, the Issuer will procure that sufficient Group entities will become party to the Senior Notes Indenture and will, subject to the Agreed Security Principles, guarantee the Senior Notes on a senior subordinated basis so as to satisfy the Security Coverage Test, if such test was not previously satisfied. See "*—The Note Guarantees*."

The Senior Notes Indenture will be subject to the terms of the Intercreditor Agreement and any Additional Intercreditor Agreement (as defined below). The terms of the Intercreditor Agreement are important to understanding relative ranking of indebtedness and security, the ability to make payments in respect of the indebtedness, procedures for undertaking enforcement action, subordination of certain indebtedness, turnover obligations, release of security and guarantees, and the payment waterfall for amounts received by the Security Agent.

The registered Holder of a Senior Note will be treated as the owner of it for all purposes. Only registered Holders will have rights under the Senior Notes Indenture, including, without limitation, with respect to enforcement and the pursuit of other remedies. The Senior Notes have not been, and will not be, registered under the U.S. Securities Act and are subject to certain transfer restrictions.

As of the Issue Date, all of our Subsidiaries will be "Restricted Subsidiaries" for purposes of the Senior Notes Indenture. However, under the circumstances described below under "*—Certain Definitions— Unrestricted Subsidiary*," we will be permitted to designate certain of our Subsidiaries as "Unrestricted Subsidiaries." Our Unrestricted Subsidiaries will not be subject to any of the restrictive covenants in the Senior Notes Indenture and will not guarantee the Senior Notes.

The Senior Notes

The Senior Notes will:

- be general senior obligations of the Issuer, secured as set forth under "*—Security*";
- rank *pari passu* in right of payment with any existing and future Indebtedness of the Issuer that is not expressly subordinated in right of payment to the Senior Notes, including the Issuer's Guarantee of the

Senior Secured Notes, the Existing 2022 Senior Secured Notes and the obligations of the Issuer under the Revolving Credit Facility and certain Hedging Obligations;

- rank senior in right of payment to any existing and future Indebtedness of the Issuer that is expressly subordinated in right of payment to the Senior Notes;
- be effectively subordinated to any existing or future Indebtedness or obligation of the Issuer and its Subsidiaries that is secured by property and assets that do not secure the Senior Notes, or that is secured on a first-priority basis over property and assets that secure the Senior Notes on a second-priority basis (including the Senior Secured Notes, the Existing 2022 Senior Secured Notes and Indebtedness Incurred under the Revolving Credit Facility and certain Hedging Obligations), to the extent of the value of the property and assets securing such Indebtedness;
- be guaranteed by the Guarantors as described under "—*The Note Guarantees*";
- be structurally subordinated to any existing or future Indebtedness of the Subsidiaries of the Issuer that are not Guarantors, including obligations to trade creditors;
- mature on November 1, 2023; and
- be represented by one or more registered notes in global registered form, but in certain circumstances may be represented by Definitive Registered Notes (see "*Book-Entry, Delivery and Form*").

The operations of the Issuer were conducted through the GFKL Group prior to the Completion Date and, after the Completion Date, are conducted through both the GFKL Group and Metis Bidco Limited (the "*Target*") and its Subsidiaries (the "*Target Group*") and the Issuer will depend on the cash flow of the GFKL Group and the Target Group to meet its obligations under the Senior Secured Notes. GFKL Holdco and its Subsidiaries will not provide guarantees in respect of the Senior Notes prior to the German Company Conversion and, until the completion of the Squeeze Out, any dividend from GFKL Holdco will be subject to payment of a *pro rata* dividend to GFKL Holdco's minority shareholders. Under applicable German regulation, cash and cash equivalents held by the entities within the GFKL Group can only be upstreamed to their direct or indirect parent entities, including to the Issuer for purposes of servicing the Senior Notes, to the extent that sufficient cumulative distributable profits and cumulative reserves exist within these legal entities and that they continue to meet the relevant minimum capital requirements. See "*Risk Factors—Risks Related to Our Structure and the Financing—Each Issuer is a holding company dependent upon cash flow from subsidiaries to meet its obligations under the applicable Notes and Note Guarantees and the corporate structure of the Group will limit GFKL Holdco's ability to upstream cash to the Issuers*" and "*Certain Limitations on Validity and Enforceability of the Note Guarantees and the Collateral and Certain Insolvency Law Considerations*." Additionally, until the Top-Up Share Conversion occurs, any dividends from Simon Holdco will be subject to payment of a *pro rata* dividend to OTPP. As of the Completion Date, the Top-Up Shares represented approximately 24% of the Capital Stock of Simon Holdco with the potential to represent an additional 2.5% if the maximum amount of additional Top-Up Shares are issued as purchase price adjustments. See "*Risk Factors—Risks Related to Our Structure and the Financing—The covenants will not prevent us from issuing dividends on the Top-Up Shares*."

As of June 30, 2015, after giving *pro forma* effect to the Transactions as if they had occurred on that date, the Issuer and its consolidated Subsidiaries would have had £1,058.6 million of Indebtedness (excluding local facilities), of which £565 million would be represented by the Senior Secured Notes, £263.6 million would be represented by the Existing 2022 Senior Secured Notes and £230 million would be represented by the Senior Notes. In addition, there would have been €198.7 million available for drawing under the Revolving Credit Facility. In addition, on September 24, 2015, €10.5 million of the Revolving Credit Facility was utilized but undrawn in connection with providing a guarantee for the Squeeze Out (the "*Squeeze Out Guarantee*").

The Note Guarantees

General

As of the Issue Date, the Senior Notes Issue Date Guarantors will guarantee the Senior Notes on a senior subordinated basis. Within 60 days of the Completion Date, the Senior Notes Post-Completion Date Guarantors will become party to the Senior Notes Indenture and will, subject to the Agreed Security Principles, guarantee the Senior Notes on a senior subordinated basis. In addition, if the Structure Event occurs, the Issuer shall procure that, no later than 10 Business Days thereafter, sufficient additional Restricted Subsidiaries will, subject to the Agreed Security Principles at the time of grant, guarantee the Senior Notes on a senior subordinated basis so as to satisfy the Security Coverage Test unless the Security Coverage Test has been previously satisfied (the "*Post-*

Structure-Event Guarantors" and together with the Senior Notes Issue Date Guarantors and the Senior Notes Post-Completion Date Guarantors, the "*Initial Guarantors*"). In addition, if required by the covenant described under "*—Certain Covenants—Limitation on Additional Guarantees*," subject to the Intercreditor Agreement and the Agreed Security Principles, certain other Restricted Subsidiaries may provide a Note Guarantee in the future (together with the Initial Guarantors, the "*Guarantors*"). The Note Guarantees will be joint and several obligations of the Guarantors.

The Note Guarantee of each Guarantor will:

- be a general senior subordinated obligation of that Guarantor, secured as set forth under "*—Security*";
- be subordinated in right of payment to that Guarantor's obligations in respect of any existing and future Senior Indebtedness, including that Guarantor's obligations under the Senior Secured Notes, the Existing 2022 Senior Secured Notes, the Revolving Credit Facility and certain Hedging Obligations;
- rank *pari passu* in right of payment with any existing and future senior subordinated Indebtedness of that Guarantor;
- rank senior in right of payment to any existing and future Indebtedness of such Guarantor that is expressly subordinated in right of payment to such Note Guarantee;
- be effectively subordinated to any existing or future Indebtedness or obligation of such Guarantor that is secured by property and assets that do not secure such Note Guarantee, or that is secured on a first-priority basis over property and assets that secure such Note Guarantee on a second-priority basis (including such Guarantor's obligations under the Senior Secured Notes, the Existing 2022 Senior Secured Notes, the Revolving Credit Facility and certain Hedging Obligations), to the extent of the value of the property and assets securing such Indebtedness; and
- be structurally subordinated to any existing or future Indebtedness of the Subsidiaries of such Guarantor that are not Guarantors, including obligations to trade creditors.

The obligations of a Guarantor under its Note Guarantee will be limited as necessary to prevent the relevant Note Guarantee from constituting a fraudulent conveyance, preference, transfer at under value or unlawful financial assistance under applicable law, or otherwise to reflect corporate benefit rules, "thin capitalization" rules, retention of title claims, laws on the preservation of share capital, limitations of corporate law, regulations or defenses affecting the rights of creditors generally or other limitations under applicable law which, among other things, might limit the amount that can be guaranteed by reference to the net assets and legal capital of the relevant Guarantor. Additionally, the Note Guarantees will be subject to certain corporate law procedures being complied with. The Note Guarantees will be further limited as required under the Agreed Security Principles which apply to and restrict the granting of guarantees and security in favor of obligations under the Revolving Credit Facility and the Senior Notes where, among other things, any such grant would be restricted by general statutory or other legal limitations or requirements and may be precluded if the cost of such grant is disproportionate to the benefit to the creditors, including the Holders, of obtaining the applicable guarantee. By virtue of these limitations, a Guarantor's obligation under its Note Guarantee could be significantly less than amounts payable with respect to the Senior Notes, or a Guarantor may have effectively no obligation under its Note Guarantee.

As of June 30, 2015, the Senior Notes Issue Date Guarantors and the Senior Notes Post-Completion Date Guarantors represented 82% of the consolidated assets of the Target Group. At the time the last of the Initial Guarantors provides its Note Guarantee (which will be no later than 10 Business Days after the Structure Event, if any), the Guarantors will represent, subject to the Agreed Security Principles, at least 80% of (i) Consolidated EBITDA (disregarding the EBITDA of any member of the Group that generates negative EBITDA) and (ii) the gross assets of the Group (excluding all intra-Group items). Claims of creditors of Restricted Subsidiaries that are not Guarantors, including trade creditors and creditors holding debt and guarantees issued by those Restricted Subsidiaries, and claims of preferred stockholders (if any) of those Restricted Subsidiaries and minority stockholders of Restricted Subsidiaries that are not Guarantors (if any) generally will have priority with respect to the assets and earnings of those Restricted Subsidiaries over the claims of creditors of the Issuer and the Guarantors, including Holders of the Senior Notes. The Senior Notes and each Note Guarantee therefore will be structurally subordinated to creditors (including trade creditors) and preferred stockholders (if any) of Restricted Subsidiaries of the Issuer (other than the Guarantors) and minority stockholders of Restricted Subsidiaries that are not Guarantors (if any). Although the Senior Notes Indenture will limit the Incurrence of Indebtedness, Disqualified Stock and Preferred Stock of Restricted Subsidiaries, the limitation is subject to a number of significant exceptions. Moreover, the Senior Notes Indenture will not impose any limitation on the Incurrence by

Restricted Subsidiaries of liabilities that are not considered Indebtedness, Disqualified Stock or Preferred Stock under the Senior Notes Indenture. See "*—Certain Covenants—Limitation on Indebtedness*."

Note Guarantees Release

The Note Guarantee of a Guarantor will terminate and release:

- upon a sale or other disposition (including by way of consolidation or merger) of the Capital Stock of the relevant Guarantor (whether by direct sale or sale of a holding company), if the sale or other disposition does not violate the Senior Notes Indenture and the Guarantor ceases to be a Restricted Subsidiary as a result of the sale or other disposition;
- upon the sale or disposition (including by way of consolidation or merger) of all or substantially all the assets of the Guarantor (other than to the Issuer or any Restricted Subsidiaries), if the sale or other disposition does not violate the Senior Notes Indenture;
- upon the designation in accordance with the Senior Notes Indenture of the Guarantor as an Unrestricted Subsidiary;
- upon legal defeasance, covenant defeasance or satisfaction and discharge of the Senior Notes, as provided in "*—Defeasance*" and "*—Satisfaction and Discharge*";
- upon the release of the Guarantor's Note Guarantee under any Indebtedness that triggered such Guarantor's obligation to guarantee the Senior Notes under the covenant described in "*—Certain Covenants—Limitation on Additional Guarantees*";
- in accordance with an enforcement action pursuant to the provisions of the Intercreditor Agreement or any Additional Intercreditor Agreement;
- as described under "*—Amendments and Waivers*";
- in connection with the implementation of a Permitted Reorganization; or
- with respect to an entity that is not the successor Guarantor, as a result of a transaction permitted by "*—Certain Covenants—Merger and Consolidation—The Guarantors*."

The Trustee and the Security Agent shall take all necessary actions reasonably requested in writing by the Issuer, including the granting of releases or waivers under the Intercreditor Agreement or any Additional Intercreditor Agreement, to effectuate any release of a Note Guarantee in accordance with these provisions, subject to customary protections and indemnifications. Each of the releases set forth above shall be effected by the Trustee and the Security Agent without the consent of or liability to the Holders or any other action or consent on the part of the Trustee or the Security Agent.

Subordination on the Basis of the Intercreditor Agreement

The Note Guarantees are senior subordinated indebtedness, which means that, pursuant to the terms of the Intercreditor Agreement, the Note Guarantees rank behind, and are expressly subordinated to, all the existing and future Senior Indebtedness of the Guarantors, including any obligations under the Senior Secured Notes, the Existing 2022 Senior Secured Notes and the Revolving Credit Facility and any other Indebtedness ranking *pari passu* therewith incurred after the Issue Date. The ability to take enforcement action against the Guarantors is subject to significant restrictions imposed by the Intercreditor Agreement, and potentially any Additional Intercreditor Agreements entered into after the Issue Date. In addition, the Note Guarantees and the Collateral securing the Senior Notes and Note Guarantees are subject to release under certain circumstances, including, but not limited to, the sale of the Senior Secured Notes Issuer pursuant to an enforcement of security over shares of the Senior Secured Notes Issuer taken by the Security Agent acting at the direction of an instructing group of senior secured creditors. Because of the foregoing subordination provisions, it is likely that holders of Senior Indebtedness and other creditors (including trade creditors) of the Guarantors would recover disproportionately more than the holders of the Senior Notes recover in any insolvency or similar proceeding relating to such entity. In any such case, there may be insufficient assets, or no assets, remaining to pay the principal of or interest on the Senior Notes after the repayment in full of all Senior Indebtedness. See "*Risk Factors—Risks Related to the Notes—The rights to enforce remedies with respect to certain Collateral securing the Senior Notes and the Senior Notes Guarantees are limited as long as any super senior or senior secured debt is outstanding.*"

Principal, Maturity and Interest

On the Issue Date, the Issuer will issue £230 million in aggregate principal amount of Senior Notes (*"this series of Senior Notes*"). This series of Senior Notes will mature on November 1, 2023. The redemption price at maturity will be 100.000%. This series of Senior Notes will be issued in minimum denominations of £100,000 and integral multiples of £1,000 in excess thereof.

Interest on this series of Senior Notes will accrue at the rate of 11.000% *per annum*. Interest on this series of Senior Notes will:

- accrue from the Issue Date or, if interest has already been paid, from the date it was most recently paid;
- be payable in cash semi-annually in arrears on May 1 and November 1, commencing on May 1, 2016;
- be payable to the holder of record of such Senior Notes on April 15 and October 15 immediately preceding the related interest payment date; and
- be computed on the basis of a 360-day year comprised of twelve 30-day months.

Interest on overdue principal, interest, premium or Additional Amounts will accrue at a rate that is 1% higher than the rate of interest otherwise applicable to this series of Senior Notes.

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

Additional Senior Notes

From time to time, subject to the Issuer's compliance with the covenants described under *"—Certain Covenants—Limitation on Indebtedness*" and "*—Certain Covenants—Limitation on Liens*," the Issuer is permitted to issue additional Senior Notes of the same or different series, which shall have terms substantially identical to this series of Senior Notes except in respect of any of the following terms which shall be set forth in an Officer's Certificate supplied to the Trustee ("***Additional Senior Notes***"):

(1) the title of such Additional Senior Notes;

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

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

(4) the rate or rates (which may be fixed or floating) at which such Additional Senior 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 Senior Notes shall be denominated and the currency in which cash or government obligations in connection with such series of Additional Senior 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 Senior Notes may be redeemed, in whole or in part;

(7) if other than in denominations of £100,000 and in integral multiples of £1,000 in excess thereof, the denominations in which such Additional Senior Notes shall be issued and redeemed;

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

(9) any relevant limitation language with respect to Note Guarantees and Security Documents.

All series of Additional Senior Notes will be treated, along with all other Senior Notes, as a single class for the purposes of the Senior Notes Indenture with respect to waivers, amendments and all other matters which are not specifically distinguished for any applicable series. Unless the context otherwise requires, for all purposes of the Senior Notes Indenture and this "*Description of the Senior Notes*," references to "*Senior Notes*" shall be deemed to include references to the Senior Notes initially issued on the Issue Date as well as any Additional Senior Notes.

Additional Senior Notes may be designated to be of the same series as the Senior Notes initially issued on the Issue Date, but only if they have terms substantially identical in all material respects to the Senior Notes initially issued on the Issue Date, and shall be deemed to form one series therewith, and references to this series of Senior Notes shall be deemed to include the Senior Notes initially issued on the Issue Date as well as any such Additional Senior Notes.

Methods of Receiving Payments on the Senior Notes

Principal, interest and premium and Additional Amounts, if any, on the Global Notes (as defined below) will be made by one or more Paying Agents by wire transfer of immediately available funds to the account specified by the registered Holder thereof (being the common depositary or its nominee for Euroclear and Clearstream).

Principal, interest and premium, and Additional Amounts, if any, on any certificated securities ("*Definitive Registered Notes*") will be payable at the specified office or agency of one or more Paying Agents maintained for such purposes in the City of London. In addition, interest on the Definitive Registered Notes may be paid, at the option of the Issuer, by check mailed to the address of the Holder entitled thereto as shown on the register of Holders of Senior Notes for the Definitive Registered Notes. See "*—Paying Agent and Registrar for the Senior Notes*" below.

Paying Agent and Registrar for the Senior Notes

The Issuer will maintain one or more Paying Agents for the Senior Notes in the City of London (including the initial Paying Agent). The Issuer will also undertake to maintain a Paying Agent in a European Union member state that will not be obligated to withhold or deduct tax pursuant to the European Union Directive 2003/48/EC (as amended) or any other directive implementing the conclusions of the ECOFIN meeting of November 26 and 27, 2000 regarding the taxation of savings income (the "*Directive*"), or any law implementing or complying with or introduced in order to conform to, such Directive. The initial Paying Agent will be Citibank, N.A., London Branch (the "*Paying Agent*").

The Issuer will also maintain a registrar (the "*Registrar*") and a transfer agent (the "*Transfer Agent*"). The initial Registrar will be Citibank, N.A., London Branch and the initial Transfer Agent will be Citibank, N.A., London Branch. The Registrar will maintain a register reflecting ownership of the Senior Notes outstanding from time to time, if any, and together with the Transfer Agent, will facilitate transfers of the Senior Notes on behalf of the Issuer. A register of the Senior Notes shall be maintained at the registered office of the Issuer. In case of inconsistency between the register of the Senior Notes kept by the Registrar and the one kept by the Issuer at its registered office, the register kept by the Issuer shall prevail.

The Issuer may change any Paying Agent, Registrar or Transfer Agent for the Senior Notes without prior notice to the Holders of the Senior Notes. However, for so long as the Senior Notes are listed on the Official List of the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, the Issuer will publish notice of any change of Paying Agent, Registrar or Transfer Agent in a newspaper having a general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, to the extent and in the manner permitted by such rules, post such notice on the official website of the Luxembourg Stock Exchange (*www.bourse.lu*). The Issuer or any of its Subsidiaries may act as Paying Agent or Registrar in respect of the Senior Notes.

Transfer and Exchange

The Senior Notes will be issued in the form of several registered notes in global form without interest coupons, as follows:

- each series of Senior Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A under the Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the "*144A Global Notes*"). The 144A Global Notes will, on the Issue Date, be deposited with and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream; and
- each series of Senior Notes sold outside the United States pursuant to Regulation S under the Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the "*Regulation S Global Notes*" and, together with the 144A Global Notes, the "*Global Notes*"). The Regulation S Global Notes will, on the Issue Date, be deposited with and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.

Ownership of interests in the Global Notes ("*Book-Entry Interests*") will be limited to persons that have accounts with Euroclear and Clearstream or persons that may hold interests through such participants.

Ownership of Book-Entry Interests and transfers thereof will be subject to the restrictions on transfer and certification requirements summarized below and described more fully under "*Transfer Restrictions*." In addition, transfers of Book-Entry Interests between participants in Euroclear or participants in Clearstream will be effected by Euroclear and Clearstream pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear or Clearstream and their respective participants.

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

Subject to the foregoing, Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of 144A Book-Entry Interests only upon delivery by the transferor of a written certification (in the form provided in the Senior Notes Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under "*Transfer Restrictions*" and in accordance with any applicable securities law of any other jurisdiction.

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

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

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

Notwithstanding the foregoing, the Registrar and the Transfer Agent are not required to register the transfer or exchange of any Senior Notes:

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

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

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

(4) which the Holder has tendered (and not withdrawn) for repurchase in connection with a Change of Control Offer or an Asset Disposition Offer.

The Issuer, the Trustee, the Paying Agents, the Transfer Agent and the Registrar will be entitled to treat the registered Holder of a Senior Note as the owner thereof for all purposes.

Security

General

On the Issue Date, subject to the terms of the Security Documents and the Agreed Security Principles, the Senior Notes will be secured by second-priority security interests in the share capital of the Senior Secured Notes Issuer and any receivables of the Issuer on intercompany loans, including the receivable related to the Senior Proceeds Loan.

The Issuer will use commercially reasonable efforts to procure that New Luxco will become party to the Senior Notes Indenture within 60 days of the Completion Date. To the extent that New Luxco becomes a party to the Senior Notes Indenture, New Luxco will provide second-priority security interests over any T-Shares of the Senior Secured Notes Issuer held by New Luxco, subject to the terms of the Security Documents and the Agreed Security Principles, within 60 days of the Completion Date.

As described above, the Collateral will secure on a first-priority basis the liabilities under the Senior Secured Notes, the Existing 2022 Senior Secured Notes, the Revolving Credit Facility, certain Hedging Obligations and may also secure certain future Indebtedness, including Additional Senior Notes. The proceeds from the enforcement of the Collateral may not be sufficient to satisfy the obligations owed to the Holders of the Senior Notes. No appraisals of the Collateral have been made in connection with this issuance of Senior Notes. By its nature, some or all of the Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, the Collateral may not be able to be sold in a short period of time, or at all.

Notwithstanding the provisions of the covenant described below under "*—Certain Covenants—Limitation on Liens,*" certain property, rights and assets may not be pledged, and any pledge over property, rights and assets may be limited (or the Liens not perfected), in accordance with the Agreed Security Principles, including (but not limited to) if:

- the security interest to be granted is (i) by a member of the Group incorporated, organized or established under the laws of the Federal Republic of Germany, (ii) over any asset located in the Federal Republic of Germany governed, and/or (iii) under security document governed by the laws of the Federal Republic of Germany and would create security interests other than with respect to the intragroup receivables of, and the shares held by members of the Group in, the relevant entity;
- providing such security or guarantee would be prohibited by general legal and statutory limitations, such as regulatory restrictions, financial assistance, corporate benefit, capital maintenance, fraudulent preference, "interest stripping," "controlled foreign corporation," transfer pricing or "thin capitalization" rules, tax restrictions, retention of title claims and similar principles; *provided* that the Issuer or the relevant Restricted Subsidiary, as applicable, shall use commercially reasonable endeavors to overcome any such limitation;
- providing such security or guarantee would require the consent of a supervisory board, works council, regulator or regulatory board (or equivalent), or another external body or person, unless such consent has been received; *provided* that reasonable endeavors have been used by the Issuer or the relevant Restricted Subsidiary, as applicable, to obtain the relevant consent;
- (subject to certain exceptions) the cost of providing such security or guarantee (including adverse effects on taxes, interest deductibility and stamp duty, notarization and registration fees) is disproportionate to the benefit accruing to the holders;
- the assets are subject to third-party arrangements which may prevent those assets from being secured (or are assets which, if secured, would give a third party the right to terminate or otherwise amend any rights, benefits and/or obligations of either the Issuer or any of the Restricted Subsidiaries in respect of those assets or require such entity to take any action materially adverse to the interests of the Issuer and the Restricted Subsidiaries or any member thereof); *provided* that reasonable endeavors to obtain consent to charging any such assets shall be used by the Issuer or such Restricted Subsidiary, as applicable, in certain circumstances;
- providing such security or guarantee would not be within the legal capacity of the Issuer or relevant Restricted Subsidiary, or if the same would conflict with the fiduciary duties of those directors or contravene any legal prohibition, *bona fide* contractual restriction or regulatory condition or would, despite market standard limitation language, result in (or in a material risk of) personal or criminal liability on the part of any officer; *provided* that the Issuer or relevant Restricted Subsidiary, as applicable, shall use reasonable endeavors to overcome any such obstacle;

- providing such security or guarantee would have a material adverse effect on the ability of the relevant security provider to conduct its operations and business in the ordinary course (as otherwise permitted by the relevant finance documents); and
- the assets are those of any joint venture or similar arrangement or any minority interest.

For further information regarding limitations arising under or imposed by local law and defenses generally available to providers of Collateral (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose or benefit, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law, see "*Certain Limitations on Validity and Enforceability of the Note Guarantees and the Collateral and Certain Insolvency Law Considerations*."

Priority

The relative priority with regard to the security interests in the Collateral that are created by the Security Documents (the "*Security Interests*" and each, a "*Security Interest*") as between (a) the lenders under the Revolving Credit Facility, (b) the counterparties under certain Hedging Obligations, (c) the Trustee, the Security Agent and the Holders of the Senior Notes under the Senior Notes Indenture; (d) the trustee, the security agent and the holders of the Senior Secured Notes under the Senior Secured Notes Indenture; (e) the trustee, the security agent and the holders of the Existing 2022 Senior Secured Notes under the Existing 2022 Senior Secured Notes Indenture; and (f) the creditors of certain other Indebtedness permitted to be secured by the Collateral, respectively, is established by the terms of the Intercreditor Agreement, the Security Documents and the security documents relating to the Revolving Credit Facility, the Existing 2022 Senior Secured Notes, the Senior Notes and such Hedging Obligations, which provide, among other things, that the obligations under the Revolving Credit Facility, certain Hedging Obligations, the Senior Secured Notes and the Existing 2022 Senior Secured Notes are secured equally and ratably by first-priority Security Interests and the Senior Notes are secured by second-priority Security Interests. However, under the terms of the Intercreditor Agreement, the Holders of the Senior Notes will only receive proceeds from the enforcement of the Collateral after certain super senior priority obligations (including obligations under the Revolving Credit Facility and certain priority Hedging Obligations) and certain senior secured obligations (including obligations under the Senior Secured Notes and the Existing 2022 Senior Secured Notes) have been paid in full. In addition, pursuant to the Intercreditor Agreement or Additional Intercreditor Agreements entered into after the Issue Date, the Collateral may be pledged to secure other Indebtedness. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*," "*—Release of Liens*," "*—Certain Covenants—Impairment of Security Interest*" and "*—Certain Definitions—Permitted Collateral Liens*."

Security Documents

Under the Security Documents, the Issuer and New Luxco will grant security over the Collateral to secure the payment when due on the Issuer's and the Guarantors' payment obligations under the Senior Notes, the Note Guarantees and the Senior Notes Indenture. The Security Documents have been, or will be, entered into by the relevant security provider and the Security Agent as agent for the secured parties. When entering into the Security Documents, the Security Agent has acted in its own name, but for the benefit of the secured parties (including itself, the Trustee and the holders of Senior Notes from time to time). Under the Intercreditor Agreement, the Security Agent will also act as security agent for the Senior Secured Notes, the Existing 2022 Senior Secured Notes, the Revolving Credit Facility and certain Hedging Obligations.

The Senior Notes Indenture and the Intercreditor Agreement provide that, to the extent permitted by the applicable laws, only the Security Agent will have the right to enforce the Security Documents on behalf of the Trustee and the holders of the Senior Notes. As a consequence of such contractual provisions, Holders of the Senior Notes will not be entitled to take enforcement action in respect of the Collateral securing the Senior Notes, except through the Trustee under the Senior Notes Indenture, who will (subject to the provisions of the Senior Notes Indenture) provide instructions to the Security Agent in respect of the enforcement of the Collateral. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*."

The Senior Notes Indenture will provide that, subject to the terms thereof and of the Security Documents and the Intercreditor Agreement, the Senior Notes and the Note Guarantees, as applicable, will be secured by Security Interests in the Collateral until all obligations under the Senior Notes, the Note Guarantees and the Senior Notes Indenture have been discharged. However, the Security Interests with respect to the Senior Notes and the Senior Notes Indenture may be released under certain circumstances as provided under "*—Release of Liens*."

In the event that the Issuer or its Subsidiaries enter into insolvency, bankruptcy or similar proceedings, the Security Interests created under the Security Documents or the rights and obligations enumerated in the Intercreditor Agreement could be subject to potential challenges. If any challenge to the validity of the Security Interests or the terms of the Intercreditor Agreement were successful, the Holders may not be able to recover any amounts under the Security Documents.

Subject to the terms of the Senior Notes Indenture, the Senior Secured Notes, the Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreement, the Issuer will have the right to remain in possession and retain exclusive control of the Collateral securing the Senior Notes, to freely operate the property and assets constituting Collateral and to collect, invest and dispose of any income therefrom (including any and all dividends, distributions or similar cash and non-cash payments in respect of Capital Stock of the Guarantors that is part of the Collateral).

Enforcement of Security Interest

The Senior Notes Indenture and the Intercreditor Agreement restrict the ability of the Holders or the Trustee to enforce the Security Interests and provide for the release of the Security Interests created by the Security Documents in certain circumstances upon enforcement by the lenders under the Revolving Credit Facility or certain hedge counterparties or holders of the Senior Secured Notes or the Existing 2022 Senior Secured Notes. In general, the rights of the Security Agent (acting on its behalf or on behalf of the holders of the Senior Notes) to take enforcement action under the Security Documents in respect of the Collateral are subject to certain standstill provisions, payment blockage and other limits on enforcement. The ability to enforce may also be restricted by similar arrangements in relation to future Indebtedness that is secured on the Collateral in compliance with the Senior Notes Indenture and the Intercreditor Agreement. See "*Description of Certain Financing Arrangements—Intercreditor Agreement.*"

The creditors under the Revolving Credit Facility, the counterparties to Hedging Obligations secured by the Collateral, the holders of the Existing 2022 Senior Secured Notes and the trustee under the Existing 2022 Senior Secured Notes have (i) appointed the Security Agent to act as their respective agent under the Intercreditor Agreement and the security documents securing such Indebtedness, including the Security Documents and (ii) authorized the Security Agent to (A) perform the duties and exercise the rights, powers and discretions that are specifically given to it under the Intercreditor Agreement and the security documents securing such Indebtedness, together with any other incidental rights, power and discretions; and (B) execute each security document, waiver, modification, amendment, renewal or replacement expressed to be executed by the Security Agent on its behalf.

Upon accession to the Intercreditor Agreement, each of the trustee under the Senior Secured Notes and the Trustee, by accepting a Senior Note, each Holder of Senior Notes, and by accepting a Senior Secured Note, each Holder of a Senior Secured Note will be deemed to have, (i) appointed the Security Agent to act as its agent under the Intercreditor Agreement and the security documents securing such Indebtedness, including the Security Documents and (ii) authorized the Security Agent to (A) perform the duties and exercise the rights, powers and discretions that are specifically given to it under the Intercreditor Agreement and the security documents securing such Indebtedness, together with any other incidental rights, power and discretions; and (B) execute each security document, waiver, modification, amendment, renewal or replacement expressed to be executed by the Security Agent on its behalf.

Intercreditor Agreement; Additional Intercreditor Agreements; Agreement to be Bound

The Senior Notes Indenture will provide that it will be subject to the provisions of the Intercreditor Agreement and that the Issuer and the Trustee will be authorized (without any further consent of the Holders of the Senior Notes) to enter into the Intercreditor Agreement and to give effect to its provisions.

The Senior Notes Indenture will also provide that each Holder of the Senior Notes, by accepting such Senior Note, will be deemed to have:

(1) appointed and authorized the Security Agent and the Trustee to give effect to the provisions in the Intercreditor Agreement, any Additional Intercreditor Agreements and the Security Documents;

(2) agreed to be bound by the provisions of the Intercreditor Agreement, any Additional Intercreditor Agreements and the Security Documents; and

(3) irrevocably appointed the Security Agent and the Trustee to act on its behalf to enter into and comply with the provisions of the Intercreditor Agreement, any Additional Intercreditor Agreements and the Security Documents.

Similar provisions to those described above may be included in any Additional Intercreditor Agreement (as defined below) entered into in compliance with the provisions described under "*—Certain Covenants—Additional Intercreditor Agreements*."

Release of Liens

New Luxco, the Issuer and its Subsidiaries will be entitled to release the Security Interests in respect of the Collateral under any one or more of the following circumstances:

(1) other than the existing Security Interest in respect of shares of Capital Stock of the Senior Secured Notes Issuer, in connection with any sale or other disposition of Collateral to a Person that is not the Issuer or a Restricted Subsidiary (but excluding any transaction subject to "*—Certain Covenants—Merger and Consolidation*"), if such sale or other disposition does not violate the covenant described under "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*" or is otherwise permitted in accordance with the Senior Notes Indenture;

(2) in the case of a Guarantor that is released from its Note Guarantee pursuant to the terms of the Senior Notes Indenture, the release of the property and assets, and Capital Stock, of such Guarantor;

(3) as described under "*—Amendments and Waivers*";

(4) upon payment in full of principal, interest and all other obligations on the Senior Notes or legal defeasance, covenant defeasance or satisfaction and discharge of the Senior Notes, as provided in "*—Defeasance*" and "*—Satisfaction and Discharge*";

(5) if the Issuer designates any Restricted Subsidiary to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Senior Notes Indenture, the release of the property and assets, and Capital Stock, of such Unrestricted Subsidiary;

(6) in connection with the implementation of a Permitted Reorganization;

(7) in connection with the granting of Liens on such property or assets, which may include Collateral, or the sale or transfer of such property or assets, which may include Collateral, in each case pursuant to a Qualified Receivables Financing;

(8) in connection with any disposal of Collateral to the Issuer or a Restricted Subsidiary; *provided* that such release is followed by an immediate retaking of a Lien of at least equivalent ranking over the same assets in a manner consistent with, and pursuant to applicable formalities under, the covenant described under "*—Certain Covenants—Impairment of Security Interest*";

(9) in the case of the Security Interest in respect of the Capital Stock of the Issuer, in connection with a Public Offering of the Issuer, which release shall be limited to any shares of Capital Stock of the Issuer sold or otherwise transferred to a Person that is not the Issuer or a Restricted Subsidiary; or

(10) as otherwise permitted in accordance with the Senior Notes Indenture.

In addition, the Security Interests created by the Security Documents will be released (a) in accordance with an enforcement action pursuant to the Intercreditor Agreement or any Additional Intercreditor Agreement and (b) as may be permitted by the covenant described under "*—Certain Covenants—Impairment of Security Interest.*"

The Security Agent and the Trustee will take all necessary action reasonably requested in writing by the Issuer to effectuate any release of Collateral securing the Senior Notes and the Note Guarantees, in accordance with the provisions of the Senior Notes Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement and the relevant Security Document subject to customary protections and indemnifications. Each of the releases set forth above shall be effected by the Security Agent without the consent of the Holders or any action on the part of the Trustee (unless action is required by it to effect such release).

Optional Redemption

Except as described below and except as described under "*—Redemption for Taxation Reasons*," this series of Senior Notes is not redeemable until November 1, 2018.

On and after November 1, 2018, the Issuer may otherwise redeem all or, from time to time, part of this series of Senior Notes upon not less than 10 nor more than 60 days' written notice, (except as permitted under "*—Selection and Notice*" below), at the following redemption prices (expressed as a percentage of principal amount) plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the twelve-month period beginning on November 1 of the years indicated below:

Year	Redemption Price
2018	108.250%
2019	105.500%
2020	102.750%
2021 and thereafter	100.000%

Prior to November 1, 2018, the Issuer may on any one or more occasions redeem in the aggregate up to 40% of the original principal amount of this series of Senior Notes (including the original principal amount of any Additional Senior Notes of the same series), upon not less than 10 or more than 60 days' notice, with funds in an aggregate amount (the "*Redemption Amount*") not exceeding the Net Cash Proceeds of one or more Equity Offerings (excluding the Equity Contribution) at a redemption price (expressed as a percentage of principal amount) of 111.000% as of the date of the applicable redemption notice, plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided* that:

(1) at least 60% of the original principal amount of this series of Senior Notes (including the original principal amount of any Additional Senior Notes of the same series) issued under the Senior Notes Indenture remain outstanding after each such redemption; and

(2) the redemption occurs within 180 days after the closing of such Equity Offering.

In addition, prior to November 1, 2018, the Issuer may redeem all or, from time to time, a part of this series of Senior Notes upon not less than 10 nor more than 60 days' notice (except as permitted under "—*Selection and Notice*" below), at a redemption price equal to 100% of the principal amount of this series of Senior Notes, plus the Applicable Premium and accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date).

General

We may repurchase the Senior Notes at any time and from time to time in the open market or otherwise. Notice of redemption will be provided as set forth under "—*Selection and Notice*."

If the Issuer effects an optional redemption of Senior Notes, it will, for so long as Senior Notes are listed on any securities exchange and the rules of such an exchange so require, inform the exchange of such optional redemption and confirm the aggregate principal amount of Senior Notes that will remain outstanding immediately after such redemption.

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 Senior Note is registered at the close of business on such record date, and no additional interest will be payable to Holders whose Senior Notes will be subject to redemption by the Issuer.

In connection with any redemption of Senior Notes (including with the proceeds from an Equity Offering), any such redemption may, at the Issuer's discretion, be subject to one or more conditions precedent.

Sinking Fund

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

Selection and Notice

If less than all of any series of Senior Notes are to be redeemed at any time, the Paying Agent or the Registrar will select Senior Notes for redemption on a *pro rata* basis or in accordance with the procedures of Clearstream or Euroclear (as applicable), unless otherwise required by law or applicable stock exchange or depository requirements. Neither the Paying Agent nor the Registrar will be liable for any selections made by it in accordance with this paragraph.

For so long as the Senior Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF and the rules of the Luxembourg Stock Exchange so require, the Issuer shall publish notice of redemption in accordance with the prevailing rules of the Luxembourg Stock Exchange and in addition for such publication, not less than 10 nor more than 60 days prior to the redemption date (except as permitted below), mail such notice to Holders of the Senior Notes by first-class mail, postage prepaid, at their respective addresses as they appear on the registration books of the Registrar with a copy to the Trustee and the Paying Agent. Such notice of redemption may also be sent in accordance with the rules and procedures of the Clearstream or Euroclear (as applicable). On and after the redemption date, interest ceases to accrue on the Senior Notes or the part of the Senior Notes called for redemption.

If any series of Senior Notes is to be redeemed in part only, the notice of redemption that relates to that series of Senior Notes shall state the portion of the principal amount thereof to be redeemed. In the case of a Definitive Registered Note, a new Definitive Registered Note in principal amount equal to the unredeemed portion of any Definitive Registered Note redeemed in part will be issued in the name of the Holder thereof upon cancellation of the original Definitive Registered Note. In the case of a Global Note, an appropriate notation will be made on such Global Note to decrease the principal amount thereof to an amount equal to the unredeemed portion thereof. Subject to the terms of the applicable redemption notice, Senior Notes called for redemption become due on the date fixed for redemption. If such redemption is subject to the satisfaction of one or more conditions precedent, the related notice may, for the avoidance of doubt, state that, in the Issuer's discretion, the redemption date may be delayed until such time as any or all such conditions shall be satisfied or waived (provided that in no event shall such date of redemption be delayed to a date later than 60 days after the date on which such notice was sent, except that redemption notices may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Senior Notes or a satisfaction and discharge of the Senior Notes Indenture), or such redemption may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied or waived by the redemption date, or by the redemption date so delayed.

Redemption for Taxation Reasons

The Issuer may redeem any series of Senior Notes in whole, but not in part, at any time upon giving not less than 10 nor more than 60 days' prior written notice to the Holders of the relevant series of Senior Notes with a copy to the Trustee and the Paying Agent (which notice will be irrevocable) at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed for redemption (a "*Tax Redemption Date*") (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date) and all Additional Amounts (as defined below under "*—Withholding Taxes*"), if any, then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise, if any, if the Issuer determines in good faith that, as a result of:

(1) any change in, or amendment to, the law or treaties (or any regulations or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction (as defined below) affecting taxation; or

(2) any amendment to, or change in an official application, administration or written interpretation of such laws, treaties, regulations or rulings (including by reason of a holding, judgment or order by a court of competent jurisdiction or a change in published practice)

(each of the foregoing in clauses (1) and (2), a "*Change in Tax Law*"), a Payor (as defined below) is, or on the next interest payment date in respect of the Senior Notes would be, required to pay Additional Amounts with respect to the Senior Notes (but, in the case of a Guarantor, only if the payment giving rise to such requirement cannot be made by the Issuer or another Guarantor who can make such payment without the obligation to pay Additional Amounts), and such obligation cannot be avoided by taking reasonable measures available to the Payor (including, for the avoidance of doubt, the appointment of a new Paying Agent where this would be reasonable). Such Change in Tax Law must be publicly announced and become effective on or after the Issue Date (or if the applicable Relevant Taxing Jurisdiction became a Relevant Taxing Jurisdiction on a date after the Issue Date, such later date). The foregoing provisions shall apply (a) to a Guarantor only after such time as such Guarantor is obligated to make at least one payment on the Senior Notes and (b) *mutatis mutandis* to any successor Person, after such successor Person becomes a party to the Senior Notes Indenture, with respect to a change or amendment occurring after the time such successor Person becomes a party to the Senior Notes Indenture.

Notice of redemption for taxation reasons will be published in accordance with the procedures described under "*—Selection and Notice*." Notwithstanding the foregoing, no such notice of redemption will be given earlier than 60 days prior to the earliest date on which the Payor would be obligated to make such payment of Additional Amounts. Prior to the publication or mailing of any notice of redemption of any series of Senior Notes pursuant to the foregoing, the Issuer will deliver to the Trustee (a) an Officer's Certificate stating that it is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to its right so to redeem have been satisfied and that the Payor cannot avoid its obligation to pay Additional Amounts by taking reasonable measures available to it and (b) an opinion of an independent tax counsel of recognized standing and reasonably satisfactory to the Trustee (such approval not to be unreasonably withheld) to the effect that the Payor has been or will become obligated to pay Additional Amounts as a result of a Change in Tax Law. The Trustee will accept and shall be entitled to rely on such Officer's Certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, without further inquiry, in which event it will be conclusive and binding on the Holders.

Withholding Taxes

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

(1) any jurisdiction from or through which payment on any such Senior Note is made by or on behalf of the Payor or any political subdivision or governmental authority thereof or therein having the power to tax; or

(2) any other jurisdiction in which a Payor is incorporated or organized, engaged in business for tax purposes, or otherwise considered to be a resident for tax purposes, or any political subdivision or governmental authority thereof or therein having the power to tax

(each of clause (1) and (2), a "*Relevant Taxing Jurisdiction*"), will at any time be required by law to be made from any payments made by or on behalf of the Payor or the relevant Paying Agent with respect to any Senior Note or any Note Guarantee, as applicable, including payments of principal, redemption price, interest or premium, if any, the Payor will pay (together with such payments) such additional amounts (the "*Additional Amounts*") as may be necessary in order that the net amounts received in respect of such payments, after such withholding or deduction (including any such deduction or withholding from such Additional Amounts), will not be less than the amounts which would have been received in respect of such payments on any such Senior Note or Note Guarantee, as applicable, in the absence of such withholding or deduction; *provided, however*, that no such Additional Amounts will be payable for or on account of:

(1) any Taxes that would not have been so imposed but for the existence of any present or former connection between the relevant Holder or beneficial owner (or between a fiduciary, settlor, beneficiary, member, partner or shareholder of, or possessor of power over the relevant Holder, or beneficial owner, if the relevant Holder or beneficial owner is an estate, nominee, trust, partnership, limited liability company or corporation) and the Relevant Taxing Jurisdiction (including, without limitation, being resident for tax purposes, or being a citizen or resident or national of, or carrying on a business or maintaining a permanent establishment in, or being physically present in, the Relevant Taxing Jurisdiction) but excluding, in each case, any connection arising solely from the acquisition, ownership or holding of such Senior Note or the receipt of any payment or the exercise or enforcement of rights under such Senior Note, the Senior Notes Indenture, a Note Guarantee, the Intercreditor Agreement, any Additional Intercreditor Agreement or a Security Document;

(2) any Tax that is imposed or withheld by reason of the failure by the Holder or the beneficial owner of the Senior Note to comply with a reasonable written request by the Payor addressed to the Holder, after reasonable notice (at least 30 days before any such withholding or deduction would be payable), to provide certification, information, documents or other evidence concerning the nationality, residence or identity of the Holder or such beneficial owner or to make any declaration or similar claim or satisfy any other reporting requirement relating to such matters, which is required by a statute, treaty, regulation or administrative practice of the Relevant Taxing Jurisdiction as a precondition to exemption from, or reduction in the rate of deduction of, all or part of such Tax but only to the extent the Holder or beneficial owner is legally entitled to provide such certification or documentation;

(3) any Taxes, to the extent that such Taxes were imposed or withheld as a result of the presentation of the Senior Note for payment (where Senior Notes are in the form of Definitive Registered Notes and

presentation is required) more than 30 days after the relevant payment is first made available for payment to the Holder (except to the extent that the Holder would have been entitled to Additional Amounts had the Senior Note been presented on the last day of such 30-day period);

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

(5) any estate, inheritance, gift, sales, excise, transfer, personal property or similar tax, assessment or other governmental charge;

(6) any Taxes that are required to be deducted or withheld on a payment to an individual pursuant to the Directive, the Agreement between the European Community and the Swiss Confederation dated October 26, 2004 providing for measures equivalent to those laid down in the Directive (the "*Swiss Agreement*") or any law implementing, or complying with, or introduced in order to conform to, such Directive or the Swiss Agreement;

(7) any Taxes imposed or withheld in connection with a Senior Note presented for payment by or on behalf of a Holder or beneficial owner who would have been able to avoid such Taxes by presenting the relevant Senior Secured Note to, or otherwise accepting payment from, another Paying Agent in a member state of the European Union;

(8) any Taxes that are required to be deducted or withheld pursuant to section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "*Code*"), or otherwise imposed or withheld pursuant to sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental agreement relating thereto; or

(9) any combination of the items (1) through (8) above.

In addition, no Additional Amounts shall be paid with respect to a holder who is a fiduciary or a partnership or any person other than the beneficial owner of the Senior Notes, to the extent that the beneficiary or settler with respect to such fiduciary, the member of such partnership or the beneficial owner would not have been entitled to Additional Amounts had such beneficiary, settler, member or beneficial owner directly held such Senior Notes.

The Payor will (i) make any required withholding or deduction and (ii) remit the full amount deducted or withheld to the Relevant Taxing Jurisdiction in accordance with applicable law. The Payor will provide certified copies of tax receipts evidencing the payment of any Taxes so deducted or withheld to each Relevant Taxing Jurisdiction imposing such Taxes, or if such tax receipts are not available, certified copies of other reasonable evidence of such payments as soon as reasonably practicable to the Trustee. Such copies shall be made available to the Holders upon reasonable request and will be made available at the offices of the relevant Paying Agent.

If any Payor is obligated to pay Additional Amounts under or with respect to any payment made on any Senior Note or any Note Guarantee, at least 30 days prior to the date of such payment, the Payor will deliver to the Trustee an Officer's Certificate stating the fact that Additional Amounts will be payable and the amount estimated to be so payable and such other information necessary to enable the Paying Agent to pay Additional Amounts to Holders on the relevant payment date (unless such obligation to pay Additional Amounts arises less than 45 days prior to the relevant payment date, in which case the Payor may deliver such Officer's Certificate as promptly as practicable thereafter). The Trustee shall be entitled to rely solely on such Officer's Certificate as conclusive proof that such payments are necessary.

Wherever in the Senior Notes Indenture, the Senior Notes or this "*Description of the Senior Notes*" there is mentioned, in any context:

(1) the payment of principal;

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

(3) interest; or

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

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

The Payor will pay and indemnify the Holder for any present or future stamp, issue, registration, court or documentary taxes, or similar charges or levies (including any related interest or penalties with respect thereto) or any other excise, property or similar taxes or similar charges or levies (including any related interest or penalties with respect thereto) that arise in a Relevant Taxing Jurisdiction from the execution, delivery, registration, enforcement of, or receipt of payments with respect to any Senior Notes, any Note Guarantee, the Senior Notes Indenture, the Security Documents or any other document or instrument in relation thereto (other than in each case, in connection with a transfer of the Senior Notes after this issuance of Senior Notes and limited solely in the case of taxes attributable to the receipt of any payments with respect thereto, to any such taxes imposed in a Relevant Taxing Jurisdiction that are not excluded under clauses (1) through (3) and (5) through (8) or any combination thereof).

The foregoing obligations will survive any termination, defeasance or discharge of the Senior Notes Indenture and any transfer by a Holder or beneficial owner, and will apply *mutatis mutandis* to any jurisdiction in which any successor to a Payor is organized, engaged in business for tax purposes or otherwise resident for tax purposes, or any jurisdiction from or through which any payment under, or with respect to the Senior Notes (or any Note Guarantee) is made by or on behalf of such Payor, or any political subdivision or governmental authority thereof or therein having the power to tax.

Change of Control

If a Change of Control occurs, subject to the terms of the covenant described under this heading "*Change of Control*," each Holder will have the right to require the Issuer to repurchase all or any part (equal to £100,000 or integral multiples of £1,000 in excess thereof, if applicable; *provided* that Senior Notes of £100,000 or less may only be redeemed in whole and not in part) of such Holder's Senior Notes at a purchase price in cash equal to 101% of the principal amount of the Senior Notes repurchased, plus accrued and unpaid interest and Additional Amounts, if any, to the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided, however*, that the Issuer shall not be obligated to repurchase any series of Senior Notes as described under this heading, *"Change of Control*," in the event and to the extent that it has unconditionally exercised its right to redeem all of the Senior Notes of such series and given notice of redemption as described under "*—Optional Redemption*" and that all conditions to such redemption have been satisfied or waived.

Unless the Issuer has unconditionally exercised its right to redeem all the Senior Notes and given notice of redemption as described under "*—Optional Redemption*" and all conditions to such redemption have been satisfied or waived, no later than the date that is 60 days after any Change of Control, the Issuer will mail a notice (the "*Change of Control Offer*") to each Holder of the Senior Notes, with a copy to the Trustee:

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

(2) stating the repurchase date (which shall be no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the "*Change of Control Payment Date*");

(3) stating that any Senior Note accepted for payment pursuant to the Change of Control Offer will cease to accrue interest on the Change of Control Payment Date unless the Change of Control Payment is not paid, and that any Senior Notes or part thereof not tendered will continue to accrue interest;

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

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

(6) if such notice is mailed 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 Senior 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 Senior Notes so tendered;

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

A Holder willing to tender Senior Notes into the Change of Control Offer shall notify its account manager of its election, who shall in turn notify the Paying Agent and the Trustee of such Holder's election. Once such tender has been accepted by the Issuer and notified to the Paying Agent, the Paying Agent shall promptly credit the bank account of such Holder the Change of Control Payment for such Senior Notes so tendered and deduct the corresponding amount of such Senior Notes from such Holder's Euroclear or Clearstream (as applicable) account.

Except as described above with respect to a Change of Control, the Senior Notes Indenture does not contain provisions that permit the Holders to require that the Issuer repurchase or redeem the Senior Notes in the event of a takeover, recapitalization or similar transaction. Holders' right to require the Issuer to repurchase Senior Notes upon the occurrence of a Change of Control may deter a third party from seeking to acquire the Issuer or its Subsidiaries in a transaction that would constitute a Change of Control.

The Issuer will not be required to make a Change of Control Offer upon a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Senior Notes Indenture applicable to a Change of Control Offer made by the Issuer and purchases all Senior Notes validly tendered and not withdrawn under such Change of Control Offer. Notwithstanding anything to the contrary contained herein, a Change of Control Offer may be made in advance of a Change of Control, conditioned upon the consummation of such Change of Control, if a definitive agreement is in place providing for the Change of Control at the time the Change of Control Offer is made.

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

The Issuer's ability to repurchase Senior Notes issued by it pursuant to a Change of Control Offer may be limited by a number of factors. The occurrence of certain of the events that constitute a Change of Control would require a mandatory prepayment of Indebtedness at the option of each lender under the Revolving Credit Facility, and an obligation to repurchase notes at the option of holders of the Senior Secured Notes and the Existing 2022 Senior Secured Notes.

Future Indebtedness of the Issuer or its Subsidiaries may also contain prohibitions of certain events that would constitute a Change of Control or require such Indebtedness to be repurchased upon a Change of Control. Moreover, the exercise by the Holders of their right to require the Issuer to repurchase the Senior Notes could cause a default under, or require a repurchase of, such Indebtedness, even if the Change of Control itself does not, due to the financial effect of such repurchase on the Issuer. Finally, the Issuer's ability to pay cash to the Holders upon a repurchase may be limited by the Issuer's then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make any required repurchases.

The definition of "Change of Control" includes a disposition, in one or a series of related transactions, of all or substantially all of the assets of the Issuer and its Restricted Subsidiaries taken as a whole to specified other Persons. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase "substantially all" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "all or substantially all" of the assets of the Issuer and its Restricted Subsidiaries taken as a whole. As a result, it may be unclear as to whether a Change of Control has occurred and whether a Holder may require the Issuer to make an offer to repurchase the Senior Notes as described above.

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

Certain Covenants

Limitation on Indebtedness

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, Incur any Indebtedness (including Acquired Indebtedness); *provided*, *however*, that the Issuer and any Guarantor may Incur Indebtedness (including Acquired Indebtedness) if, on the date of such Incurrence, after giving *pro forma* effect to the Incurrence of such Indebtedness (including *pro forma* application of the proceeds thereof), the Fixed Charge Coverage Ratio for the Issuer and its Restricted Subsidiaries 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 ("*Permitted Debt*"):

(1) Indebtedness Incurred by the Issuer or any Restricted Subsidiary pursuant to any Credit Facility (including in respect of letters of credit or bankers' acceptances issued or created thereunder), and any Refinancing Indebtedness in respect thereof and Guarantees in respect of such Indebtedness in a maximum aggregate principal amount at any time outstanding not exceeding (i) €200 million, *plus* the greater of £25 million and 7.9% of ERC, *plus* (ii) in the case of any refinancing of any Indebtedness permitted under this clause (1) or any portion thereof, the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses Incurred in connection with such refinancing;

(2) (a) Guarantees by the Issuer or any Restricted Subsidiary of Indebtedness of the Issuer or any Restricted Subsidiary, so long as the Incurrence of such Indebtedness is permitted to be Incurred by another provision of this covenant; *provided* that, if the Indebtedness being guaranteed is subordinated to the Senior Notes or a Note Guarantee, then the guarantee must be subordinated to the Senior Notes or such Note Guarantee to the same extent as the Indebtedness being guaranteed; or (b) without limiting the covenant described under "*—Limitation on Liens*," Indebtedness arising by reason of any Lien granted by or applicable to such Person securing Indebtedness of the Issuer or any Restricted Subsidiary so long as the Incurrence of such Indebtedness is permitted under the terms of the Senior Notes Indenture;

(3) Indebtedness of the Issuer owing to and held by any Restricted Subsidiary or Indebtedness of a Restricted Subsidiary owing to and held by the Issuer or any Restricted Subsidiary; *provided, however*, that:

    (a) if the Issuer or a Guarantor is the obligor on any such Indebtedness and the obligee is a Restricted Subsidiary that is not a Guarantor, such Indebtedness is unsecured and (i) except in respect of intercompany current liabilities incurred in the ordinary course of business in connection with the cash management operations of the Issuer and its Restricted Subsidiaries and (ii) to the extent legally permitted (the Issuer and the Restricted Subsidiaries having completed all procedures required in the reasonable judgment of directors or officers of the obligee or obligor to protect such Persons from any penalty or civil or criminal liability in connection with the subordination of such Indebtedness) expressly subordinated to the prior payment in full in cash of all obligations with respect to the Senior Notes, in the case of the Issuer, or the applicable Note Guarantee, in the case of a Guarantor; and

    (b) any subsequent issuance or transfer of Capital Stock or any other event which results in any such Indebtedness being beneficially held by a Person other than the Issuer or a Restricted Subsidiary and any sale or other transfer of any such Indebtedness to a Person other than the Issuer or a Restricted Subsidiary, shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (3) by the Issuer or such Restricted Subsidiary, as the case may be;

(4) (a) Indebtedness represented by the Senior Notes (other than any Additional Senior Notes) and the related Note Guarantees;

    (b) Indebtedness represented by the Existing 2022 Senior Secured Notes;

    (c) any Indebtedness of the Issuer and its Restricted Subsidiaries (other than Indebtedness Incurred under the Revolving Credit Facility or Indebtedness described in clauses (1), (2), (3), (4)(a) or (4)(b) of this paragraph) Incurred or outstanding on the Issue Date, after giving *pro forma* effect to the Transactions;

    (d) Indebtedness represented by the Senior Secured Notes issued on the Issue Date and the related Guarantees (including Guarantees provided subsequent to the Issue Date);

    (e) Refinancing Indebtedness Incurred in respect of any Indebtedness described in clauses (4)(a), (4)(b), 4(c), (4)(d) and (5) of this paragraph or Incurred pursuant to the first paragraph of this covenant; and

(f) Management Advances;

(5) Indebtedness of any Person (i) outstanding on the date on which such Person becomes a Restricted Subsidiary or is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) the Issuer or any Restricted Subsidiary or (ii) Incurred to provide all or a portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was otherwise acquired by the Issuer or a Restricted Subsidiary; *provided* that, with respect to this clause (5), at the time of such acquisition or other transaction and after giving *pro forma* effect to such acquisition or other transaction and to the related Incurrence of Indebtedness, either (x) the Issuer would have been able to Incur £1.00 of additional Indebtedness pursuant to the first paragraph of this covenant or (y) the Fixed Charge Coverage Ratio for the Issuer and its Restricted Subsidiaries would not be less than it was immediately prior to giving effect to such acquisition or other transaction and to the related Incurrence of Indebtedness;

(6) Indebtedness under Currency Agreements and Interest Rate Agreements not for speculative purposes (as determined in good faith by the Board of Directors or an Officer of the Issuer);

(7) Indebtedness consisting of (A) Capitalized Lease Obligations, mortgage financings, Purchase Money Obligations or other financings, Incurred for the purpose of financing all or any part of the purchase price or cost of construction or improvement of property, plant or equipment used in a Similar Business or (B) Indebtedness otherwise Incurred to finance the purchase, lease, rental or cost of design, construction, installation or improvement of property (real or personal) or equipment that is used or useful in a Similar Business, whether through the direct purchase of assets or the Capital Stock of any Person owning such assets, and any Indebtedness which refinances, replaces or refunds such Indebtedness, in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (7) and then outstanding, will not exceed at any time the greater of £18 million and 12.4% of Total Assets;

(8) Indebtedness in respect of (a) workers' compensation claims, self-insurance obligations, performance, indemnity, surety, judgment, appeal, advance payment, customs, value added tax ("*VAT*") or other tax guarantees or other similar bonds, instruments or obligations and completion guarantees and warranties provided by the Issuer or a Restricted Subsidiary or relating to liabilities, obligations or guarantees Incurred in the ordinary course of business or in respect of any governmental requirement, (b) letters of credit, bankers' acceptances, guarantees or other similar instruments or obligations issued or relating to liabilities or obligations Incurred in the ordinary course of business or in respect of any governmental requirement; *provided, however*, that upon the drawing of such letters of credit or other similar instruments, the obligations are reimbursed within 30 days following such drawing, (c) the financing of insurance premiums in the ordinary course of business and (d) any customary cash management, cash pooling or netting or setting off arrangements in the ordinary course of business;

(9) Indebtedness arising from the Acquisition Agreements and the GFKL Acquisition agreement and Indebtedness arising from agreements providing for customary guarantees, indemnification, obligations in respect of earnouts or other adjustments of purchase price or, in each case, similar obligations, in each case, Incurred or assumed in connection with the acquisition or disposition of any business or assets or Person or any Capital Stock of a Subsidiary (other than Guarantees of Indebtedness Incurred by any Person acquiring or disposing of such business or assets or such Subsidiary for the purpose of financing such acquisition or disposition); *provided* that, in connection with a disposition, the maximum liability of the Issuer and its Restricted Subsidiaries in respect of all such Indebtedness shall at no time exceed the gross proceeds, including the fair market value of non-cash proceeds (measured at the time received and without giving effect to any subsequent changes in value), actually received by the Issuer and its Restricted Subsidiaries in connection with such disposition;

(10) (a) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; *provided, however*, that such Indebtedness is extinguished within 30 Business Days of Incurrence;

(b) customer deposits and advance payments received in the ordinary course of business from customers for goods or services purchased in the ordinary course of business;

(c) Indebtedness owed on a short-term basis of no longer than 30 days to banks and other financial institutions Incurred in the ordinary course of business of the Issuer and its Restricted Subsidiaries with such banks or financial institutions that arises in connection with ordinary banking arrangements to manage cash balances of the Issuer and its Restricted Subsidiaries; and

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

(11) Indebtedness in an aggregate outstanding principal amount which, when taken together with any Refinancing Indebtedness in respect thereof and the principal amount of all other Indebtedness Incurred pursuant to this clause (11) and then outstanding, will not exceed the greater of £18 million and 7.9% of ERC;

(12) Indebtedness Incurred in a Qualified Receivables Financing;

(13) Indebtedness of the Issuer and the Guarantors in an aggregate outstanding principal amount which, when taken together with any Refinancing Indebtedness in respect thereof and the principal amount of all other Indebtedness Incurred pursuant to this clause (13) and then outstanding, will not exceed 100% of the Net Cash Proceeds received by the Issuer from the issuance or sale (other than to a Restricted Subsidiary) of its Subordinated Shareholder Funding or Capital Stock (other than Disqualified Stock, Designated Preference Shares 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 Issuer, in each case, subsequent to the Issue Date other than the Equity Contribution; *provided, however*, that (i) any such Net Cash Proceeds that are so received or contributed shall be excluded for purposes of making Restricted Payments under the first paragraph and clauses (1), (6) and (10) of the third paragraph of the covenant described under "*—Limitation on Restricted Payments*" to the extent the Issuer and its Restricted Subsidiaries Incur Indebtedness in reliance thereon and (ii) any Net Cash Proceeds that are so received or contributed shall be excluded for purposes of Incurring Indebtedness pursuant to this clause (13) to the extent the Issuer or any of its Restricted Subsidiaries makes a Restricted Payment under the first paragraph and clauses (1), (6) and (10) of the third paragraph of the covenant described under "*—Limitation on Restricted Payments*" in reliance thereon;

(14) Indebtedness Incurred under local overdraft and other local Credit Facilities and any Refinancing Indebtedness in respect thereof and Guarantees in respect of such Indebtedness in a maximum aggregate principal amount at any time outstanding not exceeding the greater of £7 million and 5.0% of Total Assets; and

(15) Indebtedness arising from the Transactions;

provided, *however*, that no more than the greater of £7 million and 5.0% of Total Assets of Indebtedness at any time outstanding may be Incurred by a Restricted Subsidiary which is not a Guarantor pursuant to clauses (11) and (14) under the second paragraph of this covenant.

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

(1) in the event that Indebtedness meets the criteria of more than one of the types of Indebtedness described in the first and second paragraphs of this covenant, the Issuer, in its sole discretion, will classify, and may from time to time reclassify, such item of Indebtedness, and only be required to include the amount and type of such Indebtedness in one of the clauses of the second paragraph or the first paragraph of this covenant;

(2) all Indebtedness outstanding under the Revolving Credit Facility on the Issue Date shall be deemed initially Incurred under clause (1) of the second paragraph of this covenant and not the first paragraph of this covenant;

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

(4) if obligations in respect of letters of credit, bankers' acceptances or other similar instruments are Incurred pursuant to any Credit Facility and are being treated as Incurred pursuant to clause (1), (7), (11), (13) or (14) of the second paragraph above or the first paragraph above and the letters of credit, bankers' acceptances or other similar instruments relate to other Indebtedness, then such other Indebtedness shall not be included;

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

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

(7) the amount of Indebtedness issued at a price that is less than the principal amount thereof will be equal to the amount of the liability in respect thereof determined on the basis of IFRS.

Accrual of interest, accrual of dividends, the accretion of accreted value, the accretion or amortization of original issue discount, the payment of interest in the form of additional Indebtedness, the payment of dividends in the form of additional shares of Preferred Stock or Disqualified Stock or the reclassification of commitments or obligations not treated as Indebtedness due to a change in IFRS will not be deemed to be an Incurrence of Indebtedness for purposes of the covenant described under this "*—Limitation on Indebtedness*." The amount of any Indebtedness outstanding as of any date shall be (a) the accreted value thereof in the case of any Indebtedness issued with original issue discount and (b) the principal amount, or liquidation preference thereof, in the case of any other Indebtedness.

If at any time an Unrestricted Subsidiary becomes a Restricted Subsidiary, any Indebtedness of such Subsidiary shall be deemed to be Incurred by a Restricted Subsidiary as of such date (and, if such Indebtedness is not permitted to be Incurred as of such date under the covenant described under this "*—Limitation on Indebtedness*," the Issuer shall be in Default of this covenant).

For purposes of determining compliance with any EUR- or pound sterling-denominated (as applicable) restriction on the Incurrence of Indebtedness, the EUR or pound sterling equivalent (as applicable) of the principal amount of Indebtedness denominated in another currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term Indebtedness, or first committed or first Incurred (whichever yields the lower EUR or pound-sterling equivalent, as applicable), in the case of Indebtedness Incurred under a revolving credit facility; *provided* that (a) if such Indebtedness is Incurred to refinance other Indebtedness denominated in a currency other than EUR or pounds sterling, as applicable, and such refinancing would cause the applicable EUR or pound sterling-denominated restriction, as applicable, to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such pound sterling-denominated restriction, as applicable, shall be deemed not to have been exceeded so long as the principal amount of such Refinancing Indebtedness does not exceed the amount set forth in clause (2) of the definition of Refinancing Indebtedness; (b) the EUR or pound-sterling equivalent, as applicable, of the principal amount of any such Indebtedness outstanding on the Issue Date shall be calculated based on the relevant currency exchange rate in effect on the Issue Date; and (c) if any such Indebtedness that is denominated in a different currency is subject to a Currency Agreement (with respect to the EUR or pounds sterling, as applicable) covering principal amounts payable on such Indebtedness, the amount of such Indebtedness expressed in EUR or pounds sterling, as applicable, will be adjusted to take into account the effect of such agreement.

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

Neither the Issuer nor any Guarantor will Incur any Indebtedness (including Permitted Debt) that is contractually subordinated in right of payment to any other Indebtedness of the Issuer or any Guarantor unless (a) in the case of the Issuer, such Indebtedness is also contractually subordinated in right of payment to the Senior Notes on substantially identical terms or (b) in the case of any Guarantor, such Indebtedness is *pari passu* in right of payment with or contractually subordinated to the Note Guarantee of the Senior Notes; *provided, however*, that no Indebtedness will be deemed to be contractually subordinated in right of payment to any other Indebtedness of the Issuer or any Guarantor solely by virtue of being unsecured or by virtue of being secured with different collateral or by virtue of being secured on a junior priority basis or by virtue of the application of waterfall or other payment ordering provisions affecting different tranches of Indebtedness.

Limitation on Restricted Payments

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

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

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

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

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

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

(4) make any payment (whether of principal, interest or other amounts) on, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value any Subordinated Shareholder Funding (other than any payment of interest thereon in the form of additional Subordinated Shareholder Funding); or

(5) make any Restricted Investment in any Person,

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

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

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

(c) the aggregate amount of such Restricted Payment and all other Restricted Payments made subsequent to the Original Issue Date (and not returned or rescinded) (including Permitted Payments permitted below by clauses (5), (10), (11), (15) or (17) of the second succeeding paragraph, but excluding all other Restricted Payments permitted by the second succeeding paragraph) would exceed the sum of (without duplication):

(i) 50% of Consolidated Net Income for the period (treated as one accounting period) from the first day of the fiscal quarter commencing immediately prior to the Original Issue Date to the end of the most recent fiscal quarter ending prior to the date of such Restricted Payment for which internal consolidated financial statements of the Issuer are available (or, in the case such Consolidated Net Income is a deficit, *minus* 100% of such deficit);

(ii) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities, received by the Issuer from the issue or sale of its Capital Stock (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding subsequent to the Original Issue Date or otherwise contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Issuer subsequent to the Original Issue Date (other than (v) Subordinated Shareholder Funding or Capital Stock in each case sold to a Subsidiary of the Issuer, (w) Net Cash Proceeds or property or assets or marketable securities received from an issuance or sale of such Capital Stock to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary, (x) Net Cash Proceeds or property or assets or marketable securities to the extent that any Restricted Payment has been made from such proceeds in reliance on clauses (1) or (6) of the second succeeding paragraph, and (y) Excluded Contributions);

(iii) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities, received by the Issuer or any Restricted Subsidiary from the issuance or sale (other than to the Issuer or a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary) by the Issuer or any Restricted Subsidiary subsequent to the Original Issue Date of any Indebtedness that has been converted into or exchanged for Capital Stock of the Issuer (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding (*plus* the amount of any cash, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities received by the Issuer or any Restricted Subsidiary upon such conversion or exchange); but excluding (w) Disqualified Stock or Indebtedness issued or sold to a Subsidiary of the Issuer, (x) Net Cash Proceeds to the extent that any Restricted Payment has been made from such proceeds in reliance on clauses (1) or (6) of the second succeeding paragraph, and (y) Excluded Contributions;

(iv) (a) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities, received by the Issuer or any Restricted Subsidiary from the disposition of any Unrestricted Subsidiary or the disposition or repayment of any Investment constituting a Restricted Payment made after the Original Issue Date (other than to the Issuer or a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary) or (b) upon the full and unconditional release of a Restricted Investment that is a Guarantee made by the Issuer or one of its Restricted Subsidiaries to any Person after the Original Issue Date, an amount equal to the amount of such Guarantee;

(v) in the event that an Unrestricted Subsidiary is designated as a Restricted Subsidiary or all of the assets of such Unrestricted Subsidiary are transferred to the Issuer or a Restricted Subsidiary, or the Unrestricted Subsidiary is merged or consolidated into the Issuer or a Restricted Subsidiary, 100% of the amount received in cash and the fair market value of any property or marketable securities received by the Issuer or any Restricted Subsidiary in respect of such redesignation, merger, consolidation or transfer of assets, excluding the amount of any Investment in such Unrestricted Subsidiary that constituted a Permitted Investment made pursuant to clause (11) of the definition of "Permitted Investment"; and

(vi) 100% of any dividends or distributions received by the Issuer or a Restricted Subsidiary after the Original Issue Date from an Unrestricted Subsidiary;

provided, however, that no amount will be included in Consolidated Net Income for purposes of the preceding clause (i) to the extent that it is (at the Issuer's option) included in any of the foregoing clauses (iv), (v) or (vi).

The fair market value of property or assets other than cash covered by the preceding sentence shall be the fair market value thereof as determined in good faith by an officer of the Issuer, or, if such fair market value exceeds £7 million, by the Board of Directors of the Issuer.

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

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

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

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

(4) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness: (a) from Net Available Cash to the extent permitted under "*—Limitation on Sales of Assets and Subsidiary Stock*," but only (i) if the Issuer shall have first complied with the terms described under "*—Limitation on Sales of Assets and Subsidiary Stock*" and purchased all Senior Notes tendered pursuant to any offer to repurchase all the Senior Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness and (ii) at a purchase price not greater than 100% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest; (b) following the occurrence of a Change of Control (or other similar event described therein as a "change of control"), but only (i) if the Issuer shall have first complied with the terms described under "*—Change of Control*" and purchased all Senior Notes tendered pursuant to the offer to repurchase all the Senior Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness and (ii) at a purchase price not greater than 101% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest; or (c) (i) consisting of Acquired Indebtedness (other than Indebtedness Incurred (A) to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was otherwise acquired by the Issuer or a Restricted Subsidiary or (B) otherwise in connection with or contemplation of such transaction or series of transactions) and (ii) at a purchase price not greater than 100% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest and any premium required by the terms of such Acquired Indebtedness;

(5) any dividends paid within, or redemption or repurchase consummated within, 60 days after the date of declaration or the giving of the redemption or repayment notice if at such date of declaration or notice such dividend or redemption or repayment, as the case may be, would have complied with this covenant;

(6) the purchase, repurchase, redemption, defeasance or other acquisition, cancellation or retirement for value of Capital Stock of the Issuer, any Restricted Subsidiary or any Parent (including any options, warrants or other rights in respect thereof) and loans, advances, dividends or distributions by the Issuer to any Parent or Special Purpose Vehicle to permit any Parent or Special Purpose Vehicle to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of the Issuer, any Restricted Subsidiary or any Parent (including any options, warrants or other rights in respect thereof), or payments to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of the Issuer, any Restricted Subsidiary or any Parent (including any options, warrants or other rights in respect thereof), in each case from Management Investors; *provided* that such payments, loans, advances, dividends or distributions do not exceed an amount (net of repayments of any such loans or advances) equal to (x) £5 million, *plus* £1 million multiplied by the number of calendar years that have commenced since the Original Issue Date, plus (y) the Net Cash Proceeds received by the Issuer or its Restricted Subsidiaries since the Original Issue Date (including through receipt of proceeds from the issuance or sale of its Capital Stock or Subordinated Shareholder Funding to a Parent) from, or as a contribution to the equity (in each case under this clause (6), other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Issuer from, the issuance or sale to Management Investors of Capital Stock (including any options, warrants or other rights in respect thereof) plus (z) the net cash proceeds from key man life insurance policies, to the extent such Net Cash Proceeds in (y) and (z) are not included in any calculation under clause (c)(ii) of the first paragraph describing this covenant and are not Excluded Contributions;

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

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

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

(a) the amounts required for any Parent, without duplication, to pay any Parent Expenses or any Related Taxes; or

(b) amounts constituting or to be used for purposes of making payments of fees and expenses Incurred (i) in connection with the Transactions or the GFKL Acquisition or (ii) to the extent specified in clauses (2), (3), (5) and (11) of the second paragraph under "—*Limitation on Affiliate Transactions*";

(10) so long as no Default or Event of Default has occurred and is continuing (or would result therefrom), the declaration and payment by the Issuer of, or loans, advances, dividends or distributions to any Parent to pay, dividends on the common stock or common equity interests of the Issuer or any Parent following a Public Offering of such common stock or common equity interests, in an amount not to exceed in any fiscal year the greater of (a) 6% of the Net Cash Proceeds received by the Issuer from such Public Offering or contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through Excluded Contributions) of the Issuer or contributed as Subordinated Shareholder Funding to the Issuer and (b) following the Initial Public Offering, an amount equal to the greater of (i) the greater of (A) 7% of the Market Capitalization and (B) 7% of the IPO Market Capitalization; *provided* that in the case of this clause (i) after giving *pro forma* effect to such loans, advances, dividends or distributions, the Consolidated Leverage Ratio shall be equal to or less than 3.25 to 1.0 and (ii) the greater of (A) 5% of the Market Capitalization and (B) 5% of the IPO Market Capitalization; *provided* that in the case of this clause (ii) after giving *pro forma* effect to such loans, advances, dividends and distributions, the Consolidated Leverage Ratio shall be equal to or less than 3.5 to 1.0;

(11) so long as no Default or Event of Default has occurred and is continuing (or would result from), Restricted Payments in an aggregate amount outstanding at any time not to exceed the greater of £11 million and 7.4% of Total Assets;

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

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

(14) payment of any Receivables Fees and purchases of Receivables Assets pursuant to a Receivables Repurchase Obligation in connection with a Qualified Receivables Financing;

(15) (i) the declaration and payment of dividends to holders of any class or series of Designated Preference Shares of the Issuer issued after the Issue Date; and (ii) the declaration and payment of dividends to any Parent or any Affiliate thereof, the proceeds of which will be used to fund the payment of dividends to holders of any class or series of Designated Preference Shares of such Parent or Affiliate issued after the Issue Date; *provided* that, in the case of clauses (i) and (ii), the amount of all dividends declared or paid pursuant to this clause (15) shall not exceed the Net Cash Proceeds received by the Issuer or the aggregate amount contributed in cash to the equity (other than through the issuance of Disqualified Stock or an Excluded Contribution or, in the case of Designated Preference Shares by such Parent or Affiliate, the issuance of Designated Preference Shares) of the Issuer or contributed as Subordinated Shareholder Funding to the Issuer, as applicable, from the issuance or sale of such Designated Preference Shares;

(16) dividends or other distributions of Capital Stock, Indebtedness or other securities of Unrestricted Subsidiaries;

(17) so long as no Default or Event of Default has occurred and is continuing (or would result therefrom), any Restricted Payment; *provided* that, on the date of any such Restricted Payment, the Consolidated Leverage

Ratio for the Issuer and its Restricted Subsidiaries does not exceed 2.75 to 1.0 on a *pro forma* basis after giving effect thereto;

(18) advances or loans to (a) any future, present or former officer, director, employee or consultant of the Issuer or a Restricted Subsidiary or any Parent to pay for the purchase or other acquisition for value of Capital Stock of the Issuer or any Parent (other than Disqualified Stock or Designated Preference Shares), or any obligation under a forward sale agreement, deferred purchase agreement or deferred payment arrangement pursuant to any management equity plan or stock option plan or any other management or employee benefit or incentive plan or other agreement or arrangement or (b) any management equity plan or stock option plan or any other management or employee benefit or incentive plan or unit trust or the trustees of any such plan or trust to pay for the purchase or other acquisition for value of Capital Stock of the Issuer or any Parent (other than Disqualified Stock or Designated Preference Shares); *provided, however*, that the total aggregate amount of Restricted Payments made under this clause (18) does not exceed £5 million in any calendar year (with unused amounts in any calendar year being carried over in the next two succeeding calendar years);

(19) [Reserved]; and

(20) any dividends, distributions or other payments to any Parent or Unrestricted Subsidiary to the extent that such dividends, distributions or payments are made in order to carry out group contributions under the tax laws or regulations of an applicable jurisdiction up to an amount not to exceed with respect to such Taxes the amount of any such Taxes that the Issuer and its Restricted Subsidiaries would have been required to pay on a separate company basis or on a consolidated basis if the Issuer and its Restricted Subsidiaries had paid tax on a consolidated, combined, group, affiliates or unitary basis on behalf of an affiliate group consisting only of the Issuer and its Restricted Subsidiaries.

The amount of all Restricted Payments (other than cash) shall be the fair market value on the date of such Restricted Payment of the asset(s) or securities proposed to be paid, transferred or issued by the Issuer or such Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment. The fair market value of any cash Restricted Payment shall be its face amount, and the fair market value of any non-cash Restricted Payment shall be determined conclusively by the Board of Directors of the Issuer acting in good faith.

Limitation on Liens

The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create, Incur or suffer to exist any Lien upon any of its property or assets (including Capital Stock of a Restricted Subsidiary), whether owned on the Issue Date or acquired after that date, or any interest therein or any income or profits therefrom, which Lien is securing any Indebtedness (such Lien, the "*Initial Lien*"), except (a) in the case of any property or asset that does not constitute Collateral, (1) Permitted Liens or (2) Liens on property or assets that are not Permitted Liens if the Senior Notes and the Senior Notes Indenture (or a Note Guarantee in the case of Liens of Guarantors) are directly secured, subject to the Agreed Security Principles (but without regard to any Agreed Security Principles limiting the types of assets that may be pledged to secure the Senior Notes and the Note Guarantees under the Senior Notes Indenture), equally and ratably with, junior to, in the case of Liens with respect to Senior Indebtedness, or prior to, in the case of Liens with respect to Subordinated Indebtedness, the Indebtedness secured by such Initial Lien for so long as such Indebtedness is so secured, and (b) in the case of any property or asset that constitutes Collateral, Permitted Collateral Liens.

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

Limitation on Restrictions on Distributions from Restricted Subsidiaries

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

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

(b) make any loans or advances to the Issuer or any Restricted Subsidiary; or

(c) sell, lease or transfer any of its property or assets to the Issuer or any Restricted Subsidiary, *provided* that (x) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock and (y) the subordination of (including the application of any standstill requirements to) loans or advances made to the Issuer or any Restricted Subsidiary to other Indebtedness Incurred by the Issuer or any Restricted Subsidiary shall not be deemed to constitute such an encumbrance or restriction.

The provisions of the preceding paragraph will not prohibit:

(1) any encumbrance or restriction pursuant to (a) any Credit Facility (including the Revolving Credit Facility) and any other agreement or instrument, in each case, in effect at or entered into on the Issue Date (including, without limitation, the Acquisition Agreements) or (b) the Senior Notes, the Senior Notes Indenture, the Senior Secured Notes, the Senior Secured Notes Indenture, the Existing 2022 Senior Secured Notes, the Intercreditor Agreement, the Security Documents or any related security documents;

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

(3) any encumbrance or restriction pursuant to an agreement or instrument that extends, renews, refinances or replaces any of the encumbrances or restrictions referred to in clauses (1) or (2) of this paragraph or this clause (3) (an "*Initial Agreement*") or contained in any amendment, supplement or other modification to an agreement referred to in clauses (1) or (2) of this paragraph or this clause (3); *provided, however*, that the encumbrances and restrictions with respect to such Restricted Subsidiary contained in any such agreement or instrument are no less favorable in any material respect to the Holders taken as a whole than the encumbrances and restrictions contained in the Initial Agreement or Initial Agreements to which such refinancing or amendment, supplement or other modification relates (as determined in good faith by the Board of Directors or an Officer of the Issuer);

(4) any encumbrance or restriction:

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

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

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

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

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

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

(8) encumbrances or restrictions arising or existing by reason of applicable law or any applicable rule, regulation or order, or required by any regulatory authority or any governmental licenses, concessions, franchises or permits, including restrictions or encumbrances on cash or deposits (including assets in escrow accounts) paid on property;

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

(10) any encumbrance or restriction pursuant to Currency Agreements or Interest Rate Agreements;

(11) any encumbrance or restriction arising pursuant to an agreement or instrument (a) relating to any Indebtedness permitted to be Incurred subsequent to the Issue Date pursuant to the provisions of the covenant described under "*—Limitation on Indebtedness*" if (A) the encumbrances and restrictions contained in any such agreement or instrument taken as a whole are not materially less favorable to the Holders of the Senior Notes than (i) the encumbrances and restrictions contained in the Revolving Credit Facility, together with the security documents associated therewith, and the Intercreditor Agreement, in each case, as in effect on the Issue Date or (ii) as is customary in comparable financings (as determined in good faith by the Board of Directors or an Officer of the Issuer) or (B) the Issuer determines at the time of the Incurrence of such Indebtedness that such encumbrances or restrictions will not adversely affect, in any material respect, the Issuer's ability to make principal or interest payments on the Senior Notes or (b) that constitutes an Additional Intercreditor Agreement;

(12) restrictions effected in connection with a Qualified Receivables Financing that, in the good faith determination of the Board of Directors or an Officer of the Issuer, are necessary or advisable to effect such Qualified Receivables Financing; or

(13) any encumbrance or restriction existing by reason of any lien permitted under "*—Limitation on Liens*."

Limitation on Sales of Assets and Subsidiary Stock

The Issuer will not, and will not permit any Restricted Subsidiary to, consummate any Asset Disposition unless:

(1) the consideration the Issuer or such Restricted Subsidiary receives for such Asset Disposition is not less than the fair market value of the assets sold (as determined by the Board of Directors of the Issuer); and

(2) at least 75% of the consideration the Issuer or such Restricted Subsidiary receives in respect of such Asset Disposition consists of:

    (a) cash (including any net cash proceeds received from the conversion, within 180 days of such Asset Disposition, of securities, notes or other obligations received in consideration of such Asset Disposition);

    (b) Cash Equivalents;

    (c) the assumption by the purchaser of (x) any liabilities of the Issuer or its Restricted Subsidiaries recorded on the Issuer's consolidated balance sheet or the notes thereto (or, if Incurred since the date of the latest balance sheet, that would be recorded on the next balance sheet) (other than Subordinated Indebtedness), as a result of which neither the Issuer nor any of the Restricted Subsidiaries remains obligated in respect of such liabilities or (y) Indebtedness of a Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Disposition, if the Issuer and each other Restricted Subsidiary are released from any guarantee of such Indebtedness as a result of such Asset Disposition;

    (d) Replacement Assets;

    (e) any Capital Stock or assets of the kind referred to in clause (4) or (6) in the second paragraph of this covenant;

    (f) consideration consisting of Indebtedness of the Issuer or any Guarantor received from Persons who are not the Issuer or any Restricted Subsidiary, but only to the extent that such Indebtedness (i) has been extinguished by the Issuer or the applicable Guarantor and (ii) is not Subordinated Indebtedness of the Issuer or such Guarantor;

(g) any Designated Non-Cash Consideration received by the Issuer or any Restricted Subsidiary having an aggregate fair market value, taken together with all other Designated Non-Cash Consideration received pursuant to this covenant that is at any one time outstanding, not to exceed the greater of £11 million and 7.4% of Total Assets (with the fair market value of each issue of Designated Non-Cash Consideration being measured at the time received and without giving effect to subsequent changes in value); or

(h) a combination of the consideration specified in clauses (a) through (g) of this clause (2).

If the Issuer or any Restricted Subsidiary consummates an Asset Disposition, the Net Available Cash of the Asset Disposition, within 395 days of the later of (i) the date of the consummation of such Asset Disposition and (ii) the receipt of such Net Available Cash, may be used by the Issuer or such Restricted Subsidiary to:

(1) (i) prepay, repay, purchase or redeem any Senior Indebtedness of the Issuer or a Restricted Subsidiary or any Refinancing Indebtedness in respect thereof; *provided, however*, that, in connection with any prepayment, repayment, purchase or redemption of term Indebtedness Incurred pursuant to this clause (i), the Issuer or such Restricted Subsidiary will retire such term Indebtedness and will cause the related commitment (if any) to be permanently reduced in an amount equal to the principal amount so prepaid, repaid, purchased or redeemed; (ii) prepay, repay, purchase or redeem any Indebtedness of a Restricted Subsidiary that is not a Guarantor or any Indebtedness that is secured by Liens on assets which do not constitute Collateral (in each case other than Subordinated Indebtedness of the Issuer or a Guarantor or Indebtedness owed to the Issuer or any Restricted Subsidiary) or (iii) prepay, repay, purchase or redeem any Pari Passu Indebtedness (other than Indebtedness owed to the Issuer or any Restricted Subsidiary); *provided* that the Issuer shall prepay, repay, purchase or redeem Indebtedness pursuant to clause (iii) only if the Issuer makes (at such time or in compliance with this covenant) an offer to Holders to purchase their Senior Notes in accordance with the provisions set forth below for an Asset Disposition Offer for an aggregate principal amount of Senior Notes equal to the proportion that (x) the total aggregate principal amount of Senior Notes outstanding bears to (y) the total aggregate principal amount of Senior Notes outstanding plus the total aggregate principal amount outstanding of such Pari Passu Indebtedness (other than the Senior Notes);

(2) purchase any series of Senior Notes pursuant to an offer to all Holders of such series of Senior Notes at a purchase price in cash equal to at least 100% of the principal amount thereof, plus accrued and unpaid interest to, but not including, the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date);

(3) invest in any Replacement Assets;

(4) acquire all or substantially all of the assets of, or any Capital Stock of, another Similar Business, if, after giving effect to any such acquisition of Capital Stock, the Similar Business is or becomes a Restricted Subsidiary;

(5) make a capital expenditure;

(6) acquire other assets (other than Capital Stock and cash or Cash Equivalents) that are used or useful in a Similar Business;

(7) consummate any combination of the foregoing; or

(8) enter into a binding commitment to apply the Net Available Cash pursuant to clause (1), (3), (4), (5) or (6) of this paragraph or a combination thereof; *provided* that a binding commitment shall be treated as a permitted application of the Net Available Cash from the date of such commitment until the earlier of (x) the date on which such investment is consummated and (y) the 180th day following the expiration of the aforementioned 395-day period, if the investment has not been consummated by that date.

The amount of such Net Available Cash not so used as set forth in this paragraph constitutes "*Excess Proceeds*." Pending the final application of any such Net Available Cash, the Issuer may temporarily reduce revolving credit borrowings or otherwise invest such Net Available Cash in any manner that is not prohibited by the terms of the Senior Notes Indenture. On the 396th day after an Asset Disposition or such earlier time if the Issuer elects, if the aggregate amount of Excess Proceeds exceeds £11 million, the Issuer will be required within 30 Business Days thereof to make an offer (an "*Asset Disposition Offer*") to all Holders and, to the extent the Issuer elects, to all holders of other outstanding Pari Passu Indebtedness to purchase the maximum principal amount of Senior 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 Senior Notes in an amount equal to (and, in the case of any such Pari Passu Indebtedness, an offer price of no more than) 100% of the principal amount of the Senior Notes and 100% of the principal amount of such Pari Passu Indebtedness, in each case, plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the date of purchase, in accordance with the procedures set forth in the Senior Notes Indenture or the agreements governing such Pari Passu Indebtedness, as applicable, in minimum denominations of £100,000 and in integral multiples of £1,000 in excess thereof (if applicable).

To the extent that the aggregate amount of Senior Notes and such Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to an Asset Disposition Offer is less than the Excess Proceeds, the Issuer may use any remaining Excess Proceeds for general corporate purposes, subject to other covenants contained in the Senior Notes Indenture. If the aggregate principal amount of the Senior Notes surrendered in any Asset Disposition Offer by Holders and such other Pari Passu Indebtedness surrendered by holders or lenders, collectively, exceeds the amount of Excess Proceeds, the Excess Proceeds shall be allocated among the Senior Notes and such Pari Passu Indebtedness to be purchased on a *pro rata* basis on the basis of the aggregate principal amount of tendered Senior Notes and such Pari Passu Indebtedness. For the purposes of calculating the principal amount of any such Indebtedness not denominated in pounds sterling, such Indebtedness shall be calculated by converting any such principal amounts into their pound-sterling equivalent determined as of a date selected by the Issuer that is within the Asset Disposition Offer Period (as defined below). Upon completion of any Asset Disposition Offer, the amount of Excess Proceeds shall be reset at zero.

To the extent that any portion of Net Available Cash payable in respect of the Senior Notes is denominated in a currency other than the currency in which the Senior Notes are denominated, the amount thereof payable in respect of such Senior Notes shall not exceed the net amount of funds in the currency in which such Senior Notes are denominated that is actually received by the Issuer upon converting such portion of the Net Available Cash into such currency.

The Asset Disposition Offer, insofar as it relates to the Senior Notes, will remain open for a period of not less than 20 Business Days following its commencement (the "*Asset Disposition Offer Period*"). No later than five Business Days after the termination of the Asset Disposition Offer Period (the "*Asset Disposition Purchase Date*"), the Issuer will purchase the principal amount of Senior Notes and, to the extent it elects, Pari Passu Indebtedness required to be purchased by it pursuant to this covenant (the "*Asset Disposition Offer Amount*") or, if less than the Asset Disposition Offer Amount has been so validly tendered, all Senior Notes and Pari Passu Indebtedness validly tendered in response to the Asset Disposition Offer. On or before the Asset Disposition Purchase Date, the Issuer will, to the extent lawful, accept for payment, on a *pro rata* basis to the extent necessary, the Asset Disposition Offer Amount of Senior Notes and Pari Passu Indebtedness or portions of Senior 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 Senior Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn and in minimum denominations of £100,000 and in integral multiples of £1,000 in excess thereof (if applicable). The Issuer will deliver to the Trustee an Officer's Certificate stating that such Senior Notes or portions thereof were accepted for payment by the Issuer in accordance with the terms of this covenant. The Paying Agent shall deliver to the Holders of Senior Notes the purchase price of Senior Notes validly tendered and not withdrawn and arrange for the deduction of the appropriate amounts of Senior Notes from such Holders' accounts with Euroclear or Clearstream (as applicable). Any Senior Note not so accepted will be promptly mailed or delivered (or transferred by book entry) by the Issuer to the Holder thereof.

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

Limitation on Affiliate Transactions

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, enter into or conduct any transaction or series of related transactions (including the purchase, sale, lease or exchange of any property or the rendering of any service) with any Affiliate of the Issuer (any such transaction or series of related transactions being an "*Affiliate Transaction*") involving aggregate value in excess of £5 million unless:

(1) the terms of such Affiliate Transaction taken as a whole are not materially less favorable to the Issuer or such Restricted Subsidiary, as the case may be, than those that could be obtained in a comparable

transaction on an arm's-length basis at the time of such transaction or the execution of the agreement providing for such transaction in arm's-length dealings with a Person who is not such an Affiliate;

(2) in the event such Affiliate Transaction involves an aggregate value in excess of £10 million, the terms of such transaction or series of related transactions have been approved by a resolution of the majority of the disinterested members of the Board of Directors of the Issuer resolving that such transaction complies with clause (1) above; and

(3) in the event such Affiliate Transaction involves an aggregate consideration in excess of £15 million, the Issuer has received a written opinion (a "*Fairness Opinion*") from an Independent Financial Advisor that such Affiliate Transaction is fair, from a financial standpoint, to the Issuer and its Restricted Subsidiaries or that the terms are not materially less favorable than those that could reasonably have been obtained in a comparable transaction at such time on an arm's-length basis from a Person that is not an Affiliate.

The provisions of the preceding paragraph will not apply to:

(1) any Restricted Payment permitted to be made pursuant to the covenant described under "*—Limitation on Restricted Payments*," any Permitted Payments (other than pursuant to clause (9)(b)(ii) of the fourth paragraph of the covenant described under "*—Limitation on Restricted Payments*") or any Permitted Investment (other than Permitted Investments as defined in paragraphs (1)(b), (2) and (11) of the definition thereof);

(2) any issuance, transfer or sale of Capital Stock, options, other equity-related interests or other securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, or entering into, or maintenance of, any employment, consulting, collective bargaining or benefit plan, program, agreement or arrangement, related trust or other similar agreement and other compensation arrangements, options, warrants or other rights to purchase Capital Stock of the Issuer, any Restricted Subsidiary or any Parent, restricted stock plans, long-term incentive plans, stock appreciation rights plans, participation plans or similar employee benefits or consultants' plans (including valuation, health, insurance, deferred compensation, severance, retirement, savings or similar plans, programs or arrangements) or indemnities provided on behalf of officers, employees, directors or consultants approved by the Board of Directors of the Issuer, in each case in the ordinary course of business;

(3) any Management Advances and any waiver or transaction with respect thereto;

(4) any transaction between or among the Issuer and any Restricted Subsidiary (or entity that becomes a Restricted Subsidiary as a result of such transaction), between or among Restricted Subsidiaries or between or among the Issuer or any Restricted Subsidiary and any Receivables Subsidiary in connection with a Qualified Receivables Financing;

(5) the payment of reasonable fees and reimbursement of expenses to, and customary indemnities (including under customary insurance policies) and employee benefit and pension expenses provided on behalf of, directors, officers, consultants or employees of the Issuer, any Restricted Subsidiary or any Parent (whether directly or indirectly and including through any Person owned or controlled by any of such directors, officers or employees);

(6) (i) the Transactions, (ii) the entry into and performance of obligations of the Issuer or any of its Restricted Subsidiaries under the terms of any transaction pursuant to or contemplated by, and any payments pursuant to or for purposes of funding, any agreement or instrument in effect as of or on the Issue Date, as these agreements and instruments may be amended, modified, supplemented, extended, renewed, replaced or refinanced from time to time in accordance with the other terms of this covenant or to the extent not more disadvantageous to the Holders in any material respect, and (iii) the entry into and performance of any registration rights or other listing agreement;

(7) the execution, delivery and performance of any Tax Sharing Agreement or any arrangement pursuant to which the Issuer or any of its Restricted Subsidiaries is required or permitted to file a consolidated tax return, or the formation and maintenance of any consolidated group for tax, accounting or cash pooling or management purposes in the ordinary course of business;

(8) transactions with customers, clients, suppliers or purchasers or sellers of goods or services, in each case in the ordinary course of business, which are fair to the Issuer or the relevant Restricted Subsidiary in the reasonable determination of the Board of Directors or an Officer of the Issuer or the relevant Restricted Subsidiary, or are on terms no less favorable than those that could reasonably have been obtained at such time from an unaffiliated party;

(9) any transaction in the ordinary course of business between or among the Issuer or any Restricted Subsidiary and any Affiliate (other than an Unrestricted Subsidiary) of the Issuer or an Associate or similar entity that would constitute an Affiliate Transaction solely because the Issuer or a Restricted Subsidiary or any Affiliate of the Issuer or a Restricted Subsidiary or any Affiliate of any Permitted Holder owns an equity interest in or otherwise controls such Affiliate, Associate or similar entity;

(10) (a) issuances or sales of Capital Stock (other than Disqualified Stock or Designated Preference Shares) of the Issuer or options, warrants or other rights to acquire such Capital Stock or Subordinated Shareholder Funding and entering into any proceeds loan in respect of the proceeds of any issuance of Senior Notes; *provided* that the interest rate and other financial terms of such Subordinated Shareholder Funding or proceeds loans are approved by a majority of the members of the Board of Directors of the Issuer in their reasonable determination and (b) any amendment, waiver or other transaction, including satisfying payment obligations, with respect to any Subordinated Shareholder Funding or proceeds loan in compliance with the other provisions of the Senior Notes Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement, as applicable;

(11) (a) payments by the Issuer or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent) of annual management, consulting, monitoring or advisory fees and related expenses in an aggregate amount not to exceed £1 million per year and (b) customary payments by the Issuer or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent) for financial advisory, financing, underwriting or placement services or in respect of other investment banking activities, including in connection with loans, capital market transactions, acquisitions or divestitures, which payments (or agreements providing for such payments) in respect of this clause (11) are approved by a majority of the Board of Directors of the Issuer in good faith;

(12) any transactions for which the Issuer or a Restricted Subsidiary delivers a written letter or opinion to the Trustee from an Independent Financial Advisor stating that such transaction is (i) fair to the Issuer or such Restricted Subsidiary from a financial point of view or (ii) on terms not less favorable than might have been obtained in a comparable transaction at such time on an arm's length basis from a Person who is not an Affiliate;

(13) pledges of Capital Stock of Unrestricted Subsidiaries;

(14) any transaction effected as part of a Qualified Receivables Financing; and

(15) any participation in a public tender or exchange offer for securities or debt instruments issued by the Issuer or any of its Subsidiaries that are conducted on arm's-length terms and provide for the same price or exchange ratio, as the case may be, to all holders accepting such tender or exchange offer.

Reports

So long as any Senior Notes are outstanding, the Issuer will furnish to the Trustee the following reports:

(1) within 120 days after the end of the Issuer's fiscal year beginning with the fiscal year ending December 31, 2015, annual reports containing: (i) an operating and financial discussion of the audited financial statements, including a discussion of the financial condition and results of operations, and a discussion of liquidity and capital resources, material commitments and contingencies and critical accounting policies of the Issuer; (ii) *pro forma* income statement and balance sheet information of the Issuer, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year as to which such annual report relates (other than the GFKL Acquisition and the Acquisition and unless such *pro forma* information has been provided in a previous report pursuant to clause (2) or (3) below); *provided* that such *pro forma* financial information will be provided only to the extent available without unreasonable expense, in which case the Issuer will provide, in the case of a material acquisition, acquired company financials; (iii) the audited consolidated balance sheet of the Issuer as at the end of the most recent two fiscal years and audited consolidated income statements and statements of cash flow of the Issuer for the most recent two fiscal years, including appropriate footnotes to such financial statements, for and as at the end of such fiscal years, and the report of the independent auditors on the financial statements; (iv) a description of the management and shareholders of the Issuer, all material affiliate transactions and a description of all material debt instruments; (v) a description of material risk factors and material subsequent events; (vi) ERC calculated on an 84-month, a 120-month and a 180-month basis, gross collections, adjusted EBITDA, ERC for the year's vintage, gross money multiple for the year's vintage and purchases for the year; and (vii) a

description of the material differences in the financial condition and results of operations between the Senior Secured Notes Issuer and the Issuer; *provided* that the information described in clauses (iv), (v) and (vi) may be provided in the footnotes to the audited financial statements;

(2) within 60 days (or, in the case of the fiscal quarter ended September 30, 2015, 90 days) following the end of each of the first three fiscal quarters in each fiscal year of the Issuer, beginning with the quarter ended September 30, 2015, unaudited quarterly financial statements containing the following information: (i) the Issuer's unaudited condensed consolidated balance sheet as at the end of such quarter and unaudited condensed statements of income and cash flow for the most recent quarter year-to-date period ending on the unaudited condensed balance sheet date and the comparable prior period, together with condensed footnote disclosure; (ii) *pro forma* income statement and balance sheet information of the Issuer, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year as to which such quarterly report relates (other than the GFKL Acquisition and the Acquisition and *provided* that such *pro forma* financial information will be provided only to the extent available without unreasonable expense, in which case the Issuer will provide, in the case of a material acquisition, acquired company financials); (iii) an operating and financial discussion of the unaudited financial statements, including a discussion of the consolidated financial condition, results of operations, ERC calculated on an 84-month, a 120-month and a 180-month basis, gross collections, adjusted EBITDA, purchases for the period, and material changes in liquidity and capital resources of the Issuer; (iv) a discussion of material changes in material debt instruments since the most recent report; (v) material subsequent events and any material changes to the risk factors disclosed in the most recent annual report; and (vi) a description of the material differences in the financial condition and results of operations between the Senior Secured Notes Issuer and the Issuer; *provided* that the information described in clauses (iv) and (v) may be provided in the footnotes to the unaudited financial statements; and

(3) promptly after the occurrence of a material event that the Issuer announces publicly or any acquisition (other than the Acquisition), disposition or restructuring, merger or similar transaction that is material to the Issuer and the Restricted Subsidiaries, taken as a whole, or a senior executive officer or director changes at the Issuer or a change in auditors of the Issuer, a report containing a description of such event.

The Issuer shall have the option at any time to provide the reports set forth in (1) and (2) above as if each reference to the "Issuer" had been to the "Senior Secured Notes Issuer," in which case subsections (1)(vii) and (2)(vi) shall not apply.

In addition, the Issuer shall furnish to the Holders and to prospective investors, upon the request of such parties, any information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act for so long as the Senior Notes are not freely transferable under the Exchange Act by persons who are not "affiliates" under the Securities Act.

The Issuer shall also make available to Holders and prospective holders of the Senior Notes copies of all reports furnished to the Trustee on the Issuer's website (currently, www.lowellgroup.co.uk). All financial statement information shall be prepared in accordance with IFRS as in effect on the date of such report or financial statement (or otherwise on the basis of IFRS as then in effect) and on a consistent basis for the periods presented, except as may otherwise be described in such information; *provided, however*, that the reports set forth in clauses (1), (2) and (3) above may, in the event of a change in IFRS, present earlier periods on a basis that applied to such periods. To the extent comparable prior period financial information of the Issuer does not exist, the comparable prior period financial information of the Target Group and the GFKL Group may be provided in lieu thereof. No report need include separate financial statements for any Subsidiaries of the Issuer. In addition, the reports set forth above will not be required to contain any reconciliation to U.S. generally accepted accounting principles. At any time that any of the Issuer's subsidiaries are Unrestricted Subsidiaries and any such Unrestricted Subsidiary or a group of Unrestricted Subsidiaries, taken as a whole, constitutes a Significant Subsidiary of the Issuer, then the quarterly and annual financial information required by the first paragraph of this "*Reports*" covenant will include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, of the financial condition and results of operations of the Issuer and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Issuer.

All reports provided pursuant to this "*Reports*" covenant shall be made in the English language.

In the event that (i) the Issuer becomes subject to the reporting requirements of Section 13(a) or 15(d) of the Exchange Act, or elects to comply with such provisions, for so long as it continues to file the reports required by

Section 13(a) with the SEC, or (ii) the Issuer elects to provide to the Trustee reports which, if filed with the SEC, would satisfy (in the good faith judgment of the Issuer) the reporting requirements of Section 13(a) or 15(d) of the Exchange Act (other than the provision of U.S. GAAP information, certifications, exhibits or information as to internal controls and procedures), for so long as it elects, the Issuer will make available to the Trustee such annual reports, information, documents and other reports that the Issuer is, or would be, required to file with the SEC pursuant to such Section 13(a) or 15(d). Upon complying with the foregoing requirement, the Issuer will be deemed to have complied with the provisions contained in the preceding paragraphs.

Merger and Consolidation

The Issuer

The Issuer will not, directly or indirectly, consolidate with or merge with or into, or assign, convey, transfer, lease or otherwise dispose of all or substantially all of its assets as an entirety or substantially as an entirety, in one transaction or a series of related transactions to, any Person, unless:

(1) either the Issuer is the surviving entity, or the resulting, surviving or transferee Person (the "*Successor Company*") will be a Person organized and existing under the laws of any member state of the European Union, any State of the United States of America or the District of Columbia, Canada or any province of Canada or Switzerland and the Successor Company (if not the Issuer) will expressly assume (a) by supplemental indenture, executed and delivered to the Trustee, in form reasonably satisfactory to the Trustee, all the obligations of the Issuer under the Senior Notes and the Senior Notes Indenture and (b) all obligations of the Issuer under the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents, as applicable;

(2) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the Successor Company or any Subsidiary of the Successor Company as a result of such transaction as having been Incurred by the Successor Company or such Subsidiary at the time of such transaction), no Default or Event of Default shall have occurred and be continuing;

(3) immediately after giving effect to such transaction, either (a) the Issuer or the Successor Company would be able to Incur at least an additional £1.00 of Indebtedness pursuant to the first paragraph of the covenant described under "*—Limitation on Indebtedness*" or (b) the Fixed Charge Coverage Ratio for the Issuer or the Successor Company for the most recently ended four full fiscal quarters for which financial statements are available immediately preceding the date on which the transaction is consummated would not be less than it was immediately prior to giving effect to such transaction; and

(4) the Issuer shall have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each to the effect that such consolidation, merger or transfer and such supplemental indenture (if any is required in connection with such transaction) comply with the Senior Notes Indenture, and an Opinion of Counsel to the effect that such supplemental indenture (if any) has been duly authorized, executed and delivered and is a legal, valid and binding agreement enforceable against the Successor Company (in each case, in form and substance reasonably satisfactory to the Trustee); *provided* that in giving an Opinion of Counsel, counsel may rely on an Officer's Certificate as to any matters of fact.

Without prejudice to clause (3) in the immediately preceding paragraph, any Indebtedness that becomes an obligation of the Issuer or any Restricted Subsidiary (or that is deemed to be Incurred by any Restricted Subsidiary that becomes a Restricted Subsidiary) as a result of any such transaction undertaken in compliance with this covenant, and any Refinancing Indebtedness with respect thereto, shall be deemed to have been Incurred in compliance with the covenant described under "*—Limitation on Indebtedness*."

For purposes of this covenant, the sale, lease, conveyance, assignment, transfer or other disposition of all or substantially all of the properties and assets of one or more Subsidiaries of the Issuer, which properties and assets, if held by the Issuer instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Issuer on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Issuer.

The Successor Company will succeed to, and be substituted for, and may exercise every right and power of, the Issuer under the Senior Notes Indenture, but in the case of a lease of all or substantially all of its assets, the predecessor company will not be released from its obligations under the Senior Notes Indenture or the Senior Notes.

There is no precise established definition of the phrase “substantially all” under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve “all or substantially all” of the properties or assets of a Person.

The Guarantors

No Guarantor (other than a Guarantor whose Note Guarantee is to be released in accordance with the terms of the Senior Notes Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement) may:

(1) consolidate with or merge with or into any Person (whether or not such Guarantor is the surviving corporation);

(2) sell, assign, convey, transfer, lease or otherwise dispose of all or substantially all of its assets as an entirety or substantially as an entirety, in one transaction or a series of related transactions, to any Person; or

(3) permit any Person to merge with or into it unless:

  A. the other Person is the Issuer or any Restricted Subsidiary that is a Guarantor or becomes a Guarantor substantially concurrently with such consolidation, merger, sale, assignment, conveyance, transfer, lease or other disposal;

  B. (1) either (x) a Guarantor is the continuing Person or (y) the resulting, surviving or transferee Person expressly assumes all of the obligations of the Guarantor under its Note Guarantee and the Senior Notes Indenture (pursuant to a supplemental indenture executed and delivered in a form reasonably satisfactory to the Trustee) and all obligations of the Guarantor under the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents, as applicable; and (2) immediately after giving effect to the transaction, no Default or Event of Default shall have occurred and be continuing; or

  C. the transaction constitutes a sale or other disposition (including by way of consolidation or merger) of a Guarantor or the sale or disposition of all or substantially all of the assets of a Guarantor (in each case other than to the Issuer or a Restricted Subsidiary) otherwise permitted by the Senior Notes Indenture;

provided, however, that the prohibition in clauses (1), (2) and (3) above shall not apply to the extent that compliance with clauses (A) and (B)(1) could give rise to or result in: (1) any breach or violation of statutory limitations, corporate benefit, financial assistance, fraudulent preference, thin capitalization rules, capital maintenance rules, guidance and coordination rules or the laws, rules or regulations (or analogous restriction) of any applicable jurisdiction; (2) any risk or liability for the officers, directors or (except in the case of a Restricted Subsidiary that is a partnership) shareholders of such Restricted Subsidiary (or, in the case of a Restricted Subsidiary that is a partnership, directors or shareholders of the partners of such partnership); or (3) any cost, expense, liability or obligation (including with respect to any Taxes) other than reasonable out-of-pocket expenses.

The provisions set forth in this “Merger and Consolidation” covenant shall not restrict (and shall not apply to): (i) any Restricted Subsidiary that is not a Guarantor from consolidating with, merging or liquidating into or transferring all or substantially all of its properties and assets to the Issuer, a Guarantor or any other Restricted Subsidiary that is not a Guarantor; (ii) any Guarantor from merging or liquidating into or transferring all or part of its properties and assets to the Issuer or another Guarantor; (iii) any consolidation or merger of the Issuer into any Guarantor; *provided* that, if the Issuer is not the surviving entity of such merger or consolidation, the relevant Guarantor will assume the obligations of the Issuer under the Senior Notes, the Senior Notes Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents, and clauses (1) and (4) under the heading “—*The Issuer*” shall apply to such transaction; or (iv) the Issuer or any Guarantor consolidating into or merging or combining with an Affiliate incorporated or organized for the purpose of changing the legal domicile of such entity, reincorporating such entity in another jurisdiction, or changing the legal form of such entity; *provided*, *however*, that clauses (1), (2) and (4) under the heading “—*The Issuer*” or clauses (A) and (B) under the heading “—*The Guarantors*,” as the case may be, shall apply to any such transaction.

Suspension of Covenants on Achievement of Investment Grade Status

If on any date following the Issue Date, the Senior Notes have achieved Investment Grade Status and no Default or Event of Default has occurred and is continuing (a “*Suspension Event*”), then, beginning on that day and continuing until such time, if any, at which the Senior Notes cease to have Investment Grade Status (the

"*Reversion Date*"), the provisions of the Senior Notes Indenture summarized under the following captions will not apply to the Senior Notes:

(1) "*—Limitation on Restricted Payments*";

(2) "*—Limitation on Indebtedness*";

(3) "*—Limitation on Restrictions on Distributions from Restricted Subsidiaries*";

(4) "*—Limitation on Affiliate Transactions*";

(5) "*—Limitation on Sales of Assets and Subsidiary Stock*";

(6) "*—Limitation on Additional Guarantees*"; and

(7) the provisions of clause (3) of the first paragraph of the covenant described under "*—Merger and Consolidation—The Issuer*,"

and, in each case, any related default provision of the Senior Notes Indenture will cease to be effective and will not be applicable to the Issuer and its Restricted Subsidiaries.

Such covenants and any related default provisions will again apply according to their terms from the 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 Issuer properly taken during the continuance of the Suspension Event, and no action taken prior to the Reversion Date will constitute a Default or Event of Default. The "*Limitation on Restricted Payments*" covenant will be interpreted as if it has been in effect since the date of the Senior Notes Indenture but not during the continuance of the Suspension Event. On the Reversion Date, all Indebtedness Incurred during the continuance of the Suspension Event will be deemed to have been outstanding on the Issue Date, so that it is classified as permitted under clause (4)(c) of the second paragraph of the covenant described under "*—Limitation on Indebtedness*." In addition, the Senior Notes Indenture will also permit, without causing a Default or Event of Default, the Issuer or any of the Restricted Subsidiaries to honor any contractual commitments or take actions in the future after any date on which the Senior Notes cease to have an Investment Grade Status as long as the contractual commitments were entered into during the Suspension Event and not in anticipation of the Senior Notes no longer having an Investment Grade Status. The Issuer shall notify the Trustee in writing that the conditions set forth in the first paragraph under this caption have been satisfied; *provided* that no such notification shall be a condition for the suspension of the covenants described under this caption to be effective. There can be no assurance that the Senior Notes will ever achieve or maintain an Investment Grade Status.

Impairment of Security Interest

New Luxco shall not and the Issuer shall not and shall not permit any Restricted Subsidiary to, take or knowingly or negligently omit to take any action that would have the result of materially impairing the Security Interest with respect to the Collateral (it being understood, subject to the paragraph below, that the Incurrence of Permitted Collateral Liens shall under no circumstances be deemed to materially impair the Security Interests with respect to the Collateral) for the benefit of the Trustee and the Holders, and New Luxco shall not and the Issuer shall not and the Issuer shall not permit any Restricted Subsidiary to grant to any Person other than the Security Agent, for the benefit of the Trustee and the Holders and the other beneficiaries described in the Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement, any interest whatsoever in any of the Collateral.

Notwithstanding the foregoing, (i) New Luxco, the Issuer and the Restricted Subsidiaries may Incur Permitted Collateral Liens, (ii) the Collateral may be discharged and released in accordance with the Senior Notes Indenture, the applicable Security Documents or the Intercreditor Agreement or any Additional Intercreditor Agreement; (iii) the applicable Security Documents may be amended from time to time to cure any ambiguity, mistake, omission, defect, manifest error or inconsistency therein; (iv) New Luxco, the Issuer and the Restricted Subsidiaries may discharge and release Security Interests with respect to the Collateral in connection with the implementation of a Permitted Reorganization and (v) the Security Interests, and the related Security Documents may be amended, extended, renewed, restated, supplemented or otherwise modified or released (followed by an immediate retaking of a Lien of at least equivalent ranking over the same assets); *provided, however*, that in the case of clauses (i) and (v) above, the Security Documents may not be amended, extended, renewed, restated, supplemented, released or otherwise modified or replaced; unless, contemporaneously with any such action, the Issuer delivers to the Trustee either (1) a solvency opinion, in form and substance reasonably satisfactory to the Trustee, from an Independent Financial Advisor confirming the solvency of the Issuer and its Subsidiaries, taken as a whole, or of New Luxco and of the person granting such Security Interest, in each case, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, (2) a certificate from the Board of Directors of the relevant Person, in form and substance reasonably satisfactory to the Trustee, which confirms the solvency of the person granting such Security Interest, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, or (3) an Opinion of Counsel, in form and substance reasonably satisfactory to the Trustee, confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, the Lien or Liens created under the Security Documents, as so amended, extended, renewed, restated, supplemented, released, modified or replaced, are valid Liens not otherwise subject to any limitation, imperfection or new hardening period, in equity or at law, to which such Lien or Liens were not otherwise subject immediately prior to such amendment, extension, renewal, restatement, supplement, release, modification or replacement. In the event that the Issuer complies with the requirements of this covenant, the Trustee and the Security Agent shall (subject to each of the Trustee and the Security Agent being indemnified and secured to its satisfaction) consent to such amendments without the need for instructions from the Holders.

Limitation on Additional Guarantees

No Restricted Subsidiary shall Guarantee the Indebtedness outstanding under the Revolving Credit Facility, any Credit Facility or any other Public Debt, in each case, of the Issuer or a Guarantor unless such Restricted Subsidiary is or becomes a Guarantor on the date on which such Guarantee is Incurred and, if applicable, executes and delivers to the Trustee a supplemental indenture in the form attached to the Senior Notes Indenture pursuant to which such Restricted Subsidiary will provide a Note Guarantee; *provided, however*, that such Restricted Subsidiary shall not be obligated to become such a Guarantor to the extent and for so long as the Incurrence of such Note Guarantee is contrary to the Agreed Security Principles or could give rise to or result in: (1) any breach or violation of statutory limitations, corporate benefit, financial assistance, fraudulent preference, thin capitalization rules, capital maintenance rules, guidance and coordination rules or the laws, rules or regulations (or analogous restriction) of any applicable jurisdiction; (2) any risk or liability for the officers, directors or (except in the case of a Restricted Subsidiary that is a partnership) shareholders of such Restricted Subsidiary (or, in the case of a Restricted Subsidiary that is a partnership, directors or shareholders of the partners of such partnership); or (3) any cost, expense, liability or obligation other than reasonable out-of-pocket expenses. At the option of the Issuer, any Note Guarantee may contain limitations on Guarantor liability to the extent reasonably necessary to recognize certain defenses generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law.

Future Note Guarantees granted pursuant to this provision shall be released as set forth under "—*Releases of the Note Guarantees*." A Note Guarantee of a future Guarantor may also be released at the option of the Issuer if at the date of such release there is no Indebtedness of such Guarantor outstanding which was Incurred after the Issue Date and which could not have been Incurred in compliance with the Senior Notes Indenture if such Guarantor had not been designated as a Guarantor. The Trustee and the Security Agent shall each take all necessary actions, including the granting of releases or waivers under the Intercreditor Agreement or any Additional Intercreditor Agreement, to effectuate any release of a Note Guarantee in accordance with these provisions, subject to each of the Trustee and the Security Agent being indemnified and secured to its satisfaction.

Additional Intercreditor Agreements

The Senior Notes Indenture will provide that, at the request of the Issuer, in connection with the Incurrence by the Issuer or its Restricted Subsidiaries of any (1) Indebtedness permitted pursuant to the first paragraph of the covenant described under "—*Limitation on Indebtedness*" or clause (1), (2), (4), (5), (6), (7) (other than with respect to Capitalized Lease Obligations), (11) or (13) of the second paragraph of the covenant described under "—*Limitation on Indebtedness*" and (2) any Refinancing Indebtedness in respect of Indebtedness referred to in the foregoing clause (1), New Luxco, the Issuer, the relevant Restricted Subsidiaries, the Trustee and the Security Agent shall enter into with the holders of such Indebtedness (or their duly authorized Representatives) an intercreditor agreement (an "*Additional Intercreditor Agreement*") or a restatement, amendment or other modification of the existing Intercreditor Agreement on substantially the same terms as the Intercreditor Agreement (or terms not materially less favorable to the Holders), including containing substantially the same terms with respect to release of Note Guarantees and priority and release of the Security Interests; *provided* that such Additional Intercreditor Agreement will not impose any personal obligations on the Trustee or Security Agent or, in the opinion of the Trustee or Security Agent, as applicable, adversely affect the rights, duties, liabilities or immunities of the Trustee or Security Agent under the Senior Notes Indenture or the Intercreditor Agreement.

The Senior Notes Indenture also will provide that, at the direction of the Issuer and without the consent of Holders, the Trustee and the Security Agent shall from time to time enter into one or more amendments to any Intercreditor Agreement to: (1) cure any ambiguity, omission, defect, manifest error or inconsistency of any such agreement, (2) increase the amount or types of Indebtedness covered by any such agreement that may be Incurred by the Issuer or any Restricted Subsidiary that is subject to any such agreement (including, with respect to any Intercreditor Agreement or Additional Intercreditor Agreement, the addition of provisions relating to new Indebtedness ranking junior in right of payment to the Senior Notes), (3) add Restricted Subsidiaries to the Intercreditor Agreement or an Additional Intercreditor Agreement, (4) further secure the Senior Notes (including Additional Senior Notes), (5) make provision for equal and ratable pledges of the Collateral to secure Additional Senior Notes, (6) implement any Permitted Collateral Liens, (7) amend the Intercreditor Agreement or any Additional Intercreditor Agreement in accordance with the terms thereof or (8) make any other change to any such agreement that does not adversely affect the Holders in any material respect. In formulating its opinion on such matters, the Trustee shall be entitled to request and rely absolutely on such evidence as it deems appropriate, including an Officer's Certificate and an Opinion of Counsel. The Issuer shall not otherwise direct the Trustee or the Security Agent to enter into any amendment to any Intercreditor Agreement without the consent of the Holders of the majority in aggregate principal amount of the Senior Notes then outstanding, except as otherwise permitted below under "*—Amendments and Waivers*," and the Issuer may only direct the Trustee and the Security Agent to enter into any amendment to the extent such amendment does not impose any personal obligations on the Trustee or Security Agent or, in the opinion of the Trustee or Security Agent, adversely affect their respective rights, duties, liabilities or immunities under the Senior Notes Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement.

The Senior Notes Indenture shall also provide that, in relation to any Intercreditor Agreement or Additional Intercreditor Agreement, the Trustee (and the Security Agent, if applicable) shall consent on behalf of the Holders to the payment, repayment, purchase, repurchase, defeasance, acquisition, retirement or redemption of any obligations subordinated to the Senior Notes thereby; *provided, however*, that such transaction would comply with the covenant described under "*—Limitation on Restricted Payments*" and the terms of the Intercreditor Agreement and any Additional Intercreditor Agreement.

The Senior Notes Indenture will also provide that each Holder, by accepting a Senior Note, shall be deemed to have agreed to and accepted the terms and conditions of the Intercreditor Agreement or any Additional Intercreditor Agreement (whether then entered into or entered into in the future pursuant to the provisions described herein), and to have directed the Trustee and the Security Agent to enter into any such Additional Intercreditor Agreement. A copy of the Intercreditor Agreement or any Additional Intercreditor Agreement shall be made available for inspection during normal business hours on any Business Day upon prior written request at the offices of the listing agent for the Senior Notes.

Limitation on Holding Company Activities

The Issuer may not carry on any business activity, hold any assets or Incur any Indebtedness other than in connection with:

(1) the provision of administrative, strategy, legal, accounting, tax, research and development, employee-related, management and other services to its Affiliates of a type customarily provided by a holding company (including entering into and performing any rights or obligations under any Tax Sharing Agreements and acting as the head of a tax group) and the ownership of assets and incurrence of liabilities related to the provision of such services;

(2) (a) the Incurrence of any Indebtedness or Subordinated Shareholder Funding permitted under the Senior Secured Notes Indenture; (b) the conduct of any activities reasonably incidental to the Incurrence of such Indebtedness or Subordinated Shareholder Funding, including the performance of the terms and conditions thereof; and (c) the granting of Liens to secure Indebtedness, in compliance with the provisions of the Senior Notes Indenture;

(3) activities undertaken with the purpose of fulfilling its obligations or exercising its rights under the Senior Notes Indenture, the Senior Secured Notes Indenture, the Existing 2022 Senior Secured Notes Indenture, the Intercreditor Agreement (or any Additional Intercreditor Agreement), the Security Documents, and any finance and security arrangements not prohibited by the Senior Notes Indenture;

(4) the ownership of (i) cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities, (ii) shares of the Senior Secured Notes Issuer, (iii) Permitted Investments and (iv) other property and assets for the purpose of transferring such property and asset to any Parent or other Person;

(5) the management of the Issuer's and its Subsidiaries' assets and conducting activities and entering into transactions related or incidental to the establishment and/or maintenance of the Issuer's and the Issuer's Subsidiaries' corporate existence and any other transaction of a type customarily entered into by holding companies and their subsidiaries (including the payment of wages, Taxes and the incurrence of obligations and liabilities arising by operation of law or that are typical or incidental to the activities of a holding company);

(6) any activity reasonably relating to the servicing, purchase, redemption, amendment, exchange, refinancing or retirement of the Senior Notes or other Indebtedness (or other items that are specifically excluded from the definition of Indebtedness) not prohibited to be Incurred under the Senior Notes Indenture;

(7) the entering into and performance of any rights or obligations in respect of (i) contracts and agreements with its officers, directors, employees, consultants and other providers of goods and services; (ii) subscription or purchase agreements for securities or preferred equity certificates, public offering rights agreements, voting and other shareholder agreements, engagement letters, underwriting agreements, agreements with Rating Agencies and other agreements in respect of its securities or any offering, issuance or sale thereof; (iii) engagement letters and reliance letters in respect of legal, accounting and other advice or reports received or commissioned by it, in each case, in relation to transactions which are not prohibited under the Senior Notes Indenture; and (iv) sale and purchase agreements in respect of any merger and acquisition activities;

(8) the listing of its Capital Stock and the issuance, offering and sale of its Capital Stock, including compliance with applicable regulatory and other obligations in connection therewith;

(9) the Acquisition, the GFKL Acquisition and the Transactions; and

(10) the undertaking of any other activities, the holding of assets and the incurrence of liabilities which are not specifically listed in this covenant and which are (i) ancillary to or related to those listed in this covenant or (ii) not material to the Issuer and its Restricted Subsidiaries (taken as a whole).

Post-Closing Undertakings

The Issuer shall use its commercially reasonable efforts to implement the Squeeze Out and complete it in accordance with the applicable German statutory provisions as soon as reasonably practicable after the Completion Date, and in any event, by no later than December 31, 2016, and thereafter to use its commercially reasonable efforts to take all steps required to complete the German Company Conversion, as soon as reasonably practicable after the Squeeze Out is completed, and in any event, within three months of the Squeeze Out being completed.

By the date falling 10 Business Days after the Structure Event, the Issuer shall procure that, unless the Security Coverage Test is satisfied at any time prior to the Structure Event, the Senior Notes will, subject in each case to the Agreed Security Principles, be Guaranteed on a senior subordinated basis by such further Group entities so as to satisfy the Security Coverage Test.

Within 60 days of the Completion Date, subject to the terms of the Security Documents and the Agreed Security Principles, (1) the Issuer shall procure that the Senior Notes will be Guaranteed on a senior subordinated basis by the Senior Notes Post-Completion Date Guarantors; and (2) the Issuer shall use commercially reasonable efforts to procure that New Luxco become a party to the Senior Notes Indenture. To the extent that New Luxco becomes a party to the Senior Notes Indenture, New Luxco shall within 60 days of the Completion Date provide second-priority security interests over any T-Shares of the Senior Secured Notes Issuer held by New Luxco, subject to the terms of the applicable Security Document and the Agreed Security Principles (with New Luxco deemed to be a member of the Group as defined therein for purposes of this undertaking.)

Listing

The Issuer will use its reasonable best efforts to (i) obtain the listing of the Senior Notes on the Official List of the Luxembourg Stock Exchange and the admission to trading of the Senior Notes on the Euro MTF Market of the Luxembourg Stock Exchange as promptly as practicable after the Issue Date and (ii) maintain such listing and admission to trading for so long as such Senior Notes are outstanding; *provided* that if the Issuer is unable to obtain such listing, or if maintenance of such listing becomes unduly onerous, it will, prior to the delisting of the Senior Notes from the Official List of the Luxembourg Stock Exchange, use its reasonable best efforts to obtain and maintain a listing of such Senior Notes on another "recognised stock exchange" as defined in section 1005 of the Income Tax Act 2007 of the United Kingdom.

Payments for Consent

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any Holder of Senior Notes for or as an inducement to any consent, waiver or amendment of any of the terms of the provisions of the Senior Notes Indenture or the Senior Notes unless such consideration is offered to be paid and is paid to all Holders of the Senior Notes that consent, waive or agree to such amendment in the time frame set forth in the solicitation documents relating to such consent, waiver or agreement. Notwithstanding the foregoing, the Issuer and its Restricted Subsidiaries shall be permitted, in any offer or payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of the Senior Notes Indenture, to exclude Holders of Senior Notes in any jurisdiction or any category of Holders of Senior Notes where (1) the solicitation of such consent, waiver or amendment, including in connection with any tender or exchange offer, or (2) the payment of the consideration therefor could reasonably be interpreted as requiring the Issuer or any of its Restricted Subsidiaries to file a registration statement, prospectus or similar document under any applicable securities laws or listing requirements (including, but not limited to, the United States federal securities laws and the laws of the European Union or any of its member states), which the Issuer in its sole discretion determines (acting in good faith) (a) would be materially burdensome (it being understood that it would not be materially burdensome to file the consent document(s) used in other jurisdictions, any substantially similar documents or any summary thereof with the securities or financial services authorities in such jurisdiction) or (b) such solicitation would otherwise not be permitted under applicable law in such jurisdiction or with respect to such category of Holders of Senior Notes.

Events of Default

Each of the following is an "Event of Default" under the Senior Notes Indenture:

(1) default in any payment of interest on any Senior Note issued under the Senior Notes Indenture when due and payable, continued for 30 days;

(2) default in the payment of the principal amount of or premium, if any, on any Senior Note issued under the Senior Notes Indenture when due at its Stated Maturity, upon optional redemption, upon required repurchase, upon declaration or otherwise;

(3) failure by New Luxco (only with respect to the covenants under the headings "*—Certain Covenants—Impairment of Security Interests*" and "*—Certain Covenants—Additional Intercreditor Agreements*"), the Issuer or any Restricted Subsidiary to comply for 60 days after notice by the Trustee or the Holders of at least 25% in principal amount of the outstanding Senior Notes with its other agreements contained in the Senior Notes Indenture;

(4) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Issuer or any of its Restricted Subsidiaries (or the payment of which is Guaranteed by the Issuer or any of its Restricted Subsidiaries), other than Indebtedness owed to the Issuer or a Restricted Subsidiary, whether such Indebtedness or Guarantee now exists, or is created after the Issue Date, which default:

    (a) is caused by a failure to pay principal at stated maturity on such Indebtedness, immediately upon the expiration of the grace period provided in such Indebtedness ("*payment default*"); or

    (b) results in the acceleration of such Indebtedness prior to its maturity (the "*cross acceleration provision*"),

and in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a payment default or the maturity of which has been so accelerated, aggregates £15 million or more;

(5) certain events of bankruptcy, insolvency or court protection of the Issuer or a Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Issuer), would constitute a Significant Subsidiary (the "*bankruptcy provisions*");

(6) failure by the Issuer or any Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Issuer), would constitute a Significant Subsidiary to pay final judgments aggregating in excess of £15 million (exclusive of any amounts for which a solvent insurance company has acknowledged liability), which judgments are not paid, discharged or stayed for a period of 60 days after the judgment becomes final (the "*judgment default provision*");

(7) any security interest under the Security Documents shall, at any time, cease to be in full force and effect (other than in accordance with the terms of the relevant Security Document, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Senior Notes Indenture) with respect to Collateral having a fair market value in excess of £5 million for any reason other than the satisfaction in full of all obligations under the Senior Notes Indenture or the release of any such security interest in accordance with the terms of the Senior Notes Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement or the Security Documents or any such security interest created thereunder shall be declared invalid or unenforceable or the Issuer or any Restricted Subsidiary shall assert in writing that any such security interest is invalid or unenforceable, and any such Default continues for 10 days; and

(8) any Note Guarantee of a Significant Subsidiary ceases to be in full force and effect (other than in accordance with the terms of such Note Guarantee or the Senior Notes Indenture) or is declared invalid or unenforceable in a judicial proceeding or any Guarantor denies or disaffirms in writing its obligations under its Note Guarantee and any such Default continues for 10 days.

If an Event of Default (other than an Event of Default described in clause (5) above) occurs and is continuing, the Trustee, by notice to the Issuer, or the Holders of at least 25% in principal amount of the outstanding Senior Notes under the Senior Notes Indenture, by written notice to the Issuer and the Trustee, may, and the Trustee at the request of such Holders shall, declare the principal of, premium, if any, and accrued and unpaid interest on all the Senior Notes under the Senior Notes Indenture to be due and payable. Upon such a declaration, such principal, premium and accrued and unpaid interest will be due and payable immediately. In the event of a declaration of acceleration of the Senior Notes because an Event of Default described in clause (4) under the definition of "—*Events of Default*" has occurred and is continuing, the declaration of acceleration of the Senior Notes shall be automatically annulled if the event of default or payment default triggering such Event of Default pursuant to clause (4) shall be remedied or cured, or waived by the holders of the Indebtedness, or the Indebtedness that gave rise to such Event of Default shall have been discharged in full, within 30 days after the declaration of acceleration with respect thereto and if (1) the annulment of the acceleration of the Senior Notes would not conflict with any judgment or decree of a court of competent jurisdiction and (2) all existing Events of Default, except nonpayment of principal, premium or interest on the Senior Notes that became due solely because of the acceleration of the Senior Notes, have been cured or waived.

If an Event of Default described in clause (5) above occurs and is continuing, the principal of, premium, if any, and accrued and unpaid interest on all the Senior Notes will become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holders. Holders of the Senior Notes may not enforce the Senior Notes Indenture or the Senior Notes except as provided in the Senior Notes Indenture and may not enforce the Security Documents except as provided in such Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement.

The Holders of a majority in principal amount of the outstanding Senior Notes under the Senior Notes Indenture by notice to the Trustee may, on behalf of all Holders, waive all past or existing Defaults or Events of Default (except with respect to nonpayment of principal, premium, interest or Additional Amounts, if any) and rescind any such acceleration with respect to such Senior 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 Senior Notes 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 Senior Notes Indenture at the request or direction of any of the Holders unless such Holders have offered to the Trustee indemnity or security satisfactory to the Trustee against any loss, liability or expense. Except to enforce the right to receive payment of principal or interest when due, no Holder may pursue any remedy with respect to the Senior Notes Indenture or the Senior Notes unless:

(1) such Holder has previously given the Trustee notice that an Event of Default is continuing;

(2) Holders of at least 25% in principal amount of the outstanding Senior Notes have requested the Trustee to pursue the remedy;

(3) such Holder has offered the Trustee security or indemnity satisfactory to the Trustee against any loss, liability or expense;

(4) the Trustee has not complied with such request within 60 days after the receipt of the request and the offer of such security or indemnity; and

(5) the Holders of a majority in principal amount of the outstanding Senior Notes have not given the Trustee a direction that, in the opinion of the Trustee, is inconsistent with such request within such 60-day period.

Subject to certain restrictions, the Holders of a majority in principal amount of the outstanding Senior Notes are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee. The Senior Notes Indenture will provide that, in the event an Event of Default has occurred and is continuing, the Trustee will be required in the exercise of its powers to use the degree of care that a prudent person would use in the conduct of its own affairs. The Trustee, however, may refuse to follow any direction that conflicts with law or the Senior Notes 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 Senior Notes Indenture, the Trustee will be entitled to indemnification or other security satisfactory to it in its sole discretion against all losses, liabilities and expenses caused by taking or not taking such action. Prior to the occurrence of an Event of Default, the Trustee will have no obligation to monitor compliance by the Issuer with the Senior Notes Indenture. The Senior Notes Indenture will provide that if a Default occurs and is continuing and the Trustee is informed in writing of such occurrence by the Issuer, the Trustee must give notice of the Default to the Holders within 60 days after being so notified by the Issuer. Except in the case of a Default in the payment of principal of, or premium, if any, or interest on any Senior Note, the Trustee may withhold notice if and so long as the Trustee determines that withholding notice is in the interests of the Holders.

The Issuer is required to deliver to the Trustee, within 120 days after the end of each fiscal year, an Officer's Certificate indicating whether the signers thereof know of any Default or Event of Default that occurred during the previous year. The Issuer is required to deliver to the Trustee, within 30 days after the occurrence thereof, written notice of any events of which it is aware which would constitute certain Defaults, their status and what action the Issuer is taking or proposes to take in respect thereof.

The Senior Notes Indenture will provide that (i) if a Default occurs for a failure to deliver a required certificate in connection with another default (an "*Initial Default*"), then at the time such Initial Default is cured, such Default for a failure to report or deliver a required certificate in connection with the Initial Default will also be cured without any further action and (ii) any Default or Event of Default for the failure to comply with the time periods prescribed in the covenant entitled "*Certain Covenants—Reports*" or otherwise to deliver any notice or certificate pursuant to any other provision of the Senior Notes Indenture shall be deemed to be cured upon the delivery of any such report required by such covenant or notice or certificate, as applicable, even though such delivery is not within the prescribed period specified in the Senior Notes Indenture.

The Senior Notes Indenture will provide for the Trustee to take action on behalf of the Holders in certain circumstances, but only if the Trustee is indemnified or secured to its satisfaction. It may not be possible for the Trustee to take certain actions in relation to the Senior Notes and, accordingly, in such circumstances the Trustee will be unable to take action, notwithstanding the provision of an indemnity to it, and it will be for Holders to take action directly.

Amendments and Waivers

Subject to certain exceptions, the Senior Notes Documents may be amended, supplemented or otherwise modified with the consent of Holders of at least a majority in principal amount of the Senior Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Senior Notes) and, subject to certain exceptions, any default or compliance with any provisions thereof may be waived with the consent of the Holders of at least a majority in principal amount of the Senior Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Senior Notes); *provided* that, if any amendment, supplement, other modification or waiver will only amend, supplement or waive one series of the Senior Notes, only the consent of a majority in aggregate principal amount of the then outstanding Senior Notes of such series shall be required. However, without the consent of Holders holding not less than 90% of the then outstanding principal amount of the Senior Notes affected, an amendment or waiver may not, with respect to any Senior Notes held by a non-consenting Holder or, if any amendment, waiver or other modification will only amend, supplement, modify or waive one series of the Senior Notes, without the consent of Holders holding not less than 90% of the then outstanding aggregate principal amount of such series of Senior Notes affected, with respect to any such series of Senior Notes held by a non-consenting Holder:

(1) reduce the principal amount of Senior 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 Senior Note;

(3) reduce the principal of or extend the Stated Maturity of any Senior Note;

(4) reduce the premium payable upon the redemption of any Senior Note or change the time at which any Senior Note may be redeemed, in each case as described under "*—Optional Redemption*";

(5) make any Senior Note payable in money other than that stated in the Senior Note;

(6) impair the right of any Holder to receive payment of principal of and interest or Additional Amounts, if any, on such Holder's Senior Notes on or after the due dates therefor or to institute suit for the enforcement of any such payment on or with respect to such Holder's Senior Notes;

(7) make any change in the provision of the Senior Notes Indenture described under "*—Withholding Taxes*" that adversely affects the right of any Holder of such Senior Notes in any material respect or amends the terms of such Senior Notes in a way that would result in a loss of an exemption from any of the Taxes described thereunder or an exemption from any obligation to withhold or deduct Taxes so described thereunder unless the Issuer agrees to pay Additional Amounts, if any, in respect thereof;

(8) release all or substantially all of the security interests granted for the benefit of the Holders in the Collateral other than in accordance with the terms of the Security Documents, the Intercreditor Agreement, any applicable Additional Intercreditor Agreement or the Senior Notes Indenture;

(9) waive a Default or Event of Default with respect to the nonpayment of principal, premium or interest or Additional Amounts, if any, on the Senior Notes (except pursuant to a rescission of acceleration of the Senior Notes by the Holders of at least a majority in aggregate principal amount of such Senior Notes and a waiver of the payment default that resulted from such acceleration);

(10) release all or substantially all of the Guarantors from their obligations under the Note Guarantees or the Senior Notes Indenture, except in accordance with the terms of the Senior Notes Indenture and the Intercreditor Agreement; or

(11) make any change in the amendment or waiver provisions which require the Holders' consent described in this sentence.

Notwithstanding the foregoing, without the consent of any Holder, the Issuer, the Trustee, the Security Agent and the other parties thereto, as applicable, may amend or supplement any Senior Notes Documents:

(1) to cure any ambiguity, omission, defect, error or inconsistency;

(2) to provide for the assumption by a successor Person of the obligations of the Issuer or any Restricted Subsidiary under any Senior Notes Document;

(3) to add to the covenants or provide for a Note Guarantee for the benefit of the Holders or surrender any right or power conferred upon the Issuer or any Restricted Subsidiary;

(4) to make any change that would provide additional rights or benefits to the Trustee or the Holders or that does not adversely affect the rights or benefits to the Trustee or any of the Holders in any material respect under the Senior Notes Documents;

(5) to make such provisions as necessary (as determined in good faith by the Board of Directors or an Officer of the Issuer) for the issuance of Additional Senior Notes;

(6) to provide for any Restricted Subsidiary to provide a Note Guarantee in accordance with the covenant described under "*—Certain Covenants—Limitation on Indebtedness" or "—Limitation on Additional Guarantees*," to add Note Guarantees with respect to the Senior Notes, to add security to or for the benefit of the Senior Notes, or to confirm and evidence the release, termination, discharge or retaking of any Note Guarantee or Lien (including the Collateral and the Security Documents) or any amendment in respect thereof with respect to or securing the Senior Notes when such release, termination, discharge or retaking or amendment is provided for under the Senior Notes Indenture, the Security Documents, the Intercreditor Agreement or any Additional Intercreditor Agreement;

(7) to conform the text of the Senior Notes Indenture, the Security Documents or the Senior Notes to any provision of this "*Description of the Senior Notes*" to the extent that such provision in this "*Description of the Senior Notes*" was intended to be a verbatim recitation of a provision of the Senior Notes Indenture, the Security Documents or the Senior Notes;

(8) to evidence and provide for the acceptance and appointment under the Senior Notes Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement of a successor trustee or security agent pursuant to the requirements thereof or to provide for the accession by the Trustee or Security Agent to any Senior Notes Document;

(9) in the case of the Security Documents, to mortgage, pledge, hypothecate or grant a security interest in favor of the Security Agent for the benefit of the Holders or parties to the Revolving Credit Facility Agreement, in any property which is required by the Security Documents or the Revolving Credit Facility Agreement (as in effect on the Issue Date) to be mortgaged, pledged or hypothecated, or in which a security interest is required to be granted to the Security Agent, or to the extent necessary to grant a security interest in the Collateral for the benefit of any Person; *provided* that the granting of such security interest is not prohibited by the Senior Notes Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement and the covenant described under "*—Certain Covenants—Impairment of Security Interest*" is complied with; or

(10) as provided in "*—Certain Covenants—Additional Intercreditor Agreements.*"

In formulating its decision on such matters, the Trustee shall be entitled to require and rely on such evidence as it deems necessary, including Officer's Certificates and Opinions of Counsel. The consent of the Holders is not necessary under the Senior Notes Indenture to approve the particular form of any proposed amendment of any Senior Notes Document. It is sufficient if such consent approves the substance of the proposed amendment. A consent to any amendment or waiver under the Senior Notes Indenture by any Holder of Senior Notes given in connection with a tender of such Holder's Senior Notes will not be rendered invalid by such tender.

For purposes of determining whether Holders of the requisite aggregate principal amount of any series of Senior Notes have taken any action under the Senior Notes Indenture, the aggregate principal amount of such series of Senior Notes will be deemed to be the pound-sterling equivalent of the aggregate principal amount of such Senior Notes as of (i) the record date in respect of such action (if a record date has been set with respect to the taking of such action) or (ii) the date the taking of such action by Holders of the requisite aggregate principal amount of such Senior Notes has been certified to the Trustee by the Issuer (if no such record date has been set).

Notwithstanding anything to the contrary in the paragraphs above, in order to effect an amendment authorized by clause (3) above to add a Guarantor under the Senior Notes Indenture, it shall only be necessary for the supplemental indenture providing for the accession of such additional Guarantor to be duly authorized and executed by (i) the Issuer, (ii) such additional Guarantor and (iii) the Trustee. Any other amendments permitted by the Senior Notes Indenture need only be duly authorized and executed by the Issuer and the Trustee.

Acts by Holders

In determining whether the Holders of the required principal amount of the Senior Notes have concurred in any direction, waiver or consent, the Senior Notes owned by the Issuer or by any Person directly or indirectly controlling, or controlled by, or under direct or indirect common control with, the Issuer will be disregarded and deemed not to be outstanding; *provided* that, for the purpose of determining whether the Trustee shall be protected in relying on any such direction, waiver or consent, only Senior Notes which the Trustee knows are so owned shall be so disregarded.

Defeasance

The Issuer at any time may terminate all obligations of the Issuer and each Guarantor under the Senior Notes and the Senior Notes 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 Senior Notes, registration of Senior Notes, mutilated, destroyed, lost or stolen Senior Notes and the maintenance of an office or agency for payment and money for security payments held in trust. Subject to the foregoing, if the Issuer exercises its legal defeasance option, the Security Documents and the rights of the Trustee and the Holders under the Intercreditor Agreement or any Additional Intercreditor Agreement in effect at such time will terminate (other than with respect to the defeasance trust).

The Issuer at any time may terminate its and the Restricted Subsidiaries' obligations under the covenants described under "*Certain Covenants*" (other than clauses (1) and (2) under "*—Certain Covenants—Merger and Consolidation—The Issuer*") and "*Change of Control*" and the default provisions relating to such covenants described under "*—Events of Default*" above, the operation of the cross-default upon a payment default, the cross acceleration provisions, the bankruptcy provisions with respect to any Significant Subsidiaries, the judgment default provision, the guarantee provision and the security default provision described under "*—Events of Default*" ("*covenant defeasance*").

The Issuer at its option at any time may exercise its legal defeasance option notwithstanding its prior exercise of its covenant defeasance option. If the Issuer exercises its legal defeasance option, payment of the Senior Notes may not be accelerated because of an Event of Default with respect to such Senior Notes. If the Issuer exercises its covenant defeasance option with respect to the Senior Notes, payment of the Senior Notes may not be accelerated because of an Event of Default specified in clause (3) (other than with respect to clauses (1) and (2) of the covenant described under "*—Certain Covenants—Merger and Consolidation—The Issuer*"), (4), (5) (with respect only to the Significant Subsidiaries), (6), (7) or (8) under "*—Events of Default*."

In order to exercise either defeasance option, the Issuer must irrevocably deposit in trust (the "*defeasance trust*") with the Trustee (or another entity designated or appointed (as agent) by the Trustee for this purpose) cash in pound-sterling or pound-sterling-denominated European Government Obligations or a combination thereof sufficient for the payment of principal, premium, if any, and interest on the Senior Notes to redemption or maturity, as the case may be, and must comply with certain other conditions, including delivery to the Trustee of:

(1) an Opinion of Counsel in the United States to the effect that Holders of the relevant Senior Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit and defeasance and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred (and in the case of legal defeasance only, such Opinion of Counsel in the United States must be based on a ruling received by the Issuer from, or published by, the U.S. Internal Revenue Service or change in applicable U.S. federal income tax law);

(2) an Officer's Certificate stating that the deposit was not made by the Issuer with the intent of defeating, hindering, delaying, defrauding or preferring any creditors of the Issuer;

(3) an Officer's Certificate and an Opinion of Counsel (which opinion of counsel may be subject to customary assumptions and qualifications), each stating that all conditions precedent provided for or relating to legal defeasance or covenant defeasance, as the case may be, have been complied with;

(4) an Opinion of Counsel to the effect that the trust resulting from the deposit does not constitute, or is qualified as, a regulated investment company under the U.S. Investment Company Act of 1940; and

(5) all other documents or other information that the Trustee may reasonably require in connection with either defeasance option.

Satisfaction and Discharge

The Senior Notes Indenture, and the rights of the Trustee and the Holders under the Intercreditor Agreement and any Additional Intercreditor Agreement and the Security Documents will be discharged and cease to be of further effect (except as to surviving rights of conversion or transfer or exchange of the Senior Notes, as expressly provided for in the Senior Notes Indenture) as to all outstanding Senior Notes when (1) either (a) all the Senior Notes previously authenticated and delivered (other than certain lost, stolen or destroyed Senior Notes, and certain Senior 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 Senior Notes not previously delivered to the Paying Agent for cancellation (i) have become due and payable, (ii) will become due and payable at their Stated Maturity within one year or (iii) are to be called for redemption within one year under arrangements reasonably satisfactory to the Trustee for the giving of notice of redemption by the Paying Agent in the name, and at the expense, of the Issuer; (2) the Issuer has deposited or caused to be deposited with the Trustee (or another entity designated or appointed (as agent) by the Trustee for this purpose), money or pound-sterling-denominated European Government Obligations, or a combination thereof, as applicable, in an amount sufficient to pay and discharge the entire Indebtedness on the Senior 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 Senior 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 Senior Notes Indenture; (4) the Issuer has delivered irrevocable instructions to the Trustee under the Senior Notes Indenture to apply the deposited money toward the payment of the Senior Notes at maturity or on the redemption date, as the case may be, and (5) the Issuer has delivered to the Trustee an Officer's Certificate and an Opinion of Counsel (*provided* that such counsel may not be an employee of the Issuer or its Subsidiaries) each to the effect that all conditions precedent under the "*Satisfaction and Discharge*" section of the Senior Notes Indenture relating to the satisfaction and discharge of the Senior Notes Indenture have been complied with; *provided* that any such counsel may rely on any Officer's Certificate as to matters of fact (including as to compliance with the foregoing clauses (1), (2) and (3)).

No Personal Liability of Directors, Officers, Employees and Shareholders

No director, officer, employee, incorporator or shareholder of the Issuer or any of its Subsidiaries or Affiliates, as such, shall have any liability for any obligations of the Issuer, any Guarantor or New Luxco, if applicable, under the Senior Notes Documents or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Senior Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Senior Notes. Such waiver may not be effective to waive liabilities under the U.S. federal securities laws and it is the view of the SEC that such a waiver is against public policy.

Concerning the Trustee and Certain Agents

Citibank, N.A., London Branch is to be appointed as Trustee under the Senior Notes Indenture. The Senior Notes Indenture will provide that, except during the continuance of an Event of Default, the Trustee will perform only such duties as are set forth specifically in the Senior Notes Indenture. During the existence of an Event of Default, the Trustee will exercise such of the rights and powers vested in it under the Senior Notes 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 Senior Notes Indenture will not be construed as an obligation or duty.

The Senior Notes Indenture will impose certain limitations on the rights of the Trustee, should it become a creditor of the Issuer, to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee or any Agent will be permitted to engage in other transactions with the Issuer and its Affiliates and Subsidiaries.

The Senior Notes Indenture will set out the terms under which the Trustee may retire or be removed and replaced. Such terms will include, among others, (1) that the Trustee may be removed at any time by the Holders of a majority in principal amount of then outstanding Senior Notes, or may resign at any time by giving written notice to the Issuer, and (2) that if the Trustee at any time (a) has or acquires a conflict of interest that is not eliminated, or (b) becomes incapable of acting as Trustee or becomes insolvent or bankrupt, then the Issuer may remove the Trustee, or any Holder who has been a bona fide Holder for not less than six months may petition any court for removal of the Trustee and appointment of a successor Trustee. Any removal or resignation of the Trustee shall not become effective until the acceptance of appointment by the successor Trustee.

The Senior Notes Indenture will contain provisions for the indemnification of the Trustee for any loss, liability, Taxes or expenses Incurred without gross negligence, willful misconduct or fraud on its part, arising out of or in connection with the acceptance or administration of the Senior Notes Indenture.

Notices

Notices, warnings, summonses and other communications to the Holders of the Senior Notes from the Trustee shall be sent via Euroclear or Clearstream (as applicable) with a copy to the Issuer and the Luxembourg Stock Exchange (to the extent required by the rules of the Luxembourg Stock Exchange). Any such notice or communication shall be deemed to be given or made when sent from Euroclear or Clearstream (as applicable). The Issuer's written notifications to the Holders of Senior Notes shall be sent through Euroclear or Clearstream (as applicable) with a copy to the Trustee and the Luxembourg Stock Exchange (to the extent required by the rules of the Luxembourg Stock Exchange).

Prescription

Claims against the Issuer, the Guarantors or New Luxco, if applicable, for the payment of principal, or premium, if any, on the Senior Notes will be prescribed 10 years after the applicable due date for payment thereof. Claims against the Issuer, the Guarantors or New Luxco, if applicable, for the payment of interest on the Senior Notes will be prescribed six years after the applicable due date for payment of interest.

Currency Indemnity and Calculation of Pound-Sterling-Denominated Restrictions

The pound sterling is the sole currency of account and payment for all sums payable by the Issuer and the Guarantors, if any, under or in connection with this series of Senior Notes and the related Note Guarantees, including damages. Any amount received or recovered in a currency other than pound sterling (in the case of this series of Senior Notes), whether as a result of, or the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer, any Guarantor or otherwise by any Holder or by the Trustee, in respect of any sum expressed to be due to it from the Issuer or a Guarantor will only constitute a discharge to the Issuer or such Guarantor, as applicable, to the extent of the pounds sterling amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so).

If that pound-sterling amount is less than the pound-sterling amount expressed to be due to the recipient or the Trustee under any Senior Note, the Issuer and the Guarantors will indemnify them against any loss sustained by such recipient or the Trustee as a result. In any event, the Issuer and the Guarantors will indemnify the recipient or the Trustee on a joint and several basis against the cost of making any such purchase. For the purposes of this currency indemnity provision, it will be *prima facie* evidence of the matter stated therein for the Holder of a Senior Note or the Trustee to certify in a manner reasonably satisfactory to the Issuer (indicating the sources of information used) the loss it Incurred in making any such purchase. These indemnities constitute a separate and independent obligation from the Issuer's and the Guarantors' other obligations, will give rise to a separate and independent cause of action, will apply irrespective of any waiver granted by any Holder of a Senior Note or the Trustee (other than a waiver of the indemnities set out herein) and will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Senior Note or any Note Guarantee, or to the Trustee.

Except as otherwise specifically set forth herein, for purposes of determining compliance with any EUR or pound sterling-denominated restriction herein, the EUR or pound-sterling equivalent amount, as applicable, for purposes hereof that is denominated in a currency other than EUR or pounds sterling, as applicable, shall be calculated based on the relevant currency exchange rate in effect on the date such non-EUR or non-pound-sterling amount, as applicable, is Incurred or made, as the case may be.

Enforceability of Judgments

Since substantially all the assets of the Issuer and the Guarantors are located outside the United States, any judgment obtained in the United States against the Issuer or the Guarantors, including judgments with respect to the payment of principal, premium, interest, Additional Amounts, if any, and any redemption price and any purchase price with respect to the Senior Notes, may not be collectable within the United States. See "*Risk Factors—Risks Related to Our Structure and the Financing—Each Note Guarantee and security interest will be subject to certain limitations on enforcement and may be limited by applicable law or subject to certain defenses that may limit its validity and enforceability" and "Certain Limitations on Validity and Enforceability of the Note Guarantees and the Collateral and Certain Insolvency Law Considerations*."

Consent to Jurisdiction and Service

In relation to any legal action or proceedings arising out of or in connection with the Senior Notes Indenture and the Senior Notes, the Issuer and the Guarantors will in the Senior Notes 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 Senior Notes Indenture and the Senior Notes, and the rights and duties of the parties thereunder, shall be governed by and construed in accordance with the laws of the State of New York.

For the avoidance of doubt, the provisions of articles 86 to 94-8 of the Luxembourg act dated 10 August 1915 on commercial companies, as amended (the "*Luxembourg Companies Act 1915*"), are excluded. No Holder may initiate proceedings against the Issuer based on article 98 of the Luxembourg Companies Act 1915. Any resolution of the Holders to amend the corporate objects of the Issuer or the form of the Issuer, to change the nationality of the Issuer and/or increasing the commitments of the shareholders of the Issuer may only be taken, and any meetings of the Holders resolving thereupon must be convened and held, in accordance with the Luxembourg Companies Act 1915 as long as any specific requirements exist in this respect in the Luxembourg

Companies Act 1915 (the "*Luxembourg Law Resolutions*"). A Luxembourg Law Resolution must be passed in accordance with the requirements of the Luxembourg Companies Act 1915. There are specific quorum requirements for Luxembourg Law Resolutions set out in the Luxembourg Companies Act 1915. Certain Luxembourg Law Resolutions passed at any meeting of the Holders will be binding on all Holders, whether or not they are present at the meeting. If there cease to be specific requirements under Luxembourg law for the above matters, the resolutions on these matters will be taken in the form of extraordinary resolutions.

Certain Definitions

"*Acquired Indebtedness*" means Indebtedness (1) of a Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary, or (2) assumed in connection with the acquisition of assets from such Person, in each case whether or not Incurred by such Person in connection with such Person becoming a Restricted Subsidiary or such acquisition or (3) of a Person at the time such Person merges with or into or consolidates or otherwise combines with the Issuer or any Restricted Subsidiary. Acquired Indebtedness shall be deemed to have been Incurred, with respect to clause (1) of the preceding sentence, on the date such Person becomes a Restricted Subsidiary and, with respect to clause (2) of the preceding sentence, on the date of consummation of such acquisition of assets and, with respect to clause (3) of the preceding sentence, on the date of the relevant merger, consolidation or other combination.

"*Acquisition*" means the acquisition of certain shares and indebtedness of the Target pursuant to the Acquisition Agreements, as described in this Offering Memorandum.

"*Acquisition Agreements*" means, collectively, the sale and purchase agreement dated August 7, 2015 between *inter alios*, the Sellers and Simon Bidco for the sale and purchase of the entire share capital of the Target (except T-Shares), certain loan notes held by the Sellers and certain shareholder loans held by Metis Holdco and 1920297 Ontario Limited, a wholly owned subsidiary of OTPP; the share purchase agreement dated August 7, 2015 between, *inter alios*, certain employee shareholders of the Target and Simon Bidco for the sale and purchase of certain shares of the Target; and the share purchase agreement dated on the Completion Date between, *inter alios*, Simon Bidco and an affiliate of TDR Capital LLP for the sale and purchase by New Luxco of certain T-Shares, as described in this Offering Memorandum.

"*Affiliate*" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"*Agreed Security Principles*" means the agreed security principles appended to the Revolving Credit Facility Agreement, as of the Issue Date, as applied *mutatis mutandis* with respect to the Senior Notes in good faith by the Issuer.

"*Applicable Premium*" means the greater of:

(1) 1% of the principal amount of such Senior Note; and

(2) as of any redemption date, the excess (to the extent positive) of:

  (a) the present value at such redemption date of (i) the redemption price of such Senior Note at November 1, 2018 (such redemption price (expressed in percentage of principal amount) being set forth in the table under "*—Optional Redemption*" (excluding accrued but unpaid interest)), plus (ii) all required interest payments due on such Senior Note to and including such date (excluding accrued but unpaid interest), computed upon the redemption date using a discount rate equal to the Gilt Rate at such redemption date plus 50 basis points; over

  (b) the outstanding principal amount of such Senior Note,

as calculated by the Issuer or on behalf of the Issuer by such Person as the Issuer shall designate. For the avoidance of doubt, calculation of the Applicable Premium shall not be an obligation or duty of the Trustee, Registrar, Transfer Agent or any Paying Agent.

"*Asset Disposition*" means any direct or indirect sale, lease (other than an operating lease entered into in the ordinary course of business), transfer, issuance or other disposition, or a series of related sales, leases (other than operating leases entered into in the ordinary course of business), transfers, issuances or dispositions that are part of a common plan, of shares of Capital Stock of a Restricted Subsidiary (other than directors' qualifying shares), property or other assets (each referred to for the purposes of this definition as a "disposition") by the Issuer or any of its Restricted Subsidiaries, including any disposition by means of a merger, consolidation or similar transaction. Notwithstanding the preceding provisions of this definition, the following items shall be deemed not to be Asset Dispositions:

(1) a disposition by a Restricted Subsidiary to the Issuer or by the Issuer or a Restricted Subsidiary to a Restricted Subsidiary;

(2) a disposition of cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;

(3) a disposition of inventory, trading stock, security equipment or other equipment or assets in the ordinary course of business;

(4) a disposition of obsolete, damaged, retired, surplus or worn out equipment or assets or equipment, facilities or other assets that are no longer useful in the conduct of the business of the Issuer and its Restricted Subsidiaries and any transfer, termination, unwinding or other disposition of hedging instruments or arrangements not for speculative purposes;

(5) transactions permitted under "*—Certain Covenants—Merger and Consolidation*" or a transaction that constitutes a Change of Control;

(6) an issuance or transfer of Capital Stock by a Restricted Subsidiary to the Issuer or to another Restricted Subsidiary or as part of or pursuant to an equity incentive or compensation plan approved by the Board of Directors of the Issuer or the issuance of directors' qualifying shares and shares issued to individuals as required by applicable law;

(7) any dispositions of Capital Stock, properties or assets in a single transaction or series of related transactions with a fair market value (as determined in good faith by the Board of Directors or an Officer of the Issuer) of less than the greater of £5 million and 3.7% of Total Assets;

(8) any Restricted Payment that is permitted to be made, and is made, under the covenant described above under "*—Certain Covenants—Limitation on Restricted Payments*" and the making of any Permitted Payment or Permitted Investment;

(9) the granting of Liens not prohibited by the covenant described above under the caption "*—Certain Covenants—Limitation on Liens*";

(10) dispositions of receivables in connection with the compromise, settlement or collection thereof (including, without limitation, Put-Backs) in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements or any sale of assets received by the Issuer or a Restricted Subsidiary upon the foreclosure of a Lien granted in favor of the Issuer or any Restricted Subsidiary;

(11) the licensing, sub-licensing, lease or assignment of intellectual property or other general intangibles and licenses, sub-licenses, leases or subleases of other property, in each case, in the ordinary course of business;

(12) foreclosure, condemnation, taking by eminent domain or any similar action with respect to any property or other assets;

(13) the sale or discount (with or without recourse, and on customary or commercially reasonable terms) of accounts receivable or notes receivable arising in the ordinary course of business, or the conversion or exchange of accounts receivable for notes receivable;

(14) sales or dispositions of receivables in connection with any Qualified Receivables Financing or any factoring transaction or otherwise in the ordinary course of business;

(15) any issuance, sale or disposition of Capital Stock, Indebtedness or other securities of an Unrestricted Subsidiary;

(16) any disposition of Capital Stock of a Restricted Subsidiary pursuant to an agreement or other obligation with or to a Person (other than the Issuer or a Restricted Subsidiary) from whom such Restricted Subsidiary was acquired, or from whom such Restricted Subsidiary acquired its business and assets (having been newly formed in connection with such acquisition), made as part of such acquisition and in each case comprising all or a portion of the consideration in respect of such sale or acquisition;

(17) any surrender or waiver of contract rights or the settlement, release, recovery on or surrender of contract, tort or other claims of any kind;

(18) any disposition of assets to a Person who is providing services related to such assets, the provision of which has been or is to be outsourced by the Issuer or any Restricted Subsidiary to such Person; *provided, however*, that the Board of Directors of the Issuer shall certify that in the opinion of the Board of Directors, the outsourcing transaction will be economically beneficial to the Issuer and its Restricted Subsidiaries (considered as a whole); *provided, further*, that the fair market value of the assets disposed of, when taken together with all other dispositions made pursuant to this clause (18), does not exceed the greater of £7 million and 5.0% of Total Assets;

(19) an issuance of Capital Stock by a Restricted Subsidiary to the Issuer or to another Restricted Subsidiary, an issuance or sale by a Restricted Subsidiary of Preferred Stock or Disqualified Capital Stock that is permitted by the covenant described above under "*—Certain Covenants—Limitation on Indebtedness*" or an issuance of Capital Stock by the Issuer pursuant to an equity incentive or compensation plan approved by the Board of Directors of the Issuer;

(20) sales, transfers or other dispositions of Investments in joint ventures to the extent required by, or made pursuant to, customary buy/sell arrangements between the joint venture parties set forth in joint venture arrangements and similar binding agreements; *provided* that any cash or Cash Equivalents received in such sale, transfer or disposition are applied in accordance with the "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*" covenant;

(21) any disposition with respect to property built, owned or otherwise acquired by the Issuer or any Restricted Subsidiary pursuant to customary sale and lease-back transactions, asset securitizations and other similar financings permitted by the Senior Notes Indenture;

(22) a disposition of Portfolio Assets (including dispositions of Right to Collect Accounts) or inventory or other assets, in each case, in the ordinary course of business, including into a trust in favor of third parties or otherwise; and

(23) a disposition in connection with the Transactions.

"*Associate*" means (i) any Person engaged in a Similar Business of which the Issuer or its Restricted Subsidiaries are the legal and beneficial owners of between 20% and 50% of all outstanding Voting Stock and (ii) any joint venture entered into by the Issuer or any Restricted Subsidiary.

"*Board of Directors*" means (1) with respect to the Issuer or any corporation, the board of directors or managers, as applicable, of the corporation, or any duly authorized committee thereof; (2) with respect to any partnership, the board of directors or other governing body of the general partner of the partnership or any duly authorized committee thereof; and (3) with respect to any other Person, the board or any duly authorized committee of such Person serving a similar function. Whenever any provision of the Senior Notes Indenture requires any action or determination to be made by, or any approval of, a Board of Directors, such action, determination or approval shall be deemed to have been taken or made if approved by a majority of the directors (excluding employee representatives, if any) on any such Board of Directors (whether or not such action or approval is taken as part of a formal board meeting or as a formal board approval). References to "Board of Directors of the Issuer" shall be construed to mean "Board of Directors" of the Issuer or "Board of Directors" of the Senior Secured Notes Issuer, as determined from time to time by the Issuer.

"*Business Day*" means each day that is not a Saturday, Sunday or other day on which banking institutions in Frankfurt, Germany, Luxembourg or London, United Kingdom are authorized or required by law to close.

"*Capital Stock*" of any Person means any and all shares of, rights to purchase, warrants or options for, or other equivalents of or partnership or other interests in (however designated), equity of such Person, including any Preferred Stock, but excluding any debt securities convertible into such equity.

"*Capitalized Lease Obligation*" means an obligation that is required to be classified and accounted for as a capitalized lease for financial reporting purposes on the basis of IFRS (as in effect on the Issue Date for purposes of determining whether a lease is a capitalized lease). The amount of Indebtedness will be, at the time any determination is to be made, the amount of such obligation required to be capitalized on a balance sheet (excluding any notes thereto) prepared in accordance with IFRS, and the stated maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date such lease may be terminated without penalty.

"*Cash Equivalents*" means:

(1) securities issued or directly and fully Guaranteed or insured by the United States or Canadian government, a member state of the European Union or Switzerland or, in each case, any agency or instrumentality thereof (*provided* that the full faith and credit of such country or such member state is pledged in support thereof), having maturities of not more than two years from the date of acquisition;

(2) certificates of deposit, time deposits, Eurodollar time deposits, overnight bank deposits or bankers' acceptances having maturities of not more than one year from the date of acquisition thereof issued by any lender party to the Revolving Credit Facility or by any bank or trust company (a) whose commercial paper is rated at least "A-1" or the equivalent thereof by S&P or at least "P-1" or the equivalent thereof by Moody's (or if at the time neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) or (b) (in the event that the bank or trust company does not have commercial paper which is rated) having combined capital and surplus in excess of £250 million;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clauses (1) and (2) entered into with any bank meeting the qualifications specified in clause (2) above;

(4) commercial paper rated at the time of acquisition thereof at least "A-2" or the equivalent thereof by S&P or "P-2" or the equivalent thereof by Moody's or carrying an equivalent rating by a Nationally Recognized Statistical Rating Organization, if both of the two named Rating Agencies cease publishing ratings of investments or, if no rating is available in respect of the commercial paper, the issuer of which has an equivalent rating in respect of its long-term debt, and in any case maturing within one year after the date of acquisition thereof;

(5) readily marketable direct obligations issued by any state of the United States of America, any province of Canada, any member of the European Union, Japan, Norway or Switzerland or any political subdivision thereof, in each case, having one of the two highest rating categories obtainable from either Moody's or S&P (or if at the time neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of not more than two years from the date of acquisition;

(6) Indebtedness or preferred stock issued by Persons with a rating of "BBB-" or higher from S&P or "Baa3" or higher from Moody's (or if at the time neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of 12 months or less from the date of acquisition;

(7) bills of exchange issued in the United States, Canada, a member state of the European Union, Switzerland, Norway or Japan eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent);

(8) interests in any investment company, money market or enhanced high yield fund which invests 95% or more of its assets in instruments of the type specified in clauses (1) through (7) above; and

(9) for purposes of clause (2) of the definition of "*Asset Disposition*," the marketable securities portfolio owned by the Issuer and its Subsidiaries on the Issue Date.

"*Change of Control*" means the occurrence of any of the following:

(1) the Issuer becoming aware of (by way of a report or any other filing pursuant to Section 13(d) of the Exchange Act, proxy, vote, written notice or otherwise) any "person" or "group" of related persons (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act as in effect on the Issue Date), other than one or more Permitted Holders, is or becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act as in effect on the Issue Date), directly or indirectly, of more than 50% of the total voting power of the Voting Stock of the Issuer; *provided* that for the purposes of this clause, no Change of Control shall be deemed to occur by reason of the Issuer becoming a wholly-owned Subsidiary of a Successor Parent (subject to any directors' qualifying shares or shares required by any applicable law or regulation to be held by a person other than the Issuer or another wholly-owned Subsidiary that are held by a Person other than such Successor Parent); and

(2) the sale, lease, transfer, conveyance or other disposition (other than by way of merger, consolidation or other business combination transaction), in one or a series of related transactions, of all or substantially all of the assets of the Issuer and its Restricted Subsidiaries taken as a whole to a Person, other than a Restricted Subsidiary or one or more Permitted Holders.

"*Clearstream*" means Clearstream Banking, société anonyme, as currently in effect, or any successor securities clearing agency.

"*Collateral*" means any and all assets from time to time in which a security interest has been granted pursuant to any Security Document to secure the obligations under the Senior Notes Indenture, the Senior Notes and/or any Note Guarantee.

"*Compartment*" means, under the Luxembourg Securitization Law of 22 March 2004, as amended or any other similar law, one or more independent parts of such Person's estate distinguishable from the rest of the Person's estate by the nature of assets or liabilities relating to such independent part of such Person and each such independent part of such Person corresponding to a separate part of the assets and liabilities of the Person, created to allow for the management of asset portfolios separate from the remaining assets of such Person. The terms and conditions of the securities issued within a Compartment, as well as the specific objectives of the respective Compartment, are defined by the board of directors and set forth in the articles of association of such Person, the terms and conditions of such securities and other agreements, if any, entered by the Person in connection with such Compartment, and where (A) creditors of such Compartment are limited to the assets of that Compartment, (B) the assets and liabilities, investments and obligations of a Compartment are exclusively available to satisfy the claims of holders of securities issued within that Compartment, as well as of creditors, whose claims have arisen or will arise in connection with the creation, operation or liquidation of the respective Compartment, and (C) in the relationship of the holders between each other, each Compartment shall be treated as a separate entity.

"*Completion Date*" means the date of completion of the Acquisition.

"*Consolidated EBITDA*" for any period means, without duplication, the Consolidated Net Income for such period, plus any amortization of Portfolio Assets during such period (for the avoidance of doubt, amortization of Portfolio Assets includes the difference between collections and revenue recognized in the consolidated income statement as income from Portfolio Assets), plus the following to the extent deducted in calculating such Consolidated Net Income:

(1) Consolidated Interest Expense;

(2) Consolidated Income Taxes;

(3) consolidated depreciation expense;

(4) consolidated amortization (excluding amortization of a prepaid cash charge or expense that was paid in a prior period) or impairment expense;

(5) any expenses, charges or other costs related to any issuance of Capital Stock, listing of Capital Stock, Investment, acquisition (including amounts paid in connection with the acquisition or retention of one or more individuals comprising part of a management team retained to manage the acquired business and any expenses, charges or other costs related to deferred or contingent payments), disposition, recapitalization or the Incurrence of any Indebtedness permitted by the Senior Notes Indenture (whether or not successful) (including any such fees, expenses or charges related to the GFKL Acquisition or the Transactions (including any expenses in connection with related due diligence activities)), in each case, as determined in good faith by the Board of Directors or an Officer of the Issuer;

(6) any minority interest expense (whether paid or not) consisting of income attributable to minority equity interests of third parties in such period or any prior period or any net earnings, income or share of profit of any Associates, except to the extent of dividends declared or paid on, or other cash payments in respect of, equity interests held by such third parties;

(7) the amount of management, monitoring, consulting and advisory fees and related expenses paid in such period to the Permitted Holders to the extent permitted by the covenant described under "*—Certain Covenants—Limitation on Affiliate Transactions*";

(8) other non-cash charges, write-downs or items reducing Consolidated Net Income (excluding any such non-cash charge, write-down or item to the extent it represents an accrual of or reserve for cash charges expected to be paid in any future period) or other items classified by the Issuer as special, extraordinary, exceptional, unusual or non-recurring items less other non-cash items of income increasing Consolidated Net Income (other than non-cash items increasing Consolidated Net Income pursuant to clauses (1) to (13) of the definition of Consolidated Net Income and excluding any such non-cash item of income to the extent it represents a receipt of cash expected to be paid in any future period);

(9) the proceeds of any business interruption insurance received or that become receivable during such period to the extent the associated losses arising out of the event that resulted in the payment of such business interruption insurance proceeds were included in computing Consolidated Net Income;

(10) payments received or that become receivable with respect to expenses that are covered by the indemnification provisions in any agreement entered into by such Person in connection with an acquisition to the extent such expenses were included in computing Consolidated Net Income;

(11) any Receivables Fees and discounts on the sale of accounts receivable in connection with any Qualified Receivables Financing representing, in the Issuer's reasonable determination, the implied interest component of such discount for such period; and

(12) any amount corresponding to any revaluation of Portfolio Assets, as determined in good faith by the Board of Directors or an Officer of the Issuer (to the extent not duplicated with any non-cash charges set forth in clause (8) hereof).

"*Consolidated Income Taxes*" means Taxes or other payments, including deferred taxes, based on income, profits or capital of any of the Issuer and its Restricted Subsidiaries, whether or not paid, estimated, accrued or required to be remitted to any governmental authority.

"*Consolidated Interest Expense*" means, for any period (in each case, determined on the basis of IFRS), the consolidated net interest income/expense of the Issuer and its Restricted Subsidiaries, whether paid or accrued, plus or including (without duplication) any interest, costs and charges consisting of:

(1) interest expense attributable to Capitalized Lease Obligations;

(2) amortization of original issue discount (but not including deferred financing fees, debt issuance costs, commissions, fees and expenses);

(3) non-cash interest expense;

(4) costs associated with Hedging Obligations (excluding amortization of fees or any non-cash interest expense attributable to the movement in mark-to-market valuation of such obligations);

(5) the product of (a) all dividends or other distributions in respect of all Disqualified Stock of the Issuer and all Preferred Stock of any Restricted Subsidiary, to the extent held by Persons other than the Issuer or a Restricted Subsidiary, multiplied by (b) a fraction, the numerator of which is one and the denominator of which is one minus the then current combined national, state and local statutory tax rate of such Person, expressed as a decimal, as estimated in good faith by a responsible accounting or financial officer of the Issuer;

(6) the consolidated interest expense that was capitalized during such period (but excluding such interest on Subordinated Shareholder Funding); and

(7) cash interest actually paid by the Issuer or any Restricted Subsidiary under any Guarantee of Indebtedness or other obligation of any other Person;

minus (i) accretion or accrual of discounted liabilities other than Indebtedness and (ii) any expense resulting from the discounting of any Indebtedness in connection with the application of purchase accounting in connection with any acquisition, in each case, to the extent included in interest expense under IFRS.

"*Consolidated Leverage*" means the sum of the aggregate outstanding Indebtedness of the Issuer and its Restricted Subsidiaries (excluding Hedging Obligations entered into for *bona fide* hedging purposes and not for speculative purposes (as determined in good faith by the Issuer)).

"*Consolidated Leverage Ratio*" means, as of any date of determination, the ratio of (x) Consolidated Leverage at such date to (y) the aggregate amount of Consolidated EBITDA for the period of the four most recent fiscal quarters ending prior to the date of such determination for which internal consolidated financial statements of the Issuer are available. In the event that the Issuer or any of its Restricted Subsidiaries Incurs, assumes, guarantees, repays, repurchases, redeems, defeases or otherwise discharges any Indebtedness subsequent to the commencement of the period for which the Consolidated Leverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Consolidated Leverage Ratio is made (the "*Calculation Date*"), then the Consolidated Leverage Ratio will be calculated giving *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of the Issuer), including in respect of anticipated expense and cost reduction synergies, to such Incurrence, assumption, guarantee, repayment, repurchase, redemption, defeasance or other discharge of Indebtedness, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the applicable reference period; *provided, however*, that the *pro forma* calculation shall not give effect to (i) any Indebtedness Incurred on the Calculation Date pursuant to the provisions described in the second paragraph under "*—Certain Covenants—Limitation on Indebtedness*" or (ii) the discharge on the Calculation Date of any Indebtedness to the extent that such discharge results from the proceeds Incurred pursuant to the provisions described in the second paragraph under "*—Certain Covenants—Limitation on Indebtedness*";

In addition, for purposes of calculating the Consolidated Leverage Ratio:

(1) acquisitions and Investments that have been made by the Issuer or any of its Restricted Subsidiaries, including through mergers or consolidations, or any Person or any of its Subsidiaries which are Restricted Subsidiaries acquired by the Issuer or any of its Restricted Subsidiaries, and including all related financing transactions and including increases in ownership of Subsidiaries which are Restricted Subsidiaries, during the reference period or subsequent to such reference period and on or prior to the Calculation Date, or that are to be made on the Calculation Date, will be given *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of the Issuer and may include anticipated expense and cost reduction synergies) as if they had occurred on the first day of the reference period; *provided*, that the *pro forma* calculation may give effect to anticipated acquisitions which have not yet occurred but which have become subject to a definitive purchase agreement or contract, where the Indebtedness to be Incurred is to finance such acquisitions in whole or in part and such Indebtedness, if Incurred prior to the completion of any such acquisition, is funded into escrow and released to the Issuer or any Restricted Subsidiary only in connection with the completion of such acquisition;

(2) the Consolidated EBITDA (whether positive or negative) attributable to discontinued operations, as determined in accordance with IFRS, and operations, businesses or group of assets constituting a business or operating unit (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded on a *pro forma* basis as if such disposition occurred on the first day of such period (taking into account anticipated cost savings resulting from any such disposal, as determined in good faith by a responsible accounting or financial officer of the Issuer);

(3) the Consolidated Interest Expense attributable to discontinued operations, as determined in accordance with IFRS, and operations, businesses or group of assets constituting a business or operating unit (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded on a *pro forma* basis as if such disposition occurred on the first day of such period, but only to the extent that the obligations giving rise to such Consolidated Interest Expense will not be obligations of the Issuer or any of its Restricted Subsidiaries following the Calculation Date;

(4) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such reference period;

(5) any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such reference period; and

(6) if any Indebtedness bears a floating rate of interest, the interest expense on such Indebtedness will be calculated as if the rate in effect on the Calculation Date had been the applicable rate for the entire period (taking into account any Interest Rate Agreement applicable to such Indebtedness), and if any Indebtedness is not denominated in the Issuer's functional currency, that Indebtedness for purposes of the calculation of Consolidated Leverage shall be treated in accordance with IFRS.

"*Consolidated Net Income*" means, for any period, the net income (loss) of the Issuer and its Restricted Subsidiaries determined on a consolidated basis on the basis of IFRS; *provided, however*, that there will not be included in such Consolidated Net Income:

(1) subject to the limitations contained in clause (2) below, any net income (loss) of any Person if such Person is not a Restricted Subsidiary, except that the Issuer's equity in the net income of any such Person for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed by such Person during such period to the Issuer or a Restricted Subsidiary as a dividend or other distribution or return on investment or could have been distributed, as reasonably determined by an Officer of the Issuer (subject, in the case of a dividend or other distribution or return on investment to a Restricted Subsidiary, to the limitations contained in clause (2) below);

(2) solely for the purpose of determining the amount available for Restricted Payments under clause (c)(i) of the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*,"

any net income (loss) of any Restricted Subsidiary (other than a Guarantor) if such Subsidiary is subject to restrictions on the payment of dividends or the making of distributions by such Restricted Subsidiary to the Issuer by operation of the terms of such Restricted Subsidiary's charter or any agreement, instrument, judgment, decree, order, statute or governmental rule or regulation applicable to such Restricted Subsidiary or its shareholders (other than (a) restrictions that have been waived or otherwise released, (b) restrictions pursuant to the Senior Notes, the Senior Notes Indenture, the Senior Secured Notes, the Senior Secured Notes Indenture, the Existing 2022 Senior Secured Notes and the Existing 2022 Senior Secured Notes Indenture, (c) contractual restrictions in effect on the Issue Date with respect to a Restricted Subsidiary (including pursuant to the Revolving Credit Facility Agreement or the Intercreditor Agreement) and other restrictions with respect to such Restricted Subsidiary that, taken as a whole, are not materially less favorable to the Holders than such restrictions in effect on the Issue Date, and (d) restrictions permitted under the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Restrictions on Distributions from Restricted Subsidiaries*," except that the Issuer's equity in the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed or that could have been distributed by such Restricted Subsidiary during such period to the Issuer or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend to another Restricted Subsidiary (other than a Guarantor), to the limitation contained in this clause);

(3) any net gain (or loss) realized upon the sale or other disposition of any asset or disposed operations of the Issuer or any Restricted Subsidiaries (including pursuant to any sale and lease-back transaction) which is not sold or otherwise disposed of in the ordinary course of business (as determined in good faith by an Officer or the Board of Directors of the Issuer);

(4) any extraordinary, one-off, non-recurring, exceptional or unusual gain, loss, expense or charge, including any charges or reserves in respect of any restructuring, redundancy, relocation, refinancing, integration or severance or other post-employment arrangements, signing, retention or completion bonuses, transaction costs (including costs related to the Transactions, the GFKL Acquisition or any investments), acquisition costs, business optimization, system establishment, software or information technology implementation or development, costs related to governmental investigations and curtailments or modifications to pension or post-retirement benefits schemes, litigation or any asset impairment charges or the financial impacts of natural disasters (including fire, flood and storm and related events);

(5) the cumulative effect of a change in accounting principles;

(6) any non-cash compensation charge or expense arising from any grant of stock, stock options or other equity based awards and any non-cash deemed finance charges in respect of any pension liabilities or other provisions, any non-cash net after tax gains or losses attributable to the termination or modification of any employee pension benefit plan and any charge or expense relating to any payment made to holders of equity-based securities or rights in respect of any dividend sharing provisions of such securities or rights to the extent such payment was made pursuant to the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*";

(7) all deferred financing costs written off and premiums paid or other expenses Incurred directly in connection with any early extinguishment of Indebtedness or Hedging Obligations and any net gain (loss) from any write-off or forgiveness of Indebtedness;

(8) any unrealized gains or losses in respect of Hedging Obligations or other financial instruments or any ineffectiveness recognized in earnings related to qualifying hedge transactions or the fair value or changes therein recognized in earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of Hedging Obligations;

(9) any unrealized foreign currency transaction gains or losses in respect of Indebtedness or other obligations of any Person denominated in a currency other than the functional currency of such Person and any unrealized foreign exchange gains or losses resulting from remeasuring assets and liabilities denominated in foreign currencies;

(10) any unrealized foreign currency translation or transaction gains or losses in respect of Indebtedness or other obligations of the Issuer or any Restricted Subsidiary owing to the Issuer or any Restricted Subsidiary;

(11) any one-time non-cash charges or any amortization or depreciation, in each case to the extent related to the Transactions, the GFKL Acquisition or any acquisition of another Person or business or resulting from any reorganization or restructuring involving the Issuer or its Subsidiaries;

(12) any goodwill or other intangible asset amortization charge, impairment charge or write-off or write-down; and

(13) the impact of capitalized, accrued or accreting or pay-in-kind interest or principal on Subordinated Shareholder Funding.

"*Contingent Obligations*" means, with respect to any Person, any obligation of such Person guaranteeing in any manner, whether directly or indirectly, any operating lease, dividend or other obligation that does not constitute Indebtedness ("*primary obligations*") of any other Person (the "*primary obligor*"), including any obligation of such Person, whether or not contingent:

(1) to purchase any such primary obligation or any property constituting direct or indirect security therefor;

(2) to advance or supply funds: (a) for the purchase or payment of any such primary obligation; or (b) to maintain the working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor; or

(3) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof.

"*Credit Facility*" means, with respect to the Issuer or any of its Subsidiaries, one or more debt facilities, arrangements, instruments or indentures (including the Revolving Credit Facility or any other commercial paper facilities and overdraft facilities) with banks, institutions or investors providing for revolving credit loans, term loans, notes, receivables financing (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables), notes, letters of credit or other Indebtedness, in each case, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time (and whether in whole or in part and whether or not with the original administrative agent and lenders or another administrative agent or agents or other banks, institutions or investors and whether provided under the original Revolving Credit Facility or one or more other credit or other agreements, indentures, financing agreements or otherwise) and in each case including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including any notes and letters of credit issued pursuant thereto and any note Guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other Guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term "Credit Facility" shall include any agreement or instrument (1) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (2) adding Subsidiaries of the Issuer as additional borrowers or guarantors thereunder, (3) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder or (4) otherwise altering the terms and conditions thereof.

"*Currency Agreement*" means, in respect of a Person, any foreign exchange contract, currency swap agreement, currency futures contract, currency option contract, currency derivative or other similar agreement to which such Person is a party or beneficiary.

"*Default*" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"*Designated Non-Cash Consideration*" means the fair market value (as determined in good faith by the Board of Directors or an Officer of the Issuer) of non-cash consideration received by the Issuer or one of its Restricted Subsidiaries in connection with an Asset Disposition that is so designated as Designated Non-Cash Consideration pursuant to an Officer's Certificate, setting forth the basis of such valuation, less the amount of cash, Cash Equivalents or Temporary Cash Investments received in connection with a subsequent payment, redemption, retirement, sale or other disposition of such Designated Non-Cash Consideration. A particular item of Designated Non-Cash Consideration will no longer be considered to be outstanding when and to the extent it has been paid, redeemed or otherwise retired or sold or otherwise disposed of in compliance with the covenant described under "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*."

"*Designated Preference Shares*" means, with respect to the Issuer or any Parent, Preferred Stock (other than Disqualified Stock) (a) that is issued for cash (other than to the Issuer or a Subsidiary of the Issuer or an employee stock ownership plan or trust established by the Issuer or any such Subsidiary for the benefit of their employees to the extent funded by the Issuer or such Subsidiary) and (b) that is designated as "Designated Preference Shares" pursuant to an Officer's Certificate of the Issuer at or prior to the issuance thereof, the Net Cash Proceeds of which are excluded from the calculation set forth in clause (c)(ii) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*."

"*Disqualified Stock*" means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable, in each case, at the option of the holder of the Capital Stock), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder of the Capital Stock, in whole or in part, in each case on or prior to the date that is 90 days after the earlier of (a) the Stated Maturity of the Senior Notes or (b) the date on which there are no Senior Notes outstanding. Notwithstanding the preceding sentence, any Capital Stock that would constitute Disqualified Stock solely because the holders of the Capital Stock have the right to require the issuer thereof to repurchase such Capital Stock upon the occurrence of a Change of Control or an Asset Disposition will not constitute Disqualified Stock if the terms of such Capital Stock provide that the issuer thereof may not repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or redemption complies with the covenant described under the caption "*—Certain Covenants—Restricted Payments*." For purposes hereof, the amount of Disqualified Stock which does not have a fixed repurchase price shall be calculated in accordance with the terms of such Disqualified Stock as if such Disqualified Stock were purchased on any date on which Indebtedness shall be required to be determined pursuant to the Senior Notes Indenture, and if such price is based upon, or measured by, the fair market value of such Disqualified Stock, such fair market value to be determined as set forth herein. Only the portion of Capital Stock which so matures or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to such date will be deemed to be Disqualified Stock.

"*Equity Contribution*" means the "Lowell equity contribution" as described in this Offering Memorandum under the caption "*Use of Proceeds*."

"*Equity Offering*" means (x) a sale of Capital Stock of the Issuer (other than Disqualified Stock and other than offerings registered on Form S-8 (or any successor form) under the Securities Act or any similar offering in other jurisdictions), or (y) the sale of Capital Stock or other securities by any Person, the proceeds of which are contributed as Subordinated Shareholder Funding or to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through Excluded Contributions of the Issuer or any of its Restricted Subsidiaries.

"*ERC*" means, for any date of calculation, the aggregate amount of estimated remaining gross collections projected to be received by the Issuer and its Restricted Subsidiaries from all Portfolio Assets owned by the Issuer and its Restricted Subsidiaries during the period of 84 months, as calculated by the Portfolio ERC Model, as at the last day of the month most recently ended prior to the date of calculation; *provided* that *pro forma* effect may be given to any acquisition under the conditions, *mutatis mutandis*, set forth under clause (1) of the second paragraph of the definition "Consolidated Leverage Ratio."

"*Escrowed Proceeds*" means the proceeds from the offering of any debt securities or other Indebtedness paid into escrow accounts with an independent escrow agent on the date of the applicable offering or incurrence pursuant to escrow arrangements that permit the release of amounts on deposit in such escrow accounts upon satisfaction of certain conditions or the occurrence of certain events. The term "Escrowed Proceeds" shall include any interest earned on the amounts held in escrow.

"*Euroclear*" means Euroclear Bank SA/NV, as currently in effect, or any successor securities clearing agency.

"*European Government Obligations*" means any security that is (1) a direct obligation of any country that is a member of the European Monetary Union and whose long-term debt is rated "A-1" or higher by Moody's or "A+" or higher by S&P or the equivalent rating category of another internationally recognized Rating Agency on the date of the Senior Notes Indenture, for the payment of which the full faith and credit of such country is pledged or (2) an obligation of a person controlled or supervised by and acting as an agency or instrumentality of any such country the payment of which is unconditionally Guaranteed as a full faith and credit obligation by such country, which, in either case under the preceding clause (1) or (2), is not callable or redeemable at the option of the issuer thereof.

"*Exchange Act*" means the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

"*Excluded Contribution*" means Net Cash Proceeds or property or assets received by the Issuer as capital contributions to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Issuer after the Issue Date or from the issuance or sale (other than to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary) of Capital Stock (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding of the Issuer, in each case, to the extent designated as an Excluded Contribution pursuant to an Officer's Certificate of the Issuer substantially concurrently with the contribution.

"*Existing 2022 Senior Secured Notes*" means the €365 million aggregate principal amount of 7.500% Senior Secured Notes due 2022 issued by the Issuer on July 23, 2015, pursuant to the Existing 2022 Senior Secured Notes Indenture.

"*Existing 2022 Senior Secured Notes Indenture*" means the indenture dated July 23, 2015, governing the Existing 2022 Senior Secured Notes by and among, inter alios, the Issuer, Garfunkel Holding and Citibank, N.A., London Branch, as trustee.

"*fair market value*" wherever such term is used in this "*Description of the Senior Notes*" or the Senior Notes Indenture (except in relation to an enforcement action pursuant to the Intercreditor Agreement and except as otherwise specifically provided in this "*Description of the Senior Notes*" or the Senior Notes Indenture), may be conclusively established by means of an Officer's Certificate or a resolution of the Board of Directors of the Issuer setting out such fair market value as determined by such Officer or such Board of Directors in good faith.

"*Fixed Charge Coverage Ratio*" means, as of any date of determination, the ratio of (x) the aggregate amount of Consolidated EBITDA of such Person for the period of the four most recent fiscal quarters prior to the date of such determination for which internal consolidated financial statements are available to (y) the Fixed Charges of such Person for such four fiscal quarters.

In the event that the specified Person or any of its Restricted Subsidiaries Incurs, assumes, guarantees, repays, repurchases, redeems, defeases, retires, extinguishes or otherwise discharges any Indebtedness (other than Indebtedness Incurred under any revolving credit facility unless such Indebtedness has been permanently repaid and has not been replaced) or issues, repurchases or redeems Disqualified Stock or Preferred Stock subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Fixed Charge Coverage Ratio is made (the "*Calculation Date*"), then the Fixed Charge Coverage Ratio will be calculated giving *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of such Person), including in respect of anticipated expense and cost reduction synergies, to such Incurrence, assumption, guarantee, repayment, repurchase, redemption, defeasance, retirement, extinguishment or other discharge of Indebtedness, or such issuance, repurchase or redemption of Disqualified Stock or Preferred Stock, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the applicable four-quarter reference period; *provided, however*, that the *pro forma* calculation of Fixed Charges shall not give effect to (i) any Indebtedness Incurred on the Calculation Date pursuant to the provisions described in the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" (other than for the purposes of the calculation of the Fixed Charge Coverage Ratio under clause (5) thereunder) or (ii) the discharge on the Calculation Date of any Indebtedness to the extent that such discharge results from the proceeds Incurred pursuant to the provisions described in the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*."

In addition, for purposes of calculating the Fixed Charge Coverage Ratio:

(1) acquisitions or Investments that have been made by the specified Person or any of its Restricted Subsidiaries, including through mergers or consolidations, or by any Person or any of its Restricted Subsidiaries acquired by the specified Person or any of its Subsidiaries which are Restricted Subsidiaries, and including all related financing transactions and including increases in ownership of Restricted Subsidiaries, during the four-quarter reference period or subsequent to such reference period and on or prior to the Calculation Date, or that are to be made on the Calculation Date, will be given *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of such Person), including in respect of anticipated expense and cost reduction synergies, as if they had occurred on the first day of the four-quarter reference period;

(2) the Consolidated EBITDA (whether positive or negative) attributable to discontinued operations, as determined in accordance with IFRS, and operations, businesses or group of assets constituting a business or operating unit (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded on a *pro forma* basis as if such disposition occurred on the first day of such period (taking into account anticipated cost savings resulting from such disposition, as determined in good faith by a responsible accounting or financial officer of the Issuer);

(3) the Fixed Charges attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be

excluded, but only to the extent that the obligations giving rise to such Fixed Charges will not be obligations of the specified Person or any of its Restricted Subsidiaries following the Calculation Date;

(4) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such four-quarter period;

(5) any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such four-quarter period;

(6) if any Indebtedness bears a floating rate of interest and is being given *pro forma* effect, the interest expense on such Indebtedness will be calculated as if the rate in effect on the Calculation Date had been the applicable rate for the entire period (taking into account any Hedging Obligation applicable to such Indebtedness) and if any Indebtedness is not denominated in the Issuer's functional currency, that Indebtedness for purposes of the calculation of Consolidated Leverage shall be treated in accordance with IFRS; and

(7) interest on a Capitalized Lease Obligation shall be deemed to accrue at an interest rate reasonably determined by a responsible financial or accounting officer of the Issuer to be the rate of interest implicit in such Capitalized Lease Obligation in accordance with IFRS.

"*Fixed Charges*" means, with respect to any specified Person for any period, the sum, without duplication, of:

(1) the Consolidated Interest Expense of such Person for such period; plus

(2) all dividends, whether paid or accrued and whether or not in cash, on or in respect of all Disqualified Stock of the Issuer or any series of Preferred Stock of any Restricted Subsidiary, other than dividends on equity interests payable to the Issuer or a Restricted Subsidiary.

"*Garfunkel Holding*" means Garfunkel Holding GmbH.

"*German Company Conversion*" means the conversion of GFKL Financial Services Aktiengesellschaft into a limited liability company incorporated under the laws of Germany (*Gesellschaft mit beschränkter Haftung*, GmbH) being registered in the competent commercial register (*Handelsregister*).

"*GFKL Acquisition*" means the acquisition by Garfunkel Holding of Carl Holding GmbH (prior to its merger into Garfunkel Holding), including the acquisition of additional shares in GFKL Holdco in the Squeeze Out;

"*GFKL Group*" means GFKL Holdco and its Subsidiaries from time to time.

"*GFKL Holdco*" means, as of the Issue Date, GFKL Financial Services Aktiengesellschaft, and following the Structure Event, GFKL Financial Services GmbH.

"*Gilt Rate*" means, with respect to any redemption date, the yield to maturity as of such redemption date of U.K. Government Securities with a fixed maturity (as compiled by the Office for National Statistics and published in the most recent Financial Statistics that have become publicly available at least two Business Days in London prior to such redemption date (or, if such Financial Statistics are no longer published, any publicly available source of similar market data)) most nearly equal to the period from such redemption date to November 1, 2018; *provided, however*, that if the period from such redemption date to November 1, 2018 is less than one year, the weekly average yield on actually traded U.K. Government Securities denominated in sterling adjusted to a fixed maturity of one year shall be used.

"*Guarantee*" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person, including any such obligation, direct or indirect, contingent or otherwise, of such Person:

(1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay or to maintain financial statement conditions or otherwise); or

(2) entered into primarily for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); *provided, however*, that the term "Guarantee" will not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"*Guarantors*" means the Initial Guarantors and any Restricted Subsidiary that Guarantees the Senior Notes.

"*Hedging Obligations*" of any Person means the obligations of such Person pursuant to any Interest Rate Agreement or Currency Agreement.

"*Holder*" means each Person in whose name the Senior Notes are registered on the Registrar's books, which shall initially be the respective nominee of Euroclear or Clearstream, as applicable.

"*Holding Company*" means, in relation to any Person, any other Person in respect of which it is a Subsidiary.

"*IFRS*" means International Financial Reporting Standards (formerly International Accounting Standards) endorsed from time to time by the European Union or any variation thereof with which the Issuer or its Restricted Subsidiaries are, or may be, required to comply. Except as otherwise set forth in the Senior Notes Indenture, all ratios and calculations based on IFRS contained in the Senior Notes Indenture shall be computed in accordance with IFRS as in effect from time to time; *provided* that at any date after the Issue Date the Issuer may make an irrevocable election to establish that "IFRS" shall mean, except as otherwise specified herein, IFRS as in effect on a date that is on or prior to the date of such election.

"*Incur*" means issue, create, assume, enter into any Guarantee of, incur or otherwise become liable for; *provided, however*, that any Indebtedness or Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (whether by merger, consolidation, acquisition or otherwise) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and the terms "Incurred" and "Incurrence" have meanings correlative to the foregoing and any Indebtedness pursuant to any revolving credit or similar facility shall only be "Incurred" at the time any funds are borrowed thereunder.

"*Indebtedness*" means, with respect to any Person on any date of determination (without duplication):

(1) the principal of indebtedness of such Person for borrowed money;

(2) the principal of obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(3) all reimbursement obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments (the amount of such obligations being equal at any time to the aggregate then undrawn and unexpired amount of such letters of credit or other instruments plus the aggregate amount of drawings thereunder that have been reimbursed) (except to the extent such reimbursement obligations relate to trade payables or other obligations not constituting Indebtedness and such obligations are satisfied within 30 days of Incurrence), in each case only to the extent that the underlying obligation in respect of which the instrument was issued would be treated as Indebtedness;

(4) the principal component of all obligations of such Person to pay the deferred and unpaid purchase price of property (except trade payables), where the deferred payment is arranged primarily as a means of raising finance, which purchase price is due more than one year after the date of placing such property in service or taking final delivery and title thereto;

(5) Capitalized Lease Obligations of such Person;

(6) the principal component of all obligations, or liquidation preference, of such Person with respect to any Disqualified Stock or, with respect to any Restricted Subsidiary, any Preferred Stock (but excluding, in each case, any accrued dividends);

(7) the principal component of all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided, however*, that the amount of such Indebtedness will be the lesser of (a) the fair market value of such asset at such date of determination (as determined in good faith by the Board of Directors or an Officer of the Issuer) and (b) the amount of such Indebtedness of such other Persons;

(8) Guarantees by such Person of the principal component of Indebtedness of other Persons to the extent Guaranteed by such Person;

(9) to the extent not otherwise included in this definition, net obligations of such Person under Currency Agreements and Interest Rate Agreements (the amount of any such obligations to be equal at any time to the termination value of such agreement or arrangement giving rise to such obligation that would be payable by such Person at such time).

The term "*Indebtedness*" shall not include (i) Subordinated Shareholder Funding, (ii) any lease, concession or license of property (or Guarantee thereof) which would be considered an operating lease under IFRS as in effect on the Issue Date, (iii) prepayments of deposits received from clients or customers in the ordinary course of business, (iv) any asset retirement obligations, or (v) obligations under any license, permit or other approval (or Guarantees given in respect of such obligations) Incurred prior to the Issue Date or in the ordinary course of business.

The amount of Indebtedness of any Person at any time in the case of a revolving credit or similar facility shall be the total amounts of funds borrowed and then outstanding. The amount of Indebtedness of any Person at any date shall be determined as set forth above or otherwise provided in the Senior Notes Indenture, and (other than with respect to letters of credit or Guarantees or Indebtedness specified in clause (7), (8) or (9)) shall equal the amount thereof that would appear on a balance sheet of such Person (excluding any notes thereto) prepared on the basis of IFRS. Indebtedness represented by loans, notes or other debt instruments shall not be included to the extent funded with the proceeds of Indebtedness which the Issuer or any Restricted Subsidiary has guaranteed or for which any of them is otherwise liable and which is otherwise included.

Notwithstanding the above provisions, in no event shall the following constitute Indebtedness:

(1) Contingent Obligations Incurred in the ordinary course of business, obligations under or in respect of Qualified Receivables Financings and accrued liabilities Incurred in the ordinary course of business that are not more than 90 days past due;

(2) in connection with the purchase by the Issuer or any Restricted Subsidiary of any business, any post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing; *provided, however*, that, at the time of closing, the amount of any such payment is not determinable and, to the extent such payment thereafter becomes fixed and determined, the amount is paid within 30 days thereafter;

(3) any obligations in respect of workers' compensation claims, early retirement or termination obligations, pension fund obligations or contributions or similar claims, obligations or contributions or social security or wage taxes or under any Tax Sharing Agreement;

(4) any accrued expenses and trade payables; and

(5) the Squeeze Out Guarantee.

"*Independent Financial Advisor*" means an investment banking or accounting firm of international standing or any third-party appraiser of international standing; *provided, however*, that such firm or appraiser is not an Affiliate of the Issuer.

"*Initial Investors*" means (a) Permira V Funds, any Affiliate of the Permira V Funds (other than any controlling limited partner of the Permira V Funds, if any, and any Subsidiary of such controlling limited partner, in each case to the extent not itself a member of the Permira Group) and any funds or partnerships managed or advised (directly or indirectly) by Permira V G.P. Limited or an Affiliate thereof (other than any controlling shareholder of Permira V G.P. Limited, if any, and any Subsidiary of such controlling shareholder, in each case, to the extent not itself a member of the Permira Group) or an entity controlled by all or substantially all of the managing directors of such fund, and, solely in their capacity as such, any limited partner of any such partnership or fund; *provided* that any portfolio company of the foregoing, other than entities of which the Permira V Funds beneficially owns in the aggregate a majority (or more) of the Voting Stock and which are established to solely hold, directly or indirectly, interests in the Issuer shall not constitute an "Initial Investor;" and (b) 1920297 Ontario Limited, a Subsidiary of OTPP.

"*Initial Public Offering*" means an Equity Offering of common stock or other common equity interests of the Issuer or any Parent or any successor of the Issuer or any Parent (the "*IPO Entity*") following which there is a Public Market and, as a result of which, the shares of common stock or other common equity interests of the IPO Entity in such offering are listed on an internationally recognized exchange or traded on an internationally recognized market.

"*Intercreditor Agreement*" means the Intercreditor Agreement dated June 29, 2015, by and among, *inter alios*, the Issuer, Garfunkel Holding and the Security Agent, as amended from time to time, to which the Trustee will accede on the Issue Date.

"*Interest Rate Agreement*" means, with respect to any Person, any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement or other similar agreement or arrangement to which such Person is party or a beneficiary.

"*Investment*" means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the form of any advance, loan or other extensions of credit (other than advances or extensions of credit to customers, suppliers, directors, officers or employees of any Person in the ordinary course of business, and excluding any purchase of Underlying Portfolio Assets, any Right to Collect Accounts or debt or extension of credit represented by a bank deposit other than a time deposit) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or the Incurrence of a Guarantee of any obligation of, or any purchase or acquisition of Capital Stock, Indebtedness or other similar instruments issued by, such other Persons and all other items that are or would be classified as investments on a balance sheet (excluding any notes thereto) prepared on the basis of IFRS; *provided*, *however*, that endorsements of negotiable instruments and documents in the ordinary course of business will not be deemed to be an Investment. If the Issuer or any Restricted Subsidiary issues, sells or otherwise disposes of any Capital Stock of a Person that is a Restricted Subsidiary such that, after giving effect thereto, such Person is no longer a Restricted Subsidiary, any Investment by the Issuer or any Restricted Subsidiary in such Person remaining after giving effect thereto will be deemed to be a new Investment equal to the fair market value of the Capital Stock of such Subsidiary not sold or disposed of in an amount determined as provided in the final paragraph of the covenant described under the caption "*—Certain Covenants—Limitation on Restricted Payments*."

For purposes of "*—Certain Covenants—Limitation on Restricted Payments*":

(1) "Investment" will include the portion (proportionate to the Issuer's equity interest in a Restricted Subsidiary to be designated as an Unrestricted Subsidiary) of the fair market value of the net assets of such Restricted Subsidiary at the time that such Restricted Subsidiary is designated an Unrestricted Subsidiary; and

(2) any property transferred to or from an Unrestricted Subsidiary will be valued at its fair market value at the time of such transfer, in each case as determined in good faith by the Board of Directors or an Officer of the Issuer.

The amount of any Investment outstanding at any time shall be the original cost of such Investment, reduced (at the Issuer's option) by any dividend, distribution, interest payment, return of capital, repayment or other amount or value received in respect of such Investment.

"*Investment Grade Securities*" means:

(1) securities issued or directly and fully Guaranteed or insured by the United States or Canadian government or any agency or instrumentality thereof (other than Cash Equivalents);

(2) securities issued or directly and fully guaranteed or insured by a member of the European Union, Norway or Switzerland or any agency or instrumentality thereof (other than Cash Equivalents);

(3) debt securities or debt instruments with a rating of "BBB–" or higher from S&P or "Baa3" or higher by Moody's or the equivalent of such rating by such rating organization or, if no rating of Moody's or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Ratings Organization, but excluding any debt securities or instruments constituting loans or advances among the Issuer and its Subsidiaries;

(4) investments in any fund that invests exclusively in investments of the type described in clauses (1), (2) and (3) above which fund may also hold cash and Cash Equivalents pending investment or distribution; and

(5) any investment in repurchase obligations with respect to any securities of the type described in clauses (1), (2) and (3) above which are collateralized at par or over.

"*Investment Grade Status*" shall occur when all of the Senior Notes receive both of the following:

(1) a rating of "BBB–" or higher from S&P; and

(2) a rating of "Baa3" or higher from Moody's;

or the equivalent of such rating by either such rating organization or, if no rating of Moody's or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Ratings Organization.

"*IPO Market Capitalization*" means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity at the time of closing of the Initial Public Offering multiplied by (ii) the price per share at which such shares of common stock or common equity interests are sold in such Initial Public Offering.

"*Issue Date*" means October 19, 2015.

"*Lien*" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof).

"*Management Advances*" means loans or advances made to, or Guarantees with respect to loans or advances made to, directors, officers, employees or consultants of any Parent, the Issuer or any Restricted Subsidiary:

(1) (a) in respect of travel, entertainment or moving-related expenses Incurred in the ordinary course of business or (b) for purposes of funding any such person's purchase of Capital Stock or Subordinated Shareholder Funding (or similar obligations) of the Issuer, its Subsidiaries or any Parent with (in the case of this subclause (b)) the approval of the Board of Directors;

(2) in respect of moving related expenses Incurred in connection with any closing or consolidation of any facility or office; or

(3) (in the case of this clause (3)) not exceeding £5 million in the aggregate outstanding at any time.

"*Management Investors*" means (i) members of the management team of the Issuer or any Restricted Subsidiary investing, or committing to invest, directly or indirectly, in the Issuer as at the Issue Date and any subsequent members of the management team of the Issuer or any Restricted Subsidiary who invest directly or indirectly in the Issuer from time to time; and (ii) such entity as may hold shares transferred by departing members of the management team of the Issuer or any Restricted Subsidiary for future redistribution to such management team.

"*Market Capitalization*" means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity on the date of the declaration of the relevant dividend multiplied by (ii) the arithmetic mean of the closing prices per share of such common stock or common equity interests for the 30 consecutive trading days immediately preceding the date of declaration of such dividend.

"*Metis Holdco*" means Metis Holdco Limited, a company incorporated in England and Wales with company number 07652402.

"*Milla Securitization*" means the securitization program by which GFKL Holdco, Proceed Collection Services GmbH and INKASSO BECKER WUPPERTAL GmbH & Co. KG sold certain non-performing loans to Milla Securitisation (No. 1) Limited, a special purpose company established in Jersey.

"*Moody's*" means Moody's Investors Service, Inc. or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"*Nationally Recognized Statistical Rating Organization*" means a nationally recognized statistical rating organization within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the Exchange Act.

"*Net Available Cash*" from an Asset Disposition means cash payments received (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise and net proceeds from the sale or other disposition of any securities received as consideration, but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring person of Indebtedness or other obligations relating to the properties or assets that are the subject of such Asset Disposition or received in any other non-cash form) therefrom, in each case net of:

(1) all legal, accounting, investment banking, title and recording tax expenses, commissions and other fees and expenses Incurred, and all Taxes paid or required to be paid or accrued as a liability under IFRS (after taking into account any available tax credits or deductions and any Tax Sharing Agreements), as a consequence of such Asset Disposition;

(2) (a) other than for purposes of the covenant described under "*Limitation on Sales of Assets and Subsidiary Stock*", all payments made on any Indebtedness which is secured by any assets subject to such Asset Disposition, in accordance with the terms of any Lien upon such assets, or which must by its terms, or in order to obtain a necessary consent to such Asset Disposition, or (b) by applicable law, be repaid out of the proceeds from such Asset Disposition;

(3) all distributions and other payments required to be made to minority interest holders (other than any Parent, the Issuer or any of their respective Subsidiaries) in Subsidiaries or joint ventures as a result of such Asset Disposition; and

(4) the deduction of appropriate amounts required to be provided by the seller as a reserve, on the basis of IFRS, against any liabilities associated with the assets disposed of in such Asset Disposition and retained by

the Issuer or any Restricted Subsidiary after such Asset Disposition, including pension and other post-employment benefits liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such transaction.

"*Net Cash Proceeds*," with respect to any issuance or sale of Capital Stock or Subordinated Shareholder Funding, means the cash proceeds of such issuance or sale net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, listing fees, discounts or commissions and brokerage, consultant and other fees and charges actually Incurred in connection with such issuance or sale and net of Taxes paid or payable as a result of such issuance or sale (after taking into account any available tax credit or deductions and any Tax Sharing Agreements).

"*New Luxco*" means Garfunkelux PBA S.à r.l., a private limited company (*société à responsabilité limitée*) incorporated and existing under the laws of Luxembourg with its registered office at 488, route de Longwy, L-1940 Luxembourg, Luxembourg and registered with the RCS Register under the number B 200.498 that is an Affiliate of the Issuer and its successors and assigns. For the avoidance of doubt, New Luxco will not be subject to any restrictions under the Senior Notes Indenture or the Senior Notes unless and until New Luxco becomes a party to the Senior Notes Indenture.

"*Note Guarantee*" means the guarantee by each Guarantor of the Issuer's obligations under the Senior Notes Indenture and the Senior Notes, executed pursuant to the provisions of the Senior Notes Indenture.

"*Officer*" means, with respect to any Person, (1) any member of the Board of Directors, the Chief Executive Officer, the President, the Chief Financial Officer, any Vice President, the Treasurer, any *Prokurist* (in accordance with the terms of its *Prokura*) or the Secretary (a) of such Person or (b) if such Person is owned or managed by a single entity, of such entity, or (2) any other individual designated as an "Officer" for the purposes of the Senior Notes Indenture by the Board of Directors of such Person. References to "Officer of the Issuer" shall be construed to mean "Officer" of the Issuer or "Officer" of the Senior Secured Notes Issuer, as determined by the Issuer from time to time.

"*Officer's Certificate*" means, with respect to any Person, a certificate signed by one Officer of such Person.

"*Opinion of Counsel*" means a written opinion from legal counsel reasonably satisfactory to the Trustee. The counsel may be an employee of, or counsel to, the Issuer or its Subsidiaries.

"*Original Issue Date*" means July 23, 2015.

"*OTPP*" means the Ontario Teachers' Pension Plan Board.

"*Parent*" means any Person of which the Issuer at any time is or becomes a Subsidiary after the Issue Date and any holding companies established by any Permitted Holder for purposes of holding its investment in any Parent.

"*Parent Expenses*" means:

(1) costs (including all professional fees and expenses) Incurred by any Parent in connection with reporting obligations under or otherwise Incurred in connection with compliance with applicable laws, rules or regulations of any governmental, regulatory or self-regulatory body or stock exchange, the Senior Notes Indenture or any other agreement or instrument relating to Indebtedness of the Issuer or any Restricted Subsidiary, including in respect of any reports filed with respect to the Securities Act, Exchange Act or the respective rules and regulations promulgated thereunder;

(2) customary indemnification obligations of any Parent owing to directors, officers, employees or other Persons under its charter or by-laws or pursuant to written agreements with any such Person to the extent relating to the Issuer and its Subsidiaries;

(3) obligations of any Parent in respect of director and officer insurance (including premiums therefor) to the extent relating to the Issuer and its Restricted Subsidiaries;

(4) fees and expenses payable by any Parent in connection with the Transactions or the GFKL Acquisition;

(5) general corporate overhead expenses, including (a) professional fees and expenses and other operational expenses of any Parent related to the ownership or operation of the business of the Issuer or any of its Restricted Subsidiaries, (b) costs and expenses with respect to the ownership, directly or indirectly, by any Parent, (c) any Taxes and other fees and expenses required to maintain such Parent's corporate existence and to provide for other ordinary course operating costs, including customary salary, bonus and other benefits payable to, and indemnities provided on behalf of, officers and employees of such Parent and (d) to reimburse reasonable out-of-pocket expenses of the Board of Directors of such Parent;

(6) other fees, expenses and costs relating directly or indirectly to activities of the Issuer and its Subsidiaries or any Parent or any other Person established for purposes of or in connection with the Transactions or the GFKL Acquisition or which holds directly or indirectly any Capital Stock or Subordinated Shareholder Funding of the Issuer, in an amount not to exceed £1 million in any fiscal year;

(7) any income taxes, to the extent such income taxes are attributable to the income of the Issuer and its Restricted Subsidiaries and, to the extent of the amount actually received in cash from its Unrestricted Subsidiaries, in amounts required to pay such taxes to the extent attributable to the income of such Unrestricted Subsidiaries; *provided, however*, that the amount of such payments in any fiscal year do not exceed the amount that the Issuer and its Subsidiaries would be required to pay in respect of such taxes on a consolidated basis on behalf of an affiliated group consisting only of the Issuer and its Subsidiaries;

(8) expenses Incurred by any Parent in connection with any public offering or other sale of Capital Stock or Indebtedness; (a) where the net proceeds of such offering or sale are intended to be received by or contributed to the Issuer or a Restricted Subsidiary; (b) in a prorated amount of such expenses in proportion to the amount of such net proceeds intended to be so received or contributed; or (c) otherwise on an interim basis prior to completion of such offering so long as any Parent shall cause the amount of such expenses to be repaid to the Issuer or the relevant Restricted Subsidiary out of the proceeds of such offering promptly if completed; and

(9) costs and expenses equivalent to those set out in clauses (1) to (8) above with respect to a Special Purpose Vehicle.

"*Pari Passu Indebtedness*" means (a) with respect to the Issuer, any Indebtedness that ranks equally in right of payment with the Senior Notes and (b) with respect to the Guarantors, any Indebtedness that ranks equally in right of payment with the Note Guarantees and, in each case, is secured by a Lien on all or a portion of the Collateral.

"*Paying Agent*" means any Person authorized by the Issuer to pay the principal of (and premium, if any) or interest on any Senior Note on behalf of the Issuer.

"*Permira Group*" means Permira Holdings Limited or any of its Subsidiaries or any funds managed or controlled by Permira Holdings Limited or any of its Affiliates (other than any controlling limited partner of Permira Holdings Limited, if any, and any Subsidiary of such controlling limited partner).

"*Permira V Fund*" means each of the following:

(1) Permira LP1 and P5 Sub L.P.1, each a limited partnership registered in Guernsey under the Limited Partnerships (Guernsey) Law, 1995 (as amended), acting by its general partner, Permira V G.P. L.P., a limited partnership registered in Guernsey under the Limited Partnerships (Guernsey) Law, 1995 (as amended), acting by its general partner Permira V G.P. Limited whose registered office is at Trafalgar Court, Les Banques, St Peter Port, Guernsey, Channel Islands;

(2) Permira V L.P.2, a limited partnership registered in Guernsey under the Limited Partnerships (Guernsey) Law, 1995 (as amended), acting by its general partner, Permira V G.P. L.P., a limited partnership registered in Guernsey under the Limited Partnerships (Guernsey) Law, 1995 (as amended), acting by its general partner Permira V G.P. Limited whose registered office is at Trafalgar Court, Les Banques, St Peter Port, Guernsey, Channel Islands;

(3) Permira Investments Limited, acting by its nominee Permira Nominees Limited whose registered office is at Trafalgar Court, Les Banques, St Peter Port, Guernsey, Channel Islands;

(4) P5 Co-Investment L.P., a limited partnership registered in Guernsey under the Limited Partnerships (Guernsey) Law, 1995 (as amended), acting by its general partner Permira V G.P. L.P., acting by its general partner Permira V G.P. Limited whose registered office is at Trafalgar Court, Les Banques, St Peter Port, Guernsey, Channel Islands;

(5) P5 CIS S.à r.l., a private limited liability company organized under the laws of Luxembourg, registered with the Luxembourg Trade and Companies Register with number B 178 072 with a share capital of EUR 12,500, having its registered office at 488, route de Longwy, L-1940 Luxembourg; and

(6) Permira V I.A.S L.P., a limited partnership registered in Guernsey under the Limited Partnerships (Guernsey) Law, 1995 (as amended), acting by its general partner Permira V G.P. L.P., acting by its general partner Permira V G.P. Limited whose registered office is at Trafalgar Court, Les Banques, St Peter Port, Guernsey, Channel Islands.

"*Permitted Collateral Liens*" means Liens on the Collateral:

(a) that are described in one or more of clauses (2), (3), (4), (5), (6), (8), (9), (11), (12), (14), (18), (20), (23) and (24) of the definition of "Permitted Liens" and, in each case, arising by law or that would not materially interfere with the ability of the Security Agent to enforce the Security Interests in the Collateral;

(b) to secure:

(i) the Senior Notes (other than any Additional Senior Notes) and any related Note Guarantees;

(ii) the Existing 2022 Senior Secured Notes and any related Guarantees;

(iii) Indebtedness permitted to be Incurred under (a) the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" and (b) 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), (5), (6), (7) (other than with respect to Capitalized Lease Obligations), (11), (13) of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*";

(iv) the Senior Secured Notes issued on the Issue Date and any related Guarantees of the Senior Secured Notes; and

(v) any Refinancing Indebtedness in respect of Indebtedness referred to in the foregoing clauses (i) to (iv);

provided, further, that each of the secured parties to any such Indebtedness (acting directly or through its respective creditor representative) will have entered into the Intercreditor Agreement or an Additional Intercreditor Agreement and *provided, further*, that such Lien ranks (a) equal to all other Liens on such Collateral securing Senior Indebtedness of the Issuer or such Guarantor, as applicable, if such Indebtedness is Senior Indebtedness of the Issuer or the Guarantor, as applicable, or (b) equal to or junior to the Liens securing the Senior Notes.

"*Permitted Holders*" means, collectively, (1) the Initial Investors, (2) the Management Investors, (3) any Related Person of any Persons specified in clauses (1) and (2), (4) any Person who is acting as an underwriter in connection with a public or private offering of Capital Stock of any Parent or the Issuer, acting in such capacity and (5) any group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act or any successor provision) of which any of the foregoing or any Persons mentioned in the following sentence are members; *provided* that, in the case of such group and without giving effect to the existence of such group or any other group, the Initial Investors and such Persons referred to in the following sentence, collectively, have exclusive legal and beneficial ownership of more than 50% of the total voting power of the Voting Stock of the Issuer or any of its direct or indirect parent companies owned by such group. Any person or group whose acquisition of beneficial ownership constitutes a Change of Control in respect of which a Change of Control Offer is made in accordance with the requirements of the Senior Notes Indenture will thereafter, together with its Affiliates, constitute an additional Permitted Holder.

"*Permitted Investment*" means (in each case, by the Issuer or any of its Restricted Subsidiaries):

(1) Investments in (a) a Restricted Subsidiary (including the Capital Stock of a Restricted Subsidiary) or the Issuer or (b) a Person (including the Capital Stock of any such Person) and such Person will, upon the making of such Investment, become a Restricted Subsidiary;

(2) Investments in another Person and as a result of such Investment such other Person is merged, consolidated or otherwise combined with or into, or transfers or conveys all or substantially all of its assets to, the Issuer or a Restricted Subsidiary;

(3) Investments in cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;

(4) Investments in receivables owing to the Issuer or any Restricted Subsidiary created or acquired in the ordinary course of business and Investments in connection with any Qualified Receivables Financing;

(5) Investments in payroll, travel, relocation, entertainment and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;

(6) Management Advances;

(7) Investments in Capital Stock, obligations or securities received in settlement of debts created in the ordinary course of business and owing to the Issuer or any Restricted Subsidiary, or as a result of foreclosure,

perfection or enforcement of any Lien, or in satisfaction of judgments or pursuant to any plan of reorganization or similar arrangement, including upon the bankruptcy or insolvency of a debtor;

(8) Investments made as a result of the receipt of non-cash consideration from a sale or other disposition of property or assets, including an Asset Disposition, in each case, that was made in compliance with "—*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*";

(9) Investments in existence on, or made pursuant to legally binding commitments in existence on, the Issue Date, and any extension, modification or renewal of any such Investment; *provided* that the amount of the Investment may be increased (a) as required by the terms of the Investment as in existence on the Issue Date or (b) as otherwise permitted under the Senior Notes Indenture;

(10) Currency Agreements and Interest Rate Agreements and related Hedging Obligations, which transactions or obligations are Incurred in compliance with "—*Certain Covenants—Limitation on Indebtedness*";

(11) Investments, taken together with all other Investments made pursuant to this clause (11) and at any time outstanding, in an aggregate amount at the time of such Investment (net of any distributions, dividends, payments or other returns in respect of such Investments) not to exceed the greater of £14 million and 9.9% of Total Assets; *provided* that, if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to the covenant described under "—*Certain Covenants—Limitation on Restricted Payments*," such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (2) of the definition of "Permitted Investments" and not this clause;

(12) pledges or deposits with respect to leases or utilities provided to third parties in the ordinary course of business or Liens otherwise described in the definition of "Permitted Liens" or made in connection with Liens permitted under the covenant described under "—*Certain Covenants—Limitation on Liens*";

(13) any Investment to the extent made using Capital Stock of the Issuer (other than Disqualified Stock), Subordinated Shareholder Funding or Capital Stock of any Parent as consideration;

(14) any transaction to the extent constituting an Investment that is permitted and made in accordance with the provisions of the second paragraph of the covenant described under "—*Certain Covenants—Limitation on Affiliate Transactions*" (except those described in clauses (1), (3), (6), (8), (9) and (12) of that paragraph);

(15) Guarantees not prohibited by the covenant described under "—*Certain Covenants—Limitation on Indebtedness*" and (other than with respect to Indebtedness) guarantees, keepwells and similar arrangements in the ordinary course of business;

(16) Investments in loans under the Revolving Credit Facility, in the Senior Notes and any Additional Senior Notes or in any other Indebtedness of the Issuer and its Restricted Subsidiaries;

(17) Investments acquired after the Issue Date as a result of the acquisition by the Issuer or any of its Restricted Subsidiaries of another Person, including by way of a merger, amalgamation or consolidation with or into the Issuer or any of its Restricted Subsidiaries in a transaction that is not prohibited by the covenant described above under the caption "—*Certain Covenants—Merger and Consolidation*" to the extent that such Investments were not made in contemplation of such acquisition, merger, amalgamation or consolidation and were in existence on the date of such acquisition, merger, amalgamation or consolidation;

(18) Investments of cash held on behalf of merchants or other business counterparties in the ordinary course of business in bank deposits, time deposit accounts, certificates of deposit, bankers' acceptances, money market deposits, money market deposit accounts, bills of exchange, commercial paper, governmental obligations, investment funds, money market funds or other securities;

(19) Investments consisting of purchases and acquisitions of inventory, supplies, materials and equipment or licenses or leases of intellectual property, in each case, in the ordinary course of business and in accordance with the Senior Notes Indenture;

(20) Investments in prepaid expenses, negotiable instruments held for collection and lease, utility, workers' compensation, performance and other similar deposits, in each case, in the ordinary course of business; and

(21) any Investment in connection with the Squeeze Out.

"*Permitted Liens*" means, with respect to any Person:

(1) Liens on assets or property of a Restricted Subsidiary securing any Senior Indebtedness and any Guarantee thereof permitted by the covenant described under "*—Certain Covenants—Limitation on Indebtedness*;" Liens provided by GFKL Holdco or any of its Subsidiaries prior to the Structure Event securing the Existing 2022 Senior Secured Notes to the extent the Agreed Security Principles would permit such Lien to be granted to such Indebtedness and not to the Senior Secured Notes; and Liens on assets or property of a Restricted Subsidiary that is not a Guarantor securing Indebtedness of any Restricted Subsidiary that is not a Guarantor permitted by the covenant described under "*—Certain Covenants—Limitation on Indebtedness*";

(2) pledges, deposits or Liens under workmen's compensation laws, unemployment insurance laws, social security laws or similar legislation, or insurance-related obligations (including pledges or deposits securing liability to insurance carriers under insurance or self-insurance arrangements), or in connection with bids, tenders, completion guarantees, contracts (other than for borrowed money) or leases, or to secure utilities, licenses, public or statutory obligations, or to secure surety, indemnity, judgment, appeal or performance bonds, guarantees of government contracts (or other similar bonds, instruments or obligations), or as security for import or customs duties or for the payment of rent, or other obligations of like nature, in each case Incurred in the ordinary course of business;

(3) Liens imposed by law, including carriers', warehousemen's, mechanics', landlords', materialmen's and repairmen's or other similar Liens, in each case for sums not yet overdue for a period of more than 60 days or that are bonded or being contested in good faith by appropriate proceedings;

(4) Liens for Taxes, assessments or other governmental charges not yet delinquent or which are being contested in good faith by appropriate proceedings; *provided* that appropriate reserves required pursuant to IFRS have been made in respect thereof;

(5) Liens in favor of issuers of surety, performance or other bonds, guarantees or letters of credit or bankers' acceptances (not issued to support Indebtedness for borrowed money) issued pursuant to the request of and for the account of the Issuer or any Restricted Subsidiary in the ordinary course of its business;

(6) encumbrances, ground leases, easements (including reciprocal easement agreements), survey exceptions, or reservations of, or rights of others for, licenses, rights of way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning, building codes or other restrictions (including minor defects or irregularities in title and similar encumbrances) as to the use of real properties or Liens incidental to the conduct of the business of the Issuer and its Restricted Subsidiaries or to the ownership of its properties which do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of the Issuer and its Restricted Subsidiaries;

(7) Liens on assets or property of the Issuer or any Restricted Subsidiary (other than Collateral) securing Hedging Obligations permitted under the Senior Notes Indenture relating to Indebtedness permitted to be Incurred under the Senior Notes Indenture;

(8) leases, licenses, subleases and sublicenses of assets (including real property and intellectual property rights), in each case entered into in the ordinary course of business;

(9) Liens arising out of judgments, decrees, orders or awards not giving rise to an Event of Default so long as any appropriate legal proceedings which may have been duly initiated for the review of such judgment, decree, order or award have not been finally terminated or the period within which such proceedings may be initiated has not expired;

(10) Liens on assets or property of the Issuer or any Restricted Subsidiary for the purpose of securing Capitalized Lease Obligations or Purchase Money Obligations, or securing the payment of all or a part of the purchase price of, or securing other Indebtedness Incurred to finance or refinance the acquisition, improvement or construction of, assets or property acquired or constructed in the ordinary course of business; *provided* that (a) the aggregate principal amount of Indebtedness secured by such Liens is otherwise permitted to be Incurred under clause (7) of the covenant described above under "*—Certain Covenants—Limitation on Indebtedness*" and (b) any such Lien may not extend to any assets or property of the Issuer or any Restricted Subsidiary other than assets or property acquired, improved, constructed or leased with the proceeds of such Indebtedness and any improvements or accessions to such assets and property;

(11) Liens arising by virtue of any statutory or common law provisions or customary standard terms relating to banker's Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a depositary or financial institution;

(12) Liens arising from New York Uniform Commercial Code financing statement filings (or similar filings in other applicable jurisdictions) regarding operating leases entered into by the Issuer and its Restricted Subsidiaries in the ordinary course of business;

(13) Liens existing on, or provided for or required to be granted under written agreements existing on, the Issue Date;

(14) Liens on property, other assets or shares of stock of a Person at the time such Person becomes a Restricted Subsidiary (or at the time the Issuer or a Restricted Subsidiary acquires such property, other assets or shares of stock, including any acquisition by means of a merger, consolidation or other business combination transaction with or into the Issuer or any Restricted Subsidiary); *provided*, that such Liens are limited to all or part of the same property, other assets or stock (plus improvements, accession, proceeds or dividends or distributions in connection with the original property, other assets or stock) that secured (or, under the written arrangements under which such Liens arose, could secure) the obligations to which such Liens relate;

(15) Liens on assets or property of any Restricted Subsidiary that is not a Guarantor securing Indebtedness or other obligations of such Restricted Subsidiary owing to the Issuer or another Restricted Subsidiary, or Liens in favor of the Issuer or any Guarantor;

(16) Liens securing Refinancing Indebtedness Incurred to refinance Indebtedness that was previously so secured, and permitted to be secured under the Senior Notes Indenture; *provided* that any such Lien is limited to all or part of the same property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof) that secured (or, under the written arrangements under which the original Lien arose, could secure) the Indebtedness being refinanced or is in respect of property that is or could be the security for or subject to a Permitted Lien hereunder;

(17) any interest or title of a lessor under any Capitalized Lease Obligation or operating lease;

(18) (a) mortgages, liens, security interest, restrictions, encumbrances or any other matters of record that have been placed by any government, statutory or regulatory authority, developer, landlord or other third party on property over which the Issuer or any Restricted Subsidiary has easement rights or on any leased property and subordination or similar arrangements relating thereto and (b) any condemnation or eminent domain proceedings affecting any real property;

(19) any encumbrance or restriction (including put and call arrangements) with respect to Capital Stock of, or assets owned by, any joint venture or similar arrangement pursuant to any joint venture or similar agreement;

(20) Liens on property or assets under construction (and related rights) in favor of a contractor or developer or arising from progress or partial payments by a third party relating to such property or assets;

(21) Liens created or arising in connection with a Qualified Receivables Financing;

(22) (a) Liens on Escrowed Proceeds for the benefit of the related holders of debt securities or other Indebtedness (or the underwriters or arrangers thereof) or (b) Liens on cash set aside at the time of the incurrence of any Indebtedness or government securities purchased with such cash, in either case, to the extent such cash or government securities pre-fund the payment of interest on such Indebtedness and are held in escrow accounts or similar arrangement to be applied for such purpose;

(23) Liens securing or arising by reason of any netting or set-off arrangement entered into in the ordinary course of banking or other trading activities, or liens over cash accounts and receivables securing cash pooling or cash management arrangements;

(24) Liens arising out of conditional sale, title retention, hire purchase, consignment or similar arrangements for the sale of goods entered into in the ordinary course of business;

(25) Liens on Capital Stock or other securities or assets of any Unrestricted Subsidiary that secure Indebtedness of such Unrestricted Subsidiary;

(26) any security granted over the marketable securities portfolio described in clause (9) of the definition of "Cash Equivalents" in connection with the disposal thereof to a third party;

(27) limited recourse Liens in respect of the ownership interests in, or assets owned by, any joint ventures which are not Restricted Subsidiaries securing obligations of such joint ventures;

(28) (a) Liens created for the benefit of or to secure, directly or indirectly, the Senior Notes, (b) Liens pursuant to the Intercreditor Agreement and the security documents entered into pursuant to the Senior Notes Indenture, the Senior Secured Notes Indenture and the Existing 2022 Senior Secured Notes Indenture, and (c) Liens securing Indebtedness incurred under clause (1) of the second paragraph of the covenant entitled "—*Limitation on Indebtedness*."

(29) Liens provided that the maximum amount of Indebtedness secured in the aggregate at any one time pursuant to this clause (29) does not exceed £21 million;

(30) Liens on receivables securing Indebtedness described under clause (12) of "—*Permitted Debt*";

(31) Liens securing Indebtedness described under clause (14) of "—*Permitted Debt*";

(32) Liens created or subsisting in order to secure any pension liabilities or partial retirement liabilities (*Altersteilzeitverpflichtungen*) incurred in order to comply with the requirements of section 8a of the German Partial Retirement Act (*Altersteilzeitgesetz*) or pursuant to section 7e of the Fourth Book of the German Social Security Code ("*SGB IV*");

(33) Liens incurred in connection with the Squeeze Out Guarantee; and

(34) any extension, renewal or replacement, in whole or in part, of any Lien described in the foregoing clauses (1) through (33); *provided* that any such extension, renewal or replacement shall not extend in any material respect to any additional property or assets.

"*Permitted Reorganization*" means any amalgamation, demerger, merger, voluntary liquidation, consolidation, reorganization, winding up or corporate reconstruction involving the Issuer or any of its Restricted Subsidiaries and the assignment, transfer or assumption of intragroup receivables and payables among the Issuer and its Restricted Subsidiaries in connection therewith (a "*Reorganization*") that is made on a solvent basis (including, for the avoidance of doubt, the merger of GFKL Holdco and Garfunkel Holding (the "*GFKL Merger*")); *provided* that: (a) all of the business and assets of the Issuer or such Restricted Subsidiaries remain owned by the Issuer or its Restricted Subsidiaries, (b) any payments or assets distributed in connection with such Reorganization remain within the Issuer and its Restricted Subsidiaries, (c) if any shares or other assets form part of the Collateral, substantially equivalent Liens must be granted over such shares or assets of the recipient such that they form part of the Collateral and (d) the Issuer will provide to the Trustee and the Security Agent an Officer's Certificate confirming that no Default is continuing or would arise as a result of such Reorganization (except in connection with the GFKL Merger).

"*Person*" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company, government or any agency or political subdivision thereof or any other entity.

"*Portfolio Assets*" means all (a) Underlying Portfolio Assets (in each case, that is purchased by, acquired by or otherwise transferred from a third-party to, the Issuer or any of its Restricted Subsidiaries pursuant to a purchase agreement or any other sale agreement) in which the Issuer and its Restricted Subsidiaries or any Receivables Subsidiary has either a direct beneficial ownership interest or a direct beneficial ownership interest and legal ownership (whether such direct ownership is in whole or in part; *provided* that partially owned Portfolio Assets will be recognized to the extent owned) and (b) Right to Collect Accounts.

"*Portfolio ERC Model*" means the models and methodologies that the Issuer uses to calculate the value of its ERC and those of its Subsidiaries, consistently with the calculations used in this Offering Memorandum or, if the Issuer includes ERC in its financial statements, with the most recent published financial statements of the Issuer, the Senior Secured Notes Issuer or GFKL Holdco, as applicable, as of such date of determination.

"*Preferred Stock*," as applied to the Capital Stock of any Person, means Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

"*Public Debt*" means any Indebtedness consisting of bonds, debentures, notes or other similar debt securities issued in (1) a public offering registered under the Securities Act or (2) a private placement to institutional investors that is underwritten for resale in accordance with Rule 144A or Regulation S under the Securities Act, whether or not it includes registration rights entitling the holders of such debt securities to registration thereof with the SEC for public resale.

"*Public Market*" means any time after:

(1) an Equity Offering has been consummated; and

(2) shares of common stock or other common equity interests of the IPO Entity having a market value in excess of £100 million on the date of such Equity Offering have been distributed pursuant to such Equity Offering.

"*Public Offering*" means any offering, including an Initial Public Offering, of shares of common stock or other common equity interests that are listed on an exchange or publicly offered (which shall include an offering pursuant to Rule 144A or Regulation S under the Securities Act to professional market investors or similar Persons).

"*Purchase Money Obligations*" means any Indebtedness Incurred to finance or refinance the acquisition, leasing, construction or improvement of property (real or personal) or assets (including Capital Stock), and whether acquired through the direct acquisition of such property or assets or the acquisition of the Capital Stock of any Person owning such property or assets, or otherwise.

"*Put-Backs*" means Underlying Portfolio Assets that differ from the characteristics specified in the purchase contract thereof and that we consequently sell back at the purchase price or, depending on the contractual arrangement, at a subsequently negotiated price.

"*Qualified Receivables Financing*" means any Receivables Financing that meets the following conditions: (1) the Board of Directors or an Officer of the Issuer shall have determined in good faith that such Qualified Receivables Financing (including financing terms, covenants, termination events and other provisions) is in the aggregate economically fair and reasonable to the Issuer and the Receivables Subsidiary, (2) all sales of accounts receivable and related assets to the Receivables Subsidiary are made at fair market value (as determined in good faith by the Board of Directors or an Officer of the Issuer), (3) the financing terms, covenants, termination events and other provisions thereof shall be on market terms (as determined in good faith by the Board of Directors or an Officer of the Issuer) and may include Standard Securitization Undertakings and (4) is non-recourse to the Issuer or any Restricted Subsidiary (other than a Receivables Subsidiary) except to the extent of any Standard Securitization Undertaking; *provided* that, for the avoidance of doubt, the term Qualified Receivables Financing shall include the Milla Securitization.

"*Rating Agencies*" means Moody's and S&P or, in the event Moody's or S&P no longer assigns a rating to the Senior Notes, any other "nationally recognized statistical rating organization" within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the U.S. Exchange Act selected by the Issuer as a replacement agency.

"*Receivable*" means a right to receive payment arising from a sale or lease of goods or services by a Person pursuant to an arrangement with another Person pursuant to which such other Person is obligated to pay for goods or services under terms that permit the purchase of such goods and services on credit.

"*Receivables Assets*" means any Receivables of the Issuer or any of its Subsidiaries or any Compartment of a Subsidiary of the Issuer, and any assets related thereto, including all collateral securing such Receivable, all contracts and all guarantees or other obligations in respect of such Receivable, proceeds collected on such Receivable and other assets which are customarily transferred or in respect of which security interest are customarily granted in connection with asset securitization transactions and any related Hedging Obligations, in each case, whether now existing or arising in the future.

"*Receivables Fees*" means distributions or payments made directly or by means of discounts with respect to any participation interest issued or sold in connection with, and other fees paid to a Person that is not a Restricted Subsidiary in connection with, any Qualified Receivables Financing.

"*Receivables Financing*" means any transaction or series of transactions that may be entered into by the Issuer or any of its Subsidiaries or a Compartment of a Subsidiary of the Issuer pursuant to which the Issuer or any of its Subsidiaries (i) may sell, convey or otherwise transfer (which, for the avoidance of doubt, shall include any synthetic transfer) any Receivables Assets to (a) a Receivables Subsidiary (in the case of a transfer by the Issuer or any of its Subsidiaries) or (b) any other Person (in the case of a transfer by a Receivables Subsidiary) or (ii) may grant a security interest in any Receivables Assets.

"*Receivables Repurchase Obligation*" means any obligation of a seller of receivables in a Qualified Receivables Financing to repurchase Receivables Assets arising as a result of a breach of a representation, warranty or covenant or otherwise, including as a result of a receivable or portion thereof becoming subject to any asserted defense, dispute, off-set or counterclaim of any kind as a result of any action taken by, any failure to take action by or any other event relating to the seller.

"*Receivables Subsidiary*" means a Subsidiary or a Compartment of a Subsidiary of the Issuer or another Person formed for the purposes of engaging in a Qualified Receivables Financing with the Issuer or any of its Subsidiaries or any Compartment of a Subsidiary of the Issuer, in which the Issuer or any Subsidiary of the Issuer makes an Investment and to which the Issuer or any Subsidiary of the Issuer transfers accounts receivable and related assets, which engages in no activities other than in connection with the financing of accounts receivable of the Issuer and its Subsidiaries, all proceeds thereof and all rights (contractual or other), collateral and other assets relating thereto, and any business or activities incidental or related to such business, and which is designated by the Board of Directors of the Issuer (as provided below) as a Receivables Subsidiary and:

(1) no portion of the Indebtedness or any other obligations (contingent or otherwise) of which (i) is guaranteed by the Issuer or any other Restricted Subsidiary (excluding guarantees of obligations (other than the principal of, and interest on, Indebtedness) pursuant to Standard Securitization Undertakings), (ii) is subject to terms that are substantially equivalent in effect to a Guarantee of any losses on securitized or sold receivables by the Issuer or any other Restricted Subsidiary, (iii) is recourse to or obligates the Issuer or any other Restricted Subsidiary in any way other than pursuant to Standard Securitization Undertakings, or (iv) subjects any property or asset of the Issuer or any other Restricted Subsidiary, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings;

(2) with which neither the Issuer nor any Restricted Subsidiary has any contract, agreement, arrangement or understanding other than on terms which the Issuer reasonably believes to be no less favorable to the Issuer or such Restricted Subsidiary than those that might be obtained at the time from Persons that are not Affiliates of the Issuer; and

(3) to which neither the Issuer nor any Restricted Subsidiary has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels of operating results.

Any such designation by the Board of Directors of the Issuer shall be evidenced to the Trustee by filing with the Trustee a copy of the resolution of the Board of Directors of the Issuer giving effect to such designation and an Officer's Certificate certifying that such designation complied with the foregoing conditions.

"*refinance*" means refinance, refund, replace, renew, repay, modify, restate, defer, substitute, supplement, reissue, resell, extend or increase (including pursuant to any defeasance or discharge mechanism) and the terms "*refinances*," "*refinanced*" and "*refinancing*" as used for any purpose in the Senior Notes Indenture shall have a correlative meaning.

"*Refinancing Indebtedness*" means Indebtedness that is Incurred to refund, refinance, replace, exchange, renew, repay or extend (including pursuant to any defeasance or discharge mechanism) any Indebtedness existing on the date of the Senior Notes Indenture or Incurred in compliance with the Senior Notes Indenture (including Indebtedness of the Issuer that refinances Indebtedness of any Restricted Subsidiary and Indebtedness of any Restricted Subsidiary that refinances Indebtedness of the Issuer or another Restricted Subsidiary) including Indebtedness that refinances Refinancing Indebtedness; *provided, however*, that:

(1) if the Indebtedness being refinanced constitutes Subordinated Indebtedness, the Refinancing Indebtedness has a final stated maturity at the time such Refinancing Indebtedness is Incurred that is the same as or later than the final stated maturity of the Indebtedness being refinanced or, if shorter, the maturity date of the Senior Notes;

(2) such Refinancing Indebtedness is Incurred in an aggregate principal amount (or if issued with original issue discount, an aggregate issue price) that is equal to or less than the sum of the aggregate principal amount (or if issued with original issue discount, the aggregate accreted value) then outstanding of the Indebtedness being refinanced (plus, without duplication, any additional Indebtedness Incurred to pay interest or premiums required by the instruments governing such existing Indebtedness and costs, expenses and fees Incurred in connection therewith); and

(3) if the Indebtedness being refinanced is expressly subordinated to the Senior Notes, such Refinancing Indebtedness is subordinated to the Senior Notes on terms at least as favorable to the Holders as those contained in the documentation governing the Indebtedness being refinanced,

provided, further, however, that Refinancing Indebtedness shall not include (i) Indebtedness of the Issuer or a Restricted Subsidiary that refinances Indebtedness of an Unrestricted Subsidiary or (ii) Indebtedness of a Restricted Subsidiary that is not a Guarantor that refinances Indebtedness of the Issuer or a Guarantor.

"*Related Person*" with respect to any Permitted Holder, means:

(1) any controlling equity holder, majority (or more) owned Subsidiary or controlling partner or controlling member of such Person; or

(2) in the case of an individual, any spouse, family member or relative of such individual, any trust or partnership for the benefit of one or more of such individual and any such spouse, family member or relative, or the estate, executor, administrator, committee or beneficiaries of any thereof; or

(3) any trust, corporation, partnership or other Person for which one or more of the Permitted Holders and other Related Persons of any thereof constitute the beneficiaries, stockholders, partners or owners thereof, or Persons beneficially holding in the aggregate a majority (or more) controlling interest therein; or

(4) any investment fund or vehicle managed, sponsored or advised by such Person or any successor thereto, or by any Affiliate of such Person or any such successor,

provided, however, that a Related Person with respect to any Permitted Holder shall not include (x) a controlling partner, member, interest holder, equity holder or limited partner of the Permira V Funds, if any, and any Subsidiary of such controlling partner, member, interest holder, equity holder or limited partner, in each case to the extent not itself a member of the Permira Group and (y) any controlling partner, member, interest holder, equity holder or shareholder of Permira V G.P. Limited, if any, and any Subsidiary of such controlling partner, member, interest holder, equity holder or shareholder, in each case to the extent not itself a member of the Permira Group.

"*Related Taxes*" means:

(1) any Taxes, including sales, use, transfer, rental, ad valorem, value added, stamp, property, consumption, franchise, license, capital, registration, business, customs, net worth, gross receipts, excise, occupancy, intangibles or similar taxes (other than (x) taxes measured by income and (y) withholding imposed on payments made by any Parent), required to be paid (provided such taxes are in fact paid) by any Parent by virtue of its:

    (a) being incorporated or otherwise being established or having Capital Stock outstanding (but not by virtue of owning stock or other equity interests of any corporation or other entity other than, directly or indirectly, the Issuer or any Restricted Subsidiary);

    (b) issuing or holding Subordinated Shareholder Funding;

    (c) being a holding company parent, directly or indirectly, of the Issuer or any Restricted Subsidiary;

    (d) receiving dividends from or other distributions in respect of the Capital Stock of, directly or indirectly, the Issuer or any Restricted Subsidiary; or

    (e) having made or received any payment with respect to any of the items for which the Issuer is permitted to make payments to any Parent pursuant to "*—Certain Covenants—Limitation on Restricted Payments*;" or

(2) if and for so long as the Issuer is a member of a group filing a consolidated or combined tax return with any Parent, any Taxes measured by income for which such Parent is liable up to an amount not to exceed with respect to such Taxes the amount of any such Taxes that the Issuer and its Restricted Subsidiaries would have been required to pay on a separate company basis or on a consolidated basis if the Issuer and its Restricted Subsidiaries had paid tax on a consolidated, combined, group, affiliated or unitary basis on behalf of an affiliated group consisting only of the Issuer and its Restricted Subsidiaries.

"*Replacement Assets*" means non-current properties and assets that replace the properties and assets that were the subject of an Asset Disposition or non-current properties and assets that will be used in the Issuer's business or in that of the Restricted Subsidiaries (including the Target and its Restricted Subsidiaries) as of the Issue Date or any and all other businesses that in the good faith judgment of the Board of Directors or any Officer of the Issuer are related thereto.

"*Representative*" means any trustee, agent or representative (if any) for an issue of Indebtedness or the provider of Indebtedness (if provided on a bilateral basis), as the case may be.

"*Reserved Cash*" means the consolidated total cash of the Issuer and its Restricted Subsidiaries that is shown on the balance sheet as earmarked funds, which relate to pass-through obligations from portfolio management and administered trust accounts.

"*Restricted Investment*" means any Investment other than a Permitted Investment.

"*Restricted Subsidiary*" means any Subsidiary of the Issuer other than an Unrestricted Subsidiary.

"*Revolving Credit Facility*" means the revolving credit facility made available pursuant to the Revolving Credit Facility Agreement.

"*Revolving Credit Facility Agreement*" means the super senior revolving facility agreement dated June 29, 2015, among Garfunkel Holding, as borrower, the Issuer, as a guarantor, and certain financial institutions, as amended pursuant to the amendment and restatement agreement dated August 18, 2015, among, inter alios, the Issuer, the Senior Secured Notes Issuer, Simon Bidco, Simon Midco, Simon Holdco, Citibank, N.A., London Branch, Credit Suisse AG, London Branch, Goldman Sachs Bank USA, ING Bank, a Branch of ING-DiBa AG and JPMorgan Chase Bank N.A., London Branch as described in "*Description of Certain Financing Arrangements—Revolving Credit Facility Agreement*," as amended from time to time.

"*Right to Collect Account*" means an Underlying Portfolio Asset that is owned by a Person that is not the Issuer or one of its Restricted Subsidiaries (a "*Third Party*") and in respect of which (a) such Third Party is unable or unwilling to dispose of the relevant Underlying Portfolio Asset to the Issuer or a Restricted Subsidiary; and (b) the Issuer or a Restricted Subsidiary is entitled to collect and retain substantially all of the amounts due under such Underlying Portfolio Asset or to receive amounts equivalent thereto.

"*S&P*" means Standard & Poor's Investors Ratings Services or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"*SEC*" means the U.S. Securities and Exchange Commission.

"*Securities Act*" means the U.S. Securities Act of 1933, as amended and the rules and regulations of the SEC promulgated thereunder, as amended.

"*Security Coverage Test*" means the test that is satisfied if both of the following statements are true as of the date of determination (based on the most recent published annual financial statements of either the Senior Secured Notes Issuer or the Issuer (or for the year ended December 31, 2014, GFKL Holdco), *provided* that if such financial statements do not include the results of operations of the GFKL Group and the Target Group for a period of twelve months, then the Security Coverage Test shall be based on the pro forma combined financial information of the GFKL Group and the Target Group prepared on a basis substantially consistent with the pro forma information presented in this Offering Memorandum):

(1) the aggregate of the earnings before interest, tax depreciation and amortization ("EBITDA") of the Guarantors (calculated on an unconsolidated basis but otherwise on the same basis as Consolidated EBITDA) equals or exceeds 80% of Consolidated EBITDA (for this purpose disregarding from Consolidated EBITDA and the aggregate EBITDA of the Guarantors, the EBITDA of any member of the Group that generates negative EBITDA); and

(2) the aggregate of the gross assets of the members of the Group which are Guarantors (calculated on an unconsolidated basis and excluding all intra-Group items) equals or exceeds 80% of the gross assets of the Group.

"*Security Documents*" means the security agreements, pledge agreements, collateral assignments, and any other instrument and document executed and delivered pursuant to the Senior Notes 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 Senior Notes Indenture.

"*Sellers*" means Metis Holdco, Oliver Wyman Limited, a company incorporated in England and Wales with company number 02995605, 1920297 Ontario Limited (an affiliate of OTPP) and certain management sellers.

"*Senior Bridge Facility*" means the £240 million high yield bridge facility that was drawn on the Completion Date in connection with the Acquisition pursuant to the Senior Bridge Facility Agreement, and which is expected to be repaid with the proceeds of the Offering.

"*Senior Bridge Facility Agreement*" means the high yield bridge facility agreement dated August 18, 2015 among the Issuer, as borrower, and Credit Suisse AG, London Branch, Citigroup Global Markets Limited, Goldman

Sachs Bank USA, ING Bank, a Branch of ING-DiBa AG, and J.P. Morgan Limited as mandated lead arrangers and bookrunners, and ING Bank, a Branch of ING-DiBa AG, as agent and Citibank, N.A., London Branch as Security Agent.

"*Senior Indebtedness*" means, whether outstanding on the Issue Date or thereafter Incurred, all amounts payable by, under or in respect of all other Indebtedness of the Issuer (only with respect to a Guarantee by the Issuer of Senior Indebtedness of a Guarantor) or any Guarantor, including premiums and accrued and unpaid interest (including interest accruing on or after the filing of any petition in bankruptcy or for reorganization relating to the Issuer or such Guarantor at the rate specified in the documentation with respect thereto whether or not a claim for post filing interest is allowed in such proceeding) and fees relating thereto; *provided*, *however*, that Senior Indebtedness will not include:

(a) any Indebtedness Incurred in violation of the Senior Notes Indenture;

(b) any obligation of the Issuer or any Guarantor to any Restricted Subsidiary;

(c) any liability for taxes owed or owing by the Issuer or any Restricted Subsidiary;

(d) any accounts payable or other liability to trade creditors arising in the ordinary course of business (including Guarantees thereof or instruments evidencing such liabilities);

(e) any Indebtedness, Guarantee or obligation of the Issuer or any Guarantor that is expressly subordinate or junior in right of payment to any other Indebtedness, Guarantee or obligation of the Issuer or such Guarantor;

(f) any Indebtedness, Guarantee or obligation of any Guarantor that is *pari passu* in right of payment with the Note Guarantee of such Guarantor; or

(g) any Capital Stock.

"*Senior Notes*" means the Senior Notes issued on the Issue Date and any Additional Senior Notes.

"*Senior Notes Issue Date Guarantor*" means the Senior Secured Notes Issuer, Garfunkel Holding, Simon Bidco, Simon Midco, and Simon Holdco.

"*Senior Notes Documents*" means the Senior Notes (including Additional Senior Notes), the Senior Notes Indenture, the Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreements.

"*Senior Notes Indenture*" means the indenture entered into on the Issue Date between, among others, the Issuer, the Security Agent and the Trustee, as amended from time to time.

"*Senior Notes Post-Completion Date Guarantors*" means Lowell Finance Holdings Limited, Lowell Group Limited, Lowell Funding Limited, Lowell Acquisitions Limited, Lowell Holdings Limited, Lowell Finance Limited, Lowell Financial Limited, Lowell Portfolio I Limited and Tocatto Limited.

"*Senior Proceeds Loan*" means the loan made under the loan agreement entered into on the Completion Date between the Issuer, as lender, and the Senior Secured Notes Issuer, as borrower, pursuant to which the Issuer advanced the borrowings under the Senior Bridge Facility entered into on the Completion Date, as amended, accreted or partially repaid from time to time.

"*Senior Secured Bridge Facility*" means the £555 million high yield bridge facility that was drawn on the Completion Date in connection with the Acquisition pursuant to the Senior Secured Bridge Facility Agreement, and which is expected to be repaid with the proceeds from the Offering.

"*Senior Secured Bridge Facility Agreement"* means the high yield bridge facility agreement dated August 18, 2015 among the Senior Secured Notes Issuer, as borrower, and Goldman Sachs Bank USA, Citigroup Global Markets Limited, Credit Suisse AG, London Branch, ING Bank, a Branch of ING-DiBa AG, and J.P. Morgan Limited as mandated lead arrangers and bookrunners, and ING Bank, a Branch of ING-DiBa AG, as agent and Citibank, N.A., London Branch as Security Agent.

"*Senior Secured Notes*" means any senior secured notes issued under the Senior Secured Notes Indenture.

"*Senior Secured Notes Indenture*" means the indenture governing the Senior Secured Notes entered into on the Issue Date between, among others, the Senior Secured Notes Issuer, Garfunkel Holding, Simon Holdco, Simon Midco, Simon Bidco and the Issuer and Citibank, N.A., London Branch, as trustee, as amended from time to time.

"*Senior Secured Notes Issuer*" means Garfunkelux Holdco 3 S.A. and its successors and assigns.

"*Significant Subsidiary*" means any Restricted Subsidiary that meets any of the following conditions:

(1) the Issuer's and its Restricted Subsidiaries' investments in and advances to the Restricted Subsidiary exceed 10% of the total assets (excluding Reserved Cash) of the Issuer and its Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year;

(2) the Issuer's and its Restricted Subsidiaries' proportionate share of the total assets (after intercompany eliminations) of the Restricted Subsidiary exceeds 10% of the total assets (excluding Reserved Cash) of the Issuer and its Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year; or

(3) the Issuer's and its Restricted Subsidiaries' proportionate share of the Consolidated EBITDA of the Restricted Subsidiary exceeds 10% of the Consolidated EBITDA of the Issuer and its Restricted Subsidiaries on a consolidated basis for the most recently completed fiscal year.

"*Similar Business*" means (a) any businesses, services or activities engaged in by the Issuer or any of its Restricted Subsidiaries (including the Target and its Restricted Subsidiaries) or any Associates on the Issue Date and (b) any businesses, services and activities that are related, complementary, incidental, ancillary or similar to any of the foregoing or are extensions or developments of any thereof.

"*Simon Bidco*" means the entity incorporated under the laws of England and Wales that is a direct Subsidiary of Simon Midco as of the Issue Date and its successors and assigns.

"*Simon Holdco*" means the entity incorporated under the laws of Jersey that is a direct Subsidiary of the Senior Secured Notes Issuer as of the Issue Date and its successors and assigns.

"*Simon Midco*" means the entity incorporated under the laws of England and Wales that is a direct Subsidiary of Simon Holdco as of the Issue Date and its successors and assigns.

"*Special Purpose Vehicle*" means an entity established by any Parent for the purpose of maintaining an equity incentive or compensation plan for Management Investors.

"*Squeeze Out*" refers to the acquisition of the ordinary shares of GFKL Financial Services AG from the minority shareholders.

"*Squeeze Out Guarantee*" means a guarantee issued in compliance with, and in the form required by, section 327b(3) of the German Stock Corporation Act (*AktG*).

"*Standard Securitization Undertakings*" means representations, warranties, covenants, indemnities and guarantees of performance entered into by the Issuer or any Subsidiary of the Issuer which the Issuer has determined in good faith to be customary in a Receivables Financing, including those relating to the servicing of the assets of a Receivables Subsidiary, it being understood that any Receivables Repurchase Obligation shall be deemed to be a Standard Securitization Undertaking.

"*Stated Maturity*" means, with respect to any security, the date specified in such security as the fixed date on which the payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision, but shall not include any contingent obligations, including those described in "*—Change of Control*" and the covenant under "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*," to repay, redeem or repurchase any such principal prior to the date originally scheduled for the payment thereof.

"*Structure Event*" means the completion of any Squeeze Out followed by the completion of the German Company Conversion.

"*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 Senior Notes or any Note Guarantee pursuant to a written agreement.

"*Subordinated Shareholder Funding*" means, collectively, any funds provided to the Issuer by any Parent, any Affiliate of any Parent or any Permitted Holder or any Affiliate thereof, in exchange for or pursuant to any security, instrument or agreement other than Capital Stock, in each case issued to and held by any of the foregoing Persons, together with any such security, instrument or agreement and any other security or instrument other than Capital Stock issued in payment of any obligation under any Subordinated Shareholder Funding; *provided*, *however*, that such Subordinated Shareholder Funding:

(1) does not mature or require any amortization, redemption or other repayment of principal or any sinking fund payment prior to six months after the Stated Maturity of the Senior Notes (other than through conversion or

exchange of such funding into Capital Stock (other than Disqualified Stock) of the Issuer or any funding meeting the requirements of this definition) or the making of any such payment prior to six months after the Stated Maturity of the Senior Notes is restricted by the Intercreditor Agreement, an Additional Intercreditor Agreement or another intercreditor agreement;

(2) does not require, prior to six months after the Stated Maturity of the Senior Notes, payment of cash interest, cash withholding amounts or other cash gross-ups, or any similar cash amounts or the making of any such payment prior to the six-month anniversary of the Stated Maturity of the Senior Notes is restricted by the Intercreditor Agreement or an Additional Intercreditor Agreement;

(3) contains no change of control or similar provisions and does not accelerate and has no right to declare a default or event of default or take any enforcement action or otherwise require any cash payment, in each case, prior to six months after the Stated Maturity of the Senior Notes or the payment of any amount as a result of any such action or provision or the exercise of any rights or enforcement action, in each case, prior to six months after the Stated Maturity of the Senior Notes is restricted by the Intercreditor Agreement or an Additional Intercreditor Agreement;

(4) does not provide for or require any security interest or encumbrance over any asset of the Issuer or any of its Subsidiaries; and

(5) pursuant to its terms or to the Intercreditor Agreement, an Additional Intercreditor Agreement or another intercreditor agreement, is fully subordinated and junior in right of payment to the Senior Notes pursuant to subordination, payment blockage and enforcement limitation terms which are customary in all material respects for similar funding or are no less favorable in any material respect to Holders than those contained in the Intercreditor Agreement as in effect on the Issue Date with respect to the "Investor Liabilities" (as defined therein).

"*Subsidiary* " means, with respect to any Person:

(1) any corporation, association or other business entity (other than a partnership, joint venture, limited liability company or similar entity) of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time of determination owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof; or

(2) any partnership, joint venture, limited liability company or similar entity of which: (a) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general or limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof, whether in the form of membership, general, special or limited partnership interests or otherwise; and (b) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

"*Successor Parent*" with respect to any Person means any other Person 100% of the total voting power of the Voting Stock (other than directors' qualifying shares or shares required by any applicable law or regulation to be held by a Person other than the Issuer or another wholly-owned Subsidiary) of which is, at the time the first Person becomes a Subsidiary of such other Person, "beneficially owned" (as defined below) by one or more Persons that "beneficially owned" (as defined below) 100% of the total voting power of the Voting Stock (other than directors' qualifying shares or shares required by any applicable law or regulation to be held by a Person other than the Issuer or another wholly-owned Subsidiary) of the first Person immediately prior to the first Person becoming a Subsidiary of such other Person. For purposes hereof, "beneficially own" has the meaning correlative to the term "beneficial owner," as such term is defined in Rules 13d-3 and 13d-5 under the Exchange Act (as in effect on the Issue Date).

"*T-Shares*" means shares or beneficiary units with nominal economic rights expected to be held by New Luxco, as described in this Offering Memorandum;

"*Target*" means Metis Bidco Limited, a private company limited by shares under the law of England and Wales.

"*Tax Sharing Agreement*" means any tax sharing or profit and loss pooling or similar agreement with customary or arm's-length terms entered into with any Parent or Unrestricted Subsidiary, as the same may be amended, supplemented, waived or otherwise modified from time to time in accordance with the terms thereof and of the Senior Notes Indenture.

"*Taxes*" means all present and future taxes, levies, imposts, deductions, charges, duties and withholdings and any charges of a similar nature (including interest and penalties with respect thereto) that are imposed by any government or other taxing authority.

"*Temporary Cash Investments*" means any of the following:

(1) any investment in: (a) direct obligations of, or obligations Guaranteed by, (i) the United States of America or Canada, (ii) any European Union member state, (iii) Japan, Switzerland or Norway, (iv) any country in whose currency funds are being held specifically pending application in the making of an investment or capital expenditure by the Issuer or a Restricted Subsidiary in that country with such funds or (v) any agency or instrumentality of any such country or member state; or (b) direct obligations of any country recognized by the United States of America rated at least "A" by S&P or "A-1" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(2) overnight bank deposits, and investments in time deposit accounts, certificates of deposit, bankers' acceptances and money market deposits (or, with respect to foreign banks, similar instruments) maturing not more than one year after the date of acquisition thereof issued by: (a) any lender under the Revolving Credit Facility; (b) any institution authorized to operate as a bank in any of the countries or member states referred to in sub-clause (1)(a) above; or (c) any bank or trust company organized under the laws of any such country or member state or any political subdivision thereof, in each case, having capital and surplus aggregating in excess of £250 million (or the foreign currency equivalent thereof) and whose long-term debt is rated at least "A-" by S&P or "A-3" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) or (2) above entered into with a Person meeting the qualifications described in clause (2) above;

(4) Investments in commercial paper, maturing not more than 270 days after the date of acquisition, issued by a Person (other than the Issuer or any of its Subsidiaries) with a rating at the time as of which any Investment therein is made of "P-2" (or higher) according to Moody's or "A-2" (or higher) according to S&P (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(5) Investments in securities maturing not more than one year after the date of acquisition issued or fully Guaranteed by any state, commonwealth or territory of the United States of America, Canada, any European Union member state, Japan, Switzerland or Norway or by any political subdivision or taxing authority of any such state, commonwealth, territory, country or member state, and rated at least "BBB–" by S&P or "Baa3" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(6) bills of exchange issued in the United States, Canada, a member state of the European Union, Switzerland, Norway or Japan eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent);

(7) any money market deposit accounts issued or offered by a commercial bank organized under the laws of a country that is a member of the Organization for Economic Co-operation and Development, in each case, having capital and surplus in excess of £250 million (or the foreign currency equivalent thereof) or whose long-term debt is rated at least "A" by S&P or "A2" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;

(8) investment funds investing 95% of their assets in securities of the type described in clauses (1) through (7) above (which funds may also hold reasonable amounts of cash pending investment or distribution); and

(9) investments in money market funds (a) complying with the risk limiting conditions of Rule 2a-7 (or any successor rule) of the SEC under the U.S. Investment Company Act of 1940, as amended, or (b) rated "AAA" by S&P or "Aaa" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization).

"*Total Assets*" means the consolidated total assets of the Issuer and its Restricted Subsidiaries as shown on the balance sheet of such Person prepared on the basis of IFRS, and may give *pro forma* effect to any acquisition under the conditions, *mutatis mutandis*, set forth under clause (1) of the second paragraph of the definition of "Consolidated Leverage Ratio"; *provided* that such Total Assets shall not include any amount of Reserved Cash.

"*Transactions*" has the meaning assigned to such term in this Offering Memorandum under the heading "*The Transactions*" and the Squeeze Out.

"*U.K. Government Securities*" means direct obligations of, or obligations guaranteed by, the United Kingdom, and the payment for which the United Kingdom pledges its full faith and credit.

"*U.S. GAAP*" means generally accepted accounting principles in the United States of America as in effect from time to time.

"*Underlying Portfolio Asset*" means performing, sub-performing, non-performing or charged-off accounts, loans, receivables, mortgages, debentures, notes, claims and other similar assets or instruments (in each case, however pooled, aggregated, fractionally owned or contractually divided).

"*Uniform Commercial Code*" means the New York Uniform Commercial Code.

"*Unrestricted Subsidiary*" means:

(1) any Subsidiary of the Issuer that at the time of determination is an Unrestricted Subsidiary (as designated by the Board of Directors of the Issuer in the manner provided below); and

(2) any Subsidiary of an Unrestricted Subsidiary.

The Board of Directors of the Issuer may designate any Subsidiary of the Issuer (including any newly acquired or newly formed Subsidiary or a Person becoming a Subsidiary through merger, consolidation or other business combination transaction, or Investment therein to be an Unrestricted Subsidiary only if:

(1) such Subsidiary or any of its Subsidiaries does not own any Capital Stock or Indebtedness of, or own or hold any Lien on any property of, the Issuer or any other Subsidiary of the Issuer which is not a Subsidiary of the Subsidiary to be so designated or otherwise an Unrestricted Subsidiary; and

(2) such designation and the Investment of the Issuer in such Subsidiary comply with "*—Certain Covenants—Limitation on Restricted Payments*."

Any such designation by the Board of Directors of the Issuer shall be evidenced to the Trustee by filing with the Trustee a copy of the resolution of the Board of Directors of the Issuer giving effect to such designation and an Officer's Certificate certifying that such designation complies with the foregoing conditions.

The Board of Directors of the Issuer may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that immediately after giving effect to such designation (1) no Default or Event of Default would result therefrom and (2)(x) the Issuer could Incur at least £1.00 of additional Indebtedness under the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" or (y) the Fixed Charge Coverage Ratio would not be less than it was immediately prior to giving effect to such designation, in each case, on a *pro forma* basis taking into account such designation. Any such designation by the Board of Directors shall be evidenced to the Trustee by promptly filing with the Trustee a copy of the resolution of the Board of Directors giving effect to such designation or an Officer's Certificate certifying that such designation complied with the foregoing provisions.

"*Voting Stock*" of a Person means all classes of Capital Stock of such Person then outstanding and normally entitled to vote in the election of directors.

BOOK-ENTRY, DELIVERY AND FORM

General

Each series of Notes sold to qualified institutional buyers in reliance on Rule 144A under the U.S. Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the "**Rule 144A Global Notes**"). Each series of Notes sold to non-U.S. persons outside the United States in reliance on Regulation S under the U.S. Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the "**Regulation S Global Notes**" and, together with the Rule 144A Global Notes, the "**Global Notes**"). The Global Notes will be deposited, on the Issue Date, with a common depositary and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.

Ownership of interests in the Rule 144A Global Notes (the "**Rule 144A Book-Entry Interests**") and ownership of interests in the Regulation S Global Notes (the "**Regulation S Book-Entry Interests**" and, together with the Rule 144A Book-Entry Interests, the "**Book-Entry Interests**") will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that hold interests through such participants. Euroclear and Clearstream will hold interests in the Global Notes on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositories. Except under the limited circumstances described below, the Notes will not be issued in definitive form.

Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream and their participants. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of those securities in definitive form. The foregoing limitations may impair your ability to own, transfer or pledge Book-Entry Interests. In addition, while the Notes are in global form, holders of Book-Entry Interests will not have the Notes registered in their name, will not have received physical delivery of the Notes in certificated form and will not be considered the registered owners or "Holders" of Notes under the relevant Indenture for any purpose.

So long as the Notes are held in global form, Euroclear and/or Clearstream (or their respective nominees), as applicable, will be considered the sole holders of the Global Notes for all purposes under the relevant Indenture. Accordingly, participants must rely on the procedures of Euroclear and Clearstream, and indirect participants must rely on the procedures of Euroclear and Clearstream and the participants through which they own Book-Entry Interests, to transfer their interests or to exercise any rights of holders of Notes under the Indentures.

Neither we nor the Trustees nor any of their agents will have any responsibility, or be liable, for any aspect of the records, or for payments made, relating to the Book-Entry Interests.

Action by Owners of Book-Entry Interests

Euroclear and Clearstream have advised the Issuers that they will take any action permitted to be taken by a holder of Notes (including the presentation of Notes for exchange as described above) only at the direction of one or more participants to whose account the Book-Entry Interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents or waivers or the taking of any other action in respect of the Global Notes. However, if there is an event of default under the Notes, each of Euroclear and Clearstream, at the request of the holders of the Notes, reserves the right to exchange the Global Notes for definitive registered Notes in certificated form (the "**Definitive Registered Notes**"), and to distribute such Definitive Registered Notes to their participants.

Definitive Registered Notes

Under the terms of the Indentures, owners of the Book-Entry Interests will receive Definitive Registered Notes:

(1) if Euroclear or Clearstream notifies the relevant Issuer that it is unwilling or unable to continue to act as depositary and a successor depositary is not appointed by the relevant Issuer within 120 days; or

(2) if the owner of a Book-Entry Interest requests such exchange in writing delivered through Euroclear or Clearstream following an event of default under the relevant Indenture.

Euroclear and Clearstream have advised the Issuers that upon request by an owner of a Book-Entry Interest described in the immediately preceding clause (2), their current procedure is to request that the relevant Issuer issues or causes to be issued Notes in definitive registered form to all owners of Book-Entry Interests and not only to the owner who made the initial request.

In such an event described in clauses (1) and (2), the relevant Registrar will issue Definitive Registered Notes, registered in the name or names and issued in any approved denominations, requested by or on behalf of Euroclear, Clearstream or the relevant Issuer, as applicable (in accordance with their respective customary procedures and based upon directions received from participants reflecting the beneficial ownership of Book-Entry Interests), and such Definitive Registered Notes will bear the restrictive legend as provided in the Indentures, unless that legend is not required by the relevant Indenture or applicable law.

If Definitive Registered Notes are issued and a holder thereof claims that such Definitive Registered Notes have been lost, destroyed or wrongfully taken, or if such Definitive Registered Notes are mutilated and are surrendered to the relevant Registrar or at the office of a Transfer Agent, the relevant Issuer will issue and the relevant Trustee or an authenticating agent appointed by the relevant Trustee will authenticate a replacement Definitive Registered Note if the relevant Trustee's and the relevant Issuer's requirements are met. The relevant Issuer or the relevant Trustee may require a holder requesting replacement of a Definitive Registered Note to furnish an indemnity bond sufficient in the judgment of both the relevant Trustee and the relevant Issuer to protect the relevant Issuer, Trustee or Paying Agent appointed pursuant to the relevant Indenture from any loss which any of them may suffer if a Definitive Registered Note is replaced. The relevant Issuer may charge for expenses in replacing a Definitive Registered Note.

In case any such mutilated, destroyed, lost or stolen Definitive Registered Note has become or is about to become due and payable, or is about to be redeemed or purchased by the relevant Issuer pursuant to the provisions of the relevant Indenture, such Issuer in its discretion may, instead of issuing a new Definitive Registered Note, pay, redeem or purchase such Definitive Registered Note, as the case may be.

To the extent permitted by law, each of the Issuers, the Trustees, the Registrars, the Transfer Agent and the Paying Agents shall be entitled to treat the registered holder of any Global Note as the absolute owner thereof and no person will be liable for treating the registered holder as such. Ownership of the Global Notes will be evidenced through registration from time to time at the registered office of the relevant Registrar, and such registration is a means of evidencing title to the Notes.

The Issuers will not impose any fees or other charges in respect of the Notes; however, owners of the Book-Entry Interests may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear and/or Clearstream.

Redemption of Global Notes

In the event that any Global Note (or any portion thereof) is redeemed, Euroclear and/or Clearstream, or their respective nominees, as applicable, will redeem an equal amount of the Book-Entry Interests in such Global Note from the amount received by them in respect of the redemption of such Global Note. The redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by Euroclear and Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). Each of the Issuers understands that, under the existing practices of Euroclear and Clearstream, if fewer than all of its Notes are to be redeemed at any time, Euroclear and Clearstream will credit their participants' accounts on a proportionate basis (with adjustments to prevent fractions) or on such other basis as they deem fair and appropriate; *provided*, however, that no Book-Entry Interest of less than £100,000 principal amount may be redeemed in part.

Payments on Global Notes

Each of the Issuers will make payments of any amounts owing in respect of the relevant Global Notes (including principal, premium, if any, interest and additional amounts, if any) to the relevant Paying Agent. The Paying Agent will, in turn make said payments to the common depositary or its nominee for Euroclear and Clearstream. Euroclear and/or Clearstream will distribute such payments to participants in accordance with their respective customary procedures. Each of the Issuers 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 Senior Secured Notes—Additional Amounts*" or "*Description of the Senior Notes—Additional Amounts,*" as applicable. If any such deduction or withholding is required to be made, then, to the extent described under "*Description of the Senior Secured Notes—Additional Amounts*" or "*Description of the Senior Notes—Additional Amounts*" above for the Senior Secured Notes and the Senior Notes respectively, the relevant Issuer will pay additional amounts as may be necessary in order for the net amounts received by any holder of the Global Notes or owner of Book-Entry Interests after such deduction or withholding to equal the net amounts that such holder or owner would have otherwise received in respect of such Global Note or Book-Entry Interest, as the case may be, absent such withholding or deduction. Each of the Issuers 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 respective Indentures, each of the Issuers, the Trustees, the Security Agent, the Registrars, the Transfer Agents and the Paying Agents will treat the registered holders of the Global Notes (for example, Euroclear or Clearstream (or their respective nominees)) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Issuers, the Trustees, the Security Agent, the Registrars, the Transfer Agents and the Paying Agents or any of their respective agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest or for maintaining, supervising or reviewing the records of Euroclear or Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest; or
- Euroclear, Clearstream or any participant or indirect participant.

Currency of Payment for the Global Notes

The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the relevant Global Notes will be paid to holders of interests to such Notes through Euroclear and/or Clearstream in pound sterling.

Transfers

Transfers between participants in Euroclear and/or Clearstream will be effected in accordance with Euroclear and Clearstream's rules and will be settled in immediately available funds. If a holder of Notes requires physical delivery of Definitive Registered Notes for any reason, including to sell Notes to persons in states which require physical delivery of such securities or to pledge such securities, such holder of Notes must transfer its interests in the relevant Global Notes in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the procedures set forth in the relevant Indenture.

The Global Notes will bear a legend to the effect set forth under "*Transfer Restrictions.*" Book-Entry Interests in the Global Notes will be subject to the restrictions on transfers and certification requirements discussed under "*Transfer Restrictions.*"

Transfers of Rule 144A Book-Entry Interests to persons wishing to take delivery of Rule 144A Book-Entry Interests will at all times be subject to such transfer restrictions.

Rule 144A Book-Entry Interests may be transferred to a person who takes delivery in the form of a Regulation S Book-Entry Interest only upon delivery by the transferor of a written certification (in the form provided in the relevant Indenture) to the effect that such transfer is being made in accordance with Regulation S or Rule 144 under the U.S. Securities Act or any other exemption (if available under the U.S. Securities Act).

Through and including the 40th day after the later of the commencement of the Offering and the closing of the Offering (the "**40-day Period**"), Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of a Rule 144A Book-Entry Interest only upon delivery by the transferor of a written certification (in the form provided in the relevant Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a Qualified Purchaser as defined under the Investment Company Act who is also a "qualified institutional buyer" within the meaning of Rule 144A under the U.S. Securities Act in a transaction meeting the requirements of Rule 144A under the U.S. Securities Act or otherwise in accordance with the transfer restrictions described under "*Transfer Restrictions*" and in accordance with any applicable securities laws of any other jurisdiction.

After the expiration of the 40-day Period, Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of a Rule 144A Book-Entry Interest without compliance with these certification requirements.

In connection with transfers involving an exchange of a Regulation S Book-Entry Interest for a Rule 144A Book-Entry Interest, appropriate adjustments will be made to reflect a decrease in the principal amount of the relevant Regulation S Global Note and a corresponding increase in the principal amount of the relevant Rule 144A Global Note.

Definitive Registered Notes may be transferred and exchanged for Book-Entry Interests in a Global Note only as described under "*Description of the Senior Secured Notes—Transfers*" or "*Description of the Senior Notes—Transfers*," as applicable, and, if required, only if the transferor first delivers to the relevant Trustee a written certificate (in the form provided in the relevant Indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such Notes. See "*Transfer Restrictions*."

Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in any other Global Note will, upon transfer, cease to be a Book-Entry Interest in the first mentioned Global Note and become a Book-Entry Interest in such other Global Note, and accordingly will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it remains such a Book-Entry Interest.

Information Concerning Euroclear and Clearstream

All Book-Entry Interests will be subject to the operations and procedures of Euroclear and Clearstream, as applicable. The Issuers 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. Neither we nor the Initial Purchasers are responsible for those operations or procedures.

The Issuers understand as follows with respect to Euroclear and Clearstream: Euroclear and Clearstream hold securities for participating organizations. They facilitate the clearance and settlement of securities transactions between their participants through electronic book-entry changes in the accounts of such participants. Euroclear and Clearstream provide various services to their participants, including the safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear and Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear and Clearstream participant, either directly or indirectly.

Because Euroclear and Clearstream can only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledge such interest to persons or entities that do not participate in the Euroclear and/or Clearstream system, or otherwise take actions in respect of such interest, may be limited by the lack of a definitive certificate for that interest. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such persons may be limited. In addition, owners of beneficial interests through the Euroclear or Clearstream systems will receive distributions attributable to the Rule 144A Global Notes only through Euroclear or Clearstream participants.

Global Clearance and Settlement Under the Book-Entry System

The Notes represented by the Global Notes are expected to be listed on the LuxSE and admitted for trading on the LuxSE's Euro MTF Market. The Notes have been accepted for clearance and settlement through the facilities of Euroclear and Clearstream. The international securities identification numbers and common code numbers for the Notes are set out under "*Listing and General Information—Clearing Information*." Transfers of interests in the Global Notes between participants in Euroclear or Clearstream will be effected in the ordinary way in accordance with their respective system's rules and operating procedures.

Although Euroclear and Clearstream currently follow the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants in Euroclear or Clearstream, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or modified at any time. None of the Issuers, the Trustees, the Security Agent, the Registrars, the Transfer Agents or the Paying 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 settlement for the Notes will be made in euro. Book-Entry Interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional bonds in registered form. Book-Entry Interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value of the settlement date.

Secondary Market Trading

The Book-Entry Interests will trade through participants of Euroclear and Clearstream and will settle in same day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book-Entry Interests where both the purchaser's and the seller's accounts are located to ensure that settlement can be made on the desired value date.

TAXATION

Certain German Tax Considerations

The following is a general discussion of certain German tax consequences of the acquisition, holding and disposal of the Notes. It does not purport to be a comprehensive description of all German tax considerations that may be relevant to a decision to purchase Notes and, in particular, does not consider any specific facts or circumstances that may apply to a particular purchaser. This summary is based on the tax laws of Germany currently in force and as applied on the date of this Offering Memorandum, which are subject to change, possibly with retroactive or retrospective effect.

PROSPECTIVE PURCHASERS OF THE NOTES ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSAL OF THE NOTES, INCLUDING THE EFFECT OF ANY STATE, LOCAL OR CHURCH TAXES, UNDER THE TAX LAWS OF GERMANY AND ANY COUNTRY OF WHICH THEY ARE RESIDENT OR WHOSE TAX LAWS APPLY TO THEM FOR OTHER REASONS.

Withholding Tax

For German tax residents (*i.e.* persons whose residence, habitual abode, statutory seat or place of effective management and control is located in Germany), interest payments will be subject to German withholding tax if the Notes are held in custody with a German branch of a German or non-German bank or financial services institution, a German securities trading company or a German securities trading bank (each, a "**Disbursing Agent**"*, auszahlende Stelle*). The withholding tax rate is 25% (plus solidarity surcharge at a rate of 5.5% thereon, the total withholding being 26.375%). For individual holders of Notes subject to church tax, an electronic information system for church withholding tax purposes applies, with the effect that church tax will be collected by the Disbursing Agent by way of withholding unless the holder has filed a blocking notice (*Sperrvermerk*) with the German Federal Central Tax Office (*Bundeszentralamt für Steuern*) in which case the holders will be assessed for church tax.

The same treatment applies to capital gains (*i.e.*, the difference between the proceeds from the disposal, redemption, repayment or assignment after deduction of expenses directly related to the disposal and the cost of acquisition) and interest accrued on the Notes ("**Accrued Interest**," *Stückzinsen*) derived by an individual holder who is a German tax resident irrespective of any holding period provided that the Notes have been held in a custodial account with the same Disbursing Agent since the time of their acquisition. If interest coupons or interest claims are disposed of separately (*i.e.*, without the Notes), the proceeds from the disposition are subject to withholding tax. The same also applies to proceeds from the redemption of interest coupons or collection of interest claims if the Notes have been disposed of separately.

To the extent that the Notes have not been kept in a custodial account with the same Disbursing Agent since the time of their acquisition, upon their disposal, redemption, repayment or assignment withholding tax applies at a rate of 25% (plus solidarity surcharge at a rate of 5.5% thereon, the total withholding being 26.375%, plus church tax, if applicable) on 30% of the disposal proceeds (plus Accrued Interest, if any), unless the current Disbursing Agent has been provided with evidence of the actual acquisition costs of the Notes by the previous Disbursing Agent or by a statement of a bank or financial services institution within the European Union, the European Economic Area or certain other countries in accordance with Article 17 (2) of the Council Directive 2003/48/EC dated June 3, 2003 on the Taxation of Savings Income in the form of interest payments (the "**EU Savings Directive**") (*e.g.*, Switzerland or Andorra). If the withholding tax on a disposal, redemption, repayment or assignment of the Notes has been calculated on the basis of 30% of the disposal proceeds (rather than from the actual gain), a German tax resident individual holder may, and in case the actual gain is higher than 30% of the disposal proceeds must, also apply for an assessment on the basis of its actual acquisition costs.

In computing any German withholding tax, the Disbursing Agent generally deducts from the basis of the withholding tax negative investment income realized by the individual holder of the Notes via the Disbursing Agent (*e.g*., losses from the sale of other securities with the exception of shares). The Disbursing Agent also deducts Accrued Interest on the Notes or other securities paid separately upon the acquisition of the respective security via the Disbursing Agent. In addition, subject to certain requirements and restrictions, the Disbursing Agent credits foreign withholding taxes levied on investment income in a given year regarding securities held by the individual holder in the custodial account with the Disbursing Agent.

Upon the individual holder filing an exemption certificate (*Freistellungsauftrag*) with the Disbursing Agent, the Disbursing Agent will take a maximum annual allowance (*Sparer-Pauschbetrag*) of €801 (€1,602 for married couples and for partners in accordance with the registered partnership law (*Gesetz über die Eingetragene Lebenspartnerschaft*) filing jointly) into account when computing the amount of tax to be withheld from the gross payment to be made by the Disbursing Agent. No withholding tax will be deducted if the holder of the Notes has submitted to the Disbursing Agent a certificate of non-assessment (*Nichtveranlagungsbescheinigung*) issued by the competent tax authorities.

German withholding tax will generally not apply to gains from the disposal, redemption, repayment or assignment of Notes held by a corporate holder who is a German resident (including via a commercial partnership, as the case may be, and provided that in the case of corporations of certain legal forms the status of corporation has been evidenced by a certificate of the competent tax authorities) while ongoing payments, such as interest payments, are subject to withholding tax (irrespective of any deductions of foreign tax and losses incurred). The same may apply where the Notes form part of a trade or business (of an individual or of a commercial partnership) subject to further requirements being met.

Non-residents of Germany are, in general, not subject to German withholding tax on investment income and the solidarity surcharge thereon. However, where the interest or capital gain is subject to German taxation (as outlined below under "—*Taxation of Current Income and Capital Gains—Non-Tax Residents*") and the Notes are held in a custodial account with a Disbursing Agent, withholding tax will be levied under certain circumstances. The withholding tax may be refunded based on an assessment to tax or under an applicable tax treaty (*Doppelbesteuerungsabkommen*).

Taxation of Current Income and Capital Gains

Tax Residents

This subsection "—*Tax Residents*" refers to persons who are tax residents of Germany (*i.e*., persons whose residence, habitual abode, statutory seat, or place of effective management and control is located in Germany).

Income derived from capital investments under the Notes held by an individual holder who is tax resident in Germany is in general subject to German income tax at a flat-tax rate of 25% (plus solidarity surcharge and church tax, if applicable, thereon) (*Abgeltungsteuer*) if the Notes are held as private investment (*Privatvermögen*). Individual holders who are tax resident in Germany are entitled to a maximum annual allowance (*SparerPauschbetrag*) of €801 (€1,602 for married couples and for partners in accordance with the registered partnership law (*Gesetz über die Eingetragene Lebenspartnerschaft*) filing jointly), whereby actually incurred higher expenses directly attributable to a capital investment are not deductible.

The personal income tax liability of an individual holder who is tax resident in Germany on income from capital investments under the Notes will, in principle, be satisfied by the tax withheld (as described under "—*Withholding Tax*" above). To the extent that withholding tax has not been levied, such as in the case of Notes kept in custody abroad or of no Disbursing Agent being involved in the payment process or if the withholding tax on disposal, redemption, repayment or assignment has been calculated from 30% of the disposal proceeds (rather than the actual gain), the individual holder must include its interest income and capital gains derived from the Notes in its annual tax return and will then also be taxed at a rate of 25% (plus solidarity surcharge and, where applicable, church tax thereon). Further, an individual holder may apply for a taxation of all investment income of a given year at its lower individual tax rate based upon an assessment to tax with any amounts over-withheld being refunded. In each case, the deduction of expenses (other than transaction costs) on an itemized basis is not permitted. Losses incurred with respect to the Notes may only be offset with investment income of the individual holder realized in the same or following assessment periods.

Pursuant to a tax decree issued by the German Federal Ministry of Finance dated October 9, 2012, a bad debt-loss (*Forderungsausfall*) and a waiver of a receivable (*Forderungsverzicht*), to the extent that the waiver does not qualify as a hidden capital contribution, shall not be treated as a disposal. Accordingly, losses suffered upon such bad debt-loss or waiver are not tax-deductible if the Notes are held as private investment (*Privatvermögen*). The same rules should apply according to that tax decree, if the Notes expire worthless so that losses may not be tax-deductible at all. Losses suffered from a sale of Notes will only be recognized according to the view of the tax authorities if the proceeds received in the sale exceed the respective transaction costs.

Where Notes form part of a trade or business or the income from the Notes qualifies as income from the letting and leasing of property, the withholding tax, if any, will not satisfy the personal or corporate income tax liability. Rather, the income is subject to individual or corporate income tax (plus solidarity surcharge and, where applicable, church tax). Where Notes form part of a trade or business, interest (including Accrued Interest) and capital gains must be taken into account as income. The respective holder must include income and related (business) expenses in the annual tax return and the balance will be taxed at the holder's applicable tax rate. Withholding tax levied, if any, will be credited as advance payment against the personal or corporate income tax liability of the holder or, to the extent exceeding this personal or corporate income tax liability, be refunded. Where Notes form part of a German trade or business the current income and gains from the disposal, redemption, repayment or assignment of the Notes may also be subject to German trade tax (*Gewerbesteuer*). The trade tax liability depends on the municipal trade tax factor (*Gewerbesteuerhebesatz*) applicable to the investor. If the holder is an individual or an individual partner of a partnership, the trade tax may generally be completely or partly credited against the personal income tax pursuant to a lump sum tax credit method.

Non-Tax Residents

This subsection "—*Non-Tax Residents*" refers to persons who are not tax residents of Germany (*i.e*., persons whose residence, habitual abode, statutory seat, and place of effective management and control is not located in Germany).

Interest and capital gains (which include Accrued Interest) from the disposal, redemption, repayment or assignment of the Notes received by holders who are not tax-resident in Germany are generally not subject to German taxation, unless (i) the Notes form part of the business property of a permanent establishment, including a permanent representative, or a fixed base maintained in Germany by the holder or (ii) the income otherwise constitutes German source income.

Inheritance and Gift Tax

A gratuitous transfer of Notes by reason of death or as a gift will be subject to German inheritance or gift tax if the decedent or donor or the heir, donee or other beneficiary is at the time of the transfer a resident or deemed to be a resident of Germany. If neither the holder nor the recipient is a resident or deemed to be a resident of Germany at the time of the transfer, no German inheritance or gift taxes will be levied unless the Notes are attributable to a German trade or business for which a permanent establishment is maintained or a permanent representative has been appointed in Germany. Exceptions from this rule apply to certain German citizens who previously maintained a residence in Germany.

Other Taxes

No stamp, issue or registration taxes or such duties will be payable in Germany in connection with the issuance, delivery or execution of the Notes. Currently, net assets tax (*Vermögensteuer*) is not levied in Germany.

EU Savings Tax Directive

Under the EU Savings Directive, each EU Member State is required to provide to the tax authorities of another EU Member State details of payments of interest or other similar income (in the meaning of the EU Savings Directive) paid by a paying agent (in the meaning of the EU Savings Directive) within its jurisdiction to, or collected by such a paying agent for, an individual resident or a "residual entity" (as defined in Article 4.2 of the EU Savings Directive) established in that other EU Member State.

For a transitional period, however, Austria may instead (unless during that period it elects otherwise) operate a withholding tax system in relation to such payments, deducting tax at a rate of 35%. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

On March 24, 2014, the Council of the European Union adopted a Council Directive (the "**Amending Directive**") amending and broadening the scope of the requirements described above. The Amending Directive requires Member States to apply these new requirements from January 1, 2017 and if they were to take effect the changes would expand the range of payments covered by the EU Savings Directive, in particular to include additional types of income payable on securities. They would also expand the circumstances in which payments that indirectly benefit an individual resident in a Member State must be reported or subject to withholding. This approach would apply to payments made to, or secured for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union.

By legislative regulations dated January 26, 2004 the German Federal Government enacted provisions implementing the information exchange on the basis of the EU Savings Directive into German law. These provisions apply from July 1, 2005.

However, the European Commission has proposed the repeal of the EU Savings Directive from January 1, 2017 in the case of Austria and from January 1, 2016 in the case of all other Member States (subject to on-going requirements to fulfill administrative obligations such as the reporting and exchange of information relating to, and accounting for withholding taxes on, payments made before those dates). This is to prevent overlap between the EU Savings Directive and a new automatic exchange of information regime to be implemented under Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive 2014/107/EU). The proposal also provides that, if it proceeds, Member States will not be required to apply the new requirements of the Amending Directive.

The proposed Financial Transactions Tax (FTT)

The European Commission has published a proposal for a Directive for a common financial transactions tax ("**FTT**") in Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia and Spain ("**Participating Member States**").

The proposed FTT has a very broad scope and could, if introduced in its current form, apply to certain dealings in the Notes (including secondary market transactions) under certain circumstances.

Pursuant to the current proposal, the FTT could apply under certain circumstances to persons both within and outside of the Participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a Participating Member State. A financial institution may be, or be deemed to be, "established" in a Participating Member State in a broad range of circumstances, including (i) by transacting with a person established in a Participating Member State or (ii) 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 is the subject of legal challenge. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU member states may decide to participate. Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

Certain Luxembourg Tax Considerations

The following information is of a general nature only and is based on the laws presently in force in Luxembourg, though it is not intended to be, nor should it be construed to be, legal or tax advice. The information contained within this section is limited to certain Luxembourg tax issues and prospective investors in the Notes should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.

Please be aware that the residence concept used under the respective headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a withholding tax or a tax of a similar nature, or to any other concepts, refers to Luxembourg tax law and/or concepts only.

Also, please note that a reference to Luxembourg income tax encompasses corporate income tax (*impôt sur le revenu des collectivités*), municipal business tax (*impôt commercial communal*), a solidarity surcharge (*contribution au fonds pour l'emploi*), a temporary tax to balance the state budget (*impôt d'équilibrage budgétaire temporaire*) as well as personal income tax (*impôt sur le revenu*) generally. Investors may further be subject to net wealth tax (*impôt sur la fortune*) as well as other duties, levies or taxes. Corporate income tax, municipal business tax as well as the solidarity surcharge invariably apply to most corporate taxpayers resident in Luxembourg for tax purposes. Individual taxpayers are generally subject to personal income tax, the solidarity surcharge as well as the temporary tax to balance the state budget. Under certain circumstances, where an individual taxpayer acts in the course of the management of a professional or business undertaking, municipal business tax may apply as well.

Withholding tax

Non-Resident Note holders

Under Luxembourg general tax laws currently in force, interest payments (including accrued but unpaid interest) and principal made to non-residents of Luxembourg in the context of the holding, disposal, redemption or repurchase of the Notes which are not profit-sharing will not be subject to any Luxembourg withholding tax.

Resident Note holders

Under Luxembourg general tax laws currently in force and subject to the law of 23 December 2005, as amended (the "**Relibi Law**"), there is no withholding tax on payments of principal, premium or interest made to Luxembourg resident holders of Notes, nor on accrued but unpaid interest in respect of Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of Notes held by Luxembourg resident holders of Notes.

Under the Relibi Law, payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to an individual beneficial owner who is a resident of Luxembourg or to a residual entity (within the meaning of the laws of 21 June 2005 implementing the EU Savings Directive and ratifying the treaties entered into by Luxembourg and certain dependent and associated territories of EU Member States (the "**Territories**")) established in an EU Member State (other than Luxembourg) or one of the Territories and securing such payments for the benefit of such individual beneficial owner will be subject to a withholding tax of 10%. Payments of interest under the Notes coming within the scope of the Relibi Law will be subject to a withholding tax at a rate of 10%. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth. Responsibility for the withholding of tax in application of the Relibi Law is assumed by the Luxembourg paying agent.

In addition, pursuant to the Relibi Law, Luxembourg resident individuals can opt to self-declare and pay a 10% tax on payment of interest or similar incomes made or ascribed by paying agents located in a Member State of the European Union other than Luxembourg, a Member State of the European Economic Area or in a State or territory which has concluded an agreement directly relating to the EU Savings Directive on the taxation of savings income. The 10% tax is final when Luxembourg resident individuals are acting in the context of the management of their private wealth.

Income Taxation

Non-resident holders of Notes

A non-resident holder of Notes, not having a permanent establishment or permanent representative in Luxembourg to which/whom such Notes are attributable, is not subject to Luxembourg income tax on interest accrued or received, redemption premiums or issue discounts, under the Notes. A gain realized by such non-resident holder of Notes on the sale or disposal, in any form whatsoever, of the Notes is further not subject to Luxembourg income tax.

A non-resident corporate holder of Notes or an individual holder of Notes acting in the course of the management of a professional or business undertaking, who has a permanent establishment or permanent representative in Luxembourg to which or to whom such Notes are attributable, is subject to Luxembourg income tax on interest accrued or received, redemption premiums or issue discounts, under the Notes and on any gains realized upon the sale or disposal, in any form whatsoever, of the Notes.

Resident holders of Notes

Holders of Notes who are residents of Luxembourg will not be liable for any Luxembourg income tax on repayment of principal.

(i) Luxembourg resident corporate holder of Notes

A corporate holder of Notes must include any interest accrued or received, any redemption premium or issue discount, as well as any gain realized on the sale or disposal, in any form whatsoever, of the Notes, in its taxable income for Luxembourg income tax assessment purposes.

A corporate holder of Notes that is (i) an undertaking for collective investment (UCITS) within the meaning of the law of December 17, 2010 as amended, (ii) a special investment fund (SIF) within the meaning of the law of February 13, 2007, as amended or (iii) a private wealth management company (SPF) within the meaning of the law dated May 11, 2007, as amended, is neither subject to Luxembourg income tax in respect of interest accrued or received, any redemption premium or issue discount, nor on gains realized on the sale or disposal, in any form whatsoever, of the Notes.

(ii) Luxembourg resident individual holder of Notes

An individual holder of Notes, acting in the course of the management of his/her private wealth, is subject to Luxembourg income tax at progressive rates in respect of interest received, redemption premiums or issue discounts, under the Notes, except if (i) withholding tax has been levied on such payments in accordance with the Relibi Law, or (ii) the individual holder of the Notes has opted for the application of a 10% tax in full discharge of income tax in accordance with the Relibi Law, which applies if a payment of interest has been made or ascribed by a paying agent established in a EU Member State (other than Luxembourg), or in a Member State of the European Economic Area (other than a EU Member State), or in a state that has entered into a treaty with Luxembourg relating to the EU Savings Directive. A gain realized by an individual holder of Notes, acting in the course of the management of his/her private wealth, upon the sale or disposal, in any form whatsoever, of Notes is not subject to Luxembourg income tax, provided this sale or disposal took place more than six months after the Notes were acquired. However, any portion of such gain corresponding to accrued but unpaid interest income is subject to Luxembourg income tax, except if tax has been levied on such interest in accordance with the Relibi Law.

An individual holder of Notes acting in the course of the management of a professional or business undertaking must include this interest in its taxable basis. If applicable, the tax levied in accordance with the Relibi Law will be credited against his/her final tax liability.

Other Taxes and Duties

Under current Luxembourg tax law and current administrative practice, it is not necessary that the Notes be notarized, filed, recorded or enrolled with any court or other authority in Luxembourg, or that any stamp, transfer, capital, registration or similar tax be paid on or in relation to the execution and delivery of the Notes in accordance therewith or the performance of the Issuers' obligations under the Notes, except that in case of court proceedings in a Luxembourg court (including but not limited to a Luxembourg insolvency proceeding), registration of the Notes or of the financial documents may be ordered by the court, in which case the Notes or of the financial documents will be respectively subject to a fixed duty of EUR 12 or an ad valorem duty. Registration would in principle further be ordered, and the same registration duties could be due, when the Notes are produced, either directly or by way of reference, before an official authority ("*autorité constituée*") in Luxembourg or, in the case that the Notes are referred to in a public deed. The same registration duties could be due in the case of a registration of the Notes on a voluntary basis.

Where a holder of Notes is a resident of Luxembourg for tax purposes at the time of his/her death, the Notes are included in his/her taxable estate for inheritance tax assessment purposes.

Gift tax may be due on a gift or donation of Notes if embodied in a Luxembourg deed passed in front of a Luxembourg notary or recorded in Luxembourg.

VAT

There is no Luxembourg value-added tax payable in respect of payments in consideration for the issue of the Notes or in respect of the payment of a redemption amount or principal under the Notes or the transfer of a Note; provided that Luxembourg value added tax may, however, be payable in respect of fees charged for certain services rendered to the issuers, if for Luxembourg value added tax purposes such services are rendered, or are deemed to be rendered, in Luxembourg and an exemption from value added tax does not apply with respect to such services.

Net Wealth tax

Luxembourg net wealth tax will not be levied on holders of the Notes unless:

(i) Such holder of the Notes is a corporate which is, or is deemed to be, resident in Luxembourg for the purpose of the relevant provisions and to the exception of the following entities that are net wealth tax exempt, being (i) undertakings for collective investment (UCITS) within the meaning of the law of December 17, 2010 as amended, (ii) investment company in risk capital (SICAR) within the meaning of the law dated June 15, 2004, as amended, (iii) securitization entities within the meaning of the law dated March 22, 2004 as amended, (iv) special investment funds (SIF) within the meaning of the law of February 13, 2007, as amended and (vi) private wealth management companies (SPF) within the meaning of the law dated May 11, 2007 as amended; or

(ii) The Notes are attributable to an enterprise or part thereof which is carried on by a corporate holder of the Notes through a permanent establishment, a permanent representative or a fixed base of business in Luxembourg.

An individual holder of Notes, whether he/she is a resident of Luxembourg or not, is not subject to Luxembourg wealth tax on such Notes.

EU Savings Directive

Under the EU Savings Directive, each EU Member State is required to provide to the tax authorities of another EU Member State details of payments of interest or other similar income (in the meaning of the EU Savings Directive) paid by a paying agent (in the meaning of the EU Savings Directive) within its jurisdiction to, or collected by such a paying agent for, an individual resident or a "residual entity" (as defined in Article 4.2 of the EU Savings Directive) established in that other EU Member State.

For a transitional period, however, Austria may instead (unless during that period it elects otherwise) operate a withholding tax system in relation to such payments, deducting tax at a rate of 35 per cent. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

On March 24, 2014, the Council of the European Union adopted a Council Directive (the "**Amending Directive**"). The Amending Directive broadens the scope of the requirements described in the first paragraph above. Member States have until 1 January 2016 to adopt the national legislation necessary to comply with the Amending Directive. The Amending Directive will apply from 1 January 2017. The changes made under the Amending Directive include extending the scope of EU Savings Directive to payments made to, or collected for, certain other entities and legal arrangements. They also broaden the definition of "interest payment" to cover income that is equivalent to interest.

However, the European Commission has proposed the repeal of the EU Savings Directive from January 1, 2017 in the case of Austria and from January 1, 2016 in the case of all other Member States (subject to on-going requirements to fulfill administrative obligations such as the reporting and exchange of information relating to, and accounting for withholding taxes on, payments made before those dates). This is to prevent overlap between the EU Savings Directive and a new automatic exchange of information regime to be implemented under Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive 2014/107/EU). The proposal also provides that, if it proceeds, Member States will not be required to apply the new requirements of the Amending Directive.

Certain United Kingdom Tax Considerations

The following is a general description of certain UK tax consequences relating to the Notes and is based on current UK tax law and HM Revenue & Customs ("**HMRC**") published practice, both of which may be subject to change, possibly with retrospective effect. It does not purport to be a complete analysis of all UK tax considerations relating to the Notes, relates only to persons who are the absolute beneficial owners of Notes and who hold Notes as a capital investment, and does not deal with certain classes of persons (such as brokers or dealers in securities and persons connected with the Issuers) to whom special rules may apply.

If you are subject to tax in any jurisdiction other than the United Kingdom or if you are in any doubt as to your tax position, you should consult an appropriate professional adviser.

Interest on the Notes

Payment of interest on the Notes

Provided that the interest on the Notes does not have a UK source, interest on the Notes may be paid without withholding or deduction for or on account of UK income tax. The source of a payment is a complex matter. It is necessary to have regard to case law and HMRC published practice. Case law has established that in determining the source of interest, all relevant factors must be taken into account. HMRC consider the most important factor in deciding whether interest has a UK source is the residence of the debtor and the location of the debtor's assets.

If interest on the Notes has a UK source ("**UK interest**"), it will be payable without withholding or deduction for or on account of UK income tax provided the Notes are and remain listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007 (the "**ITA**"). The Luxembourg Stock Exchange is a recognised stock exchange for these purposes. Securities such as the Notes will be treated as listed on the Luxembourg Stock Exchange if they are included in the Official List of the Luxembourg Stock Exchange and are admitted to trading on the Euro MTF Market thereof.

UK interest on the Notes may also be paid without withholding or deduction for or on account of UK income tax where the relevant Issuer reasonably believes at the time the payment is made that (a) the person beneficially entitled to the interest is a UK resident company or a non-UK resident company that carries on a trade in the 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 (b) the person to whom the payment is made is one of the further classes of bodies or persons, and meets any relevant conditions, set out in sections 935-937 of the ITA, provided that in either case HMRC has not given a direction, the effect of which is that the payment may not be made without that withholding or deduction.

In all other cases, an amount must be withheld from payments of UK interest on the Notes on account of UK income tax at the basic rate (currently 20%), subject to any direction to the contrary by HMRC under an applicable double taxation treaty.

Payment under a Guarantee

Depending on the correct legal analysis of payments in respect of interest on the Notes (or other amounts due under the Notes other than the repayment of amounts subscribed for the Notes) by a Guarantor as a matter of UK tax law, it is possible that such payments may be subject to UK withholding tax at the basic rate (currently 20%), subject to any applicable exemptions or reliefs.

Provision of information

HMRC has powers to obtain information and documents relating to the Notes, including in relation to issues of and other transactions in the Notes, interest, payments treated as interest and other payments derived from the Notes. This may include details of the beneficial owners of the Notes, of the persons for whom the Notes are held and of the persons to whom payments derived from the Notes are or may be paid, Information may be obtained from a range of persons including persons who effect or are a party to such transactions on behalf of others, registrars and administrators of such transactions, the registered holders of the Notes, persons who make, receive or are entitled to receive payments derived from the Notes and persons by or through whom interest and payments treated as interest are paid or credited.

Information relating to the Notes may also be required to be provided automatically to HMRC by financial institutions under regulations made under section 222 of the Finance Act 2013, which implement the requirements of various automatic information exchange programmes, including FATCA (as defined under "Certain U.S. Federal Income Tax Considerations—Foreign Account Tax Compliance Act" below), Council Directive 2011/16/EU on administrative cooperation in the field of taxation (as amended), the Global Standard released by the Organisation for Economic Co-operation and Development in July 2014, and arrangements between the United Kingdom and its overseas territories and crown dependencies.

Information obtained by HMRC may, in certain circumstances, be exchanged by HMRC with the tax authorities of other jurisdictions.

Further United Kingdom tax issues

If the interest on the Notes constitutes UK source income for tax purposes, it may be subject to UK tax by way of assessment (including self-assessment) even where paid without withholding or deduction.

However, UK interest received without withholding or deduction for or on account of UK income tax will not be chargeable to UK tax in the hands of a holder of the Notes (other than certain trustees) who is not resident for tax purposes in the United Kingdom unless (a) that holder of the Notes is a company which carries on a trade in the United Kingdom through a permanent establishment in the United Kingdom or, if not such a company, carries on a trade, profession or vocation in the United Kingdom through a branch or agency, and (b) the UK interest is received in connection with, or the Notes are attributable to, that permanent establishment, branch or agency. There are exemptions for UK interest received by certain categories of agent (such as some brokers and investment managers). The provisions of an applicable double taxation treaty may also be relevant for such holders of the Notes.

EU Savings Tax Directive

Under the EU Savings Directive, each EU Member State is required to provide to the tax authorities of another EU Member State details of payments of interest or other similar income (in the meaning of the EU Savings Directive) paid by a paying agent (in the meaning of the EU Savings Directive) within its jurisdiction to, or collected by such a paying agent for, an individual resident or a “residual entity” (as defined in Article 4.2 of the EU Savings Directive) established in that other EU Member State.

For a transitional period, however, Austria may instead (unless during that period it elects otherwise) operate a withholding tax system in relation to such payments, deducting tax at a rate of 35%. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

On 24 March 2014, the Council of the European Union adopted a Council Directive (the “**Amending Directive**”) amending and broadening the scope of the requirements described above. The Amending Directive requires Member States to apply these new requirements from 1 January 2017 and if they were to take effect the changes would expand the range of payments covered by the EU Savings Directive, in particular to include additional types of income payable on securities. They would also expand the circumstances in which payments that indirectly benefit an individual resident in a Member State must be reported or subject to withholding. This approach would apply to payments made to, or secured for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union.

By legislative regulations dated 26 January 2004 the German Federal Government enacted provisions implementing the information exchange on the basis of the EU Savings Directive into German law. These provisions apply from 1 July 2005.

However, the European Commission has proposed the repeal of the EU Savings Directive from 1 January 2017 in the case of Austria and from 1 January 2016 in the case of all other Member States (subject to on-going requirements to fulfill administrative obligations such as the reporting and exchange of information relating to, and accounting for withholding taxes on, payments made before those dates). This is to prevent overlap between the EU Savings Directive and a new automatic exchange of information regime to be implemented under Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive 2014/107/EU). The proposal also provides that, if it proceeds, Member States will not be required to apply the new requirements of the Amending Directive.

Certain U.S. Federal Income Tax Considerations

The following is a discussion of certain U.S. federal income tax considerations of the purchase, ownership and disposition of the Notes, but does not purport to be a complete analysis of all potential tax effects. This discussion is based upon the United States Internal Revenue Code of 1986, as amended (the “**Code**”), Treasury regulations issued thereunder (the “**Treasury Regulations**”), and judicial and administrative interpretations thereof, each as in effect on the date hereof, and all of which are subject to change, possibly with retroactive effect. This discussion is limited to consequences relevant to a U.S. holder (as defined below), except for discussions on Additional Notes (as defined below) and on FATCA (as defined under “*—Foreign Account Tax Compliance Act*”). This discussion does not address the impact of the unearned income Medicare contribution tax or the effects of any U.S. federal tax laws other than U.S. federal income tax laws (such as estate and gift tax laws) or any state, local or non-U.S. tax laws. No rulings from the U.S. Internal Revenue Service (the “**IRS**”) have been or are expected to be sought with respect to the matters discussed below. There can be no assurance that the IRS will not take a different position concerning the tax consequences of the purchase, ownership or disposition of the Notes or that any such position would not be sustained.

This discussion does not address all of the U.S. federal income tax consequences that may be relevant to a holder in light of such holder’s particular circumstances or to holders subject to special rules, such as financial institutions, U.S. expatriates, insurance companies, dealers in securities or currencies, traders in securities, U.S. holders whose functional currency is not the U.S. dollar, tax-exempt organizations, regulated investment companies, real estate investment trusts, partnerships or other pass-through entities (or investors in such entities), persons liable for alternative minimum tax and persons holding the Notes as part of a “straddle,” “hedge,” “conversion transaction” or other integrated transaction. In addition, this discussion is limited to persons who purchase the Notes for cash at original issue and at their “issue price” (the first price at which a substantial amount of the applicable series of Notes is sold for money, not including sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) and who hold the Notes as capital assets within the meaning of section 1221 of the Code.

For purposes of this discussion, a “**U.S. holder**” is a beneficial owner of a Note that is, for U.S. federal income tax purposes, (i) an individual who is a citizen or resident of the United States; (ii) a corporation or any entity taxable as a corporation created or organized in or under the laws of the United States, any state thereof or the District of

Columbia; (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or if a valid election is in place to treat the trust as a U.S. person.

If any entity treated as a partnership for U.S. federal income tax purposes holds the Notes, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. A holder that is a partnership, and partners in such partnerships, should consult their tax advisors regarding the tax consequences of the purchase, ownership and disposition of the Notes.

Prospective purchasers of the Notes should consult their tax advisors concerning the tax consequences of holding Notes in light of their particular circumstances, including the application of the U.S. federal income tax considerations discussed below, as well as the application of U.S. federal estate and gift tax laws, the U.S. federal Medicare tax on net investment income, and state, local, non-U.S. or other tax laws.

Payments of Stated Interest

Payments of stated interest on a Note (including additional amounts paid in respect of withholding taxes and without reduction for any amounts withheld) generally will be includible in the gross income of a U.S. holder as ordinary interest income at the time the interest is received or accrued, in accordance with the U.S. holder's method of accounting for U.S. federal income tax purposes. Interest generally will be income from sources outside the United States and, for purposes of the U.S. foreign tax credit, generally will be considered passive category income or, in certain cases, general category income.

A U.S. holder that uses the cash method of accounting for tax purposes will recognize interest income equal to the U.S. dollar value of the interest payment, based on the spot rate on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars. A cash basis U.S. holder will not realize foreign currency exchange gain or loss on the receipt of stated interest income but may recognize exchange gain or loss attributable to the actual disposal of the foreign currency received.

A U.S. holder that uses the accrual method of accounting for tax purposes, or who otherwise is required to accrue interest prior to receipt, may determine the amount recognized with respect to such interest in accordance with either of two methods. Under the first method, such holder will recognize income for each taxable year equal to the U.S. dollar value of the foreign currency accrued for such year determined by translating such amount into U.S. dollars at the average spot rate in effect during the interest accrual period (or, with respect to an accrual period that spans two taxable years, at the average rate for the partial period within the U.S. holder's taxable year). Alternatively, an accrual basis U.S. holder may make an election (which must be applied consistently to all debt instruments held by the electing U.S. holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and cannot be changed without the consent of the IRS) to translate accrued interest income at the spot rate of exchange on the last day of the accrual period (or the last day of the taxable year in the case of a partial accrual period), or at the spot rate on the date of receipt, if that date is within five business days of the last day of the accrual period. A U.S. holder of Notes that uses the accrual method of accounting for tax purposes will recognize foreign currency gain or loss, on the date such interest is received, equal to the difference between the U.S. dollar value of such payment, determined at the spot rate on the date the payment is received, and the U.S. dollar value of the interest income previously included in respect of such payment. This exchange gain or loss will be treated as ordinary income or loss, generally will be treated as U.S.-source and generally will not be treated as an adjustment to interest income or expense.

Any non-U.S. withholding tax paid by a U.S. holder at the rate applicable to such holder may be eligible for foreign tax credits (or deduction in lieu of such credits) for U.S. federal income tax purposes, subject to applicable limitations. The calculation of foreign tax credits involves the application of complex rules that depend on a U.S. holder's particular circumstances. U.S. holders should consult their tax advisors regarding the availability of foreign tax credits.

Sale, Exchange, Retirement or other Taxable Disposition of Notes

A U.S. holder's adjusted tax basis in a Note generally will equal the cost of the Note to the U.S. holder. The cost of a Note purchased with foreign currency will be the U.S. dollar value of the foreign currency purchase price on the date of purchase, calculated at the exchange rate in effect on that date. If the Note is traded on an established securities market, a cash basis taxpayer (and if it elects, an accrual basis taxpayer) will determine the U.S. dollar value of the cost of the Note at the spot rate on the settlement date of the purchase.

Upon the sale, exchange, retirement or other taxable disposition of a Note, a U.S. holder generally will recognize gain or loss in an amount equal to the difference between the amount realized (other than amounts attributable to accrued and unpaid stated interest, which will be taxable as ordinary interest income in accordance with the U.S. holder's method of tax accounting as described above) and the U.S. holder's adjusted tax basis in the Note. The amount realized on the sale, exchange, retirement or other taxable disposition of a Note for an amount of foreign currency will generally be the U.S. dollar value of that amount based on the spot rate on the date payment is received or the Note is disposed of. If the Note is traded on an established securities market, a cash basis taxpayer (and, if it elects, an accrual basis taxpayer) will determine the U.S. dollar value of the amount realized on the settlement date of the disposition. If an accrual method taxpayer makes the election described above, such election must be applied consistently to all debt instruments from year to year and cannot be changed without the consent of the IRS. An accrual basis U.S. holder that does not make the special election will recognize exchange gain or loss to the extent that there are exchange rate fluctuations between the sale date and the settlement date, and such gain or loss generally will constitute ordinary income or loss.

Gain or loss recognized by a U.S. holder upon the sale, exchange, retirement or other taxable disposition of a Note that is attributable to changes in currency exchange rates will be ordinary income or loss and, with respect to the principal thereof, will generally be equal to the difference between the U.S. dollar value of the U.S. holder's purchase price of the Note in foreign currency determined on the date of the sale, exchange, retirement or other taxable disposition, and the U.S. dollar value of the U.S. holder's purchase price of the Note in foreign currency determined on the date the U.S. holder acquired the Note. The exchange gain or loss with respect to principal and with respect to accrued and unpaid stated interest will be recognized only to the extent of the total gain or loss realized by the U.S. holder on the sale, exchange, retirement or other taxable disposition of the Note, and will be treated as ordinary income generally from sources within the United States for U.S. foreign tax credit limitation purposes.

Any gain or loss recognized by a U.S. holder in excess of foreign currency gain or loss recognized on the sale, exchange, retirement or other taxable disposition of a Note will generally be U.S. source capital gain or loss and will be long-term capital gain or loss if the U.S. holder has held the Note for more than one year at the time of the sale, exchange, retirement or other taxable disposition. In the case of an individual U.S. holder, any such gain may be eligible for preferential U.S. federal income tax rates if the U.S. holder satisfies certain prescribed minimum holding periods. The deductibility of capital losses is subject to limitations.

U.S. holders should consult their tax advisors regarding how to account for payments made in a foreign currency with respect to the acquisition, sale, exchange, retirement or other taxable disposition of a Note and the foreign currency received upon a sale, exchange, retirement or other taxable disposition of a Note.

Additional Notes

The Issuers may issue Additional Senior Notes as described under "*Description of the Senior Notes*" and Additional Senior Secured Notes as described under "*Description of the Senior Secured Notes*" (together, "**Additional Notes**"). These Additional Notes, even if they are treated for non-tax purposes as part of the same series as the original applicable series of Notes in some cases may be treated as a separate series for U.S. federal income tax purposes. In such case, the Additional Notes may be considered to have original issue discount which may affect the market value of the original applicable series of Notes if the Additional Notes are not otherwise distinguishable from the original applicable series of Notes.

Tax Return Disclosure Requirement

Treasury Regulations issued under the Code meant to require the reporting of certain tax shelter transactions cover transactions generally not regarded as tax shelters, including certain foreign currency transactions. Under the Treasury Regulations, certain transactions are required to be reported to the IRS, including, in certain circumstances, a sale, exchange, retirement or other taxable disposition of a Note or foreign currency received in respect of a Note to the extent that any such sale, exchange, retirement or other taxable disposition results in a tax loss in excess of an applicable threshold amount. U.S. holders should consult their tax advisors to determine the tax return obligations, if any, with respect to an investment in the Notes, including any requirement to file IRS Form 8886 (Reportable Transaction Disclosure Statement).

Information Reporting and Backup Withholding

In general, payments of interest and the proceeds from sales or other dispositions (including retirements or redemptions) of Notes held by a U.S. holder may be required to be reported to the IRS unless the U.S. holder is an exempt recipient and, when required, demonstrates this fact. In addition, a U.S. holder that is not an exempt recipient may be subject to backup withholding unless it provides a taxpayer identification number and otherwise complies with applicable certification requirements.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against a U.S. holder's U.S. federal income tax liability and may entitle the holder to a refund, provided that the appropriate information is timely furnished to the IRS.

Information with Respect to Foreign Financial Assets

Certain U.S. holders who are individuals and who hold an interest in "specified foreign financial assets" (as defined in section 6038D of the Code) are required to report information relating to an interest in the Notes, subject to certain exceptions (including an exception for Notes held in accounts maintained by certain financial institutions). Under certain circumstances, an entity may be treated as an individual for purposes of the foregoing rules. U.S. holders should consult their tax advisors regarding the effect, if any, of this requirement on their ownership and disposition of the Notes.

Foreign Account Tax Compliance Act

Pursuant to sections 1471 through 1474 of the Code (provisions commonly known as "FATCA"), a "foreign financial institution" may be required to withhold U.S. tax on certain passthru payments made after December 31, 2018 to the extent such payments are treated as attributable to certain U.S. source payments. Obligations issued on or prior to the date that is six months after the date on which applicable final regulations defining foreign passthru payments are filed generally would be "grandfathered" unless materially modified after such date. Accordingly, if an Issuer is treated as a foreign financial institution, FATCA would apply to payments on the applicable series of Notes only if there is a significant modification of such series of Notes for U.S. federal income tax purposes after the expiration of this grandfathering period. However, if Additional Notes are issued after the expiration of the grandfather period, have the same CUSIP or ISIN as the original applicable series of Notes issued hereby, and are subject to withholding under FATCA, then withholding agents may treat all notes in such series, including the Notes issued hereby, as subject to withholding under FATCA. Non-U.S. governments have entered into agreements with the United States (and additional non-U.S. governments are expected to enter into such agreements) to implement FATCA in a manner that alters the rules described herein. Holders should consult their own tax advisors on how these rules may apply to their investment in the Notes. In the event any withholding under FATCA is imposed with respect to any payments on the Notes, there will be no additional amounts payable to compensate for the withheld amount.

CERTAIN ERISA CONSIDERATIONS

The following is a summary of certain considerations associated with the purchase and holding of the Notes by employee benefit plans that are subject to Title I of the United States Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), plans, individual retirement accounts and other arrangements that are subject to Section 4975 of the Code, and entities whose underlying assets are considered to include "plan assets" of such employee benefit plans, plans, accounts or arrangements (pursuant to Section 3(42) of ERISA and regulations promulgated under ERISA by the U.S. Department of Labor) (each, an "**ERISA Plan**"). Employee benefit plans that are governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA) and non-U.S. plans (as described in Section 4(b)(4) of ERISA) are not subject to the requirements of ERISA or Section 4975 of the Code; however, such plans may be subject to non-U.S., federal, state, or local laws or regulations that are substantially similar to Title I of ERISA or Section 4975 of the Code ("**Similar Laws**") or which otherwise affect their ability to invest in the Notes. Any fiduciary of such a governmental, church or non-U.S. plan considering an investment in the Notes (together with ERISA Plans, "**Plans**") should determine the need for, and, if necessary, the availability of, any exemptive relief under such laws or regulations.

General Fiduciary Matters

ERISA and the Code impose certain duties on persons who are fiduciaries of an ERISA Plan and prohibit certain transactions involving the assets of an ERISA Plan and its fiduciaries or other interested parties. Under ERISA and the Code, any person who exercises any discretionary authority or control over the administration of such an ERISA Plan or the management or disposition of the assets of such an ERISA Plan, or who renders investment advice for a fee or other compensation with respect to the assets of such an ERISA Plan, is generally considered to be a fiduciary of the ERISA Plan.

In considering an investment in the Notes, a Plan fiduciary should determine whether the investment is in accordance with the documents and instruments governing the Plan and the applicable provisions of ERISA, the Code or any Similar Law relating to a fiduciary's duties to the Plan including, without limitation, the prudence, diversification, delegation of control and prohibited transaction provisions of ERISA, the Code and any other applicable Similar Laws.

Prohibited Transaction Issues

Section 406 of ERISA and Section 4975 of the Code prohibit ERISA Plans from engaging in specified transactions involving plan assets with persons or entities who are "parties in interest," within the meaning of ERISA, or "disqualified persons," within the meaning of Section 4975 of the Code, unless an exemption is available. Such transactions are referred to as "prohibited transactions" and include, without limitation, (1) a direct or indirect extension of credit to a party in interest or to a disqualified person, (2) the sale or exchange of any property between an ERISA Plan and a party in interest or a disqualified person, or (3) the transfer to, or use by or for the benefit of, a party in interest or a disqualified person, of any plan assets.

A party in interest or disqualified person who engages in a non-exempt prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code. In addition, the fiduciary of the ERISA Plan that engages in such a non-exempt prohibited transaction may be subject to penalties and liabilities under ERISA and the Code. The acquisition, holding and/or disposition of Notes by an ERISA Plan with respect to which we, the Initial Purchasers, the Trustees, the agents and our and their respective affiliates are considered a party in interest or disqualified person may constitute or result in a direct or indirect prohibited transaction under Section 406 of ERISA and/or Section 4975 of the Code, unless the investment is acquired and is held in accordance with an applicable statutory, class or individual prohibited transaction exemption.

Similar Laws governing the investment and management of the assets of governmental plans, certain church plans and non-U.S. plans which are not subject to ERISA and the Code may contain fiduciary responsibility and prohibited transaction requirements similar to those under Title I of ERISA and Section 4975 of the Code. Accordingly, fiduciaries of such Plans, in consultation with their counsel, should consider the impact of Similar Laws on investments in the Notes and the considerations discussed above, to the extent applicable.

Because of the foregoing, the Notes should not be purchased or held by any person investing "plan assets" of any Plan, unless such acquisition, holding and subsequent disposition will not constitute a non-exempt prohibited transaction under ERISA and the Code or similar violation of any applicable Similar Laws. Accordingly, by acceptance of a Note, each purchaser and subsequent transferee will be deemed to have represented and agreed that either (i) no portion of the assets used by such purchaser or transferee to acquire and hold the Notes or an interest therein constitutes assets of any Plan or (ii) the acquisition, holding and disposition by such purchaser or transferee of the Notes or an interest therein will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or similar violation under any applicable Similar Laws.

The foregoing discussion is necessarily general in nature, is not intended to be all-inclusive, and should not be construed as legal advice or a legal opinion. Further, no assurance can be given that future legislation, administrative rulings, court decisions or regulatory action will not modify the conclusions set forth in this discussion. Any such changes may be retroactive and thereby apply to transactions entered into prior to the date of their enactment or release. Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries or other persons considering purchasing the Notes (and holding the Notes) on behalf of, or with the assets of, any Plan, consult with their counsel regarding the potential applicability of ERISA, Section 4975 of the Code and any Similar Laws to such transactions and whether an exemption would be applicable.

PLAN OF DISTRIBUTION

The Senior Secured Notes Issuer has agreed to sell to the Initial Purchasers, and the Initial Purchasers have agreed to purchase from the Senior Secured Notes Issuer, the entire principal amount of the Senior Secured Notes. The Senior Notes Issuer has agreed to sell to the Initial Purchasers, and the Initial Purchasers have agreed to purchase from the Senior Notes Issuer, the entire principal amount of the Senior Notes. Each of the sales will be made pursuant to a purchase agreement among the Senior Secured Notes Issuer, the Senior Notes Issuer, Garfunkel Holding, Simon Holdco, Simon Midco, Simon Bidco and the Initial Purchasers to be dated the date of the final offering memorandum (the "**Purchase Agreement**").

The obligations of the Senior Secured Notes Initial Purchasers under the Purchase Agreement, including their agreement to purchase the Senior Secured Notes from the Senior Secured Notes Issuer, and the obligations of the Senior Notes Initial Purchasers under the Purchase Agreement, including their agreement to purchase the Senior Notes from the Senior Notes Issuer, are several and not joint. The Purchase Agreement provides that the Senior Secured Notes Initial Purchasers will purchase all the Senior Secured Notes and the Senior Notes Initial Purchasers will purchase all of the Senior Notes if, in each case, they purchase any of them.

The Senior Secured Notes Initial Purchasers initially propose to offer the Senior Secured Notes for resale at the issue price that appears on the cover of this Offering Memorandum and the Senior Notes Initial Purchasers initially propose to offer the Senior Notes for resale at the issue price that appears on the cover of this Offering Memorandum. After the initial offering of the Notes, the applicable Initial Purchasers may change the price at which the Senior Secured Notes or the Senior Notes are offered and any other selling terms at any time without notice. The Initial Purchasers may offer and sell the Notes through certain of their affiliates, including in respect of sales into the United States. The Initial Purchasers reserve the right to withdraw, cancel or modify offers to investors and to reject orders in whole or in part.

The Purchase Agreement provides that the obligations of the Initial Purchasers to pay for and accept delivery of the Senior Secured Notes and the Senior Notes are subject to, among other conditions, the delivery of certain legal opinions by their counsel and our counsel. The Purchase Agreement also provides that, if an Initial Purchaser defaults on its obligation to purchase Senior Secured Notes or Senior Notes, the applicable purchase commitments of the non-defaulting Initial Purchasers may be increased or, in some cases, the applicable offering may be terminated.

The Purchase Agreement provides that we will indemnify and hold harmless the Initial Purchasers against certain liabilities, including liabilities under the U.S. Securities Act, and will contribute to payments that the Initial Purchasers may be required to make in respect thereof. We have agreed not to offer, sell, contract to sell or otherwise dispose of, except as provided under the Purchase Agreement, any debt securities of, or guaranteed by, the Issuers, the Guarantors, their subsidiaries and (as of the Completion Date) the Target or any of its subsidiaries that are substantially similar to the Notes during the period from the date of the Purchase Agreement until the date falling 60 days after the date of the final offering memorandum without the prior written consent of the Initial Purchasers.

The Notes and the Note Guarantees have not been and will not be registered under the U.S. Securities Act and may not be offered or sold within the United States except to qualified institutional buyers in reliance on Rule 144A, each of which purchasers or accounts is a Qualified Purchaser within the meaning of Section 3(c)(7) of the Investment Company Act and to certain persons in offshore transactions in reliance on Regulation S. Until 40 days after the later of (i) the commencement of this Offering and (ii) the Issue Date, an offer or sale of the Notes initially sold in reliance on Regulation S within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A. Terms used in this paragraph have the meanings given to them by Regulation S. Resales of the Notes are restricted as described under "*Important Information*" and "*Transfer Restrictions*."

Each Initial Purchaser has represented, warranted and agreed that it:

- has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuers or any Guarantor; and
- has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

No action has been taken in any jurisdiction, including the United States, Luxembourg, Germany, the Bailiwick of Jersey and the United Kingdom, by us or the Initial Purchasers that would permit a public offering of the Notes or the possession, circulation or distribution of this Offering Memorandum or any other material relating to us or the Notes in any jurisdiction where action for this purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Offering Memorandum nor any other offering material or advertisements in connection with the Notes may be distributed or published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of any such country or jurisdiction. This Offering Memorandum does not constitute an offer to sell or a solicitation of an offer to purchase in any jurisdiction where such offer or solicitation would be unlawful. Persons into whose possession this Offering Memorandum comes are advised to inform themselves about and to observe any restrictions relating to the offering of the Notes, the distribution of this Offering Memorandum and resale of the Notes. See "*Notice to Prospective U.S. Investors*" and "*Notice to Certain European Investors*."

The Issuers and the Guarantors have also agreed that they will not at any time offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any securities under circumstances in which such offer, sale, pledge, contract or disposition would cause the exemption afforded by Section 4(a)(2) of the U.S. Securities Act or the safe harbors of Rule 144A and Regulation S to cease to be applicable to the offer and sale of the Notes.

The Notes are a new issue of securities for which there currently is no market. The Issuers have applied, through their listing agent, to list the Notes on the Official List of the Luxembourg Stock Exchange and trade the Notes on the Euro MTF market. However, the Issuers cannot assure you that the listing will be obtained or, if obtained, maintained.

The Senior Secured Notes Initial Purchasers have advised us that they intend to make a market in the Senior Secured Notes and the Senior Notes Initial Purchasers have advised us that they intend to make a market of the Senior Notes, in each case as permitted by applicable law. The Initial Purchasers are not obligated, however, to make a market in the applicable Notes, and any market making activity may be discontinued at any time at the sole discretion of the Initial Purchasers without notice. In addition, any such market making activity will be subject to the limits imposed by the U.S. Securities Act and the U.S. Exchange Act. Accordingly, we cannot assure you that any market for the Senior Secured Notes or the Senior Notes will develop, that it will be liquid if it does develop, or that you will be able to sell any Senior Secured Notes or Senior Notes at a particular time or at a price which will be favorable to you. See "*Risk Factors—Risks Related to the Notes—There may not be an active trading market for the Notes, in which case your ability to sell the Notes may be limited*."

The Initial Purchasers may engage in over-allotment, stabilizing transactions, covering transactions and penalty bids in accordance with Regulation M under the U.S. Exchange Act. Over-allotment involves sales in excess of the offering size, which creates a short position for the relevant Initial Purchaser. Stabilizing transactions permit bidders to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Covering transactions involve purchases of Notes in the open market after the distribution has been completed in order to cover short positions. Penalty bids permit the Initial Purchasers to reclaim a selling concession from a broker or dealer when Notes originally sold by that broker or dealer are purchased in a stabilizing or covering transaction to cover short positions.

In connection with the offering of the Senior Secured Notes, the Senior Secured Notes Stabilizing Manager, or a person acting on its behalf, may engage in transactions that stabilize, maintain or otherwise affect the price of the Senior Secured Notes. In connection with the offering of the Senior Notes, the Senior Notes Stabilizing Manager, or a person acting on its behalf, may engage in transactions that stabilize, maintain or otherwise affect the price of the Senior Notes. Specifically, each Stabilizing Manager may bid for and purchase the applicable Notes in the open markets for the purpose of pegging, fixing or maintaining the price of such Notes. Each Stabilizing Manager may also over-allot the offering of the Senior Secured Notes or the offering of the Senior Notes, as applicable, creating a syndicate short position, and may bid for and purchase Senior Secured Notes or Senior Notes, as applicable, in the open market to cover the applicable syndicate short position. In addition, each Stabilizing Manager may bid for and purchase Senior Secured Notes or Senior Notes, as applicable, in market making transactions as permitted by applicable laws and regulations and impose penalty bids. These activities may stabilize or maintain the respective market price of the Senior Secured Notes or Senior Notes above market levels that may otherwise prevail. Neither Stabilizing Manager is required to engage in these activities, and each Stabilizing Manager may end these activities at any time. Accordingly, no assurance can be given as to the liquidity of, or trading markets for, the Senior Secured Notes or the Senior Notes. See *"Risk factors—Risks Related to the Notes—There may not be an active trading market for the Notes, in which case your ability to sell the Notes may be limited*."

These stabilizing transactions, covering transactions and penalty bids may cause the price of the applicable Notes to be higher than it would otherwise be in the absence of these transactions. These transactions may begin on or after the date on which adequate public disclosure of the terms of the Offering is made and, if commenced, may be discontinued at any time at the sole discretion of the Initial Purchasers. If these activities are commenced, they must end no later than the earlier of 30 days after the Issue Date and 60 days after the date of the allotment of the applicable Notes. These transactions may be effected in the over-the-counter market or otherwise.

The Initial Purchasers and their respective affiliates are full-service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Initial Purchasers or their respective affiliates from time to time have provided in the past and may provide in the future investment banking, financial advisory and commercial banking services to us and our affiliates in the ordinary course of business, for which they have received or may receive customary fees and commissions. In particular, Goldman Sachs Lending Partners LLC, an affiliate of Goldman Sachs International, is the original lender under the senior loan agreements with Milla Securitisation (No. 1) Limited. Furthermore, Goldman Sachs International is acting as exclusive M&A adviser to TDR Capital on the sale of the Lowell Group to Simon Bidco and prepared staple financing in connection with the Acquisition. Additionally, Citigroup Global Markets Limited acted as M&A adviser to Permira Funds on the purchase of the Target and Citibank, N.A., London Branch, an affiliate of Citigroup Global Markets Limited, is acting as Trustee, Security Agent, Transfer Agent, Registrar and Paying Agent for each of the Senior Secured Notes, the Senior Notes and the Existing 2022 Senior Secured Notes. In addition, all of the Initial Purchasers (other than HSBC Bank plc) or their respective affiliates are increasing lenders under our Amendment and Restatement Agreement. ING Bank N.V. is acting as facility agent for, and all of the Initial Purchasers are lenders under, the Amended and Restated RCF Agreement. Additionally, Lowell is a member of a panel approved by HSBC Bank plc or its affiliates for the sale of debt portfolios by HSBC Bank plc or its affiliates, and HSBC Bank plc or its affiliates have engaged in the sale of debt portfolios to Lowell. Furthermore, JPMorgan Chase Bank, N.A., London Branch, J.P. Morgan Limited and J.P. Morgan Europe Limited, all of which are affiliates of J.P. Morgan Securities plc, acted as lender, as mandated lead arranger and as agent and security agent, respectively, under the Existing Senior Facilities, which were repaid with the proceeds of the Offering. The Initial Purchasers (other than HSBC Bank plc) or their respective affiliates entered into the Senior Secured Bridge Facility Agreement and the Senior Bridge Facility Agreement as mandated lead arrangers, original lenders and bookrunners on August 18, 2015 in connection with the financing of the Acquisition. The proceeds of this Offering will be used to repay the Initial Purchasers (other than HSBC Bank plc) or their respective affiliates in their role as lenders under the Senior Secured Bridge Facility Agreement and the Senior Bridge Facility Agreement. The Initial Purchasers or their respective affiliates may also receive allocations of the Notes. Furthermore, such entities may act as counterparties in the hedging arrangements we or our affiliates expect to enter into in connection with the Transactions and will receive customary fees for their services in such capacities.

In the ordinary course of their business activities, the Initial Purchasers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and instruments of ours or our affiliates. If the Initial Purchasers or their affiliates have a lending relationship with us or our affiliates, they may routinely hedge their credit exposure to us or our affiliates in a manner consistent with their customary risk management policies. Typically, the Initial Purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the Notes offered hereby. Any such short positions could adversely affect future trading prices of the Notes offered hereby. The Initial Purchasers and their affiliates may also make investment recommendations and publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and short positions in such securities and instruments.

TRANSFER RESTRICTIONS

You are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of any of the Notes and the Note Guarantees offered hereby.

The Notes and the Note Guarantees are subject to restrictions on transfer as summarized below. By purchasing Notes, you will be deemed to have made the following acknowledgements, representations to and agreements with the relevant Issuer and the Initial Purchasers:

(1) You understand and acknowledge that:

(a) the Notes have not been registered under the U.S. Securities Act or any other securities laws and are being offered for resale in transactions that do not require registration under the U.S. Securities Act or any other securities laws;

(b) the Issuers have not been registered under the Investment Company Act and the Issuers are exempt from registration as such by virtue of Section 3(c)(7) of the Investment Company Act. Section 3(c)(7) excepts from the provisions of the Investment Company Act those issuers who privately place their securities solely to persons who at the time of purchase are "qualified purchasers." In general terms, "qualified purchaser" is defined to mean. among other things, any natural person who owns not less than U.S. $5,000,000 in investments; any person who in the aggregate owns and invests on a discretionary basis, not less than U.S. $25,000,000 in investments; and trusts as to which both the settlor and the decision-making trustee are qualified purchasers (but only if such trust was not formed for the specific purpose of making such investment); and

(c) unless so registered, the Notes may not be offered, sold or otherwise transferred except under an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act or any other applicable securities laws, and in each case in compliance with the conditions for transfer set forth in paragraphs 5 and 6 below.

(2) You acknowledge that this Offering Memorandum relates to an offering that is exempt from registration under the U.S. Securities Act or any other applicable securities laws and may not comply in important respects with SEC rules that would apply to an offering document relating to a public offering of securities.

(3) You represent that you are not an "affiliate" (as defined in Rule 144 under the U.S. Securities Act) of the relevant Issuer, that you are not acting on our behalf and that either:

(a) you are a "qualified institutional buyer" (as defined in Rule 144A under the U.S. Securities Act) and qualified purchaser (as defined in Section 2(a)(51)(A) of the Investment Company Act) and are purchasing Notes for your own account or for the account of another qualified institutional buyer and qualified purchaser, and you are aware that the Initial Purchasers are selling the Notes to you in reliance on Rule 144A; or

(b) you are not a "U.S. person" (as defined in Regulation S under the U.S. Securities Act) or purchasing for the account or benefit of a U.S. person, other than a distributor, and you are purchasing Notes in an offshore transaction in accordance with Regulation S.

(4) You acknowledge that none of the Issuers, the Guarantors, the Initial Purchasers or any person representing the Issuers, the Guarantors or the Initial Purchasers has made any representation to you with respect to the relevant Issuer, the Guarantors or the Offering, other than the information contained in this Offering Memorandum. Accordingly, you acknowledge that no representation or warranty is made by the Initial Purchasers or any person representing the Initial Purchasers as to the accuracy or completeness of such materials. You represent that you are relying only on this Offering Memorandum in making your investment decision with respect to the Notes. You agree that you have had access to such financial and other information concerning the Group and the Notes as you have deemed necessary in connection with your decision to purchase Notes, including an opportunity to ask questions of and request information from the Group and the Initial Purchasers.

(5) You represent that you are purchasing the Notes for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case not with a view to, or for offer or sale in connection with, any distribution of the Notes in violation of the U.S. Securities Act or any state securities laws, subject to any requirement of law that the disposition of your property or the property of that investor account or accounts be at all times within your or their control and subject to your or their ability to resell the Notes pursuant to Rule 144A or any other available exemption from registration under the U.S. Securities

Act. You agree on your own behalf and on behalf of any investor account for which you are purchasing Notes, and each subsequent holder of the Notes by its acceptance of the Notes will agree, that until the end of the Resale Restriction Period (as defined below), the Notes may be offered, sold or otherwise transferred only:

(a) to the relevant Issuer, the Guarantors or any subsidiaries thereof;

(b) under a registration statement that has been declared effective under the U.S. Securities Act;

(c) for so long as the Notes are eligible for resale under Rule 144A, to a person the seller reasonably believes is a qualified institutional buyer and qualified purchaser that is purchasing for its own account or for the account of another qualified institutional buyer and to whom notice is given that the transfer is being made in reliance on Rule 144A;

(d) through offers and sales to non-U.S. persons that occur outside the United States within the meaning of Regulation S under the U.S. Securities Act; and

(e) under any other available exemption from the registration requirements of the U.S. Securities Act,

subject in each of the above cases to any requirement of law that the disposition of the seller's property or the property of an investor account or accounts be at all times within the seller or account's control and to compliance with any applicable state securities laws and any applicable local laws and regulations.

You also acknowledge that to the extent that you hold the Notes through an interest in a global note, the Resale Restriction Period (as defined below) may continue until one year after the Issuers, or any affiliate of either Issuer, was the owner of such Note or an interest in such Global Note, and so may continue indefinitely.

(6) You also acknowledge that:

(a) the above restrictions on resale will apply from the Issue Date until the date that is one year (in the case of Rule 144A Notes) after the later of the Issue Date, the closing date of the issuance of any additional Notes and the last date that we or any of our affiliates was the owner of the Notes or any predecessor of the Notes or 40 days (in the case of Regulation S Notes) after the later of the Issue Date and when the Notes or any predecessor of the Notes are first offered to persons other than Distributors (as defined in Rule 902 of Regulation S) in reliance on Regulation S (the "**Resale Restriction Period**"), and will not apply after the applicable Resale Restriction Period ends;

(b) if a holder of Notes proposes to resell or transfer Notes under clause (e) above before the applicable Resale Restriction Period ends, the seller must deliver to the relevant Issuer and the relevant Trustee a letter from the purchaser in the form set forth in the relevant Indenture which must provide, among other things, that the purchaser is an institutional accredited investor that is acquiring the Notes not for distribution in violation of the U.S. Securities Act;

(c) each of the Issuers, the Registrars and the Trustees reserve the right to require in connection with any offer, sale or other transfer of Notes under clauses (5)(d) and (e) above the delivery of an opinion of counsel, certifications and/or other information satisfactory to the relevant Issuer, the relevant Registrar and the relevant Trustee; and

(d) each Note will contain a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**U.S. SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION, AND THE ISSUER HAS NOT BEEN REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT"). NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT AND THE INVESTMENT COMPANY ACT.

THE HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF, (1) AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED SECURITIES, TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE THAT IS [IN THE CASE OF RULE 144A NOTES:] ONE YEAR AFTER THE LATER OF THE

ORIGINAL ISSUE DATE HEREOF, THE ORIGINAL ISSUE DATE OF THE ISSUANCE OF ANY ADDITIONAL NOTES AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY), [IN THE CASE OF REGULATION S NOTES:] 40 DAYS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE DATE ON WHICH THIS SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY) WAS FIRST OFFERED TO PERSONS OTHER THAN DISTRIBUTORS (AS DEFINED IN RULE 902 OF REGULATION S) IN RELIANCE ON REGULATION S, ONLY (A) TO THE ISSUER, THE GUARANTORS OR ANY SUBSIDIARY THEREOF, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE U.S. SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE U.S. SECURITIES ACT ("RULE 144A"), TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES TO NON-U.S. PERSONS THAT OCCUR OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT AND, IN EACH OF THE FOREGOING CASES, IF SUCH TRANSFER IS TO A U.S. PERSON OR IN THE UNITED STATES, TO A PURCHASER THAT (I) IS A QUALIFIED PURCHASER FOR THE PURPOSE OF SECTION 3(c)(7) OF THE INVESTMENT COMPANY ACT, (II) WAS NOT FORMED FOR THE PURPOSE OF INVESTING IN THE ISSUER (EXCEPT WHEN EACH BENEFICIAL OWNER OF THE PURCHASER IS A QUALIFIED PURCHASER), (III) HAS RECEIVED THE NECESSARY CONSENT FROM ITS BENEFICIAL OWNERS WHEN THE PURCHASER IS A PRIVATE INVESTMENT COMPANY FORMED BEFORE APRIL 30, 1996, (IV) IS NOT A BROKER DEALER THAT OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN U.S. $25,000,000 IN SECURITIES OF UNAFFILIATED ISSUERS AND (V) IS NOT A PENSION, PROFIT SHARING OR OTHER RETIREMENT TRUST FUND OR PLAN IN WHICH THE PARTNERS, BENEFICIARIES OR PARTICIPANTS, AS APPLICABLE, MAY DESIGNATE THE PARTICULAR INVESTMENTS TO BE MADE, AND IN A TRANSACTION THAT MAY BE EFFECTED WITHOUT LOSS OF ANY APPLICABLE INVESTMENT COMPANY ACT EXEMPTION, SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND TO COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS, AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS AND FURTHER SUBJECT TO THE ISSUER'S AND THE TRUSTEE'S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (X) PURSUANT TO CLAUSES (C), (D) OR (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM AND (Y) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS SECURITY IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE, (2) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND AND (3) REPRESENTS [IN THE CASE OF RULE 144A NOTES:] THAT IT IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A) AND A QUALIFIED PURCHASER (AS DEFINED IN SECTION 2(a)(51)(A) OF THE INVESTMENT COMPANY ACT) OR [IN THE CASE OF REGULATION S NOTES:] THAT IT IS NOT A U.S. PERSON NOR IS IT PURCHASING FOR THE ACCOUNT OF A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT.

BY ITS ACQUISITION OF THIS SECURITY, THE HOLDER THEREOF WILL BE DEEMED TO HAVE REPRESENTED AND WARRANTED THAT EITHER (1) NO PORTION OF THE ASSETS USED BY SUCH HOLDER TO ACQUIRE AND HOLD THIS SECURITY OR INTEREST THEREIN CONSTITUTES ASSETS OF ANY "EMPLOYEE BENEFIT PLAN" SUBJECT TO TITLE I OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**"), ANY PLAN, INDIVIDUAL RETIREMENT ACCOUNT OR ARRANGEMENT SUBJECT TO SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), AN ENTITY WHOSE UNDERLYING ASSETS ARE CONSIDERED TO INCLUDE "PLAN ASSETS" OF SUCH EMPLOYEE BENEFIT PLANS, PLANS, ACCOUNTS OR ARRANGEMENTS OR A GOVERNMENTAL PLAN, CHURCH PLAN OR NON-U.S. PLAN, SUBJECT TO PROVISIONS UNDER ANY FEDERAL, STATE, LOCAL, NON U.S. LAWS OR REGULATIONS THAT ARE SIMILAR TO SUCH PROVISIONS OF

ERISA OR THE CODE (COLLECTIVELY, “SIMILAR LAWS”) OR (2) THE ACQUISITION, HOLDING AND DISPOSITION OF THIS SECURITY OR INTEREST THEREIN WILL NOT CONSTITUTE OR RESULT IN A NONEXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR SIMILAR VIOLATION UNDER ANY APPLICABLE SIMILAR LAWS.

If you purchase Notes, you will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in these Notes as well as to holders of these Notes.

(7) You agree that you will give to each person to whom you transfer the Notes notice of any restrictions on the transfer of such Notes.

(8) You represent and warrant that either (i) no portion of the assets used by you to acquire and hold such Notes or interest therein constitutes assets of any “employee benefit plan” subject to Title I of the United States Employee Retirement Income Security Act of 1974, as amended, (“**ERISA**”), any plan, individual retirement account or other arrangement subject to Section 4975 of the Code, an entity whose underlying assets are considered to include “plan assets” of such employee benefit plans, plans, accounts or arrangements or a governmental plan, church plan or non-U.S. plan, subject to provisions under any federal, state, local, non-U.S. laws or regulations that are similar to such provisions of ERISA or the Code (collectively, “**Similar Laws**”) or (ii) the acquisition, holding and disposition of this security or interest therein will not constitute or result in a nonexempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or similar violation under any applicable Similar Laws.

(9) You acknowledge until 40 days following the commencement of this Offering, an offer or sale of the Notes within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act unless the dealer makes the offer or sale in compliance with Rule 144A or another exemption from registration under the U.S. Securities Act.

(10) You acknowledge that the Trustees will not be required to accept for registration or transfer any Notes acquired by you except upon presentation of evidence satisfactory to the relevant Issuer and the relevant Trustee that the restrictions set forth therein have been complied with.

(11) You acknowledge that we, the Initial Purchasers and others will rely upon the truth and accuracy of the above acknowledgments, representations and agreements. You agree that if any of the acknowledgments, representations or agreements you are deemed to have made by your purchase of Notes are no longer accurate, you will promptly notify the Issuers and the Initial Purchasers. If you are purchasing any Notes as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each of those accounts and that you have full power to make the above acknowledgments, representations and agreements on behalf of each account.

(12) You understand that no action has been taken in any jurisdiction (including the United States) by the Issuers, the Guarantors or any of the Initial Purchasers that would result in a public offering of the Notes or the possession, circulation or distribution of this Offering Memorandum or any other material relating to us or the Notes in any jurisdiction where action for such purpose is required. Consequently, any transfer of the Notes will be subject to the selling restrictions set forth under “*Plan of Distribution*.”

(13) Each of the Issuers is a “covered fund” as defined in the Volcker Rule. The definition of “covered fund” in the Volcker Rule includes (generally) any entity that would be an investment company under the Investment Company Act, but for the exemption provided under Section 3(c)(1) or 3(c)(7) thereunder. Because the Issuers rely on Section 3(c)(7) of the Investment Company Act for their exemption from registration thereunder (which limits sales of the Notes to “qualified purchasers” as such term is defined in the Investment Company Act), they are considered to be covered funds, hence banking entities that are subject to the Volcker Rule may be prohibited under the Volcker Rule from, among other things, acquiring or retaining an “ownership interest” in the Issuers as a covered funds, absent any applicable exclusion or exemption. Under the Volcker Rule, “ownership interest” is defined broadly to include any participation or other interest that entitles the holder of such interest to, amongst other things: (a) vote to remove management or otherwise (other than as a creditor exercising remedies upon an event of default), (b) share in the income, gains, profits or excess spread of the covered fund or (c) receive underlying assets of the covered fund.

LEGAL MATTERS

Certain legal matters relating to the validity of the Notes, the Note Guarantees and certain other legal matters are being passed upon for us by Latham & Watkins (London) LLP, with respect to matters of U.S. federal, New York state law and the laws of England and Wales, by Latham & Watkins LLP, with respect to matters of German law, by Carey Olsen, with respect to matters of Jersey law and by Clifford Chance *société en commandite simple, inscrite au Barreau de Luxembourg*, with respect to matters of Luxembourg law. Certain legal matters relating to the Offering will be passed upon for the Initial Purchasers by Cravath, Swaine & Moore LLP, with respect to matters of U.S. federal and New York state law, by Allen & Overy LLP, with respect to matters of German law and the laws of England and Wales, by Ogier, with respect to matters of Jersey law and by Allen & Overy *société en commandite simple, inscrite au Barreau de Luxembourg* with respect to matters of Luxembourg law.

INDEPENDENT AUDITORS

The German-language audited consolidated financial statements of GFKL as of and for the years ended December 31, 2012, 2013 and 2014 have been audited in accordance with Section 317 HGB, and German generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors (*Institut der Wirtschaftsprüfer*) by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft ("**E&Y**"), independent auditors, as stated in their German-language auditor's reports appearing herein. English language translations of the abovementioned German language consolidated financial statements (labeled as the "GFKL Audited Consolidated Financial Statements") and the respective auditor's reports are included elsewhere in this Offering Memorandum.

Each of the respective auditor's reports of E&Y on the GFKL Audited Consolidated Financial Statements refers to the respective GFKL Audited Consolidated Financial Statements and the respective group management report as a whole. The group management reports are not reprinted in this Offering Memorandum.

The examination of and the auditor's report upon such group management report are required under German commercial law and performed in accordance with German auditing standards. This examination was not made in accordance with generally accepted auditing or attestation standards in the United States of America. Accordingly, E&Y does not express any opinion on this information or on the consolidated financial statements included in this Offering Memorandum, in each case in accordance with U.S. generally accepted auditing standards or U.S. attestation standards.

The audited consolidated financial statements for the Lowell Financial Year 2012 contained herein have been audited by KPMG Audit Plc, and the audited consolidated financial statements for the Lowell Financial Year 2013 and Lowell Financial Year 2014 contained herein have been audited by KPMG LLP ("**KPMG**"), independent auditors, as set forth in their reports appearing herein. The independent auditors' reports for the accounting periods for the Lowell Financial Year 2012, Lowell Financial Year 2013 and Lowell Financial Year 2014 were unqualified. KPMG is a member of the Institute of Chartered Accountants in England and Wales.

The auditors have 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 Notes on the Official List of the Luxembourg Stock Exchange in accordance with its rules. A written consent under the listing rules of the Official List of the Luxembourg Stock Exchange is different from a consent filed with the SEC under Section 7 of the U.S. Securities Act, which is applicable only to transactions involving securities registered under the U.S. Securities Act. As the Notes have not been and will not be registered under the U.S. Securities Act, KPMG has not filed a consent under Section 7 of the U.S. Securities Act.

The independent auditors of the Issuers were Ernst & Young,Société Anonyme.

AVAILABLE INFORMATION

Each purchaser of Notes from an Initial Purchaser will be furnished a copy of this Offering Memorandum and any related amendments or supplements to this Offering Memorandum. Each person receiving this Offering Memorandum and any related amendments or supplements to this Offering Memorandum acknowledges that:

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

(2) such person has not relied on the Initial Purchasers or any person affiliated with the Initial Purchasers in connection with its investigation of the accuracy of such information or its investment decision; and

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

For so long as any of the Notes remain outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act, we will, during any period in which we are not subject to Section 13 or 15(d) under the U.S. Exchange Act, nor exempt from reporting thereunder pursuant to Rule 12g3-2(b), make available to any holder or beneficial holder of a Note, or to any prospective purchaser of a Note designated by such holder or beneficial holder, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the U.S. Securities Act upon the written request of any such holder or beneficial owner. Any such request with respect to the Senior Secured Notes should be directed to Garfunkelux Holdco 3 S.A., 488, route de Longwy, L-1940 Luxembourg, Grand Duchy of Luxembourg and any such request with respect to the Senior Notes should be directed to Garfunkelux Holdco 2 S.A., 488, route de Longwy, L-1940 Luxembourg, Grand Duchy of Luxembourg.

We are currently not subject to the periodic reporting and other information requirements of the U.S. Exchange Act. However, pursuant to each of the Indentures, we will agree to furnish periodic information to the holders of the Notes. See "*Description of the Senior Secured Notes—Certain Covenants—Reports*" and "*Description of the Senior Notes—Certain Covenants—Reports.*" Copies of the Indentures (which include the forms of the Notes) and the Intercreditor Agreement may also be obtained by request to the relevant Issuer.

So long as the Notes are admitted to trading on the Euro MTF Market and to listing on the Official List of the Luxembourg Stock Exchange, and the rules and regulations of such stock exchange so require, copies of such information will also be available for review during the normal business hours on any business day at the specified office of the listing agent in Luxembourg.

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

The Issuers are public limited liability companies (*société anonymes*) established under the laws of Luxembourg. The majority of the Issuers' and the Guarantors' managing directors, executive board members, supervisory board members, directors, officers and other executives are expected to be neither residents nor citizens of the United States. Furthermore, the majority of the Issuers' and the Guarantors' assets are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons, the Issuers or the Guarantors or to enforce against them, the Issuers or the Guarantors judgments of U.S. courts predicated upon the civil liability provisions of U.S. federal or state securities laws despite the fact that, pursuant to the terms of each of the Indentures, the Issuers and the Guarantors have appointed, or will appoint, an agent for the service of process in New York.

Germany

We have been advised by our German counsel that there is doubt as to the enforceability in Germany of civil liabilities based on federal or state securities laws of the United States, either in an original action or in an action to enforce a judgment obtained in U.S. federal or state courts. The United States and the Federal Republic of Germany currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments, other than arbitration awards, in civil and commercial matters. Consequently, a final judgment for payment given by any federal or state court in the United States, whether or not predicated solely upon U.S. federal or state securities laws, would not automatically be enforceable, either in whole or in part, in Germany. A conclusive judgment by a U.S. federal or state court, however, may be recognized and enforced in Germany in an action before a court of competent jurisdiction in accordance with the proceedings set forth by the German Code of Civil Procedure (*Zivilprozessordnung*). In such an action, a German court generally will not reinvestigate the merits of the original matter decided by a U.S. court, except as noted below. The recognition and enforcement of the U.S. judgment by a German court is conditional upon a number of factors, including the following:

- U.S. courts could take jurisdiction of the case in accordance with the principles of jurisdictional competence according to German law;
- the document commencing the proceedings was duly served and made known to the defendant in a timely manner that allowed for adequate defense, or in case of non-compliance with such requirement, (i) the defendant does not invoke such non-compliance or (ii) has nevertheless appeared in the proceedings;
- the judgment is not contrary to (i) any judgment which became *res judicata* rendered by a German court or (ii) any judgment which became *res judicata* rendered by a foreign court which is recognized in Germany and the procedure leading to the applicable judgment does not contradict any such judgment under (i) and (ii) or a proceeding previously commenced in Germany;
- the effects of its recognition will not be in conflict with material principles of German law, including, without limitation, fundamental rights under the constitution of the Federal Republic of Germany (*Grundrechte*). In this context, it should be noted that any component of a U.S. federal or state court civil judgment awarding punitive damages or any other damages which do not serve a compensatory purpose, such as treble damages, will not be enforced in Germany. They are considered to be in conflict with material principles of German law;
- the reciprocity of enforcement of judgments is guaranteed; and
- the judgment became *res judicata* in accordance with the law of the place where it was pronounced.

Enforcement and foreclosure based on U.S. judgments may be sought against German defendants after having received an *exequatur* decision from a competent German court in accordance with the above principles. Subject to the foregoing, investors may be able to enforce judgments in Germany in civil and commercial matters obtained from U.S. federal or state courts. However, we cannot assure you that those judgments will be enforceable. Enforcement is also subject to the effect of any applicable bankruptcy, insolvency, reorganization, liquidation, moratorium as well as other similar laws affecting creditors' rights generally. In addition, it is doubtful whether a German court would accept jurisdiction and impose civil liability in an original action predicated solely upon U.S. federal securities laws.

Furthermore, German civil procedure differs substantially from U.S. civil procedure in a number of aspects. With respect to the production of evidence, for example, U.S. federal and state law and the laws of several other jurisdictions based on common law provide for pre-trial discovery, a process by which parties to the proceedings may, prior to trial, compel the production of documents by adverse or third parties and the deposition of witnesses. Evidence obtained in this manner may be decisive in the outcome of any proceeding. No such pre-trial discovery process exists under German law.

If the party in whose favor such final judgment is rendered brings a new lawsuit in a competent court in Germany, such party may submit to the German court the final judgment rendered in the United States. Under such circumstances, a judgment by a federal or state court of the United States against the Issuers or such persons will be regarded by a German court only as evidence of the outcome of the dispute to which such judgment relates. A German court may choose to re-hear the dispute and may render a judgment not in line with the judgment rendered by a federal or state court of the United States.

Luxembourg

The Issuers are incorporated under the laws of Luxembourg and all of the directors and executive officers of the Issuers are non-residents of the United States. Furthermore, a substantial portion of the assets of the Issuers is located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Issuers, or to enforce against them judgments of U.S. courts predicated upon the civil liability provisions of U.S. federal or state securities laws.

We have been advised by our Luxembourg counsel that the United States and Luxembourg are not currently bound by a treaty providing for reciprocal recognition and enforcement of judgments, other than arbitral awards rendered in civil and commercial matters. According to such counsel, an enforceable judgment for the payment of monies rendered by any U.S. Federal or state court based on civil liability, whether or not predicated solely upon the U.S. securities laws, would not directly be enforceable in Luxembourg. However, a party who received such favorable judgment in a U.S. court may initiate enforcement proceedings in Luxembourg (*exequatur*) by requesting enforcement of the U.S. judgment by the District Court (*Tribunal d'Arrondissement*) pursuant to Section 678 of the New Luxembourg Code of Civil Procedure. The District Court will authorize the enforcement in Luxembourg of the U.S. judgment if it is satisfied that all of the following conditions are met:

- the U.S. judgment is enforceable (*executoire*) in the United States;
- the U.S. court awarding the judgment has jurisdiction to adjudicate the applicable matter under applicable U.S. Federal or state jurisdictions rules, and the jurisdiction of the U.S. court is recognized by Luxembourg private international and local law;
- the U.S. court has applied the substantive law as designated by Luxembourg conflict of laws rules (according to certain Luxembourg case law, it is admitted that Luxembourg courts which are asked to grant an exequatur do not have to verify whether the substantive law actually applied by the U.S. court awarding the judgment was the law which would have been thus designated ;
- the U.S. judgment does not contravene international public policy or order as understood under the laws of Luxembourg;
- the U.S. court has acted in accordance with its own procedural laws;
- the U.S. judgment was granted following proceedings where the counterparty had the opportunity to appear, and if it appeared, to present a defense; and
- the U.S. judgment was not granted pursuant to an evasion of Luxembourg law (*fraude à la loi luxembourgeoise*).

Please note that Luxembourg case law is constantly evolving. Some of the above conditions of admissibility may change: additional conditions could be required to be fulfilled by Luxembourg courts while other conditions may not be verified by Luxembourg courts in the future.

Subject to the above conditions, Luxembourg courts tend not to review the merits of a foreign judgment, although such a review is not statutorily prohibited.

We have also been advised by our Luxembourg counsel that if an original action is brought in Luxembourg, Luxembourg courts may refuse to apply the designated law (i) if the choice of such law was not bona fide and (ii) if 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, an exequatur may be refused in respect of punitive damages.

Further, in the event of any proceedings being brought in a Luxembourg court in respect of a monetary obligation expressed to be payable in a currency other than euro, a Luxembourg court would have power to give judgment expressed as an order to pay a currency other than euro. However, enforcement of the judgment against any party in Luxembourg would be available only in euro and for such purposes all claims or debts would be converted into euro.

England and Wales

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

(a) the U.S. court having had jurisdiction over the original proceedings according to English conflicts of laws principles and rules of English private international law;

(b) the U.S. judgment not having been given in breach of a jurisdiction or arbitration clause;

(c) the US. judgment being final and conclusive on the merits in the sense of being final and unalterable in the court which pronounced it, and being for a definite sum of money;

(d) the U.S. judgment not contravening English public policy or the principles of the European Convention on Human Rights or the Charter of Fundamental Rights of the European Union;

(e) the U.S. judgment not being for a sum payable in respect of taxes, or other charges of a like nature, or in respect of a penalty or fine, or otherwise involving the enforcement of a non English penal or revenue law;

(f) the U.S. judgment not being for multiple damages or on a claim for contribution in respect of multiple damages;

(g) the U.S. judgment not being contrary to the Protection of Trading Interests Act 1980;

(h) the U.S. judgment not having been obtained by fraud or in breach of English principles of natural justice;

(i) there not having been a prior inconsistent decision of an English court in respect of the same matter involving the same parties;

(j) the party seeking enforcement providing security for costs, if ordered to do so by an English court; and

(k) the English enforcement proceedings being commenced within six years from the date of the U.S. judgment.

Subject to the foregoing, investors may be able to enforce in England and Wales judgments in civil and commercial matters that have been obtained from U.S. federal or state courts. However, we cannot assure you that those judgments will be recognized or enforceable in England and Wales. In addition, it is questionable whether an English court would accept jurisdiction and impose civil liability if proceedings were commenced in England or Wales in an original action predicated solely upon U.S. federal securities laws. Further, it may not be possible to obtain a judgment in England and Wales or to enforce the judgment if the judgment debtor is subject to any insolvency or similar proceedings, of if the judgment debtor has any setoff or counterclaim against the judgment creditor. Finally, in any enforcement proceedings, the judgment debtor may raise any counterclaim that could have been brought if the action had been originally brought in England and Wales unless the subject of the counterclaim was in issue and denied in the U.S. proceedings.

Jersey

Simon Holdco is incorporated in Jersey. The United States and Jersey currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments (as opposed to arbitration awards) in civil and commercial matters. Consequently, a final judgment for payment rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon U.S. federal securities laws, would not automatically be recognized or enforceable in Jersey. In order to enforce any such U.S. judgment in Jersey, proceedings must first be initiated before a court of competent jurisdiction in Jersey. In such an action, a Jersey court would not generally reinvestigate the merits of the original matter decided by the U.S. court (subject to what is said below) and it would usually be possible to obtain summary judgment on such a claim (assuming that there is no good defense to it). Recognition and enforcement of a U.S. judgment by a Jersey court in such an action is conditional upon (among other things) the following:

- the U.S. court having had jurisdiction over the original proceedings according to Jersey conflicts of laws principles (which are broadly similar to the principles accepted under English common law);
- the U.S. judgment being final and conclusive on the merits in the sense of being final and unalterable in the court which pronounced it and being for a definite sum of money (although there are circumstances where non-money judgments can also be enforced);
- the U.S. judgment not contravening Jersey public policy;
- the U.S. judgment not being for a sum payable in respect of taxes, or other charges of a like nature, or in respect of a penalty or fine;
- the U.S. judgment not having been arrived at by doubling, trebling or otherwise multiplying a sum assessed as compensation for the loss or damages sustained and not being otherwise in breach of Section 5 of the United Kingdom Protection of Trading Interests Act 1980 (as extended to Jersey by the Protection of Trading Interests Act 1980 (Jersey) Order 1983);
- the U.S. judgment not having been obtained by fraud or in breach of Jersey principles of natural justice; and
- there not having been a prior inconsistent decision of a Jersey court in respect of the same matter.

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

CERTAIN LIMITATIONS ON VALIDITY AND ENFORCEABILITY OF THE NOTE GUARANTEES AND THE COLLATERAL AND CERTAIN INSOLVENCY LAW CONSIDERATIONS

The validity and enforceability of the Collateral will be subject to certain limitations on enforcement and may be limited under applicable law or subject to certain defenses that may limit its validity and enforceability. The following is a brief description of limitations on the validity and enforceability of the Note Guarantees and the Collateral and of certain insolvency law considerations in the jurisdictions in which Note Guarantees or Collateral are being provided. The descriptions below do not purport to be complete or discuss all of the limitations or considerations that may affect the Notes, the Note Guarantees or other security interests. Proceedings of bankruptcy, insolvency or a similar event could be initiated in any of these jurisdictions and in the jurisdiction of organization of a future Guarantor of the Notes. The application of these various laws in multiple jurisdictions could trigger disputes over which jurisdiction's law should apply and could adversely affect your ability to enforce your rights and to collect payment in full under the Notes, the Note Guarantees and the security interest in the Collateral. Prospective investors in the Notes should consult their own legal advisors with respect to such limitations and considerations. Please see "Risk Factors—Risks Related to Our Structure and the Financing," "Risk Factors—Risks Related to the Notes" and "Risk Factors—Risks Related to Our Financial Profile." If additional collateral is required to be granted in the future pursuant to the Indentures, such collateral will also be subject to limitations and enforceability and validity, which may differ from those discussed below.

European Union

The Issuer and the Guarantors are organized under the laws of member states of the European Union. Pursuant to Council Regulation (EC) No. 1346/2000 on insolvency proceedings, as amended from time to time (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" (as that term is used in Article 3(1) of the EU Insolvency Regulation). 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. Furthermore, "center of main interests" is not a static concept and may change from time to time. Although under Article 3(1) of the EU Insolvency Regulation there is a rebuttable presumption that a company would have its "center of main interests" in the member state in which it has its registered office, Preamble 13 of the EU Insolvency Regulation states that the "center of main interests" of a debtor should correspond to the place where the debtor conducts the administration of its interests on a regular basis and "is therefore ascertainable by third parties." The European Court of Justice has ruled in a recent judgment that a debtor company's center of main interests must be determined by attaching greater importance to the place of the company's central administration, as may be established by objective factors which are ascertainable by third parties. Where the bodies responsible for the management and supervision of a company are in the same place as its registered office and the management decisions of the company are taken, in a manner that is ascertainable by third parties, in that place, the presumption, that the center of the company's main interests is located in that place, is irrebuttable. Where a company's central administration is, however, not in the same place as its registered office, the presence of company assets and existence of contracts for the financial exploitation of those assets in a member state other than that in which the registered office is situated cannot be regarded as sufficient factors to rebut the above-mentioned presumption, unless a comprehensive assessment of all relevant factors makes it possible to establish, in a manner that is ascertainable by third parties, that the company's actual center of management and supervision and of the management of its interests is located in that other member state. The factors to be taken into account include, in particular, all places in which the debtor company pursues economic activities and all those in which it holds assets, in so far as they are ascertainable by third parties.

If the center of main interests of a company is and will remain located in the state in which it has its registered office, the main insolvency proceedings in respect of the company under the EU Insolvency Regulation would be commenced in such jurisdiction and accordingly a court in such jurisdiction would be entitled to commence the types of insolvency proceedings referred to in Annex A to the EU Insolvency Regulation, with these proceedings governed by the *lex fori concursus, i.e.* the local laws of the court opening such main insolvency proceeding. Insolvency proceedings opened in one member state under the EU Insolvency Regulation are to be recognized in the other member states (other than Denmark), although secondary proceedings may be opened in another member state. If the "center of main interests" of a debtor is in one member state (other than Denmark) under Article 3(2) of the EU Insolvency Regulation, the courts of another member state (other than Denmark) have jurisdiction to open "territorial proceedings" only in the event that such debtor has an "establishment" (within the meaning of and as defined in Article 2(h) of the EU Insolvency Regulation) in the territory of such other member state. The effects of those territorial proceedings are restricted to the assets of the debtor situated in the territory of such other member state. If the company does not have an establishment in any other member state, no court of any other member state has jurisdiction to open territorial proceedings in respect of such company under the EU Insolvency Regulation.

The EU Insolvency Regulation has been replaced by the Regulation (EU) 2015/848 of the European Parliament and of the Council dated May 20, 2015 (the "**New EU Insolvency Regulation**") which became effective as of June 26, 2015, and which will be applicable to insolvency proceedings opened after June 26, 2017. The EU Insolvency Regulation remains applicable to insolvency proceedings opened before that date.

The New EU Insolvency Regulation includes, among others, specifications regarding the identification of the center of main interests. Pursuant to Article 3(1) of the New EU Insolvency Regulation, in the case of a company or legal person, the center of main interests is presumed to be located in the country of the registered office in the absence of proof to the contrary. That presumption shall only apply if the registered office has not been moved to another member state within the three-month period prior to the request for the opening of insolvency proceedings. Specifically, the presumption of the center of main interests being at the place of the registered office should be rebuttable if the company's central administration is located in another member state than the one where it has its registered office, and where a comprehensive assessment of all the relevant factors establishes, in a manner that is ascertainable by third parties, that the company's actual center of management and supervision and the center of the management of its interests is located in that other member state. In this regard, special consideration should be given to creditors and their perception as to where a debtor conducts the administration of its interests. In the event of a shift in the center of main interests, this may require informing the creditors of the new location from which the debtor is carrying out its activities in due course (e.g. by drawing attention to the change of address in commercial correspondence or otherwise making the new location public through other appropriate means). Another change under the New EU Insolvency Regulation focuses on the definition of "establishment" as a prerequisite to open "territorial proceedings" (secondary proceedings). From June 26, 2017 onwards, "establishment" will mean any place of operations where a debtor carries out or has carried out in the three-month period prior to the request to open main insolvency proceedings a non-transitory economic activity with human means and assets.

Germany

Insolvency

Under German insolvency law, insolvency proceedings are not initiated by the competent insolvency court *ex officio*, but require that the debtor and/or a creditor files a petition for the opening of insolvency proceedings (*Antrag auf Eröffnung des Insolvenzverfahrens*). Insolvency proceedings must be initiated by the debtor and can be initiated by a creditor in the event of over-indebtedness (*Überschuldung*) of the debtor or in the event of illiquidity (*Zahlungsunfähigkeit*).

A debtor is over-indebted when its liabilities exceed the value of its assets unless, based on the prevailing circumstances, a continuation of the business is predominantly likely (*überwiegend wahrscheinlich*).

A company is considered to be illiquid if it is unable to pay its debt when they fall due. In addition, only the debtor can file for the opening of insolvency proceedings in case of impending illiquidity (*drohende Zahlungsunfähigkeit*), if there is the imminent risk for the company of being unable to pay its debt as and when they fall due, whereas impending illiquidity does not give rise to an obligation for the management of the debtor to file for insolvency proceedings.

If a GmbH (*Gesellschaft mit beschränkter Haftung*), a stock corporation (*Aktiengesellschaft*) or any other company not having an individual as a personally liable shareholder gets into a situation of illiquidity and/or over-indebtedness, the managing director(s) or under certain circumstances the shareholders of such company must file a petition for the opening of insolvency proceedings without undue delay but in any event no later than three weeks after such company has become illiquid and/or over-indebted. The management of a debtor can be exposed to criminal sanctions as well as damage claims in the event that filings for insolvency are delayed or not made at all.

If a company faces imminent illiquidity and/or is over-indebted it may also file for a preliminary protection scheme (*Schutzschirmverfahren*) unless—from a third-party perspective—there is no reasonable chance of a successful restructuring. In such case and upon request of the debtor, the court will appoint a preliminary custodian (*vorläufiger Sachwalter*) and prohibit enforcement measures (other than with respect to immoveable assets). It may also implement other preliminary measures to protect the debtor from creditor enforcement actions for up to three months. During that period, the debtor must prepare an insolvency plan which will ideally be implemented in formal “debtor-in- possession” proceedings (*Eigenverwaltung*) after formal insolvency proceedings have been opened.

The insolvency proceedings are court-controlled, and, upon receipt of the insolvency petition, the insolvency court may take preliminary protective measures to secure the property of the debtor during the preliminary proceedings (*Insolvenzeröffnungsverfahren*). The court may prohibit or suspend any measures taken to enforce individual claims against the debtor’s assets during these preliminary proceedings. As part of such protective measures the court may appoint a preliminary insolvency administrator (*vorläufiger Insolvenzverwalter*). The rights and duties of the preliminary administrator depend on the decision of the court. The duties of the preliminary administrator may be, in particular, to safeguard and preserve the debtor’s property and to assess whether the debtor’s net assets will be sufficient to cover the costs of the insolvency proceedings. Depending on the decision of the court, even the right to manage and dispose of the business and assets of the debtor may pass to the preliminary insolvency administrator. This only applies, where the debtor has not applied for so-called self-administration (*Eigenverwaltung*), in which event the court will only appoint a preliminary custodian (*vorläufiger Sachwalter*), who will supervise the management of the affairs by the debtor. During preliminary insolvency proceedings, a “preliminary creditors’ committee” (*vorläufiger Gläubigerausschuss*) generally will be appointed by the court if the debtor satisfies two of the following three requirements:

- a balance sheet total in excess of €6,000,000 (after deducting an equity shortfall if the debtor is over-indebted);
- revenue of at least €12,000,000 in the 12 months prior to the last day of the financial year preceding the filing; and/or
- 50 or more employees on an annual-average basis.

The requirements apply to the entity subject to the proceedings without taking into account the assets of other group companies. The preliminary creditors’ committee will be able to participate in certain important decisions taken during the preliminary insolvency proceedings. It will, for example, have the power to influence the following: the selection of a preliminary insolvency administrator (*vorläufiger Insolvenzverwalter*) or an insolvency administrator (*Insolvenzverwalter*), orders for “self- administration” proceedings (*Anordnung der Eigenverwaltung*), and the appointment of a preliminary custodian (*vorläufiger Sachwalter*). The court opens formal insolvency proceedings (*Insolvenzeröffnung*) if certain formal requirements are met (in particular, but not limited to, evidence being provided of an existing cause of insolvency) and there are sufficient assets to cover at least the cost of the insolvency proceedings. If the assets of the debtor are not expected to be sufficient, the insolvency court will only open main insolvency proceedings if third parties, for instance creditors, advance the costs themselves. In the absence of such advancement, the petition for opening of insolvency proceedings will usually be refused for insufficiency of assets (*Abweisung mangels Masse*).

Upon the opening of the insolvency proceedings, an insolvency administrator (*Insolvenzverwalter*) is usually appointed by the court who has full administrative and disposal authority over the debtor’s assets unless debtor-in-possession (*Eigenverwaltung*) are ordered. The insolvency administrator may raise new financial indebtedness and incur other liabilities to continue the debtor’s operations or may deem it necessary to wind down the debtor. Satisfaction of these liabilities as preferential debts of the estate (*Masseverbindlichkeiten*) will be preferred to any insolvency liabilities created by the debtor prior to the opening of insolvency proceedings.

For the holders of the Notes, the most important consequences of such opening of formal insolvency proceedings against a company subject to the German insolvency regime would be the following:

- the right to administer and dispose of assets of the German subsidiary of the Issuers would generally pass to the insolvency administrator (*Insolvenzverwalter*) as sole representative of the insolvency estate, unless debtor-in-possession proceedings (*Eigenverwaltung*) are ordered;
- if the court does not order debtor-in-possession proceedings (*Eigenverwaltung*), disposals effected by management of the German subsidiary of the Issuers after the opening of formal insolvency proceedings are null and void by operation of law;
- if, during the final month preceding the date of filing for insolvency proceedings, a creditor in the insolvency proceedings acquires through execution (*e.g.*, attachment) a security interest in part of the Issuers’ property that would normally form part of the insolvency estate, such security becomes null and void by operation of law upon the opening of formal insolvency proceedings; and
- claims against the German subsidiary of the Issuers may generally only be pursued in accordance with the rules set forth in the German Insolvency Code (*Insolvenzordnung*).

Under German insolvency law, termination rights, automatic termination events or “escape clauses” entitling one party to terminate an agreement, or resulting in an automatic termination of an agreement, upon the opening of insolvency proceedings in respect of the other party, the filing for insolvency or the occurrence of reasons justifying the opening of insolvency proceedings (*insolvenzbezogene Kündigungsrechte oder Lösungsklauseln*) may be invalid if they frustrate the election right of the insolvency administrator whether or not to perform the contract unless they reflect termination rights (*Wahlrecht des Insolvenzverwalters*) applicable under statutory law. This may also relate to agreements that are not governed by German law.

Any person that has a right to segregation (*Aussonderung*), *i.e*., the relevant asset of this person does not constitute part of the insolvency estate, does not participate in the insolvency proceedings; the claim for segregation must be enforced in the course of ordinary court proceedings against the insolvency administrator.

All other creditors, whether secured or unsecured (unless they have a right to segregate an asset from the insolvency estate (*Aussonderungsrecht*) as opposed to a preferential right (*Absonderungsrecht*)) who wish to assert claims against the debtor need to participate in the insolvency proceedings. Any individual enforcement action brought against the debtor by any of its creditors is—in principle—subject to an automatic stay once the insolvency proceedings have been opened (and, if so ordered by a court, also between the time when an insolvency petition is filed and the time when insolvency proceedings commence). Unsecured creditors may file their claims in the insolvency proceedings and will be paid on a pro rata basis from the insolvency estate (to the extent sufficient assets are available). Certain secured creditors have preferential rights regarding the enforcement of their security interests, but German insolvency law imposes certain restrictions on their ability to enforce their security interests outside the insolvency proceedings and in many cases the insolvency administrator will have the sole right to enforce the security. Whether or not a secured creditor remains entitled, after the initiation of insolvency proceedings, to enforce security granted to it by the relevant debtor depends on the type of security.

The insolvency administrator generally has the sole right (i) to realize any moveable assets within its possession which are subject to preferential rights (*Absonderungsrechte*) (*e.g*., pledges over movable assets and rights (*Mobiliarpfandrechte*) transfer by way of security (*Sicherungsübereignung*)) as well as (ii) to collect any claims that are subject to security assignment agreements (*Sicherungsabtretungen*). If such enforcement right is vested in the insolvency administrator, the enforcement proceeds, less certain contributory charges for (i) assessing the value of the secured assets (*Feststellungskosten*) and (ii) realizing the secured assets (*Verwertungskosten*) which, in the aggregate, usually add up to 9% of the gross enforcement proceeds (plus VAT (if any)), are paid to the creditor holding the relevant security interest in the relevant collateral up to an amount equal to its secured claims. The unencumbered assets of the debtor serve to satisfy the costs of the insolvency proceeding (*Massekosten*) first and afterwards the preferred creditors of the insolvency estate (*Massegläubiger*). Typically, liabilities resulting from acts of the insolvency administrator after commencement of formal insolvency proceedings constitute liabilities of the insolvency estate. Thereafter, all other claims (insolvency claims (*Insolvenzforderungen*)), in particular claims of unsecured creditors, will be satisfied on a pro rata basis if and to the extent there is cash remaining in the insolvency estate (*Insolvenzmasse*). A different distribution of enforcement proceeds can be proposed in an insolvency plan (*Insolvenzplan*) that can be submitted by the debtor or the insolvency administrator and which requires, among other things and subject to certain exceptions, the consent of the debtor and the consent of each class of creditors in accordance with specific majority rules.

Under German insolvency laws, it is possible to implement a debt-to-equity swap through an insolvency plan. However, it will not be possible to force a creditor into a debt-to-equity swap with regards to the debt owed to it by the debtor if it does not consent to such swap. Creditors secured by pledges over shares in subsidiaries of the debtor are entitled to preferential satisfaction with regard to the proceeds realized in an enforcement process which has to be effected by means of a public auction outside the insolvency process. However, in the absence of authoritative case law, it is uncertain whether the secured creditors are entitled to initiate the enforcement process in respect of the pledged shares on their own or, as far as the pledged assets are part of any insolvency estate, whether the insolvency administrator has standing to realize the pledges on behalf of and for the benefit of the secured creditors. Even if the law vests the right of disposal regarding the relevant collateral in the insolvency administrator, the secured creditor retains the right of preferred satisfaction with regard to the disposal proceeds (*Absonderungsrecht*). Consequently, the enforcement proceeds minus certain contributory charges as described above are paid to the creditor holding a security interest in the relevant collateral up to an amount equal to its secured claims. Remaining amounts will be allocated to the insolvency estate (*Insolvenzmasse*) and would, after deduction of the costs of the insolvency proceedings (as described above) and after satisfaction of certain preferential liabilities be distributed among the non-preferential unsecured creditors, including, to the extent their claims exceed the enforcement proceeds of the security interests, the holders of the Notes. If a German subsidiary or a subsidiary subject to German insolvency proceedings grants security over its assets to creditors other than the holders of the Notes, such security may result in a preferred treatment of creditors secured by such security. The proceeds resulting from such collateral securing creditors other than the holders of the Notes may not be sufficient to satisfy the holders of the Notes under the Note Guarantees granted by the German Guarantors after satisfaction of such secured creditors.

The right of a creditor to preferred satisfaction (*Absonderungsrecht*) may not necessarily prevent the insolvency administrator from using a moveable asset that is subject to this right. The insolvency administrator, however, must compensate the creditor for any loss of value resulting from such use. It may take several years before an insolvency dividend, if any, is distributed to unsecured creditors. An alternative distribution of enforcement proceeds can be proposed in an insolvency plan (*Insolvenzplan*) that can be submitted by the debtor or the insolvency administrator and requires, in principle, the consent of the debtor and the consent of each class of creditors in accordance with specific majority rules.

Under German insolvency law, there is no consolidation of the assets and liabilities of a group of companies in the event of insolvency. In the case of a group of companies, each entity, from an insolvency law point of view, has to be dealt with separately (*i.e*., there is no group insolvency concept under German insolvency law). As a consequence, there is, in particular, no pooling of claims among the respective entities of a group, but rather claims of and *vis-à-vis* each entity have to be dealt with separately. A draft act to facilitate the mastering of group insolvencies (*Entwurf eines Gesetzes zur Erleichterung der Bewältigung von Konzerninsolvenzen*) is under discussion in Germany. However, according to this draft act it is mainly intended to provide for coordination of and cooperation between insolvency proceedings of group companies. The draft does not provide for a consolidation of the insolvency proceedings of the insolvent group companies, or a consolidation of the assets and liabilities of a group of companies or pooling of claims amongst the respective entities of a group, but rather stipulates four key amendments of the German Insolvency Code in order to facilitate an efficient administration of group insolvencies: (i) a single court may be competent for each group entity insolvency proceedings; (ii) the appointment of a single person as insolvency administrator for all group companies is facilitated; (iii) certain coordination obligations are imposed on insolvency courts, insolvency administrators and creditors' committees; and (iv) certain parties may apply for "coordination proceedings" (*Koordinationsverfahren*) and the appointment of a "coordination insolvency administrator" (*Koordinationsverwalter*) with the ability to propose a "coordination plan" (*Koordinationsplan*). It is currently unclear if and when, and whether in its current or modified form, this bill might be adopted by the German parliament.

German insolvency law provides for certain creditors to be subordinated by law (in particular, but not limited to, claims made by shareholders (unless privileged) of the relevant debtor for the return of funds or payment of a consideration), while claims of a person who becomes a creditor of the insolvency estate only after the opening of insolvency proceedings generally rank senior to the claims of regular, unsecured creditors. Powers of attorney granted by the relevant debtor and certain other legal relationships cease to be effective upon the opening of insolvency proceedings. Certain executory contracts become unenforceable at such time unless and until the insolvency administrator opts for performance.

German insolvency proceedings regarding natural persons

A natural person is only insolvent in case of an (imminent) inability to pay its debts as and when they fall due (*Zahlungsunfähigkeit*)—an insolvency based on over-indebtedness (*Überschuldung*) does not apply to natural persons.

To the extent a natural person resident in Germany does not operate commercially (and has not done so recently), the consumer insolvency proceedings (*Verbraucherinsolvenzverfahren*) might apply to any such natural persons. These are insolvency proceedings based on three stages: (1) Prior to the filing for insolvency, the debtor has to set up and offer its creditors a plan to settle his debts in the course of an out-of-court debt-adjustment procedure (*außergerichtliches Schuldenbereinigungsverfahren*). During this out-of-court procedure, the general rules apply with respect to an enforcement of security interests, *i.e.*, there are no restrictions on enforcement of security. (2) If the debtor fails to reach a settlement with its creditors, he/she may file for insolvency. The insolvency court will then initiate an in-court debt-adjustment procedure (*gerichtliches Schuldenbereinigungsverfahren*) in which the court may, under certain circumstances, replace a creditor's objection to a settlement (*cram-down*). During this in-court procedure, the preliminary insolvency proceedings (*vorläufiges Insolvenzverfahren*) are pending but the court may order preliminary restrictions on enforcement of security. (3) If the in-court procedure also fails, the court may open insolvency proceedings. With respect to security interests granted by a natural person, the insolvency proceedings do not differ much from the general insolvency proceedings. The consumer insolvency proceedings may also include an insolvency plan

(*Insolvenzplan*) but the debtor may not apply for debtor-in-possession status (*Eigenverwaltung*). If not the natural person but one of its creditors files for insolvency over the assets of the natural person, the court allows the natural person/debtor to file for insolvency as well. If the debtor does so, he/she has to follow the above mentioned three steps. If the debtor refuses to file for insolvency, the court may open insolvency proceedings straight-away.

Natural persons may under certain circumstances apply to be discharged from all residual debt remaining at the end of an insolvency proceeding (*Restschuldbefreiung*) if they agree to assign the seizable part of their wages for a period of generally six years from the opening of the insolvency proceedings to a court-appointed trustee. The period can be reduced to five years if the debtor has paid all costs of the proceedings or even three years if the amount that has been paid to the trustee is sufficient to repay at least 35% of the debt. The insolvency creditors may request the court to deny the discharge based on certain reasons stated in the German Insolvency Code (*Insolvenzordnung*). The discharge of all residual debt would generally not affect the security interests granted by the respective natural person that is subject to the insolvency proceedings as the German Insolvency Code (*Insolvenzordnung*) excludes certain security interests from the effects of the discharge.

An insolvency administrator may void the granting of guarantees, security interests, etc. by the insolvent natural person in the cases described below.

Limitation on Enforcement

SIR, PCS, GCG, PPS, ZYK and Garfunkel Holding (together with GFKL Holdco and IBW, the (potential) "**German Guarantors**") are incorporated in Germany in the form of a limited liability company (*Gesellschaft mit beschränkter Haftung* or *GmbH*) ("**GmbH**") and any security (including a guarantee) granted by such a GmbH is subject to certain provision of the Limited Liability Company Act (*Gesetz betreffend die Gesellschaften mit beschränkter Haftung—GmbHG*) ("**GmbHG**").

As a general rule, sections 30 and 31 of the GmbHG ("**Sections 30 and 31**") prohibit a GmbH from disbursing its assets to its (direct or indirect) shareholders to the extent that the amount of the GmbH's net assets determined in accordance with the provisions of the German Commercial Code (*Handelsgesetzbuch*) (*i.e.*, assets minus liabilities and liability reserves) is or would fall below, or increases or would increase an existing shortfall of, the amount of its stated share capital (*Begründung oder Vertiefung einer Unterbilanz*). Guarantees and any other security granted by a GmbH in order to secure the liabilities of a direct or indirect parent or sister company are considered disbursements under Sections 30 and 31. Therefore, in order to enable German subsidiaries to secure the liabilities of a direct or indirect parent or sister company without the risk of violating Sections 30 and 31 and to protect management from personal liability, it is standard market practice for credit agreements, indentures, guarantees and security documents to contain so-called "limitation language" in relation to subsidiaries in the legal form of a GmbH incorporated or established in Germany. Pursuant to such limitation language, the beneficiaries of the guarantees or security interest agree to enforce the guarantees or security interest against the German subsidiary only to the extent that such enforcement would not result in the GmbH's net assets falling below, or increasing an existing shortfall of, its stated share capital (provided that the determination and calculation of such shortfall is subject to certain adjustments and exemptions). Accordingly, any security and Guarantee provided by a (direct or indirect) subsidiary of the Issuers in the legal form of a GmbH (incorporated or established in Germany) will contain such limitation language in the manner described. This could lead to a situation in which the respective Guarantee or security granted by a GmbH cannot be enforced at all.

GFKL Holdco is, until its later conversion into the legal form of a GmbH, incorporated in Germany in the form of a stock corporation (*Aktiengesellschaft*) ("**AG**"). The granting of guarantees by an AG for the benefit of its direct or indirect parent or sister companies is subject to the following limitations and restrictions:

Section 57 para. 1 and para. 3 of the German Stock Companies Act (*Aktiengesetz*) ("**AktG**") generally prohibits the granting of distributions and other benefits by an AG or any of its subsidiaries to the AG's direct or indirect parent or sister companies, with the exception of the distribution of the balance sheet profit (*Bilanzgewinn*) or unless otherwise permitted by applicable German corporate law. Guarantees granted by an AG or any of its subsidiaries in order to guarantee or secure liabilities of a direct or indirect parent or sister company are considered disbursements under section 57 of the AktG. Any guarantee by the AG or any of its subsidiaries will, therefore, contain so called "limitation language." Pursuant to such limitation language, the enforcement of any Note Guarantee by the AG or any of its subsidiaries will be limited to the extent that it would result in a violation of the capital maintenance rules imposed by Section 57 para. 1 and para. 3 of the AktG.

Section 71a of the AktG provides that, in general, the granting of guarantees by an AG and its direct and indirect subsidiaries which serve the purpose of supporting the financing of the acquisition of shares in such AG is prohibited and, therefore, invalid. It is a common view among German legal scholars and practitioners that such restrictions also apply to the financing of the acquisition of a direct or indirect parent company of an AG. Pursuant to section 71a para. 1 of the AktG, the aforementioned prohibition is not applicable to guarantees that are granted while a domination agreement (*Beherrschungsvertrag*) and/or profit transfer agreement (*Gewinnabführungsvertrag*) exists between the AG and the entity on whose instructions the guarantee is granted. Nonetheless, even in case a respective domination agreement (*Beherrschungsvertrag*) and/or profit transfer agreement (*Gewinnabführungsvertrag*) is in place, the granting of guarantees by the AG entity and by its direct and indirect subsidiaries to support the acquisition of a direct or indirect parent company of the AG entity could considered to be a violation of such restrictions, in which case such guarantees would be void and unenforceable or subject to a redemption claim against the beneficiary, (i) if the instructions given to the AG entity by the dominating entities to grant such guarantees constituted an unjustified and extreme infringement of the AG entity's own corporate interests and thus do not fall within the scope of benefits granted on the basis of legitimate instructions or (ii) if the loss compensation claims against the dominating entities resulting from the conclusion of the relevant domination agreement (*Beherrschungsvertrag*) and/or profit transfer agreement (*Gewinnabführungsvertrag*) would deemed to be as not fully recoverable.

This could lead to a situation in which the respective Guarantee or security granted by an AG or any of its subsidiaries cannot be enforced at all.

Furthermore, it cannot be ruled out that the case law of the German Federal Supreme Court (*Bundesgerichtshof*) regarding so-called destructive interference (*existenzvernichtender Eingriff*) (i.e., a situation where a shareholder deprives a German limited liability company of the liquidity necessary for it to meet its own payment obligations) may be applied by courts with respect to the enforcement of a guarantee or security interest granted by a German (direct or indirect) subsidiary of the Issuers. In such case, the amount of proceeds to be realized in an enforcement process may be reduced, even to zero.

German capital maintenance, liquidity maintenance and financial assistance rules are subject to evolving case law. Future court rulings may further limit the access of shareholders to assets of their subsidiaries constituted in the form of a GmbH or AG, which can negatively affect the ability of German (direct or indirect) subsidiaries of the Issuers to make payment on the Notes, of the subsidiaries to make payments on the guarantees, of the secured parties to enforce the collateral or of the beneficiaries of the guarantees to enforce the guarantees.

Notwithstanding that the incurrence of the Note Guarantees by (German) direct or indirect subsidiaries of the Issuers should, as of today, not result in any illiquidity (*Zahlungsunfähigkeit*) of such German Guarantor, the enforcement of the Note Guarantees and security interests granted by such German Guarantors may be excluded, according to certain provisions contained in the limitation language, if any high court decisions (*höchstrichterliche Entscheidung*) of a German Higher Regional Court (*Oberlandesgericht*) or the German Federal Court of Justice (*Bundesgerichtshof*) holding that the granting of a guarantee and/or security to secure any obligation of an affiliated company within the meaning of Section 15 AktG of such guarantor and/or security grantor (other than any of its direct or indirect subsidiaries) in comparable circumstances may nevertheless in case of the enforcement of such guarantee and/or security trigger any personal liability of the relevant German Guarantor's managing directors pursuant to section 64 sentence 3 GmbHG.

The limitations set out above apply mutatis mutandis if the Guarantee or security is granted by a German Guarantor incorporated or established in Germany as a limited liability partnership (*Kommanditgesellschaft*) (including, without limitation, IBW) with a general partner (*Komplementär*) organized in the legal form of (i) a GmbH (*Gesellschaft mit beschränkter Haftung*); (ii) an AG; or (iii) an entrepreneurs company with limited liability (*Unternehmergesellschaft (haftungsbeschränkt)*), in relation to such general partner (*Komplementär*).

Parallel Debt; Security Interests

Under German law, certain "accessory" security interests such as pledges (*Pfandrechte*) require that the pledgee and the creditor of the secured claim be the same person. Such security interests cannot be held for the benefit of a third party by a pledgee which does not itself hold the secured claim. The holders of interests in the Notes from time to time will not be parties to the security documents. In order to permit the holders of the Notes from time to time to benefit from pledges granted to the Security Agent under German law, the Intercreditor Agreement provides for the creation of a "parallel debt." Pursuant to such parallel debt, the Security Agent becomes the holder of a claim equal to the sum of any amounts payable by any obligors under, in particular, the Notes and the Indentures (the "**Parallel Debt Obligation**"). The pledges governed by German law will directly and exclusively (to the extent the Notes are concerned) secure the Parallel Debt Obligation, rather than secure the obligations under the Notes or the holders of the Notes directly. The Parallel Debt Obligation is in the same amount and payable at the same time as the obligations of the Issuers and the Security Providers under the Notes and the Note Guarantees (the "**Principal Obligations**"), and any payment in respect of the Principal Obligations will discharge the corresponding Parallel Debt Obligation and any payment in respect of the Parallel Debt Obligation will discharge the corresponding Principal Obligations. Although the Security Agent will have, pursuant to the parallel debt, a claim against the Issuers and the Security Providers for the full principal amount of the Notes, there are no published court decisions confirming the validity of the parallel debt structure and of the pledges granted under German law to secure such parallel debt, and hence there is no certainty that German courts will uphold such pledges. Therefore, the ability of the Security Agent to enforce the Collateral may be restricted. In addition, holders of the Notes bear some risk associated with a possible insolvency or bankruptcy of the Security Agent.

German law does not generally permit the appropriation of pledged assets by the pledgee upon enforcement of the pledge. The enforcement of a share pledge under German law usually requires the sale of the asset constituting the collateral through a formal process involving a public auction to which certain waiting periods and notice requirements apply. Under German law, it is unclear whether the security interest in the collateral gives the security agent the right to prevent other creditors of the entities having granted such security from foreclosing on and realizing the asset constituting the collateral. Some courts have held that certain types of security interests only give their holders priority (according to their ranking) in the distribution of any proceeds from the realization of the asset constituting the collateral and no right to intervene (*i.e.*, the right to request the court to impose a stay on proceedings initiated by other creditors).

Hardening Periods and Fraudulent Transfer

In the event of insolvency proceedings with respect to a company, which would be based on and governed by the insolvency laws of Germany, the security interests granted as well as a guarantee provided by that entity could be subject to potential challenges by an insolvency administrator (*Insolvenzverwalter*) under the rules of avoidance as set out in the German Insolvency Code (*Insolvenzordnung*).

On the basis of these rules, an insolvency administrator may challenge (*anfechten*) transactions which are deemed detrimental to insolvency creditors and which were effected prior to the commencement of insolvency proceedings, subject to specific periods. Such transactions can include the payment of any amounts to the holders of the Notes as well as granting them any security interest (including guarantees). The administrator's right to challenge transactions can, depending on the circumstances, extend to transactions during the ten-year period prior to the commencement of insolvency proceedings. If the Notes, the Note Guarantees or the security were avoided, holders of the Notes would only have a general unsecured claim in insolvency proceedings in the amount of their original investment and the holders of the Notes would be under an obligation to repay the amounts received by the insolvency estate or to waive such Guarantee or security interest.

In particular, an act (*Rechtshandlung*) or a transaction (*Rechtsgeschäft*) (which terms also include the provision of security or the repayment of debt) may be avoided in the following cases:

- any act (*Rechtshandlung*) granting an insolvency creditor, or enabling an insolvency creditor to obtain, security or satisfaction for a debt (*Befriedigung*) if such act was taken (i) during the last three months prior to the filing of the petition for the opening of insolvency proceedings, provided that the debtor was illiquid (*zahlungsunfähig*) at the time when such act was taken and the creditor knew of such illiquidity (or of the circumstances that imperatively suggested that the debtor was illiquid) at such time, or (ii) after the filing of the petition for the opening of insolvency proceedings, if the creditor knew of the debtor's illiquidity or the filing of such petition (or of circumstances that imperatively suggested such illiquidity or filing);
- any act (*Rechtshandlung*) granting an insolvency creditor, or enabling an insolvency creditor, to obtain security or satisfaction for a debt to which such creditor was not entitled, or which was granted or obtained in a form or at a time to which or at which such creditor was not entitled to such security or satisfaction, if (i) such act was taken during the last month prior to the filing of the petition for the opening of insolvency proceedings or after such filing, (ii) such act was taken during the second or third month prior to the filing of the petition and the debtor was illiquid at such time, or (iii) such act was taken during the second or third month prior to the filing of the petition for the opening of insolvency proceedings and the creditor knew at the time such act was taken that such act was detrimental to the other insolvency creditors (or had knowledge of circumstances that imperatively suggested such detrimental effect);

- a transaction (*Rechtsgeschäft*) by the debtor that is directly detrimental to the insolvency creditors or by which the debtor loses a right or the ability to enforce a right or by which a proprietary claim against a debtor is obtained or becomes enforceable, if it was entered into (i) during the three months prior to the filing of the petition for the opening of insolvency proceedings and the debtor was illiquid at the time of such transaction and the counterparty to such transaction knew of the illiquidity at such time, or (ii) after the filing of the petition for the opening of insolvency proceedings and the counterparty to such transaction knew of either the debtor's illiquidity or such filing at the time of the transaction;
- any act (*Rechtshandlung*) by the debtor without (adequate) consideration (*e.g.*, whereby a debtor grants security or a guarantee for a third-party debt, which might be regarded as having been granted gratuitously (*unentgeltlich*)), if it was effected in the four years prior to the filing of the petition for the opening of insolvency proceedings;
- any act (*Rechtshandlung*) performed by the debtor during the ten years prior to the filing of the petition for the opening of insolvency proceedings or at any time after the filing, if the debtor acted with the intent to prejudice its insolvency creditors and the other party knew of such intention at the time of such act;
- any non-gratuitous contract concluded between the debtor and a related party of the debtor which directly operates to the detriment of the creditors can be avoided unless such contract was concluded more than two years prior to the filing for the opening of insolvency proceedings or the other party had no knowledge of the debtor's intention to disadvantage its creditors; in terms of corporate entities, the term "related party" includes, subject to certain limitations, members of the management or supervisory board, shareholders owning more than 25% of the debtor's share capital, persons or companies holding comparable positions that give them access to information about the economic situation of the debtor, and other persons that are spouses, relatives or members of the household of any of the foregoing persons;
- any act (*Rechtshandlung*) that provides security or satisfaction for a shareholder loan (*Gesellschafterdarlehen*) made to the debtor or a similar claim if (i) in case of the provision of security, the act took place during the ten years prior to the filing of the petition for the opening of insolvency proceedings or after the filing of such petition, or (ii) in the case of satisfaction, the act took place during the last year prior to the filing of the petition for the opening of insolvency proceedings or after the filing of such petition; and
- any act (*Rechtshandlung*) whereby the debtor grants satisfaction for a loan claim or an economically equivalent claim to a third party if (i) the transaction was effected in the last year prior to the filing of a petition for the opening of insolvency proceedings or thereafter, and (ii) a shareholder of the debtor had granted security or was liable as a guarantor (*Bürge*) (in which case the shareholder has to compensate the debtor for the amounts paid (subject to further conditions)).

In this context, "knowledge" is generally deemed to exist if the other party is aware of the facts from which the conclusion must be drawn that the debtor was unable to pay its debt generally as they fell due, that a petition for the opening of insolvency proceedings had been filed, or that the act was detrimental to, or intended to prejudice, the insolvency creditors, as the case may be. A person is deemed to have knowledge of the debtor's intention to prejudice the insolvency creditors if it knew of the debtor's imminent illiquidity and that the transaction prejudiced the debtor's creditors. With respect to a "related party," there is a general statutory presumption that such party had "knowledge." Furthermore, even in the absence of an insolvency proceeding, a third-party creditor who has obtained an enforcement order (*Vollstreckungstitel*) but has failed to obtain satisfaction of its enforceable claims by a levy of execution, under certain circumstances, has the right to void certain transactions, such as the payment of debt and the granting of security pursuant to the German Code on Avoidance (*Anfechtungsgesetz*). The conditions for avoidance under the German Code on Avoidance differ to a certain extent from the above-described rules under the German Insolvency Code and the avoidance periods are calculated from the date when a creditor exercises its rights of avoidance in the courts.

In addition, under German law, a creditor who provided additional, or extended existing, funding to a debtor or obtained security from a debtor may be liable in tort if such creditor was aware of the debtor's (impending) insolvency or of circumstances indicating such debtor's (impending) insolvency at the time such funding was provided or extended or such security was granted. The German Federal Supreme Court (*Bundesgerichtshof*) held that this could be the case if, for example, the creditor was to act with the intention of detrimentally influencing the position of the other creditors of the debtor in violation of the legal principle of *bonos mores* (*Sittenwidrigkeit*). Such intention could be present if the beneficiary of the transaction was aware of any circumstances indicating that the debtor as the grantor of the guarantee or security was close to collapse (*Zusammenbruch*), or had reason to enquire further with respect thereto.

The German legislator is currently discussing a draft amendment concerning the statutory avoidance provisions in the German Insolvency Code (*Insolvenzordnung*). Amendments are envisaged with regards to, among others, the provisions for avoidance claims in connection with willful intent, for cash transactions (*Bargeschäfte*) and the interest rates on avoidance claims. It is also intended to privilege creditors which have obtained coverage of their claims on the basis of a valid enforcement order. It is currently unclear if and when, and whether in its current or modified form, this bill might be adopted by the German parliament.

Luxembourg

Insolvency

Pursuant to Luxembourg insolvency laws, your ability to receive payment under the Notes may be more limited than would be the case under U.S. bankruptcy laws. Under Luxembourg law, the following types of proceedings (together referred to as insolvency proceedings) may be initiated against a company having its center of main interests or an establishment (both terms within the meaning of the EU Insolvency Regulation) in Luxembourg:

- bankruptcy proceedings ("*faillite*"), the opening of which may be requested by the company, by any of its creditors or by the courts *ex officio*. Following such a request, the Luxembourg courts having jurisdiction may open bankruptcy proceedings if a Luxembourg company: (i) is in a state of cessation of payments ("*cessation des paiements*") and (ii) has lost its commercial creditworthiness ("*ébranlement de crédit*"). The main effect of such proceedings is the sale of the assets and allocation of the proceeds of such sale between creditors taking into account their rank of privilege, as well as the suspension of all measures of enforcement against the company except, subject to certain limited exceptions, for enforcement by secured creditors and the payment of the secured creditors in accordance with their rank upon realization of the assets. In addition, the managers or directors of a Luxembourg company that ceases its payments (*i.e.* is unable to pay its debts as they fall due with normal means of payment) must within a month of them having become aware of the company's cessation of payments, file a petition for bankruptcy (*faillite*) with the court clerk of the district court of the company's registered office. If the managers or directors fail to comply with such provision they may be held (i) liable towards the company or any third parties on the basis of principles of managers'/directors' liability for any loss suffered and (ii) criminally liable for simple bankruptcy (*banqueroute simple*) in accordance with Article 574 of the Luxembourg commercial code;
- controlled management proceedings ("*gestion contrôlée*"), the opening of which may only be requested by the company and not by its creditors and under which a Luxembourg court may order the provisional stay of enforcement of claims except for secured creditors (please see the below applicable provision of the Luxembourg law dated August 5, 2005 concerning financial collateral arrangements, as amended (the "**Financial Collateral Law 2005**");
- composition proceedings ("*concordat préventif de la faillite*"), the opening of which may only be requested by the company (subject to obtaining the consent of the majority of its creditors) and not by its creditors directly. The Luxembourg court's decision to admit a company to composition proceedings triggers a provisional stay on enforcement of claims by creditors except for secured creditors (please see the below applicable provisions of the Financial Collateral Law 2005); or
- in addition to these proceedings, your ability to receive payment on the Notes may be affected by a decision of a Luxembourg court to grant a stay on payments ("*sursis de paiement*") or to put a Luxembourg company into judicial liquidation ("*liquidation judiciaire*"). Judicial liquidation proceedings may be opened at the request of the public prosecutor against companies pursuing an activity violating criminal laws or that are in serious breach or violation of the Luxembourg commercial code or of the Luxembourg law of August 10, 1915 on commercial companies, as amended (the "**Companies Law 1915**"). The management of such liquidation proceedings will generally follow similar rules as those applicable to Luxembourg bankruptcy proceedings.

Liability of a Luxembourg company in respect of the Notes will, in the event of a liquidation of the company following bankruptcy or judicial liquidation proceedings, only rank after the cost of liquidation (including any debt incurred for the purpose of such liquidation) and any claims that are preferred under Luxembourg law. Preferential claims under Luxembourg law include, among others:

- remuneration owed to employees (last six months' wages amounting to a maximum of six times the minimum social salary);
- employees' contributions to social security;

- certain amounts owed to the Luxembourg Revenue;
- employer's contribution to social security;
- landlords, for certain unpaid sums due to them; and
- value-added tax and other taxes and duties owed to Luxembourg Customs and Excise.

Assets over which a security interest has been granted will in principle not be available for distribution to unsecured and unpreferred creditors (except after enforcement and to the extent a surplus is realized).

Favorable rules apply in relation to security interests of claims or financial instruments securing monetary claims (or claims for the delivery of financial instruments) pursuant to the Financial Collateral Law 2005. Article 20 of the Financial Collateral Law 2005 provides that Luxembourg law financial collateral arrangements (pledges, security assignments and repo agreements) over claims and financial instruments, as well as valuation and enforcement measures agreed upon by the parties are valid and enforceable even if entered into during the pre-bankruptcy preference period (*période suspecte*) against third parties, commissioners, receivers, liquidators and other similar persons notwithstanding the insolvency proceedings (save in the case of fraud).

Article 24 of the Financial Collateral Law 2005 provides that foreign law security interests over claims or financial instruments granted by a Luxembourg pledgor will be valid and enforceable as a matter of Luxembourg law notwithstanding any Luxembourg insolvency proceedings, if such foreign law security interests are similar in nature to a Luxembourg security interest falling within the scope of the Financial Collateral Law 2005. If Article 24 applies, Luxembourg preference period rules are disapplied (save in the case of fraud).

Article 21(2) of the Financial Collateral Law 2005 provides that where a financial collateral arrangement has been entered into after the opening of liquidation proceedings or the coming into force of reorganization measures or the entry into force of such measures, such arrangement is enforceable against third parties, administrators, insolvency receivers, liquidators and other similar persons if the collateral taker proves that it was unaware of the fact that such proceedings had been opened or that such measures had been taken or that it could not reasonably be aware of such proceedings, measures or arrangement.

Impact of insolvency proceedings on transactions

During such insolvency proceedings, all enforcement measures by unsecured creditors are suspended. Other than as described above, the ability of certain secured creditors to enforce their security interest may also be limited, in particular in the event of controlled management proceedings expressly providing that the rights of secured creditors are frozen until a final decision has been taken by a Luxembourg court as to the petition for controlled management, and may be affected thereafter by a reorganization order given by the court. A reorganization order requires the prior approval by more than 50% of the creditors representing more than 50% of the relevant Issuer's liabilities in order to take effect.

Furthermore, you should note that declarations of default and subsequent acceleration (such as acceleration upon the occurrence of an event of default) may not be enforceable during controlled management proceedings. However, during such controlled management proceedings a notice of default may still be served.

Luxembourg insolvency laws may also affect transactions entered into or payments made by the Issuers during the preference period (*période suspecte*) which is a maximum of six months plus ten days preceding the judgment declaring bankruptcy, except that in certain specific situations the court may set the start of the suspect period at an earlier date. In particular:

- pursuant to Article 445 of the Luxembourg code of commerce (*Code de Commerce*), specified transactions (such as, in particular, the granting of a security interest for antecedent debts save in respect of financial collateral arrangements within the meaning of the Financial Collateral Law 2005; payment of debts which have not fallen due, whether payment is made in cash or by way of assignment, sale, set-off or by any other means; the payment of debts which have fallen due by any means other than in cash or by bill of exchange; the sale of assets without consideration or with substantially inadequate consideration) entered into during the preference period (or the ten days preceding it) must be set aside or declared null and void, if so requested by the insolvency receiver;
- pursuant to Article 446 of the Luxembourg code of commerce, payments made for matured debts as well as other transactions concluded for consideration during the preference period are subject to cancellation by the court upon proceedings instituted by the insolvency receiver if they were concluded with the knowledge of the bankrupt party's cessation of payments; and

- pursuant to Article 448 of the Luxembourg code of commerce and Article 1167 of the Luxembourg civil code (*action paulienne*), the insolvency receiver (acting on behalf of the creditors) has the right to challenge any fraudulent payments and transactions, including the granting of security with an intent to defraud, made prior to the bankruptcy, without any time limit.

In principle, a bankruptcy order rendered by a Luxembourg court does not result in the automatic termination of contracts except for employment agreements and powers of attorney. The contracts, therefore, subsist after the bankruptcy order. However, the bankruptcy receiver may choose to terminate certain contracts so as to avoid worsening the financial situation of the company. As of the date of adjudication of bankruptcy, no interest on any unsecured claim will accrue vis-à-vis the bankruptcy estate. Insolvency proceedings may hence have a material adverse effect on a Luxembourg company's business and assets and such Luxembourg company's respective obligations under the Notes.

Finally, international aspects of Luxembourg bankruptcy, controlled management or composition proceedings may be subject to the EU Insolvency Regulation. In particular, rights in rem over assets located in another jurisdiction where the EU Insolvency Regulation will not be affected by the opening of insolvency proceedings, without prejudice however to the applicability of rules relating to the voidness, voidability or unenforceability of legal acts detrimental to all the creditors (subject to the application of Article 24 of the Financial Collateral Law 2005 as described above and Article 13 of the EU Insolvency Regulation).

Limitations on Validity and Enforceability of the Note Guarantees and the Security Interests

Under Luxembourg law, contracts are in principle formed by the mere agreement (*consentement*) between the parties thereto. The granting of any financial collateral governed by the Financial Collateral Law 2005 must be capable of being evidenced in writing. However, additional steps may be required to enforce security interests against third parties. According to Luxembourg conflict of law rules, Luxembourg courts will generally apply, in relation to the creation, perfection and enforcement of security interests over the assets subject to such security interests, the law of the place where such assets subject are situated (*lex rei sitae* or *lex situs*). As a consequence, Luxembourg law will apply in relation to the creation, perfection and enforcement of security interests over assets located or deemed to be located in Luxembourg, such as registered shares in Luxembourg companies, bank accounts held with a Luxembourg bank, receivables/claims having debtors located in Luxembourg and/or governed by Luxembourg law, securities which are held through an account located (or deemed to be located) in Luxembourg and bearer securities physically held in Luxembourg.

If certain assets are located or deemed to be located in Luxembourg, the security interests over such assets will be governed by Luxembourg law and must be created, perfected and enforced in accordance with Luxembourg law. The creation, validity and enforcement of security interests such as pledges and transfer of ownership as security, granted on financial instruments and claims (in order to secure cash settlement and/or delivery of financial instruments) are notably governed by the Financial Collateral Law 2005. Pursuant to the Financial Collateral Law 2005, a pledge (gage) is effected by a transfer of possession of the pledged assets to the pledgee or to a third party acting as depository for the pledgee and the pledgee's preference rights over the pledged assets only remain in existence as long as the pledgee or the depository remains in possession of such assets.

A physical transfer of possession not being possible for intangibles such as monetary claims, the Financial Collateral Law 2005 provides for a fictitious transfer of possession (*i.e.* perfection) which is effected by mechanisms which depend on the nature of the intangibles involved. In case of registered shares and other registered instruments, the dispossession is validly realized by notifying the pledge to the issuer of such shares/instruments or by an acceptance of the pledge by the issuer of such shares/instruments who in turn will proceed to an entry of the pledge in the share register/the register of the relevant instruments (as applicable) held by the issuer of such shares/instruments.

In case of cash bank accounts held in Luxembourg with a Luxembourg bank, the account-holding bank generally has a first-ranking security right over the accounts and the balances thereof. Hence, a pledge over such cash bank accounts is validly created and the dispossession is validly realized by notifying the pledge to the first-ranking security beneficiary/the holder of the pledged accounts (i.e. the account-holding bank) and by the acceptance of the pledge by such security beneficiary/holder of the pledged accounts, who in turn would normally also waive its first-ranking security rights over the bank accounts concerned. If future bank accounts are pledged, an additional notification to, and acceptance and waiver by the account bank will be required for both the creation and the perfection of the pledge over such future bank accounts.

A pledge granted over intragroup receivables is perfected once the relevant pledge agreement has been entered into by all parties thereto. However, in order for the debtor under the pledged receivables not to be able to validly liberate itself from its payment obligations thereunder by paying the pledgor instead of the Security Agent, when the pledge agreement provides that such payment shall inure to the Security Agent, the debtor of such receivables needs to be notified of or has to accept the pledge granted thereover.

The above perfection steps and actions need to be undertaken by the grantor of the security interest and/or the Security Agent. If the relevant pledgor or the Security Agent fails or is unable to take the necessary steps/actions required to take or perfect any of the above-mentioned security interests, such security interests will not have been created and/or perfected with respect to the claims arising under the Notes.

Article 11 of the Financial Collateral Law 2005 sets out the following enforcement methods, available upon the occurrence of the relevant enforcement event in respect of a pledge governed by the provisions of the Financial Collateral Law 2005:

- appropriation by the pledgee or appropriation by a third party of the pledged assets at (i) a value determined in accordance with a valuation method agreed upon by the parties or (ii) the listing price of the pledged assets (if the pledged assets are listed on an official Luxembourg or foreign stock market or traded on a recognized regulated market open to the public);
- selling or causing the sale of the pledged assets (i) in a private transaction at commercially reasonable terms (*conditions commerciales normales*), (ii) by a public sale at the stock exchange, or (iii) by way of a public auction;
- court allocation of the pledged assets to the pledgee in discharge of the secured obligations following a valuation made by a court-appointed expert; or
- set-off between the secured obligations and the pledged assets.

As the Financial Collateral Law 2005 does not provide any specific time periods and depending on (i) the method chosen, (ii) the valuation of the pledged assets, (iii) any possible recourses, and (iv) the possible need to involve third parties, such as, *e.g.*, courts, stock exchanges and appraisers, the enforcement of the security interests might be delayed. Foreign law governed security interests and the powers of any receivers/administrators may not be enforceable in respect of assets located or deemed to be located in Luxembourg. Luxembourg law governed security interests may not be enforceable in respect of assets located or deemed to be located outside of Luxembourg.

Security interests/arrangements, which are not expressly recognized under Luxembourg law and the powers of any receivers/administrators may not be recognized or enforced by the Luxembourg courts, in particular where the Luxembourg security grantor becomes subject to Luxembourg insolvency proceedings or where the Luxembourg courts otherwise have jurisdiction because of the actual or deemed location of the relevant rights or assets, except if “main insolvency proceedings” (as defined in the 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 of Article 5 of the EU Insolvency Regulation.

The perfection of the security interests created pursuant to the pledge agreements does not prevent any third party creditor from seeking attachment or execution against the assets, which are subject to the security interests created under the pledge agreements, to satisfy their unpaid claims against the pledgor. Such creditor may seek the forced sale of the assets of the pledgors through court proceedings, although the beneficiaries of the pledges will in principle remain entitled in priority to the proceeds of such sale (subject to preferred rights by operation of law).

When a Luxembourg company grants guarantees and/or security interests, applicable corporate procedures normally entail that the decision be approved by a board resolution or by the decision of delegates that have been appointed for such purpose. In addition, the granting of the envisaged guarantees and/or security interests must comply with the Luxembourg company’s corporate object. The proposed action by the company must be “in the corporate interest of the company,” which is a translation of the French “*intérêt social*,” an equivalent term to the English legal concept of corporate benefit. The concept of “corporate interest” is not defined by law, but has been developed by doctrine and court precedents and may be described as being “the limit of acceptable corporate behavior.”

Whereas the previous discussions regarding the limits of corporate power are based on objective criteria (provisions of law and of the articles of association), the concept of corporate benefit requires a subjective judgment. In a group context, the interest of the companies of the group taken individually is not entirely eliminated. With respect to guarantors and/or security grantors incorporated in Luxembourg, even if the

Companies Law 1915, does not provide for rules governing the ability of a Luxembourg company to guarantee and/or secure the indebtedness of another entity of the same group, it is generally held that within a group of companies, in the context of a group of related companies, the existence of a group interest in granting upstream or cross-stream assistance under any form (including under the form of guarantee or security) to other group companies could constitute sufficient corporate benefit to enable a Luxembourg company to grant such guarantee or security, provided that the following conditions are met (and subject in any event to all the factual circumstances of the matter): (i) such guarantee or security must be given for the purpose of promoting a common economic, social and financial interest determined in accordance with policies applicable to the entire group, (ii) the commitment to grant such guarantee or security must not be without consideration and such commitment must not be manifestly disproportionate in view of the obligations entered into by other group companies, and (iii) such guarantee or security granted or any other financial commitments must not exceed the financial capabilities of the committing company.

Although the existence of a corporate interest in the granting of a guarantee or a security interest on a group level is certainly important, the mere existence of such a group interest does not compensate for a lack of corporate interest for one or more of the companies of the group taken individually. The concept of corporate benefit is of particular importance in the context of misuse of corporate assets provided by Article 171-1 of the Companies Law 1915. The failure to comply with the corporate benefit requirement will typically result in liability (personal and/or criminal) for the directors or managers of the guarantor concerned. The guarantees or security interests granted by a Luxembourg company could themselves be held void or unenforceable if their granting is contrary to Luxembourg public policy (*ordre public*). It should be stressed that, as is the case with all criminal offenses addressed by the Company Law 1915, a director or a manager of a company will in general be prosecuted for misuse of corporate assets only if someone has lodged a complaint with the public prosecutor. This person may be an interested third party, *e.g.*, a creditor, a minority shareholder, a liquidator or an insolvency receiver. In addition, it cannot be excluded that the public prosecutor could act on its own initiative if the existence of such a misuse of corporate assets became known to him. If there is a misuse of corporate assets criminally sanctioned by court, then this could, under general principles of law, have the effect that contracts concluded in breach of Article 171-1 of the Companies Law 1915 will be held null and void.

The criteria mentioned above have to be applied on a case-by-case basis, and a subjective, fact-based judgment is required to be made, by the directors or managers of the Luxembourg company. As a result of the above developments, the guarantees or security interests granted by a Luxembourg company will be subject to certain limitations, which will take the form of general limitation language (limiting the guarantee obligations of such Luxembourg company to a certain percentage of, *inter alia*, its net assets (*capitaux propres*) and certain intra-group liabilities), which is inserted in the relevant finance document(s), indenture or guarantee agreements and which covers the aggregate obligations and exposure of the relevant Luxembourg company under all finance documents, indentures or guarantee agreements.

The registration of the Notes, the security interest agreements, the Indentures, the Note Guarantees and the transaction documents (and any document in connection therewith) with the *Administration de l'Enregistrement et des Domaines* in Luxembourg may be required in the case of legal proceedings before Luxembourg courts or in the case that the notes, the security interest agreements, the indentures, the guarantees and the transaction documents (and any document in connection therewith) must be produced before an official Luxembourg authority (*autorité constituée*). In such case, either a nominal registration duty or an ad valorem duty (or, for instance, 0.24% of the amount of the payment obligation mentioned in the document so registered) will be payable depending on the nature of the document to be registered. No ad valorem duty is payable in respect of security interest agreements, which are subject to the Financial Collateral Law 2005. The Luxembourg courts or the official Luxembourg authority may require (when these are presented before them) that the notes, the security interest agreements, the indentures, the guarantees and the transaction documents (and any document in connection therewith) and any judgment obtained in a foreign court be translated into French or German.

England and Wales

Certain Guarantors are incorporated in England and Wales, maintain their respective registered offices in and conduct their businesses and the administration of their interests on a regular basis in and from England and Wales ("**English Guarantor**" and each an "**English Guarantor**"). On the basis of these factors, an English court may conclude that the English Guarantors have their center of main interests, within the meaning of the EU Insolvency Regulation and New EU Insolvency Regulation, in England and therefore insolvency proceedings in England constituting "main insolvency proceedings" under Article 3(1) of the EU Insolvency Regulation and New EU Insolvency Regulation may be commenced in respect of a English Guarantor in the courts of England &

Wales. In such a case, English law would apply to those proceedings and the effects of those proceedings must be recognized by Member States across the European Union (except Denmark). Any insolvency proceedings of a English Guarantor would therefore likely but not necessarily be based on English insolvency laws. There is for example a rebuttable presumption that the center of main interests will be in the jurisdiction of a company's registered office, but this presumption is not conclusive. Under the EU Insolvency Regulation and New EU Insolvency Regulation, territorial or secondary proceedings may be commenced against a company in other Member States of the European Union (except Denmark) even if the center of main interests is in England, provided that the company has an establishment in that other Member State. The effects of these proceedings would be restricted to the assets of the relevant company situated in that Member State. Further, the EU Insolvency Regulation and New EU Insolvency Regulation would not affect the jurisdiction of courts outside the European Union to open insolvency proceedings in respect of an English Guarantor in accordance with their local insolvency laws.

Accordingly, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced in respect of the English Guarantors or the outcome of such proceedings. The insolvency and other laws of different jurisdictions may be materially different from, or in conflict with, each other including in the areas of the rights of secured and other creditors, the ability to void preferential transfers, the priority of governmental and other creditors, the ability to obtain post-petition interest and the duration of proceedings. The application of these laws, or any conflict among them, could call into question whether any particular jurisdictions' laws should apply or would adversely affect your ability to enforce your rights under the Guarantees and/or the Senior Secured Notes Issue Date Collateral, Senior Secured Notes Completion Date Collateral and Senior Secured Notes Post-Completion Date Collateral (as applicable) in these jurisdictions and limit any amounts that you may receive.

English insolvency law is different to the laws of the United States and other jurisdictions with which investors may be familiar and it is not possible to predict with certainty the outcome of insolvency or similar proceedings with respect to an English Guarantor.

Formal insolvency proceedings under the laws of England and Wales may be initiated in a number of ways, including by the company or a creditor making an application for administration in court, the company or the holder of a "qualifying floating charge" (discussed below) making an application for administration out of court, or by a creditor filing a petition to wind up the company or the company resolving to do so (in the case of a liquidation). A company may be wound up if it is unable to pay its debts, and may be placed into administration if it is, or is likely to become, unable to pay its debts, and the administration is reasonably likely to achieve one of three statutory purposes.

Under the Insolvency Act 1986, as amended (the "**English Insolvency Act**", a company is insolvent if it is unable to pay its debts. A company is deemed unable to pay its debts if it is insolvent on a "cash flow" basis (i.e., unable to pay its debts as they fall due), if it is insolvent on a "balance sheet" basis (i.e., the value of the company's assets is less than the amount of its liabilities, taking into account its contingent and prospective liabilities), or, among other matters, if it fails either to satisfy a creditor's statutory demand for a debt exceeding £750 or to satisfy in full a judgment debt (or similar court order).

Certain obligations under the Senior Secured Notes are secured by English law-governed security interests. Therefore, English insolvency laws and other limitations could limit the enforceability of those security interests. Certain obligations under the Notes are governed by English law-governed guarantees, and therefore English insolvency laws and other limitations could limit the enforceability of those Guarantees.

The following is a brief description of certain aspects of English insolvency law relating to certain limitations on the security interests and/or guarantees that are governed by English law. The application of these laws could adversely affect investors and their ability to enforce their rights and/or the security interests relating to the Senior Secured Notes and/or the guarantees relating to the Notes, and therefore may limit the amounts that investors may receive in an insolvency of an English company.

Fixed and Floating Charges

Fixed charge security has a number of advantages over floating charge security: (i) an administrator appointed to the company which granted the floating charge can dispose of floating charge assets for cash or collect receivables charged by way of floating charge and use the proceeds and/or cash subject to a floating charge, to meet administration expenses (which can include the costs of continuing to operate the charged company's business whilst it is in administration) in priority to the claims of the floating charge holder; (ii) a fixed charge over assets, even if created after the date of a floating charge over the assets, may rank prior to the floating charge over the relevant assets provided that the floating charge has not crystallised at the time the fixed charge is granted; (iii) general costs and expenses (including the insolvency office-holder's remuneration) properly incurred in a winding-up or administration are payable out of floating charge assets, to the extent the assets of the company available for creditors generally are otherwise insufficient to meet them (subject to certain restrictions for the costs of litigation), in priority to floating charge claims (the same does not apply to fixed charge claims); (iv) until the floating charge security crystallizes, a company is entitled to deal with assets that are subject to floating charge security in the ordinary course of its business, meaning that such assets can be effectively disposed of by the charged company so as to give a third party good title to the assets free of the floating charge; (v) floating charge security is subject to certain challenges under English insolvency law (please see "Grant of Floating Charge" below); and (vi) floating charge security is subject to the claims of preferential creditors (such as occupational pension scheme contributions and salaries owed to employees (subject to a cap per employee) and holiday pay owed to employees) and, where the floating charge is not a financial collateral arrangement, to the claims of unsecured creditors in respect of a ring fenced amount of the proceeds (please see "Prescribed Part" below).

Under English law there is a possibility that a court could recharacterise as floating charges any security interests expressed to be created by a security document as fixed charges where the chargee does not have the requisite degree of control over the relevant chargor's ability to deal with the relevant assets and the proceeds thereof, or does not exercise such control in practice as the description given to the charges in the relevant security document as fixed charges are not determinative. Where the chargor is free to deal with the secured assets without the consent of the chargee, the court is likely to hold that the security interest in question constitutes a floating charge, notwithstanding that it may be described as a fixed charge.

Administration

Administration is an insolvency procedure under the English Insolvency Act, pursuant to which a company may be reorganized or its assets realized under the protection of a statutory moratorium. The purpose of the administration must be to achieve one of the following successive objectives: (i) rescuing the company as a going concern, or, if that is not reasonably practicable; (ii) achieving a better result for the company's creditors as a whole, or, if that is not reasonably practicable; (iii) realizing property to make a distribution to secured or preferred creditors.

A company may be put into administration either pursuant to a court order or via an out of court process. Broadly speaking (and subject to specific conditions), a company can be placed into administration by the court at the application of, among others, the company itself, its directors or one or more of its creditors (including contingent and prospective creditors). An administrator can also be appointed out of court by the company itself, its directors or by the holder of a qualifying floating charge over the assets of the company provided that such qualifying floating charge has become enforceable. In addition, the holder of a qualifying floating charge has the right to intervene in an administration application by applying to the court to appoint an alternative administrator or, in certain very specific circumstances, by blocking the appointment altogether by the appointment of an administrative receiver.

For the Security Agent (as the holder of the floating charge security) to be able to appoint an administrative receiver or an administrator to the company, the floating charge granted by the relevant English obligor must constitute a "qualifying floating charge" and further, in the case of the appointment of an administrative receiver, the appointment must not be prohibited by the English Insolvency Act (meaning it must fall within one of the exemptions to the general prohibition which otherwise prevents the appointment of administrative receivers).

In order to constitute a qualifying floating charge, the floating charge must be created by an instrument which: (i) states that the relevant statutory provision applies to it; (ii) purports to empower the holder to appoint an administrator of the company; or (iii) purports to empower the holder to appoint an administrative receiver within the meaning given by section 29(2) of the English Insolvency Act. The Security Agent will be the holder of a qualifying floating charge if such floating charge security, together with any fixed charge security interests, relate to the whole or substantially the whole of the property of the relevant English company and at least one such security interest is a floating charge. Whether the assets that are subject to the floating charges and other security will constitute substantially the whole of the relevant English company's assets at the time that the floating charges are enforced will be a question of fact at that time.

The most relevant exception to the general prohibition on the appointment of an administrative receiver is the exception relating to "capital market arrangements" (as defined in the English Insolvency Act), which will apply if: (i) the issue of the Notes creates or is expected to create a debt of at least £50 million for the relevant company during the life of the capital markets arrangement; and (ii) the arrangement involves the issue of a "capital markets investment" (as defined in the English Insolvency Act). A "capital markets investment includes (among other things) certain debt instruments within the scope of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/544) or, in the case of the Notes, an investment that is admitted to trading or designed to be admitted to trading on a "foreign market". For the purposes of the English Insolvency Act, a "foreign market" has the same meaning given to "relevant market" in Article 67(2) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2001 (SI 2001/1335). A "relevant market" as defined therein includes "**EEA Markets**", and therefore the Luxembourg Stock Exchange.

Broadly speaking, an interim moratorium comes into effect when an application for an administration order (in the case of a court appointment) or a notice of intention to appoint an administrator is filed with the court. At the commencement of the appointment of an administrator, a full statutory moratorium applies, pursuant to which creditors cannot exercise their rights against the company, including, among other things, commencing a legal process against the company, winding up the company or enforcing security or repossessing goods in the company's possession under a hire purchase agreement without the consent of the administrator or permission of the court. Certain creditors of a company in administration may be able to realize their security over that company's property notwithstanding the statutory moratorium. This is by virtue of the disapplication of the moratorium in relation to a "financial collateral arrangement" (generally, cash or financial instruments such as shares, bonds or tradable capital market debt instruments) under the Financial Collateral Arrangements (No. 2) Regulations 2003 (SI 2003/3226). The effect of the statutory moratorium is that were an English Guarantor to enter administration, it is possible that the security granted by it or the guarantee granted by it (other than financial collateral arrangements) may not be enforced while it is in administration and, while any principal debt or guarantee obligation owed to it would be accelerated or could be demanded, no meaningful enforcement action could be taken in respect of any failure to pay. In addition, a secured creditor could not appoint an administrative receiver (to enforce its security), any administrative receiver already appointed would be required to vacate office and any receiver of part of an English Guarantor's property would be required to resign if requested to do so by the administrator (except a receiver of a part appointed under a charge subject to the application of the Financial Collateral Arrangement (No. 2) Regulations 2003).

Liquidation

Liquidation is a terminal insolvency procedure applicable to companies under the English Insolvency Act. There are three ways an English Guarantor may be placed into liquidation or be "wound up;" these are: (i) members' voluntary liquidation (which is a procedure available to solvent companies only); (ii) creditors' voluntary liquidation; and (iii) compulsory winding-up (a court-based procedure). There is no automatic statutory moratorium that applies as a result of the liquidation (although in the case of a compulsory winding-up by the courts, no proceedings or other actions may be commenced or continued against the relevant company except with the leave of the court), and the holders of security interests are entitled to take steps to enforce their security interests in all types of liquidation. Where an English company is placed into liquidation, a creditor holding a valid mortgage, charge or other security interest will generally have four main options: (i) to realize the security, apply the proceeds towards discharge of the secured debt, and prove in the liquidation for any balance; (ii) to retain the security and not prove in the liquidation; (iii) to value the security and prove for any shortfall between that value and the value of the debt; and (iv) to surrender the security and prove for the full amount of the debt.

Priority of Claims

One of the primary functions of liquidation (and, where the company cannot be rescued as a going concern, one of the possible functions of administration) under English law is to realize the assets of the insolvent company and to distribute the realizations made from those assets to its creditors. Under the English Insolvency Act and the Insolvency Rules 1986, creditors are placed into different classes, with the proceeds from the realization of the insolvent company's property applied in descending order of priority, as set out below. With the exception of the "Prescribed Part" (please see "*Prescribed Part*" below), distributions cannot be made to a class of creditors until the claims of the creditors in a prior ranking class have been paid in full. Unless creditors have agreed otherwise, distributions are made on a *pari passu* basis, that is, the assets are distributed in proportion to the debts due to each creditor within a class.

The general priority of claims on insolvency is as follows (in descending order of priority):

> *First ranking claims:* holders of fixed charge security and creditors with a proprietary interest in specific assets in the possession (but not full legal and beneficial ownership) of the debtor, but only to the extent of

the realizations from those secured assets or with respect to the asset in which they have a proprietary interest;

Second ranking claims: expenses of the insolvent estate (there are statutory provisions setting out the order of priority in which expenses are paid);

Third ranking claims: preferential creditors. Preferential debts include (but are not limited to) debts owed by the insolvent company in relation to: (i) contributions to occupational and state pension schemes; (ii) wages and salaries of employees for work done in the four months before the insolvency date, up to a maximum of £800 per person; and (iii) holiday pay due to any employee whose contract has been terminated, whether the termination takes place before or after the insolvency date;

Fourth ranking claims: holders of floating charge security, according to the priority of their security. However, before distributing asset realizations to the holders of floating charges, the Prescribed Part (as defined below) must be set aside for distribution to unsecured creditors (please see "*Prescribed Part*" below);

Fifth ranking claims: unsecured creditors. However, any secured creditor not repaid in full from the realization of assets subject to its security can also claim the remaining debt due to it (a shortfall) from the insolvent estate as an unsecured claim. To pay a shortfall, the insolvency officeholder can only use realizations from unsecured assets, as secured creditors are not entitled to any distribution from the Prescribed Part in respect of a shortfall unless the Prescribed Part is sufficient to pay out all unsecured creditors; and

Sixth ranking claims: shareholders. If after the repayment of all unsecured creditors in full, any remaining funds exist, these will be distributed to the shareholders of the insolvent company.

Subordinated creditors will be ranked according to the terms of the subordination.

Prescribed Part

An administrator, receiver (including an administrative receiver) or liquidator of the company will be required to ring-fence a certain percentage of the proceeds of enforcement of floating charge security for the benefit of unsecured creditors. Under current law, this ring-fence applies to 50% of the first £10,000 of the relevant company's net property subject to the floating charge and 20% of the remainder over £10,000, with a maximum aggregate cap of £600,000.

Challenges to Guarantees and Security

There are circumstances under English insolvency law in which the granting by an English company of security and guarantees can be challenged. In most cases this will only arise if an administrator or liquidator is appointed to the company within a specified period (as set out in more detail below) of the granting of the guarantee or security and, in addition, the company was "unable to pay its debts" when the security interest or guarantee was granted or it became "unable to pay its debts" as a result.

If security or a guarantee granted by an English company is challenged under the laws of England and Wales, and the court makes certain findings (as described further below), it may be permitted to:

- avoid or invalidate all or a portion of an English company's obligations under the security and/or guarantee provided by such English company;
- direct that the holders of the Notes return any amounts paid by or realized from an English company under a guarantee or security to the relevant English company or to fund for the benefit of the English company's creditors; and/or
- take other action that is detrimental to the holders of the Notes.

The Issuer and the Guarantors cannot be certain that, in the event that the onset of an English company's insolvency (as described further below) is within any of the requisite time periods set out below, the grant of a security interest or guarantee in respect of the relevant Notes would not be challenged or that a court would uphold the transaction as valid.

Onset of Insolvency

The date of the onset of insolvency, for the purposes of transactions at an undervalue, preferences and invalid floating charges (as discussed below), depends on the insolvency procedure in question.

In administration, the onset of insolvency is the date on which (i) the court application for an administration order is issued, or (ii) the notice of intention to appoint an administrator is filed at court, or (iii) otherwise, the date on which the appointment of an administrator takes effect.

In a compulsory liquidation the onset of insolvency is the date the winding-up petition is presented to court, whereas in a voluntary liquidation it is the date the company passes a winding-up resolution. Where liquidation follows administration, the onset of insolvency will be the same as for the initial administration. See "—*England and Wales—Priority of Claims*" above.

Connected Persons

If the given transaction at an undervalue, preference, or invalid floating charge has been entered into by the company with a "connected person," then particular specified time periods and presumptions will apply to any challenge by an administrator or liquidator (as set out more particularly below).

A "connected person" of a company granting a security interest or guarantee for the purposes of transactions at an undervalue, preferences and invalid floating charges includes (among others):

- a party who is (i) a director of the company; (ii) a shadow director; (iii) an associate of such director or shadow director; or (iv) an associate of the relevant company;
- a party is associated with an individual if they are (i) a relative of the individual; (ii) the individual's husband, wife or civil partner; (iii) a relative of the individual's husband, wife or civil partner; or (iv) the husband, wife or civil partner of a relative of the individual;
- a party is associated with a company if they are employed by that company; and
- a company is associated with another company if the same person has control of both companies, or a person has control of one and persons who are his associates, or he and persons who are his associates have control of the other, or if a group of two or more persons has control of each company, and the groups either consist of the same persons or could be regarded as consisting of the same person by treating (in one or more cases) a member of either group as replaced by a person of whom he is an associate.

The following potential grounds for challenge may apply to guarantees and security interests:

Transaction at an Undervalue

Under English insolvency law, a liquidator or administrator of an English company could apply to the court for an order to set aside a security interest or a guarantee granted by the company (or give other relief) on the grounds that the creation of such security interest or guarantee constituted a transaction at an undervalue. The grant of a security interest or guarantee will only be a transaction at an undervalue if the company receives no consideration or if the company receives consideration of significantly less value, in money or money's worth, than the consideration given by such company. For a challenge to be made, the guarantee or security must be granted within a period of two years ending with the onset of insolvency (as defined in section 240 of the Insolvency Act, as amended). A court will not generally make an order in respect of a transaction at an undervalue if it is satisfied that the company entered into the transaction in good faith and for the purpose of carrying on its business and that, at the time it did so, there were reasonable grounds for believing the transaction would benefit the company. Subject to this, if the court determines that the transaction was a transaction at an undervalue the court can make such order as it thinks fit to restore the position to what it would have been if the transaction had not been entered into (which could include reducing payments under the guarantees or setting aside any security interests or guarantees, although there is protection for a third party which benefits from the transaction and has acted in good faith for value). In any challenge proceedings, it is for the administrator or liquidator to demonstrate that the English company was unable to pay its debts unless a beneficiary of the transaction was a "connected person" (as defined in the Insolvency Act, as amended), in which case there is a presumption the company was unable to pay its debts and the connected person must demonstrate the company was not unable to pay its debts in such proceedings.

Preference

Under English insolvency law, a liquidator or administrator of a company could apply to the court for an order to set aside a security interest or a guarantee granted by such company (or give other relief) on the grounds that such a security interest or guarantee constituted a preference. The grant of a security interest or guarantee is a preference if it has the effect of placing an existing creditor (or a surety or guarantor of the company) in a better position in the event of the company's insolvent liquidation than if the security interest or guarantee had not been granted. For a challenge to be made, the grant of the security interest or guarantee must be made within the period of six months ending with the onset of insolvency (as defined in section 240 of the Insolvency Act, as amended) if the beneficiary of the security interest or the guarantee is not a connected person, or two years if the beneficiary is a connected person. A court will not make an order in respect of a preference of a person unless it is satisfied the company was influenced in deciding to give it by a desire to produce the "better position" for that person. Case law suggests that there must be a desire to prefer one creditor over another and not just other commercial motives even if they had the inevitable result of producing the better position. Subject to this, if the court determines that the transaction was a preference, the court can make such orders as it thinks fit to restore the position to what it would have been if that preference had not been given (which could include reducing payments under the guarantees or setting aside the security interests or guarantees). There is protection for a third party which benefits from the transaction and acted in good faith for value. In any proceedings, it is for the administrator or liquidator to demonstrate that the English company was unable to pay its debts and that the company was influenced by a desire to produce the preferential effect, unless the beneficiary of the transaction was a connected person, in which case there is a presumption that the company was influenced by a desire to produce the preferential effect and the connected person must demonstrate in such proceedings that there was no such desire.

Transaction Defrauding Creditors

Under English insolvency law, where it can be shown that a transaction was at an undervalue and was made for the purpose of putting assets beyond the reach of a person who is making, or may make, a claim against a company, or of otherwise prejudicing the interests of a person in relation to the claim, which that person is making or may make, the transaction may be set aside by the court as a transaction defrauding creditors. This provision may be used by any person who claims to be a "victim" of the transaction and is not therefore limited to liquidators or administrators. There is no statutory time limit in the English insolvency legislation within which the challenge must be made and the relevant company does not need to be insolvent at the time of the transaction. If the court determines that the transaction was a transaction defrauding creditors, the court can make such orders as it thinks fit to restore the position to what it would have been if the transaction had not been entered into and to protect the interests of the victims of the transaction.

Extortionate Credit Transaction

An administrator or a liquidator can apply to court to set aside an extortionate credit transaction. The court can review extortionate credit transactions entered into by an English company in the period up to three years before the day on which that company entered into administration or went into liquidation. A transaction is "extortionate" if, having regard to the risk accepted by the person providing the credit, the terms of it are (or were) such as to require grossly exorbitant payments to be made (whether unconditionally or in certain contingencies) in respect of the provision of the credit or it otherwise grossly contravened ordinary principles of fair dealing.

Grant of Floating Charge

Under English insolvency law, if an English company is unable to pay its debts at the time of (or as a result of) granting a floating charge then such floating charge can be avoided on the action of a liquidator or administrator if it was granted in the period of one year ending with the onset of insolvency (as defined in section 245 of the Insolvency Act 1986, as amended). The floating charge will, however, be validated to the extent of the value of the consideration provided for the creation of the charge in the form of money paid to, or goods or services supplied to, or any discharge or reduction of any debt of, the relevant English company at the same time as or after the creation of the floating charge plus interest payable on such amounts. Where the floating charge is granted to a "connected person" the charge can be challenged if given within two years of the onset of insolvency and the prerequisite to challenge that the company is unable to pay its debts does not apply. However, if the floating charge qualifies as a "financial collateral agreement" under the Financial Collateral Arrangements (No. 2) Regulations 2003, the floating charge will not be subject to challenge as described in this paragraph.

Onerous Property

Under English insolvency law, a liquidator (but not an administrator or administrative receiver) of a company may also, by giving a prescribed notice, disclaim any "onerous property" (being property which is unsaleable or not readily saleable or is such that it may give rise to a liability to pay money or perform any other onerous act) The disclaimer determines the rights, interests and liabilities of the company in the relevant property. A person sustaining loss or damage as a result of the disclaimer is deemed to be a creditor of the company to the extent of the loss or damage and may prove for the loss or damage in the winding-up.

Account Banks' Right to Set-off

With respect to English law governed charges over cash deposits (each an "**Account Charge**") granted by a chargor over any of its bank accounts, the banks with which some of those accounts are held (each an "**Account Bank**") may have reserved their right at any time (whether prior to or upon a crystallization event under the Account Charge) to exercise the rights of netting or set-off to which they are entitled under their cash pooling or other arrangement with that chargor. As a result, and if the security granted over those accounts is merely a floating (rather than fixed) charge, the collateral constituted by those bank accounts will be subject to the relevant Account Bank's netting and set-off rights with respect to the bank accounts charged under the relevant Account Charge. Once the floating charge has crystallized and converted into a fixed charge (as it would on enforcement or the occurrence of certain insolvency events with respect to the relevant chargor) the Account Bank will no longer be entitled to exercise its netting and set-off rights in relation to the account, except where the Account Banks have expressly reserved set-off rights.

Equitable Share Security

Security over shares granted by certain English Guarantors are equitable mortgages or charges, not legal mortgages or pledges. An equitable mortgage or charge arises where a chargor transfers the beneficial interest in the shares to the chargee but retains legal title to the shares. Remedies in relation to equitable mortgages or charges may be subject to equitable considerations or are otherwise at the discretion of the court.

Limitation on Enforcement

The grant of an English law governed guarantee or security interest by any obligor guaranteeing or securing (as the case may be) the obligations of another company must satisfy certain legal requirements. More specifically, such a transaction must be allowed by the respective obligor's memorandum and articles of association. To the extent these do not allow such an action, there is the risk that the grant of the Note Guarantee and the subsequent Collateral can be found to be void and the respective creditor's rights unenforceable. Some comfort may be obtained for third parties if they are dealing with an obligor in good faith; however, the relevant legislation is not without difficulties in its interpretation. Further, corporate benefit must be established for each obligor that is incorporated in England and Wales by virtue of entering into the proposed transaction. Section 172 of the Companies Act 2006 provides that a director must act in the way that he considers, in good faith, would be most likely to promote success of the relevant obligor for the benefit of its members as a whole. If the directors enter into a transaction where there is no or insufficient commercial benefit, they may be found as abusing their powers as directors and such a transaction may be vulnerable to being set aside by a court.

Under the Companies Act 2006, subject to limited exceptions, any security (including where not governed by English law) granted by a chargor incorporated in England and Wales (together with prescribed particulars of the security constituted thereby) must be received by the Registrar of Companies in England and Wales for registration within 21 days after the date of creation of the security constituted by the applicable security document. Such security, if not registered within the 21 day period, will be deemed to be void against a liquidator, administrator and a creditor of the applicable chargor. Further, failure to register also means that the debt which was intended to be secured is deemed to have become immediately payable.

In the event where the relevant security document is not registered, a chargor incorporated in England and Wales may be required to enter into a new security document and register that with Companies House within 21 days of its creation.

Alternatively it may be possible to apply to the English courts for an order to rectify the position and allow the charge to be registered after the 21 day period has expired. This application can be made by a chargor incorporated in England and Wales or by any person interested in the relevant security. The court will grant leave to register the security out of time if it considers it "just and expedient" to do so, and will have particular regard to whether the failure to register was merely accidental and whether a late registration will prejudice the position of creditors or shareholders. The court order will have to be enclosed with any delayed application for registration of the security.

Security created on or after October 1, 2011 by overseas companies over assets in England and Wales does not need to be registered with the Registrar of Companies (although they may still need to be registered with the applicable asset registry).

Guarantees and security granted by a guarantor or security provider incorporated in England and Wales as a public company are also subject to limitations to the extent they would result in unlawful financial assistance within the meaning of the Companies Act 2006.

Schemes of Arrangement

Pursuant to Part 26 of the Companies Act 2006 the English courts have jurisdiction to sanction a compromise or arrangement between a company and its creditors (or classes of creditors) where such company (i) is liable to be wound-up under the English Insolvency Act and (ii) has "sufficient connection" to the English jurisdiction.

In practice, in addition to applying to English companies, a foreign company is likely to satisfy the first limb of this test and the second limb has been found to be satisfied by the English courts where, among other things, the company's center of main interests" is in England, the company's finance documents are English law governed, or the company's finance documents have been amended in accordance with their terms to be governed by English law. The law in this area is being closely considered by the English courts and the fact that the second limb has been found to be satisfied in such cases previously does not necessarily mean that this will be satisfied in all such cases as each case will be considered on its particular facts and circumstances.

Before the court considers the sanction of a scheme of arrangement, affected creditors will vote on the proposed compromise or arrangement in a single class or in a number of classes, depending on the rights of such creditors that will be affected by the proposed scheme and any new rights that such creditors are given under the scheme. Such compromise or arrangement can be proposed by the company or its creditors. If 75% by number and a majority by value of those creditors present and voting at the creditor meeting of each class vote in favour of the proposed compromise, irrespective of the terms and approval thresholds contained in the finance documents, that compromise will be binding on all affected creditors, including those affected creditors who did not participate in the vote on the scheme of arrangement and those who voted against the scheme of arrangement.

Company Voluntary Arrangements

Pursuant to Part I of the Insolvency Act 1986, a company can request that its unsecured creditors consent to a compromise of their debts. The company may propose whatever compromise it wishes and provided that compromise is approved by the requisite majority of creditors, it will bind all unsecured creditors of the company who were entitled to vote, whether or not they actually had notice of the company voluntary arrangement.

In order for the company voluntary arrangement to be passed, it must be approved by 75% in value of creditors attending the creditors' meeting, provided that those who vote against it represent less than 50% by value of those creditors who had notice of the meeting and who are not connected to the company

Jersey

Insolvency

Simon Holdco is incorporated in Jersey and is subject to Jersey insolvency laws which may pose particular risks for holders of the Notes with respect to the enforcement of the Note Guarantees and the Collateral.

Simon Holdco is incorporated under the laws of Jersey. Consequently, in the event of an insolvency of Simon Holdco, insolvency proceedings may be initiated in Jersey. There are two principal regimes for corporate insolvency in Jersey: "*désastre*" and creditors' winding up. The principal type of insolvency procedure available to creditors under Jersey law is the application for an Act of the Royal Court of Jersey under the Bankruptcy (*Désastre*) (Jersey) Law 1990, as amended (the "**Jersey Bankruptcy Law**") declaring the property of a debtor to be "*en désastre*" (a "**declaration**"). On a declaration of "*désastre*", title and possession of the property of the debtor vest automatically in the Viscount, an official of the Royal Court (the "**Viscount**"). With effect from the date of declaration, subject to what is set out below, a creditor has no other remedy against the property or person of the debtor, and may not commence or, except with the consent of the Viscount or the Royal Court, continue any legal proceedings to recover the debt but may prove in the *désastre*. With effect from the date of declaration, a secured party may, however, without the consent of the Viscount and without an order of the court, exercise any power of enforcement it may have under Part 7 (Enforcement of Security Interests) of the Security Interests (Jersey) Law 2012 (the "**2012 Law**"). To the extent that the proceeds of such enforcement are insufficient to discharge liabilities owed, that secured party has no other remedy against the property or person of the debtor, and may not commence any legal proceedings or, except with the consent of the Viscount or the Royal Court, continue any legal proceedings to recover the balance of the debt.

Additionally, the shareholders of a Jersey company (but not its creditors) can instigate a winding-up of an insolvent company, which is known as a "creditors' winding up" pursuant to Chapter 4 of Part 21 of the Companies (Jersey) Law 1991, as amended (the "**Jersey Companies Law**"). On a creditors' winding up, a liquidator is nominated by the shareholders. The creditors may approve such a liquidator or apply to appoint a different liquidator. The liquidator will stand in the shoes of the directors and administer the winding up, gather assets, make appropriate disposals of assets, settle claims and distribute assets as appropriate. After the commencement of the winding up, no action can be taken or proceeded with against the company except with the leave of court. The shareholders must, however, give creditors 14 days' notice of the meeting to commence the creditors' winding up. The corporate state and capacity of the company continues until the end of the winding up procedure, when the company is dissolved (although the powers of the liquidator shall, subject to the sanction of the court or the creditors (or a validly appointed committee of the creditors), be limited to such powers as may be required for the company's beneficial winding-up). The Jersey Companies Law requires a creditor of a company (subject to appeal) to be bound by an arrangement entered into by the company and its creditors immediately before or in the course of its winding up if (*inter alia*) three quarters in number and value of the creditors acceded to the arrangement.

Transactions at an Undervalue

Under Article 17 of the Jersey Bankruptcy Law and Article 176 of the Jersey Companies Law, the court may, on the application of the Viscount (in the case of a company whose property has been declared "*en désastre*") or liquidator (in the case of a creditors' winding up, a procedure which is instigated by shareholders not creditors), set aside a transaction (including any guarantee or security interest) entered into by a company with any person (the "other party") at an undervalue. There is a five-year look-back period from the date of commencement of the winding up or declaration of "*désastre*" during which transactions are susceptible to examination pursuant to this rule (the "relevant time"). The Jersey Bankruptcy Law and Jersey Companies Law contain detailed provisions, including (without limitation) those that define what constitutes a transaction at an undervalue, the operation of the relevant time and the effect of entering into such a transaction with a person connected with the company or with an associate of the company.

Preference

Under Article 17A of the Jersey Bankruptcy Law and Article 176A of the Jersey Companies Law, the court may, on the application of the Viscount (in the case of a company whose property has been declared "*en désastre*") or liquidator (in the case of a creditors' winding up), set aside a preference (including any guarantee or security interest) given by the company to any person (the "other party"). There is a 12-month look-back period from the date of commencement of the winding up or declaration of "*désastre*" during which transactions are susceptible to examination pursuant to this rule (the "relevant time"). The Jersey Bankruptcy Law and Jersey Companies Law contain detailed provisions, including (without limitation) those that define what constitutes a preference, the operation of the relevant time and the effect of entering into a preference with a person connected with the company or with an associate of the company.

Extortionate Credit Transactions

Under Article 17C of the Jersey Bankruptcy Law and Article 179 of the Jersey Companies Law, the court may, on the application of the Viscount (in the case of a company whose property has been declared "*en désastre*") or liquidator (in the case of a creditors' winding up), set aside a transaction providing credit to the debtor company which is or was extortionate. There is a three-year look-back period from the date of commencement of the winding up or declaration of "*désastre*" during which transactions are susceptible to examination pursuant to this rule. The Jersey Bankruptcy Law and Jersey Companies Law contain detailed provisions, including (without limitation) those that define what constitutes a transaction which is extortionate.

Disclaimer of Onerous Property

Under Article 15 of the Jersey Bankruptcy Law, the Viscount may within six months following the date of the declaration of "*désastre*" and under Article 171 of the Jersey Companies Law, a liquidator may within six months following the commencement of a creditors' winding up, disclaim any onerous property of the company. "Onerous property" is defined to include any moveable property, a contract lease or other immoveable property if it is situated outside of Jersey that is unsaleable or not readily saleable or is such that it might give rise to a liability to pay money or perform any other onerous act, and includes an unprofitable contract.

A disclaimer operates to determine, as of the date it is made, the "rights, interests and liabilities of the company in or in respect of the property disclaimed" but "does not, except so far as is necessary for the purpose of releasing the company from liability, affect the rights or liabilities of any other person." A person sustaining loss or damage as a result of a disclaimer is deemed to be a creditor of the company to the extent of the loss or damage and shall have standing as a creditor in the "*désastre*" or creditors' winding up. The Jersey Bankruptcy Law and Jersey Companies Law contain detailed provisions, including (without limitation) in relation to the power to disclaim onerous property.

Fraudulent Dispositions

In addition to the Jersey statutory provisions referred to above, there are certain principles of Jersey customary law (for example, a Pauline action) under which dispositions of assets with the intention of defeating creditors' claims may be set aside.

Floating Charges

Under the laws of Jersey, a person incorporated, resident or domiciled in Jersey is deemed to have capacity to grant security governed by foreign law over property situated outside Jersey, but to the extent that any floating charge is expressed to apply to any asset, property and undertaking of a person incorporated, resident or domiciled in Jersey such floating charge is not likely to be held valid and enforceable by the Courts of Jersey in respect of Jersey situs assets.

Administrators, Receivers and Statutory and Non statutory Requests for Assistance

The Insolvency Act 1986 (either as originally enacted or as amended, including by the provisions of the Enterprise Act 2002) does not apply in Jersey and receivers, administrative receivers and administrators are not part of the laws of Jersey. Accordingly, the Courts of Jersey may not recognize the powers of an administrator, administrative receiver or other receiver appointed in respect of Jersey situs assets.

However, under Article 49(1) of the Jersey Bankruptcy Law, the Jersey court may assist the courts of prescribed countries and territories in all matters relating to the insolvency of any person to the extent that the Jersey court thinks fit. These prescribed jurisdictions include the United Kingdom. Further, in doing so, the Royal Court may have regard to the UNCITRAL model law, even though the model law has not been (and is unlikely to be) implemented as a separate law in Jersey.

If the request comes from a prescribed country but not by a court-made request or from a non-prescribed country, then common law and principles of comity will be considered by the Royal Court by virtue of its inherent jurisdiction. If insolvency proceedings are afoot in another jurisdiction in relation to the company, the nature and extent of the cooperation from Jersey is likely to depend on the nature of the requesting country's insolvency regime. If the requesting country adheres to principles of territoriality, as opposed to universality, and, for instance, ring-fences assets for local creditors, full cooperation is highly unlikely. If, however, the jurisdiction applies similar fundamental principles to those applied in Jersey, the Royal Court's approach is more likely to be similar to the position where prescribed countries are involved.

In the case of both statutory and non-statutory requests for assistance, it should not be assumed that the UNCITRAL provisions will automatically be followed. That is a matter for the discretion of the Royal Court. It would also be wrong to assume for European countries that the position will be in accordance with EU Insolvency Regulation. Jersey does not form part of the European Union for the purposes of implementation of its directions. Accordingly, the EU Insolvency Regulation does not apply as a matter of Jersey domestic law and the automatic test of center of main interests does not apply as a result.

Enforcement of Security and Security in Insolvency

Enforcement of a security interest against a Jersey company may be limited by bankruptcy, insolvency, liquidation, dissolution, re-organization or other laws of general application relating to or affecting the rights of creditors, but insolvency or bankruptcy alone will not render such security interest invalid or non-binding on the parties thereto or any liquidator of a Jersey company or the Viscount in a *désastre* of a Jersey company's property.

Under Jersey law, security over Jersey situs assets is created in accordance with the provisions of Jersey law. The Jersey situs assets of Simon Holdco will be secured pursuant to a Jersey law governed security interest agreement. 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 unless 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. If, in exercising its powers of enforcement, a secured party appropriates or sells collateral, it must, within 14 days after the day on which the collateral is appropriated or sold, give certain persons (being the grantor (subject to it having waived this requirement), any person with a registered subordinate security interest and certain persons claiming an interest in the collateral) a written statement of account setting out certain information in relation to that appropriation or sale. If a secured party has sold or appropriated the collateral and the net value or proceeds of appropriation or sale (as appropriate) of the collateral exceeds the amount of the debt owed to the secured party, the secured party shall pay the amount of any resulting surplus in the following order: (i) in payment, in due order of priority, to any person who has a subordinate security interest in the collateral and has registered a financing statement over that security interest (where the registration remained effective immediately before the appropriation or sale); (ii) in payment to any other person (other than the grantor) who has given the secured party notice that that person claims an interest in the collateral and in respect of which the secured party is satisfied that that person has a legally enforceable interest in the collateral; and (iii) as to the balance (if any) in payment to the relevant debtor grantor. Alternatively, the secured party may discharge its obligation above with respect to any surplus by paying that amount into the Royal Court. The surplus may then only be paid out on the order of the court on application by a person entitled to the surplus.

LISTING AND GENERAL INFORMATION

Admission to Trading and Listing

Application will be made for the Notes to be listed on the Official List of the LuxSE and admitted to trading on the Euro MTF Market, in accordance with the rules and regulations of such exchange.

Listing Information

For so long as the Notes are listed on the Official List of the LuxSE and are admitted to trading on the Euro MTF Market and the rules and regulations of the LuxSE so require, copies of the following documents may be inspected and obtained free of charge at the specified office of the Luxembourg listing agent during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted):

- the organizational documents of the Issuers and the Guarantors;
- the financial statements included in this Offering Memorandum;
- the security documents;
- the Indentures (including the Note Guarantees); and
- the Intercreditor Agreement.

Each of the Issuers has appointed Banque Internationale à Luxembourg as Luxembourg listing agent, and Citibank, N.A., London Branch as transfer agent and as registrar and to make payments on and, when applicable, transfers of the Notes. Each Issuer reserves the right to vary such appointments in accordance with the terms of the relevant Indenture.

For so long as the Notes are listed on the Official List of the LuxSE and are admitted to trading on the Euro MTF, notices, warnings, summonses and other communications will be published in accordance with and to the extent required by the rules and regulations of the Luxembourg Stock Exchange.

Approval

Each of the Issuers and the Guarantors has obtained all necessary consents, approvals, authorizations or other orders for the issuance of the Notes and the Note Guarantees and the other documents to be entered into by the Issuers and the Guarantors in connection with the issuance of the Notes in Luxembourg.

Clearing Information

The Senior Secured Notes sold pursuant to Regulation S and Rule 144A have been accepted for clearance and settlement through the facilities of Euroclear and Clearstream under Common Codes 130830005 and 130830102, respectively. The international securities identification number for the Senior Secured Notes sold pursuant to Regulation S is XS1308300059 and the international securities identification number for the Senior Secured Notes sold pursuant to Rule 144A is XS1308301024.

The Senior Notes sold pursuant to Regulation S and Rule 144A have been accepted for clearance and settlement through the facilities of Euroclear and Clearstream under Common Codes 130831656 and 130831788, respectively. The international securities identification number for the Senior Notes sold pursuant to Regulation S is XS1308316568 and the international securities identification number for the Senior Notes sold pursuant to Rule 144A is XS1308317889.

Additional Information about the Issuers

Additional Senior Secured Notes Issuer Information

The Senior Secured Notes Issuer was incorporated as a public limited liability company (*société anonyme*) under the laws of Luxembourg on June 1, 2015 for an unlimited duration. The registration address is 488 route de Longwy, L-1940 Luxembourg, and it is registered with the Luxembourg Trade and Companies Register (*Registre de Commerce et des Sociétés, Luxembourg*) under number B 197.551. The Senior Secured Notes Issuer's articles of association were initially published on August 18, 2015.

For the objects of the Senior Secured Notes Issuer, please refer to clause 3 of its articles of association. Principal objects include the following: to act as an investment holding company, to carry on any trade or business whatsoever, to invest and deal with the its own money and funds, to borrow, raise and secure the payment of money, to acquire an interest in, amalgamate, merge or consolidate with and enter into partnership, to enter into any guarantee or contract of indemnity or suretyship or to provide security, to purchase, lease, exchange, hire, acquire or dispose any property real or personal, and any other activities including entering into contracts and agreements that its board of directors believes is incidental or conducive to attaining the company's objects.

For information about the Senior Secured Notes Issuer's share capital, please refer to clause 5 of its articles of association. The subscribed share capital of the Senior Secured Notes Issuer is €5,000,000 divided into 500,000,000 shares with a par value of €0.01 each, all of which are fully paid up. The shares are in registered form.

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The Senior Notes Issuer was incorporated as a public limited liability company (*société anonyme*) under the laws of Luxembourg on June 1, 2015 for an unlimited duration. The registration address is 488 route de Longwy, L-1940 Luxembourg, and it is registered with the Luxembourg Trade and Companies Register (*Registre de Commerce et des Sociétés, Luxembourg*) under number B 197.497. The Senior Notes Issuer's articles of association were initially published on August 7, 2015.

For the objects of the Senior Notes Issuer, please refer to clause 3 of its articles of association. Principal objects include the following: to act as an investment holding company, to carry on any trade or business whatsoever, to invest and deal with the its own money and funds, to borrow, raise and secure the payment of money, to acquire an interest in, amalgamate, merge or consolidate with and enter into partnership, to enter into any guarantee or contract of indemnity or suretyship or to provide security, to purchase, lease, exchange, hire, acquire or dispose any property real or personal, and any other activities including entering into contracts and agreements that its board of directors believes is incidental or conducive to attaining the company's objects.

For information about the Senior Notes Issuer's share capital, please refer to clause 5 of its articles of association. The subscribed share capital of the Senior Notes Issuer is €5,000,000.04 divided into 500,000,004 shares with a par value of €0.01 each, all of which are fully paid up. The shares are in registered form.

Additional Information about Certain Guarantors

Additional Garfunkel Holding Information

Garfunkel Holding was incorporated as a limited liability company (*Gesellschaft mit beschränkter Haftung*) under the laws of Germany on April 9, 2015 for an unlimited duration. Garfunkel Holding has a share capital of €25,000, comprised of 25,000 shares with a par value of €1 each, each being fully paid up. Garfunkel Holding's registered name is Garfunkel Holding GmbH. Its principal executive office is at Mark-Twain-Straße 4, 81245 München and Mr. Peter-Juergen Haac is the managing member. Garfunkel Holding is registered with the commercial register at the local court (*Amtsgericht*) of Frankfurt/Main under registration number HRB 101898. Garfunkel Holding's object, as referenced in its articles of association, is the administration of its own funds as well as the acquisition, holding and administration of companies and the provision of services towards associated companies.

Additional Simon Bidco Information

Simon Bidco was incorporated as a private company limited by shares under the laws of England and Wales on July 29, 2015 and is a wholly-owned subsidiary of Simon Midco. It was formed for the purpose of facilitating the Acquisition and other future potential transactions, and its share capital is comprised of 1000 ordinary shares with a nominal value of €0.01 each, 1000 preference shares with a nominal value of €0.01 each and one PBA share with a nominal value of €1.00. All shares within each class of shares are fully paid up. For additional information about its share capital, refer to part 3 of Simon Bidco's articles of association. Simon Bidco's Companies House registration number is 9709443, and its registered address is 80 Pall Mall, London, United Kingdom.

Additional Simon Midco Information

Simon Midco was incorporated as a private company limited by shares under the laws of England and Wales on August 8, 2015 and is a wholly-owned subsidiary of Simon Holdco. It was formed for the purpose of facilitating the Acquisition and other future potential transactions, and its share capital is comprised of 1000 ordinary shares with a nominal value of €0.01 each, 1000 preference shares with a nominal value of €0.01 each and one PBA share with a nominal value of €1.00. All shares within each class of shares are fully paid up. For additional information about its share capital, refer to part 3 of Simon Midco's articles of association. Simon Midco's Companies House registration number is 9722126, and its registered address is 80 Pall Mall, London, United Kingdom.

Additional Simon Holdco Information

Simon Holdco was incorporated as a limited company under the laws of Jersey on August 10, 2015 and is controlled by the Senior Secured Notes Issuer. It was formed for the purpose of facilitating the Acquisition and other future potential transactions, and it has a share capital of aggregate par value of €200,000,014.97, comprised of one ordinary share with a par value of € 0.0135, 4,146 ordinary shares with a par value of €50,000 each, 1,396 non-voting OTPP top-up shares with a par value of €0.01 each and 1 PBA share with a par value of €1.00. All shares within each class of shares are fully paid up. Simon Holdco's company number is 119216, and its registered address is 47 Esplanade, St. Helier, Jersey.

Additional Metis Bidco Limited Information

Metis Bidco Limited was incorporated as a private limited company under the laws of England and Wales on May 31, 2011 and is wholly-owned subsidiary of Simon Bidco. It was formed for the purpose of facilitating acquisitions and other future potential transactions, and it has a share capital of £167,087,968.43 aggregate nominal value, comprised of 19,342 ordinary D shares with a nominal value of £0.01 each, 940,478 ordinary A shares with a nominal value of £1.00 each, 209,122 ordinary B shares with a nominal value of £1.00 each, 128,082 ordinary C shares with a nominal value of £1.00 each, 165,810,093 non-voting preference shares with a nominal value of £1.00 each and one T-Share with a nominal value of £0.01. All shares within each class of shares are fully paid up. Metis Bidco's company number is 07652466, and its registered address is Ellington House, 9 Savannah Way, Leeds Valley Park, Leeds, United Kingdom.

Additional Lowell Finance Holdings Limited Information

Lowell Finance Holdings Limited was incorporated as a private limited company under the laws of England and Wales on March 12, 2012 and is wholly-owned subsidiary of Metis Bidco Limited. It was formed as a holding company, and it has a share capital of £182,913,396.01 aggregate nominal value, comprised of 182,913,396 ordinary A shares with a nominal value of £1.00 each and one T-Share with a nominal value of £0.01. All shares within each class of shares are fully paid up. Lowell Finance Holdings Limited's company number is 07987062, and its registered address is Ellington House, 9 Savannah Way, Leeds Valley Park, Leeds, United Kingdom.

Additional Lowell Group Limited Information

Lowell Group Limited was incorporated as a private limited company under the laws of England and Wales on March 7, 2008 under the name "De Facto 1617 Limited," and it adopted its current name on March 19, 2008. It is wholly-owned subsidiary of Lowell Finance Holdings Limited. It was formed as a holding company, and it has a share capital of £18,291,339.61 aggregate nominal value, comprised of 182,913,396 ordinary A shares with a nominal value of £0.10 each and one T-Share with a nominal value of £0.01. All shares within each class of shares are fully paid up. Lowell Group Limited's company number is 06527689, and its registered address is Ellington House, 9 Savannah Way, Leeds Valley Park, Leeds, United Kingdom.

Additional Lowell Funding Limited Information

Lowell Funding Limited was incorporated as a private limited company under the laws of England and Wales on March 7, 2008 under the name "De Facto 1616 Limited," and it adopted its current name on March 19, 2008. It is wholly-owned subsidiary of Lowell Group Limited. It was formed as a holding company, and it has a share capital of £817,457.01 aggregate nominal value, comprised of 817,457 ordinary A shares with a nominal value of £1.00 each and one T-Share with a nominal value of £0.01. All shares within each class of shares are fully paid up. Lowell Funding Limited's company number is 06527632, and its registered address is Ellington House, 9 Savannah Way, Leeds Valley Park, Leeds, United Kingdom.

Additional Lowell Acquisitions Limited Information

Lowell Acquisitions Limited was incorporated as a private limited company under the laws of England and Wales on March 7, 2008 under the name “De Facto 1615 Limited," and it adopted its current name on March 19, 2008. It is wholly-owned subsidiary of Lowell Funding Limited. It was formed as a holding company, and it has a share capital of £817,457.01 aggregate nominal value, comprised of 817,457 ordinary A shares with a nominal value of £1.00 each and one T-Share with a nominal value of £0.01. All shares within each class of shares are fully paid up. Lowell Acquisitions Limited’s company number is 06527618, and its registered address is Ellington House, 9 Savannah Way, Leeds Valley Park, Leeds, United Kingdom.

Additional Lowell Holdings Limited Information

Lowell Holdings Limited was incorporated as a private limited company under the laws of England and Wales on March 10, 2004 under the name “Precis (2410) Limited," and it adopted its current name on June 24, 2004. It is wholly-owned subsidiary of Lowell Acquisitions Limited. It was formed as a holding company, and it has a share capital of £1,000.01 aggregate nominal value, comprised of 1,000 ordinary A shares with a nominal value of £1.00 each and one T-Share with a nominal value of £0.01. All shares within each class of shares are fully paid up. Lowell Acquisitions Limited’s company number is 05069357, and its registered address is Ellington House, 9 Savannah Way, Leeds Valley Park, Leeds, United Kingdom.

Additional Lowell Finance Limited Information

Lowell Finance Limited was incorporated as a private limited company under the laws of England and Wales on March 10, 2004 under the name “Precis (2411) Limited," and it adopted its current name on June 24, 2004. It is wholly-owned subsidiary of Lowell Holdings Limited. It was formed as a holding company, and it has a share capital of £151,000.01 aggregate nominal value, comprised of 151,000 ordinary A shares with a nominal value of £1.00 each and one T-Share with a nominal value of £0.01. All shares within each class of shares are fully paid up. Lowell Finance Limited’s company number is 05069513, and its registered address is Ellington House, 9 Savannah Way, Leeds Valley Park, Leeds, United Kingdom.

Additional Interlaken Group Limited Information

Interlaken Group Limited was incorporated as a private limited company under the laws of England and Wales on March 4, 1996 under the name “Fredrickson Holdings Limited," and it adopted its current name on October 13, 2010. It is wholly-owned subsidiary of Lowell Finance Limited. Its principal activities are that of a holding company, and it has a share capital of £10,000.01 aggregate nominal value, comprised of 10,000 ordinary A shares with a nominal value of £1.00 each and one T-Share with a nominal value of £0.01. All shares within each class of shares are fully paid up. Lowell Finance Limited’s company number is 03167536, and its registered address is Ellington House, 9 Savannah Way, Leeds Valley Park, Leeds, United Kingdom.

Additional Lowell Solicitors Limited Information

Lowell Solicitors Limited was incorporated as a private limited company under the laws of England and Wales on March 4, 1996 under the name “Lowell Portfolio V Limited," and it adopted its current name on March 23, 2015. It is wholly-owned subsidiary of Lowell Finance Limited. It has not yet engaged in business activities since its formation, and it has a share capital of £1.00 aggregate nominal value, comprised of one ordinary A shares with a nominal value of £1.00. This single share is fully paid up. Lowell Finance Limited’s company number is 08647091, and its registered address is Ellington House, 9 Savannah Way, Leeds Valley Park, Leeds, United Kingdom.

Additional Lowell Financial Limited Information

Lowell Financial Limited was incorporated as a private limited company under the laws of England and Wales on October 10, 2002 under the name “Premier Seekers Limited," and it adopted its current name on July 7, 2004. It is wholly-owned subsidiary of Lowell Finance Limited. Its principal activities include providing debt collection agency services to other Lowell group companies, and it has a share capital of £22,490,000.11 aggregate nominal value, comprised of 224,900,001 ordinary A shares with a nominal value of £0.10 each and one T-Share with a nominal value of £0.01. All shares within each class of shares are fully paid up. Lowell Financial Limited’s company number is 04558936, and its registered address is Ellington House, 9 Savannah Way, Leeds Valley Park, Leeds, United Kingdom.

Additional Lowell Portfolio I Limited Information

Lowell Portfolio I Limited was incorporated as a private limited company under the laws of England and Wales on August 6, 2003 under the name "Precis (2414) Limited," and it adopted its current name on March 12, 2010. It is wholly-owned subsidiary of Lowell Finance Limited. Its principal activities include the acquisition and collection of non-performing consumer debt portfolios, and it has a share capital of £2.00 aggregate nominal value, comprised of two ordinary A shares with a nominal value of £1.00 each. All shares are fully paid up. Lowell Portfolio I Limited's company number is 04857418, and its registered address is Ellington House, 9 Savannah Way, Leeds Valley Park, Leeds, United Kingdom.

Additional Tocatto Limited Information

Tocatto Limited was incorporated as a private limited company under the laws of England and Wales on March 10, 2004 under the name "R2O Services Limited," and it adopted its current name on June 24, 2004. It is wholly-owned subsidiary of Lowell Finance Limited. Its principal activities prior to December of 2013 included the provision of tracing and debt collection services to the debt collection industry. After December 2013, its principal business activity consisted of preparing to discontinue operations. It has a share capital of £1,000,002 aggregate nominal value, comprised of 1,000,002 ordinary A shares with a nominal value of £1.00 each. All shares are fully paid up. Tocatto Limited's company number is 05069843, and its registered address is Ellington House, 9 Savannah Way, Leeds Valley Park, Leeds, United Kingdom.

Additional SRJ Debt Recoveries Limited Information

SRJ Debt Recoveries Limited was incorporated as a private limited company under the laws of England and Wales on March 5, 2004. It is wholly-owned subsidiary of Interlaken Group Limited. Its principal activities consist of the provision of debt collection agency services, and it has a share capital of £133.33 aggregate nominal value, comprised of 100,000 ordinary A shares with a nominal value of £0.001 each and 33,333 ordinary B shares with a nominal value of £0.001 each. All shares within each class of shares are fully paid up. SRJ Debt Recoveries Limited's company number is 05064551, and its registered address is Ellington House, 9 Savannah Way, Leeds Valley Park, Leeds, United Kingdom.

Additional Fredrickson International Limited Information

Fredrickson International Limited was incorporated as a private limited company under the laws of England and Wales on January 15, 1992. It is wholly-owned subsidiary of Interlaken Group Limited. Its principal activities consist of the provision of debt collection agency services, and it has a share capital of £10,000.01 aggregate nominal value, comprised of 10,000 ordinary A shares with a nominal value of £1.00 each and one T-Share with a nominal value of £0.01 each. All shares within each class of shares are fully paid up. Fredrickson International Limited's company number is 02679522, and its registered address is Ellington House, 9 Savannah Way, Leeds Valley Park, Leeds, United Kingdom.

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Garfunkelux Holdco 2 S.A.

Interim Condensed Consolidated Statement of Financial Position—unaudited

kGBP	Notes	Jun. 30, 2015	Jun.1, 2015
ASSETS			
Non-current assets			
Goodwill	III.1	297,345	0
Other intangible assets	III.2	64,374	0
Property, plant & equipment	III.3	2,499	0
Portfolio investments (non current)	III.4	54,094	0
Other financial assets	III.6	61	0
Total non-current assets		**418,374**	**0**
Current assets			
Inventories	III.5	13	0
Portfolio investments	III.4	32,772	0
Trade and other receivables	III.6	20,514	0
Assets for current tax	III.7	3,233	0
Cash and cash equivalents	III.8	56,384	44
Total current assets		**112,915**	**44**
Total assets		**531,289**	**44**

	Notes	Jun. 30, 2015	Jun.1, 2015
EQUITY AND LIABILITIES			
Equity			
Share capital	III.9	3,557	44
Share premium	III.9	182,225	0
Retained Earnings/deficit		–7,441	0
Equity attributable to equity holders of the parent		178,341	44
Non-controlling interests	III.11	618	0
Total equity		**178,960**	**44**
Non-current liabilities			
Provisions	III.13+14	4,218	0
Deferred tax liabilities	III.17	26,311	0
Trade and other payables	III.16	2,428	0
Total non-current liabilities		**32,957**	**0**
Current liabilities			
Borrowings	III.12	253,466	0
Provisions	III.13	8,817	0
Trade and other payables	III.16	44,344	0
Liabilities for current tax	III.15	12,745	0
Total current liabilities		**319,372**	**0**
Total liabilities		**352,330**	**0**
Total equity and liabilities		**531,289**	**44**

Garfunkelux Holdco 2 S.A.

Interim Condensed Consolidated Statement of profit or loss and other comprehensive income for the Period from June 1, 2015 (date of incorporation) to June 30, 2015—unaudited

kGBP	Notes	Jun. 1, - Jun. 6, 2015
Total revenue	IV.1	0
Other income	IV.1	0
Operating expenses		
Other expenses	IV.2	7,131
Total operating expenses		**7,131**
Operating loss		**–7,131**
Interest income		0
Interest expense	IV.3	310
Loss before tax		**–7,441**
Income tax expense		0
Consolidated loss for the period		**–7,441**
Loss attributable to non-controlling interests		0
Profit/loss attributable to owners of the parent		**–7,441**
Other comprehensive loss		**0**
Total comprehensive loss for the year		**–7,441**
Total comprehensive loss attributable to:		
Owners of the parent		–7,441
Non-controlling interest		0

Garfunkelux Holdco 2 S.A.

Interim Condensed Consolidated Statement of Changes in Equity for the period from June 1, 2015 (date of incorporation) to June 30, 2015—unaudited

in kGBP	Share capital	Share premium	Retained earnings	Net retained loss	Equity attributable to equity holders of the parent	Non-controlling interests	Total Equity
Notes	III.9	III.9				III.11	
As of June 1, 2015	**44**	**0**	**0**	**0**	**44**	**0**	**44**
Other comprehensive income	0	0	0	0	0	0	0
Consolidated loss for the period	0	0	0	–7,441	–7,441	0	0
Total comprehensive income	**0**	**0**	**0**	**–7,441**	**–7,441**	**0**	**–7,441**
Increase of share capital and share premium..................	3,513	182,225	0	0	185,738	0	185,738
Change of consolidated group ..	0	0	0	0	0	618	618
As of June 30, 2015 ...	**3,557**	**182,225**	**0**	**–7,441**	**178,341**	**618**	**178,960**

Garfunkelux Holdco 2 S.A.

Interim Condensed Consolidated Cash Flow Statement for the Period from June 1, 2015 (date of incorporation) to June 30, 2015—unaudited

in kGBP		Notes	Jun. 1 -Jun. 30, 2015
1.	**Operating activities**		
	Operating cash inflow	VI.2	0
	Operating cash outflow	VI.2	–1
=	**Cash flow from operating activities**		**–1**
2.	**Investing activities**		
–	Cash paid for loans granted and other financial investments	VI.3	–304
–	Acquisition of companies and shares net of cash acquired	VI.3	–315,274
=	**Cash flow from investing activities**	VI.3	**–315,578**
3.	**Financing activities**		
+	Cash received from the issue of equity instruments	VI.4	185,738
+	Cash received from bank loans	VI.4	252,271
–	Repayment of bank loans	VI.4	–66,091
=	**Cash flow from financing activities**		**371,918**
4.	**Development of liquidity**		
	Cash and cash equivalents at the beginning of the period		44
+	Change in cash and cash equivalents		56,340
=	**Cash and cash equivalents at the end of the period**	VI.1	**56,384**
5.	**Composition of cash and cash equivalents**		
	Cash		**56,384**

Garfunkelux Holdco 2 Société Anonyme, Luxembourg

Notes to the unaudited interim condensed consolidated financial statements as of June 30, 2015

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Garfunkelux Holdco 2 Société Anonyme, Luxembourg

Notes to the unaudited interim condensed consolidated financial statements as of June 30, 2015

I. Corporate information

GARFUNKELUX HOLDCO 2 S.A., (hereafter named the "Company") was incorporated on 1 June 2015 in Luxembourg and is an investment holding company and the parent of the Garfunkel Group. The Company's registered offices are at 488, route de Longwy, Luxembourg, Luxembourg. It is entered in the commercial register of the Local Court of Luxembourg under B No. 197 497. The sole shareholder is Garfunkelux Holdco 1 S.à r.l. The operating unit of the group is GFKL Financial Services Aktiengesellschaft, Essen, (GFKL AG), which is a financial services provider in the receivables management segment.

GFKL Group was acquired on 30 June 2015 by the Company through its indirect fully owned subsidiary Garfunkel Holding GmbH.

The GFKL Group includes the following companies:

– debifact Factoring GmbH & Co. KG, Germany – Wuppertal
– debifact Verwaltungs GmbH, Germany – Wuppertal
– Deutsche Multiauskunftei GmbH, Germany – Karlsruhe
– Domnowski Inkasso GmbH, Germany – Hamm
– GFKL Service Center GmbH, Germany – Gelsenkirchen
– INKASSO BECKER WUPPERTAL GmbH & Co. KG, Germany – Wuppertal
– IBW Verwaltungs- und Beteiligungs GmbH, Germany – Wuppertal
– Intratech GmbH, Germany – Köln
– Proceed Collection Services GmbH, Germany – Essen
– Sirius Inkasso GmbH, Germany – Düsseldorf
– Proceed Portfolio Services GmbH, Germany – Essen
– GFKL Collections GmbH, Germany – Potsdam
– ZYKLOP INKASSO DEUTSCHLAND GMBH, Germany—Krefeld.

The interim condensed consolidated financial statements for the period from 1 June to 30 June 2015 were approved and authorized for issue by a resolution of the Board of Directors on September 29, 2015.

II. Basis of presentation and accounting policies

1. Basis of presentation of the interim condensed consolidated financial statements

The interim condensed consolidated financial statements of Garfunkelux Holdco 2 S.A., Luxembourg, have been prepared on going concern basis and in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU.

In addition to Garfunkelux Holdco 2, the parent company, the Garfunkel Group includes 17 fully consolidated subsidiaries (hereafter named the "Group). An overview of all indirect and direct shareholdings is included on page F-35. The Company exercises control over the 17 fully consolidated first and second-tier subsidiaries in accordance with IFRS 10.6, since it is exposed, or has rights, to variable returns from its involvement with the investees and has the ability to affect those returns through its power over the investees. The power to control the investees is derived directly and solely from the voting rights (IFRS 10.11).

All intra-group transactions, balances, income and expenses are eliminated on consolidation. Unless stated otherwise, all figures are shown in thousands of Pound sterling (kGBP). All stated amounts have been individually rounded, which may give rise to minor discrepancies when these amounts are aggregated.

2. First adoption of IFRS in accounting policies and disclosure

Since the Garfunkel Group was created during June 2015 the present interim condensed consolidated financial statements were drawn up for the first time according to the accounting principles of the International Financial Reporting Standards (IFRS). For that reason the Company is a first time adopter within the meaning of IFRS 1.3. No financial statements for previous periods have been issued.

a) Accounting standards implemented in the financial period

The International Accounting Standards Board (IASB) published various amendments to existing IFRSs and new standards and interpretations.

As we adopted IFRS for the first time in the financial period presented we consequently have also applied the following new standards and amendments and changes in standards and amendments that were mandatory in financial period ending June 30, 2015:

- IFRS 1—*First-Time Adoption of IFRSs*: Clarify which versions of IFRSs can be used on initial adoption (amends basis for conclusions only)
- IFRS 2—*Share-based Payments:* Amends the definition of "vesting condition" and "market condition" and adds definitions for "performance condition" and "service condition"
- IFRS 3 –*Business Combinations:* Require consideration that is classified as an asset or a liability to be measured at fair value at each reporting date. Clarify that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statemtns of the joint arrangement itself
- IFRS 8—*Operating Segments:* Requires disclosure of the judgements made by management in applying the aggregation criteria to operating segments, clarify reconciliations of segment assets only required if segment assets are reported regulary
- IFRS 10 –*Consolidated Financial Statements*: New guidelines on control and consolidation of subsidiaries
- IFRS 11—*Joint Arrangements*: New classification of joint operations and joint ventures and abolishment of the proportionate consolidation option
- IFRS 12 –*Disclosure of Interests in Other Entities*: Disclosures on consolidated and non-consolidated entities
- IFRS 13—*Fair Value Measurement:* Clarify that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only). Clarify the scope of the portfolio exception in para. 52
- IFRS 10/IFRS 11/IFRS 12—Changes—transition provisions: Changes in transition guidance
- IFRS 10/IFRS 12/IAS 27—Investment Entities: The changes grant an exemption from the consolidation of subsidiaries if the parent meets the definition of an "investment entity" (e.g., certain investment funds). Certain subsidiaries are then measured at fair value through profit or loss in accordance with IFRS 9/IAS 39
- IAS 16 and IAS 38—Clarify that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount
- IAS 19 *Defined Benefit Plans*: Clarify the treatment of contributions from employees
- IAS 24—*Related Party Disclosures:* Clarify how payments to entities providing management services are to be disclosed
- IAS 28—*Investments in Associates and Joint Ventures*: Consequential amendments due to the requirement to consolidate jointly controlled entities using the equity method and other changes
- IAS 40—Investment Property: Clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property
- IFRIC 21—*Levies*: Clarifiying the recognition of a liability for a levy

b) Accounting standards that have been issued but are not yet to be implemented

In addition to the already applicable IFRSs, other standards and interpretations were published, some of which have been endorsed by the EU, but will not become mandatory until a later date.

Standard	Interpretation	Issued by the IASB	Application required from	Endorsed by the EU	Anticipated effects on the consolidated financial statements
IFRS 9	Financial Instruments	Jul. 24, 2014	Jan. 1, 2018	No	Change in the classification of financial assets; calculation of loss allowances based on expected credit losses; greater alignment of hedge accounting with operational risk management
Amendment to IFRS 10/ IFRS 12/ IAS 28	Investment Entities: Applying the Consolidation Exception	Dec. 18, 2014	Jan. 1, 2016	No	None
Amendment to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations	May 6, 2014	Jan. 1, 2016	No	None
IFRS 14	Regulatory Deferral Accounts	Jan. 30, 2014	Jan. 1, 2016	No	None
IFRS 15	Revenue from Contracts with Customers	May 28, 2014	Jan. 1, 2018	No	Provision, to a greater extent than previously, of useful information on the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers; to this end, IFRS 15 provides a 5-step principles-based model
IAS 1	Disclosure Initiative	Dec. 18, 2014	Jan. 1, 2016	No	No significant changes
IAS 16/ IAS 38	Clarification of Acceptable Methods of Depreciation and Amortization	May 12, 2014	Jan. 1, 2016	No	No significant changes
IAS 16/ IAS 41	Agriculture: Bearer Plants	Jun. 30, 2014	Jan. 1, 2016	No	None
IAS 27	Equity Method in Separate Financial Statements	Aug. 12, 2014	Jan. 1, 2016	No	None
IFRS (2012 to 2014)	Changes and clarifications to various IFRSs	Sep. 25, 2014	Jan. 1, 2016	No	No significant changes

Voluntary early adoption of the standards is not planned.

3. Significant accounting estimates and assumptions

The accounting is strongly influenced by the accounting treatment of the acquisition of the GFKL Group. Therefore the main accounting estimates and assumptions refer to the measurement of the acquired identifiable assets and liabilities at their acquisition date fair values. The determination of the fair value of acquired net assets requires the exercise of management judgement, particularly for those financial assets and liabilities for which there are no quoted prices or assets such as acquired investment portfolios or customer relations where valuation reflects estimates of future cash flows. Different valuations would result in changes to the goodwill and the post acquisition performance of the acquisition.

According to the accounting policy of the Company the critical accounting estimates and judgements are explained below:

Impairment of acquired portfolio investments (non-performing loans and receivables acquired for settlement)

The current and non-current non-performing portfolios acquired for settlement contain loans and receivables valued at GBP86.8 million as of the SFP date. The portfolios include distressed loan receivables and other distressed receivables that the group acquires for settlement at a significant discount from the nominal amounts.

The portfolio investments are reviewed for indications of impairment in accordance with IAS 39 (Financial Instruments). Where portfolios exhibit objective evidence of impairment, an adjustment is recorded to the carrying value of the portfolio. If the forecast portfolio collections are lower than previous forecasts, the cumulative revenue recognised is considered as described in the revenue recognition accounting policy. The impairment adjustment is calculated by discounting regularly revised cash flow forecasts developed for each individual portfolio investment, at the finally set Effective Interest Rate ("EIR"). The cash flow forecasts, which represent the undiscounted value of the estimated remaining collections of our portfolio investments at a given point in time, are calculated over a period of at least 84 months, based on previous month's collections and historical portfolio performance information collated within our proprietary valuation model. According to the German market GFKL Group initially calculated the cash flow forwards over a period of 120 month due to the fact that in Germany the collection period could be much longer than 84 months. The calculation for each portfolio investment is inherently judgemental as it involves the estimation of future cash flows based upon historical collections data from the individual debt owed.

Determining the recoverability of guarantee claims

Guarantee claims involve advance payments by the GFKL Group that are settled in the process of servicing the receivables. Estimates are used to determine the recoverability of the guarantee claims by forecasting expected future cash flows on the basis of past experience and discounting the amounts using a weighted refinancing interest rate.

Goodwill impairment test

The Company tests goodwill (GBP 297 million) for impairment at least once a year. This requires estimating the value in use of the cash-generating unit to which the goodwill has been allocated. To estimate value in use, the group must estimate the expected future cash flows from that cash-generating unit as well as an appropriate discount rate in order to determine the present value of these cash flows. Please also refer to the disclosures under section III.1. (Goodwill).

Pension obligations

When measuring provisions for pensions (GBP3.8 million), uncertainty exists in terms of measuring turnover, pension payment and salary trends, the discount rate, and life expectancy. Please also refer to the disclosures under section III.14. (Provisions for pensions).

4. Significant accounting judgments

Treatment of VAT backpayments

By judgment dated October 27, 2011, the European Court of Justice ruled that the purchase of a portfolio investment does not constitute a supply of services for consideration by the acquirer to the seller.

This judgment was mirrored by the German Federal Finance Court in its judgment dated January 26, 2012. However, the judgment also stated that the acquirer of the exposures could therefore not claim the deduction of input VAT in accordance with Sec. 15 UStG ["Umsatzsteuergesetz": German VAT Act] for the input transactions related to the acquisition of the exposures. This means that the company would have to refund to the tax office the input VAT claimed for this line of business for the period starting from 2004.

Assuming that a grandfather ruling for the application of the UStAE ["Umsatzsteueranwendungserlass": Decree on the Application of the German VAT Act] (part 2.4 UStAE) will become in place, the sub-group GFKL recognized in the financial year 2014 a provision of GBP 5.2 million for not paid VAT in connection with purchases of portfolio investments in the past.

Based on the aforementioned court rulings, the sub-group GFKL reduced the input VAT deductions by a flat 30% in consultation with the tax authorities in 2012. These amounts were taken into account again during the preparation of the tax returns. The resulting claim of GBP2.4 million was offset against the aforementioned provision for the first time in 2014. As a result, the provision amounts to GBP 2.8 million plus GBP 2.0 million of interests related and is presented under the caption "Income tax provisions" in the interim condensed consolidated financial statements.

As the tax authorities have still not made a final decision with regard to the above matter, this amount may change to the benefit or detriment of the Company.

5. Significant accounting policies

a) Accounting treatment of acquired portfolios

Acquired portfolio investments are recorded as loans and receivables in accordance with IAS 39 (Financial Instruments). Acquired portfolio investments are acquired from institutions at a substantial discount from their face value. The portfolio investments are initially recorded at their fair value, being their acquisition price, and are subsequently measured at amortized cost using the effective interest method.

The portfolio investment asset is analysed between current and non-current in the statement of financial position ("SFP"). The current assets are determined using the expected cash flows arising in the next twelve months as from July 1, 2015. The residual amount is classified as non-current.

b) Recognition and measurement of financial instruments

The application of IAS 39 means that, on initial recognition, all financial assets and financial liabilities must be allocated to one of the six categories explained below. In the case of financial instruments not measured at fair value through profit or loss, the measurement includes transaction costs directly attributable to the acquisition of the financial asset concerned. Subsequent measurement of financial assets and financial liabilities depends on their classification. Regular way purchases or sales of financial assets are recognized and derecognized using trade date accounting.

i) Financial assets at fair value through profit or loss

This category relates to financial assets that must be recognized at fair value through profit or loss. Such assets are initially recognized at cost, which at this point equates to fair value. The assets must also be measured subsequently at fair value.

The main assets in the group falling into this category are derivative financial instruments that do not fall under the scope of hedge accounting in accordance with IAS 39.

ii) Held-to-maturity financial assets

Financial assets must have a fixed maturity and a fixed schedule of payments if they are to be classified under this category. At every SFP date, it must be demonstrable that the group has the positive intention of continuing to hold these assets to maturity. Such assets are measured at cost or amortized cost. The group does not hold any assets in this category.

iii) Loans and receivables

This category covers loans and receivables recognized as a result of the provision of monies or services, or loans and receivables that the company has acquired. Such assets are initially recognized at fair value and subsequently measured at amortized cost. The following SFP items fall into this category: "Trade and other receivables."

iv) Available-for-sale financial assets

This category covers all remaining non-derivative financial assets not classified under one of the aforementioned categories. The financial assets recognized in this category are measured at fair value, both on initial recognition and subsequent measurement. Changes in the fair value of the assets are recognized directly in other comprehensive income in a revaluation reserve. When an asset is derecognized, this revaluation reserve must be reversed to the income statement. Impairment losses will be recorded in the income statement. As of the SFP date the group has no assets in this category.

v) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and other financial liabilities designated as “at fair value through profit or loss” on initial recognition. With the exception of financial derivatives with negative fair values that do not qualify for hedge accounting, the group did not hold any financial liabilities in this category as of the SFP date.

vi) Financial liabilities at amortized cost

Following initial recognition, interest-bearing liabilities are measured at amortized cost. The SFP items falling into this category are as follows: “Borrowings” and “Trade and other payables”.

c) Other significant accounting policies

Trade and other receivables

Receivables are carried at the settlement amount and are due for payment within one year. Specific valuation allowances were recognized for receivables subject to a default risk.

Goodwill and impairment testing

Goodwill arising from a business combination is measured at cost on initial recognition. This goodwill cost equates to the excess of the cost of the business combination over the group’s share in the fair value of the identifiable assets, liabilities and contingent liabilities acquired in the transaction. After initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is tested for impairment at least once a year and whenever new factors or changes in circumstances indicate that the carrying amount could be impaired.

Impairment tests require that the goodwill be allocated to one of the cash-generating units from the date the entity concerned is acquired. This applies regardless of whether other assets and liabilities of the acquired entity have already been allocated to these units. Any unit to which goodwill has been allocated represents the lowest level within the group at which goodwill is monitored for internal management purposes.

Impairment is identified by determining the recoverable amount for the cash-generating unit. If the recoverable amount for the cash-generating unit is below its carrying amount, an impairment loss is recognized.

An impairment test will be carried out on the SFP date on all other assets where the factors specified by IAS 36.12 indicated that the asset could be impaired. In addition at every SFP date, a test will be carried out to establish whether there are indications that the reasons for an impairment loss recognized in prior periods no longer exists or could have diminished. If such indications are found to exist, the recoverable amount of the asset concerned is estimated. Any previously recognized impairment loss will then be reversed if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset must be increased to the recoverable amount. The increased carrying amount of this asset must not exceed the carrying amount that would have been determined (net of amortization/depreciation) had no impairment loss been recognized for the asset in prior years.

As at June 30, 2015, no impairment test was performed as the Carl Group was acquired at that date.

Other assets

Other assets and other rights are carried at amortized cost. Intangible assets and property, plant and equipment are carried at cost less amortization/ depreciation. Borrowing costs are added to the cost of an asset, provided it is a qualifying asset pursuant to IAS 23. Amortization/depreciation is recognized on a straight-line basis over a period that reflects the standard useful life of these assets. These amortization/depreciation periods are as follows: software, 3 to 10 years; other intangible assets, 3 to 10 years; vehicles, 5 years; other office furniture and equipment, 2 to 15 years and leasehold improvements with regard to the life of the lease. Residual values of assets, useful lives and amortization/depreciation methods are reviewed at the end of each fiscal year and adjusted where required.

Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of change in value.

For the purpose of the consolidated statements of cash flows, cash and cash equivalents consist of cash and short-term deposits, as definded above, net of outstanding bank overdrafts as they are considered an integral part of the group´s cash management.

Taxes

Taxes in Luxembourg

The parent company Garfunkelux Holdco 2 S.A. and its direct subsidiary are situated in Luxembourg City. Therefore they are principally subject to a combined corporate income tax (CIT) and municipal business tax (MBT) at an effective rate of currently 29.22%. Moreover Luxembourg companies are also subject to 0.5% net wealth tax (NWT) p.a. on their net assets.

Consolidated tax sub-group in Germany

The operating unit GFKL forms a consolidated tax group for trade tax and corporate income tax purposes through control and profit and loss transfer agreements with the following companies: Domnowski Inkasso GmbH, Proceed Collection Services GmbH, Proceed Portfolio Services GmbH, Sirius Inkasso GmbH, Zyklop Inkasso Deutschland GmbH and GFKL Collections GmbH.

As of June 30, 2015, the following companies formed a consolidated tax sub-group for value-added tax (VAT) purposes with GFKL in Germany: Domnowski Inkasso GmbH, Proceed Portfolio Services GmbH, Proceed Collection Services GmbH, Sirius Inkasso GmbH, Zyklop Inkasso Deutschland GmbH and GFKL Collections GmbH.

Current taxes

Current income tax refund claims and income tax liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The calculation of the amount is based on the tax rates and tax legislation in force of the relevant country on the SFP date.

Deferred taxes

Deferred taxes are recognized for all temporary differences as of the SFP date between the carrying amounts of assets and liabilities on the SFP and their corresponding tax base. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, as yet unused tax loss carryforwards and unused tax credits to the extent that it is probable that taxable income will be available against which the deductible temporary differences and as yet unused tax loss carryforwards and tax credits can be utilized.

No deferred taxes are recognized on the initial recognition of goodwill.

Deferred tax assets and liabilities are measured using the tax rates expected to apply in the period in which the asset will be realized or the liability settled. These rates are based on tax rates and tax regulations enacted or announced as of the SFP date.

Income taxes that relate to items recognized directly in equity or in other comprehensive income are themselves recognized directly in equity or in other comprehensive income and not in the income statement.

Deferred tax assets and deferred tax liabilities are netted if the group has an legally enforceable right to offset current tax assets against current tax liabilities and these deferred tax assets and liabilities relate to income tax in the same taxable entity levied by the same tax authority. Current and non-current deferred tax assets and liabilities are recognized as a net item under non-current liabilities.

VAT

Income, expenses and assets are recognized net of VAT, except:

- Where the VAT incurred on purchased goods and services cannot be reclaimed from the tax authorities, in which case the VAT is recognized as part of the cost of the asset or as an expense.
- Receivables and liabilities are stated with the amount of VAT included.

The VAT amount reclaimable from, or payable to, the tax authorities is reported under receivables or liabilities in the SFP.

Provisions

As specified by IAS 37, a provision is recognized if there is a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense in connection with the recognition of a provision is recognized in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in provisions due to the passage of time is recognized as an interest expense.

Provisions for pensions

The operating unit GFKL provides defined benefit pension plans. Provisions for pensions are calculated pursuant to IAS 19. Actuarial models are used to calculate the provisions for pensions and the related pension expenses. These calculations use various assumptions such as current actuarial probabilities (discount factors, increase in cost of living, etc.), assumptions regarding turnover based on age and years of service as well as experience-based assumptions concerning the probability of occurrence of pension payments, annuity payments or endowment payments. The probabilities used in the inputs may deviate from actual developments due to changes in market and economic conditions. Sensitivity analyses are used to determine the financial effects of the deviations in the significant inputs.

Liabilities

Loans are initially recognized at the fair value of the consideration received after deducting any transaction costs incurred in taking out the loan. Interest-bearing liabilities are carried at amortized costs including the accrued interest. Non-interest bearing liabilities arise in the form of trade payables and other liabilities.

Cash flow and fair value hedges

Derivative financial instruments are used for hedging. As of the SFP date, they relate both to hedging the risk of a change in the fair value of a recognized asset or a recognized liability and to hedging the risk of variability in cash flows.

Such derivative financial instruments are initially recognized at fair value on the date on which the contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of a derivative are recognized immediately in profit or loss as derivatives of the group do not fulfill the criteria for hedge accounting as required by IAS 39. If they fulfill the criteria fair value changes are accounted through other comprehensive income.

Foreign currencies

The interim condensed consolidated financial statements are presented in GBP, which is the group’s presentation currency. As the functional currency of the subsidiaries is the local currency which is EUR, on consolidation, the assets and liabilities of foreign operations are translated into GBP at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

Transactions denominated in foreign currency are initially translated into the functional currency at the spot rate on the day of the transaction. Monetary assets and liabilities denominated in foreign currency are translated at the closing rate. Exchange differences are recognized in profit or loss.

No currency translation adjustments arose for the period from June 1, 2015 to June 30, 2015 because GFKL AG acquisition occurred at June 30, 2015 and all material costs incurred at that date.

d) Income statement

Revenue

Revenue is recognized as soon as it is probable that the economic benefit will flow to the group and the amount of the revenue can be reliably determined regardless of when the payment is being made.

Income in respect of portfolio investment is reported as revenue. Income from portfolio investments represents the yield from acquired portfolio investments, net of VAT. Acquired portfolio investments are financial instruments that are accounted for using IAS 39 (Financial Instruments), and are measured at amortised cost using the effective interest method.

The effective interest rate (EIR) is the rate exactly discounts a minimum of 84 months of estimated future cash receipts of the acquired portfolio asset to the net carrying amount at initial recognition. If refinements need to be made to estimates of future cash flows resulting from the acquisition process the EIR is reassessed for up to a maximum of 12 month after the acquisition date."

Acquired portfolio investments are acquired at a deep discount and as a result the estimated future cash flows reflect the likely credit losses within each portfolio.

Upward adjustments to carrying values as a result of reassessment to forecasted cashflows are recognized in the portfolio write up line item within revenue, with subsequent reversals also recorded in this line. If these reversals exceed cumulative revenue recognized to date, a provision for impairment is recognized as a separate Statement of Comprehensive Income ("SCI") line item.

Collection activity costs

Collection activity costs represents the direct third party costs in providing services as a debt collection agency of collecting debts on acquired portfolio investments; examples include printing and postage, lawyer costs, third party commissions, search and trace costs, telephone and SMS text costs. They are recognized as the costs incurred.

6. Consolidation disclosures

a) Basis of consolidation

The basis of consolidation is as follows:

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2015. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

– Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
– Exposure, or rights, to variable returns from its involvement with the investee
– The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

– The contractual arrangement(s) with the other vote holders of the investee

– Rights arising from other contractual arrangements

– The Group's voting rights and potential voting rights

Below find a describtion of the acquisition of the reporting period:

The Company and Garfunkelux Holdco 3 S.A., Luxembourg, were incorporated on June 1, 2015. On June 29, 2015, the Company made a cash contribution to Garfunkelux Holdco 3 S.A. for kGBP185,689 (kEUR261,019) allocated to the share capital for an amount of kGBP3,535 (kEUR4,969) and to the share premium account for an amount of kGBP182,154 (kEUR256,050).

The acquisition of Garfunkel Holding GmbH, Frankfurt am Main, took place on June 16, 2015. Its share capital amounts to kGBP17.8. The purchase price was kGBP19.2. The purchaser is Garfunkelux Holdco 3 S.A., a wholly owned subsidiary of the Company. In addition, a resolution was approved on June 30, 2015, to contribute into the free capital reserve an amount of kGBP184,198.

Garfunkel Holding GmbH acquired all shares in Carl Holding GmbH, Frankfurt am Main on June 30, 2015. The share capital of Carl Holding GmbH amounts to kGBP17.8. According to the merger agreement dated August 6, 2015, Carl Holding was merged onto Garfunkel Holding GmbH. The entry in the commercial register was made on August 19, 2015.

Carl Holding GmbH owns a stake of 94,48% respectively of 97,95 % (of shares excluding treasury shares) of GFKL Financial Services AG, Essen, who is the operating unit of the Garfunkel Group. GFKL AG has presented further sub-group financial statements as on June 30, 2015 for itself and its 13 affiliated companies (section I).

The assets acquired and liabilities assumed through the acquisition of Carl Holding GmbH break down as follows:

Assets acquired and liabilities assumed

in kGBP	Acquisition-date fair value
Assets	
Property, plant and equipment	2,499
Intangible assets	64,374
Inventories	13
Portfolio investments	86,866
Receivables and other financial assets	17,393
Cash and cash equivalents	29,509
	200,655
Liabilities	
Borrowings	68,167
Provisions	12,592
Income taxes	12,745
Deferred tax liabilities	26,311
Trade and other payables	31,954
	151,769
Total identifiable net assets at fair value	**48,885**
Goodwill arising on acquisition	295,278
Non-controlling interests	618
Total consideration	**344,782**

As at 30 June 2015 the purchase price allocation is not finalized therefore the recognized value of goodwill is provisional.

Proceeds or profits or losses of Carl Holding GmbH will be included from the date of first-time consolidation (June 30, 2015).

Revenues of Carl Holding GmbH for the period January 1 to June 30, 2015, are kGBP92,983 and profit amounts to kGBP4,683.

b) Principles of consolidation

The separate financial statements for all the companies included in the interim condensed consolidated financial statements are prepared to the SFP date of the interim condensed consolidated financial statements. Uniform accounting policies are applied to all these financial statements.

The acquisition of subsidiaries consolidated were accounted in accordance with IFRS 3 on the basis of the fair value of the acquired identifiable assets, liabilities and contingent liabilities. On first-time consolidation in each case, the carrying amount of the Company's investment was offset against its share of equity in the subsidiary concerned. Intragroup receivables and liabilities between fully consolidated companies are netted, any residual differences being consolidated to the extent required. In the consolidation of income and expense, internal revenue and intragroup income and expense is eliminated, as is any intragroup profit or loss arising from transactions between consolidated companies. Deferred taxes had to be recognized as a result of the use of uniform group accounting policies, the consolidation of intercompany balances and the elimination of intercompany profits and losses; these items were grouped together with the deferred taxes from the separate financial statements.

7. Business risks and capital management

a) Business risks

The following risk report presents the information required pursuant to IFRS 7.31-42.

<u>Functions, methods and organization of the Garfunkel Group's risk management</u>

The objective of risk management at the Garfunkel Group is to create suitable conditions such that:

- the risk situation of the group is sufficiently transparent at all times and is depicted realistically,
- risks to the company's ability to continue as a going concern are recognized sufficiently early before they occur so as to enable suitable measures to be taken to prevent a corporate crisis,
- sufficient risk diversification is ensured and
- risks are only entered into across the group if they also offer reasonable returns.

Against the background of these objectives, a comprehensive risk management system is in operation, the focus of which is modern risk identification and assessment methods, appropriate safeguards and controls as well as timely risk reports to the competent decision-makers.

In the Garfunkel Group, risk is seen as an unexpected negative deviation of results from the expected value.

Risk management starts with a risk & opportunities list, which is used to record the potential losses to which the Garfunkel Group is exposed. In the next step, potential losses are quantified in monetary terms for each type of risk which could endanger the existence of the group taking into account cost-benefit considerations.

In addition, at the level of the operating unit GFKL the compliance management system (CMS) introduced in fiscal year 2014 forms the basis for regular analysis of compliance risks at central level. The GFKL sub-group and its business activities are examined for potential compliance risks in ongoing risk identification processes in order to derive any necessary measures. The compliance officer of the Group Internal Audit department is responsible for the organization.

A risk reporting system is in place in order to ensure that the management of the group companies and the Executive Board of GFKL are provided with a realistic picture of the risk situation. The Treasury, Financial Control and Accounting departments of the GFKL sub- group provide all group companies and the Executive Board with monthly reports on the development of earnings, liquidity and the key performance indicators. On the basis of this management information system, the Executive Board of the operating unit GFKL AG monitors the business development of all sub-group companies on an ongoing basis and regularly discusses the current business situation with the general managers of the subsidiaries. The Executive Board and Supervisory Board are regularly updated on the current risk situation. A constituent part of the risk management process is also regular reviews of the business operations of the group companies by Internal Audit.

In organizational terms, the overall responsibility for risk management lies with the Executive Board of GFKL AG. The task of identifying and assessing risks is largely centralized in the GFKL AG and is performed in cooperation with the Financial Control/Risk Management and Group Internal Audit departments. Operational risk management (i.e., decisions to enter into risk positions and hedging) is the responsibility of the management of the subsidiaries, specific department heads at GFKL AG as well as the Executive Board of GFKL AG.

For hedging purposes, usual market derivatives can be employed in the context of risk management. Entering into derivative positions is regulated by a work instruction and is exclusively reserved for the Executive Board and a small group of suitably qualified employees in the Treasury department. For each transaction, market conformity is reviewed and documented by an independent unit.

Counterparty risks

Counterparty risk describes the possibility that a cash loss could arise due to a contractual partner not or only partly fulfilling its contractual (payment) obligations. The Garfunkel Group is exposed to various kinds of counterparty risk, namely (a) directly due to the investment of cash and cash equivalents, (b) indirectly through the purchase of portfolios of secured and unsecured non-performing loans (investment risk), and (c) through derivative positions (settlement risk).

From the group's perspective, investment risk was the most significant form of risk as of the SFP date.

The credit risk arising from the investment of cash and cash equivalents is limited by the fact that the group only works with partners with an exemplary credit rating.

With regard to investment risk, every investment in a non-performing loan portfolio is preceded by an intensive decision-making and evaluation process, the result of which is a projection of the anticipated cash flow. This cash flow projection serves as the basis for prompt comprehensive plan variance analyses, which then form the basis for active portfolio management by the group's management and the general managers of the subsidiaries.

Price risks

Price risks entail negative changes in the value of asset items caused by unexpected market price fluctuations. Included in the price risks which the Garfunkel Group faces directly or indirectly through the group companies are interest rate and margin risks.

Interest rate risks – understood as the risk of a decrease in the present value of the entire cash flow from all relevant investments and corresponding financing arrangements due to changes in interest rates.

Risk management and financial management as a whole are performed centrally at group level. When it comes to interest rate risk, risk policy aims to achieve consistent safeguards against all significant risks, whether in the form of risk avoidance through refinancing with matching maturities, or compensation through the use of interest rate hedging instruments.

Margin risks occur in receivables management. Due to rising competition and increasing price sensitivity of NPL sellers, the Garfunkel Group is subject to margin risks. They can entail returns (margins) that fall below their expected value. This risk affects both service mandates and NPL purchases.

Liquidity risks

Liquidity risk is the danger that the Garfunkel Group will be unable to fulfill its contractual payment obligations on time or not in the correct amount. For this purpose, sophisticated management tools are in place comprising the following three components.

The short-term cash management of the operating unit GFKL AG comprises the daily rolling, local and direct recording of the liquidity situation of the individual group companies with the help of the corresponding applications in the treasury management system. Reports on current liquidity are sent daily by the Treasury department to the entire Executive Board of GFKL.

The medium-term operational liquidity planning of the operating unit GFKL provides four-week rolling plans of the development of available liquidity balances for each company on a local basis for each of the next 13 weeks and for a period of 52 weeks (one year) on a monthly basis.

Strategic liquidity management provides a plan for the sub-group's liquidity development once a year by identifying all cash items of the sub-group's financial plan for a period of five years. The first forecast period is presented on a monthly basis and the other forecast periods on a quarterly basis.

An adequate liquidity reserve is maintained in order to absorb any unexpected timing differences between incoming and outgoing payments. In the reporting period, there were no liquidity squeezes at any time that would have impaired the solvency of Garunkelux Holdco 2 S.A. and its subsidiaries.

The liabilities comprise in total a loan facility agreement, which was entered into as of June 30,2015 and which was used as a current bridge financing.

The initial recognition applied to IAS 39 (effective interest method). The arrangement fees that related to the conclusion of the new syndicated loan and that fell due in connection with the syndicated credit facility at the beginning of the term were deducted from the loan amount in accordance with IAS 39. Using the effective interest method, the arrangement fees of GBP6.5 million are added back to the loan over its term, with the expense recognized in profit or loss.

The Company's liabilities to banks are secured by senior notarized pledges of shares and receivable pledges and limited partnership interests in Garfunkelux Holdco 3 S.A., Luxembourg.

The nominal of the bridge financing amounted of EUR365 million and has an initial maturity date which is the first anniversary of the utilisation date. In the event of the senior secured bond issuance the proceeds of the bond will be used to redeem in full the senior secured bridge.

As of June 30, 2015, the gross cash flows relating to financial liabilities comprising interest and principal portions showed the following maturity structure:

Residual maturity	**Jun. 30, 2015 in kGBP**
Less than 1 year	–317,447
1 to 5 years	–7,249
More than 5 years	0

As of the SFP date, the maturity profile of forecast gross cash flows from derivative financial instruments, also included in the above table on financial liabilities, is as follows:

Residual maturity	**Jun. 30, 2015 in kGBP**
Less than 1 year	–387
1 to 5 years	–635
More than 5 years	0

Operational risks

Included in the relevant operational risks are elementary risks, risks from the use of IT systems, legal risks, personnel risks as well as certain risks which arise in connection with shareholdings. The Garfunkel Group is sufficiently insured against *operating risks* such as fire, break-in and theft, mainly water and storm damage, business interruption and liability. In order to keep business running in the event of a disaster, an emergency plan exists for the immediate reestablishment of systems availability at a separate location (emergency computer center). The data of the group companies is backed up on a daily basis and copies of the most recent backup data are also stored off-site.

In order to identify legal risks at an early stage, new case law and legislation are promptly examined by the competent employees for matters which could be relevant to the group. The possible effects that subjects of political debate (such as current economic and taxation policy as well as supervisory regulation) could have on the business operations of subsidiaries are likewise continually analyzed, evaluated and forwarded to the relevant decision-makers.

In Germany the obligation to provide information as required by the German Act Against Improper Business Practices entered into force as of November 1, 2014. The information requirements under this Act were gradually integrated into existing processes and implemented by the SFP date. The Act authorized the German Federal Ministry of Justice to issue its own ordinance on fees and charges for collection services performed for more than 100 similar receivables of the same creditor within one month. There are still no indications that this ordinance on fees and charges will be adopted in the short term. Future developments will be monitored through our participation in professional associations.

In order to recognize personnel risks in a timely manner, staff turnover and sick leave are determined on a monthly basis for each group company.

By judgment dated October 27, 2011, the European Court of Justice ruled that the purchase of a portfolio of non-performing receivables does not constitute a supply of services for consideration by the acquirer to the seller. Regarding the consequences following this judgment for the group see section II. 4. “Significant accounting judgements Treatment of VAT backpayments”.

As the German tax authorities have still not made a final decision with regard to the above matter, the impacts may vary to the benefit or detriment of the Garfunkel Group.

Due to the above matter, the German tax audits for the period starting from 2004 have yet to be finalized. For this reason, subsequent findings by the German tax authorities from the outstanding tax audits may also have further effects to the benefit or detriment of the Garfunkel Group.

Operational risks are also posed by the possibility that major customers especially will terminate their service agreements with the Garfunkel Group. The Garfunkel Group counters these risks in particular through the high quality of the service rendered under multi-year contracts. There is also a risk from guarantee claims for which the Garfunkel Group makes advance payment and which are settled through the servicing of the receivables. If the advance payments cannot be settled through the servicing of the receivables, valuation allowances may be required for guarantee claims. The risk is mainly countered by regularly monitoring the servicing of the receivables.

b) Capital management

The objective of capital management is to ensure that the Garfunkel Group has an equity capital base appropriate to the risk structure of the business. This is a precondition that must be satisfied if the Garfunkel Group is to have sufficient access to funds on money and capital markets at all times. In the Garfunkel Group, this function is performed centrally by the operating unit GFKL AG. The Garfunkel Group is not subject to regulatory capital requirements. However, the Risk Control department reviews economic capital adequacy internally on a continuous basis.

Any emerging capital requirement is identified at an early stage; appropriate corporate action is then decided and implemented.

III. Interim condensed consolidated statement of financial position disclosures

1. Goodwill

The reconciliation of the carrying amounts of goodwill at the beginning and end of the reporting period as well as the distribution over the cash-generating units is presented below:

in kGBP	Goodwill
Cost	
Balance as of June 1, 2015	0
Acquisition of subsidiaries	297,345
Balance as of June 30, 2015	**297,345**
Write-downs and impairment losses	
Balance as of June 1, 2015	0
Impairment losses	0
Balance as of June 30, 2015	**0**
Carrying amounts as of June 1, 2015	**0**
Carrying amounts as of June 30, 2015	**297,345**

in kGBP	June 30, 2015
Carl Group	**297,345**

As at 30 June 2015 the purchase price allocation is not finalized therefore the recognized value of goodwill is provisional.

2. Other intangible assets

Intangible assets developed as follows:

in kGBP	Purchased software	Trademark	Customer relationships	Advance payments made	Total
Cost					
Balance as of June 1, 2015	0	0	0	0	0
Additions from business combinations	6,032	5,833	50,478	2,031	64,374
Additions	0	0	0	0	0
Reclassifications	0	0	0	0	0
Disposals	0	0	0	0	0
Balance as of June 30, 2015	**6,032**	**5,833**	**50,478**	**2,031**	**64,374**
Accumulated amortization and impairment losses					
Balance as of June 1, 2015	0	0	0	0	0
Additions	0	0	0	0	0
Disposals	0	0	0	0	0
Balance as of June 30, 2015	**0**	**0**	**0**	**0**	**0**
Residual carrying amounts as of June 30, 2015	**6,032**	**5,833**	**50,478**	**2,031**	**64,374**

Additions from business combinations relate in total to intangible assets of the sub-group GFKL.

Software is amortized on a straight-line basis over its estimated useful life or remaining useful life, which may be a period of between 3 and 10 years.

The acquired contractual and non-contactual customer relationships and the trademark are amortized on a straight-line basis over the expected life which range from 10 to 15 years.

Additions to advance payments largely comprise IT software.

3. Property, plant and equipment

Property, plant and equipment developed as follows:

in kGBP	Other office furniture and equipment
Cost	
Balance as of June 1, 2015	0
Additions from business combinations	2,499
Additions	0
Reclassifications	0
Disposals	0
Balance as of June 30, 2015	**2,499**
Accumulated depreciation and impairment losses	
Balance as of June 1, 2015	0
Additions	0
Disposals	0
Balance as of June 30, 2015	**0**
Residual carrying amounts as of June 30, 2015	**2,499**

Depreciation is recognized on a straight-line basis over the useful lives of the assets, which is 3 to 15 years for other office furniture and equipment.

Additions from business combinations relate to other office furniture and equipment of the sub-group GFKL.

4. Portfolio investments

The following table shows the total of current and non-current non-performing loans and receivables acquired for settlement:

in kGBP	June 30, 2015
Secured, terminated loans	201
Unsecured, terminated loans	32,674
Unsecured, overdue other receivables	53,991
Total	**86,866**

As on June 30, 2015, non-performing loans and receivables acquired for settlement broken down by residual maturity were as follows:

in kGBP	Residual maturity			
	Less than 1 year	1 to 5 years	More than 5 years	Total
investment portfolios acquired for settlement	32,772	45,796	8.298	86,866

As the SFP date is the same as the acquisition date of the sub-group GFKL the carrying amount of the investment portfolios corresponds to the fair value.

5. Inventories

Inventories mainly relate to IT hardware and access systems for customers of the German subsidiary Intratech GmbH.

6. Trade and other receivables

The item mainly relates to receivables from customers for services.

in kGBP	June 30, 2015
Expenses from the collection process	1,633
Refund claims from other taxes	564
Prepaid expenses and other items	7,774
Trade receivables	4,390
Other financial assets	6,214
Total	**20,575**

Valuation allowances are recognized on a case-by-case basis on separate valuation allowance accounts. Uncollectible receivables are directly written off and thereby derecognized, taking into account valuation allowances previously recognized.

Prepaid expenses mainly consist of transaction costs in connection with the issuance of the revolving credit facility (kGBP 868) and the Bond I (kGBP 5,555). The expenses comprise underwriting fees and commissions paid to agents and advisers that are directly attributable to the issue of the liabilities.

The other financial assets break down as follows:

in kGBP	June 30, 2015	June 1, 2015
Miscellaneous non-current financial assets	61	0
Total other non-current financial assets	**61**	**0**
Advanced payments	2,026	0
Miscellaneous financial assets	4,127	0
Total other current financial assets	**6,153**	**0**
Total	**6,214**	**0**

The miscellaneous financial assets relate in a large proportion (kGBP 1,401) to guarantee claims for which the GFKL Group makes advance payment and which are settled through the servicing of the receivables. Another significant proportion (kGBP 1,017) concerns creditors with a debit balance.

7. Assets for current tax

The income tax refund claims mainly relate to backpayments to the operating unit GFKL.

8. Cash and cash equivalents

Cash and cash equivalents primarily comprise credit balances on current accounts and short-term deposits as well as payments for capital reserves. Of these cash and cash equivalents, GBP13.7 million are restricted funds, as they relate to pass-through obligations from portfolio management and administered trust accounts.

9. Share capital and share premium

As of the SFP date, share capital amounted to kGBP 3,557 (in EUR 5,000,000). It is divided into 500,000,000.00 number of ordinary shares. The company had no conditional capital at its disposal as of the SFP date. On 29 June the Sole shareholder resolved to perform a capital increase of a total amount of kGBP 185,738 by increasing the share capital from kGBP 3,557 together with a share premium increase of kGBP 182,225 paid up through a contribution in cash.

10. Legal reserve

The objective of the regulations governing statutory reserves and capital reserves is to ensure that capital is preserved and thus to protect creditors by creating restricted assets above and beyond the assets required to cover share capital. In accordance with Luxembourg law and regulations at least 5% of the Company's net income per year must be allocated to the creation of a legal reserve equivalent to 10% of the Company's share capital.

11. Non-controlling interests

Non-controlling interests relate to the minority interests in intratech GmbH and GFKL Financial Services AG.

12. Borrowings

The liabilities comprise mainly a loan facility agreement, which was entered into as of June 30, 2015 by Garfunkel Holdco 3 S.A: and which was used as a current bridge financing. The initial loan had an interest rate as aggregate of a margin of 5,25% plus EURIBOR p.a and an initial duration of one year. As at 30 June 2015 the outstanding balance of the loan is GBP 253.4 million. The loan has been redeemed on July 23, 2015 by issuing a bond. The bond has a fixed nominal interest rate of 7,5% p.a. and has a duration of 7 years.

In addition Garfunkel Holdco 3 S.A. has entered into a Revolving Credit Facility for a nominal value of kEUR 60,000. The interest rate is based on LIBOR plus a margin of 3,5%. On the SFP the Revolving Credit Facility has not been drawn.

The arrangement fees that related to the conclusion of the new syndicated loan and that fell due in connection with the syndicated credit facility at the beginning of the term were deducted from the loan amount in accordance with IAS 39. Using the effective interest method, the arrangement fees of kGBP 6,536 are added back to the loan over its term, with the expense recognized in profit or loss.

The Company's liabilities to banks are secured by senior notarized pledges of shares/ limited partnership interests in Garfunkelux Holdco 3 S.A., Luxembourg.

13. Provisions

in kGBP	Other taxes	Interest (incidental tax expenses)	Warranties	Restructuring	Contingent consideration	Archiving	Other	Total
Opening balance	0	0	0	0	0	0	0	0
Reclassification	0	0	0	0	0	0	0	0
Allocation	0	0	0	0	0	0	0	0
Utilization	0	0	0	0	0	0	0	0
Reversal	0	0	0	0	0	0	0	0
Disposals from the sale of companies	0	0	0	0	0	0	0	0
Additions from business combinations	2,942	3,929	278	393	847	246	636	9,271
Closing balance	**2,942**	**3,929**	**278**	**393**	**847**	**246**	**636**	**9,271**
Current	2,942	3,929	278	393	847	47	381	8,817
Non-current	0	0	0	0	0	199	255	454
Closing balance	**2,942**	**3,929**	**278**	**393**	**847**	**246**	**636**	**9,271**

The item "Other taxes" mainly relates to provisions of the sub-group GFKL for VAT backpayments in connection with the purchase of distressed receivables and VAT backpayments due to the ongoing tax audit of GBP0.2 million. By judgment dated October 27, 2011, the European Court of Justice ruled that the purchase of a portfolio of non-performing loans does not constitute a supply of services for consideration by the acquirer to the seller.

This judgment was mirrored by the German Federal Finance Court in its judgment dated January 26, 2012. However, the judgment also stated that the acquirer of the exposures could therefore not claim the deduction of input VAT in accordance with Sec. 15 UStG for the input transactions related to the acquisition and collection of the exposures. This means that the sub-group GFKL would have to refund to the tax office the input VAT claimed for this line of business for the period starting from 2004.

Assuming that a grandfather ruling for the application of part 2.4 UStAE will become in place, the sub-group GFKL recognized in the financial year 2014 a provision of GBP5.2 million for not paid VAT in connection with purchases of portfolio investments in the past. Based on the aforementioned court rulings, the sub-group GFKL reduced the input VAT deductions by a flat 30% in consultation with the tax authorities in 2012. These amounts were taken into account again during the preparation of the tax returns. The resulting claim of GBP2.4 million was offset against the aforementioned provision for the first time in 2014. As a result, the provision amounts to a total of GBP2.8 million plus GBP2 million in interest.

Additionally, in May 2015 a draft letter of the Federal Ministry of Finance, showing a grandfather ruling, was sent out to the organization Bundesvereinigung Kreditankauf and Servicing e.V. The final version is expected soon.

In addition to the abovementioned interest on VAT of GBP2 million, the provisioned interest for incidental tax expenses included other additional interest expenses for tax audits and income taxes of GBP0.1 million and GBP1.9 million, respectively.

As the tax authorities have still not made a final decision with regard to the above matter, this amount may change to the benefit or detriment of the company.

In addition, provisions for restructuring and provisions for archiving are recognized. The provisions are recognized in the amount of the expected obligation. They take into account all identifiable risks related to obligations of uncertain amount. Warranty provisions are mainly attributable to the operating unit GFKL. They were recognized partly for possible purchase price adjustments as a result of tax guarantees for sold subsidiaries.

For the contingent consideration resulting from an agreement between the subsidiary Carl Holding GmbH and Valovis Bank AG a provision of GBP0.8 million was made

The provisions for archiving costs arose because of the legal obligation to archive business documents for up to 20 years.

The “Other” item mainly comprises an allocation in connection with service anniversary bonuses and for potential payments under an existing lease.

14. Provisions for pensions

The operating unit GFKL has defined benefit pension obligations. Pension obligations were calculated in accordance with the requirements set out in IAS 19. An interest rate of between 2.03% and 2.2%, depending on the group of beneficiaries, was used for this purpose. The defined benefit obligation arising from the defined benefit plans was determined in accordance with IAS 19.67-74. The calculations took into account estimated increases in pensions and salaries as well as an employee turnover rate. Pension increases were estimated at 1.5%, salary increases in a range from 0.0% to 2.0%, and the employee turnover rate in a range from 0.0% to 2.0%. The employee turnover rate, in particular, depends on the age of the pension beneficiaries. Mortality and invalidity rates were measured for the German companies using the 2005 G Heubeck mortality tables.

The pension plan for one of the former members of the Executive Board of GFKL Financial Services Aktiengesellschaft includes a retirement pension entitlement when the beneficiary reaches the age of 60. This retirement pension is equivalent to up to 75% of the average fixed salary over the five years immediately prior to retirement. The pension entitlement for two former employees of Domnowski Inkasso GmbH comprises a retirement pension to be paid when the beneficiary reaches the age of 65. Following the transfer of employees from the ERGO Group, Sirius Inkasso GmbH recognized provisions for pensions -for the first time in 2006. The pension entitlement comprises a lifelong retirement pension paid when the beneficiary retires from the service of the entity upon reaching the age of 65. A total of 13 employees at Sirius Inkasso GmbH have the benefit of this pension entitlement. Pension entitlements have also been granted to employees of Proceed Collection Services GmbH as a result of the transfer of 19 employees from Bayerische Hypo- und Vereinsbank AG (now UniCredit Bank AG).

The net liability is calculated as follows:

in kGBP	2015
Present value of unfunded defined benefit obligation	6,104
Plan assets	–2,341
Net liability	**3,763**

Since the plan assets have been pledged as collateral, they are netted against the present value of the unfunded defined benefit obligation. The plan assets are insurance policies entered into by GFKL. These assets have been pledged to the beneficiaries, resulting in a netting requirement under IAS 19. Contributions to the plan assets over the year 2015 are expected to amount to kGBP90.

A quantitative sensitivity analysis of the key assumptions as of June 30, 2015 is as shown below:

in kGBP	June 30, 2015
Interest rate	
Increase 0.2%	–254
Decrease 0.2%	243
Salary trend	
Increase 0.5%	82
Decrease 0.5%	–76
Benefit trend	
Increase 0.5% (prior year: 1%)	460
Decrease 0.5% (prior year: 1%)	–411

The sensitivity analyses above were determined based on a method that extrapolates the impact on the defined benefit obligation as a result of realized changes in key assumptions occurring at the end of the reporting period.

The following payments are expected contributions to be made in the future years out of the defined benefit plan obligation:

in kGBP	Jun 30, 2015
Within the year 2015	59
Between 2 and 5 years	568
Between 5 and 10 years	949
More than 10 years	10,422
Total expected payments	**11,998**

The average duration of the defined benefit obligation at the end of the reporting period is 20,5 years.

15. Liabilities for current tax

The income tax provisions relate to provisions for German corporate income tax and solidarity surcharge totaling GBP5.4 million, trade tax of GBP5.1 million and provisions for the tax audit of GBP2.2 million.

16. Trade and other payables

This item comprises liabilities from other taxes, which include liabilities from wage and church taxes as well as social security and VAT liabilities. Advance payments received mainly relate to prepayments by customers for the collection process.

in kGBP	June 30, 2015
Liabilities from other taxes	1,590
Trade payables	2,271
Advance payments received	1,930
Deferred income and other items	1,425
Other financial liabilities	39,556
Total	**46,772**

Other financial liabilities break down as follows:

in kGBP	June 30, 2015
Liabilities from portfolio refinancing	655
Derivatives with negative fair values	655
Other	1,118
Total non-current	**2,428**
Liabilities from portfolio refinancing	4,596
Derivatives with negative fair values	355
Pass-through obligations arising from portfolio management	4,287
Employee-related liabilities	3,435
Liabilities arising from the cash settlement	5,265
Deferred income and other items	19,190
Total current	**37,128**
Total	**39,556**

The item liabilities from portfolio refinancing relates to sold but not derecognized portfolio investments exposures.

As of the SFP date, interest rate swaps with a total negative fair value of GBP1 million were held by the operating GFKL Group in respect of the portfolio investments. The swaps are held to hedge against fluctuations in the fair value of the portfolio investments arising from changes in the general level of interest rates. The swaps will not qualify for hedge accounting according to IAS 39 as GFKL is not adopting the fair value method according for the valuation of portfolios. . These interest rate derivatives were not designated as hedges for hedge accounting purposes because changes in the fair value of the derivatives offset changes in the fair value of the portfolio investments caused by interest rate changes.

There are derivatives which in terms of value and maturity hedge over half the nominal value of the newly concluded facility A. They were not designated as hedges for hedge accounting purposes (IAS 39).

The residual maturity was determined on the basis of the residual maturities of the derivatives.

Pass-through obligations arising from portfolio management comprise payments received from debtors to be forwarded to customers.

The liabilities arising from the cash settlement result from a merger in 2005 when the subsidiary ABIT AG, Meerbusch, was merged into the operating unit GFKL Financial Services Aktiengesellschaft. The merger agreement between ABIT AG and GFKL Financial Services Aktiengesellschaft gave the former shareholders of ABIT AG, who became shareholders of GFKL Financial Services Aktiengesell-schaft as a result of the merger with GFKL Financial Services Aktiengesellschaft, the right to offer their newly acquired GFKL Financial Services Aktiengesellschaft shares for sale to GFKL at a price of EUR13.93 per share. The merger came into effect upon entry in the commercial register of GFKL Financial Services Aktien-gesellschaft on August 16, 2006. The liability is for the as yet untendered shares.

The position “Deferred income and other items” contains amounts for the following:

in kGBP	June 30, 2015
Outstanding invoices	13,538
Miscellaneous sub-group GFKL	5,652
Total non-current	**19,190**

Outstanding invoices mainly relates to transaction costs in connection with the Garfunkel due diligence process (kGBP 7,113) while the miscellaneous sub-group GFKL include financing costs for Bond I (kGBP 5,010).

The following table shows the principal liabilities of the group as of June 30,2015, by maturity:

in kGBP	Less than 1 year	Residual maturity 1 to 5 years	More than 5 years	Total
Borrowings	253,466	0	0	253,466
Trade and other payables	44,344	2,428	0	46,772
Total	**297,810**	**2,428**	**0**	**300,238**

17. Deferred tax assets and liabilities

The deferred tax assets in the SFP largely arose the measurement of tax loss carryforwards at the German subsidiaries. Deferred tax assets whose recoverability was not already guaranteed by the availability of deferred tax liabilities of the same amount were measured using a forecasting process. It was assumed that as part of the acquisitions, hidden reserves can be realized until complete exhaustion of the tax loss carryforwards.

Overall, loss carryforwards were measured, and related deferred tax assets of kGBP5,695 were then recognized. The losses relate to GFKL Financial Services Aktiengesellschaft, Essen.

The deferred tax liabilities are mainly due to the purchase price allocation (PPA) and the valuation of portfolio investments.

The following table shows the main accounting areas for which deferred taxes arise from temporary differences:

in kGBP	June 30, 2015
Intangible assets	–19,011
Portfolio measurement	–12,249
Derivatives	327
Provisions	1,001
Trade receivables/payables	19
Elimination of intercompany balances	–747
Loss carryforwards	3,701
Other	648
Balance of deferred taxes	**–26,311**

IV. Interim condensed consolidated income statement disclosures

1. Revenue and other operating income

Due to the date of acquisition of the operating unit and the first time consolidation of the subsidiaries no revenue or other operating income has been accounted for.

2. Other operating expenses

Other operating expenses incurred in relation to the acquisition. The costs therefore mainly contain due diligence transaction costs (kGBP7,113).

3. Interest and similar expenses

Interest expenses arise from bridge loan liabilities.

V. Other disclosures

1. Additional disclosures on financial instruments

The following table shows the breakdown of assets and liabilities as of June, 30 2015 by IAS 39 category:

in kGBP	Category	Carrying amounts	Fair values
Assets			
Loans and receivables	LaR	163,825	163,825
Liabilities			
Financial liabilities at amortized cost	FLAC	299,227	299,227
Financial liabilities at fair value through profit or loss	FLaFV	1,010	1,010

The group holds financial instruments in the categories "Loans and receivables". As all of the Loans and Receivables have been acquired on June 30, 2015, the carrying amount is equal to the fair value.

Derivatives held in the sub-group GFKL that do not qualify for hedge accounting are recognized in the "Financial assets at fair value through profit or loss" and "Financial liabilities at fair value through profit or loss" categories. Derivatives fall under Level 2 of the fair value hierarchy in IFRS 7.

The derivatives recognized (Level 2) relate exclusively to interest rate swaps that the group concluded with its banking partners in OTC trade. In order to recognize the fair value of these derivatives, the fair value calculation performed by the group as of the SFP date is used, which is based on the customary market method and is regularly compared with fair value calculation provided by the counterparties. The fair value of interest rate swaps is determined by discounting expected future cash flows over the residual term of the contract based on current market rates and the term structure of interest rates.

The "Financial liabilities at amortized cost" are valued at fair value due to the acquisition of GFKL or are immediately issued at the SFP date.

As part of refinancing arrangements for securitization transactions at the sub-group GFKL, various financial assets were pledged to third parties as collateral. The amount of financial assets pledged as collateral were as follows:

in kGBP	Jun 30, 2015
Assigned portfolio investments	3,020

There are no financial instruments that include multiple embedded derivatives.

The following table shows the fair values of derivative financial instruments. A distinction is made between the derivatives depending on whether they form part of an effective hedge in accordance with IAS 39.

in kGBP	Jun 30, 2015
Derivative financial instruments with negative fair values	
– not designated as part of a hedge relationship	–1,010

There were no derivative financial instruments to hedge fair value risks in accordance with IAS 39 on the SFP date.

2. Derecognition of assets

Refinancing of portfolio investments

Some investment portfolios are refinanced by the sale of these portfolios to special purpose entities. In this case, the assets are not derecognized, nor is it necessary to recognize any continuing involvement. The group retains substantially all the risks and rewards of the investment portfolio through the subordinated financing of the special purpose entity and the settlement terms for incoming payments from debtors. The assets are recognized under "Portfolio investments" and the liabilities under "Trade and other payables".

3. Contingent liabilities

There are no contingent liabilities.

4. Other financial obligations

The following tables set out the expected changes in rent obligations for offices, in lease obligations for vehicles, IT and communications equipment as well as in maintenance agreement obligations.

As of June 30, 2015, the group had the following financial obligations:

in kGBP	In the following year	1 to 5 years	More than 5 years
Rent	2,199	7,279	4,003
Maintenance agreements	157	191	23
Operating leases..	400	643	59

The operating unit GFKL entered into leases for vehicles and communications and IT equipment that it uses itself in the course of its business. These leases are operating leases as defined by IAS 17.

VI. Interim condensed consolidated cash flow statement disclosures

The cash flow statement shows how the cash and cash equivalents in the Garfunkel Group changed during the course of the reporting period under review as a result of cash inflows and outflows. Cash flows in the cash flow statement are broken down by operating, investing and financing activities (IAS 7).

The following specific disclosures are made:

1. Cash and cash equivalents comprised cash amounting to GBP56 million. GBP13.6 million of this amount is restricted cash as of June 30, 2015. Cash and cash equivalents in the cash flow statement correspond to the cash and cash equivalents in the SFP.
2. Due to the circumstances that the Company was newly incorporated, no significant cash flow from operating activities incurred.
3. The cash flow from investing activities of -GBP315.6 million mainly relates to the payment for the shares of Carl Holding GmbH.
4. The cash flow from financing activities consists of an increase of share capital totaling GBP185.7 million (EUR261 million), proceeds from new borrowings of GBP252.3 millon and a cash outflow of –GBP66.1 million due to a loan repayment for the operating unit GFKL.

VII. Events after the statement of financial position date

There were no other events after the SFP date which would have had an effect on the interim condensed consolidated financial statements as of June 30, 2015.

The Senior Bridge Facilty has been repaid and replaced by a bond on July 23, 2015, totalling EUR365 million.

According to the merger agreement dated August 6, 2015, Carl Holding was merged onto Garfunkel Holding GmbH. The entry in the commercial register was made on August 19, 2015.

After the SFP date the company has signed a share purchase agreement on the acquisition of all shares of Metis Bidco Limited, UK. The purchase has not been closed before finalization of the financial statement.

VIII. Related party relationships and Executive Board disclosures

1. Related parties

Garfunkelux Holdco1 S.à r.l. is the majority shareholder with a stake of 97.95% and is ultimately held by Funds advised by Permira. No significant receivables, liabilities or transactions have taken place with Permira or any company managed by Permira.

Related party transactions are conducted on an arm's length basis.

2. Executive Board disclosures

Director of the company is Mr. Cédric Pedoni, Luxembourg. During the reporting period Mr. Pedoni received no remuneration.

Luxembourg, September 29, 2015

sgd Cédric Pedoni
(Director)

Garfunkelux Holdco 2 Société Anonyme, Luxembourg

Notes to the unaudited interim condensed consolidated financial statements as of June 30, 2015

List of shareholdings	Shareholding in %				
	direct	indirect[1]	indirect[1]	indirect[1]	indirect[1]
Garfunkelux Holdco 3 S.A., Luxembourg	100				
Garfunkel Holding GmbH, München		100			
GFKL Financial Services AG, Essen			97.95		
debifact Factoring GmbH & Co. KG, Wuppertal				100	
debifact Verwaltungs GmbH, Wuppertal					100
Deutsche Multiauskunftei GmbH, Karlsruhe				100	
Domnowski Inkasso GmbH, Hamm				100	
GFKL Service Center GmbH, Gelsenkirchen				100	
INKASSO BECKER WUPPERTAL GmbH & Co. KG, Wuppertal				100	
IBW Verwaltungs- und Beteiligungs GmbH, Wuppertal					100
intratech GmbH, Köln					51
Proceed Collection Services GmbH, Essen				100	
Sirius Inkasso GmbH, Düsseldorf					100
Proceed Portfolio Services GmbH, Essen				100	
GFKL Collections GmbH, Potsdam				100	
ZYKLOP INKASSO DEUTSCHLAND GMBH, Krefeld				100	

1 The indirect sharesholdings shown refer to the shareholding owned by the respective company

Translation from the German language

GFKL Financial Services Aktiengesellschaft, Essen

Consolidated Balance Sheet as of June 30, 2015 (in accordance with IFRSs)
in €k

	Notes	Jun. 30, 2015	Dec. 31, 2014
ASSETS			
Non-current assets			
Property, plant and equipment		3.513	3.799
Intangible assets		19.330	19.268
Goodwill		21.585	21.585
Non-performing loans and receivables acquired for settlement	6.	76.039	59.458
Other financial assets	7.	78	8.392
		120.545	**112.502**
Current assets			
Inventories		18	29
Non-performing loans and receivables acquired for settlement	6.	46.067	43.356
Trade and other receivables		11.178	10.761
Income tax refund claims		4.544	4.370
Other financial assets	7.	8.649	12.897
Cash and cash equivalents		39.719	35.743
		110.174	**107.157**
Total assets		**230.720**	**219.659**
EQUITY AND LIABILITIES			
Equity	**8.**		
Share capital		25.884	25.884
Capital reserves		51.760	51.760
Hybrid capital		38.173	36.682
Treasury shares		–17.890	–17.890
Retained earnings		64	64
Valuation reserves		–2.838	–2.853
Net retained loss		–76.686	–86.639
Equity attributable to equity holders of the parent		18.467	7.008
Non-controlling interests		674	761
Total equity		**19.141**	**7.768**
Non-current liabilities			
Liabilities to banks	9.	0	71.870
Derivatives with negative fair values		921	1.289
Other financial liabilities	10.	116.925	32.669
Provisions		640	642
Provisions for pensions		5.290	5.291
Deferred tax liabilities		14.152	10.704
		137.928	122.465
Current liabilities			
Liabilities to banks	9.	44	7.541
Derivatives with negative fair values		499	571
Trade payables and other liabilities		9.338	9.545
Other financial liabilities	10.	34.651	42.457

	Notes	Jun. 30, 2015	Dec. 31, 2014
Income tax provisions		17.915	17.630
Provisions		11.203	11.682
		73.650	89.426
Total liabilities		**211.579**	**211.891**
Total equity and liabilities		**230.720**	**219.659**

Translation from the German language

GFKL Financial Services Aktiengesellschaft, Essen

Consolidated Income Statement for the Period from January 1 to June 30, 2015 (in accordance with IFRSs) in €k

	Notes	Jan. 1 to Jun. 30, 2015	Jan. 1 to Jun. 30, 2014	Apr. 1 to Jun. 30, 2015	Apr. 1 to Jun. 30, 2014
Revenue		126.971	114.451	64.411	58.933
Other operating income	11.	3.412	2.011	1.508	772
Cost of purchased goods and services	12.	524	0	238	0
Personnel expenses		23.610	22.481	11.875	11.356
Depreciation, amortization and impairment expense		2.051	1.838	1.026	920
Other operating expenses		81.131	74.013	41.458	39.490
Interest and similar income		478	230	178	0
Interest and similar expenses	13.	6.616	7.747	4.443	4.058
Earnings/loss before tax		**16.929**	**10.613**	**7.056**	**3.880**
Income taxes		5.572	3.409	2.192	1.151
Profit/loss from continuing operations		**11.357**	**7.204**	**4.864**	**2.730**
Profit/loss from discontinued operations		0	–1.249	0	–1.214
Consolidated profit/loss for the period		**11.357**	**5.955**	**4.864**	**1.516**
Profit attributable to non-controlling interests		0	0	12	0
Loss attributable to non-controlling interests		86	2	0	1
Profit/loss attributable to equity holders of the parent		**11.444**	**5.956**	**4.853**	**1.516**
Earnings per share from continuing operations in € (after non-controlling interests)					
Basic		0,46	0,29	0,20	0,11
Diluted		0,46	0,29	0,19	0,11
Earnings per share from discontinued operations in € (after non-controlling interests)					
Basic		0,00	–0,05	0,00	–0,05
Diluted		0,00	–0,05	0,00	–0,05

Translation from the German language

GFKL Financial Services Aktiengesellschaft, Essen

Consolidated Statement of Comprehensive Income for the Period from January 1 to June, 30 2015 (in accordance with IFRSs)
in €k

	Jan. 1 to Jun. 30, 2015	Jan. 1 to Jun. 30, 2014	Apr. 1 to Jun. 30, 2015	Apr. 1 to Jun. 30, 2014
Consolidated profit/loss for the period	**11.357**	**5.955**	**4.864**	**1.516**
Result from the valuation reserve for financial instruments	0	0	0	0
Result from deferred taxes for financial instruments	0	0	0	0
Items that may be reclassified to profit or loss in the future	**0**	**0**	**0**	**0**
Actuarial gains and losses on pension plans	0	0	0	0
Deferred taxes on actuarial gains and losses from pension plans due to tax rate adjustment	16	0	0	0
Items that will not be reclassified to profit or loss in the future	**16**	**0**	**0**	**0**
Other comprehensive income	**16**	**0**	**0**	**0**
Total comprehensive income	**11.373**	**5.955**	**4.864**	**1.516**
Thereof attributable to:				
Equity holders of the parent	11.459	5.956	4.853	1.516
Non-controlling interests	–86	–2	12	–1

Translation from the German language

GFKL Financial Services Aktiengesellschaft, Essen

Consolidated Statement of Changes in Equity for the Period from January 1 to June 30, 2015 (in accordance with IFRSs) in €k

	Share capital	Capital reserves	Hybrid capital	Treasury shares	Retained earnings	Valuation reserve for actuarial gains and losses	Net retained loss	Equity attributable to equity holders of the parent	Non-controlling interests	Total Equity
As of January 1, 2014	**25.884**	**51.668**	**33.852**	**–17.890**	**97**	**–1.291**	**–98.881**	**–6.561**	**–100**	**–6.661**
Other comprehensive income	0	0	0	0	0	0	0	0	0	0
Consolidated profit/loss for the period	0	0	1.375	0	0	0	4.581	5.956	–2	5.955
Total comprehensive income	**0**	**0**	**1.375**	**0**	**0**	**0**	**4.581**	**5.956**	**–2**	**5.955**
Acquisition of non-controlling interests	0	0	0	0	0	0	0	0	874	874
As of June 30, 2014	**25.884**	**51.668**	**35.227**	**–17.890**	**97**	**–1.291**	**–94.300**	**–605**	**772**	**167**
As of January 1, 2015	**25.884**	**51.760**	**36.682**	**–17.890**	**64**	**–2.853**	**–86.639**	**7.008**	**761**	**7.768**
Other comprehensive income	0	0	0	0	0	16	0	16	0	16
Consolidated profit/loss for the period	0	0	1.491	0	0	0	9.953	11.444	–86	11.357
Total comprehensive income	**0**	**0**	**1.491**	**0**	**0**	**16**	**9.953**	**11.459**	**–86**	**11.373**
Acquisition of non-controlling interests	0	0	0	0	0	0	0	0	0	0
As of June 30,	**25.884**	**51.760**	**38.173**	**–17.890**	**64**	**–2.838**	**–76.686**	**18.467**	**674**	**19.141**

	Share capital	Capital reserves	Hybrid capital	Treasury shares	Retained earnings	Valuation reserve for actuarial gains and losses	Net retained loss	Equity attributable to equity holders of the parent	Non-controlling interests	Total Equity
2015..................										

Translation from the German language

GFKL Financial Services Aktiengesellschaft, Essen

Consolidated Cash Flow Statement for the Period from January 1 to June 30, 2015
(in accordance with IFRSs)
in €k

		Jan. 1 to Jun. 30, 2015	Jan. 1 to Jun. 30, 2014
1.	**Operating activities**		
	Profit/loss from continuing operations	11.357	7.204
	Profit/loss from discontinued operations	0	–1.249
	Consolidated profit/loss for the period	**11.357**	**5.955**
	Non-cash items included in consolidated profit/loss for the period and reconciliation to cash flow from operating activities		
+	Depreciation, amortization and impairment expense	2.051	1.983
+/–	Change in provisions	–371	–189
+/–	Change in deferred taxes	3.464	1.860
–/+	Repayments and changes in value of NPL portfolios	13.274	12.177
	Changes in assets and liabilities in the period		
–/+	Inventories	11	0
–/+	Trade and other receivables	–417	–1.822
+/–	Trade payables and other liabilities	2.173	2.701
–/+	Changes in other net assets	4.460	–716
=	**Cash flow from operating activities**	**36.001**	**21.949**
2.	**Investing activities**		
–	Acquisition of property plant and equipment/intangible assets	–1.827	–2.520
–	Investment in NPL portfolios	–37.519	–13.018
+	Divestment of NPL portfolios	4.953	1.062
–	Acquisition of companies and shares less net cash acquired	0	–1.219
=	**Cash flow from investing activities**	**–34.392**	**–15.695**
3.	**Financing activities**		
–	Repurchase of shares from former ABIT shareholders	–11	–14
+	Cash received from bank loans	11.000	0
–	Repayment of bank loans	–92.750	–195
+	Cash received from financing for NPL portfolios	0	16.647
–	Repayment of financing for NPL portfolios	–8.775	–8.829
+	Cash received from loans (shareholder)	92.903	0
=	**Cash flow from financing activities**	**2.367**	**7.608**
4.	**Development of liquidity**		
	Cash and cash equivalents at the beginning of the period	35.743	60.072
+	Change in cash and cash equivalents	3.976	13.862
=	**Cash and cash equivalents at the end of the period**	**39.719**	**73.934**
5.	**Composition of cash and cash equivalents**		
	Cash	**39.719**	**73.934**
	thereof restricted cash	19.121	22.418

Translation from the German language

GFKL Financial Services Aktiengesellschaft, Essen

Notes to the condensed consolidated interim financial statements as of June 30, 2015 (in accordance with IFRSs)

1. Basis of presentation and accounting policies

As in the case of the consolidated financial statements for the year ended December 31, 2014, these interim financial statements for the GFKL Group for the period ended June 30, 2015 have been prepared in accordance with the provisions of the International Accounting Standards Board (IASB). These provisions comprise the International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs) as well as the interpretations issued by the Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC), as adopted by the European Union (EU).

The interim condensed consolidated financial statements were prepared in accordance with IAS 34 *Interim Financial Reporting* and do not contain all of the information and disclosures required for consolidated financial statements as of year-end. These interim financial statements must therefore be read in conjunction with the consolidated financial statements as of December 31, 2014. The notes to the interim financial statements primarily comprise disclosures relating to significant events and changes that are essential to an understanding of the changes in the company's financial position and financial performance since the last balance sheet date. For detailed disclosures on recognition, measurement and consolidation methods already applied as of December 31, 2014, please refer to the notes to the consolidated financial statements for the year ended December 31, 2014.

The figures shown as of June 30, 2015 in the financial statements have been compared with the corresponding figures reported as of June 30, 2014 and December 31, 2014.

All stated amounts have been individually rounded, which may give rise to minor discrepancies when these amounts are aggregated.

2. Significant accounting judgments

Following the indirect change in shareholders at GFKL Financial Services AG (closing as of June 30, 2015), the tax loss carryforwards would generally be forfeited under the provisions of Sec. 8c (1) Sentence 2 KStG ["Körperschaftsteuergesetz": German Corporate Income Tax Act]. However, the company believes that the hidden reserve clause of Sec. 8c (1) Sentence 8 KStG applies as GFKL Financial Services AG should have sufficient hidden reserves. Consequently, the tax loss carryforwards would not, as matters currently stand, be forfeited due to this exemption and could be utilized against any taxable profit generated in the future. Accordingly, the company has continued to recognize deferred tax assets on tax loss carryforwards.

3. Changes in the basis of consolidation and impact on the interim financial statements

The basis of consolidation has not changed compared to December 31, 2014.

4. Use of judgment and key sources of estimation uncertainty

There have been no significant restatements since December 31, 2014.

5. Significant transactions during the reporting period

Effective as of June 30, 2015, the shares in the parent company Carl Holding GmbH, which had previously been held indirectly by Advent International Corporation, Boston, USA, have been sold to Permira Holding Limited, Guernsey. This company now indirectly holds 94.48% of the shares in the company.

Upon the change in ownership, GFKL Financial Services AG raised a loan from the company's new majority shareholder (Garfunkel Holding GmbH) in the same amount in order to repay the syndicated credit facility with Commerzbank, NIBC Deutschland, Frankfurt und ING Branch, Frankfurt, acting as syndicate leader for NIBC Deutschland, Frankfurt am Main, as security trustee. The loan granted by the shareholder amounted to EUR 93,329,960.73 as of June 30, 2015. This loan was granted in order to repay the syndicated credit facility (EUR 92,902,523.49) and provide cash collateral for the issued letters of credit (EUR 427,437.24). The loan has a term of seven years and is due to mature on July 8, 2022. The cash collateral granted for the reported letters of credit of EUR 427,437.24 is part of restricted cash.

Our new owner prepares consolidated financial statements under IFRS and measures “Non-performing loans and receivables acquired for settlement” at amortized cost using the effective interest method. If we had prepared our consolidated financial statements for the periods 2014 and first half 2015 using the effective interest rate method instead of measuring our “Non-performing loans and receivables acquired for settlement” at fair value through profit and loss our book value would have been as follows:

Book Value at amortized costs

	Financial year		As of June 30,
	1.1.2014	31.12.2014	2015
		(in € million)	(in € million) (unaudited)
Non-performing loans and receivables acquired for settlement	101.6	103.7	124.0

Our consolidated income statement would have been presented as follows:

Summary Consolidated Income Statement Information

		Six-Month Period ended June 30,	
	2014	2014	2015
	(in € million)		(in € million) (unaudited)
Revenue	244.3	115.2	128.5
Other operating income	16.1	2.0	3.4
Cost of purchased goods and services	0.7	0.0	0.5
Personnel expenses	45.2	22.5	23.6
Depreciation, amortization and impairment expense	6.3	1.8	2.1
Other operating expenses	164.3	74.3	81.7
Interest and similar income	0.5	0.2	0.4
Interest and similar expenses	16.0	7.7	6.6
Earnings/(loss) before tax	**28.4**	**11.1**	**17.8**
Income taxes/(income)	11.0	3.4	5.6
Profit/(loss) from continuing operations.....	**17.4**	**7.7**	**12.2**
Profit/(loss) from discontinued operations	(2.3)	–1.2	0.0
Consolidates profit/ (loss) for the period.....	**15.1**	**6.5**	**12.2**
Profit attributable to non-controlling interest	0.0	0.0	0.0
Loss attributable to non-controlling interests	0.0	0.0	0.1
Profit/(loss) attributable to equity holders of the parent	**15.1**	**6.5**	**12.3**

6. Non-performing loans and receivables acquired for settlement

The changes in non-performing loans and receivables acquired for settlement were as follows:

in €k	Jan. 1, 2015 to Jun. 30, 2015	Jan. 1, 2014 to Jun. 30, 2014
Opening balance	102,814	100,692
Acquisitions	37,519	13,014
Disposals	4,953	1,062
Subtotal	**135,380**	**112,644**
Payment receipts	49,986	44,631
Investment income	6,787	6,514
Service income	18,621	17,039
Repayment	**24,577**	**21,077**

in €k	Jan. 1, 2015 to Jun. 30, 2015	Jan. 1, 2014 to Jun. 30, 2014
Write-ups	15,055	11,907
Impairment expense	–3,752	–2,507
Measurement at fair value	**11,303**	**9,400**
Closing balance	**122,106**	**100,967**

Measurement at fair value is set out in detail below:

in €k	Jan. 1, 2015 to Jun. 30, 2015	Jan. 1, 2014 to Jun. 30, 2014
Additional amounts collected	1,392	2,222
Correction of direct write-downs	29	8
Plan adjustments	11,880	8,432
Service cost adjustments	435	0
Changes in market interest rates	1,319	1,245
Write-ups	**15,055**	**11,907**
Shortfall in amounts collected	–369	–274
Direct write-downs	–645	–133
Plan adjustments	–630	–1,265
Service cost adjustments	–947	–428
Changes in market interest rates	–1,161	–407
Impairment expense	**–3,752**	**–2,507**
Total changes in value	**11,303**	**9,400**

In the second quarter of the current fiscal year, GFKL acquired a large volume of portfolios which had previous been managed as part of servicing. The guarantee claims and pass-through obligations related to the portfolio up to the date of acquisition are explained under section 7. “Other financial assets” and section 10. “Other financial liabilities.”

7. Other financial assets

The decrease in miscellaneous financial assets mainly relates to the lapse of recognized guarantee claims for which the GFKL Group makes advance payment and which are settled through the servicing of the receivables. These guarantee claims lapsed when GFKL acquired the underlying portfolios. This acquisition is described in greater detail in section 6. “Non-performing loans and receivables acquired for settlement.”

8. Equity

For information on consolidated equity, please see the consolidated statement of changes in equity.

Hybrid capital

GFKL was granted another shareholder loan of € 30 million by its majority shareholder on June 28, 2012. The loan has an unlimited term and may be terminated by GFKL for the first time as of December 30, 2015, giving 30 days’ notice. The loan accrues interest at 8% p.a. and is reported as equity due to the terms of the loan agreement.

9. Liabilities to banks

The decrease in liabilities to banks is attributable to the new financing structure within the GFKL Group, which is described in section 5. “Significant transactions during the reporting period.”

10. Other financial liabilities

The increase in other non-current financial liabilities is largely attributable to the new financing structure within the GFKL Group, which is described in section 5. “Significant transactions during the reporting period.”

The decrease in other current financial liabilities is attributable to the acquisition of the portfolios by GFKL described in section 6. “Non-performing loans and receivables acquired for settlement.” GFKL is therefore no longer required to transfer the incoming payments realized from servicing to the previous owners of the receivables.

11. Other operating income

The increase in other operating income is largely attributable to the derecognition of time-barred overpayments and the recognition of income from an onerous contract.

12. Cost of purchased goods and services

Cost of purchased goods and services is largely attributable to intratech GmbH which was acquired on June 30, 2014.

13. Interest and similar expenses

The decrease in interest and similar expenses is mainly due to lower interest expenses from corporate financing thanks to the refinancing arrangement which was concluded in fiscal year 2014.

14. Employees

The following summary shows the change in the number of employees (full-time equivalents—FTEs), broken down by segment:

	Jun. 30, 2015	Jun. 30, 2014
Continued operations	805	812
Discontinued operations	0	193
Employees	**805**	**1,005**
Average number of employees	**805**	**1,004**

15. Cash flow statement

In the period under review, the Group generated cash flow from interest paid of €2,427k (prior year: €4,046k) and interest received of €19k (prior year: €37k). The cash outflow from income taxes was €1,621k (prior year: outflow of -€128k). These cash flows are included in the cash flow from operating activities.

16. Related party, Executive Board and Supervisory Board disclosures

Over the past few years, the following gentlemen were members of the Executive Board:

Members of the Executive Board	Appointed on	Left on
Christoph Pfeifer, Oberursel	Nov. 12, 2012	
Kamyar Niroumand (Chairman of the Executive Board), Berlin	Oct. 1, 2012	
Marc-Ulrich Knothe, Vienna	May 1, 201	

As of Jun. 30, 2015, Mr. Hans-Hermann Anton Lotter and Mr. Wilhelm Plumpe retired from the Supervisory Board. Until Jun. 30, 2015, the Supervisory Board comprised the following members:

Members of the Supervisory Board	Joined on	Left on
Nicole Linke, Mülheim an der Ruhr (employee representative)	Aug. 15, 2012	
Hans-Hermann Anton Lotter, Frankfurt am Main (Chairman)	Dec. 15, 2009	Jun. 30, 2015
Wilhelm Plumpe, Hamburg (Deputy Chairman)	Dec. 15, 2009	Jun. 30, 2015

According to the information currently available, there were no unusual transactions with related parties during the period under review.

17. Events after the balance sheet date

On July 1, 2015, Philip Sebastian Mülder and Ulrich Gasse took up their positions as Chairman and Deputy Chairman of the Supervisory Board.

From July 1, 2015, the Supervisory Board comprised the following members:

Members of the Supervisory Board	Joined on	Left on
Nicole Linke, Mülheim an der Ruhr (employee representative)	Aug. 15, 201	
Philip Sebastian Mülder, London (Chairman).......................................	Jul. 1, 201	
Ulrich Gasse, Königstein, Taunus (Deputy Chairman).........................	Jul. 1, 201	

There were no other events after the balance sheet date which would have had an effect on the consolidated financial statements as of 30 June 2015.

Essen, September 25, 2015

sgd Kamyar Niroumand
(Executive Board)

Translation of the German-language auditor's report, which refers to the audit of the German-language consolidated financial statements and the German-language group management report of GFKL Financial Services AG, Essen, as of and for the year ended December 31, 2014 as a whole

Auditor's report

We have audited the consolidated financial statements prepared by GFKL Financial Services Aktiengesellschaft, Essen, comprising the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in equity, the cash flow statement and the notes to the consolidated financial statements, together with the group management report for the fiscal year from January 1 to December 31, 2014. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs [International Financial Reporting Standards] as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ["Handelsgesetzbuch": German Commercial Code] is the responsibility of the company's management. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Essen, March 31, 2015

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Pfeiffer
Wirtschaftsprüfer
[German Public Auditor]

Hiller-Breh
Wirtschaftsprüferin
[German Public Auditor]

GFKL Financial Services Aktiengesellschaft, Essen

Consolidated Balance Sheet as of December 31, 2014 (in accordance with IFRSs) in €k

	Notes	Dec. 31, 2014	Dec. 31, 2013
ASSETS			
Non-current assets			
Property, plant and equipment	III.1.	3 799	2 354
Intangible assets	III.2.	19 268	16 156
Goodwill	III.3.	21 585	23 523
Non-performing loans and receivables acquired for settlement	III.4.	59 458	59 681
Other financial assets	III.6.	8 392	78
		112 502	**101 793**
Current assets			
Inventories	III.8.	29	0
Non-performing loans and receivables acquired for settlement	III.4.	43 356	41 011
Trade and other receivables	III.9.	10 761	10 136
Income tax refund claims	III.10.	4 370	4 630
Other financial assets	III.6.	12 897	12 632
Cash and cash equivalents	III.11.	35 743	58 212
		107 157	126 620
Assets classified as held for sale	III.12.	0	11 433
		107 157	**138 053**
Total assets		**219 659**	**239 846**
EQUITY AND LIABILITIES			
Equity			
Share capital	III.13.	25 884	25 884
Capital reserves	III.14.	51 760	51 668
Hybrid capital	III.15.	36 682	33 852
Treasury shares	III.16.	–17 890	–17 890
Retained earnings	III.17.	64	97
Valuation reserves	III.18./III.25.	–2 853	–1 291
Net retained loss		–86 639	–98 881
Equity attributable to equity holders of the parent		7 008	–6 561
Non-controlling interests	III.19.	761	–100
Total equity		**7 768**	**–6 661**
Non-current liabilities			
Liabilities to banks	III.22.	71 870	100 008
Derivatives with negative fair values	III.5.	1 289	1 616
Other financial liabilities	III.23.	32 669	30 777
Provisions	III.24.	642	1 019
Provisions for pensions	III.25.	5 291	4 564
Deferred tax liabilities	III.7.	10 704	5 093
		122 465	143 077
Current liabilities			
Liabilities to banks	III.22.	7 541	10 042
Derivatives with negative fair values	III.5.	571	443
Trade payables and other liabilities	III.26.	9 545	8 509
Other financial liabilities	III.23.	42 457	41 456
Income tax provisions	III.27.	17 630	14 224
Provisions	III.24.	11 682	24 107
		89 426	98 780
Liabilities classified as held for sale	III.12.	0	4 650
		89 426	103 430
Total liabilities		**211 891**	**246 507**
Total equity and liabilities		**219 659**	**239 846**

GFKL Financial Services Aktiengesellschaft, Essen

Consolidated Income Statement for the Period from January 1 to December 31, 2014
(in accordance with IFRSs)
in €k

	Notes	Jan. 1 to Dec. 31, 2014	Jan. 1 to Dec. 31, 2013
Revenue	IV.1	243 8	190 3
Other operating income	IV.2	16 0	11 0
Cost of purchased goods and services	IV.3	7	
Personnel expenses	IV.4	45 1	43 9
Depreciation, amortization and impairment expense	IV.5	6 2	3 8
Other operating expenses	IV.6	163 7	134 5
Interest and similar income	IV.7	5	2 6
Interest and similar expenses	IV.8	16 0	14 8
Earnings before tax		**28 3**	**6 9**
Income taxes	IV.9	11 0	–7 5
Profit/loss from continuing operations		**17 3**	**14 4**
Profit/loss from discontinued operations	**IV.10**	–2 2	–12 1
Consolidated profit/loss for the period		**15 0**	**2 2**
Profit attributable to non-controlling interests		[illegible]	
Loss attributable to non-controlling interests			[illegible]
Profit/loss attributable to equity holders of the parent		**15 0**	**2 3**
Earnings per share from continuing operations in € (after non-controlling interests)			
Basic	V.1	0,	0,
Diluted	V.1	0,	0,
Earnings per share from discontinued operations in € (after non-controlling interests)			
Basic	V.1	–0,	–0,
Diluted	V.1	–0,	–0,

1 Prior-year figures were adjusted.

GFKL Financial Services Aktiengesellschaft, Essen

Consolidated Statement of Comprehensive Income for the Period from January 1 to December 31, 2014 (in accordance with IFRSs)

in €k

	Notes	Jan. 1 to Dec. 31, 2014	Jan. 1 to Dec. 31, 2013
Consolidated profit/loss for the period		**15 094**	**2 288**
Result from the valuation reserve for financial instruments	III.18.	0	542
Result from deferred taxes for financial instruments....	III.7.	0	–172
Items that may be reclassified to profit or loss in the future		**0**	**370**
Actuarial gains and losses on pension plans	III.18., III.25.	–2 273	–390
Deferred taxes on actuarial gains and losses from pension plans...	III.18., III.25.	711	106
Items that will not be reclassified to profit or loss in the future		**–1 563**	**–284**
Other comprehensive income..................................		**–1 563**	**86**
Total comprehensive income...................................		**13 532**	**2 374**
Thereof attributable to:			
Equity holders of the parent...		13 510	2 387
Non-controlling interests..		21	–13

GFKL Financial Services Aktiengesellschaft, Essen

Consolidated Statement of Changes in Equity for the Period from January 1 to December 31, 2014 (in accordance with IFRSs) in €k

						Valuation reserves					
Notes	Share capital III.13.	Capital reserves III.14.	Hybrid capital III.15.	Treasury shares III.16.	Retained earnings III.17.	Valuation reserve for actuarial gains and losses III.18., III.25.	Valuation reserve for financial instruments III.18.	Net retained loss	Equity attributable to equity holders of the parent	Non-controlling interests III.19.	Total equity
As of January 1, 2013 before adjustment	**25 884**	**51 668**	**31 246**	**–17 890**	**64**	**0**	**–370**	**–98 576**	**–7 974**	**–54**	**–8 027**
Effects from first-time application of IAS 19R	**0**	**0**	**0**	**0**	**0**	**–1 007**	**0**	**0**	**–1 007**	**0**	**–1 007**
As of January 1, 2013 after adjustment	**25 884**	**51 668**	**31 246**	**–17 890**	**64**	**–1 007**	**–370**	**–98 576**	**–8 981**	**–54**	**–9 034**
Other comprehensive income	0	0	0	0	0	–284	370	0	86	0	86
Consolidated profit/loss for the period	0	0	2 605	0	0	0	0	–305	2 300	–13	2 288
Total comprehensive income	**0**	**0**	**2 605**	**0**	**0**	**–284**	**370**	**–305**	**2 386**	**–13**	**2 374**
Acquisition of non-controlling interests	0	0	0	0	33	0	0	0	33	–33	0
As of December 31, 2013	**25 884**	**51 668**	**33 852**	**–17 890**	**97**	**–1 291**	**0**	**–98 881**	**–6 562**	**–100**	**–6 661**
As of December 3	**25 884**	**51 668**	**33 852**	**–17 890**	**97**	**–1 291**	**0**	**–98 881**	**–6 562**	**–100**	**–6 661**

Notes	Share capital III.13.	Capital reserves III.14.	Hybrid capital III.15.	Treasury shares III.16.	Retained earnings III.17.	Valuation reserves: Valuation reserve for actuarial gains and losses III.18., III.25.	Valuation reserves: Valuation reserve for financial instruments III.18.	Net retained loss	Equity attributable to equity holders of the parent	Non-controlling interests III.19.	Total equity
1, 2014.........											
Other comprehensive income ...	0	0	0	0	0	–1 563	0	0	–1 563	0	–1 563
Consolidated profit/loss for the period..........	0	0	2 831	0	0	0	0	12 242	15 073	21	15 094
Total comprehensive income........	**0**	**0**	**2 831**	**0**	**0**	**–1 563**	**0**	**12 242**	**13 510**	**21**	**13 532**
Sale of the Multigestión Group..........	0	91	0	0	–33	0	0	0	58	0	58
Sale of non-controlling interests.......	0	0	0	0	0	0	0	0	0	–5	–5
Acquisition of non-controlling interests.......	0	0	0	0	0	0	0	0	0	845	845
As of December 31, 2014.........	**25 884**	**51 760**	**36 682**	**–17 890**	**64**	**–2 853**	**0**	**–86 639**	**7 008**	**761**	**7 768**

GFKL Financial Services Aktiengesellschaft, Essen

Consolidated Cash Flow Statement for the Period from January 1 to December 31, 2014
(in accordance with IFRSs)
in €K

		Notes	Jan. 1 to Dec. 31, 2014	Jan. 1 to Dec. 31, 2013
1.	**Operating activities**			
	Profit/loss from continuing operations		17 354	14 444
	Profit/loss from discontinued operations		–2 260	–12 157
	Consolidated profit/loss for the period		**15 094**	**2 288**
	Non-cash items included in consolidated profit/loss for the period and reconciliation to cash flow from operating activities			
+	Depreciation, amortization and impairment expense		6 277	16 307
+	Accounting losses from the disposal of property, plant and equipment/intangible assets		118	2
–	Gain from the disposal of property, plant and equipment/intangible assets		–6	–15
+/–	Change in provisions		–9 088	–10 519
+/–	Change in deferred taxes		5 554	–368
–/+	Repayments and changes in value of NPL portfolios		23 926	32 202
	Changes in assets and liabilities in the period			
–/+	Inventories		–13	0
–/+	Trade and other receivables		–314	620
+/–	Trade payables and other liabilities		–857	–437
–/+	Change in lease assets/lease refinancing		0	0
–/+	Changes in other net assets		–3 746	13 233
=	**Cash flow from operating activities**	**VI.2, VI.3**	**36 945**	**53 312**
2.	**Investing activities**			
+	Cash received from the disposal of property, plant and equipment/intangible assets		10	6
–	Acquisition of property plant and equipment/intangible assets		–4 952	–2 063
–	Investment in NPL portfolios		–27 774	–26 064
+	Divestment of NPL portfolios		1 725	6 030
–	Acquisition of companies and shares less net cash acquired		–1 630	0
+/–	Sale of companies and shares less net cash sold		2 953	0
=	**Cash flow from investing activities**	**VI.4**	**–29 667**	**–22 090**
3.	**Financing activities**			
–	Repurchase of shares from former ABIT shareholders[1]		–21	–11
+	Cash received from bank loans		87 000	0
–	Repayment of bank loans		–116 099	–14 492
+	Cash received from financing for NPL portfolios		16 647	18 321
–	Repayment of financing for NPL portfolios		–19 134	–13 142
=	**Cash flow from financing activities**	**VI.5**	**–31 608**	**–9 324**
4.	**Development of liquidity**			
	Cash and cash equivalents at the beginning of the period		60 072	38 174
+	Change in cash and cash equivalents		–24 329	21 898
=	**Cash and cash equivalents at the end of the period**	**VI.1**	**35 743**	**60 072**
5.	**Composition of cash and cash equivalents**			
	Cash		**35 743**	**60 072**
	thereof restricted cash		24 359	19 796

1 ABIT = former ABIT AG, which was merged into GFKL Financial Services Aktiengeselslchaft in 2005

Translation from the German language

GFKL Financial Services Aktiengesellschaft, Essen

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Translation from the German language

GFKL Financial Services Aktiengesellschaft, Essen

Notes to the consolidated financial statements as of December 31, 2014
(in accordance with IFRSs)

I. General comments

GFKL Financial Services Aktiengesellschaft, Essen (GFKL), is the parent of the GFKL Group. The company's registered offices are at Am EUROPA-CENTER 1b, Essen, Germany. It is entered in the commercial register of the Local Court of Essen under HRB No. 13522. Carl Holding GmbH, Frankfurt am Main—a subsidiary of Advent International Corp., Boston, USA—is the majority shareholder with a stake of 97.95%. GFKL is a financial services provider in the receivables management segment. Please refer to the management report for further information on operating activities.

The consolidated financial statements for fiscal year 2014 were authorized for issue by the Executive Board on March 31, 2015.

Domnowski Inkasso GmbH, Proceed Collection Services GmbH, Proceed Portfolio Services GmbH, Sirius Inkasso GmbH, Zyklop Inkasso Deutschland GmbH and GFKL Collections GmbH have been included in full in the consolidated financial statements of GFKL. Indirect or direct control and profit and loss transfer agreements have been concluded with all of the aforementioned companies, which all make use of the exemption option specified in Sec. 264 (3) HGB ["Handelsgesetzbuch": German Commercial Code]. debifact Factoring GmbH & Co. KG and INKASSO BECKER WUPPERTAL GmbH & Co. KG have also been included in full in the consolidated financial statements of GFKL. They make use of the exemption option specified in Sec. 264b HGB.

II. Basis of presentation and accounting policies

1. Basis of presentation of the consolidated financial statements

The consolidated financial statements of GFKL Financial Services Aktiengesellschaft, Essen, have been prepared in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU and in accordance with Sec. 315a HGB ["Handelsgesetzbuch" German Commercial Code]. In addition to GFKL Financial Services Aktiengesellschaft, the holding company, the GFKL Group includes 13 fully consolidated first and second-tier subsidiaries. An overview of all indirect and direct shareholdings is attached to these notes as an exhibit. GFKL Financial Services AG exercises full control over the 13 fully consolidated first and second-tier subsidiaries in accordance with IFRS 10.6, since it is exposed, or has rights, to variable returns from its involvement with the investees and has the ability to affect those returns through its power over the investees. The power to control the investees is derived directly and solely from the voting rights (IFRS 10.11).

The consolidated financial statements are generally prepared using the cost method. However, non-performing loans and receivables acquired for settlement and derivative financial instruments are measured at fair value rather than at cost.

Unless stated otherwise, all figures are shown in thousands of euros (€k). All stated amounts have been individually rounded, which may give rise to minor discrepancies when these amounts are aggregated. These consolidated financial statements include comparative information for the prior reporting period.

2. Changes in accounting policies and disclosure

There were no changes in accounting policies and disclosure in the reporting period.

3. Effects of new and amended IFRSs

a) Accounting standards implemented in the fiscal year

The International Accounting Standards Board (IASB) published various amendments to existing IFRSs and new standards and interpretations.

The following new standards and amendments and changes in standards and amendments that were mandatory in fiscal year 2014 for the first time did not have any significant effect on the consolidated financial statements of GFKL:

– IFRS 10—*Consolidated Financial Statements:* New guidelines on control and consolidation of subsidiaries

– IFRS 11—*Joint Arrangements:* New classification of joint operations and joint ventures and abolishment of the proportionate consolidation option

– IFRS 12—*Disclosure of Interests in Other Entities:* Disclosures on consolidated and non-consolidated entities

– IFRS 10/IFRS 11/IFRS 12—Changes—transition provisions: Changes in transition guidance

– IFRS 10/IFRS 12/IAS 27—Investment Entities: The changes grant an exemption from the consolidation of subsidiaries if the parent meets the definition of an "investment entity" (e.g., certain investment funds). Certain subsidiaries are then measured at fair value through profit or loss in accordance with IFRS 9/IAS 39

– IAS 27—*Separate Financial Statements:* Consequential amendments as a result of the new provisions for full consolidation under IFRS 10

– IAS 28—*Investments in Associates and Joint Ventures:* Consequential amendments due to the requirement to consolidate jointly controlled entities using the equity method and other changes

– IAS 32—*Financial Instruments:* Offsetting Financial Assets and Financial Liabilities

– IAS 39—*Novation of Derivatives and Continuation of Hedge Accounting*

b) Accounting standards that have been issued but are not yet to be implemented

In addition to the above applicable IFRSs, other standards and interpretations were published, some of which have been endorsed by the EU, but will not become mandatory until a later date.

Standard	Interpretation	Issued by the IASB	Application required from	Endorsed by the EU	Anticipated effects on the consolidated financial statements
IFRS 9	Financial Instruments	Jul. 24, 2014	Jan. 1, 2018	No	Change in the classification of financial assets; calculation of loss allowances based on expected credit losses; greater alignment of hedge accounting with operational risk management
IFRS 10/ IFRS 12/ IAS 28	Investment Entities: Applying the Consolidation Exception	Dec. 18, 2014	Jan. 1, 2016	No	None
IFRS 11	Accounting for Acquisitions of Interests in Joint Operations	May 6, 2014	Jan. 1, 2016	No	None
IFRS 14	Regulatory Deferral Accounts	Jan. 30, 2014	Jan. 1, 2016	No	None
IFRS 15	Revenue from Contracts with Customers	May 28, 2014	Jan. 1, 2017	No	Provision, to a greater extent than previously, of useful information on the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers; to this end, IFRS 15 provides a 5- step

Standard	Interpretation	Issued by the IASB	Application required from	Endorsed by the EU	Anticipated effects on the consolidated financial statements
					principles-based model
IAS 1	Disclosure Initiative	Dec. 18, 2014	Jan. 1, 2016	No	No significant changes
IAS 16/ IAS 38	Clarification of Acceptable Methods of Depreciation and Amortization	May 12, 2014	Jan. 1, 2016	No	No significant changes
IAS 16/ IAS 41	Agriculture: Bearer Plants	Jun. 30, 2014	Jan. 1, 2016	No	None
IAS 19	Employee Benefits: Defined Benefit Plans: Employee contributions	Nov. 21, 2013	Feb. 1, 2015	Yes	No significant changes
IAS 27	Equity Method in Separate Financial Statements	Aug. 12, 2014	Jan. 1, 2016	No	No significant changes
IFRS (2010 to 2012)	Changes and clarifications to various IFRSs	Dec. 12, 2013	Feb. 1, 2015	Yes	No significant changes
IFRS (2011 to 2013)	Changes and clarifications to various IFRSs	Dec. 12, 2013	Jan. 1, 2015	Yes	No significant changes
IFRS (2012 to 2014)	Changes and clarifications to various IFRSs	Sep. 25, 2014	Jan. 1, 2016	No	No significant changes
IFRIC 21	Levies	May 20, 2013	Jun. 17, 2014	Yes	No significant changes

Voluntary early adoption of the standards is not planned.

4. Changes in accounting estimates

Changes relate in particular to the parameters of NPL measurement, which are regularly adjusted in line with the market and the determination of expected cash flows, which were also adjusted using the same estimation techniques. For more information on the adjustment of the parameters, please refer to section II.5. (Significant accounting estimates and assumptions) below and section III.4. (Non-performing loans and receivables acquired for settlement). No changes were made in estimation techniques in the year under review.

5. Significant accounting estimates and assumptions

The primary assumptions concerning future events and other key sources of estimation uncertainty as of the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are explained below.

<u>Non-performing loans and receivables acquired for settlement</u>

The current and non-current non-performing portfolios acquired for settlement contained loans and receivables valued at €102.8 million as of the balance sheet date (prior year: €100.7 million). The portfolios include distressed loan receivables and other distressed receivables that the Group acquires for settlement at a significant discount from the nominal amounts. Since there is no active market for these assets within the meaning of IFRS 13, as transactions for the assets or liabilities did not take place with sufficient frequency and volume to provide price information on an ongoing basis, they were measured in accordance with IFRS 13.3 using an investment model, which was also used to set the purchase price. The valuation model involves calculating expected proceeds and determining expected costs. Various valuation techniques may be applied to estimate recoverable payments on unsecured receivables. The valuation technique selected depends on the scope and quality of the data supplied by the seller and the type of receivable. In some cases, the results of different valuation techniques are compared and deviations in the results are analyzed. In doing so, the future estimated cash flows including service costs, refinancing costs and the calculated margin are discounted to obtain the price on the date of purchase.

To determine estimated cash flows from unsecured receivables, payment histories of similar portfolios are generally used during the measurement process.

In the case of secured receivables, emphasis is placed on measuring the value of the collateral, which primarily consists of mortgage liens on real property.

For both unsecured and secured receivables, the expected costs are calculated on the basis of the historical costs of the respective service company and estimated for the future. The relevant factors are the origin of the receivable, the number of individual receivables, their average volume, and the attainable level of servicing automation.

Determining the recoverability of guarantee claims

Guarantee claims involve advance payments by the GFKL Group that are settled in the process of servicing the receivables. Estimates are used to determine the recoverability of the guarantee claims by forecasting expected future cash flows on the basis of past experience and discounting the amounts using a weighted refinancing interest rate.

Goodwill impairment test

GFKL tests goodwill (€21.6 million; prior year: €23.5 million) for impairment at least once a year. This requires estimating the value in use of the cash-generating unit to which the goodwill has been allocated. To estimate value in use, the Group must estimate the expected future cash flows from that cash-generating unit as well as an appropriate discount rate in order to determine the present value of these cash flows. Please also refer to the disclosures under section III.3. (Goodwill).

Pension obligations

When measuring provisions for pensions (€5.3 million; prior year: €4.6 million), uncertainty exists in terms of measuring turnover, pension payment and salary trends, the discount rate, and life expectancy. Please also refer to the disclosures under section III.25. (Provisions for pensions).

6. Significant accounting judgments

Change in the basis of consolidation

The Group sold the Multigestión Group, liquidated the Spanish Universal Lease Iberia Properties, S. L., sold SBL Mobilien GmbH, acquired intratech GmbH and Deutsche Multiauskunftei GmbH and established and included GFKL Service Center GmbH in the basis of consolidation. Please refer to section II.8.a (Consolidation disclosures) for more information.

Securitization of NPL portfolios

To diversify the financing structure, GFKL again made use of the capital market in 2014 in order to securitize non-performing loans. The objective was to establish a structure which, once successfully up and running, could be used to place further tranches in subsequent years.

NPL portfolios with a net present value totaling €22.1 million were thus securitized in the reporting period. With GFKL having acquired the junior tranche, this resulted in a net cash inflow of €16.6 million for the company in March 2014.

The plan is to use the established structure for more securitizations in 2015.

Treatment of VAT backpayments

By judgment dated October 27, 2011, the European Court of Justice ruled that the purchase of a portfolio of non-performing loans does not constitute a supply of services for consideration by the acquirer to the seller.

This judgment was mirrored by the German Federal Finance Court in its judgment dated January 26, 2012. However, the judgment also stated that the acquirer of the exposures could therefore not claim the deduction of input VAT in accordance with Sec. 15 UStG ["Umsatzsteuergesetz": German VAT Act] for the input transactions related to the acquisition of the exposures. This means that the company would have to refund to the tax office the input VAT claimed for this line of business for the period starting from 2004.

However, an interpretative letter from the Federal Ministry of Finance is expected in the first half of 2015, containing a transitional arrangement for the application of the UStAE ["Umsatzsteueranwendungserlass": Decree on the Application of the German VAT Act] (part 2.4 UStAE) that is still in effect. The company recognized a provision of €7.3 million (prior year: €14.6 million, assuming that there will be no input VAT deduction) for VAT not paid in connection with purchases of exposures in the past.

Based on the aforementioned court rulings, the company reduced the input VAT deductions by a flat 30% in consultation with the tax authorities in 2012. These amounts were taken into account again during the preparation of the tax returns. The resulting claim of €3.4 million was offset against the aforementioned provision for the first time in 2014. As a result, the provision amounts to €3.8 million plus €2.7 million in interest (prior year: €2.2 million).

The relief effects previously taken into account for income tax provisions of €2.4 million were released to profit or loss (see also section III.27. (Income tax provisions)).

As the tax authorities have still not made a final decision with regard to the above matter, this amount may change to the benefit or detriment of the company.

7. Significant accounting policies

a) Accounting treatment of acquired portfolios

The acquired portfolios are reported at fair value under “Non-performing loans and receivables acquired for settlement.” In line with their accounting treatment, the portfolios are reported at fair value to the competent decision-makers, who manage the assets on this basis. The portfolios are initially recognized at cost.

They are then subsequently measured using a market value-based investment model that also formed the basis for determining the purchase price. The model is based on anticipated payment receipts and costs to which a discount factor is applied. The valuation inputs of costs and discounting are estimated depending on the classification of the portfolio. Depending on the classification, the average calculated cost rates range between 12% and 48% of the expected cash receipts. Discounting is carried out using an internal rate of return (IRR) of 8% to 40%.

The initial discount factor changes over the term of the portfolios due to changes in interest rates on the capital market. Changes to discounting lead to additional monthly income or expenses from the portfolios due to changes in market interest rates.

The actual payments collected in respect of a receivable are broken down into income and capital components under the investment model taking discounting into account. The income components are reported under revenue and the capital component is reported as a payment of the principal.

b) Recognition and measurement of financial instruments

The application of IAS 39 means that, on initial recognition, all financial assets and financial liabilities must be allocated to one of the six categories explained below. In the case of financial instruments not measured at fair value through profit or loss, the measurement includes transaction costs directly attributable to the acquisition of the financial asset concerned. Subsequent measurement of financial assets and financial liabilities depends on their classification. Regular way purchases or sales of financial assets are recognized and derecognized using trade date accounting.

i) Financial assets at fair value through profit or loss

This category relates to financial assets that must be recognized at fair value through profit or loss. Such assets are initially recognized at cost, which at this point equates to fair value. The assets must also be measured subsequently at fair value. Any gains or losses arising from subsequent measurement are recognized in profit or loss. The main assets in the Group falling into this category are non-performing loans and receivables acquired for settlement because the Group manages these assets and measures their performance on the basis of fair value. For further information, please refer to “Accounting treatment of acquired portfolios” (section II.7.a). Derivative financial instruments that do not fall under the scope of hedge accounting in accordance with IAS 39 are also measured at fair value through profit or loss. They are used to hedge interest-rate related changes in the market values of NPL portfolios.

ii) Held-to-maturity financial assets

Financial assets must have a fixed maturity and a fixed schedule of payments if they are to be classified under this category. At every balance sheet date, it must be demonstrable that the company has the positive intention of continuing to hold these assets to maturity. Such assets are measured at cost or amortized cost. GFKL does not hold any assets in this category.

iii) Loans and receivables

This category covers loans and receivables recognized as a result of the provision of monies or services, or loans and receivables that the company has acquired. Such assets are initially recognized at cost and subsequently measured at amortized cost. The following balance sheet items fall into this category: “Other financial assets,” “Trade and other receivables” and “Cash and cash equivalents.”

iv) Available-for-sale financial assets

This category covers all remaining non-derivative financial assets not classified under one of the aforementioned categories. The financial assets recognized in this category are measured at fair value, both on initial recognition and subsequent measurement. Changes in the fair value of the assets are recognized directly in other comprehensive income in a revaluation reserve. When an asset is derecognized, this revaluation reserve must be reversed to the income statement. Unlike the prior year, GFKL had no assets in this category as of the balance sheet date.

v) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and other financial liabilities designated as “at fair value through profit or loss” on initial recognition. With the exception of financial derivatives with negative fair values that do not qualify for hedge accounting, GFKL did not hold any financial liabilities in this category as of the balance sheet dates.

vi) Financial liabilities at amortized cost

Following initial recognition, interest-bearing liabilities are measured at amortized cost. The balance sheet items falling into this category are as follows: “Liabilities to banks,” “Other financial liabilities,” and “Trade payables and other liabilities.”

c) Other significant accounting policies

Assets classified as held for sale and liabilities classified as held for sale

Non-current assets/liabilities classified as held for sale, together with assets/liabilities in a disposal group classified as held for sale, must be presented on the face of the balance sheet separately from other assets. Please see section III.12. (Disclosures regarding discontinued operations) for further information.

Trade and other receivables

Receivables are carried at the settlement amount and are due for payment within one year. Specific valuation allowances were recognized for receivables subject to a default risk.

Goodwill and impairment testing

Goodwill arising from a business combination is measured at cost on initial recognition. This goodwill cost equates to the excess of the cost of the business combination over the Group’s share in the fair value of the identifiable assets, liabilities and contingent liabilities acquired in the transaction. After initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is tested for impairment at least once a year and whenever new factors or changes in circumstances indicate that the carrying amount could be impaired.

Impairment tests require that the goodwill be allocated to one of the cash-generating units from the date the entity concerned is acquired. This applies regardless of whether other assets and liabilities of the acquired entity have already been allocated to these units. Any unit to which goodwill has been allocated represents the lowest level within the Group at which goodwill is monitored for internal management purposes.

Impairment is identified by determining the recoverable amount for the cash-generating unit. If the recoverable amount for the cash-generating unit is below its carrying amount, an impairment loss is recognized.

An impairment test was also carried out on the balance sheet date on all other assets where the factors specified by IAS 36.12 indicated that the asset could be impaired. At every balance sheet date, a test is carried out to establish whether there are indications that the reasons for an impairment loss recognized in prior periods no longer exists or could have diminished. If such indications are found to exist, the recoverable amount of the asset concerned is estimated. Any previously recognized impairment loss must then be reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset must be increased to the recoverable amount. The increased carrying amount of this asset must not exceed the carrying amount that would have been determined (net of amortization/depreciation) had no impairment loss been recognized for the asset in prior years.

Other assets

Other assets and other rights are reported at amortized cost. Intangible assets and property, plant and equipment are carried at cost less amortization/depreciation. Borrowing costs are added to the cost of an asset, provided it is a qualifying asset pursuant to IAS 23. Amortization/depreciation is recognized on a straight-line basis over a period that reflects the standard useful life of these assets in the industry. These amortization/depreciation periods are as follows: internally developed software, 4 to 6 years; other intangible assets, 3 to 10 years; vehicles, 5 years; and other office furniture and equipment, 2 to 15 years. Residual values of assets, useful lives and amortization/depreciation methods are reviewed at the end of each fiscal year and adjusted where required.

Taxes

Consolidated tax group

GFKL Financial Services Aktiengesellschaft forms a consolidated tax group for trade tax and corporate income tax purposes through control and profit and loss transfer agreements with the following companies: Domnowski Inkasso GmbH, Proceed Collection Services GmbH, Proceed Portfolio Services GmbH, Sirius Inkasso GmbH, Zyklop Inkasso Deutschland GmbH and GFKL Collections GmbH.

As of December 31, 2014, the following companies formed a consolidated tax group for value-added tax (VAT) purposes with the parent: Domnowski Inkasso GmbH, Proceed Portfolio Services GmbH, Proceed Collection Services GmbH, Sirius Inkasso GmbH, Zyklop Inkasso Deutschland GmbH and GFKL Collections GmbH. Due to the sale of SBL Mobilien GmbH on December 29, 2014, this company is no longer included in the consolidated tax group as of December 31, 2014.

Current taxes

Current income tax refund claims and income tax liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The calculation of the amount is based on the tax rates and tax legislation in force on the balance sheet date.

Deferred taxes

Deferred taxes are recognized using the balance sheet liability method for all temporary differences as of the balance sheet date between the carrying amounts of assets and liabilities on the balance sheet and their corresponding tax base. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, as yet unused tax loss carryforwards and unused tax credits to the extent that it is probable that taxable income will be available against which the deductible temporary differences and as yet unused tax loss carryforwards and tax credits can be utilized.

Deferred tax assets and liabilities are measured using the tax rates expected to apply in the period in which the asset will be realized or the liability settled. These rates are based on tax rates and tax regulations enacted or announced as of the balance sheet date.

Income taxes that relate to items recognized directly in equity or in other comprehensive income are themselves recognized directly in equity or in other comprehensive income and not in the income statement.

Deferred tax assets and deferred tax liabilities are netted if the Group has an enforceable right to offset current tax assets against current tax liabilities and these deferred tax assets and liabilities relate to income tax in the same taxable entity levied by the same tax authority. Current and non-current deferred tax assets and liabilities are recognized as a net item under non-current liabilities.

VAT

Income, expenses and assets are recognized net of VAT, except:

- Where the VAT incurred on purchased goods and services cannot be reclaimed from the tax authorities, in which case the VAT is recognized as part of the cost of the asset or as an expense.
- Receivables and liabilities are stated with the amount of VAT included.

The VAT amount reclaimable from, or payable to, the tax authorities is reported under receivables or liabilities in the balance sheet.

Provisions

As specified by IAS 37, a provision is recognized if there is a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense in connection with the recognition of a provision is recognized in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in provisions due to the passage of time is recognized as an interest expense.

Provisions for pensions—

GFKL provides defined benefit pension plans. Provisions for pensions are calculated pursuant to IAS 19. Actuarial models are used to calculate the provisions for pensions and the related pension expenses. These calculations use various assumptions such as current actuarial probabilities (discount factors, increase in cost of living, etc.), assumptions regarding turnover based on age and years of service as well as experience-based assumptions concerning the probability of occurrence of pension payments, annuity payments or endowment payments. The probabilities used in the inputs may deviate from actual developments due to changes in market and economic conditions. Sensitivity analyses are used to determine the financial effects of the deviations in the significant inputs.

Liabilities

Loans are initially recognized at the fair value of the consideration received after deducting any transaction costs incurred in taking out the loan. Interest-bearing liabilities are carried at the expected settlement amount including the accrued interest. Non-interest bearing liabilities arise in the form of trade payables and other liabilities.

Treasury shares

Treasury shares include all shares for which GFKL AG issued a cash settlement offer as part of the merger with ABIT AG in 2006. For the recognition of these shares, it is irrelevant as to whether they have already been tendered to GFKL AG. For those shares not yet tendered, a liability has been recognized under other financial liabilities. Proceedings are pending with regard to the settlement amount.

Cash flow and fair value hedges

Derivative financial instruments are used for hedging. As of the balance sheet date, they relate both to hedging the risk of a change in the fair value of a recognized asset or a recognized liability and to hedging the risk of variability in cash flows.

Such derivative financial instruments are initially recognized at fair value on the date on which the contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of a derivative are recognized immediately in profit or loss.

Foreign currencies

The consolidated financial statements are presented in euros, which is the Group's functional and presentation currency. Transactions denominated in foreign currency are initially translated into the functional currency at the spot rate on the day of the transaction. Monetary assets and liabilities denominated in foreign currency are translated at the closing rate. Exchange differences are recognized in profit or loss.

d) Income statement

The income statement is prepared using the nature of expense method.

Revenue

Revenue is recognized as soon as it is probable that the economic benefit will flow to GFKL and the amount of the revenue can be reliably determined.

Income in respect of non-performing loans and receivables acquired for settlement is reported under revenue. This revenue relates to changes in fair values, arising primarily from the income from the investment in the receivable and any income derived from ongoing servicing.

8. Consolidation disclosures

a) Basis of consolidation

The basis of consolidation has changed as follows compared to December 31, 2013:

The company acquired shares in intratech GmbH, Cologne, effective as of June 30, 2014. Its share capital amounts to €25k. The shares acquired as of the date of sale are equivalent to a 42.6% stake in the share capital of intratech GmbH. The purchaser is INKASSO BECKER WUPPERTAL GmbH & Co. KG, a wholly owned subsidiary of GFKL Financial Services Aktiengesellschaft, Essen. In addition, a resolution was approved to increase intratech GmbH's share capital by €4,260 to €29,260. Following the capital increase, INKASSO BECKER WUPPERTAL GmbH & Co. KG 51.0% holds of intratech GmbH' share capital. The capital increase was entered in the commercial register on July 28, 2014. The purpose of intratech GmbH is the development of software interpretations, network administration, services related to office management, assembly and installation of computer systems and other technical equipment as well as all kinds of related business. Effective as of July 1, 2014, Walter Süss, Elchesheim-Illingen, was appointed as an additional general manager of intratech GmbH.

GFKL Service Center GmbH, Gelsenkirchen, was established on May 12, 2014. Its share capital amounts to €25k. The entry in the commercial register was made on June 27, 2014. The entity renders commercial and organizational services including IT-related work for other companies. The entity's general manager is Marc-Ulrich Knothe, Vienna, Austria.

The company acquired all the shares in Deutsche Multiauskunftei GmbH, effective as of October 27, 2014. Deutsche Multiauskunftei with its registered office in Karlsruhe is an established consulting firm and a credit information agency. Contrary to conventional credit information agencies, it has no credit rating information of its own, but rather serves as a central interface to leading information agencies in Germany, Austria and Switzerland.

The company Universal Lease Iberia Properties S.L., Seville, Spain, was liquidated with effect from December 18, 2014.

The company sold all its shares in Multigestión Portfolio S.L., Madrid, with effect from December 30, 2014.

The company sold all its shares in SBL Mobilien GmbH, Essen, effective as of December 31, 2014.

The significant assets and liabilities of the entities sold in fiscal year 2014 break down as follows:

in €k	Deconsolidated assets and liabilities
Other receivables and assets	3 915
Cash and cash equivalents	1 347
Subtotal	**5 263**
Other liabilities	1 435
Provisions	1 762
Net assets	**2 066**

in €k	Deconsolidated assets and liabilities
Cash outflow from the disposal of companies:	
Cash deconsolidated with the subsidiary	–1 347
Cash flow (balance)	**–1 347**

The balance of cash inflows and outflows from disposals of companies consists of the cash and cash equivalents received until December 31, 2014 net of the cash and cash equivalents held by the sold companies on the disposal date.

The assets acquired and liabilities assumed from intratech GmbH (ITT) and Deutsche Multiauskunftei GmbH (DMA) break down as follows:

Assets acquired and liabilities assumed

	Acquisition-date fair value	
in €k	ITT	DMA
Assets		
Property, plant and equipment	25	0
Intangible assets	3 081	490
Inventories	70	0
Receivables and other financial assets	307	2
Cash and cash equivalents	96	18
	3 578	**511**
Liabilities		
Non-current financial liabilities	437	0
Deferred tax liabilities	662	109
Other liabilities	763	2
	1 862	**111**
Total identifiable net assets at fair value	**1 717**	**400**
Goodwill arising on acquisition	502	0
Non-controlling interests	837	0
Total consideration	**1 381**	**400**

In the first half of 2014, the consolidated financial statements do not include any proceeds or profits or losses of intratech GmbH (date of first-time consolidation is June 30, 2014). Proceeds or profits or losses of Deutsche Multiauskunftei GmbH are only included from the date of first-time consolidation (October 27, 2014). No information is provided on proceeds or profits or losses from January 1, 2014 because financial statements for intratech GmbH and Deutsche Multiauskunftei GmbH have only been prepared in accordance with GFKL's accounting policies since GFKL obtained control of the entities.

From June 30, 2014, consolidated profit/loss for the period includes revenue of intratech GmbH of €1.7 million and earnings of –€0.1 million.

From the date of first-time consolidation of Deutsche Multiauskunftei GmbH consolidated profit/loss for the period includes revenue of €53k and earnings of –€6k.

b) Principles of consolidation

The separate financial statements for all the companies included in the consolidated financial statements are prepared to the balance sheet date of the consolidated financial statements. Uniform accounting policies are applied to all these financial statements.

The acquisition of subsidiaries consolidated up to 2003 was accounted for in accordance with IAS 22. Subsidiaries acquired after March 31, 2004 were accounted for in accordance with IFRS 3 and IFRS 3 (2008) on the basis of the fair value of the acquired identifiable assets and liabilities. On first-time consolidation in each case, the carrying amount of GFKL Financial Services Aktiengesellschaft's investment was offset against its share of equity in the subsidiary concerned. Intragroup receivables and liabilities between fully consolidated companies are netted, any residual differences being consolidated to the extent required. In the consolidation of income and expense, internal revenue and intragroup income and expense is eliminated, as is any intragroup profit or loss arising from transactions between consolidated companies. Deferred taxes had to be recognized as a result of the use of uniform group accounting policies, the consolidation of intercompany balances and the elimination of intercompany profits and losses; these items were grouped together with the deferred taxes from the separate financial statements.

9. Business risks and capital management

a) Business risks

The business risks in the GFKL Group are described in the risk report. For further information, please refer to the details in the management report, which includes disclosures in accordance with IFRS 7.31-42 and further disclosures as part of the description of the risk management system.

b) Capital management

The objective of capital management is to ensure that the GFKL Group has an equity capital base appropriate to the risk structure of the business. This is a precondition that must be satisfied if GFKL is to have sufficient access to funds on money and capital markets at all times. The GFKL Group is not subject to regulatory capital requirements. However, the Risk Control department reviews economic capital adequacy internally on a continuous basis. For the purposes of capital management, the loans from Carl Holding GmbH are managed in the same way as equity. The loans amounted to €57.4 million as of December 31, 2014.

Any emerging capital requirement is identified at an early stage; appropriate corporate action is then decided and implemented.

GFKL AG does not make use of preferred shares.

III. Balance sheet disclosures

1. Property, plant and equipment

Property, plant and equipment developed as follows:

in €k	Other office furniture and equipment	Advance payments made
Cost		
Balance as of January 1, 2014	9 263	0
Additions from business combinations	25	0
Additions	2 329	44
Reclassifications	44	–44
Disposals	2 729	0
Balance as of December 31, 2014	**8 933**	**0**
Accumulated depreciation and impairment losses		
Balance as of January 1, 2014	6 909	0
Additions	831	0
Disposals	2 607	0
Balance as of December 31, 2014	**5 133**	**0**
Residual carrying amounts as of December 31, 2014	**3 799**	**0**

In the prior year, changes were as follows:

in €k	Other office furniture and equipment	Advance payments made
Cost		
Balance as of January 1, 2013	10 734	0
Reclassification to non-current assets classified as held for sale	2 061	0
Additions	996	206
Reclassifications	206	–206
Disposals	612	0
Balance as of December 31, 2013	**9 263**	**0**
Accumulated depreciation and impairment losses		
Balance as of January 1, 2013	8 139	0
Reclassification to non-current assets classified as held for sale	1 814	0
Additions	932	0
Write-down due to impairment test	179	0
Disposals	527	0
Balance as of December 31, 2013	**6 909**	**0**
Residual carrying amounts as of December 31, 2013	**2 354**	**0**

Office furniture and equipment was acquired at a cost of €661k (prior year: €328k) in the current fiscal year in connection with a project to install an emergency computer center at the location in Essen. In addition, the move to the new service center in Gelsenkirchen necessitated the purchase of new office furniture and equipment. The related cost was €50k (prior year: €286k). Leasehold improvements were made in Gelsenkirchen as part of the relocation. The related cost was €53k (prior year: €109k).

As part of the relocation of GFKL's Essen operations, new office furniture and equipment was acquired at a cost of €1.1 million and leasehold improvements were made at a cost of €0.2 million. In addition, in preparation for the move, the company scrapped office furniture and equipment that cost €1.9 million and leasehold improvements that cost €0.8 million. At the time of scrapping, the assets in question had been largely written off.

Depreciation is recognized on a straight-line basis over the useful lives of the assets, which is 3 to 15 years for other office furniture and equipment.

Additions from business combinations relate to other office furniture and equipment of intratech GmbH.

2. Intangible assets

Intangible assets developed as follows:

in €k	Purchased software	Internally developed software	Customer relationships	Advance payments made
Cost				
Balance as of January 1, 2014	18 910	3 984	11 319	153
Additions from business combinations	2 393	0	1 178	0
Additions	699	395	0	1 457
Reclassifications	66	40	0	–107
Disposals	383	0	0	0
Balance as of December 31, 2014	**21 685**	**4 419**	**12 497**	**1 504**
Accumulated amortization and impairment losses				
Balance as of January 1, 2014	12 035	3 984	2 192	0
Additions	1 429	57	1 520	0
Disposals	379	0	0	0
Balance as of December 31, 2014	**13 085**	**4 041**	**3 712**	**0**
Residual carrying amounts as of' December 31, 2014	**8 600**	**378**	**8 785**	**1 504**

In the prior year, changes were as follows:

in €k	Purchased software	Internally developed software	Customer relationships	Advance payments made
Cost				
Balance as of January 1, 2013	19 207	3 984	14 569	85
Reclassification to non-current assets classified as held for sale	697	0	3 250	0
Additions	131	0	0	826
Reclassifications	758	0	0	–758
Disposals	489	0	0	0
Balance as of December 31, 2013	**18 910**	**3 984**	**11 319**	**153**
Accumulated amortization and impairment losses				
Balance as of January 1, 2013	11 642	3 984	3 144	0
Reclassification to non-current assets classified as held for sale	578	0	2 514	0
Additions	1 450	0	1 561	0
Disposals	479	0	0	0
Balance as of December 31, 2013	**12 035**	**3 984**	**2 192**	**0**
Residual carrying amounts as of December 31, 2013	**6 875**	**0**	**9 127**	**153**

Software is amortized on a straight-line basis over its estimated useful life or remaining useful life, which may be a period of between 3 and 10 years.

In the current fiscal year, IT software was acquired at a cost of €0.7 million. This software is mostly software to optimize GFKL's internal processes and procedures. By contrast, licenses costing €0.4 million that were no longer required were returned.

In addition, a subsidiary of GFKL AG developed its own software to expand the system landscape for upstream credit checks on customers. Moreover, internally developed software was acquired in the acquisition of intratech GmbH and Deutsche Multiauskunftei GmbH. Deutsche Multiauskunftei GmbH's internally developed software routes queries from customer systems in real time to the desired external data sources, standardizes the different information codes used by the credit agencies (e.g., in relation to credit information) and forwards this information as well as the raw data from the data sources used back to the customer system. In addition, customers of Deutsche Multiauskunftei GmbH have the option to have specific rules stored in the entity's system in order to take external data sources into account in their credit risk processes, e.g., in the form of a query cascade. The cost of this internally developed software comes to €0.5 million. intratech GmbH's internally developed software forms the basis of its entire business operations and allows for the placement of auxiliary business involving hardware installations and office administration, which is now increasingly becoming the focus of attention. Since the entity's formation, various modules tailored in particular to the needs of the fitness sector have been developed. The cost of this internally developed software comes to €1.9 million.

Additions to advance payments largely comprise IT software to optimize GFKL's internal processes and procedures.

In addition, contractual and non-contractual customer relationships at a cost of €1.2 million were allocated upon the purchase of intratech GmbH.

The customer relationships allocated to GFKL Collections GmbH upon its acquisition in 2012 are being amortized over a useful life of 8.5 years. Apart from goodwill, there are no intangible assets with indefinite useful lives. The contractual and non-contractual customer relationships acquired upon purchase of intratech GmbH are being amortized over a useful life of 10 years.

3. Goodwill

This balance sheet item comprises goodwill in the cash-generating units. The reconciliation of the carrying amounts of goodwill at the beginning and end of the reporting period as well as the distribution over the cash-generating units is presented below.

in €k	Goodwill
Cost	
Balance as of January 1, 2013	39 838
Reclassification to non-current assets classified as held for sale	15 586
Balance as of December 31, 2013	**24 252**
Acquisition of subsidiaries	502
Balance as of December 31, 2014	**24 754**
Write-downs and impairment losses	
Balance as of January 1, 2013	4 210
Reclassification to non-current assets classified as held for sale	3 481
Balance as of December 31, 2013	**729**
Impairment losses	2 440
Balance as of December 31, 2014	**3 169**
Carrying amounts as of December 31, 2013	**23 523**
Carrying amounts as of December 31, 2014	**21 585**

in €k	Dec. 31, 2014	Dec. 31, 2013
Zyklop Inkasso Deutschland GmbH	10 102	12 542
GFKL Collections GmbH	4 253	4 253
Domnowski Inkasso GmbH	3 410	3 410
Proceed Collection Services GmbH	3 318	3 318
intratech GmbH	502	0
Total	**21 585**	**23 523**

Please refer to section III.12. (Disclosures on discontinued operations) with respect to the “Reclassifications to non-current assets held for sale” and the development of the goodwill of the Multigestión Group.

There was no allocation of goodwill to groups of cash-generating units.

An impairment test must be carried out at least once a year to verify that the carrying amount of goodwill is recoverable. Impairment tests were carried out on December 31, 2014 for those cash-generating units that included goodwill and the goodwill was measured at the recoverable amount.

Since there was no active market for any of the cash-generating units, the recoverable amount was determined on the basis of value in use calculated using a discounted cash flow analysis (DCF). The cash flows used in the analysis for the calculation of the value in use were derived from a five-year financial plan for the GFKL Group based on IFRS requirements. At the receivables management companies, the planned cash flows were taken from the performance of the managed portfolios recognized in the financial statements as well as from future planned portfolios. The discount rate for the detailed planning period was determined using the weighted average cost of capital (WACC) and, before tax, amounts to some 11.5% (prior year: 13.8%) for the receivables management segment in Germany. The weighted average cost of capital is a composite rate derived from the weighted cost of equity and debt; it reflects the average cost of capital in a company taking into account the company’s financing structure. A standard growth discount of 0.7% (prior year: 0.7%) on the discount rate after tax was applied in determining the discount rate for the subsequent period. The carrying amount of the cash-generating units (including goodwill) in the GFKL Group amounted to a total of €39.3 million (prior year: €37.4 million), whereas the corresponding recoverable amount was €167.8 million (prior year: €46.7 million).

An impairment loss of €2.4 million was recognized on the goodwill of ZYKLOP INKASSO DEUTSCHLAND GmbH. Negative developments in financial planning or the discount rate would lead to a further reduction in goodwill.

Cash flow planning is primarily driven by a significant increase in revenue coupled with fixed costs growing at a lower rate or remaining constant in some areas. The Executive Board sees particular growth potential for receivables management services in the areas of telecommunications, energy supply and public sector, with the outsourcing efforts on the part of customers in particular also offering growing potential. Significant growth is also expected in e-commerce in subsequent years. The reduction of relative costs is based on the further optimization of operational processes as well as the synergy effects resulting from the centralization of service functions in the company in 2014.

In fiscal year 2013, the entire amount of the remaining goodwill of €12.1 million attributable to the Multigestión Group was written off. These impairment losses are presented under discontinued operations.

4. Non-performing loans and receivables acquired for settlement

The following table shows the total of current and non-current non-performing loans and receivables acquired for settlement:

in €k	Dec. 31, 2014	Dec. 31, 2013
Secured, terminated loans	4 033	3 860
Unsecured, terminated loans	34 961	31 020
Unsecured, overdue other receivables	63 820	65 812
Total	**102 814**	**100 692**

For 2014, non-performing loans and receivables acquired for settlement broken down by residual maturity were as follows:

	Residual maturity			
in €k	Less than 1 year	1 to 5 years	More than 5 years	Total
Non-performing loans and receivables acquired for settlement	43 356	51 920	7 538	102 814

For the prior year, residual maturities were as follows:

	Residual maturity			
in €k	Less than 1 year	1 to 5 years	More than 5 years	Total
Non-performing loans and receivables acquired for settlement	41 011	51 455	8 226	100 692

The changes in non-performing loans and receivables acquired for settlement were as follows:

in €k	2014	2013
Opening balance	100 692	116 771
Reclassification to assets classified as held for sale	0	4 103
Acquisitions	27 774	26 064
Disposals	1 725	6 030
Subtotal	**126 740**	**132 702**
Payment receipts	90 010	85 884
Investment income	13 054	13 434
Service income	33 825	32 968
Repayment	**43 131**	**39 481**
Write-ups	27 018	26 343
Impairment expense	–7 813	–18 872
Measurement at fair value	**19 205**	**7 471**
Closing balance	**102 814**	**100 692**

In the current fiscal year, GFKL generated income of €67.6 million (prior year: €53.9 million) from the non-performing loans and receivables acquired for settlement.

The disposals are attributable to the return of receivables that did not meet the contractually agreed requirements.

Measurement at fair value is set out in detail below:

in €k	2014	2013
Additional amounts collected	8 104	10 048
Correction of direct write-downs	43	0
Plan adjustments	17 005	14 036
Changes in market interest rates	1 865	2 259
Write-ups	**27 018**	**26 343**
Shortfall in amounts collected	–1 585	–2 615
Direct write-downs	–639	0
Plan adjustments	–4 112	–11 902
Service cost adjustments	–472	–220
Changes in market interest rates	–1 005	–4 136
Impairment expense	**–7 813**	**–18 872**
Total changes in value	**19 205**	**7 471**

The items “Additional amounts collected” and “Shortfall in amounts collected” show deviations between actual payment receipts and planned payment receipts. For changes made in relation to future expected payment receipts, the adjustments are reported under “Plan adjustments.”

The “Changes in market interest rates” item relates to changes in value attributable to interest rates. Unrealized gains and losses relate to changes from plan adjustments and changes in market interest rates.

Scenario calculations simulate the effects of changes in the input factors used to determine the fair value of the NPL portfolio investments. There are three input factors, the sensitivity of which is shown in the table below. If there is a shift in the term structure of interest rates, an interest rate of less than zero is not taken into account.

Please refer to section II.6. (Significant accounting judgments).

Input factor	Change	Simulated change in value
Cash flow	+/– 10%	+/– €9.85 million
Cost rate	+/– 5%	–/+ €7.83 million
Term structure	+ 1%	– €2.34 million
Term structure	– 1%	+ €0.90 million

5. Derivatives with positive and negative fair values

As of the balance sheet date, interest rate swaps with a total negative fair value of €1.9 million (prior year: €2.0 million) were held. There were still no interest rate swaps with positive fair values. The purpose of the swaps was to hedge changes in the value of NPL portfolios caused by changes in interest rates and to provide refinancing. These interest rate derivatives were not designated as hedges for hedge accounting purposes because changes in the fair value of the derivatives offset changes in the fair value of the NPL portfolios caused by interest rate changes.

There are derivatives which in terms of value and maturity hedge over half the nominal value of the newly concluded facility A. They were not designated as hedges for hedge accounting purposes (IAS 39).

The residual maturity was determined on the basis of the residual maturities of the derivatives.

6. Other financial assets

Financial assets break down as follows:

in €k	Dec. 31, 2014	Dec. 31, 2013
Miscellaneous non-current financial assets	8 392	78

in €k	Dec. 31, 2014	Dec. 31, 2013
Total other non-current financial assets	**8 392**	**78**
Cash reserve	38	39
Miscellaneous financial assets	12 860	12 593
Total other current financial assets	**12 897**	**12 632**
Total	**21 290**	**12 710**

The miscellaneous financial assets mainly relate to guarantee claims for which the GFKL Group makes advance payment and which are settled through the servicing of the receivables.

7. Deferred tax assets and liabilities

The deferred tax assets in the balance sheet largely arose from the measurement of tax loss carryforwards. Deferred tax assets whose recoverability was not already guaranteed by the availability of deferred tax liabilities of the same amount were measured using a forecasting process. Overall, loss carryforwards were measured, and related deferred tax assets of €8.0 million (prior year: €12.2 million) were then recognized. The losses relate to GFKL Financial Services Aktiengesellschaft, Essen. No losses from the period prior to the change in shareholders in December 2009 were recognized as deferred tax assets.

The deferred tax liabilities are chiefly due to the valuation of NPL portfolios.

The following table shows the main accounting areas for which deferred taxes arise from temporary differences:

in €k	Dec. 31, 2014	Dec. 31, 2013
NPL measurement	–16 972	–17 286
Derivatives	590	653
Intangible assets	–3 602	–2 812
Provisions	1 832	1 200
Trade receivables/payables	513	1 794
Elimination of intercompany balances	–1 116	–1 244
Loss carryforwards	7 996	12 174
Other	55	428
Balance of deferred taxes	**–10 704**	**–5 093**

The table below shows the changes in deferred taxes:

in €k	2014	2013
Deferred tax assets	0	516
Deferred tax liabilities	–5 093	–4 809
Opening balance	**–5 093**	**–4 293**
Reclassification to assets classified as held for sale and liabilities classified as held for sale	0	–516
Change in equity	710	–67
Addition from business acquisitions	–771	0
Change arising from current results	–5 551	217
Change in the period	**–5 611**	**–800**
Deferred tax assets	0	0
Deferred tax liabilities	–10 704	–5 093
Closing balance	**–10 704**	**–5 093**

For further information, please refer to the disclosures under section IV.9. (Income taxes).

8. Inventories

Inventories mainly relate to IT hardware and access systems for customers of intratech GmbH.

9. Trade and other receivables

The item mainly relates to receivables from customers for services.

in €k	Dec. 31, 2014	Dec. 31, 2013
Expenses from the collection process	2 341	2 348
Refund claims from other taxes	1 528	2 454
Prepaid expenses and other items	1 338	1 300
Trade receivables	5 741	6 283
Specific valuation allowances on receivables	–187	–2 250
Total	**10 761**	**10 136**

Valuation allowances are recognized on a case-by-case basis on separate valuation allowance accounts. Uncollectible receivables are directly written off and thereby derecognized, taking into account valuation allowances previously recognized. The decrease in valuation allowances is mainly attributable to the sale of SBL Mobilien GmbH.

10. Income tax refund claims

The income tax refund claims mainly relate to the retrospective recognition of the tax group for Proceed Portfolio Services GmbH, Essen, for the years 2004 to 2006.

11. Cash and cash equivalents

Cash and cash equivalents primarily comprise credit balances on current accounts and short-term deposits. The balance (> €5.0 million) on the cash pool master account bears interest on the basis of EONIA. This account had a balance of €3.0 million as of the balance sheet date. Balances on other accounts, which do not bear interest, came to €8.3 million. Of these cash and cash equivalents, €24.4 million (prior year: €19.8 million) are earmarked funds, which relate to pass-through obligations from portfolio management and administered trust accounts.

12. Disclosures on discontinued operations

Assets and liabilities related to discontinued operations are recognized in the items “Assets classified as held for sale” and “Liabilities classified as held for sale” and comprised the assets and liabilities of the Spanish operations held for sale as of December 31, 2013. This segment comprised the following entities held for sale: Multigestión Portfolio S.L., Multigestión Cartera 2004 S.A.U., Multigestión Iberia S.A.U. and CORPORACIÓN DE GESTIÓN Y ASESORAMIENTO DE SERVICIOS Y FINANZAS ASOCIADOS S.A.U.

The following table shows the breakdown of assets classified as held for sale:

in €k	Dec. 31, 2013
Property, plant and equipment	221
Intangible assets	806
Non-performing loans and receivables acquired for settlement	3 911
Trade and other receivables	2 734
Other financial assets	417
Deferred tax assets	1 483
Cash and cash equivalents	1 861
Assets classified as held for sale	**11 433**

Liabilities classified as held for sale broke down as follows:

in €k	Dec. 31, 2013
Liabilities to banks	13
Other provisions	238
Deferred tax liabilities	380
Trade payables and other liabilities	1 415
Other financial liabilities	2 604
Liabilities classified as held for sale	**4 650**

In the fiscal year, the Spanish business segment classified as held for sale was sold.

Please refer to section IV.10. for more information on discontinued operations.

13. Share capital

As of the balance sheet date, share capital amounted to €25,883,790.00. It is divided into 25,883,790 no-par value bearer shares.

14. Capital reserves

The objective of the regulations governing statutory reserves and capital reserves is to ensure that capital is preserved and thus to protect creditors by creating restricted assets above and beyond the assets required to cover share capital. These restricted assets may be used to offset losses without affecting the assets covering share capital. The assets are restricted in the sense that the relevant amounts cannot be made available for dividend distributions. In fiscal year 2010, the acquisition of shares in the Spanish companies achieved in stages by capital increase led to €91k being withdrawn from the capital reserves. This withdrawal was included in the deconsolidation carried out in the fiscal year.

The changes in capital reserves can be seen in the consolidated statement of changes in equity.

15. Hybrid capital

On June 28, 2012, a second loan agreement for a loan of €30,000,000.00 was concluded between GFKL Financial Services Aktiengesellschaft, Essen, as borrower and Carl Holding GmbH as lender. The loan has no fixed maturity date. However, GFKL adjusted the earliest possible repayment date to March 16, 2019 in connection with the new refinancing arrangement. The loan bears interest of 8% up to and including March 16, 2019 and is reported as equity due to the terms of the loan agreement.

16. Treasury shares

The shareholder meeting held on June 22, 2005 approved the merger of ABIT AG, Meerbusch, into GFKL Financial Services Aktiengesellschaft. The merger agreement between ABIT AG and GFKL Financial Services Aktiengesellschaft gave the former shareholders of ABIT AG, who became shareholders of GFKL Financial Services Aktiengesellschaft as a result of the merger with GFKL Financial Services Aktiengesellschaft, the right to offer their newly acquired GFKL Financial Services Aktiengesellschaft shares for sale to GFKL at a price of €13.93 per share. The merger came into effect upon entry in the commercial register of GFKL Financial Services Aktiengesellschaft on August 16, 2006. As of the balance sheet date, GFKL Financial Services Aktiengesellschaft had repurchased a total of 917,471 shares, which corresponds to a share of €917,471 (3.54%) of the share capital. As of the balance sheet date, GFKL Financial Services Aktiengesellschaft held these shares as treasury shares. The shareholder meeting held on August 15, 2012 resolved to authorize the purchase of treasury shares pursuant to Sec. 71 (1) No. 8 AktG [“Aktiengesetz”: German Stock Corporation Act].

Those shares not yet tendered are also disclosed under “Treasury shares” as a result of the cash settlement offer. This disclosure is accompanied by the recognition of the as yet untendered shares as debt (synthetic liability). Please refer to section III.23. (Other financial liabilities).

17. Retained earnings

Retained earnings relate to the statutory reserve of €38k (prior year: €38k) and profit participation capital of €26k (prior year: €26k). In the prior year, the item included the retained earnings of €33k which were created by the acquisition of the minority interests in Multigestión Portfolio S.L. and were included in the deconsolidation in the fiscal year.

18. Valuation reserves

In the fiscal year, this item included the valuation reserve for actuarial gains and losses. Please see section III.25. (Provisions for pensions) for further information.

19. Non-controlling interests

Non-controlling interests relate to the minority interests in intratech GmbH. In the prior year, the item related to minority interests in Universal Lease Iberia Properties S.L., which was liquidated in fiscal year 2014.

20. Conditional capital

The company had no conditional capital at its disposal as of the balance sheet date.

21. Authorized capital

The shareholder meeting held on July 14, 2010 authorized the Executive Board, subject to the consent of the Supervisory Board, to increase the share capital of the company by issuing up to 12,941,895 no-par value bearer shares for cash and/or non-cash contributions on one or more occasions up to July 13, 2015, subject to maximum total increase of €12,941,895.00. Existing shareholders are to be granted subscription rights. However, subject to the consent of the Supervisory Board, the Executive Board was authorized to exclude fractional amounts from the shareholders' subscription rights. The Executive Board is also authorized, subject to the consent of the Supervisory Board, to exclude these subscription rights if the capital increase is performed in return for non-cash contributions, in particular during the acquisition of entities, parts of entities, investments in entities or other assets including rights and receivables or as part of a business combination.

22. Liabilities to banks

The following table sets out the principal non-current and current liabilities to banks:

in €k Bank/arranging party	Type	Maturity	Base interest rate	Dec. 31, 2014	Dec. 31, 2013
Commerzbank, ING, NIBC	Syndicated credit facility	Sep. 16, 2018	EURIBOR various	71 870	0
BayernLB	Syndicated credit facility	Sep. 30, 2014	EURIBOR various	0	100 008
Total non-current liabilities to banks...				**71 870**	**100 008**

in €k Bank/arranging party	Type	Maturity	Base interest rate	Dec. 31, 2014	Dec. 31, 2013
Commerzbank, ING, NIBC	Syndicated credit facility	Sep. 16, 2018	EURIBOR various	7 540	0
BayernLB	Syndicated credit facility	Sep. 30, 2014	EURIBOR various	0	10 042
Total current liabilities to banks				**7 540**	**10 042**

The arrangement fees that related to the repayment of the old credit facility and the conclusion of the new syndicated loan and that fell due in connection with the syndicated credit facility at the beginning of the term were deducted from the loan amount in accordance with IAS 39. Using the effective interest method, the arrangement fees of €2.6 million are added back to the loan over its term, with the expense recognized in profit or loss.

GFKL's liabilities to banks are secured by senior notarized pledges of shares/limited partnership interests in the following entities:

– GFKL Financial Services Aktiengesellschaft, Essen

– INKASSO BECKER WUPPERTAL GmbH & Co. KG (including pledge of the shares in IBW Verwaltungs- und Beteiligungs GmbH), Wuppertal

– Proceed Collection Services GmbH, Essen

– Sirius Inkasso GmbH, Düsseldorf

– GFKL Collections GmbH, Potsdam

23. Other financial liabilities

Other financial liabilities break down as follows:

in €k	Dec. 31, 2014	Dec. 31, 2013
Liabilities arising from NPL portfolios	2 891	5 656
Liabilities to affiliates	20 686	20 055
Pass-through obligations arising from portfolio management	5 121	1 861
Other	3 971	3 205
Total non-current	**32 669**	**30 777**
Liabilities arising from NPL portfolios	10 128	9 851
Pass-through obligations arising from portfolio management	11 029	12 411
Employee-related liabilities	3 189	2 746
Liabilities arising from the cash settlement offer	7 307	7 104
Deferred income and other items	10 804	9 343
Total current	**42 457**	**41 456**
Total	**75 126**	**72 233**

The item liabilities arising from NPL portfolios relates to sold but not derecognized NPL exposures.

The non-current liabilities to affiliates relate to a loan from Carl Holding GmbH.

Pass-through obligations arising from portfolio management comprise payments received from debtors to be forwarded to customers. The increase in non-current pass-through obligations is attributable to the purchase by GFKL of the receivables contained in a service agreement.

The following table shows the principal liabilities of the Group as of December 31, 2014, by maturity:

in €k	Less than 1 year	Residual maturity 1 to 5 years	More than 5 years	Total
Liabilities to banks	7 541	71 870	0	79 411
Other financial liabilities	42 457	32 669	0	75 126
Trade payables and other liabilities	9 545	0	0	9 545
Total	**59 543**	**104 539**	**0**	**164 082**

24. Provisions

in €k	Other taxes	Interest (incidental tax expenses)	Warranties	Restructuring	Archiving	Other	Total
Opening balance	15 187	3 953	855	1 519	606	3 006	25 125
Reclassification	0	0	0	0	0	0	0
Allocation	26	1 643	2	657	4	598	2 929
Utilization	258	53	0	1 519	0	1 264	3 094
Reversal	10 720	410	270	0	236	847	12 483
Disposals from the sale of companies	129	57	0	0	17	0	202
Additions from business	0	0	36	0	12	0	48

in €k	Other taxes	Interest (incidental tax expenses)	Warranties	Restructuring	Archiving	Other	Total
combinations							
Closing balance	**4 106**	**5 076**	**623**	**657**	**368**	**1 493**	**12 323**
Current	4 106	5 076	623	657	66	1 154	11 682
Non-current	0	0	0	0	302	340	642
Closing balance	**4 106**	**5 076**	**623**	**657**	**368**	**1 493**	**12 323**

The item "Other taxes" mainly relates to provisions for VAT backpayments in connection with the purchase of distressed receivables and VAT backpayments due to the ongoing tax audit of €0.3 million (prior year: €0.6 million). By judgment dated October 27, 2011, the European Court of Justice ruled that the purchase of a portfolio of non-performing loans does not constitute a supply of services for consideration by the acquirer to the seller.

This judgment was mirrored by the German Federal Finance Court in its judgment dated January 26, 2012. However, the judgment also stated that the acquirer of the exposures could therefore not claim the deduction of input VAT in accordance with Sec. 15 UStG for the input transactions related to the acquisition and collection of the exposures. This means that the company would have to refund to the tax office the input VAT claimed for this line of business for the period starting from 2004.

However, an interpretative letter from the Federal Ministry of Finance is expected in the first half of 2015, containing a transitional arrangement for the application of the UStAE (part 2.4 UStAE) that is still in effect. The company recognized a provision of €7.3 million (prior year: €14.5 million, assuming that there will be no input VAT deduction) for VAT not paid in connection with purchases of exposures in the past.

Based on the aforementioned court rulings, the company reduced the input VAT deductions by a flat 30% in consultation with the tax authorities in 2012. These amounts were taken into account again during the preparation of the tax returns. The resulting claim of €3.4 million was offset against the aforementioned provision for the first time in 2014. As a result, the provision amounts to a total of €3.9 million plus €2.7 million in interest (prior year: €2.2 million in interest).

In addition to the abovementioned interest on VAT of €2.7 million, the provisioned interest for incidental tax expenses included other additional interest expenses for tax audits and income taxes of €0.2 million and €2.2 million, respectively.

The relief effects previously taken into account for income tax provisions of €2.4 million were released to profit or loss (see also section III.27. (Income tax provisions)).

As the tax authorities have still not made a final decision with regard to the above matter, this amount may change to the benefit or detriment of the company.

In addition, provisions for restructuring and provisions for archiving are recognized. The provisions are recognized in the amount of the expected obligation. They take into account all identifiable risks related to obligations of uncertain amount. Warranty provisions are mainly attributable to GFKL Financial Services Aktiengesellschaft. They were recognized partly for possible purchase price adjustments as a result of tax guarantees for sold subsidiaries. As they were no longer expected to be used, provisions of €270k were reversed in the reporting year.

€ 1.5 million of the provision recognized for the centralization of the companies' file archives in 2013 and for the severance of employees and Executive Board members was used in the reporting year. €0.7 million thereof related to the transfer of the outstanding potential liabilities from GFKL Financial Services Aktiengesellschaft, Essen, to the newly formed GFKL Service Center GmbH. In addition, severance payments of €0.2 million were made to departing employees.

The provisions for archiving costs arose because of the legal obligation to archive business documents for up to 20 years. The changes in other provisions over the fiscal year are shown in the following table. Changes in the discount rate resulted in a reversal of €0.2 million in the reporting period.

The "Other" item mainly comprises an allocation in connection with the acquisition of intratech GmbH by INKASSO BECKER WUPPERTAL GmbH & Co. KG and for potential payments under an existing lease. The utilization related in particular to expenses of €0.4 million incurred in connection with the sale of the Multigestión

Group and expenses of €0.6 million for an onerous contract. €0.6 million of the provision for the onerous contract and €0.1 million of the provision for the sale of the Multigestión Group were reversed to profit and loss.

Disposals from the sale of companies relate to the accounts of the sold SBL Mobilien GmbH. The provisions of GFKL Service Center GmbH, intratech GmbH and Deutsche Multiauskunftei GmbH are recognized under additions from business combinations on the date of first-time consolidation in the GFKL Group.

25. Provisions for pensions

GFKL has defined benefit pension obligations. Pension obligations—were calculated in accordance with the requirements set out in IAS 19. An interest rate of between 2.03% and 2.2% (prior year: 3.13% and 3.7%), depending on the group of beneficiaries, was used for this purpose. The defined benefit obligation arising from the defined benefit plans was determined in accordance with IAS 19.67-74. The calculations took into account estimated increases in pensions and salaries as well as an employee turnover rate. Pension increases were estimated at 1.5% (prior year: 1.5% to 2.5%), salary increases in a range from 0.0% to 2.0% (prior year: 0.0% to 2.0%), and the employee turnover rate in a range from 0.0% to 2.0% (prior year: 0.0% to 2.0%). The employee turnover rate, in particular, depends on the age of the pension beneficiaries. Mortality and invalidity rates were measured for the German companies using the 2005 G Heubeck mortality tables.

The pension plan for one of the former members of the Executive Board of GFKL Financial Services Aktiengesellschaft includes a retirement pension entitlement when the beneficiary reaches the age of 60. This retirement pension is equivalent to up to 75% of the average fixed salary over the five years immediately prior to retirement. The pension entitlement for two former employees of Domnowski Inkasso GmbH comprises a retirement pension to be paid when the beneficiary reaches the age of 65. Following the transfer of employees from the ERGO Group, Sirius Inkasso GmbH recognized provisions for pensions -for the first time in 2006. The pension entitlement comprises a lifelong retirement pension paid when the beneficiary retires from the service of the entity upon reaching the age of 65. A total of 13 employees at Sirius Inkasso GmbH have the benefit of this pension entitlement. Pension entitlements have also been granted to employees of Proceed Collection Services GmbH as a result of the transfer of 19 employees from Bayerische Hypo- und Vereinsbank AG (now UniCredit Bank AG).

The net liability is calculated as follows:

in €k	2014	2013	2012
Present value of unfunded defined benefit obligation	8 480	7 600	7 230
Plan assets	–3 189	–3 036	–2 843
Net liability	**5 291**	**4 564**	**4 386**

The following table shows the changes in the defined benefit obligation:

in €k	2014	2013
Opening balance of defined benefit obligation	**7 600**	**7 230**
Interest expense	262	253
Pension payments	–151	–151
Current service cost	66	66
Actuarial losses	2 189	202
Change in basis of consolidation	–1 485	0
Closing balance of defined benefit obligation	**8 480**	**7 600**

The plan assets offset against the defined benefit obligation are measured at fair value. The changes in plan assets were as follows:

in €k	2014	2013
Opening balance of plan assets	**3 036**	**2 843**
Net interest income	111	107
Actuarial gains/losses (–)	–85	–188
Contributions	127	141

in €k	2014	2013
Balance-dependent reclassification	0	132
Closing balance of plan assets	**3 189**	**3 036**

Since the plan assets have been pledged as collateral, they are netted against the present value of the unfunded defined benefit obligation. The plan assets are insurance policies entered into by GFKL. These assets have been pledged to the beneficiaries, resulting in a netting requirement under IAS 19. Contributions to the plan assets over the next year are expected to amount to €127k (prior year: €111k).

Disclosed provisions for pensions developed as follows in the fiscal year:

in €k	2014	2013
Opening balance	**4 564**	**4 386**
Payments arising from pension obligations	–151	–151
Allocation to defined benefit obligation	218	211
Allocation to plan assets	–127	–141
Actuarial gains (–)/losses	2 273	390
Balance-dependent reclassification	0	–132
Change in basis of consolidation	–1 485	0
Closing balance	**5 291**	**4 564**

For further disclosures regarding changes to the provisions for pensions recognized in profit or loss, please refer to section IV.4. (Personnel expenses and number of employees).

A quantitative sensitivity analysis of the key assumptions as of December 31, 2014 is as shown below:

in €k	Dec. 31, 2014	Dec. 31, 2013
Interest rate		
Increase 0.2% (prior year: 0.5%)	–357	–646
Decrease 0.2% (prior year: 0.5%)	342	710
Salary trend		
Increase 0.5%	116	91
Decrease 0.5%	–107	–86
Benefit trend		
Increase 0.5% (prior year: 1%)	646	1 181
Decrease 0.5% (prior year: 1%)	–577	–1 020

The sensitivity analyses above were determined based on a method that extrapolates the impact on the defined benefit obligation as a result of realized changes in key assumptions occurring at the end of the reporting period.

The following payments are expected contributions to be made in the future years out of the defined benefit plan obligation:

in €k	Dec. 31, 2014	Dec. 31, 2013
Within the next 12 months (next fiscal year)	83	153
Between 2 and 5 years	798	940
Between 5 and 10 years	1 334	1 671
More than 10 years	14 650	16 368
Total expected payments	**16 865**	**19 132**

The average duration of the defined benefit obligation at the end of the reporting period is 21 years.

26. Trade payables and other liabilities

This item comprises liabilities from other taxes, which include liabilities from wage and church taxes as well as social security and VAT liabilities. Advance payments received mainly relate to prepayments by customers for the collection process.

in €k	Dec. 31, 2014	Dec. 31, 2013
Liabilities from other taxes	1 967	1 700
Trade payables	3 506	2 735
Advance payments received	2 715	2 854
Deferred income and other items	1 357	1 219
Total	**9 545**	**8 509**

Income tax provisionsThe income tax provisions relate to provisions for corporate income tax and solidarity surcharge totaling €7.0 million (prior year: €4.8 million), trade tax of €7.5 million (prior year: €5.4 million) and provisions for the tax audit of €3.1 million (prior year: €4.0 million).

The increase in income tax provisions for corporate income tax, solidarity surcharge and trade tax is mainly due to the elimination (and recognition in profit or loss) of income tax relief effects from the recognition of VAT on NPL purchases.

IV. Income statement disclosures

1. Revenue

Revenue breaks down as follows:

in €k	2014	2013
Fees from the collection process	132 225	94 487
Cost refunds from the collection process	42 271	34 527
Revenue from acquired portfolios	67 555	61 365
Services and programming revenue	1 312	0
Maintenance revenue and royalties	394	0
Other	82	17
Total	**243 839**	**190 396**

Revenue is derived primarily from portfolio-related and performance-based fees for the management of receivables, the settlement of non-performing loans and receivables, realized surpluses on purchased overdue receivables that are supported by an enforcement judgment, and from the reimbursement of costs. The expenses incurred in connection with this revenue primarily relate to personnel expenses and other operating expenses, which are particularly shaped by reimbursed costs. In addition, the revenue from acquired portfolios represents the recognition of revenue from non-performing loans and receivables acquired for settlement. GFKL bears the entire risk of holding these portfolios. The recognized revenue reflects the change in the fair value of the recognized assets. The underlying measurement model is based on standard market terms and conditions.

Services and programming revenue as well as maintenance revenue and royalties relate to intratech GmbH which was acquired in fiscal year 2014.

2. Other operating income

Other operating income includes revenue from cost allocations, reversals of specific valuation allowances that were recognized in prior years and were no longer required as well as income from exchange differences. For more information on the reversal of provisions and accrued liabilities, please see section III.24. (Provisions).

Other operating income breaks down as follows:

in €k	2014	2013
Reversal of provisions and accrued liabilities	12 483	4 070
Income from the reversal of valuation allowances on receivables	817	936
Income from cost allocations and receipt of various fees	2	0

in €k	2014	2013
Income from exchange differences	2	4
Income from the disposal of non-current assets	6	15
Purchase price adjustments	0	3 804
Other income	2 746	2 239
Total	**16 055**	**11 069**

Please see section III.24. (Provisions) for further information regarding the reversal of provisions.

3. Cost of purchased goods and services

Cost of purchased goods and services is largely attributable to the acquisition of hardware and access systems at intratech GmbH.

4. Personnel expenses and number of employees

The following summary shows the change in the number of employees (full-time equivalents—FTEs), broken down by segment:

	2014	2013
Receivables management	698	709
Holding company	103	113
Continuing operations	**801**	**822**
Discontinued operations	0	196
Employees	**801**	**1 018**
thereof employees in Germany	*801*	*822*
Average number of employees	**806**	**1 033**

The average number of employees is determined on the basis of a monthly analysis. The employees in discontinued operations were those of the Spanish companies Multigestión Portfolio S.L., Multigestión Cartera 2004 S.A.U., Multigestión Iberia S.A.U. and CORPORACIÓN DE GESTIÓN Y ASESORAMIENTO DE SERVICIOS Y FINANZAS ASOCIADOS S.A.U.

Long-service bonus commitments have been made to some of the employees in the GFKL Group. The provision (€322k; prior year: €317k) was recognized based on the length of service to date, the current employee turnover rate, and a market-based discount rate.

For information on the severance of employees and Executive Board members, please see section III.24. (Provisions).

The following amounts were recognized in the income statement in respect of pensions obligations:

in €k	2014	2013
Current service cost	66	66
Interest income	–111	–107
Interest expense	262	253
Total	**218**	**211**

In addition to the expenses for pensions obligations, personnel expenses include employer contributions to the statutory pension insurance scheme in Germany. The German pension insurance scheme is classified as a defined contribution plan. The contributions paid amount to €2 927k (prior year: €2 878k).

Please see section III.25. (Provisions for pensions) for further information.

5. Depreciation, amortization and impairment expense

Depreciation, amortization and impairment expense relates to the depreciation and impairment of property, plant and equipment and the amortization and impairment of intangible assets. Please refer to the information under sections III.1. (Property, plant and equipment), III.2. (Intangible assets) and III.3 (Goodwill).

6. Other operating expenses

Other operating expenses break down as follows:

in €k	2014	2013
Costs of the collection process	139 638	102 639
Valuation allowances and write-downs on receivables	1 322	1 475
Valuation allowances and write-downs on financial assets	20	0
General and administrative expenses, contributions and rent	12 815	13 072
Personnel recruitment and freelancers	4 695	4 566
Consulting and auditing fees	3 089	4 225
Expense from the measurement of NPL receivables	286	6 560
Other taxes	137	0
Commissions, incidental refinancing costs	282	66
Expenses arising from the disposal of assets	118	2
Other operating expenses	1 377	1 965
Total	**163 779**	**134 570**

Costs of the collection process relate in particular to legal, court and dunning expenses as well as postage and other expenses incurred in the collection of receivables. The increase in expenses year on year is largely due to higher expenses for collection lawyers of €36.6 million.

The item “General and administrative expenses, contributions and rent” includes expenses from operating leases for vehicles and office equipment amounting to €3.1 million (prior year: €3.1 million).

Expenses from the measurement of NPL receivables relate to non-performing loans and receivables acquired for settlement which generated a negative profit contribution in the fiscal year, one reason for which being write-downs.

7. Interest and similar income

Interest and similar income mainly relates to the fair value measurement of derivatives.

8. Interest and similar expenses

Interest expenses arise mainly from loan liabilities of Carl Holding GmbH and expenses from fair value measurement as well as interest expenses from derivatives.

9. Income taxes

Group tax expense is calculated using a tax rate of around 32% (prior year: 32%). This tax rate is also used for the calculation of deferred taxes.

The following table shows the tax reconciliation:

in €k	2014	2013
Earnings before income tax	28 380	6 908
Expected income taxes	**9 002**	**2 191**
Modification of the determination of taxable income	914	327
Measurement and utilization of loss carryforwards	5	318
Out-of period taxes	2 674	–8 987
Permanent effects	–2 043	–1 423
True-up/valuation allowances	447	0
Other	28	38

in €k	2014	2013
Effective income taxes	**11 027**	**–7 536**

The modification to the determination of taxable income relates in particular to add-backs of non-tax deductible expenses of GFKL Financial Services Aktiengesellschaft.

Out-of-period taxes mainly relate to the elimination (and recognition in profit or loss) of income tax effects from the recognition of VAT on NPL purchases.

The permanent effects largely concern the interest on the hybrid loan from the shareholder and the recognition of equity investments.

The tax expenses are as follows:

in €k	2014	2013
Current taxes	2 802	1 234
Current taxes from prior years	2 674	–8 987
Deferred taxes	5 551	217
Total	**11 027**	**–7 536**

10. Discontinued operations

The sale of the Spanish companies of the GFKL Group planned in fiscal year 2013 made it necessary to apply IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. In the current reporting period, the sale of the Spanish companies was completed as of December 30, 2014. The profit/loss from these operations is included in the profit/loss from discontinued operations in the income statement.

Information on results and cash flows from discontinued operations is provided below. The results generated in both periods covered are presented on a separate line in the income statement.

For the purposes of presentation in accordance with IFRS 5.33, intragroup balances and transactions between discontinued and continuing operations are not consolidated if it is probable that the business relationships will be continued after the disposal.

The depreciation/amortization of non-current assets of discontinued operations was suspended.

The result from discontinued operations breaks down as follows:

in €k	2014	2013
Discontinued operations income	6 410	13 845
Discontinued operations expenses	6 738	13 300
thereof in respect of affiliates	*260*	*260*
Earnings before tax	**–328**	**545**
Taxes on earnings	89	–117
Profit/loss from measurement/deconsolidation less costs to sell	–2 021	–12 585
Profit/loss from discontinued operations	**–2 260**	**–12 157**

in €k	2014	2013
Cash flow from operating activities	–159	14 118
Cash flow from investing activities	5 699	–56
Cash flow from financing activities	–6 175	–15 763
Total	**–635**	**–1 702**

In the prior year, assets and liabilities related to discontinued operations were recognized in the items “Assets classified as held for sale” and “Liabilities classified as held for sale” (section III.12.) and comprise the assets and liabilities of the operations held for sale as of December 31, 2013.

V. Other disclosures

1. Basic/diluted earnings per share and dividends

Earnings per share are calculated on the basis of the profit attributable to the equity holders of the parent and the number of outstanding shares in the Group's parent, GFKL Financial Services Aktiengesellschaft. As of December 31, 2014, the average number of shares was 24,783,567 (prior year: 24,783,567). Treasury shares (1,100,223 shares; prior year: 1,100,223 shares) are not taken into account in the calculation of earnings per share.

The average number of shares is derived from the number of shares in GFKL Financial Services Aktiengesellschaft including the issue of new shares. In order to determine diluted earnings per share, the shares not yet tendered under the cash settlement offer and the corresponding interest must be taken into account.

Beginning of period	End of period	No. days	No. shares	Weighting
Jan. 1, 2014	Dec. 31, 2014	365	24 783 567	24 783 567
Total/average:		**365**		**24 783 567**

Basic earnings per share were calculated by dividing the profit attributable to the equity holders of the parent by the weighted average number of shares, as follows:

	Dec. 31, 2014	Dec. 31, 2013
Profit/loss from continuing operations after non-controlling interests in €k	17 332	14 457
Profit/loss from discontinued operations in €k	–2 260	–12 157
Profit/loss attributable to equity holders of the parent in €k	**15 073**	**2 301**
Weighted number of shares	24 783 567	24 783 567
Earnings per share in €	**0.61**	**0.09**

Diluted earnings per share was calculated as follows:

	Dec. 31, 2014	Dec. 31, 2013
Profit/loss from continuing operations after non-controlling interests in €k	17 411	14 541
Profit/loss from discontinued operations in €k	–2 260	–12 157
Profit/loss attributable to equity holders of the parent in €k	**15 151**	**2 384**
Weighted number of shares	25 001 088	25 005 526
Earnings per share in €	**0.61**	**0.10**

The profit/loss used for determining diluted earnings per share is adjusted for interest expenses and corresponding taxes for outstanding share repurchases of €78k (prior year: €84k). The weighted average number of shares is influenced by the number of shares outstanding as of January 1, 2014 from the cash settlement offer to former ABIT shareholders. The required issue of new ordinary shares at the current share price that would be necessary to settle the outstanding amount under the cash settlement offer is determined in this context.

As for 2013, there are no plans to distribute a dividend for 2014.

2. Additional disclosures on financial instruments

The following table shows the breakdown of assets and liabilities as of December 31, 2014 by IAS 39 category:

in €k	Category	Carrying amounts	Fair values
Assets			
Loans and receivables	LaR	67 794	67 794
Held-to-maturity investments	HtM	0	0
Available-for-sale financial assets	AfS	0	0
Financial assets at fair value through profit or loss	FAaFV	102 814	102 814

in €k	Category	Carrying amounts	Fair values
Liabilities			
Financial liabilities at amortized cost	FLAC	164 082	164 082
Financial liabilities at fair value through profit or loss	FLaFV	1 860	1 860

GFKL holds financial instruments in the categories "Loans and receivables" and "Financial assets at fair value through profit or loss." In the "Financial assets at fair value through profit or loss" category, the carrying amount is equal to the fair value because these items are recognized at market value. In the case of financial instruments in the "Loans and receivables" category, the carrying amount is also equal to the fair value because these items are recognized at the expected settlement amount taking into account appropriate valuation allowances. Assets and liabilities are mostly subject to floating-rate interest. An exception is the fixed-rate subordinated loan from Carl Holding GmbH, which is non-current.

As of December 31, 2013, the breakdown is as follows:

in €k	Category	Carrying amounts	Fair values
Assets			
Loans and receivables	LaR	81 058	81 058
Held-to-maturity investments	HtM	0	0
Available-for-sale financial assets	AfS	0	0
Financial assets at fair value through profit or loss	FAaFV	100 692	100 692
Liabilities			
Financial liabilities at amortized cost	FLAC	190 791	190 791
Financial liabilities at fair value through profit or loss	FLaFV	2 059	2 059

NPL portfolios and derivatives that do not qualify for hedge accounting are recognized in the "Financial assets at fair value through profit or loss" and "Financial liabilities at fair value through profit or loss" categories. Derivatives fall under Level 2 of the fair value hierarchy in IFRS 7; NPL portfolios under Level 3.

The derivatives recognized (Level 2) relate exclusively to interest rate swaps that GFKL concludes with its banking partners in OTC trade. In order to recognize the fair value of these derivatives, the fair value calculation performed by GFKL as of the balance sheet date is used, which is based on the customary market method and is regularly compared with fair value calculation provided by the counterparties. The fair value of interest rate swaps is determined by discounting expected future cash flows over the residual term of the contract based on current market rates and the term structure of interest rates.

Please see section II.7.a (Accounting treatment of acquired portfolios) for more information on the valuation techniques for determining the fair value of the NPL investments.

The "Financial liabilities at amortized cost" are mostly floating-rate loans. There is no evidence that the agreed credit spreads have changed significantly since the loans were entered into. Thus the carrying amounts remain equivalent to the fair values of the financial liabilities.

As of December 31, 2014, the breakdown of contributions to net gain/loss by IAS 39 category was as follows:

in €k Category	Interest income	Interest expenses	Fees	Impairment losses and reversals of impairment losses	Net gain/loss
LaR	1	2	–565	123	**–443**
HtM	0	0	0	0	**0**
AfS	0	0	0	0	**0**
FAaFV	0	0	0	66 690	**66 690**
FLAC	376	12 420	0	130	**–11 914**
FLaFV	25	1 275	0	0	**–1 251**

As of December 31, 2013, the amounts were as follows:

in €k Category	Interest income	Interest expenses	Fees	Impairment losses and reversals of impairment losses	Net gain/loss
LaR	4	0	–489	10	**–475**
HtM	0	0	0	0	**0**
AfS	0	0	0	0	**0**
FAaFV	0	0	0	53 062	**53 062**
FLAC	0	10 183	0	56	**–10 127**
FLaFV	53	2 837	0	0	**–2 784**

As part of refinancing arrangements for securitization transactions, various financial assets were pledged to third parties as collateral. The changes in financial assets pledged as collateral were as follows:

in €k	Dec. 31, 2014	Dec. 31, 2013
Assigned NPL portfolios	13 066	26 446
Total	**13 066**	**26 446**

There are no financial instruments that include multiple embedded derivatives.

For disclosures on compliance with the terms and conditions of loan agreements, please refer to the information on capital management under section II.9. (Business risks and capital management).

The following table shows the fair values of derivative financial instruments. A distinction is made between the derivatives depending on whether they form part of an effective hedge in accordance with IAS 39.

in €k	Dec. 31, 2014	Dec. 31, 2013
Derivative financial instruments with negative fair values —not designated as part of a hedge relationship	–1 860	–2 058

There were no derivative financial instruments to hedge fair value risks in accordance with IAS 39 either as of the current or prior-year balance sheet date. It was not possible to apply the rules of hedge accounting to the derivatives as of December 31, 2014. Derivative financial instruments with a negative fair value of €1,460k are held to hedge against fluctuations in the fair value of the NPL portfolios arising from changes in the general level of interest rates. Derivative financial instruments with a negative fair value of €400k are held to hedge against changes in value from refinancing arising from changes in the general level of interest rates.

3. Derecognition of assets

Refinancing of NPL portfolios

Some NPL portfolios are refinanced by the sale of these portfolios to special purpose entities. In this case, the assets are not derecognized, nor is it necessary to recognize any continuing involvement. GFKL retains substantially all the risks and rewards of the NPL portfolio through the subordinated financing of the special purpose entity and the settlement terms for incoming payments from debtors. The assets continue to be recognized under “Non-performing loans and receivables acquired for settlement” (€46.1 million; prior year: €24.3 million) and the liabilities under “Other financial liabilities” (€13.0 million; prior year: €15.8 million).

4. Contingent liabilities

In connection with Multigestión Cartera’s NPL sale to Alkali Investments II SARL, Luxembourg, there is a continued liability of €2.3 million until December 31, 2015.

5. Other financial obligations

The following tables set out the expected changes in rent obligations for company offices, in the lease obligations for vehicles, IT and communications equipment the company uses itself and in maintenance agreement obligations.

As of December 31, 2014, the Group had the following financial obligations:

in €k	In the following year	1 to 5 years	More than 5 years
Rent	2 972	7 803	4 626
Maintenance agreements	358	197	0
Operating leases	2 073	2 224	350

As of December 31, 2013, the financial obligations were as follows:

in €k	In the following year	1 to 5 years	More than 5 years
Rent	2 913	1 429	0
Maintenance agreements	259	283	0
Operating leases	300	201	0

GFKL enters into leases for vehicles and communications and IT equipment that it uses itself in the course of its business. These leases are operating leases as defined by IAS 17.

6. Auditor's fees

The group auditor's fees for the fiscal years break down as follows:

in €k	2014	2013
Audit services	225	249
Audit-related services	147	210
Tax services	85	92
Other services	420	165
Total	**876**	**715**

VI. Cash flow statement disclosures

The cash flow statement shows how the cash and cash equivalents in the GFKL Group changed during the course of the year under review as a result of cash inflows and outflows. Cash flows in the cash flow statement are broken down by operating, investing and financing activities (IAS 7).

In the receivables management segment, GFKL's activities include the acquisition and settlement of NPL portfolios for its own account. The related cash flows are separated and allocated to the cash flow from investing activities (acquisition of portfolios), cash flow from financing activities (financing of NPL investments) and cash flow from operating activities (recovery of payments from servicing). This means that cash is allocated more accurately.

The following specific disclosures are made

1. Cash and cash equivalents comprised cash amounting to €35.7 million (prior year: €60.1 million). €24.4 million (prior year: €19.8 million) of this amount is earmarked funds as of December 31, 2014. Cash and cash equivalents in the cash flow statement correspond to the cash and cash equivalents in the balance sheet and do not contain any cash from discontinued operations (prior year: €1.9 million).
2. The cash flow from operating activities is primarily shaped by the payments received for NPL portfolios (€90.0 million; prior year: €88.7 million).
3. As of December 31, 2014, the Group's cash flow from operating activities amounted to €36.9 million (prior year: €53.3 million).
4. The cash flow from investing activities of –€29.7 million (prior year: –€22.1 million) includes payments for the purchase of NPL portfolios, property, plant and equipment, intangible assets, changes in loans granted, payments received from the disposal of assets and acquisitions and disposals of companies and shares. The cash flow from investments in NPL portfolios amounted to –€27.8 million (prior year: –€26.1 million). Please see section II.8.a (Basis of consolidation) for further information on cash flows from corporate transactions.

5. Apart from the repayment of loans as well as the repayment of the old syndicated loan and the raising of the new syndicated loan, the cash flow from financing activities of –€31.6 million (prior year: –€9.3 million) comprised cash received from the financing of NPL portfolios (€16.6 million; prior year: €18.3 million).

6. In the period under review, the Group generated cash flow from interest paid of €11.1 million (prior year: €8.8 million) and interest received of €42k (prior year: €1.3 million). The cash flow from income taxes was –€0.3 million (prior year: –€0.1 million).

VII. Events after the balance sheet date

In February 2015, an agreement concerning the sale of an insolvency claim contained in a secured portfolio with a carrying amount of €3.8 million was concluded. The purchase price amounts to €4.6 million and includes interest claims as well as the principal claim itself. A guarantee of €0.6 million was given by the GFKL Group on the interest claims.

There were no other events after the balance sheet date which would have had an effect on the consolidated financial statements as of December 31, 2014.

VIII. Related party relationships and Executive Board and Supervisory Board disclosures

1. Related parties

Carl Holding GmbH, a subsidiary of Advent International, is the majority shareholder with a stake of 97.95%. The following tables show transactions with related parties. In the tables, individual dealings, whether recognized in profit or loss or recognized directly in equity, have been aggregated under “Transactions.” The tables do not include any disclosures regarding the remuneration paid to the members of the Executive Board and Supervisory Board. These disclosures are set out in detail under section VIII.2. (Executive Board and Supervisory Board disclosures).

Liabilities and transactions relating to services received break down as follows:

	Transactions		Balances	
	2014	2013	Dec. 31, 2014	Dec. 31, 2013
Advent International	1 631	1 590	20 686	20 055
Equity holders with a significant influence	**1 631**	**1 590**	**20 686**	**20 055**
Related parties of the equity holder with a significant influence	**1 485**	**0**	**201**	**4**
Associates	0	0	0	0
Entities over which key persons have a significant influence	0	0	0	0
Other related parties	223	141	21	0
Total	**3 339**	**1 731**	**20 908**	**20 059**

Liabilities to Advent International are primarily due to loans granted by Carl Holding GmbH. Please also see section III.15. (Hybrid capital).

Receivables and transactions relating to services rendered break down as follows:

	Transactions		Balances	
in €k	2014	2013	Dec. 31, 2014	Dec. 31, 2013
Advent International	21	11	0	0
Equity holders with a significant influence	**21**	**11**	**0**	**0**
Related parties of the equity holder with a significant influence	**1 636**	**377**	**602**	**64**
Associates	0	0	0	0
Entities over which key persons have a significant influence	1	0	1 871	0
Management in key positions	1	1	0	0

	Transactions		Balances	
in €k	2014	2013	Dec. 31, 2014	Dec. 31, 2013
Total	**1 659**	**389**	**2 472**	**64**

The Executive Board members simultaneously hold investments in an Advent entity that indirectly holds shares in GFKL AG. The shares were acquired at market prices. This therefore did not have an effect on GFKL's profit or loss. Rather, the shareholders are entitled to any potential exit income. Management may not freely sell the shares.

SBL Mobilien GmbH and Multigestión Portfolio S.L. were sold to an entity over which a Supervisory Board member has a significant influence.

Related party transactions are conducted on an arm's length basis.

2. Executive Board and Supervisory Board disclosures

Over the past few years, the following gentlemen were members of the Executive Board:

Members of the Executive Board	Appointed on	Left on
Christoph Pfeifer, Oberursel	Nov. 12, 2012	______
Kamyar Niroumand (Chairman of the Executive Board), Berlin	Oct. 1, 2012	______
Marc Knothe, Vienna	May 1, 2011	______

The following table shows the total remuneration paid to the Executive Board and in the remuneration entitlement for the members of the Supervisory Board specified by the articles of incorporation in the year under review:

in €k	2014	2013
Current remuneration	1 880	1 887
Executive Board remuneration	**1 880**	**1 887**
Supervisory Board remuneration	92	92
Total remuneration	**1 972**	**1 979**

A pension obligation in favor of a former member of the Executive Board resulted in expenses of €0k in the reporting period (prior year: €68k). Please see section III.25. (Provisions for pensions) for further information.

In the past two years, the Supervisory Board members were:

Members of the Supervisory Board	Joined on	Left on
Nicole Linke, Mülheim an der Ruhr (employee representative)	Aug. 15, 2012	
Hans-Hermann Lotter, Frankfurt am Main (Chairman)	Dec. 15, 2009	
Wilhelm Plumpe, Hamburg (Deputy Chairman)	Dec. 15, 2009	

Essen, March 31, 2015

sgd Kamyar Niroumand
(Chairman of the
Executive Board)

sgd Marc Knothe
(Member of the
Executive Board)

sgd Christoph Pfeifer
(Member of the
Executive Board)

Translation of the German-language auditor's report, which refers to the audit of the German-language consolidated financial statements and the German-language group management report of GFKL Financial Services AG, Essen, as of and for the year ended December 31, 2013 as a whole

Auditor's report

We have audited the consolidated financial statements prepared by GFKL Financial Services Aktiengesellschaft, Essen, comprising the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in equity, the cash flow statement and the notes to the consolidated financial statements, together with the group management report for the fiscal year from January 1 to December 31, 2013. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs [International Financial Reporting Standards] as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ["Handelsgesetzbuch": German Commercial Code] is the responsibility of the company's management. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Essen, April 17, 2014

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Pfeiffer	Uhl
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

GFKL Financial Services Aktiengesellschaft, Essen

Consolidated Balance Sheet as of December 31, 2013 (in accordance with IFRSs)[1]
in €k

	Notes	Dec. 31, 2013	Dec. 31, 2012
ASSETS			
Non-current assets			
Property, plant and equipment	III.1.	2 354	2 595
Intangible assets	III.2.	16 156	19 074
Goodwill	III.3.	23 523	35 628
Non-performing loans and receivables acquired for settlement	III.5.	59 681	70 897
Other financial assets	III.7.	78	2 574
Deferred tax assets	III.8.	0	516
		101 793	**131 285**
Current assets			
Non-performing loans and receivables acquired for settlement	III.5.	41 011	45 874
Trade and other receivables	III.9.	10 136	13 490
Income tax refund claims	III.10.	4 630	1 354
Other financial assets	III.7.	12 632	21 588
Cash and cash equivalents	III.11.	58 212	38 174
		126 620	120 481
Assets classified as held for sale	III.12.	11 433	0
		138 053	**120 481**
Total assets		**239 846**	**251 765**
EQUITY AND LIABILITIES			
Equity			
Share capital	III.13.	25 884	25 884
Capital reserves	III.14.	51 668	51 668
Hybrid capital	III.15.	33 852	31 246
Treasury shares	III.16.	–17 890	–17 890
Retained earnings	III.17.	97	64
Valuation reserves	III.18.	–1 291	–1 377
Net retained loss		–98 881	–98 576
Equity attributable to equity holders of the parent		–6 561	–8 981
Non-controlling interests	III.19.	–100	–54
Total equity		**–6 661**	**–9 034**
Non-current liabilities			
Liabilities to banks	III.22.	100 008	108 266
Derivatives with negative fair values	III.6.	1 616	2 785
Other financial liabilities	III.23.	30 777	32 661
Provisions	III.24.	1 019	2 527
Provisions for pensions	III.25.	4 564	4 386
Deferred tax liabilities	III.8.	5 093	4 809
		143 077	155 434
Current liabilities			
Liabilities to banks	III.22.	10 042	14 037
Derivatives with negative fair values	III.6.	443	1 227
Trade payables and other liabilities	III.26.	8 509	12 816
Other financial liabilities	III.23.	41 456	33 061

	Notes	Dec. 31, 2013	Dec. 31, 2012
Income tax provisions	III.27.	14 224	18 384
Provisions	III.24.	24 107	25 840
		98 780	105 366
Liabilities classified as held for sale	III.12.	4 650	0
		103 430	105 366
Total liabilities		**246 507**	**260 800**
Total equity and liabilities		**239 846**	**251 765**

1 Prior-year figures were adjusted due to the first-time application of IAS 19R.

GFKL Financial Services Aktiengesellschaft, Essen

Consolidated Income Statement for the Period from January 1 to December 31, 2013 (in accordance with IFRSs)[1] in €k

	Notes	Jan. 1 to Dec. 31, 2013	Jan. 1 to Dec. 31, 2012
Revenue	IV.1.	190 396	156 976
Other operating income	IV.2.	11 069	9 017
Personnel expenses	IV.3.	43 951	43 384
Depreciation, amortization and impairment expense	IV.4.	3 850	3 991
Other operating expenses	IV.5.	134 570	125 328
Interest and similar income	IV.6.	2 642	902
Interest and similar expenses	IV.7.	14 828	14 651
Profit/loss from investments accounted for using the equity method	IV.8.	0	56
Earnings/loss before tax		**6 908**	**–20 403**
Income taxes	IV.9.	–7 536	413
Profit/loss from continuing operations		**14 444**	**–20 817**
Profit/loss from discontinued operations	**IV.10.**	–12 157	–3 174
Consolidated profit/loss for the period		**2 288**	**–23 991**
Profit attributable to non-controlling interests		0	1
Loss attributable to non-controlling interests		13	6
Profit/loss attributable to equity holders of the parent		**2 301**	**–23 986**
Earnings per share from continuing operations in € (after non-controlling interests)			
Basic	V.1.	0,58	–0,84
Diluted	V.1.	0,58	–0,83
Earnings per share from discontinued operations in € (after non-controlling interests)			
Basic	V.1.	–0,49	–0,13
Diluted	V.1.	–0,49	–0,13

1 Prior-year figures were adjusted.

GFKL Financial Services Aktiengesellschaft, Essen

Consolidated Statement of Comprehensive Income for the Period from January 1 to December 31, 2013 (in accordance with IFRSs)
in €k

	Notes	Jan. 1 to Dec. 31, 2013	Jan. 1 to Dec. 31, 2012
Consolidated profit/loss for the period		**2 288**	**–23 991**
Result from the valuation reserve for financial instruments	III.18.	542	1 394
Result from deferred taxes for financial instruments	III.8.	–172	–442
Items that may be reclassified to profit or loss in the future		**370**	**952**
Actuarial gains and losses on pension plans	III.18., III.25.	–390	–2 033
Deferred taxes on actuarial gains and losses from pension plans	III.18., III.25.	106	645
Items that will not be reclassified to profit or loss in the future		**–284**	**–1 388**
Other comprehensive income		**86**	**–436**
Total comprehensive income		**2 374**	**–24 427**
Thereof attributable to:			
Equity holders of the parent		2 387	–24 422
Non-controlling interests		–13	–5

GFKL Financial Services Aktiengesellschaft, Essen

Consolidated Statement of Changes in Equity for the Period from January 1 to December 31, 2013 (in accordance with IFRSs)[1] in €k

Notes	Share capital III.13.	Capital reserves III.14.	Hybrid capital III.15.	Treasury shares III.16.	Retained earnings III.17.	Valuation reserve for actuarial gains and losses III.18., III.25.	Valuation reserve for financial instruments III.18.	Currency translation	Net retained profit/loss	Equity attributable to equity holders of the parent	Non-controlling interests III.19.	Total equity
As of January 1, 2012 before adjustment ..	**25 884**	**51 668**	**0**	**–17 890**	**64**		**–1 32**	**0**	**–73 34**	**–14 9**	**–4**	**–14 988**
Effects from first-time application of IAS 19R....	**0**	**0**	**0**	**0**	**0**	**38**		**0**		**3**	**0**	**38**
As of January 1, 2012 after adjustment ..	**25 884**	**51 668**	**0**	**–17 890**	**64**	**38**	**–1 32**	**0**	**–73 34**	**–14 5**	**–4**	**–14 60**
Other comprehensive income	0	0	0	0	0	–1 38	95	0		–4	0	–430
Consolidated profit/loss for the period	0	0	1 246	0	0			0	–25 23	–23 9	–	–23 99
Total comprehensive income...	**0**	**0**	**1 246**	**0**	**0**	**–1 38**	**95**	**0**	**–25 23**	**–24 4**	**–**	**–24 42**
Contribution.......	0	0	30 000	0	0			0		30 0	0	30 000
As of December 31, 2012	**25 884**	**51 668**	**31 246**	**–17 890**	**64**	**–1 00**	**–37**	**0**	**–98 57**	**–8 9**	**–5**	**–9 034**
As of January 1, 2013 before adjustment ..	**25 884**	**51 668**	**31 246**	**–17 890**	**64**		**–37**	**0**	**–98 57**	**–7 9**	**–5**	**–8 02**
Effects from first-time application of IAS 19R....	**0**	**0**	**0**	**0**	**0**	**–1 00**		**0**		**–1 0**	**0**	**–1 00**
As of January 1,	**25 884**	**51 668**	**31 246**	**–17 890**	**64**	**–1 00**	**–37**	**0**	**–98 57**	**–8 9**	**–5**	**–9 034**

Notes	Share capital III.13.	Capital reserves III.14.	Hybrid capital III.15.	Treasury shares III.16.	Retained earnings III.17.	Valuation reserve for actuarial gains and losses III.18., III.25.	Valuation reserve for financial instruments III.18.	Currency translation	Net retained profit/loss	Equity attributable to equity holders of the parent	Non-controlling interests III.19.	Total equity
2013 after adjustment ..												
Other comprehensive income	0	0	0	0	0	–28	37	[illegible]		[illegible]	[illegible]	8
Consolidated profit/loss for the period	0	0	2 605	0	0			[illegible]	–30	2 3	–1	2 28
Total comprehensive income ...	**0**	**0**	**2 605**	**0**	**0**	**–28**	**37**	[illegible]	**–30**	**2 3**	**–1**	**2 37**
Acquisition of non-controlling interests........	0	0	0	0	33			[illegible]		[illegible]	–3	0
As of December 31, 2013	**25 88**	**51 66**	**33 85**	**–17 89**	**9**	**–1 2**		[illegible]	**–98 88**	**–6 5**	**–10**	**–6 66**

[1] Prior-year figures were adjusted due to the first-time application of IAS19R.

GFKL Financial Services Aktiengesellschaft, Essen

Consolidated Cash Flow Statement for the Period from January 1 to December 31, 2013 (in accordance with IFRSs)[1] in €k

		Notes	Jan. 1 to Dec. 31, 2013	Jan. 1 to Dec. 31, 2012
1.	**Operating activities**			
	Profit/loss from continuing operations		14 444	–20 817
	Profit/loss from discontinued operations		–12 157	–3 174
	Consolidated profit/loss for the period		**2 288**	**–23 991**
	Non-cash items included in consolidated profit/loss for the period and reconciliation to cash flow from operating activities			
+	Depreciation, amortization and impairment expense		16 307	8 895
+	Accounting losses from the disposal of property, plant and equipment/intangible assets		2	107
–	Gain from the disposal of property, plant and equipment/intangible assets		–15	0
+/–	Change in provisions		–10 519	8 733
+/–	Change in deferred taxes		–368	–4 724
–/+	Repayments and changes in value of NPL portfolios		32 202	34 402
	Changes in balances in the period			
–/+	Trade and other receivables		620	5 586
+/–	Trade payables and other liabilities		–437	–1 611
–/+	Changes in other net assets		13 233	–9 118
=	**Cash flow from operating activities**	VI.3.	**53 312**	**18 279**
2.	**Investing activities**			
+	Cash received from the disposal of property, plant and equipment/intangible assets		6	147
–	Acquisition of property plant and equipment/intangible assets		–2 063	–2 872
+	Cash received from transferred receivables		0	24 600
–	Cash paid for loans granted and other financial investments		0	–500
–	Investment in NPL portfolios		–26 064	–16 487
+	Divestment of NPL portfolios		6 030	1 952
–	Acquisition of companies and shares less net cash acquired		0	–23 279
+/–	Sale of companies and shares less net cash sold		0	467
+	Cash received from the sale of financial assets		0	1 500
–	Acquisition of financial assets		0	–13
=	**Cash flow from investing activities**	VI.4.	**–22 090**	**–14 483**
3.	**Financing activities**			
+	Cash received from the issue of equity instruments		0	30 000
–	Repurchase of shares from former ABIT shareholders		–11	–20
–	Repayment of bank loans		–14 492	–25 785
+	Cash received from financing for NPL portfolios		18 321	0
–	Repayment of financing for NPL portfolios		–13 142	–28 416
=	**Cash flow from financing activities**	VI.5.	**–9 324**	**–24 221**
4.	**Development of liquidity**			
	Cash and cash equivalents at the beginning of the period		38 174	58 599
+	Change in cash and cash equivalents		21 897	–20 424
=	**Cash and cash equivalents at the end of the period**		**60 072**	**38 174**
5.	**Composition of cash and cash equivalents**[2]	VI.1.		
	Cash		**60 072**	**38 174**

	Notes	Jan. 1 to Dec. 31, 2013	Jan. 1 to Dec. 31, 2012
thereof restricted cash		19 796	20 346

1 Prior-year figures were adjusted.

2 Cash and cash equivalents as of December 31, 2013 include the cash from assets classified as held for sale of €1,861k.

Translation from the German language

GFKL Financial Services Aktiengesellschaft, Essen

Notes to the consolidated financial statements as of December 31, 2013 (in accordance with IFRSs)

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Translation from the German language

GFKL Financial Services Aktiengesellschaft, Essen

Notes to the consolidated financial statements as of December 31, 2013 (in accordance with IFRSs)

I. General comments

GFKL Financial Services Aktiengesellschaft, Essen, is the parent of the GFKL Group. The company's registered offices are at Limbecker Platz 1 in Essen, Germany. It is entered in the commercial register of the Local Court of Essen under HRB No. 13522. Carl Holding GmbH, Frankfurt am Main,—a subsidiary of Advent International Corp., Boston—is the majority shareholder with a stake of around 92.8%. GFKL is a financial services provider in the receivables management segment. Please refer to the management report for further information on operating activities.

The consolidated financial statements for fiscal year 2013 were authorized for issue by the Executive Board on April 17, 2014.

Domnowski Inkasso GmbH, Proceed Collection Services GmbH, Proceed Portfolio Services GmbH, Sirius Inkasso GmbH, Zyklop Inkasso Deutschland GmbH and GFKL Collections GmbH, formerly SNT Inkasso & Forderungsmanagement GmbH, have been included in full in the consolidated financial statements of GFKL. Indirect or direct control and profit and loss transfer agreements have been concluded with all of the aforementioned companies, which all make use of the exemption option specified in Sec. 264 (3) HGB ["Handelsgesetzbuch": German Commercial Code]. debifact Factoring GmbH & Co. KG and INKASSO BECKER Wuppertal GmbH & Co. KG have also been included in full in the consolidated financial statements of GFKL. They make use of the exemption option specified in Sec. 264b HGB.

II. Basis of presentation and accounting policies

1. Basis of presentation of the consolidated financial statements

The consolidated financial statements of GFKL Financial Services Aktiengesellschaft and its first and second-tier subsidiaries have been prepared in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU. In addition to GFKL Financial Services Aktiengesellschaft, the holding company, the GFKL Group includes 16 fully consolidated first and second-tier subsidiaries. An overview of all indirect and direct shareholdings is attached to these notes as an exhibit. Shareholdings are generally accounted for according to the voting shares in capital.

The consolidated financial statements are generally prepared using the cost method. However, non-performing loans and receivables acquired for settlement and derivative financial instruments are measured at fair value rather than at cost.

Unless stated otherwise, all figures are shown in thousands of euros (€k). All stated amounts have been individually rounded, which may give rise to minor discrepancies when these amounts are aggregated. In the notes, the figures as of December 31, 2013 are compared with those as of December 31, 2012.

2. Changes in accounting policies and disclosure

The planned sale of the Spanish companies of the GFKL Group make it necessary to apply IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

As they are separate major lines of business and thus discontinued operations, their current results and any gains on disposal have been presented in a separate section of the consolidated income statement.

3. Effects of new and amended IFRSs

a) Accounting standards implemented in the fiscal year

The International Accounting Standards Board (IASB) published various amendments to existing IFRSs and new interpretations.

GFKL applied the following new and revised IFRSs in fiscal year 2013:

IAS 1 *Presentation of Financial Statements*

As a result of changes to IAS 1 *Presentation of Items of Other Comprehensive Income*, the items of other comprehensive income that may be reclassified to profit or loss at a later date have to be presented separately from those items of other comprehensive income that will not be reclassified to profit or loss in the future.

IAS 19 (2011) *Employee Benefits*

Under the revised IAS 19 *Employee Benefits*, actuarial gains and losses have to be recognized directly and in full in other comprehensive income starting from January 1, 2013. The standard is applied retrospectively. As a result, equity decreased by €1.0 million as of December 31, 2012. Provisions for pensions increased by €1.5 million. Deferred tax liabilities declined by €0.5 million. Please see section II.7. (Significant accounting policies) and section III.25. (Provisions for pensions and) for more information.

The mandatory adoption in fiscal year 2013 of IFRS 7 *Financial Instruments: Disclosures—Offsetting Financial Assets and Financial Liabilities* and IFRS 13 *Fair Value Measurement* did not have any significant effect on the consolidated financial statements of GFKL other than additional disclosures in the notes.

b) Accounting standards that have been issued but are not yet to be implemented

In addition to the above applicable IFRSs, other standards and interpretations were published, some of which have been endorsed by the EU, but will not become mandatory until a later date.

Standard	Interpretation	Issued by the IASB	Application required from	Endorsed by the EU	Effects
IFRS 7/ IFRS 9	Changes—disclosures: Temporal scope and transition provisions	Nov. 20, 2013	Jan. 1, 2013	No	No significant changes
IFRS 9	Financial Instruments: Classification and Measurement	Nov. 12, 2009/ Oct. 28, 2010	Jan. 1, 2015	No	No significant changes
IFRS 9	Financial Instruments: Hedges	Nov. 20, 2013	Jan. 1, 2013	No	Extended disclosures in the notes
IFRS 10	Consolidated Financial Statements: New provisions for full consolidation of subsidiaries	May 12, 2011	Jan. 1, 2014	Yes	No significant changes
IFRS 11	Joint Arrangements: New classification	May 12, 2011	Jan. 1, 2014	Yes	No significant changes
IFRS 12	Disclosure of Interests in Other Entities: Disclosures on consolidated and non-consolidated entities	May 12, 2011	Jan. 1, 2014	Yes	Extended disclosures in the notes
IFRS 10/ IFRS 11/ IFRS 12	Changes—transition provisions: Changes in transition guidance	Jun. 28, 2012	Jan. 1, 2014	Yes	No significant changes
IAS 19	Employee Benefits—Defined Benefit Plans: Employee contributions	Nov. 21, 2013	Jul. 1, 2014	No	No significant changes
IAS 27	Separate Financial Statements: Consequential amendments as a result of the new provisions for full consolidation under IFRS 10	May 12, 2011	Jan. 1, 2014	Yes	No significant changes
IAS 28	Investments in Associates and Joint Ventures: Consequential amendments due to the requirement to consolidate jointly controlled entities using the equity method and other changes	May 12, 2011	Jan. 1, 2014	Yes	No significant changes

Standard	Interpretation	Issued by the IASB	Application required from	Endorsed by the EU	Effects
IAS 32	Financial Instruments: Offsetting Financial Assets and Financial Liabilities	Dec. 16, 2011	Jan. 1, 2014	Yes	No significant changes
IAS 36	Impairment of Assets: Recoverable Amount Disclosures for Non- Financial Assets	May 29, 2013	Jan. 1, 2014	Yes	Changes to disclosures in the notes
IAS 39	Novation of Derivatives and Continuation of Hedge Accounting	Jun. 27, 2013	Jan. 1, 2014	Yes	No significant changes
IFRS (2010 to 2012)	Changes and clarifications to various IFRSs	Dec. 12, 2013	Jul. 1, 2014	No	No significant changes
IFRS (2011 to 2013)	Changes and clarifications to various IFRSs	Dec. 12, 2013	Jul. 1, 2014	No	No significant changes
IFRIC 21	Levies	May 20, 2013	Jan. 1, 2014	No	None

Voluntary early adoption of the standards is not planned, except for the changes to IAS 36 *Impairment of Assets.* Early application of the revised IAS 36 does not require GFKL to present a comparison of recoverable amount and goodwill for all cash-generating units.

4. Changes in accounting estimates

Changes relate in particular to the parameters of NPL measurement, which are regularly adjusted in line with the market and the determination of expected cash flows, which were also adjusted using the same estimation techniques. For more information on the adjustment of the parameters, please refer to section II.5. (Significant accounting estimates and assumptions) below and section III.5. (Non-performing loans and receivables acquired for settlement). No changes were made in estimation techniques in the year under review.

5. Significant accounting estimates and assumptions

The primary assumptions concerning future events and other key sources of estimation uncertainty as of the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are explained below.

Non-performing loans and receivables acquired for settlement

The current and non-current non-performing portfolios acquired for settlement contained loans and receivables valued at €100.7 million as of the balance sheet date (prior year: €116.8 million). The portfolios include distressed loan receivables and other distressed receivables that the Group acquires for settlement at a significant discount from the nominal amounts. Since there is no active market for these assets within the meaning of IFRS 13, they were measured using an investment model, which was also used to set the purchase price. The valuation model involves calculating expected proceeds and determining expected costs. Various valuation techniques may be applied to estimate recoverable payments on unsecured receivables. The valuation technique selected depends on the scope and quality of the data supplied by the seller and the type of receivable. In some cases, the results of different valuation techniques are compared and deviations in the results are analyzed. In doing so, the future estimated cash flows including service costs, refinancing costs, risk costs, and the calculated margin are discounted to obtain the price on the date of purchase.

To determine estimated cash flows from unsecured receivables, payment histories of similar portfolios are generally used during the measurement process.

In the case of secured receivables, emphasis is placed on measuring the value of the collateral, which primarily consists of mortgage liens on real property.

For both unsecured and secured receivables, the expected costs are calculated on the basis of the historical costs of the respective service company and estimated for the future. The relevant factors are the origin of the receivable, the number of individual receivables, their average volume, and the attainable level of servicing automation.

Goodwill impairment test

GFKL tests goodwill (€23.5 million; prior year: €35.6 million) for impairment at least once a year. This requires estimating the value in use of the cash-generating unit to which the goodwill has been allocated. To estimate value in use, the Group must estimate the expected future cash flows from that cash-generating unit as well as an appropriate discount rate in order to determine the present value of these cash flows. Please also refer to the disclosures under section III.3. (Goodwill).

Pension obligations

When measuring provisions for pensions (€4.6 million; prior year: €4.4 million), uncertainty exists in terms of measuring turnover, pension payment and salary trends, the discount rate, and life expectancy. Please also refer to the disclosures under section III.25. (Provisions for pensions).

6. Significant accounting judgments

Write-down of the receivable from Domusvenda S.A.

Due to differences of opinion between the joint venture partners concerning the management of the entity and the rights to information and due to differences in connection with the sale of two portfolios by Domusvenda S.A., Lisbon, Portugal, GFKL filed a number of actions before the courts in Portugal against its partner and against the general managers appointed by that partner. Moreover, the loans granted to Domusvenda and its subsidiaries for the purpose of acquiring NPL portfolios were called in.

The talks between Domusvenda and GFKL failed in mid-2011 because Domusvenda prevented the performance of the portfolio and corporate due diligence planned by GFKL.

In September 2011, Domusvenda then ceased making payments to GFKL under a payment agreement relating to a part receivable. Furthermore, GFKL received information on the economic development of Domusvenda and on significant changes in management and shareholders that prompted GFKL to file an application to open insolvency proceedings against the assets of Domusvenda S.A. in February 2012.

The above information formed the basis for a write-down on the remaining receivable to €1.3 million as of December 31, 2011. This amount reflects the liquidation value estimated by GFKL.

In addition, the carrying amount of the equity investment in Domusvenda Holding was written down to a pro memoria value of €1 as of December 31, 2011. The write-down came to €7.4 million.

In March 2013, a settlement was reached between the parties to the dispute related to the equity investment in Domusvenda S.A. The settlement included a set-off with liabilities of GFKL to Domusvenda S.A. of €1.3 million, an upfront payment of €0.4 million and other payments due at a later date of around €2.7 million. In return, GFKL relinquished its shares in and waived receivables from Domusvenda. In light of the upfront payment already received and pro rata payments totaling €0.3 million, allowances of €0.4 million were reversed in the consolidated financial statements as of December 31, 2012 and allowances totaling €0.3 million were reversed in the second to fourth quarters of 2013. The equity investment in Domusvenda S.A. was sold for its pro memoria value in connection with the settlement.

Acquisition of minority interests in Multigestión Portfolio S. L. by GFKL Financial Services AG

The remaining minority interests of 0.157% in Multigestión Portfolio S. L. held by Domusvenda S.A. were acquired by GFKL Financial Services AG in the second quarter.

Settlement reached in connection with the termination of the business relationship with a service provider

GFKL reached a settlement in the third quarter in connection with the termination of the business relationship with a service provider. Under the settlement, GFKL is required to pay an amount in the upper single-digit millions for collection fees from prior years. The amount is payable in six installments, the first of which was paid in the third quarter. The other installments are due in 2014 to 2017 and are included under liabilities.

Securitization of NPL portfolios

To diversify the financing structure, GFKL again made use of the capital market in 2013 in order to securitize non-performing loans. The objective was to establish a structure which, once successfully up and running, could be used to place further tranches in subsequent years.

NPL portfolios with a net present value totaling €25.1 million were thus securitized in the reporting period. With GFKL having acquired the junior tranche, this resulted in a net cash inflow of €18.3 million for the company in November 2013.

The plan is to use the established structure for two more securitizations in 2014. The next securitization took place in the first quarter of 2014 and the subsequent transaction is scheduled for the third quarter of 2014.

Write-down of NPL portfolios and recognition of a provision for VAT backpayments

By judgment dated October 27, 2011, the European Court of Justice ruled that the purchase of a portfolio of non-performing loans does not constitute a supply of services for consideration by the acquirer to the seller.

This judgment was mirrored by the German Federal Finance Court in its judgment dated January 26, 2012. However, the judgment also stated that the acquirer of the exposures could therefore not claim the deduction of input VAT in accordance with Sec. 15 UStG ["Umsatzsteuergesetz": German VAT Act] for the input transactions related to the acquisition and collection of the exposures. This means that the company would have to refund to the tax office the input VAT claimed for this line of business for the period starting from 2004.

However, based on the statements made by the Federal Ministry of Finance to date, the company expects that there will be a transitional arrangement for the application of the UStAE ["Umsatzsteueranwendungserlass": Decree on the Application of the German VAT Act] that is still in effect. The company recognized a provision of €16.8 million (including interest; prior year: €16.0 million) for VAT not paid in connection with purchases of exposures in the past. Offsetting income tax effects of €2.5 million are included in the income tax provision.

As the matter is still being discussed with the tax authorities, this amount may change to the benefit or detriment of the company.

7. Significant accounting policies

a) Accounting treatment of acquired portfolios

The acquired portfolios are reported at fair value under "Non-performing loans and receivables acquired for settlement." In line with their accounting treatment, the portfolios are reported at fair value to the competent decision-makers, who manage the assets on this basis. The portfolios are initially recognized at cost.

They are then subsequently measured using a market value-based investment model that also formed the basis for determining the purchase price. The model is based on anticipated payment receipts and costs to which a discount factor is applied. The valuation inputs of costs and discounting are estimated depending on the classification of the portfolio. The calculated cost rates range between 12% and 48% of the expected cash receipts. Discounting is carried out using an internal rate of return (IRR) of 8% to 40%.

The initial discount factor changes over the term of the portfolios due to changes in interest rates on the capital market (risk-free interest rate) and changes to the risk premiums. The risk cost model used for this purpose reflects capital market changes in the amount of the risk premium for investments in the NPL asset class. Changes to discounting lead to additional income or expenses from the portfolios due to changes in market interest rates and risk costs.

The actual payments collected in respect of a receivable are broken down into income and capital components under the investment model taking discounting into account. The income components are reported under revenue, whereas the capital component is reported as a payment of the principal.

b) Recognition and measurement of financial instruments

The application of IAS 39 means that, on initial recognition, all financial assets and financial liabilities must be allocated to one of the six categories explained below. In the case of financial instruments not measured at fair value through profit or loss, the measurement includes transaction costs directly attributable to the acquisition of the financial asset concerned. Subsequent measurement of financial assets and financial liabilities depends on their classification. Regular way purchases or sales of financial assets are recognized and derecognized using trade date accounting.

i) Financial assets at fair value through profit or loss

This category relates to financial assets that must be recognized at fair value through profit or loss. Such assets are initially recognized at cost, which at this point equates to fair value. The assets must also be measured subsequently at fair value. Any gains or losses arising from subsequent measurement are recognized in profit or loss. The main assets in the Group falling into this category are non-performing loans and receivables acquired for settlement because the Group manages these assets and measures their performance on the basis of fair value. For further information, please refer to "Accounting treatment of acquired portfolios" (section II.7.a). Derivative financial instruments that do not fall under the scope of hedge accounting in accordance with IAS 39 are also measured at fair value through profit or loss. They are used to hedge interest-rate related changes in the market values of NPL portfolios.

ii) Held-to-maturity financial assets

Financial assets must have a fixed maturity and a fixed schedule of payments if they are to be classified under this category. At every balance sheet date, it must be demonstrable that the company has the positive intention of continuing to hold these assets to maturity. Such assets are measured at cost or amortized cost. GFKL does not hold any assets in this category.

iii) Loans and receivables

This category covers loans and receivables recognized as a result of the provision of monies or services, or loans and receivables that the company has acquired. Such assets are initially recognized at cost and subsequently measured at amortized cost. The following balance sheet items fall into this category: "Other financial assets," to the extent that they do not relate to interests without significant influence, "Trade and other receivables" and "Cash and cash equivalents."

iv) Available-for-sale financial assets

This category covers all remaining non-derivative financial assets not classified under one of the aforementioned categories. The financial assets recognized in this category are measured at fair value, both on initial recognition and subsequent measurement. Changes in the fair value of the assets are recognized directly in other comprehensive income in a revaluation reserve. When an asset is derecognized, this revaluation reserve must be reversed to the income statement. GFKL recognizes interests in entities over which it has no significant influence in this category. The interests are recognized in the balance sheet under "Other financial assets."

v) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and other financial liabilities designated as "at fair value through profit or loss" on initial recognition. With the exception of financial derivatives with negative fair values that do not qualify for hedge accounting, GFKL did not hold any financial liabilities in this category as of the balance sheet dates.

vi) Financial liabilities at amortized cost

Following initial recognition, interest-bearing liabilities are measured at amortized cost. The balance sheet items falling into this category are as follows: "Liabilities to banks," "Other financial liabilities," and "Trade payables and other liabilities."

c) Other significant accounting policies

<u>Assets classified as held for sale and liabilities classified as held for sale</u>

Non-current assets classified as held for sale, together with assets in a disposal group classified as held for sale, must be presented on the face of the balance sheet separately from other assets. Please refer to section III.12. (Assets classified as held for sale and liabilities classified as held for sale) for further information.

<u>Trade and other receivables</u>

Receivables are carried at the settlement amount and are due for payment within one year. Specific valuation allowances were recognized for receivables subject to a default risk.

Investments in associates

Investments in associates are accounted for using the equity method. An associate is an entity over which the Group exercises significant influence, but that is neither a subsidiary nor a joint venture.

Under the equity method, an investment in an associate is recognized in the balance sheet at cost plus any change in the Group's share in the entity's net assets that occurs after the acquisition of the investment. Any goodwill related to the associate is included in the carrying amount of the investment. This goodwill is not amortized. When applying the equity method, the Group carries out a test to establish whether the recognition of an additional impairment loss is required in respect of the Group's net investment in the associate. The income statement includes the Group's share of the associate's profit or loss.

The GFKL Group does not have any associates as of the balance sheet date.

Goodwill and impairment testing

Goodwill arising from a business combination is measured at cost on initial recognition. This goodwill cost equates to the excess of the cost of the business combination over the Group's share in the fair value of the identifiable assets, liabilities and contingent liabilities acquired in the transaction. After initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is tested for impairment at least once a year and whenever new factors or changes in circumstances indicate that the carrying amount could be impaired.

Impairment tests require that the goodwill be allocated to one of the cash-generating units from the date the entity concerned is acquired. This applies regardless of whether other assets and liabilities of the acquired entity have already been allocated to these units. Any unit to which goodwill has been allocated represents the lowest level within the Group at which goodwill is monitored for internal management purposes.

Impairment is identified by determining the recoverable amount for the cash-generating unit. If the recoverable amount for the cash-generating unit is below its carrying amount, an impairment loss is recognized.

An impairment test was also carried out on the balance sheet date on all other assets where the factors specified by IAS 36.12 indicated that the asset could be impaired. At every balance sheet date, a test is carried out to establish whether there are indications that the reasons for an impairment loss recognized in prior periods no longer exists or could have diminished. If such indications are found to exist, the recoverable amount of the asset concerned is estimated. Any previously recognized impairment loss must then be reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset must be increased to the recoverable amount. The increased carrying amount of this asset must not exceed the carrying amount that would have been determined (net of amortization/depreciation) had no impairment loss been recognized for the asset in prior years.

Other assets

Other assets and other rights are reported at amortized cost. Intangible assets and property, plant and equipment are carried at cost less amortization/depreciation. Borrowing costs are added to the cost of an asset, provided it is a qualifying asset pursuant to IAS 23. Amortization/depreciation is recognized on a straight-line basis over a period that reflects the standard useful life of these assets in the industry. These amortization/depreciation periods are as follows: internally developed software, 4 to 6 years; other intangible assets, 3 to 10 years; vehicles, 5 years; and other office furniture and equipment, 2 to 15 years. Residual values of assets, useful lives and amortization/depreciation methods are reviewed at the end of each fiscal year and adjusted where required.

Taxes

Consolidated tax group

GFKL Financial Services Aktiengesellschaft forms a consolidated tax group for trade tax and corporate income tax purposes through control and profit and loss transfer agreements with the following companies: Domnowski Inkasso GmbH, Proceed Collection Services GmbH, Proceed Portfolio Services GmbH, Sirius Inkasso GmbH and Zyklop Inkasso Deutschland GmbH. A control and profit and loss transfer agreement was concluded in 2012 with GFKL Collections GmbH, formerly SNT Inkasso & Forderungsmanagement GmbH, which was acquired in 2012. This entity is therefore included in the consolidated tax group for income tax purposes for the first time in fiscal year 2013.

As of December 31, 2013, the following companies formed a consolidated tax group for value-added tax (VAT) purposes with the parent: Domnowski Inkasso GmbH, Proceed Portfolio Services GmbH, Proceed Collection

Services GmbH, SBL Mobilien GmbH, Sirius Inkasso GmbH, Zyklop Inkasso Deutschland GmbH, GFKL Collections GmbH (formerly SNT Inkasso & Forderungsmanagement GmbH).

Current taxes

Current income tax refund claims and income tax liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The calculation of the amount is based on the tax rates and tax legislation in force on the balance sheet date.

Deferred taxes

Deferred taxes are recognized using the balance sheet liability method for all temporary differences as of the balance sheet date between the carrying amounts of assets and liabilities on the balance sheet and their corresponding tax base. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, as yet unused tax loss carryforwards and unused tax credits to the extent that it is probable that taxable income will be available against which the deductible temporary differences and as yet unused tax loss carryforwards and tax credits can be utilized.

Deferred tax assets and liabilities are measured using the tax rates expected to apply in the period in which the asset will be realized or the liability settled. These rates are based on tax rates and tax regulations enacted or announced as of the balance sheet date.

Income taxes that relate to items recognized directly in equity or in other comprehensive income are themselves recognized directly in equity or in other comprehensive income and not in the income statement.

Deferred tax assets and deferred tax liabilities are netted if the Group has an enforceable right to offset current tax assets against current tax liabilities and these deferred tax assets and liabilities relate to income tax in the same taxable entity levied by the same tax authority.

VAT

Income, expenses and assets are recognized net of VAT, except:

- Where the VAT incurred on purchased goods and services cannot be reclaimed from the tax authorities, in which case the VAT is recognized as part of the cost of the asset or as an expense.
- Receivables and liabilities are stated with the amount of VAT included.

The VAT amount reclaimable from, or payable to, the tax authorities is reported under receivables or liabilities in the balance sheet.

Provisions

As specified by IAS 37, a provision is recognized if there is a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense in connection with the recognition of a provision is recognized in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in provisions due to the passage of time is recognized as an interest expense.

Provisions for pensions

GFKL provides defined benefit pension plans. Provisions for pensions are calculated pursuant to IAS 19. Actuarial models are used to calculate the provisions for pensions and the related pension expenses. These calculations use various assumptions such as current actuarial probabilities (discount factors, increase in cost of living, etc.), assumptions regarding turnover based on age and years of service as well as experience-based assumptions concerning the probability of occurrence of pension payments, annuity payments or endowment payments. The probabilities used in the inputs may deviate from actual developments due to changes in market and economic conditions. Sensitivity analyses are used to determine the financial effects of the deviations in the significant inputs.

In June 2011, the IASB issued amendments to IAS 19 *Employee Benefits*. The most important change to IAS 19 is that experience adjustments and effects of changes in actuarial assumptions, i.e., actuarial gains and losses, now have to be recognized directly in other comprehensive income. The previous option to either recognize immediately in profit or loss, in other comprehensive income or to defer recognition using the corridor method was abolished. GFKL has used the corridor method to date. As a result of the abolition of the corridor method under the revised IAS 19, the Group's actuarial losses directly impact the consolidated balance sheet, leading to an increase in provisions for pensions and a decrease in equity. As the actuarial losses are recognized directly in other comprehensive income, the consolidated income statement will no longer be affected by the amortization of the amount exceeding the corridor. In addition, the net interest concept has been introduced. This means that the discount rate used to measure the gross benefit liability is applied to the net benefit liability. As the net benefit liability is net of any plan assets, this calculation assumes a return on plan assets equal to the discount rate. The changes to IAS 19 are mandatory for fiscal years beginning on or after January 1, 2013 and are to be applied retrospectively. GFKL adjusted the prior-year figures to reflect the effects of the changes to IAS 19. It made use of the exemption set out in IAS 19 not to provide any comparative information for the prior year for the sensitivity disclosures that are required for the first time.

Liabilities

Loans are initially recognized at the fair value of the consideration received after deducting any transaction costs incurred in taking out the loan. Interest-bearing liabilities are carried at the expected settlement amount including the accrued interest. Non-interest bearing liabilities arise in the form of trade payables and other liabilities.

Treasury shares

Treasury shares include all shares for which GFKL issued a cash settlement offer as part of the merger with ABIT AG in 2006. For the recognition of these shares, it is irrelevant as to whether they have already been tendered to GFKL. For those shares not yet tendered, a liability has been recognized under other financial liabilities. Proceedings are pending with regard to the settlement amount.

Cash flow and fair value hedges

Derivative financial instruments are used for hedging. As of the balance sheet date, they relate both to hedging the risk of a change in the fair value of a recognized asset or a recognized liability and to hedging the risk of variability in cash flows.

In the case of designated fair value hedges, both the changes in value of the asset or liability as well as the change in the hedging instrument due to changes in market interest rates are recognized in profit or loss.

The accounting treatment of cash flow hedges depends on whether or not a hedging instrument can be allocated to a hedged item.

In the first case, the effective portion of the gain or loss net of deferred taxes is recognized directly in other comprehensive income; the ineffective portion is recognized in profit or loss. If the forecast transaction is no longer expected to occur, any related amounts previously recognized directly in other comprehensive income are reversed and recognized in profit or loss. In the second case, the entire amount of the change in value, both of the hedged item and the hedging instrument, is recognized in profit or loss.

Foreign currencies

The consolidated financial statements are presented in euros, which is the Group's functional and presentation currency. Transactions denominated in foreign currency are initially translated into the functional currency at the spot rate on the day of the transaction. Monetary assets and liabilities denominated in foreign currency are translated at the closing rate. Exchange differences are recognized in profit or loss provided that they do not involve a net investment in a foreign operation and provided that they are not recognized directly in other comprehensive income under hedge accounting arrangements. Any deferred taxes arising in connection with these exchange differences are also recognized directly in equity. Non-monetary items measured at historical cost in a foreign currency are translated at the rate prevailing on the date of the transaction. Non-monetary items measured at fair value in a foreign currency are translated at the rate prevailing on the date the fair value was determined.

d) Income statement

The income statement is prepared using the nature of expense method.

Revenue

Revenue is recognized as soon as it is probable that the economic benefit will flow to GFKL and the amount of the revenue can be reliably determined.

Income in respect of non-performing loans and receivables acquired for settlement is reported under revenue. This revenue relates to changes in fair values, arising primarily from the income from the investment in the receivable and any income derived from ongoing servicing.

Revenue in respect of unbilled services in the sold software segment is recognized in accordance with IAS 11 using the percentage of completion method. The percentage of completion used to determine the partial revenue for such projects is calculated by comparing the services performed as of the balance sheet date against the estimated total services to be performed in the project.

8. Consolidation disclosures

a) Basis of consolidation

The basis of consolidation has not changed compared to December 31, 2012.

SNT Inkasso & Forderungsmanagement GmbH changed its name to GFKL Collections GmbH with effect from November 6, 2013.

As of April 2, 2012, GENEVA-ID GmbH and has program service GmbH were sold. Sales proceeds from the sale of companies amounted to €850k in the reporting period.

The significant assets and liabilities of the entities sold in the first half of 2012 break down as follows:

in €k	Deconsolidated assets and liabilities
Other receivables and assets	2 496
Cash and cash equivalents	383
Subtotal	**2 878**
Other liabilities	5 871
Provisions	598
Deferred tax liabilities	624
Net assets	**–4 214**
Cash inflow from the disposal of companies:	
Cash deconsolidated with the subsidiary	–383
Cash inflow due to the disposal	25 450
Cash flow (balance)	**25 067**

The balance of cash inflows and outflows from disposals of companies consists of the cash and cash equivalents received until December 31, 2012 net of the cash and cash equivalents held by the sold companies on the disposal date.

In addition, the cash inflow due to disposals includes €24.6 million in purchase price payments from the sale of Universal Leasing GmbH in 2011. In June 2012, GFKL's purchase price receivable from ADA Financial Services Verwaltungsgesellschaft mbH from the sale of Universal Leasing GmbH was sold to Carl Holding GmbH at its carrying amount, which was €36.4 million. €24.6 million of the sale price was paid in cash and €11.8 million was offset against a shareholder loan from Carl Holding GmbH.

Moreover, GFKL sold its equity investments in the associates HFI Finanz- und Investitions-Beratungsgesellschaft Hamm mbH and VR Inkasso Leasing & Consulting GmbH in the fourth quarter of 2012.

The basis of consolidation also changed as a result of the acquisition of all shares in GFKL Collections GmbH, formerly SNT Inkasso & Forderungsmanagement GmbH, on June 28, 2012. This entity is a debt collection agency specialized in receivables management for telecommunications providers and has its registered office in Potsdam. The acquisition strengthens the Group's market position within the telecommunications industry.

The assets acquired and liabilities assumed from GFKL Collections GmbH, formerly SNT Inkasso & Forderungsmanagement GmbH, break down as follows:

Assets acquired and liabilities assumed

in €k	Acquisition-date fair value
Assets	
Property, plant and equipment	19
Intangible assets	10 779
Non-performing loans and receivables acquired for settlement	15 146
Receivables	3 535
Cash and cash equivalents	1 102
	30 581
Liabilities	
Non-current financial liabilities	4 794
Deferred tax liabilities	4 417
Other liabilities	1 243
	10 454
Total identifiable net assets at fair value	**20 127**
Goodwill arising on acquisition	4 254
Total consideration	**24 381**

The fair value of the receivables was €3,535k. The gross amount of the receivables was €3,681k.

In the first half of 2012, the consolidated financial statements do not include any proceeds or profits or losses of the subsidiary (date of first-time consolidation is June 28, 2012). No information is provided on proceeds or profits or losses from January 1, 2012 because financial statements for GFKL Collections GmbH have only been prepared in accordance with GFKL's accounting policies since GFKL obtained control of the entity.

In the second half of 2012, consolidated profit/loss for the period includes revenue of GFKL Collections GmbH of €4.0 million and earnings of –€1.1 million.

b) Principles of consolidation

The separate financial statements for all the companies included in the consolidated financial statements are prepared to the balance sheet date of the consolidated financial statements. Uniform accounting policies are applied to all these financial statements.

The acquisition of subsidiaries consolidated up to 2003 was accounted for in accordance with IAS 22. Subsidiaries acquired after March 31, 2004 were accounted for in accordance with IFRS 3 and IFRS 3 (2008) on the basis of the fair value of the acquired identifiable assets and liabilities. On first-time consolidation in each case, the carrying amount of GFKL Financial Services Aktiengesellschaft's investment was offset against its share of equity in the subsidiary concerned. Intragroup receivables and liabilities between fully consolidated companies are netted, any residual differences being consolidated to the extent required. In the consolidation of income and expense, internal revenue and intragroup income and expense is eliminated, as is any intragroup profit or loss arising from transactions between consolidated companies. Deferred taxes had to be recognized as a result of the use of uniform group accounting policies, the consolidation of intercompany balances and the elimination of intercompany profits and losses; these items were grouped together with the deferred taxes from the separate financial statements.

9. Business risks and capital management

a) Business risks

The business risks in the GFKL Group are described in the risk report. For further information, please refer to the details in the management report, which includes disclosures in accordance with IFRS 7.31-42 and further disclosures as part of the description of the risk management system.

b) Capital management

The objective of capital management is to ensure that the GFKL Group has an equity capital base appropriate to the risk structure of the business. This is a precondition that must be satisfied if GFKL is to have sufficient access to funds on money and capital markets at all times. The GFKL Group is not subject to regulatory capital requirements. However, the Risk Control department reviews economic capital adequacy internally on a continuous basis. For the purposes of capital management, the loans from Carl Holding GmbH are managed in the same way as equity. The loans amounted to €53.9 million as of December 31, 2013.

Any emerging capital requirement is identified at an early stage; appropriate corporate action is then decided and implemented.

GFKL does not make use of preferred shares.

III. Balance sheet disclosures

1. Property, plant and equipment

Property, plant and equipment developed as follows:

in €k	Other office furniture and equipment	Advance payments made
Cost		
Balance as of January 1, 2013	10 734	0
Reclassification to non-current assets classified as held for sale	2 061	0
Additions	996	206
Reclassifications	206	-206
Disposals	612	0
Balance as of December 31, 2013	**9 263**	**0**
Accumulated depreciation and impairment losses		
Balance as of January 1, 2013	8 139	0
Reclassification to non-current assets classified as held for sale	1 814	0
Additions	932	0
Write-down due to impairment test	179	0
Disposals	527	0
Balance as of December 31, 2013	**6 909**	**0**
Residual carrying amounts as of December 31, 2013	**2 354**	**0**

In the prior year, changes were as follows:

in €k	Other office furniture and equipment
Cost	
Balance as of January 1, 2012	10 184
Additions from business combinations	19
Additions	779
Disposals	248
Balance as of December 31, 2012	**10 734**
Accumulated depreciation and impairment losses	
Balance as of January 1, 2012	7 319
Additions	1 059
Disposals	239

in €k	Other office furniture and equipment
Balance as of December 31, 2012	**8 139**
Residual carrying amounts as of December 31, 2012	**2 595**

Office furniture and equipment was acquired at a cost of €328k in the current fiscal year in connection with a project to install an emergency computer center in Essen. In addition, the move to the new service center in Gelsenkirchen necessitated the purchase of new office furniture and equipment. The related cost was €286k.

Depreciation is recognized on a straight-line basis over the useful lives of the assets, which is 2 to 13 years for other office furniture and equipment.

Due to the planned move of the Essen location to a new building complex in the coming year, impairment losses of €179k (prior year: €0k) were recognized on other office equipment and furniture.

Please refer to section III.12. (Disclosures on discontinued operations) with respect to the "Reclassifications to non-current assets classified as held for sale."

2. Intangible assets

Intangible assets developed as follows:

in €k	Purchased software	Internally developed software	Customer relationships	Advance payments made
Cost				
Balance as of January 1, 2013	19 207	3 984	14 569	85
Reclassification to non-current assets classified as held for sale	697	0	3 250	0
Additions	131	0	0	826
Reclassifications	758	0	0	–758
Disposals	489	0	0	0
Balance as of December 31, 2013	**18 910**	**3 984**	**11 319**	**153**
Accumulated amortization and impairment losses				
Balance as of January 1, 2013	11 642	3 984	3 144	0
Reclassification to non-current assets classified as held for sale	578	0	2 514	0
Additions	1 450	0	1 561	0
Disposals	479	0	0	0
Balance as of December 31, 2013	**12 035**	**3 984**	**2 192**	**0**
Residual carrying amounts as of December 31, 2013	**6 875**	**0**	**9 127**	**153**

In the prior year, changes were as follows:

in €k	Purchased software	Internally developed software	Customer relationships	Advance payments made
Cost				
Balance as of January 1, 2012	16 877	3 984	3 250	1 063
Additions from business combinations	60	0	10 719	0
Additions	845	0	600	647
Reclassifications	1 540	0	0	–1 540
Disposals	115	0	0	85
Balance as of December 31, 2012	**19 207**	**3 984**	**14 569**	**85**
Accumulated amortization and impairment losses				

in €k	Purchased software	Internally developed software	Customer relationships	Advance payments made
Balance as of January 1, 2012	9 140	3 984	2 198	0
Additions	2 458	0	947	0
Write-up	62	0	0	0
Disposals	18	0	0	0
Balance as of December 31, 2012	**11 642**	**3 984**	**3 145**	**0**
Residual carrying amounts as of December 31, 2012	**7 565**	**0**	**11 424**	**85**

Software is amortized on a straight-line basis over its estimated useful life or remaining useful life, which may be a period of between 3 and 10 years.

The useful life of the software licenses recognized as assets in the third quarter of fiscal year 2011 in the context of the reorganization of finance processes was re-assessed and increased from 5 to 10 years starting from January 1, 2013. This adjustment of the useful life by 5 years leads to a reduction of amortization by €921k in fiscal year 2013 compared to the originally estimated 5-year useful life.

The "Reclassifications to non-current assets classified as held for sale" relate to customer relationships of the Multigestión Group recognized as assets in the context of the purchase price allocation. Please see section III.12. (Disclosures on discontinued operations) for more information. The customer relationships allocated to GFKL Collections GmbH, formerly SNT Inkasso & Forderungsmanagement GmbH, upon its acquisition in 2012 are being amortized over a useful life of 8.5 years. Apart from goodwill, there are no intangible assets with indefinite useful lives.

3. Goodwill

This balance sheet item comprises goodwill in the cash-generating units. The reconciliation of the carrying amounts of goodwill at the beginning and end of the reporting period as well as the distribution over the cash-generating units is presented below.

in €k	Goodwill
Cost	
Balance as of January 1, 2012	35 585
Acquisition of subsidiaries	4 253
Balance as of December 31, 2012	**39 838**
Reclassification to non-current assets classified as held for sale	15 586
Balance as of December 31, 2013	**24 252**
Write-downs and impairment losses	
Balance as of January 1, 2012	729
Impairment losses	3 481
Balance as of December 31, 2012	**4 210**
Reclassification to non-current assets classified as held for sale	3 481
Balance as of December 31, 2013	**729**
Carrying amounts as of December 31, 2012	**35 628**
Carrying amounts as of December 31, 2013	**23 523**

in €k	Dec. 31, 2013	Dec. 31, 2012
Zyklop Inkasso Deutschland	12 542	12 542
GFKL Collections[1]	4 253	4 253
Domnowski Inkasso	3 410	3 410
Proceed Collection Services	3 318	3 318

in €k	Dec. 31, 2013	Dec. 31, 2012
Multigestión Group	0	12 105
Total	**23 523**	**35 628**

1 Trading as SNT Inkasso & Forderungsmanagement GmbH until November 5, 2013

Please refer to section III.12. (Disclosures on discontinued operations) with respect to the “Reclassifications to non-current assets classified as held for sale” and the development of the goodwill of the Multigestión Group.

There was no allocation of goodwill to groups of cash-generating units.

An impairment test must be carried out at least once a year to verify that the carrying amount of goodwill is recoverable. Impairment tests were carried out on December 31, 2013 for those cash-generating units that included goodwill and the goodwill was measured at the recoverable amount.

Since there was no active market for any of the cash-generating units, the recoverable amount was determined on the basis of value in use calculated using a discounted cash flow analysis (DCF). The cash flows used in the analysis for the calculation of the value in use were derived from a five-year financial plan for the GFKL Group based on IFRS requirements. At the receivables management companies, the planned cash flows were taken from the performance of the managed portfolios recognized in the financial statements as well as from future planned portfolios. The discount rate for the detailed planning period was determined using the weighted average cost of capital (WACC) and, before tax, amounts to some 13.8% (prior year: 12.7%) for the receivables management segment in Germany. The weighted average cost of capital is a composite rate derived from the weighted cost of equity and debt; it reflects the average cost of capital in a company taking into account the company’s financing structure. A standard growth discount of 0.7% (prior year: 0.7%) on the discount rate after tax was applied in determining the discount rate for the subsequent period. The carrying amount of the cash-generating units (including goodwill) in the GFKL Group amounted to a total of €37.4 million (prior year: €56.5 million), whereas the corresponding recoverable amount was €46.7 million (prior year: €114.8 million).

Domnowski Inkasso GmbH had a recoverable amount of €3,735k compared with a carrying amount of €3,696k. Negative developments in financial planning or the discount rate would lead to a reduction in goodwill.

Given the planned disposal of the Spanish companies, the fair value less costs of disposal was used for the impairment test as of December 31, 2013. The value was determined on the basis of available purchase offers (Level 2 inputs).

The key value driver for cash flow planning is a significant increase in revenue coupled with fixed costs growing at a lower rate or remaining constant in some areas. The Executive Board sees particular revenue potential for receivables management services as a result of new regulatory requirements in the banking and insurance sectors as well as in the growth industries of telecommunications and energy supply, increasing outsourcing efforts on the part of customers and significant expansion of e-commerce. The basis for reducing relative costs has been established by concentrating on the core business of receivables management, setting up central services, implementing a new IT environment and adjusting and streamlining operational processes.

In fiscal year 2012, the Group’s share in the goodwill of the Spanish subsidiary Corfisa S.A.U. was written down by €3.5 million on the basis of considerations regarding the strategic realignment of GFKL in Spain. Goodwill had to be allocated to Corfisa S.A.U. in order to calculate the amount of this impairment loss. The allocation was made on the basis of the relative fair values of the Spanish companies. In fiscal year 2013, the entire amount of the remaining goodwill of €12.1 million was written off. These impairment losses are presented under discontinued operations.

4. Investments in associates

Investments in associates comprise the shareholdings in HFI Finanz- und Investitions-Beratungsgesellschaft Hamm mbH (HFI) and VR Inkasso Leasing & Consulting GmbH (VRI), the shareholding in both cases being 48%. GFKL sold these investments in the fourth quarter of 2012.

5. Non-performing loans and receivables acquired for settlement

The following table shows the total of current and non-current non-performing loans and receivables acquired for settlement:

in €k	Dec. 31, 2013	Dec. 31, 2012
Secured, terminated loans	3 860	8 026
Unsecured, terminated loans	31 020	33 410
Unsecured, overdue other receivables	65 812	75 335
Total	**100 692**	**116 771**

For 2013, non-performing loans and receivables acquired for settlement broken down by residual maturity were as follows:

	Residual maturity			
in €k	Less than 1 year	1 to 5 years	More than 5 years	Total
Non-performing loans and receivables acquired for settlement	41 011	51 455	8 226	100 692

For the prior year, residual maturities were as follows:

	Residual maturity			
in €k	Less than 1 year	1 to 5 years	More than 5 years	Total
Non-performing loans and receivables acquired for settlement	45 874	60 773	10 124	116 771

The changes in non-performing loans and receivables acquired for settlement were as follows:

in €k	2013	2012
Opening balance	116 771	121 493
Reclassification to assets classified as held for sale	4 103	0
Acquisitions	26 064	31 632
Disposals	6 030	1 952
Subtotal	**132 702**	**151 173**
Payment receipts	85 884	84 667
Investment income	13 434	14 596
Service income	32 968	31 863
Repayment	**39 481**	**38 207**
Write-ups	26 343	15 689
Impairment expense	–18 872	–11 883
Measurement at fair value	**7 471**	**3 806**
Closing balance	**100 692**	**116 771**

In the current fiscal year, GFKL generated income of €53.9 million (prior year: €50.3 million) from the non-performing loans and receivables acquired for settlement.

The disposals are attributable to the return of receivables that did not meet the contractually agreed requirements or to the sale of secured portfolios.

Measurement at fair value is set out in detail below:

in €k	2013	2012
Additional amounts collected	10 048	6 215
Plan adjustments	14 036	7 234
Changes in market interest rates	2 259	2 240
Write-ups	**26 343**	**15 689**
Shortfall in amounts collected	–2 615	–4 476
Plan adjustments	–11 902	–6 285
Risk adjustments	0	–26
Service cost adjustments	–220	–127
Changes in market interest rates	–4 136	–970
Impairment expense	**–18 872**	**–11 883**
Total changes in value	**7 471**	**3 806**

The items "Additional amounts collected" and "Shortfall in amounts collected" show deviations between actual payment receipts and planned payment receipts. For changes made in relation to future expected payment receipts, the adjustments are reported under "Plan adjustments." Plan adjustments in fiscal year 2013 amounted to €2,134k (prior year: €949k).

The "Risk adjustments" and "Changes in market interest rates" items relate to changes in value attributable to interest rates. Unrealized gains and losses relate to changes from plan and risk adjustments and changes in market interest rates.

Scenario calculations simulate the effects of changes in the input factors used to determine the fair value of the NPL portfolio investments. There are four input factors, the sensitivity of which is shown in the table below. If there is a shift in the term structure of interest rates, an interest rate of less than zero is not taken into account.

Please refer to section II.6. (Significant accounting judgments).

Input factor	Change	Simulated change in value
Cash flow	+/– 10%	+/– € 9.73 million
Cost rate	+/– 5%	–/+ € 7.80 million
Risk premium rate	+ 1%	– € 1.95 million
Risk premium rate	– 1%	+ € 2.02 million
Term structure	+ 1%	– € 2.30 million
Term structure	– 1%	+ € 1.94 million

Changes in value due to changes in the term structure are partly hedged by interest rate derivatives.

6. Derivatives with positive and negative fair values

As of the balance sheet date, interest rate swaps with a total negative fair value of €2.0 million (prior year: €3.4 million) were held; there were still no interest rate swaps with positive fair values. The purpose of the swaps was to hedge changes in the value of NPL portfolios caused by changes in interest rates. These interest rate derivatives were not designated as hedges for hedge accounting purposes because changes in the fair value of the derivatives offset changes in the fair value of the NPL portfolios caused by interest rate changes.

In the prior year, GFKL held interest rate swaps with a negative fair value of €0.1 million (prior year: €0.6 million). Until June 28, 2012, these swaps served to hedge the interest payments on borrowings with a floating rate of interest. They were designated as cash flow hedges. Changes in value were recognized directly in other comprehensive income. They ceased to be designated as hedges on June 29, 2012 due to the refinancing. Since this date, all changes in value have been recognized in profit or loss. The item previously recognized in other comprehensive income is being released to profit or loss over the residual maturity of the swaps.

The residual maturity was determined on the basis of the expected cash inflows and outflows over the residual maturities of the derivatives.

7. Other financial assets

Financial assets break down as follows:

in €k	Dec. 31, 2013	Dec. 31, 2012
Cash reserve	0	1 044
Miscellaneous non-current financial assets	78	1 530
Total other non-current financial assets	**78**	**2 574**
Receivables from bill discounting and factoring	0	15 408
Cash reserve	39	1 716
Miscellaneous financial assets	12 593	4 463
Total other current financial assets	**12 632**	**21 588**
Total	**12 710**	**24 162**

The “Cash reserve” item relates in particular to receivables from special purpose entities from the securitization of NPL portfolios.

The decrease in current assets is largely attributable to the bill discounting business in Spain, which was almost fully wound up as of September 30, 2013 and is no longer part of the core business activities of GFKL. Against this background, all the refinancing facilities were also repaid. The assets still existing as of September 30, 2013 were reclassified to “Assets classified as held for sale” in accordance with IFRS 5 from this date.

The miscellaneous financial assets are current assets and mainly relate to guarantees granted under a service agreement as well as advance payments made for the ongoing collections related to the securitization of portfolios.

8. Deferred tax assets and liabilities

The deferred tax assets in the balance sheet largely arose from the measurement of tax loss carryforwards. Deferred tax assets whose recoverability was not already guaranteed by the availability of deferred tax liabilities of the same amount were measured using a forecasting process. Overall, loss carryforwards were measured, and related deferred tax assets of €12.2 million (prior year: €15.2 million) were then recognized. The losses relate to GFKL AG. No losses from the period prior to the change in shareholders in December 2009 were recognized as assets.

The deferred tax liabilities are chiefly due to the valuation of NPL portfolios.

The following table shows the main accounting areas for which deferred taxes arise from temporary differences:

in €k	Dec. 31, 2013	Dec. 31, 2012
NPL measurement	–17 286	–18 138
Derivatives	653	1 192
Intangible assets	–2 812	–3 200
Provisions	1 200	1 274
Trade receivables/payables	1 794	685
Elimination of intercompany balances	–1 244	–1 427
Loss carryforwards	12 174	15 206
Other	428	115
Balance of deferred taxes	**–5 093**	**–4 293**

The table below shows the changes in deferred taxes:

in €k	2013	2012
Deferred tax assets	516	530
Deferred tax liabilities	–4 809	–5 197
Opening balance	**–4 293**	**–4 667**

in €k	2013	2012
Reclassification to assets classified as held for sale and liabilities classified as held for sale	–516	0
Change in equity	–67	67
Addition from business acquisitions	0	–4 417
Change arising from current results	–217	4 724
Change in the period	**–800**	**374**
Deferred tax assets	0	516
Deferred tax liabilities	–5 093	–4 809
Closing balance	**–5 093**	**–4 293**

For further information, please refer to the disclosures under section IV.9. (Income taxes).

9. Trade and other receivables

The item mainly relates to receivables from customers for services.

in €k	Dec. 31, 2013	Dec. 31, 2012
Expenses from the collection process	2 348	2 231
Refund claims from other taxes	2 454	1 595
Prepaid expenses and other items	1 300	1 306
Trade receivables	6 283	13 550
Specific valuation allowances on receivables	–2 250	–5 191
Total	**10 136**	**13 490**

Valuation allowances are recognized on a case-by-case basis on separate valuation allowance accounts. Uncollectible receivables are directly written off and thereby derecognized, taking into account valuation allowances previously recognized. The decrease in trade receivables is due in particular to the application of IFRS 5 in relation to the Spanish companies. The change in valuation allowances is chiefly attributable to the use of the allowance of €2.6 million recognized for a dispute in the prior year.

10. Income tax refund claims

The year-on-year change is due to the income tax refund claims relating to consolidated tax groups retrospectively recognized for past years.

11. Cash and cash equivalents

Of the cash and cash equivalents of €60.1 million (prior year: €38.2 million), €1.9 million was reclassified to discontinued operations. Cash and cash equivalents primarily comprise credit balances on current accounts and short-term deposits. The balance (> 5 million) on the cash pool master account bears interest on the basis of EONIA. This account had a balance of €21.4 million as of the balance sheet date. Balances on other accounts do not bear interest. Of these cash and cash equivalents, €19.5 million (prior year: €20.3 million) are earmarked funds, which relate to pass-through obligations from portfolio management and administered trust accounts in receivables management.

As of the balance sheet date, the Group had made full use of its credit lines, as in the prior year. All the preconditions for the drawdown of funds were satisfied at all times.

12. Disclosures on discontinued operations

Assets and liabilities related to discontinued operations are recognized in the items “Assets classified as held for sale” and “Liabilities classified as held for sale” and comprise the assets and liabilities of the Spanish operations held for sale as of December 31, 2013. This segment comprises the following entities held for sale: Multigestión Portfolio S.L., Multigestión Cartera 2004 S.A.U., Multigestión Iberia S.A.U. and CORPORACIÓN DE GESTIÓN Y ASESORAMIENTO DE SERVICIOS Y FINANZAS ASOCIADOS S.A.U.

The following table shows the breakdown of assets classified as held for sale:

in €k	Dec. 31, 2013
Property, plant and equipment	221
Intangible assets	806
Non-performing loans and receivables acquired for settlement	3 911
Trade and other receivables	2 734
Other financial assets	417
Deferred tax assets	1 483
Cash and cash equivalents	1 861
Assets classified as held for sale	**11 433**

Liabilities classified as held for sale break down as follows:

in €k	Dec. 31, 2013
Liabilities to banks	13
Other provisions	238
Deferred tax liabilities	380
Trade payables and other liabilities	1 415
Other financial liabilities	2 604
Liabilities classified as held for sale	**4 650**

Please refer to section IV.10. for more information on discontinued operations.

13. Share capital

As of the balance sheet date, share capital amounted to €25,883,790.00. It is divided into 25,883,790 no-par value bearer shares.

14. Capital reserves

The objective of the regulations governing statutory reserves and capital reserves is to ensure that capital is preserved and thus to protect creditors by creating restricted assets above and beyond the assets required to cover share capital. These restricted assets may be used to offset losses without affecting the assets covering share capital. The assets are restricted in the sense that the relevant amounts cannot be made available for dividend distributions.

The changes in capital reserves can be seen in the consolidated statement of changes in equity attached as an exhibit to these notes.

15. Hybrid capital

GFKL was granted another shareholder loan of €30 million by its majority shareholder on June 28, 2012. The loan has an unlimited term and may be terminated by GFKL for the first time as of December 30, 2015, giving 30 days' notice. The loan accrues interest at 8% p.a. and is reported as equity due to the terms of the loan agreement.

16. Treasury shares

The shareholder meeting held on June 22, 2005 approved the merger of ABIT AG, Meerbusch, into GFKL Financial Services Aktiengesellschaft. The merger agreement between ABIT AG and GFKL Financial Services Aktiengesellschaft gave the former shareholders of ABIT AG, who became shareholders of GFKL Financial Services Aktiengesellschaft as a result of the merger with GFKL Financial Services Aktiengesellschaft, the right to offer their newly acquired GFKL Financial Services Aktiengesellschaft shares for sale to GFKL at a price of €13.93 per share. The merger came into effect upon entry in the commercial register of GFKL Financial Services Aktiengesellschaft on August 16, 2006. As of the balance sheet date, GFKL Financial Services Aktiengesellschaft had repurchased a total of 915,934 shares, which corresponds to a share of €915,934 (3.54%) of the share capital. As of the balance sheet date, GFKL Financial Services Aktiengesellschaft held these shares as treasury shares. The shareholder meeting held on August 15, 2012 resolved to authorize the purchase of treasury shares pursuant to Sec. 71 (1) No. 8 AktG ["Aktiengesetz": German Stock Corporation Act].

Those shares not yet tendered are also disclosed under "Treasury shares" as a result of the cash settlement offer. This disclosure is accompanied by the recognition of the as yet untendered shares as debt (synthetic liability).

17. Retained earnings

Retained earnings relate to the statutory reserve of €38k (prior year: €38k), the profit participation capital of €26k (prior year: €26k) and the retained earnings of €33k (prior year: €0k) created by the acquisition of the minority interests in Multigestión Portfolio S.L.

18. Valuation reserves

<u>Valuation reserve for financial instruments</u>

In accounting for the designated interest rate derivatives, the relevant fair values net of income taxes were recognized directly in other comprehensive income. As a result of the reclassification of derivatives in November 2007, the fair values recognized in other comprehensive income at this time were reversed on a straight-line basis over the residual maturity of the hedged item. The fair values of non-designated interest rate derivatives were recognized in profit or loss. GFKL also held interest rate swaps with a negative fair value of €0.1 million. Until June 28, 2012, these swaps served to hedge the interest payments on borrowings with a floating rate of interest. They were designated as cash flow hedges.

Changes in value were recognized directly in other comprehensive income. They ceased to be designated as hedges on June 29, 2012 due to the refinancing. Since this date, all changes in value have been recognized in profit or loss. The item previously recognized in other comprehensive income was released to profit or loss over the residual maturity of the swaps. The consolidated profit/loss for the period included €542k (prior year: €666k) from the reversal of the valuation reserve.

<u>Valuation reserve for actuarial gains and losses</u>

For more information on the valuation reserve for actuarial gains and losses, please see section III.25. "Provisions for pensions."

19. Non-controlling interests

Non-controlling interests relate to the minority interests in Universal Lease Iberia Properties S.L. The remaining minority interests of 0.157% in Multigestión Portfolio S. L. held by Domusvenda S.A. were acquired by GFKL Financial Services AG in the second quarter of 2013.

20. Conditional capital

The company had no conditional capital at its disposal as of the balance sheet date.

21. Authorized capital

The shareholder meeting held on July 14, 2010 authorized the Executive Board, subject to the consent of the Supervisory Board, to increase the share capital of the company by issuing up to 12,941,895 no-par value bearer shares for cash and/or non-cash contributions on one or more occasions up to July 13, 2015, subject to maximum total increase of €12,941,895.00. Existing shareholders are to be granted subscription rights. However, subject to the consent of the Supervisory Board, the Executive Board was authorized to exclude fractional amounts from the shareholders' subscription rights. The Executive Board is also authorized, subject to the consent of the Supervisory Board, to exclude these subscription rights if the capital increase is performed in return for non-cash contributions, in particular during the acquisition of entities, parts of entities, investments in entities or other assets including rights and receivables or as part of a business combination.

22. Liabilities to banks

The following table sets out the principal non-current and current liabilities to banks:

in €k Bank/arranging party	Type	Maturity	Base interest rate	Dec. 31, 2013	Dec. 31, 2012
Bayerische Landesbank	Syndicated credit facility	Jun. 30, 2015	1M EURIBOR	100 008	108 223
Various.................................	Loan	Various	Various	0	43
Total non-current liabilities to banks				**100 008**	**108 266**

in €k Bank/arranging party	Type	Maturity	Base interest rate	Dec. 31, 2013	Dec. 31, 2012
Bayerische Landesbank	Syndicated credit facility	Jun. 30, 2015	1M EURIBOR	10 042	5 000
Various.................................	Current account facility	Various	Various	0	9 037
Total current liabilities to banks				**10 042**	**14 037**

The arrangement fees that fell due in connection with the syndicated credit facility at the beginning of the term were deducted from the loan amount in accordance with IAS 39. Using the effective interest method, the arrangement fees are added back to the loan over its term, with the expense recognized in profit or loss.

GFKL's liabilities to banks are secured by senior notarized pledges of shares/limited partnership interests in the following entities:

– Domnowski Inkasso GmbH, Essen

– Inkasso Becker Wuppertal GmbH & Co.KG, Wuppertal (including pledge of the shares in the general partner GmbH)

– Proceed Collection Services GmbH, Essen

– Proceed Portfolio Services GmbH, Essen

– Sirius Inkasso GmbH, Düsseldorf

– Zyklop Inkasso Deutschland GmbH, Krefeld

– GFKL Collections GmbH (formerly SNT Inkasso & Forderungsmanagement GmbH), Potsdam

Moreover, the liabilities to banks are secured by the cash pool accounts at DZ Bank.

23. Other financial liabilities

Other financial liabilities break down as follows:

in €k	Dec. 31, 2013	Dec. 31, 2012
Liabilities arising from NPL portfolios	5 656	5 208
Liabilities to affiliates..	20 055	19 465
Pass-through obligations arising from portfolio management	1 861	7 907
Other...	3 205	82
Total non-current..	**30 777**	**32 661**
Liabilities arising from NPL portfolios	9 851	5 431
Pass-through obligations arising from portfolio management	12 411	11 561
Employee-related liabilities..	2 746	2 458
Liabilities arising from the cash settlement offer	7 104	6 864
Deferred income and other items	9 343	6 748
Total current..	**41 456**	**33 061**
Total	**72 233**	**65 722**

The item liabilities arising from NPL portfolios relates to sold but not derecognized NPL exposures.

The non-current liabilities to affiliates relate to a loan from Carl Holding GmbH.

Pass-through obligations arising from portfolio management comprise payments received from debtors to be forwarded to customers. For the most part, the decrease in non-current pass-through obligations is attributable to the purchase by GFKL of the receivables contained in a service agreement. The customer waived settlement of the deferred pass-through obligations in return for immediate payment of the purchase price for the acquisition of the receivables.

GFKL reached a settlement in the third quarter of 2013 in connection with the termination of the business relationship with a service provider. Under the settlement, GFKL is required to pay an amount in the upper single-digit millions for collection fees from prior years. The amount is payable in six installments, the first of which was paid in the third quarter of 2013. The other installments are due in 2014 to 2017. This settlement is responsible in particular for the increase in other non-current and current liabilities.

The following table shows the principal liabilities of the Group as of December 31, 2013, by maturity:

in €k	Less than 1 year	Residual maturity 1 to 5 years	More than 5 years	Total
Liabilities to banks	10 042	100 008	0	110 050
Other financial liabilities	41 456	30 777	0	72 233
Trade payables and other liabilities	8 509	0	0	8 509
Total	**60 007**	**130 785**	**0**	**190 791**

24. Provisions

The item "Other taxes" mainly relates to provisions for VAT backpayments. By judgment dated October 27, 2011, the European Court of Justice ruled that the purchase of a portfolio of non-performing loans does not constitute a supply of services for consideration by the acquirer to the seller.

This judgment was mirrored by the German Federal Finance Court in its judgment dated January 26, 2012. However, the judgment also stated that the acquirer of the exposures could therefore not claim the deduction of input VAT in accordance with Sec. 15 UStG for the input transactions related to the acquisition and collection of the exposures. This means that the company would have to refund to the tax office the input VAT claimed for this line of business for the period starting from 2004.

However, based on the statements made by the Federal Ministry of Finance to date, the company expects that there will be a transitional arrangement for the application of the UStAE that is still in effect. The company recognized a provision of €16.8 million (including interest; prior year: €16.0 million) for VAT not paid in connection with purchases of exposures in the past.

In addition, provisions for restructuring and provisions for archiving are recognized. The provisions are recognized in the amount of the expected obligation. They take into account all identifiable risks related to obligations of uncertain amount. Warranty provisions are mainly attributable to GFKL Financial Services Aktiengesellschaft. They were recognized partly for possible purchase price adjustments as a result of tax guarantees for sold subsidiaries. As they were no longer expected to be used, provisions of €503k were reversed in the reporting year.

The provisions for restructuring of €3.1 million were recognized as of December 31, 2012 for the centralization of the companies' file archives in 2013 and for the severance of employees and Executive Board members. €0.8 million of the provision recognized was used in the reporting year. Certain negative expectations did not materialize in the fiscal year, such that €1.0 million was reversed.

The provisions for archiving costs arose because of the legal obligation to archive business documents for up to 10 years. The changes in other provisions over the fiscal year are shown in the following table. The increase in the discounted amount during the year under review to reflect the passage of time and changes in the discount rate did not have any material impact in the reporting period.

The “Other” item mainly comprises an allocation of €555k for consulting services for the planned sale of the Multigestión Group and for VAT still payable of €265k. The utilization line mainly shows the use of the provision for an onerous contract (€931k). €1,104k of this provision was reversed to profit or loss.

The provisions of the Multigestión Group that were reclassified to discontinued operations due to the application of IFRS 5 are presented under “Reclassification to non-current assets classified as held for sale.”

in €k	Other taxes	Tax audit interest	Warranties	Restructuring	Archiving	Other	Total
Opening balance	16 259	837	1 323	3 148	585	6 215	28 367
Reclassification	–1 279	1 400	0	0	0	–121	0
Allocation	265	1 913	35	175	264	941	3 594
Utilization	58	198	0	831	0	1 652	2 738
Reversal	0	0	503	973	243	2 161	3 880
Reclassification to non-current assets classified as held for sale	0	0	0	0	0	217	217
Closing balance	**15 187**	**3 953**	**855**	**1 519**	**606**	**3 006**	**25 125**
Current	15 187	3 953	855	1 519	71	2 522	24 107
Non-current	0	0	0	0	535	483	1 019
Closing balance	**15 187**	**3 953**	**855**	**1 519**	**606**	**3 006**	**25 125**

25. Provisions for pensions

GFKL has defined benefit pension obligations. Pension obligations benefits were calculated in accordance with the requirements set out in IAS 19. An interest rate of between 3.13% and 3.7% (prior year: 3.0% and 3.9%), depending on the group of beneficiaries, was used for this purpose. The defined benefit obligation arising from the defined benefit plans was determined in accordance with IAS 19.67-74. The calculations took into account estimated increases in pensions and salaries as well as an employee turnover rate. Pension increases were estimated in a range from 1.5% to 2.5% (prior year: 1.5% to 2.5%), salary increases in a range from 0.0% to 2.0% (prior year: 0.0% to 2.0%), and the employee turnover rate in a range from 0.0% to 2.0% (prior year: 0.0% to 1.5%). The employee turnover rate, in particular, depends on the age of the pension beneficiaries. Mortality and invalidity rates were measured for the German companies using the 2005G Heubeck mortality tables. In June 2011, the IASB issued amendments to IAS 19 *Employee Benefits.* The most important change to IAS 19 is that experience adjustments and effects of changes in actuarial assumptions, i.e., actuarial gains and losses, now have to be recognized directly in other comprehensive income. The previous option to either recognize immediately in profit or loss, in other comprehensive income or to defer recognition using the corridor method was abolished. GFKL has used the corridor method to date. As a result of the abolition of the corridor method under the revised IAS 19, the Group’s actuarial losses directly impact the consolidated balance sheet, leading to an increase in provisions for pensions and a decrease in equity. As the actuarial losses are recognized directly in other comprehensive income, the consolidated income statement will no longer be affected by the amortization of the amount exceeding the corridor. In addition, the net interest concept has been introduced. This means that the discount rate used to measure the gross benefit liability is applied to the net benefit liability. As the net benefit liability is net of any plan assets, this calculation assumes a return on plan assets equal to the discount rate. The changes to IAS 19 are mandatory for fiscal years beginning on or after January 1, 2013 and are to be applied retrospectively. GFKL adjusted the prior-year figures to reflect the effects of the changes to IAS 19.

The amendments to IAS 19 *Employee Benefits* issued by the IASB in June 2011 had the following effects on the balance sheet of GFKL as of January 1, 2012 and December 31, 2012:

	Jan. 1, 2012			Dec. 31, 2012		
in €k	Before adjustment	Adjustment	After adjustment	Before adjustment	Adjustment	After adjustment
Total equity	–14 988	381	–14 607	–8 027	–1 007	–9 034
Total provisions for pensions	3 061	–558	2 503	2 871	1 516	4 386
Total deferred tax liabilities	5 197	177	5 374	5 318	–509	4 809

The pension plan for one of the former members of the Executive Board of GFKL Financial Services Aktiengesellschaft includes a retirement pension entitlement when the beneficiary reaches the age of 60. This retirement pension is equivalent to up to 75% of the average fixed salary over the five years immediately prior to retirement. The pension entitlement for two former employees of Domnowski Inkasso GmbH comprises a retirement pension to be paid when the beneficiary reaches the age of 65. The former general manager of SBL Mobilien GmbH has already retired and draws 75% of his most recent monthly fixed remuneration. Following the transfer of employees from the ERGO Group, Sirius Inkasso GmbH recognized provisions for pensions for the first time in 2006. The pension entitlement comprises a lifelong retirement pension paid when the beneficiary retires from the service of the entity upon reaching the age of 65. A total of 13 employees at Sirius Inkasso GmbH have the benefit of this pension entitlement. Pension entitlements have also been granted to employees of Proceed Collection Services GmbH as a result of the transfer of 19 employees from Bayerische Hypo- und Vereinsbank AG (now UniCredit Bank AG).

The net liability is calculated as follows:

in €k	2013	2012	2011
Present value of unfunded defined benefit obligation	7 600	7 230	5 093
Plan assets	–3 036	–2 843	–2 466
Net liability	**4 564**	**4 386**	**2 627**

The following table shows the changes in the defined benefit obligation:

in €k	2013	2012
Opening balance of defined benefit obligation	**7 230**	**5 093**
Interest expense	253	242
Pension payments	–151	–75
Current service cost	66	151
Actuarial losses	202	1 819
Closing balance of defined benefit obligation	**7 600**	**7 230**

The plan assets offset against the defined benefit obligation are measured at fair value. The changes in plan assets were as follows:

in €k	2013	2012
Opening balance of plan assets	**2 843**	**2 466**
Return/income	107	96
Actuarial gains/losses (-)	–188	–213
Contributions	141	228
Balance-dependent reclassification	132	266
Closing balance of plan assets	**3 036**	**2 843**

Since the plan assets have been pledged as collateral, they are netted against the present value of the unfunded defined benefit obligation. The plan assets are insurance policies entered into by GFKL. These assets have been pledged to the beneficiaries, resulting in a netting requirement under IAS 19. Contributions to the plan assets over the next year are expected to amount to €111k (prior year: €228k).

Disclosed provisions for pensions developed as follows in the fiscal year:

in €k	2013	2012
Opening balance	**4 386**	**2 627**
Payments arising from pension obligations	–151	0
Allocation to defined benefit obligation	211	70
Allocation to plan assets	–141	–387

in €k	2013	2012
Actuarial gains (-)/losses	390	2 033
Balance-dependent reclassification	–132	43
Closing balance	**4 564**	**4 386**

For further disclosures regarding changes to the provisions for pensions recognized in profit or loss, please refer to section IV.3. (Personnel expenses and number of employees).

A quantitative sensitivity analysis of the key assumptions as of December 31, 2013 is as shown below:

in €k	Dec. 31, 2013
Interest rate	
Increase 0.50%	–646
Decrease 0.50%	710
Salary trend	
Increase 0.50%	91
Decrease 0.50%	–86
Benefit trend	
Increase 1%	1 181
Decrease 1%	–1 020

The sensitivity analyses above were determined based on a method that extrapolates the impact on the defined benefit obligation as a result of realized changes in key assumptions occurring at the end of the reporting period.

The following payments are expected contributions to be made in the future years out of the defined benefit plan obligation:

in €k	Dec. 31, 2013
Within the next 12 months (next fiscal year)	153
Between 2 and 5 years	940
Between 5 and 10 years	1 671
More than 10 years	16 368
Total expected payments	**19 132**

The average duration of the defined benefit obligation at the end of the reporting period is 20 years.

26. Trade payables and other liabilities

This item comprises liabilities from other taxes, which include liabilities from wage and church taxes as well as social security and VAT liabilities. Advance payments received mainly relate to prepayments by customers for the collection process.

in €k	Dec. 31, 2013	Dec. 31, 2012
Liabilities from other taxes	1 700	3 489
Trade payables	2 735	4 441
Advance payments received	2 854	3 167
Deferred income and other items	1 219	1 719
Total	**8 509**	**12 816**

27. Income tax provisions

The income tax provisions largely relate to provisions for corporate income tax and solidarity surcharge totaling €4.8 million (prior year: €4.7 million), trade tax of €5.4 million (prior year: €4.7 million) and provisions for the tax audit of €4.0 million (prior year: €9.0 million). The decrease in the amount for the tax audit is due to the retrospective recognition of the consolidated tax groups for prior years.

IV. Income statement disclosures

1. Revenue

Revenue breaks down as follows:

in €k	Dec. 31, 2013	Dec. 31, 2012
Fees from the collection process	94 487	76 605
Cost refunds from the collection process	34 527	28 978
Revenue from acquired portfolios	61 365	51 324
Other	17	70
Total	**190 396**	**156 976**

Revenue is derived primarily from portfolio-related and performance-based fees for the management of receivables, the settlement of non-performing loans and receivables, realized surpluses on purchased overdue receivables that are supported by an enforcement judgment, and from the reimbursement of costs. The expenses incurred in connection with this revenue primarily relate to personnel expenses and other operating expenses, which are particularly shaped by reimbursed costs. In addition, the revenue from acquired portfolios represents the recognition of revenue from non-performing loans and receivables acquired for settlement. GFKL bears the entire risk of holding these portfolios. The recognized revenue reflects the change in the fair value of the recognized assets. The underlying measurement model is based on standard market terms and conditions.

For details of the revenue attributable to the Multigestión Group in 2012 and 2013, see section IV.10. (Discontinued operations).

2. Other operating income

In connection with new refinancing arranged at the end of June 2012, a bank loan with a carrying amount of €15.0 million was redeemed in return for payment of €10.5 million. The amount of €4.5 million in excess of the redemption payment was recognized as other operating income.

In addition, other operating income includes revenue from cost allocations, reversals of specific valuation allowances that were recognized in prior years and were no longer required as well as income from exchange differences. The increase in other income is due in particular to subsequent purchase price adjustments in connection with the sale of a former subsidiary.

For details of the other operating income attributable to the Multigestión Group in 2012 and 2013, see section IV.10. (Discontinued operations).

Other operating income breaks down as follows:

in €k	Dec. 31, 2013	Dec. 31, 2012
Reversal of provisions and accrued liabilities	4 070	1 271
Purchase price adjustments	3 804	0
Income from the reversal of valuation allowances on receivables	936	1 190
Income from exchange differences	4	1
Income from the disposal of non-current assets	15	0
Other income	2 239	6 555
Total	**11 069**	**9 017**

3. Personnel expenses and number of employees

The following summary shows the change in the number of employees (full-time equivalents—FTEs), broken down by segment:

	Dec. 31, 2013	Dec. 31, 2012
Receivables management	709	728
Holding company	113	128
Continuing operations	**822**	**856**
Discontinued operations	196	220
Employees	**1 018**	**1 076**
thereof employees in Germany	*822*	*856*
Average number of employees	**1 033**	**1 089**

The average number of employees is determined on the basis of a monthly analysis. The employees in discontinued operations are those of the Spanish companies Multigestión Portfolio S.L., Multigestión Cartera 2004 S.A.U., Multigestión Iberia S.A.U. and CORPORACIÓN DE GESTIÓN Y ASESORAMIENTO DE SERVICIOS Y FINANZAS ASOCIADOS S.A.U.

Long-service bonus commitments have been made to some of the employees in the GFKL Group. The provision (€317k; prior year: €298k) was recognized based on the length of service to date, the current employee turnover rate, and a market-based discount rate.

For information on the severance of employees and Executive Board members, please see section III.24. (Provisions).

The following amounts were recognized in the income statement in respect of pensions obligations:

in €k	Dec. 31, 2013	Dec. 31, 2012
Current service cost	66	151
Interest income	–107	–96
Interest expense	253	242
Total	**211**	**297**

In addition to the expenses for pensions obligations, personnel expenses include employer contributions to the statutory pension insurance scheme in Germany. The German pension insurance scheme is classified as a defined contribution plan. The contributions paid amount to €2,878k (prior year: €4,109k).

Please see section III.25. (Provisions for pensions) for further information.

4. Depreciation, amortization and impairment expense

Depreciation, amortization and impairment expense relates to the depreciation and impairment of property, plant and equipment and the amortization and impairment of intangible assets. Please refer to the information under sections III.1. (Property, plant and equipment) and III.2. (Intangible assets).

For an explanation of impairment losses on goodwill from discontinued operations, please refer to section IV.10. (Discontinued operations).

5. Other operating expenses

Other operating expenses break down as follows:

in €k	Dec. 31, 2013	Dec. 31, 2012
Costs of the collection process	102 639	75 859
Valuation allowances and write-downs on receivables	1 475	4 896
Valuation allowances and write-downs on financial assets	0	450
General and administrative expenses, contributions and rent	13 072	15 482
Personnel recruitment and freelancers	4 566	6 904
Consulting and auditing fees	4 225	4 999

in €k	Dec. 31, 2013	Dec. 31, 2012
Expense from the measurement of NPL receivables	6 560	3 236
Other taxes	0	325
Commissions, incidental refinancing costs	66	15
Expenses from exchange differences	0	3
Expenses arising from the disposal of assets	2	107
Other operating expenses	1 965	13 052
Total	**134 570**	**125 328**

Costs of the collection process relate in particular to legal, court and dunning expenses as well as postage and other expenses incurred in the collection of receivables. The increase in expenses year on year is largely due to higher expenses for collection lawyers of €12.3 million, costs for the settlement of legal disputes of €7.9 million and fees for address services of €1 million. The settlement costs include collection fees for prior years.

The item "General and administrative expenses, contributions and rent" includes expenses from operating leases for vehicles and office equipment amounting to €3.1 million (prior year: €2.9 million).

Expenses from the measurement of NPL receivables relate to non-performing loans and receivables acquired for settlement which generated a negative profit contribution in the fiscal year, one reason for which being write-downs.

For details of the other operating expenses attributable to the Multigestión Group in 2012 and 2013, see section IV.10. (Discontinued operations).

6. Interest and similar income

Interest and similar income mainly relates to the fair value measurement of derivatives. For details of the interest and similar income attributable to the Multigestión Group in 2012 and 2013, see section IV.10. (Discontinued operations).

7. Interest and similar expenses

Interest expenses arise mainly from loan liabilities of the holding company and expenses from fair value measurement as well as interest expenses from derivatives. For details of the interest and similar expenses attributable to the Multigestión Group in 2012 and 2013, see section IV.10. (Discontinued operations).

8. Profit/loss from investments accounted for using the equity method

The contribution to consolidated earnings from the profit/loss of associates amounted to €0k (prior year: €56k). The largest individual figure within this contribution in 2012 was €86k from HFI Finanz- und Investitions-Beratungsgesellschaft Hamm mbH.

9. Income taxes

Group tax expense is calculated using a tax rate of around 32% (prior year: 32%). This tax rate is also used for the calculation of deferred taxes.

The following table shows the tax reconciliation:

in €k	Dec. 31, 2013	Dec. 31, 2012
Earnings before income tax	6 908	–20 403
Expected income taxes	**2 191**	**–6 472**
Modification of the determination of taxable income	327	1 170
Measurement and utilization of loss carryforwards	318	728
Out-of period taxes	–8 987	4 646
Permanent effects	–1 423	239
Other	38	102
Effective income taxes	**–7 536**	**413**

The modification to the determination of taxable income relates in particular to add-backs of non-tax deductible expenses of GFKL Financial Services Aktiengesellschaft.

Out-of-period taxes mainly relate to the reversal of provision for the tax audit.

The permanent effects largely concern the interest on the hybrid loan from the shareholder.

The tax expenses are as follows:

in €k	Dec. 31, 2013	Dec. 31, 2012
Current taxes	1 234	505
Current taxes from prior years	–8 987	4 646
Deferred taxes	217	–4 738
Total	**–7 536**	**413**

10. Discontinued operations

Retrospective restatement of prior-year figures

The planned sale of the Spanish companies of the GFKL Group make it necessary to apply IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations.* The operations which must be presented as discontinued operations are no longer included in the profit/loss from continuing operations in the period under review or in any other comparative period. The profit/loss from these operations is now included in the profit/loss from discontinued operations in the income statement. The adjustments prescribed by IFRS 5 are made retrospectively.

The following table shows the effects of applying this classification retrospectively to the items of the income statement as of December 31, 2012:

in €k	Dec. 31, 2012
Revenue	–14 189
Other operating income	–33
Personnel expenses	–8 903
Depreciation, amortization and impairment expense	–3 954
Other operating expenses	–6 307
Interest and similar income	–3 198
Interest and similar expenses	–915
Income taxes	–190

Information on results and cash flows from discontinued operations is provided below. The results generated in both periods covered are presented on a separate line in the income statement.

For the purposes of presentation in accordance with IFRS 5.33, intragroup balances and transactions between discontinued and continuing operations are not consolidated if it is probable that the business relationships will be continued after the disposal.

The depreciation/amortization of non-current assets of discontinued operations was suspended.

Aside from the Spanish companies, the prior year also includes the companies of the former software segment which were sold in 2012.

The result from discontinued operations breaks down as follows:

in €k	Dec. 31, 2013	Dec. 31, 2012
Discontinued operations income	13 845	21 382
thereof in respect of affiliates	*0*	*0*
Discontinued operations expenses	13 300	21 107
thereof in respect of affiliates	*260*	*224*
Earnings before tax	**545**	**275**
Taxes on earnings	–117	285

in €k	Dec. 31, 2013	Dec. 31, 2012
Profit/loss from measurement/deconsolidationless costs to sell	–12 585	–3 165
Taxes on profit/loss from measurement/deconsolidation	0	0
Profit/loss from discontinued operations	**–12 157**	**–3 174**
Cash flow from operating activities	14 118	–291
Cash flow from investing activities	–56	–172
Cash flow from financing activities	–15 763	215
Total	**–1 702**	**–248**

Assets and liabilities related to discontinued operations are recognized in the items "Assets classified as held for sale" and "Liabilities classified as held for sale" (section III.12.) and comprise the assets and liabilities of the operations held for sale as of December 31, 2013.

V. Other disclosures

1. Basic/diluted earnings per share and dividends

Earnings per share are calculated on the basis of the profit attributable to the equity holders of the parent and the number of outstanding shares in the Group's parent, GFKL Financial Services Aktiengesellschaft. As of December 31, 2013, the average number of shares was 24,783,567 (prior year: 24,783,567). Treasury shares (1,100,223 shares; prior year: 1,100,223 shares) are not taken into account in the calculation of earnings per share.

The average number of shares is derived from the number of shares in GFKL Financial Services Aktiengesellschaft including the issue of new shares. In order to determine diluted earnings per share, the shares not yet tendered under the cash settlement offer and the corresponding interest must be taken into account.

Beginning of period	End of period	No. days	No. shares	Weighting
Jan. 1, 2013	Dec. 31, 2013	365	24 783 567	24 783 567
Total/average:		**365**		**24 783 567**

Basic earnings per share were calculated by dividing the profit attributable to the equity holders of the parent by the weighted average number of shares, as follows:

	Dec. 31, 2013	Dec. 31, 2012
Profit/loss from continuing operations after non-controlling interests in €k	14 457	–20 812
Profit/loss from discontinued operations in €k	–12 157	–3 174
Profit/loss attributable to equity holders of the parent in €k	**2 301**	**–23 986**
Weighted number of shares	24 783 567	24 783 567
Earnings per share in €	**0,09**	**–0,97**

Diluted earnings per share was calculated as follows:

	Dec. 31, 2013	Dec. 31, 2012
Profit/loss from continuing operations after non-controlling interests in €k	14 541	–20 721
Profit/loss from discontinued operations in €k	–12 157	–3 174
Profit/loss attributable to equity holders of the parent in €k	**2 384**	**–23 895**
Weighted number of shares	25 005 526	25 062 693
Earnings per share in €	**0,10**	**–0,95**

The profit/loss used for determining diluted earnings per share is adjusted for interest expenses and corresponding taxes for outstanding share repurchases of €84k (prior year: €91k). The weighted average number of shares is influenced by the number of shares outstanding as of January 1, 2013 from the cash settlement offer to former ABIT shareholders. The required issue of new ordinary shares at the current share price that would be necessary to settle the outstanding amount under the cash settlement offer is determined in this context.

As for 2012, there are no plans to distribute a dividend for 2013.

2. Additional disclosures on financial instruments

The following table shows the breakdown of assets and liabilities as of December 31, 2013 by IAS 39 category:

in €k	Category	Carrying amounts	Fair values
Assets			
Loans and receivables	LaR	81 058	81 058
Held-to-maturity investments	HtM	0	0
Available-for-sale financial assets	AfS	0	0
Financial assets at fair value through profit or loss	FAaFV	100 692	100 692
Liabilities			
Financial liabilities at amortized cost	FLAC	190 791	190 791
Financial liabilities at fair value through profit or loss	FLaFV	2 059	2 059

GFKL holds financial instruments in the categories “Loans and receivables” and “Financial assets at fair value through profit or loss.” In the “Financial assets at fair value through profit or loss” category, the carrying amount is equal to the fair value because these items are recognized at market value. In the case of financial instruments in the “Loans and receivables” category, the carrying amount is also equal to the fair value because these items are recognized at the expected settlement amount taking into account appropriate valuation allowances. Assets and liabilities are mostly subject to floating-rate interest. An exception is the fixed-rate subordinated loan from Carl Holding GmbH, which is non-current.

As of December 31, 2012, the breakdown is as follows:

in €k	Category	Carrying amounts	Fair values
Assets			
Loans and receivables	LaR	75 827	75 827
Held-to-maturity investments	HtM	0	0
Available-for-sale financial assets	AfS	0	0
Financial assets at fair value through profit or loss	FAaFV	116 771	116 771
Liabilities			
Financial liabilities at amortized cost	FLAC	200 841	200 841
Financial liabilities at fair value through profit or loss	FLaFV	4 013	4 013

NPL portfolios and derivatives that do not qualify for hedge accounting are recognized in the “Financial assets at fair value through profit or loss” and “Financial liabilities at fair value through profit or loss” categories. Derivatives fall under Level 2 of the fair value hierarchy in IFRS 7; NPL portfolios under Level 3.

The derivatives recognized (Level 2) relate exclusively to interest rate swaps that GFKL concludes with its banking partners in OTC trade. In order to recognize the fair value of these derivatives, the fair value calculation performed by GFKL as of the balance sheet date is used, which is based on the customary market method and is regularly compared with fair value calculation provided by the counterparties. The fair value of interest rate swaps is determined by discounting expected future cash flows over the residual term of the contract based on current market rates and the term structure of interest rates.

Please see section II.7.a (Accounting treatment of acquired portfolios) for more information on the valuation techniques for determining the fair value of the NPL investments.

The “Financial liabilities at amortized cost” are mostly floating-rate loans. There is no evidence that the agreed credit spreads have changed significantly since the loans were entered into. Thus the carrying amounts remain equivalent to the fair values of the financial liabilities.

As of December 31, 2013, the breakdown of contributions to net gain/loss by IAS 39 category was as follows:

in €k Category	Interest income	Interest expenses	Fees	Impairment losses and reversals of impairment losses	Net gain/loss
LaR	4	0	–489	10	**–475**
HtM	0	0	0	0	**0**
AfS	0	0	0	0	**0**
FAaFV	0	0	0	53 062	**53 062**
FLAC	0	10 183	0	56	**–10 127**
FLaFV	53	2 837	0	0	**–2 784**

As of December 31, 2012, the amounts were as follows:

in €k Category	Interest income	Interest expenses	Fees	Impairment losses and reversals of impairment losses	Net gain/loss
LaR	229	0	–553	–4 987	**–5 311**
HtM	0	0	0	0	**0**
AfS	0	0	0	0	**0**
FAaFV	13	0	0	48 455	**48 468**
FLAC	0	11 183	–1	3 724	**–7 460**
FLaFV	0	4 206	0	5	**–4 200**

As part of refinancing arrangements for securitization transactions, various financial assets were pledged to third parties as collateral. The changes in financial assets pledged as collateral were as follows:

in €k	Dec. 31, 2013	Dec. 31, 2012
Assigned NPL portfolios	26 446	36 617
Pledged current accounts	0	12 961
Total	**26 446**	**49 578**

There are no financial instruments that include multiple embedded derivatives.

For disclosures on compliance with the terms and conditions of loan agreements, please refer to the information on capital management under section II.9. (Business risks and capital management).

The following table shows the fair values of derivative financial instruments. A distinction is made between the derivatives depending on whether they form part of an effective hedge in accordance with IAS 39 (cash flow hedge).

in €k	Dec. 31, 2013	Dec. 31, 2012
Derivative financial instruments with negative fair values —not designated as part of a hedge relationship	–2 058	–4 013

There were no derivative financial instruments to hedge fair value risks in accordance with IAS 39 either as of the current or prior-year balance sheet date. It was not possible to apply the rules of hedge accounting to the derivatives as of December 31, 2013. Derivative financial instruments with a negative fair value of €2,058k are held to hedge against fluctuations in the fair value of the NPL portfolios arising from changes in the general level of interest rates.

3. Derecognition of assets

a) Refinancing of NPL portfolios

Some NPL portfolios are refinanced by the sale of these portfolios to special purpose entities. In this case, the assets are not derecognized, nor is it necessary to recognize any continuing involvement. GFKL retains substantially all the risks and rewards of the NPL portfolio through the subordinated financing of the special purpose entity and the settlement terms for incoming payments from debtors. The assets continue to be recognized under "Non-performing loans and receivables acquired for settlement" (€24.3 million) and the liabilities under "Other financial liabilities" (€15.8 million).

b) Derecognitions in relation to the change in shareholders in 2009

In relation to the change in GFKL's shareholders in 2009, assets were transferred to the former shareholders, or a special purpose entity set up by them. The assets partly related to a compensation claim against Resba GmbH. A settlement was reached in fiscal year 2013 in the legal dispute between SBL Mobilien and Resba GmbH.

Due to differences of opinion between the joint venture partners concerning the management of the entity and the rights to information and due to differences in connection with the sale of two portfolios by Domusvenda S.A., Lisbon, Portugal, GFKL filed a number of actions before the courts in Portugal against its partner and against the general managers appointed by that partner and filed an application to open insolvency proceedings against the assets of Domusvenda S.A. in February 2012. In March 2013, a settlement was agreed with the partner, Domusvenda and other parties.

4. Contingent liabilities

GFKL is subject to continued liability in some instances in respect of former group companies that have been sold.

5. Other financial obligations

The following tables set out the expected changes in rent obligations for company offices, in the lease obligations for vehicles, IT and communications equipment the company uses itself and in maintenance agreement obligations.

As of December 31, 2013, the Group had the following financial obligations:

in €k	In the following year	1 to 5 years	More than 5 years
Rent	2 913	1 429	0
Maintenance agreements	259	283	0
Operating leases	300	201	0

As of December 31, 2012, the financial obligations were as follows:

in €k	In the following year	1 to 5 years	More than 5 years
Rent	3 640	6 535	0
Maintenance agreements	24	40	0
Operating leases	399	281	0

The company enters into leases for vehicles and communications and IT equipment that it uses itself in the course of its business. These leases are operating leases as defined by IAS 17.

6. Auditor's fees

The group auditor's fees for the fiscal years break down as follows:

in €k	Dec. 31, 2013	Dec. 31, 2012
Audit services	249	382
Audit-related services	210	200
Tax services	92	526
Other services	165	681
Total	**715**	**1 789**

VI. Cash flow statement disclosures

The cash flow statement shows how the cash and cash equivalents in the GFKL Group changed during the course of the year under review as a result of cash inflows and outflows. Cash flows in the cash flow statement are broken down by operating, investing and financing activities (IAS 7).

In the receivables management segment, GFKL's activities include the acquisition and settlement of NPL portfolios for its own account. The related cash flows are separated and allocated to the cash flow from investing activities (acquisition of portfolios), cash flow from financing activities (financing of NPL investments) and cash flow from operating activities (recovery of payments from servicing). This means that cash is allocated more accurately.

The following specific disclosures are made

1. Cash and cash equivalents comprised cash amounting to €60.1 million (prior year: €38.2 million). €19.8 million (prior year: €20.3 million) of this amount is earmarked funds as of December 31, 2013. Cash and cash equivalents in the cash flow statement correspond to the cash and cash equivalents in the balance sheet and contain cash from discontinued operations of €1.9 million (prior year: €0 million).
2. The cash flow from operating activities is primarily shaped by the payments received for NPL portfolios (€88.7 million; prior year: €84.7 million).
3. As of December 31, 2013, the Group's cash flow from operating activities amounted to €53.3 million (prior year: €18.3 million).
4. The cash flow from investing activities of -€22.1 million (prior year: -€14.5 million) includes payments for the purchase of NPL portfolios, property, plant and equipment, intangible assets, changes in loans granted, payments received from the disposal of assets and acquisitions and disposals of companies and shares. The cash flow from investments in NPL portfolios amounted to -€26.1 million (prior year: -€16.5 million). Please see section II.8.a (Basis of consolidation) for further information on cash flows from corporate transactions.
5. Apart from the repayment of loans, the cash flow from financing activities of -€9.3 million (prior year: -€24.2 million) comprised cash received from the financing of NPL portfolios (€18 million; prior year: €0 million) and, in the prior year, cash inflows from the issue of equity instruments (€30 million).
6. In the period under review, the Group generated cash flow from interest paid of €8.8 million (prior year: €9.7 million) and interest received of €1.3 million (prior year: €3.2 million). The cash flow from income taxes was €0.1 million (prior year: -€2.7 million).

VII. Events after the balance sheet date

In January 2014, the company entered into a long-term lease for a new administrative building in Essen. The move is scheduled for mid-2014.

A further tranche with NPL portfolios of €25.0 million was sold to a US investor as planned in March 2014 through the securitization structure established in 2013.

There were no other events after the balance sheet date which would have had an effect on the consolidated financial statements as of December 31, 2013.

VIII. Related party relationships and Executive Board and Supervisory Board disclosures

1. Related parties

Carl Holding GmbH, a subsidiary of Advent International, is the majority shareholder with a stake of 92.81%. The following tables show transactions with related parties. In the tables, individual dealings, whether recognized in profit or loss or recognized directly in equity, have been aggregated under "Transactions." The tables do not include any disclosures regarding the remuneration paid to the members of the Executive Board and Supervisory Board. These disclosures are set out in detail under section VIII.2. (Executive Board and Supervisory Board disclosures).

Liabilities and transactions relating to services received break down as follows:

	Transactions		Balances	
	2013	2012	Dec. 31, 2013	Dec. 31, 2012
Advent International	1 590	2 000	20 055	19 465
Equity holders with a significant influence	**1 590**	**2 000**	**20 055**	**19 465**
Related parties of the equity holder with a significant influence	**0**	**0**	**4**	**4**
Associates	0	0	0	0
Entities over which key persons have a significant influence	0	0	0	0
Other related parties	141	9	0	0
Total	**1 731**	**2 009**	**20 059**	**19 469**

Liabilities to Advent International are primarily due to loans granted by Carl Holding GmbH. Please also see section III.15. (Hybrid capital).

Receivables and transactions relating to services rendered break down as follows:

in €k	Transactions		Balances	
	2013	2012	Dec. 31, 2013	Dec. 31, 2012
Advent International	11	20	0	0
Equity holders with a significant influence	**11**	**20**	**0**	**0**
Related parties of the equity holder with a significant influence	**377**	**17**	**64**	**1**
Associates	0	13	0	0
Entities over which key persons have a significant influence	0	0	0	0
Management in key positions	1	1	0	0
Total	**389**	**51**	**64**	**1**

Related party transactions are conducted on an arm's length basis.

The Executive Board members simultaneously hold investments in an Advent entity that indirectly holds shares in GFKL. The shares were acquired at market prices. This therefore did not have an effect on GFKL's profit or loss. Rather, the shareholders are entitled to any potential exit income. Management may not freely sell the shares.

2. Executive Board and Supervisory Board disclosures

Over the past few years, the following gentlemen were members of the Executive Board:

Members of the Executive Board	Appointed on	Left on
Christoph Pfeifer, Oberursel	Nov. 12, 2012	
Kamyar Niroumand (Chairman of the Executive Board), Berlin	Oct. 1, 2012	
Marc Knothe, Vienna	May 1, 2011	
Stefan Brauel, Bodenheim	Mar. 15, 2011	Nov. 5, 2012
Christian Weber, Düsseldorf	Apr. 1, 2010	Nov. 7, 2012

The following table shows the changes in the year under review in the total remuneration paid to the Executive Board and in the remuneration entitlement for the members of the Supervisory Board specified by the articles of incorporation:

in €k	Dec. 31, 2013	Dec. 31, 2012
Current remuneration	1 887	1 915
Termination benefits	0	1 120
Executive Board remuneration	**1 887**	**3 036**

in €k	Dec. 31, 2013	Dec. 31, 2012
Supervisory Board remuneration	92	92
Total remuneration	**1 979**	**3 128**

A pension obligation in favor of a former member of the Executive Board resulted in expenses of €68k in the reporting period (prior year: €49k). Please see section III.25. (Provisions for pensions) for further information.

In the past two years, the Supervisory Board members were:

Members of the Supervisory Board	Joined on	Left on
Nicole Linke, Mülheim an der Ruhr (employee representative)	Aug. 15, 2012	
Hans-Hermann Anton Lotter, Frankfurt am Main (Chairman)	Dec. 15, 2009	
Wilhelm Plumpe, Hamburg (Deputy Chairman)	Dec. 15, 2009	
Geoffrey Philip Ognall, London, UK (Deputy Chairman)	Dec. 15, 2009	Aug. 15, 2012

Essen, April 17, 2014

sgd Kamyar Niroumand (Chairman of the Executive Board)

sgd Marc Knothe (Member of the Executive Board)

sgd Christoph Pfeifer (Member of the Executive Board)

Translation of the German-language auditor's report, which refers to the audit of the German-language consolidated financial statements and the German-language group management report of GFKL Financial Services AG, Essen, as of and for the year ended December 31, 2012 as a whole

Auditor's report

We have audited the consolidated financial statements prepared by GFKL Financial Services Aktiengesellschaft, Essen, comprising the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in equity, the cash flow statement and the notes to the consolidated financial statements, together with the group management report for the fiscal year from January 1 to December 31, 2012. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs [International Financial Reporting Standards] as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ["Handelsgesetzbuch": German Commercial Code] is the responsibility of the company's management. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Essen, April 26, 2013

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Pfeiffer
Wirtschaftsprüfer
[German Public Auditor]

Uhl
Wirtschaftsprüfer
[German Public Auditor]

GFKL Financial Services Aktiengesellschaft, Essen

Consolidated Balance Sheet as of December 31, 2012 (in accordance with IFRSs)
in €k

	Notes	Dec. 31, 2012	Dec. 31, 2011
ASSETS			
Non-current assets			
Property, plant and equipment	III.1.	2 595	2 865
Intangible assets	III.2.	19 074	9 852
Goodwill	III.3.	35 628	34 856
Investments in associates	III.4.	0	1 881
Non-performing loans and receivables acquired for settlement	III.5.	70 897	70 316
Derivatives with positive fair values	III.6.	0	3
Other financial assets	III.7.	2 574	36 469
Deferred tax assets	III.8.	516	530
		131 285	**156 772**
Current assets			
Non-performing loans and receivables acquired for settlement	III.5.	45 874	51 177
Trade and other receivables	III.9.	13 490	15 541
Income tax refund claims	III.10.	1 354	1 456
Other financial assets	III.7.	21 588	19 908
Derivatives with positive fair values	III.6.	0	3
Cash and cash equivalents	III.11.	38 174	58 599
		120 481	146 683
Assets classified as held for sale	III.12.	0	2 282
		120 481	**148 965**
Total assets		**251 765**	**305 737**
EQUITY AND LIABILITIES			
Equity			
Share capital	III.13.	25 884	25 884
Capital reserves	III.14.	51 668	51 668
Hybrid capital	III.15.	31 246	0
Treasury shares	III.16.	–17 890	–17 890
Retained earnings	III.17.	64	64
Valuation reserve for financial instruments	III.18.	–370	–1 321
Net retained loss		–98 576	–73 344
Equity attributable to equity holders of the parent		–7 974	–14 939
Non-controlling interests	III.19.	–54	–49
Total equity		**–8 027**	**–14 988**
Non-current liabilities			
Liabilities to banks	III.22.	108 266	61
Derivatives with negative fair values	III.6.	2 785	4 828
Other financial liabilities	III.23.	32 661	11 739
Provisions	III.24.	2 527	618
Provisions for pensions	III.25.	2 871	3 061
Deferred tax liabilities	III.8.	5 318	5 197
		154 427	25 505
Current liabilities			
Liabilities to banks	III.22.	14 037	155 942

	Notes	Dec. 31, 2012	Dec. 31, 2011
Derivatives with negative fair values	III.6.	1 227	3 518
Trade payables and other liabilities	III.26.	12 816	10 717
Other financial liabilities	III.23.	33 061	81 737
Income tax provisions	III.27.	18 384	14 521
Provisions	III.24.	25 840	22 565
		105 366	289 000
Liabilities classified as held for sale	III.12.	0	6 220
		105 366	295 220
Total liabilities		**259 793**	**320 725**
Total equity and liabilities		**251 765**	**305 737**

GFKL Financial Services Aktiengesellschaft, Essen

Consolidated Income Statement for the Period from January 1 to December 31, 2012 (in accordance with IFRSs)
in €k

	Notes	Jan. 1 to Dec. 31, 2012	Jan. 1 to Dec. 31, 2011
Revenue	IV.1.	171 165	168 534
Other operating income	IV.2.	9 050	4 877
Personnel expenses	IV.3.	52 287	49 884
Depreciation, amortization and impairment expense	IV.4.	7 944	10 298
Other operating expenses	IV.5.	131 635	153 811
Interest and similar income	IV.6.	4 099	6 373
Interest and similar expenses	IV.7.	15 566	17 845
Profit/loss from investments accounted for using the equity method	IV.8.	56	105
Earnings/loss before tax		**–23 063**	**–51 950**
Income taxes	IV.9.	603	–5 340
Profit/loss from continuing operations		**–23 666**	**–46 610**
Profit/loss from discontinued operations	IV.10.	–325	–20 171
Consolidated profit/loss for the period		**–23 991**	**–66 781**
Profit attributable to non-controlling interests		1	1
Loss attributable to non-controlling interests		6	73
Profit/loss attributable to equity holders of the parent		**–23 986**	**–66 709**
Earnings per share from continuing operations in € (after non-controlling interests)			
Basic	V.1.	–0.95	–1.88
Diluted	V.1.	–0.94	–1.85
Earnings per share from discontinued operations in € (after non-controlling interests)			
Basic	V.1.	–0.01	–0.81
Diluted	V.1.	–0.01	–0.80

GFKL Financial Services Aktiengesellschaft, Essen

Consolidated Statement of Comprehensive Income for the Period from January 1 to December 31, 2012
(in accordance with IFRSs)
in €k

	Notes	Jan. 1 to Dec. 31, 2012	Jan. 1 to Dec. 31, 2011
Consolidated profit/loss for the period		**–23 991**	**–66 781**
Resulation from the valuation reserve for financial instruments	III.18.	1 394	1 308
Result from deferred taxes for financial instruments	III.8.	–442	–415
Result from currency translations		0	–4
Other comprehensive income		**952**	**890**
Total comprehensive income		**–23 039**	**–65 891**
Thereof attributable to:			
Equity holders of the parent		–23 034	–65 820
Non-controlling interest		–5	–72

GFKL Financial Services Aktiengesellschaft, Essen

Consolidated Statement of Changes in Equity for the Period from January 1 to December 31, 2012 (in accordance with IFRSs)
in €k

Notes	Share capital III.13.	Capital reserves III.14.	Hybrid capital III.15.	Treasury shares III.16.	Retained earnings III.17.	Valuation reserve for financial instruments III.18.	Currency translation	Net retained loss	Equity attributable to equity holders of the parent	Non-controlling interests III.19.	Total equity
As of January 1, 2011....................	**25 884**	**51 668**	**0**	**–17 890**	**64**	**–2 21**	**4**	**–6 635**	**50 88**	**23**	**50 903**
Other comprehensive income....................	0	0	0	0	0	89	–4	0	89	0	890
Consolidated profit/loss for the period.....................	0	0	0	0	0		0	–66 709	–66 70	–72	–66 781
Total comprehensive income..................	**0**	**0**	**0**	**0**	**0**	**89**	**–4**	**–66 709**	**–65 82**	**–72**	**–65 891**
As of December 31, 2011....................	**25 884**	**51 668**	**0**	**–17 890**	**64**	**–1 32**	**0**	**–73 344**	**–14 93**	**–49**	**–14 988**
As of December 31, 2012....................	**25 884**	**51 668**	**0**	**–17 890**	**64**	**–1 32**	**0**	**–73 344**	**–14 93**	**–49**	**–14 988**
Other comprehensive income....................	0	0	0	0	0	95	0	0	95	0	952
Consolidated profit/loss for the period.....................	0	0	1 246	0	0		0	–25 232	–23 98	–5	–23 991
Total comprehensive income..................	**0**	**0**	**1 246**	**0**	**0**	**95**	**0**	**–25 232**	**–23 03**	**–5**	**–23 039**
Contribution	0	0	30 000	0	0		0	0	30 00	0	30 000
As of December 31, 2012....................	**25 884**	**51 668**	**31 246**	**–17 890**	**64**	**–37**	**0**	**–98 576**	**–7 97**	**–54**	**–8 027**

GFKL Financial Services Aktiengesellschaft, Essen

Consolidated Cash Flow Statement for the Period from January 1 to December 31, 2012
(in accordance with IFRSs)
in €k

		Notes	Jan. 1 to Dec. 31, 2012	Jan. 1 to Dec. 31, 2011
1.	**Operating activities**			
	Profit/loss from continuing operations		–23 666	–46 610
	Profit/loss from discontinued operations		–325	–20 171
	Consolidated profit/loss for the period		**–23 991**	**–66 781**
	Non-cash items included in consolidated profit/loss for the period and reconciliation to cash flow from operating activities			
+	Depreciation, amortization and impairment expense		8 895	11 840
+	Accounting losses from the disposal of property, plant and equipment/intangible assets		107	24
–	Gain from the disposal of property, plant and equipment/intangible assets		0	0
+/–	Change in provisions		8 733	21 854
+/–	Change in deferred taxes		–4 724	–12 178
–/+	Repayments and changes in value of NPL portfolios		34 402	40 806
	Changes in balances in the period			
–/+	Trade and other receivables		5 586	–3 410
+/–	Trade payables and other liabilities		–1 611	3 956
–/+	Change in lease assets/lease refinancing		0	–3 958
–/+	Changes in other net assets		–9 118	36 826
=	**Cash flow before change in cash reserve**	VI.2.	**18 279**	**28 980**
–/+	**Change in leasing cash reserve**		**0**	**6 727**
=	**Cash flow from operating activities**	VI.3.	**18 279**	**35 707**
2.	**Investing activities**			
+	Cash received from the disposal of property, plant and equipment/intangible assets		147	0
–	Acquisition of property plant and equipment/intangible assets		–2 872	–6 612
+	Cash received from transferred receivables		24 600	9 500
–	Cash paid for loans granted and other financial investments		–500	0
–	Investment in NPL portfolios		–16 487	–13 809
+	Divestment of NPL portfolios		1 952	2 048
–	Acquisition of companies and shares less net cash acquired		–23 279	0
+/–	Sale of companies and shares less net cash sold		467	5 167
+	Cash received from the sale of financial assets		1 500	0
–	Acquisition of financial assets		–13	0
=	**Cash flow from investing activities**	VI.4.	**–14 483**	**–3 707**
3.	**Financing activities**			
+	Cash received from the issue of equity instruments		30 000	0
–	Repurchase of shares from former ABIT shareholders		–20	–669
+	Cash received from bank loans		0	25 026
–	Repayment of bank loans		–25 785	–66 371
+	Cash received from financing for NPL portfolios		0	29 532
–	Repayment of financing for NPL portfolios		–28 416	–31 342
=	**Cash flow from financing activities**	VI.5.	**–24 221**	**–43 825**
4.	**Development of liquidity**			
	Cash and cash equivalents at the beginning of the period		58 599	71 660

	Notes	Jan. 1 to Dec. 31, 2012	Jan. 1 to Dec. 31, 2011
+Change in cash and cash equivalents		–20 424	–11 824
=**Cash and cash equivalents at the end of the period**		**38 174**	**59 836**
5.Composition of cash and cash equivalents[1]			
Cash	VI.1.	**38 174**	**59 836**
thereof restricted cash		20 346	19 689

1 Cash and cash equivalents as of December 31, 2012 do not include any cash from assets classified as held for sale (prior year: €1,237k).

Translation from the German language

GFKL Financial Services Aktiengesellschaft, Essen

Notes to the consolidated financial statements as of December 31, 2012
(in accordance with IFRSs)

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Translation from the German language

GFKL Financial Services Aktiengesellschaft, Essen

Notes to the consolidated financial statements as of December 31, 2012
(in accordance with IFRSs)

I. General comments

GFKL Financial Services Aktiengesellschaft, Essen, is the parent of the GFKL Group. The company's registered offices are at Limbecker Platz 1 in Essen, Germany. It is entered in the commercial register of the Local Court of Essen under HRB No. 13522. Carl Holding GmbH—a subsidiary of Advent International Corp., Boston—is the majority shareholder with a stake of around 92.8%. GFKL is a financial services provider in the receivables management segment. The equity investments in the software segment were sold in fiscal year 2012. Please refer to the management report for further information on operating activities.

The consolidated financial statements for fiscal year 2012 were authorized for issue by the Executive Board on April 26, 2013.

Domnowski Inkasso GmbH, Proceed Collection Services GmbH, Proceed Portfolio Services GmbH, Sirius Inkasso GmbH, Zyklop Inkasso Deutschland GmbH and SNT Inkasso & Forderungsmanagement GmbH have been included in full in the consolidated financial statements of GFKL. Control and profit and loss transfer agreements have been concluded with all of the aforementioned companies, which all make use of the exemption option specified in Sec. 264 (3) HGB ["Handelsgesetzbuch": German Commercial Code]. debifact Factoring GmbH & Co. KG and INKASSO BECKER Wuppertal GmbH & Co. KG have also been included in full in the consolidated financial statements of GFKL. They make use of the exemption option specified in Sec. 264b HGB.

II. Basis of presentation and accounting policies

1. Basis of presentation of the consolidated financial statements

The consolidated financial statements of GFKL Financial Services Aktiengesellschaft and its first and second-tier subsidiaries have been prepared in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU. In addition to GFKL Financial Services Aktiengesellschaft, the holding company, the GFKL Group includes 16 fully consolidated first and second-tier subsidiaries. The Group also has a further equity investment. An overview of all indirect and direct shareholdings is attached to these notes as an exhibit. Shareholdings are generally accounted for according to the voting shares in capital.

The consolidated financial statements are generally prepared using the cost method. However, non-performing loans and receivables acquired for settlement and derivative financial instruments are measured at fair value rather than at cost.

Unless stated otherwise, all figures are shown in thousands of euros (€k). All stated amounts have been individually rounded, which may give rise to minor discrepancies when these amounts are aggregated. In the notes, the figures as of December 31, 2012 are compared with those as of December 31, 2011.

2. Changes in accounting policies and disclosure

The software segment was classified as discontinued operations in fiscal year 2011 as the sale of the segment was planned.

As they are separate major lines of business and thus discontinued operations, their current results and any gains on disposal have been presented in a separate section of the consolidated income statement.

In fiscal year 2012, the Group sold the equity investments in the software segment. The equity investments in associates were also sold.

3. Effects of new and amended IFRSs

a) Accounting standards implemented in the fiscal year

The International Accounting Standards Board (IASB) published various amendments to existing IFRSs and new interpretations.

GFKL applied the following new and revised IFRSs in fiscal year 2012: IFRS 7 (2010) *Disclosures—Transfer of Financial Assets.*

The provisions relevant for GFKL and their effects are described below:

The amendment to IFRS 7 was issued in October 2010 and becomes effective for fiscal years beginning on or after January 1, 2012. It requires extended disclosures on transfers of financial assets when full or partial derecognition has failed or a continuing involvement has to be recognized. The resulting effects are explained in further detail in section V.3. (Derecognition of assets).

b) Accounting standards that have been issued but are not yet to be implemented

In addition to the above applicable IFRSs, other standards and interpretations were published, some of which have been endorsed by the EU, but will not become mandatory until a later date.

Standard	Interpretation	Issued by the IASB	Application required from	Endorsed by the EU	Effects
IFRS 1........	Government grants	Mar. 13, 2012	Jan. 1, 2013	Yes	None
IFRS 1........	Hyperinflation and fixed dates for adoption	Dec. 20, 2010	Jul. 1, 2011	Yes	None
IFRS 7/....... IFRS 9	Recognition, classification and measurement of financial instruments	Nov. 12, 2009	Jan. 1, 2015	No	No significant changes
IFRS 7/....... IFRS 9	Disclosures on the offsetting of financial assets and financial liabilities	Dec. 16, 2011	Jan. 1, 2013	Yes	Extended disclosures in the notes
IFRS 9........	Financial Instruments: Classification and Measurement	Nov. 12, 2009/ Oct. 28, 2010	Jan. 1, 2015	No	No significant changes
IFRS 10......	Control of entities	May 12, 2011	Jan. 1, 2013	Yes	No significant changes
IFRS 10/..... IFRS 11/ IFRS 12	Exemptions for first-time adoption	Dec. 11, 2012	Jan. 1, 2013	Yes	No significant changes
IFRS 10/..... IFRS 12/ IFRS 27	Consolidation of subsidiaries	Oct. 31, 2012	Jan. 1, 2014	No	No significant changes
Standard	Interpretation	Issued by the IASB	Application required from	Endorsed by the EU	Effects
IFRS 11......	Joint Arrangements	May 12, 2011	Jan. 1, 2013	Yes	No significant changes
IFRS 12......	Disclosure of Interests in Other Entities	May 12, 2011	Jan. 1, 2013	Yes	Extended disclosures in the notes
IFRS 13......	Fair Value Measurement	May 12, 2011	Jan. 1, 2013	Yes	No significant changes
IAS 12........	Deferred Taxes: Recovery of Underlying Assets	Dec. 20, 2010	Jan. 1, 2013	Yes	No significant changes
IAS 19........	Employee Benefits	Jun. 16, 2011	Jan. 1, 2013	Yes	Change in recognition and

					extended disclosures in the notes
IAS 27	Separate Financial Statements	May 12, 2011	Jan. 1, 2013	Yes	No significant changes
IAS 28	Investments in Associates and Joint Ventures	May 12, 2011	Jan. 1, 2013	Yes	No significant changes
IAS 32	Financial Instruments: Offsetting Financial Assets and Financial Liabilities	Dec. 16, 2011	Jan. 1, 2014	Yes	No significant changes
IFRS........... (2009 to 2011)	Changes and clarifications to various IFRSs	May 17, 2012	Apr. 1, 2013	Yes	No significant changes
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	Oct. 19, 2011	Jan. 1, 2013	Yes	None

Voluntary early adoption of the standards is not planned.

Under the revised IAS 19 *Employee Benefits,* actuarial gains and losses have to be recognized directly and in full in other comprehensive income. The standard is applied retrospectively. This will reduce equity for 2012 by €1,516k in the consolidated financial statements as of December 31, 2013. The provisions for pensions will increase by the same amount to €4,386k.

4. Changes in accounting estimates

Changes relate in particular to the parameters of NPL measurement, which are regularly adjusted in line with the market and the determination of expected cash flows, which were also adjusted using the same estimation techniques. For more information on the adjustment of the parameters, please refer to section II.5. (Significant accounting estimates and assumptions) below and section III.5. (Non-performing loans and receivables acquired for settlement). No changes were made in estimation techniques in the year under review.

5. Significant accounting estimates and assumptions

The primary assumptions concerning future events and other key sources of estimation uncertainty as of the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are explained below.

Non-performing loans and receivables acquired for settlement

The current and non-current non-performing portfolios acquired for settlement contained loans and receivables valued at €116.8 million as of the balance sheet date (prior year: €121.5 million). The portfolios include distressed loan receivables and other distressed receivables that the Group acquires for settlement at a significant discount from the nominal amounts. Since there is no active market for these assets within the meaning of IAS 39.48A, they were measured using an investment model, which was also used to set the purchase price. The valuation model involves calculating expected proceeds and determining expected costs. Various valuation techniques may be applied to estimate recoverable payments on unsecured receivables. The valuation technique selected depends on the scope and quality of the data supplied by the seller and the type of receivable. In some cases, the results of different valuation techniques are compared and deviations in the results are analyzed. In doing so, the future estimated cash flows including service costs, refinancing costs, risk costs, and the calculated margin are discounted to obtain the price on the date of purchase.

To determine estimated cash flows from unsecured receivables, payment histories of similar portfolios are generally used during the measurement process.

In the case of secured receivables, emphasis is placed on measuring the value of the collateral, which primarily consists of mortgage liens on real property.

For both unsecured and secured receivables, the expected costs are calculated on the basis of the historical costs of the respective service company and estimated for the future. The relevant factors are the origin of the receivable, the number of individual receivables, their average volume, and the attainable level of servicing automation.

Goodwill impairment test

GFKL tests goodwill (€35.6 million; prior year: €34.9 million) for impairment at least once a year. This requires estimating the value in use of the cash-generating unit to which the goodwill has been allocated. To estimate value in use, the Group must estimate the expected future cash flows from that cash-generating unit as well as an appropriate discount rate in order to determine the present value of these cash flows. Please also refer to the disclosures under section III.3. (Goodwill).

Pension obligations

When measuring provisions for pensions (€2.9 million; prior year: €3.1 million), uncertainty exists in terms of measuring turnover, pension payment and salary trends, the discount rate, and life expectancy. Please also refer to the disclosures under section III.25. (Provisions for pensions).

6. Significant accounting judgments

Write-down of the receivable from Domusvenda S.A.

Due to differences of opinion between the joint venture partners concerning the management of the entity and the rights to information and due to differences in connection with the sale of two portfolios by Domusvenda S.A., Lisbon, Portugal, GFKL filed a number of actions before the courts in Portugal against its partner and against the general managers appointed by that partner. Moreover, the loans granted to Domusvenda and its subsidiaries for the purpose of acquiring NPL portfolios were called in.

The talks between Domusvenda and GFKL failed in mid-2011 because Domusvenda prevented the performance of the portfolio and corporate due diligence planned by GFKL.

In September 2011, Domusvenda then ceased making payments to GFKL under a payment agreement relating to a part receivable. Furthermore, GFKL received information on the economic development of Domusvenda and on significant changes in management and shareholders that prompted GFKL to file an application to open insolvency proceedings against the assets of Domusvenda S.A. in February 2012.

The above information formed the basis for a write-down on the remaining receivable to €1.3 million as of December 31, 2011. This amount reflects the liquidation value estimated by GFKL.

In addition, the carrying amount of the equity investment in Domusvenda Holding was written down to a pro memoria value of €1 as of December 31, 2011. The write-down came to €7.4 million.

In March 2013, a settlement was reached between the parties to the dispute. The settlement included a set-off with liabilities of GFKL to Domusvenda S.A. of €1.3 million, an upfront payment of €0.4 million and other payments due at a later date of around €2.7 million. In light of the upfront payment already received, allowances of €0.4 million were reversed.

Write-down of NPL portfolios and recognition of a provision for VAT backpayments

By judgment dated October 27, 2011, the European Court of Justice ruled that the purchase of a portfolio of non-performing loans does not constitute a supply of services for consideration by the acquirer to the seller.

This judgment was mirrored by the German Federal Finance Court in its judgment dated January 26, 2012. However, the judgment also stated that the acquirer of the exposures could therefore not claim the deduction of input VAT in accordance with Sec. 15 UStG [“Umsatzsteuergesetz”: German VAT Act] for the input transactions related to the acquisition and collection of the exposures. This means that the company has to refund to the tax office the input VAT claimed for this line of business for the period from 2004 to 2011.

On the basis of preliminary calculations, an amount of €15.3 million (including interest) was therefore allocated to the provisions in 2011. As of December 31, 2012, the provision was increased by €0.7 million to €16.0 million. In addition, the input VAT amounts were reduced by 30% in 2012. The resulting expense came to €4.1 million. As the matter is still being discussed with the tax authorities, this amount may change to the benefit or detriment of the company.

7. Significant accounting policies

a) Accounting treatment of acquired portfolios

The acquired portfolios are reported at fair value under “Non-performing loans and receivables acquired for settlement.” In line with their accounting treatment, the portfolios are reported at fair value to the competent decision-makers, who manage the assets on this basis. The portfolios are initially recognized at cost.

They are then subsequently measured using a market value-based investment model that also formed the basis for determining the purchase price. The model is based on anticipated payment receipts and costs to which a discount factor is applied.

The initial discount factor changes over the term of the portfolios due to changes in interest rates on the capital market (risk-free interest rate) and changes to the risk premiums. The risk cost model used for this purpose reflects capital market changes in the amount of the risk premium for investments in the NPL asset class. Changes to discounting lead to additional income or expenses from the portfolios due to changes in market interest rates and risk costs.

The actual payments collected in respect of a receivable are broken down into income and capital components under the investment model taking discounting into account. The income components are reported under revenue, whereas the capital component is reported as a payment of the principal.

b) Recognition and measurement of financial instruments

The application of IAS 39 means that, on initial recognition, all financial assets and financial liabilities must be allocated to one of the six categories explained below. In the case of financial instruments not measured at fair value through profit or loss, the measurement includes transaction costs directly attributable to the acquisition of the financial asset concerned. Subsequent measurement of financial assets and financial liabilities depends on their classification. Regular way purchases or sales of financial assets are recognized and derecognized using trade date accounting.

i) Financial assets at fair value through profit or loss

This category relates to financial assets that must be recognized at fair value through profit or loss. Such assets are initially recognized at cost, which at this point equates to fair value. The assets must also be measured subsequently at fair value. Any gains or losses arising from subsequent measurement are recognized in profit or loss. The main assets in the Group falling into this category are non-performing loans and receivables acquired for settlement because the Group manages these assets and measures their performance on the basis of fair value. For further information, please refer to “Accounting treatment of acquired portfolios” (section II.7.a). Derivative financial instruments that do not fall under the scope of hedge accounting in accordance with IAS 39 are also measured at fair value through profit or loss. They are used to hedge interest-rate related changes in the market values of NPL portfolios.

ii) Held-to-maturity financial assets

Financial assets must have a fixed maturity and a fixed schedule of payments if they are to be classified under this category. At every balance sheet date, it must be demonstrable that the company has the positive intention of continuing to hold these assets to maturity. Such assets are measured at cost or amortized cost. GFKL does not hold any assets in this category.

iii) Loans and receivables

This category covers loans and receivables recognized as a result of the provision of monies or services, or loans and receivables that the company has acquired. Such assets are initially recognized at cost and subsequently measured at amortized cost. The following balance sheet items fall into this category: “Other financial assets,” to the extent that they do not relate to interests without significant influence, “Trade and other receivables” and “Cash and cash equivalents.”

iv) Available-for-sale financial assets

This category covers all remaining non-derivative financial assets not classified under one of the aforementioned categories. The financial assets recognized in this category are measured at fair value, both on initial recognition and subsequent measurement. Changes in the fair value of the assets are recognized directly in other comprehensive income in a revaluation reserve. When an asset is derecognized, this revaluation reserve must be reversed to the income statement. GFKL recognizes interests in entities over which it has no significant influence in this category. The interests are recognized in the balance sheet under “Other financial assets.”

v) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and other financial liabilities designated as “at fair value through profit or loss” on initial recognition. With the exception of financial derivatives with negative fair values that do not qualify for hedge accounting, GFKL did not hold any financial liabilities in this category as of the balance sheet dates.

vi) Financial liabilities at amortized cost

Following initial recognition, interest-bearing liabilities are measured at amortized cost. The balance sheet items falling into this category are as follows: “Liabilities to banks,” “Other financial liabilities,” and “Trade payables and other liabilities.”

c) Other significant accounting policies

Assets classified as held for sale and liabilities classified as held for sale

Non-current assets classified as held for sale, together with assets in a disposal group classified as held for sale, must be presented on the face of the balance sheet separately from other assets. Please refer to section III.12. (Assets classified as held for sale and liabilities classified as held for sale) for further information.

Trade and other receivables

Receivables are carried at the settlement amount and are due for payment within one year. Specific valuation allowances were recognized for receivables subject to a default risk.

Investments in associates

Investments in associates are accounted for using the equity method. An associate is an entity over which the Group exercises significant influence, but that is neither a subsidiary nor a joint venture.

Under the equity method, an investment in an associate is recognized in the balance sheet at cost plus any change in the Group’s share in the entity’s net assets that occurs after the acquisition of the investment. Any goodwill related to the associate is included in the carrying amount of the investment. This goodwill is not amortized. When applying the equity method, the Group carries out a test to establish whether the recognition of an additional impairment loss is required in respect of the Group’s net investment in the associate. The income statement includes the Group’s share of the associate’s profit or loss.

The Group and its associates report to the same balance sheet date and use the same accounting policies for similar transactions and events.

Goodwill and impairment testing

Goodwill arising from a business combination is measured at cost on initial recognition. This goodwill cost equates to the excess of the cost of the business combination over the Group’s share in the fair value of the identifiable assets, liabilities and contingent liabilities acquired in the transaction. After initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is tested for impairment at least once a year and whenever new factors or changes in circumstances indicate that the carrying amount could be impaired.

Impairment tests require that the goodwill be allocated to one of the cash-generating units from the date the entity concerned is acquired. This applies regardless of whether other assets and liabilities of the acquired entity have already been allocated to these units. Any unit to which goodwill has been allocated represents the lowest level within the Group at which goodwill is monitored for internal management purposes.

Impairment is identified by determining the recoverable amount for the cash-generating unit. If the recoverable amount for the cash-generating unit is below its carrying amount, an impairment loss is recognized.

An impairment test was also carried out on the balance sheet date on all other assets where the factors specified by IAS 36.12 indicated that the asset could be impaired. At every balance sheet date, a test is carried out to establish whether there are indications that the reasons for an impairment loss recognized in prior periods no longer exists or could have diminished. If such indications are found to exist, the recoverable amount of the asset concerned is estimated. Any previously recognized impairment loss must then be reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset must be increased to the recoverable amount. The increased carrying amount of this asset must not exceed the carrying amount that would have been determined (net of amortization/depreciation) had no impairment loss been recognized for the asset in prior years.

Other assets

Other assets and other rights are reported at amortized cost. Intangible assets and property, plant and equipment are carried at cost less amortization/depreciation. Borrowing costs are added to the cost of an asset, provided it is a qualifying asset pursuant to IAS 23. Amortization/depreciation is recognized on a straight-line basis over a period that reflects the standard useful life of these assets in the industry. These amortization/depreciation periods are as follows: internally developed software, 4 to 6 years; other intangible assets, 3 to 7 years; vehicles, 5 to 7 years; and other office furniture and equipment, 2 to 13 years. Residual values of assets, useful lives and amortization/depreciation methods are reviewed at the end of each fiscal year and adjusted where required.

Taxes

Consolidated tax group

GFKL Financial Services Aktiengesellschaft forms a consolidated tax group for trade tax and corporate income tax purposes through control and profit and loss transfer agreements with the following companies: Domnowski Inkasso GmbH, Proceed Collection Services GmbH, Proceed Portfolio Services GmbH, Sirius Inkasso GmbH and Zyklop Inkasso Deutschland GmbH. A control and profit and loss transfer agreement was concluded in 2012 with SNT Inkasso & Forderungsmanagement GmbH, which was acquired in 2012. This entity is therefore included in the consolidated tax group for income tax purposes from January 1, 2013.

As of December 31, 2012, the following companies formed a consolidated tax group for value-added tax (VAT) purposes with the parent: Domnowski Inkasso GmbH, Proceed Portfolio Services GmbH, Proceed Collection Services GmbH, SBL Mobilien GmbH, Sirius Inkasso GmbH, Zyklop Inkasso Deutschland GmbH, SNT Inkasso & Forderungsmanagement GmbH.

Current taxes

Current income tax refund claims and income tax liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The calculation of the amount is based on the tax rates and tax legislation in force on the balance sheet date.

Deferred taxes

Deferred taxes are formed using the balance sheet liability method for all temporary differences as of the balance sheet date between the carrying amounts of assets and liabilities on the balance sheet and their corresponding tax base. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, as yet unused tax loss carryforwards and unused tax credits to the extent that it is probable that taxable income will be available against which the deductible temporary differences and as yet unused tax loss carryforwards and tax credits can be utilized.

Deferred tax assets and liabilities are measured using the tax rates expected to apply in the period in which the asset will be realized or the liability settled. These rates are based on tax rates and tax regulations enacted or announced as of the balance sheet date.

Income taxes that relate to items recognized directly in equity or in other comprehensive income are themselves recognized directly in equity or in other comprehensive income and not in the income statement.

Deferred tax assets and deferred tax liabilities are netted if the Group has an enforceable right to offset current tax assets against current tax liabilities and these deferred tax assets and liabilities relate to income tax in the same taxable entity levied by the same tax authority.

VAT

Income, expenses and assets are recognized net of VAT, except:

- Where the VAT incurred on purchased goods and services cannot be reclaimed from the tax authorities, in which case the VAT is recognized as part of the cost of the asset or as an expense.
- Receivables and liabilities are stated with the amount of VAT included.

The VAT amount reclaimable from, or payable to, the tax authorities is reported under receivables or liabilities in the balance sheet.

Provisions

As specified by IAS 37, a provision is recognized if there is a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense in connection with the recognition of a provision is recognized in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in provisions due to the passage of time is recognized as an interest expense.

Provisions for pensions

GFKL provides defined benefit pension plans. Provisions for pensions are calculated pursuant to IAS 19. The 10% corridor rule has been applied in the measurement of provisions for pensions and in determining the related costs. Under this rule, actuarial gains and losses are recognized if, as of the balance sheet date, they exceed the higher of 10% of the defined benefit obligation and 10% of the fair value of plan assets. These gains and losses are recognized over the average remaining working life of the employees covered by the plan. Past service cost is recognized as an expense on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits are already vested immediately following the introduction of, or changes to, a defined benefit plan, the past service cost must be recognized as an expense immediately. The amount to be recognized as a liability under a defined benefit plan is the total of the present value of the defined benefit obligation and the actuarial gains and losses recognized directly in other comprehensive income less the unrecognized past service cost and the fair value of the plan assets available for the direct settlement of obligations. If the total is negative, the resulting asset must be measured at the lower of the following two amounts: the total as described above or the total of any cumulative unrecognized net actuarial losses, past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

If the asset is measured on the basis of the total of any cumulative unrecognized net actuarial losses, past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan, the net actuarial losses and the past service cost for the reporting period—to the extent that they exceed any reduction in the present value of the economic benefits—are recognized immediately. If there is no change or no increase in the present value of the economic benefits, the entire net actuarial losses and past service cost for the reporting period must be recognized immediately. Net actuarial gains for the reporting period after deduction of past service cost for the reporting period are recognized immediately to the extent that they exceed any increase in the present value of the aforementioned economic benefits if the asset is measured on the basis of the total of any cumulative unrecognized net actuarial losses, past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. If there is no change or no decrease in the present value of the economic benefits, the entire net actuarial gains for the reporting period after the deduction of past service cost for the reporting period are recognized immediately.

Liabilities

Loans are initially recognized at the fair value of the consideration received after deducting any transaction costs incurred in taking out the loan. Interest-bearing liabilities are carried at the expected settlement amount including the accrued interest. Non-interest bearing liabilities arise in the form of trade payables and other liabilities.

Treasury shares

Treasury shares include all shares for which GFKL issued a cash settlement offer as part of the merger with ABIT AG in 2006. For the recognition of these shares, it is irrelevant as to whether they have already been tendered to GFKL. For those shares not yet tendered, a liability has been recognized under other financial liabilities. Proceedings are pending with regard to the settlement amount.

Cash flow hedges

Derivative financial instruments are used for hedging purposes and, as of the balance sheet date, relate primarily to interest rate hedges in connection with medium-term corporate loans. The hedging instruments are cash flow hedges. A hedge is classified as a cash flow hedge if it hedges the exposure to variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction and could affect profit or loss. The effective portion of the gain or loss net of deferred taxes is recognized directly in other comprehensive income; the ineffective portion is recognized in profit or loss. If the forecast transaction is no longer expected to occur, any related amounts previously recognized directly in other comprehensive income are reversed and recognized in profit or loss.

Foreign currencies

The consolidated financial statements are presented in euros, which is the Group's functional and presentation currency. Transactions denominated in foreign currency are initially translated into the functional currency at the spot rate on the day of the transaction. Monetary assets and liabilities denominated in foreign currency are translated at the closing rate. Exchange differences are recognized in profit or loss provided that they do not involve a net investment in a foreign operation and provided that they are not recognized directly in other comprehensive income under hedge accounting arrangements. Any deferred taxes arising in connection with these exchange differences are also recognized directly in equity. Non-monetary items measured at historical cost in a foreign currency are translated at the rate prevailing on the date of the transaction. Non-monetary items measured at fair value in a foreign currency are translated at the rate prevailing on the date the fair value was determined.

d) Income statement

The income statement is prepared using the nature of expense method.

Revenue

Revenue is recognized as soon as it is probable that the economic benefit will flow to GFKL and the amount of the revenue can be reliably determined.

Income in respect of non-performing loans and receivables acquired for settlement is reported under revenue. This revenue relates to changes in fair values, arising primarily from the income from the investment in the receivable and any income derived from ongoing servicing.

Revenue in respect of unbilled services in the sold software segment is recognized in accordance with IAS 11 using the percentage of completion method. The percentage of completion used to determine the partial revenue for such projects is calculated by comparing the services performed as of the balance sheet date against the estimated total services to be performed in the project.

8. Consolidation disclosures

a) Basis of consolidation

The basis of consolidation has changed compared to December 31, 2011 due to sale of GENEVA-ID GmbH and of has program service GmbH as of April 2, 2012. Sales proceeds from the sale of companies amounted to €850k in the reporting period.

The significant assets and liabilities of the entities sold in the first half of 2012 break down as follows:

in €k	Deconsolidated assets and liabilities
Other receivables and assets	2 496
Cash and cash equivalents	383

in €k	Deconsolidated assets and liabilities
Subtotal	**2 878**
Other liabilities	5 871
Provisions	598
Deferred tax liabilities	624
Net assets	**–4 214**
Cash inflow from the disposal of companies:	
Cash deconsolidated with the subsidiary	–383
Cash inflow due to the disposal	25 450
Cash flow (balance)	**25 067**

The balance of cash inflows and outflows from disposals of companies consists of the cash and cash equivalents received until the balance sheet date net of the cash and cash equivalents held by the sold companies on the disposal date.

In addition, the cash inflow due to disposals includes €24.6 million in purchase price payments from the sale of Universal Leasing GmbH in 2011. In June 2012, GFKL's purchase price receivable from ADA Financial Services Verwaltungsgesellschaft mbH from the sale of Universal Leasing GmbH was sold to Carl Holding GmbH at its carrying amount, which was €36.4 million. €24.6 million of the sale price was paid in cash and €11.8 million was offset against a shareholder loan from Carl Holding GmbH.

Moreover, GFKL sold its equity investments in the associates HFI Finanz- und Investitions-Beratungsgesellschaft Hamm mbH and VR Inkasso Leasing & Consulting GmbH in the fourth quarter of 2012.

The basis of consolidation also changed as a result of the acquisition of all shares in SNT Inkasso & Forderungsmanagement GmbH on June 28, 2012. This entity is a debt collection agency specialized in receivables management for telecommunications providers and has its registered office in Potsdam. The acquisition strengthens the Group's market position within the telecommunications industry.

The assets acquired and liabilities assumed from SNT Inkasso & Forderungsmanagement GmbH break down as follows:

Assets acquired and liabilities assumed

in €k	Acquisition-date fair value
Assets	
Property, plant and equipment	19
Intangible assets	10 779
Non-performing loans and receivables acquired for settlement	15 146
Receivables	3 535
Cash and cash equivalents	1 102
	30 581
Liabilities	
Non-current financial liabilities	4 794
Deferred tax liabilities	4 417
Other liabilities	1 243
	10 454
Total identifiable net assets at fair value	**20 127**
Goodwill arising on acquisition	4 254
Total consideration	**24 381**

The fair value of the receivables was €3,535k. The gross amount of the receivables was €3,681k.

In the first half of the year, the consolidated financial statements do not include any proceeds or profits or losses of the subsidiary (date of first-time consolidation is June 28, 2012). No information is provided on proceeds or profits or losses from January 1, 2012 because financial statements for SNT have only been prepared in accordance with GFKL's accounting policies since GFKL obtained control of the entity.

In the second half of the year, consolidated profit/loss for the period includes revenue of SNT of €4.0 million and earnings of –€1.1 million.

b) Principles of consolidation

The separate financial statements for all the companies included in the consolidated financial statements are prepared to the balance sheet date of the consolidated financial statements. Uniform accounting policies are applied to all these financial statements.

The acquisition of subsidiaries consolidated up to 2003 was accounted for in accordance with IAS 22. Subsidiaries acquired after March 31, 2004 were accounted for in accordance with IFRS 3 and IFRS 3 (2008) on the basis of the fair value of the acquired identifiable assets and liabilities. On first-time consolidation in each case, the carrying amount of GFKL Financial Services Aktiengesellschaft's investment was offset against its share of equity in the subsidiary concerned. Intragroup receivables and liabilities between fully consolidated companies are netted, any residual differences being consolidated to the extent required. In the consolidation of income and expense, internal revenue and intragroup income and expense is eliminated, as is any intragroup profit or loss arising from transactions between consolidated companies. Deferred taxes had to be recognized as a result of the use of uniform group accounting policies, the consolidation of intercompany balances and the elimination of intercompany profits and losses; these items were grouped together with the deferred taxes from the separate financial statements.

9. Business risks and capital management

a) Business risks

The business risks in the GFKL Group are described in the risk report. For further information, please refer to the details in the management report, which includes disclosures in accordance with IFRS 7.31-42 and further disclosures as part of the description of the risk management system.

b) Capital management

The objective of capital management is to ensure that the GFKL Group has an equity capital base appropriate to the risk structure of the business. This is a precondition that must be satisfied if GFKL is to have sufficient access to funds on money and capital markets at all times. The GFKL Group is not subject to regulatory capital requirements. However, the Risk Control department reviews economic capital adequacy internally on a continuous basis. For the purposes of capital management, the loans from Carl Holding GmbH are managed in the same way as equity. The loans amounted to €50.7 million as of December 31, 2012.

Any emerging capital requirement is identified at an early stage; appropriate corporate action is then decided and implemented.

GFKL does not make use of preferred shares.

III. Balance sheet disclosures

1. Property, plant and equipment

Property, plant and equipment developed as follows:

in €k	Other office furniture and equipment
Cost	
Balance as of January 1, 2012	10 184
Additions from business combinations	19
Additions	779
Disposals	248
Balance as of December 31, 2012	**10 734**

in €k	Other office furniture and equipment
Accumulated depreciation and impairment losses	
Balance as of January 1, 2012	7 319
Additions	1 059
Disposals	239
Balance as of December 31, 2012	**8 139**
Residual carrying amounts as of December 31, 2012	**2 595**

In the prior year, changes were as follows:

in €k	Other office furniture and equipment	Operating lease assets
Cost		
Balance as of January 1, 2011	11 783	6 187
Additions	597	0
Disposals from the sale of companies	875	6 187
Reclassification to non-current assets classified as held for sale	1 097	0
Disposals	223	0
Balance as of December 31, 2011	**10 184**	**0**
Accumulated depreciation and impairment losses		
Balance as of January 1, 2011	7 872	3 023
Additions	1 212	794
Disposals from the sale of companies	679	3 817
Reclassification to non-current assets classified as held for sale	888	0
Disposals	198	0
Balance as of December 31, 2011	**7 319**	**0**
Residual carrying amounts as of December 31, 2011	**2 865**	**0**

Depreciation is recognized on a straight-line basis over the useful lives of the assets, which is 2 to 13 years for other office furniture and equipment.

Operating lease assets are fully attributable to the leasing segment sold in 2011.

2. Intangible assets

Intangible assets developed as follows:

in €k	Purchased software	Internally developed software	Customer relationships	Advance payments made
Cost				
Balance as of January 1, 2012	16 877	3 984	3 250	1 063
Additions from business combinations	60	0	10 719	0
Additions	845	0	600	647
Reclassifications	1 540	0	0	–1 540
Disposals	115	0	0	85
Balance as of December 31, 2012	**19 207**	**3 984**	**14 569**	**85**
Accumulated amortization and impairment losses				
Balance as of January 1, 2012	9 140	3 984	2 198	0

in €k	Purchased software	Internally developed software	Customer relationships	Advance payments made
Additions	2 458	0	947	0
Write-up	62	0	0	0
Disposals	18	0	0	0
Balance as of December 31, 2012	**11 642**	**3 984**	**3 145**	**0**
Residual carrying amounts as of December 31, 2012	**7 565**	**0**	**11 424**	**85**

In the prior year, changes were as follows:

in €k	Purchased software	Internally developed software	Customer relationships	Advance payments made
Cost				
Balance as of January 1, 2011	14 185	3 937	3 886	2 509
Additions	453	0	0	5 559
Reclassifications	6 959	47	0	–7 006
Disposals from the sale of companies	127	0	361	0
Reclassification to non-current assets classified as held for sale	4 578	0	275	0
Disposals	15	0	0	0
Balance as of December 31, 2011	**16 877**	**3 984**	**3 250**	**1 063**
Accumulated amortization and impairment losses				
Balance as of January 1, 2011	10 179	3 937	1 979	0
Additions	1 771	47	561	0
Disposals from the sale of companies	121	0	158	0
Reclassification to non-current assets classified as held for sale	2 674	0	185	0
Disposals	15	0	0	0
Balance as of December 31, 2011	**9 140**	**3 984**	**2 198**	**0**
Residual carrying amounts as of December 31, 2011	**7 737**	**0**	**1 052**	**1 063**

The purchased software and advance payments made mainly relate to investments in a project for restructuring the company's finance functions. The payments relate to a purchase made, for which both internal and external services for creating operational readiness were taken into account. The cost in 2012 was €2.1 million (prior year: €6.6 million). The amortization period is 5 years.

The internally developed software for the administration of lease agreements (LEASE1) has already been fully amortized.

Software is amortized on a straight-line basis over its estimated useful life or remaining useful life, which may be a period of between 3 and 7 years.

The Multigestión Group's customer relationships recognized in the balance sheet as part of the purchase price allocation are being amortized on a straight-line basis over a period of 5 or 12 years in line with the estimated revenue. The customer relationships allocated to SNT Inkasso & Forderungsmanagement GmbH upon its acquisition are being amortized over a useful life of 8.5 years. Apart from goodwill, there are no intangible assets with indefinite useful lives.

3. Goodwill

This balance sheet item comprises goodwill in the cash-generating units. The reconciliation of the carrying amounts of goodwill at the beginning and end of the reporting period as well as the distribution over the cash-generating units is presented below.

in €k	Goodwill
Cost	
Balance as of January 1, 2011	57 263
Disposals of subsidiaries	13 797
Reclassification to non-current assets classified as held for sale	7 881
Balance as of December 31, 2011	**35 585**
Acquisition of subsidiaries	4 253
Balance as of December 31, 2012	**39 838**
Write-downs and impairment losses	
Balance as of January 1, 2011	12 930
Impairment losses	9 321
Disposals of subsidiaries	13 641
Reclassification to non-current assets classified as held for sale	7 881
Balance as of December 31, 2011	**729**
Impairment losses	3 481
Balance as of December 31, 2012	**4 210**
Carrying amounts as of December 31, 2011	**34 856**
Carrying amounts as of December 31, 2012	**35 628**

in €k	Dec. 31, 2012	Dec. 31, 2011
Zyklop Inkasso Deutschland	12 542	12 542
Multigestión Group	12 105	15 586
Domnowski Inkasso	3 410	3 410
Proceed Collection Services	3 318	3 318
SNT Inkasso	4 253	0
Total	**35 628**	**34 856**

There was no allocation of goodwill to groups of cash-generating units.

An impairment test must be carried out at least once a year to verify that the carrying amount of goodwill is recoverable. Impairment tests were carried out on December 31, 2012 for those cash-generating units that included goodwill and the goodwill was measured at the recoverable amount.

Since there was no active market for any of the cash-generating units, the recoverable amount was determined on the basis of value in use calculated using a discounted cash flow analysis (DCF). The cash flows used in the analysis for the calculation of the value in use were derived from a five-year financial plan for the GFKL Group based on IFRS requirements. At the receivables management companies, the planned cash flows were taken from the performance of the managed portfolios recognized in the financial statements as well as from future planned portfolios. The discount rate for the detailed planning period was determined using the weighted average cost of capital (WACC) and, before tax, amounts to some 12.7% (prior year: 11.5%) for the receivables management segment and some 17.2% (prior year: 13.4%) for Spain. The weighted average cost of capital is a composite rate derived from the weighted cost of equity and debt; it reflects the average cost of capital in a company taking into account the company’s financing structure. A standard growth discount of 0.7% (prior year: 0.7%) on the discount rate after tax was applied in determining the discount rate for the subsequent period. The carrying amount of the cash-generating units (including goodwill) in the GFKL Group amounted to a total of €56.5 million (prior year: €54.5 million), whereas the corresponding recoverable amount was €114.8 million (prior year: €141.9 million).

The key value driver for cash flow planning is a significant increase in revenue coupled with fixed costs growing at a lower rate or remaining constant in some areas. The Executive Board sees particular revenue potential for receivables management services as a result of new regulatory requirements in the banking and insurance sectors as well as in the growth industries of telecommunications and energy supply, increasing outsourcing efforts on the part of customers and significant expansion of e-commerce. The basis for reducing relative costs has been established by concentrating on the core business of receivables management, setting up central services, implementing a new IT environment and adjusting and streamlining operational processes.

In fiscal year 2012, the Group's share in the goodwill of the Spanish subsidiary Corfisa S.A.U. was written down by €3.5 million on the basis of considerations regarding the strategic realignment of GFKL in Spain. Goodwill had to be allocated to Corfisa S.A.U. in order to calculate the amount of this impairment loss. The allocation was made on the basis of the relative fair values of the Spanish companies.

4. Investments in associates

Investments in associates in 2011 comprise the shareholdings in HFI Finanz-und Investitions-Beratungsgesellschaft Hamm mbH (HFI) and VR Inkasso Leasing & Consulting GmbH (VRI), the shareholding in both cases being 48%. GFKL sold the shares in these associates in the fourth quarter of 2012.

The prior-year figures for associates were as follows:

	HFI	**VRI**
in €k	**Dec. 31, 2011**	**Dec. 31, 2011**
Assets	839	227
Liabilities	149	80
Revenue	1 583	91
Profit/loss for the period	212	6

5. Non-performing loans and receivables acquired for settlement

The following table shows the total of current and non-current non-performing loans and receivables acquired for settlement:

in €k	**Dec. 31, 2012**	**Dec. 31, 2011**
Secured, terminated loans	8 026	14 427
Unsecured, terminated loans	33 410	34 328
Unsecured, overdue other receivables	75 335	72 738
Total	**116 771**	**121 493**

For 2012, non-performing loans and receivables acquired for settlement broken down by residual maturity were as follows:

in €k	**Residual maturity**			
	Less than 1 year	**1 to 5 years**	**More than 5 years**	**Total**
Non-performing loans and receivables acquired for settlement	45 874	60 773	10 124	116 771

For the prior year, residual maturities were as follows:

in €k	**Residual maturity**			
	Less than 1 year	**1 to 5 years**	**More than 5 years**	**Total**
Non-performing loans and receivables acquired for settlement	51 177	59 991	10 325	121 493

The changes in non-performing loans and receivables acquired for settlement were as follows:

in €k	**2012**	**2011**
Opening balance	121 493	158 718
Acquisitions	31 632	13 809
Disposals	1 952	10 228
Subtotal	**151 173**	**162 299**

in €k	2012	2011
Payment receipts	84 667	89 188
Investment income	14 596	17 077
Service income	31 863	30 675
Repayment	**38 207**	**41 435**
Write-ups	15 689	26 486
Impairment expense	–11 883	–25 857
Measurement at fair value	**3 806**	**629**
Closing balance	**116 771**	**121 493**

The disposals are attributable to the return of receivables that did not meet the contractually agreed requirements.

Measurement at fair value is set out in detail below:

in €k	2012	2011
Additional amounts collected	6 215	9 725
Plan adjustments	7 234	13 273
Risk adjustments	0	0
Service cost adjustments	0	91
Changes in market interest rates	2 240	3 398
Write-ups	**15 689**	**26 486**
Shortfall in amounts collected	–4 476	–9 078
Plan adjustments	–6 285	–6 960
Risk adjustments	–26	–199
Service cost adjustments	–127	–6 020
Changes in market interest rates	–970	–3 601
Impairment expense	**–11 883**	**–25 857**
Total changes in value	**3 806**	**629**

The items “Additional amounts collected” and “Shortfall in amounts collected” show deviations between actual payment receipts and planned payment receipts. For changes made in relation to future expected payment receipts, the adjustments are reported under “Plan adjustments.”

The “Risk adjustments” and “Changes in market interest rates” items relate to changes in value attributable to interest rates. Unrealized gains and losses relate to changes from plan and risk adjustments and changes in market interest rates.

Scenario calculations simulate the effects of changes in the input factors used to determine the fair value of the NPL portfolio investments. There are four input factors, the sensitivity of which is shown in the table below. If there is a shift in the term structure of interest rates, an interest rate of less than zero is not taken into account.

The service cost adjustment in 2011 mainly related to the measurement adjustment due to the change in the deduction of input VAT for NPL portfolios. Please refer to section II.6. (Significant accounting judgments).

Input factor	Change	Simulated change in value
Cash flow	+/– 10%	+/– €11.07 million
Cost rate	+/– 5%	–/+ €8.66 million
Risk premium rate	+ 1%	– €2.23 million
Risk premium rate	– 1%	+ €2.31 million
Term structure	+ 1%	– €1.14 million
Term structure	– 1%	+ €2.08 million

Changes in value due to changes in the term structure are partly hedged by interest rate derivatives.

6. Derivatives with positive and negative fair values

As of the balance sheet date, the receivables management segment had entered into interest rate swaps with a total negative fair value of €3.4 million (prior year: €6.4 million) as well as interest rate swaps with positive fair values of €0k (prior year: €5k). The purpose of the swaps was to hedge changes in the value of NPL portfolios caused by changes in interest rates. These interest rate derivatives were not designated as hedges for hedge accounting purposes because changes in the fair value of the derivatives offset changes in the fair value of the NPL portfolios caused by interest rate changes.

GFKL also held interest rate swaps with a negative fair value of €0.6 million (prior year: €1.9 million). Until June 28, 2012, these swaps served to hedge the interest payments on borrowings with a floating rate of interest. They were designated as cash flow hedges. Changes in value were recognized directly in other comprehensive income. They ceased to be designated as hedges on June 29, 2012 due to the refinancing. Since this date, all changes in value have been recognized in profit or loss. The item previously recognized in other comprehensive income is being released to profit or loss over the residual maturity of the swaps.

The residual maturity was determined on the basis of the expected cash inflows and outflows over the residual maturities of the derivatives.

7. Other financial assets

Financial assets break down as follows:

in €k	Dec. 31, 2012	Dec. 31, 2011
Receivables from disposals	0	32 056
Cash reserve	1 044	2 925
Miscellaneous non-current financial assets	1 530	1 487
Total other non-current financial assets	**2 574**	**36 469**
Receivables from bill discounting and factoring	15 408	14 545
Cash reserve	1 716	605
Receivables from disposals	0	3 684
Miscellaneous financial assets	4 463	1 073
Total other current financial assets	**21 588**	**19 908**
Total	**24 162**	**56 376**

Please refer to section II.8. (Consolidation disclosures) for information on receivables from disposals.

The “Cash reserve” item relates in particular to receivables from special purpose entities from the securitization of NPL portfolios.

8. Deferred tax assets and liabilities

The deferred tax assets in the balance sheet largely arose from the measurement of tax loss carryforwards. Deferred tax assets whose recoverability was not already guaranteed by the availability of deferred tax liabilities of the same amount were measured using a forecasting process. Overall, loss carryforwards were measured, and related deferred tax assets of €15.2 million (prior year: €11.0 million) were then recognized. The losses mainly relate to GFKL AG. No losses from the period prior to the change in shareholders in December 2009 were recognized as assets.

The deferred tax liabilities are chiefly due to the valuation of NPL portfolios.

The following table shows the main accounting areas for which deferred taxes arise from temporary differences:

in €k	Dec. 31, 2012	Dec. 31, 2011
NPL measurement	–18 138	–18 598
Derivatives	1 192	2 562
Intangible assets	–3 200	–247
Provisions	765	–98
Other	800	720

in €k	Dec. 31, 2012	Dec. 31, 2011
Elimination of intercompany balances	–1 427	0
Loss carryforwards	15 206	10 994
Balance of deferred taxes	**–4 802**	**–4 667**

The table below shows the changes in deferred taxes:

in €k	2012	2011
Deferred tax assets	530	920
Deferred tax liabilities	–5 197	–17 989
Opening balance	**–4 667**	**–17 070**
Change in basis of consolidation	0	42
Reclassification from and to assets classified as held for sale and liabilities classified as held for sale	0	628
Change in equity	–442	–447
Addition from business acquisitions	–4 417	0
Change arising from current results	4 724	12 180
Change in the period	**–135**	**12 402**
Deferred tax assets	516	530
Deferred tax liabilities	–5 318	–5 197
Closing balance	**–4 802**	**–4 667**

For further information, please refer to the disclosures under section IV.9. (Income taxes).

9. Trade and other receivables

The item mainly relates to receivables from customers for receivables management services.

in €k	Dec. 31, 2012	Dec. 31, 2011
Expenses from the collection process	2 231	3 033
Refund claims from other taxes	1 595	4 629
Prepaid expenses and other items	1 306	623
Trade receivables	13 550	10 172
Specific valuation allowances on receivables	–5 191	–2 916
Total	**13 490**	**15 541**

Valuation allowances are recognized on a case-by-case basis on separate valuation allowance accounts. Uncollectible receivables are directly written off and thereby derecognized, taking into account valuation allowances previously recognized. Allowances on receivables of €2.6 million were recognized in connection with a dispute, increasing the specific valuation allowance on receivables.

10. Income tax refund claims

As in the prior year, this item mainly relates to claims related to investment income tax and withholding tax on interest.

11. Cash and cash equivalents

Cash and cash equivalents of €38,174k (prior year: €58,599k) primarily comprise credit balances on current accounts and short-term deposits. The interest on money market account balances is based on EONIA or EURIBOR. Of these cash and cash equivalents, €20.3 million (prior year: €19.7 million) are earmarked funds, which relate to pass-through obligations from portfolio management and administered trust accounts in receivables management.

As of the balance sheet date and in the prior year, the Group did not have any undrawn lines of credit for which it had already satisfied all the preconditions for the drawdown of funds. This does not include lines of credit used for the refinancing of operations, these facilities being restricted to use solely for this purpose.

12. Assets classified as held for sale and liabilities classified as held for sale

As of December 31, 2011, these items comprise the assets and liabilities of the equity investments from the software segment classified as held for sale.

The following table shows the breakdown of assets classified as held for sale:

in €k	Dec. 31, 2011
Other receivables and assets	1 045
Cash and cash equivalents	1 237
Assets classified as held for sale	**2 282**

Liabilities classified as held for sale break down as follows:

in €k	Dec. 31, 2011
Deferred tax liabilities	627
Provisions	634
Other liabilities	4 959
Liabilities classified as held for sale	**6 220**

Please refer to section IV.10. for more information on discontinued operations.

13. Share capital

As of the balance sheet date, share capital amounted to €25,883,790.00. It is divided into 25,883,790 no-par value bearer shares.

14. Capital reserves

The objective of the regulations governing statutory reserves and capital reserves is to ensure that capital is preserved and thus to protect creditors by creating restricted assets above and beyond the assets required to cover share capital. These restricted assets may be used to offset losses without affecting the assets covering share capital. The assets are restricted in the sense that the relevant amounts cannot be made available for dividend distributions.

The changes in capital reserves can be seen in the consolidated statement of changes in equity attached as an exhibit to these notes.

15. Hybrid capital

GFKL was granted another shareholder loan of €30 million by its majority shareholder on June 28, 2012. The loan has an unlimited term and may be terminated by GFKL for the first time as of December 30, 2015, giving 30 days' notice. The loan accrues interest at 8% p.a. and is reported as equity due to the terms of the loan agreement.

16. Treasury shares

The shareholder meeting held on June 22, 2005 approved the merger of ABIT AG, Meerbusch, into GFKL Financial Services Aktiengesellschaft. The merger agreement between ABIT AG and GFKL Financial Services Aktiengesellschaft gave the former shareholders of ABIT AG, who became shareholders of GFKL Financial Services Aktiengesellschaft as a result of the merger with GFKL Financial Services Aktiengesellschaft, the right to offer their newly acquired GFKL Financial Services Aktiengesellschaft shares for sale to GFKL at a price of €13.93 per share. The merger came into effect upon entry in the commercial register of GFKL Financial Services Aktiengesellschaft on August 16, 2006. As of the balance sheet date, GFKL Financial Services Aktiengesellschaft had repurchased a total of 915,175 shares, which corresponds to a share of €915,175 (3.54%) of the share capital. As of the balance sheet date, GFKL Financial Services Aktiengesellschaft held these shares as treasury shares. The shareholder meeting held on August 15, 2012 resolved to authorize the purchase of treasury shares pursuant to Sec. 71 (1) No. 8 AktG [“Aktiengesetz”: German Stock Corporation Act].

Those shares not yet tendered are also disclosed under “Treasury shares” as a result of the cash settlement offer. This disclosure is accompanied by the recognition of the as yet untendered shares as debt (synthetic liability).

17. Retained earnings

Retained earnings relate to the statutory reserve of €38k (prior year: €38k) and profit participation capital of €26k (prior year: €26k).

18. Valuation reserve for financial instruments

In accounting for the designated interest rate derivatives, the relevant fair values net of income taxes were recognized directly in other comprehensive income. As a result of the reclassification of derivatives in November 2007, the fair values recognized in other comprehensive income at this time are being reversed on a straight-line basis over the residual maturity of the hedged item. The fair values of non-designated interest rate derivatives are recognized in profit or loss. GFKL also held interest rate swaps with a negative fair value of €0.6 million (prior year: €1.9 million). Until June 28, 2012, these swaps served to hedge the interest payments on borrowings with a floating rate of interest. They were designated as cash flow hedges.

Changes in value were recognized directly in other comprehensive income. They ceased to be designated as hedges on June 29, 2012 due to the refinancing. Since this date, all changes in value have been recognized in profit or loss. The item previously recognized in other comprehensive income is being released to profit or loss over the residual maturity of the swaps. The consolidated profit/loss for the period included €666k (prior year: €70k) from the reversal of the valuation reserve.

19. Non-controlling interests

Non-controlling interests relate to the minority interests in Universal Lease Iberia Properties S.L. and Multigestión Portfolio S.L.

20. Conditional capital

The company had no conditional capital at its disposal as of the balance sheet date.

21. Authorized capital

The shareholder meeting held on July 14, 2010 authorized the Executive Board, subject to the consent of the Supervisory Board, to increase the share capital of the company by issuing up to 12,941,895 no-par value bearer shares for cash and/or non-cash contributions on one or more occasions up to July 13, 2015, subject to maximum total increase of €12,941,895.00. Existing shareholders are to be granted subscription rights. However, subject to the consent of the Supervisory Board, the Executive Board was authorized to exclude fractional amounts from the shareholders’ subscription rights. The Executive Board is also authorized, subject to the consent of the Supervisory Board, to exclude these subscription rights if the capital increase is performed in return for non-cash contributions, in particular during the acquisition of entities, parts of entities, investments in entities or other assets including rights and receivables or as part of a business combination.

22. Liabilities to banks

The following table sets out the principal non-current and current liabilities to banks:

in €k

Bank/arranging party	**Type**	**Maturity**	**Base interest rate**	**Dec. 31, 2012**	**Dec. 31, 2011**
Bayerische Landesbank AG ..	Syndicated credit facility	Jun. 30, 2015	1M EURIBOR	108 222	0
Various..................................	Loan	Various	Various	43	61
Total non-current liabilities to banks				**108 266**	**61**
Bayerische Landesbank AG ..	Syndicated credit	Jun. 30, 2015	1M EURIBOR	5 000	0

in €k

Bank/arranging party	Type	Maturity	Base interest rate	Dec. 31, 2012	Dec. 31, 2011
	facility				
DZ Bank	Syndicated credit line	Dec. 31, 2012	1M EURIBOR	0	41 973
Bayerische Landesbank	Promissory note	Apr. 16, 2012	6M EURIBOR	0	20 000
DZ Bank AG	Loan	Jun. 10, 2012	3M EURIBOR	0	10 000
Landesbank Berlin AG	Loan	Jun. 29, 2012	3M EURIBOR	0	12 000
Bayerische Hypo- und Vereinsbank AG	Promissory note	Sep. 28, 2012	6M EURIBOR	0	15 000
Bayerische Landesbank	Loan	Dec. 31, 2012	Fixed	0	9 027
Natixis Niederlassung Deutschland	Promissory note	Feb. 2, 2013	3M EURIBOR	0	24 000
IKB Deutsche Industriebank AG	Promissory note	Sep. 30, 2013	3M EURIBOR	0	15 000
Various	Current account facilities	Various	Various	9 037	8 942
Total current liabilities to banks				**14 037**	**155 942**

The arrangement fees that fell due in connection with the syndicated credit facility at the beginning of the term were deducted from the loan amount in accordance with IAS 39. Using the effective interest method, the arrangement fees are added back to the loan over its term, with the expense recognized in profit or loss.

GFKL's liabilities to banks are secured by senior notarized pledges of shares/limited partnership interests in the following entities:

- Domnowski Inkasso GmbH, Essen
- Inkasso Becker Wuppertal GmbH & Co.KG, Wuppertal (including pledge of the shares in the general partner GmbH)
- Proceed Collection Services GmbH, Essen
- Proceed Portfolio Services GmbH, Essen
- Sirius Inkasso GmbH, Düsseldorf
- Zyklop Inkasso Deutschland GmbH, Krefeld
- SNT Inkasso & Forderungsmanagement GmbH, Potsdam

Moreover, the liabilities to banks are secured by the cash pool accounts at DZ Bank.

23. Other financial liabilities

Other financial liabilities break down as follows:

in €k	Dec. 31, 2012	Dec. 31, 2011
Liabilities arising from NPL portfolios	5 208	11 617
Liabilities to affiliates	19 465	0
Pass-through obligations arising from portfolio management	7 907	0
Other	82	122
Total non-current	**32 661**	**11 739**
Liabilities to affiliates	0	29 861
Liabilities arising from NPL portfolios	5 431	27 437
Pass-through obligations arising from portfolio management	11 561	9 285
Employee-related liabilities	2 458	2 960
Liabilities arising from the cash settlement offer	6 864	6 617
Deferred income and other items	6 748	5 577

in €k	Dec. 31, 2012	Dec. 31, 2011
Total current	**33 061**	**81 737**
Total	**65 722**	**93 476**

The item liabilities arising from NPL portfolios relates to sold but not derecognized NPL exposures.

The non-current liabilities to affiliates relate to a loan from Carl Holding GmbH.

Pass-through obligations arising from portfolio management comprise payments received from debtors to be forwarded to customers.

The following table shows the principal liabilities of the Group as of December 31, 2012, by maturity:

in €k	Residual maturity			
	Less than 1 year	1 to 5 years	More than 5 years	Total
Liabilities to banks	14 037	108 266	0	122 302
Other financial liabilities	33 061	32 661	0	65 722
Trade payables and other liabilities	12 816	0	0	12 816
Total	**59 915**	**140 927**	**0**	**200 841**

24. Provisions

The item “Other taxes” mainly relates to provisions for VAT backpayments. By judgment dated October 27, 2011, the European Court of Justice ruled that the purchase of a portfolio of non-performing loans does not constitute a supply of services for consideration by the acquirer to the seller. This judgment was mirrored by the German Federal Finance Court in its judgment dated January 26, 2012. However, the judgment also stated that the acquirer of the exposures could therefore not claim the deduction of input VAT in accordance with Sec. 15 UStG for the input transactions related to the acquisition and collection of the exposures. This means that the company has to refund to the tax office the input VAT claimed for this line of business for the period from 2004 to 2011. On the basis of preliminary calculations, an amount of €15.3 million (including interest) was therefore allocated to the provisions.

As of December 31, 2012, the provision was increased by €0.7 million to €16.0 million. In addition, the input VAT amounts were reduced by 30% in 2012 for this reason. The resulting expense came to €4.1 million.

In addition, provisions for restructuring and provisions for archiving are recognized. The provisions are recognized in the amount of the expected obligation. They take into account all identifiable risks related to obligations of uncertain amount. Warranty provisions are mainly attributable to GFKL Financial Services Aktiengesellschaft. In this context, allocations had to be made as of December 31, 2012 to provisions for tax backpayments from the tax audit of former subsidiaries.

The provisions for restructuring of €3.1 million were recognized for the centralization of the companies’ file archives in 2013 and for the severance of employees and Executive Board members. For information on the severance of employees and Executive Board members, please see section IV.3. (Personnel expenses and number of employees).

The provisions for archiving costs arose because of the legal obligation to archive business documents for up to 10 years. The changes in other provisions over the fiscal year are shown in the following table. The increase in the discounted amount during the year under review to reflect the passage of time and changes in the discount rate did not have any material impact in the reporting period.

The “Other” item includes an allocation of €3.2 million due to an onerous contract.

in €k	Other taxes	Tax audit interest	Warranties	Restructuring	Archiving	Other	Total
Opening balance	18 453	1 479	1 110	60	447	1 635	23 183
Allocation	749	9	442	3 186	143	5 807	10 336
Utilization	2 943	602	1	98	5	537	4 186
Reversal	0	49	227	0	0	690	966
Closing balance	**16 259**	**837**	**1 323**	**3 148**	**585**	**6 215**	**28 367**
Current	16 259	837	1 323	3 148	204	4 068	25 840
Non-current	0	0	0	0	380	2 147	2 527
Closing balance	**16 259**	**837**	**1 323**	**3 148**	**585**	**6 215**	**28 367**

25. Provisions for pensions

GFKL has defined benefit pension obligations. Pension obligations were calculated in accordance with the requirements set out in IAS 19. An interest rate of between 3.0% and 3.9% (prior year: 4.5% and 5.2%), depending on the group of beneficiaries, was used for this purpose. The defined benefit obligation arising from the defined benefit plans was determined in accordance with IAS 19.64-71. The calculations took into account estimated increases in pensions and salaries as well as an employee turnover rate. Pension increases were estimated in a range from 1.5% to 2.5% (prior year: 1.5% to 3.5%), salary increases in a range from 0.0% to 2.0% (prior year: 0.0% to 2.0%), and the employee turnover rate in a range from 0.0% to 1.5% (prior year: 0.0% to 3.5%). The employee turnover rate, in particular, depends on the age of the pension beneficiaries. Mortality and invalidity rates were measured for the German companies using the 2005G Heubeck mortality tables. The measurement of external plan assets was based on a return of 0.0% to 3.9% (prior year: 0.0% to 4.3%). The expected return on plan assets, i.e., the measurement of plan assets in the subsequent year, was based on the same returns used in the measurement for the period under review. The calculation of returns is based on both current market data and past experience of the growth in external plan assets. The 10% corridor rule was applied in the measurement of provisions for pensions and in determining the related costs. Actuarial gains and losses are recognized in profit or loss if they exceed 10% of the defined benefit obligation or 10% of the fair value of the plan assets. The amount in excess of the corridor is divided by the remaining period of service of the beneficiaries and recognized on a pro rata basis.

The pension plan for one of the former members of the Executive Board of GFKL Financial Services Aktiengesellschaft includes a retirement pension entitlement when the beneficiary reaches the age of 60. This retirement pension is equivalent to up to 75% of the average fixed salary over the five years immediately prior to retirement. The pension entitlement for two former employees of Domnowski Inkasso GmbH comprises a retirement pension to be paid when the beneficiary reaches the age of 65. The former general manager of SBL Mobilien GmbH has already retired and draws 75% of his most recent monthly fixed remuneration. Following the transfer of employees from the ERGO Group, Sirius Inkasso GmbH recognized provisions for pensions for the first time in 2006. The pension entitlement comprises a lifelong retirement pension paid when the beneficiary retires from the service of the entity upon reaching the age of 65. A total of 13 employees at Sirius Inkasso GmbH have the benefit of this pension entitlement. Pension entitlements have also been granted to employees of Proceed Collection Services GmbH as a result of the transfer of 19 employees from Bayerische Hypo- und Vereinsbank AG (now UniCredit Bank AG).

The following table shows the reconciliation for the four prior years, the fiscal year and the anticipated changes for 2013:

in €k	2013	2012	2011	2010	2009	2008
Present value of unfunded defined benefit obligation	7 401	7 230	5 093	6 370	5 784	5 580
Plan assets	–3 179	–2 843	–2 466	–3 481	–3 205	–3 138
Unrecognized actuarial gains/losses	0	–1 516	434	500	608	951
	4 222	**2 871**	**3 061**	**3 390**	**3 187**	**3 393**

The following table shows the changes in the defined benefit obligation:

in €k	2012	2011
Opening balance of defined benefit obligation	**5 093**	**6 370**
Interest expense	242	273
Pension payments	–75	–124
Current service cost	151	198
Effect of change in pension entitlement	0	–2
Actuarial losses	1 819	163
Change in basis of consolidation	0	–1 196
Reclassification to liabilities classified as held for sale	0	–588
Closing balance of defined benefit obligation	**7 230**	**5 093**

The plan assets offset against the defined benefit obligation are measured at fair value. The changes in plan assets were as follows:

in €k	2012	2011
Opening balance of plan assets	**2 466**	**3 481**
Return/income	96	74
Actuarial gains/losses (–)	–36	81
Contributions	228	219
Administrative expenses	0	0
Payments arising from plan assets	0	–57
Change in basis of consolidation	0	–1 201
Balance-dependent reclassification	89	0
Reclassification to liabilities classified as held for sale	0	–130
Closing balance of plan assets	**2 843**	**2 466**

Since the plan assets have been pledged as collateral, they are netted against the present value of the unfunded defined benefit obligation. The plan assets are insurance policies entered into by GFKL. These assets have been pledged to the beneficiaries, resulting in a netting requirement under IAS 19. Contributions to the plan assets over the next year are expected to amount to €228k (prior year: €219k).

Disclosed provisions for pensions developed as follows in the fiscal year:

in €k	2012	2011
Opening balance	**3 061**	**3 390**
Payments arising from plan assets	0	13
Allocation to defined benefit obligation	70	381
Allocation to plan assets	304	343
Change in basis of consolidation	0	94
Reclassification to liabilities classified as held for sale	0	329
Balance-dependent reclassification	–43	–44
Closing balance	**2 871**	**3 061**

Experience adjustments, i.e., the effect of differences between previous actuarial assumptions and the actual development of assets and liabilities, amounted to €654k for the defined benefit obligation (in 2011 –€102k, in 2010 –€69k; in 2009 –€20k; in 2008 –€1k) as well as –€25k for plan assets (in 2011 –€62k, in 2010 –€102k; in 2009 €0k; in 2008 –€66k).

For further disclosures regarding changes to the provisions for pensions recognized in profit or loss, please refer to section IV.3. (Personnel expenses and number of employees).

26. Trade payables and other liabilities

This item comprises liabilities from other taxes, which include liabilities from wage and church taxes as well as social security and VAT liabilities. Advance payments received mainly relate to prepayments by customers for the collection process.

in €k	Dec. 31, 2012	Dec. 31, 2011
Liabilities from other taxes	3 489	1 756
Trade payables	4 441	4 141
Advance payments received	3 167	3 123
Deferred income and other items	1 719	1 697
Total	**12 816**	**10 717**

27. Income tax provisions

The income tax provisions largely relate to provisions for corporate income tax and solidarity surcharge totaling €4.7 million (prior year: €5.6 million), trade tax of €4.7 million (prior year: €7.7 million) and provisions for the tax audit of €9.0 million (prior year: €1.2 million). The decrease in the amounts for corporate income tax and trade tax is mainly due to payments made in 2012. The increase in the amount for the tax audit is attributable to the preliminary findings of the tax audit that are now available.

IV. Income statement disclosures

1. Revenue

Revenue breaks down as follows:

in €k	Dec. 31, 2012	Dec. 31, 2011
Fees from the collection process	85 614	90 896
Cost refunds from the collection process	31 951	25 863
Revenue from acquired portfolios	53 531	50 124
Other	70	1 651
Total	**171 165**	**168 534**

Revenue is derived primarily from portfolio-related and performance-based fees for the management of receivables, the settlement of non-performing loans and receivables, realized surpluses on purchased overdue receivables that are supported by an enforcement judgment, and from the reimbursement of costs. The expenses incurred in connection with this revenue primarily relate to personnel expenses and other operating expenses, which are particularly shaped by reimbursed costs. In addition, the revenue from acquired portfolios represents the recognition of revenue from non-performing loans and receivables acquired for settlement. GFKL bears the entire risk of holding these portfolios. The recognized revenue reflects the change in the fair value of the recognized assets. The underlying measurement model is based on standard market terms and conditions.

2. Other operating income

In connection with new refinancing arranged at the end of June 2012, a bank loan with a carrying amount of €15 million was redeemed in return for payment of €10.5 million. The amount of €4.5 million in excess of the redemption payment was recognized as other operating income.

In addition, other operating income includes revenue from cost allocations, reversals of specific valuation allowances that were recognized in prior years and were no longer required as well as income from exchange differences.

Other operating income breaks down as follows:

in €k	Dec. 31, 2012	Dec. 31, 2011
Reversal of provisions and accrued liabilities	1 271	1 952
Income from the reversal of valuation allowances on receivables	1 190	634
Income from cost allocations and receipt of various fees	10	0

in €k	Dec. 31, 2012	Dec. 31, 2011
Income from exchange differences	1	6
Other income	6 578	1 886
Income from services for discontinued operations	0	398
Total	**9 050**	**4 877**

3. Personnel expenses and number of employees

The following summary shows the change in the number of employees (full-time equivalents—FTEs), broken down by segment:

	Dec. 31, 2012	Dec. 31, 2011
Receivables management	948	964
Holding company	128	88
Continuing operations	**1 076**	**1 052**
Discontinued operations	0	153
Employees	**1 076**	**1 205**
thereof employees in Germany	*856*	*931*
Average number of employees	**1 089**	**1 222**

The average number of employees is determined on the basis of a monthly analysis. The employees stated for discontinued operations in 2011 relate to GENEVA-ID GmbH.

Long-service bonus commitments have been made to some of the employees in the GFKL Group. The provision (€298k; prior year: €286k) was recognized based on the length of service to date, the current employee turnover rate, and a market-based discount rate.

In connection with the restructuring process, a provision of €828k was recognized for the severance of employees and Executive Board members. Executive Board members account for €339k of this amount. For information on the severance of employees and Executive Board members, please see section III.24. (Provisions).

The following amounts were recognized in the income statement in respect of pensions obligations:

in €k	Dec. 31, 2012	Dec. 31, 2011
Current service cost	151	198
Interest expense	242	273
Expected return on plan assets	–96	–88
Gains/losses recognized in the period	–227	1
Effect from settlements	0	0
Effect of change in pension entitlement	0	–2
Total	**70**	**381**

In addition to the expenses for pensions obligations, personnel expenses include employer contributions to the statutory pension insurance scheme in Germany. The German pension insurance scheme is classified as a defined contribution plan. The contributions paid amount to €2,943k (prior year: €4,109k).

Please see section III.25. (Provisions for pensions) for further information.

4. Depreciation, amortization and impairment expense

Depreciation, amortization and impairment expense relates to the depreciation of property, plant and equipment and the amortization of intangible assets. Please refer to the information under sections III.1. (Property, plant and equipment) and III.2. (Intangible assets). The item also includes impairment of goodwill (€3,481k; prior year: €0k).

In fiscal year 2011, the equity investment without significant influence held in Domusvenda SGPS S.A. was fully written off by an impairment loss of €7.4 million.

For an explanation of impairment losses on goodwill from discontinued operations, please refer to section IV.10. (Discontinued operations).

5. Other operating expenses

Other operating expenses break down as follows:

in €k	Dec. 31, 2012	Dec. 31, 2011
Costs of the collection process	79 258	76 841
Valuation allowances and write-downs on receivables	4 987	29 816
Valuation allowances and write-downs on financial assets	450	0
General and administrative expenses, contributions and rent	17 260	16 554
Personnel recruitment and freelancers	6 904	5 401
Consulting and auditing fees	5 552	5 829
Expenses from the measurement of NPL receivables	3 266	1 743
Other taxes	373	289
Commissions, incidental refinancing costs	15	99
Expenses from exchange differences	3	24
Expenses arising from the disposal of assets	107	24
Other operating expenses	13 460	17 192
Total	**131 635**	**153 811**

Costs of the collection process relate in particular to legal, court and dunning expenses as well as postage and other expenses incurred in the collection of receivables.

The valuation allowances and write-downs on receivables in 2011 relate to the valuation allowances on receivables from Domusvenda Holding SGPS S.A. of €29.3 million.

The item “General and administrative expenses, contributions and rent” includes expenses from operating leases for vehicles and office equipment amounting to €3,068k (prior year: €2,697k).

Expenses from the measurement of NPL receivables relate to non-performing loans and receivables acquired for settlement which generated a negative profit contribution in the fiscal year, one reason for which being write-downs.

The miscellaneous operating expenses mainly relate to the provision of €3.0 million recognized for the move to the central archive in Gelsenkirchen scheduled for the beginning of 2013 and for the severance of employees and Executive Board members as well as the allocation of €3.2 million to the provision for an onerous contract. Moreover, the input VAT amounts were reduced in accordance with judgments by the European Court of Justice and the German Federal Court of Justice. This gave rise to expenses of EUR 4.1 million. A provision of €15.6 million was recognized for past years. Please see section III.24. (Provisions) for further information. The company reported a foreign exchange loss of €2k as of December 31, 2012 (prior year: foreign exchange loss of €18k). €3k thereof (prior year: €24k) is included under other operating expenses and €1k (prior year: €6k) under other operating income. As of the balance sheet date, there were no material open currency positions.

6. Interest and similar income

Interest and similar income mainly relates to interest income from the Spanish subsidiary Corfisa from bill discounting as well as interest on current account balances with banks.

7. Interest and similar expenses

Interest expenses arise mainly from loan liabilities of the holding company and expenses from fair value measurement as well as interest expenses from NPL derivatives.

8. Profit/loss from investments accounted for using the equity method

The contribution to consolidated earnings from the profit/loss of associates amounted to €56k (prior year: €105k). The largest individual figure within this contribution was €86k (prior year: €102k) from HFI Finanz- und Investitions-Beratungsgesellschaft Hamm mbH.

9. Income taxes

Group tax expense is calculated using a tax rate of around 32% (prior year: 32%). This tax rate is also used for the calculation of deferred taxes. An exception applies to the Spanish companies, for which deferred taxes are calculated using the Spanish tax rate of 30%.

The following table shows the tax reconciliation:

in €k	Dec. 31, 2012	Dec. 31, 2011
Earnings before income tax	–23 062	–51 950
Expected income taxes	**–7 316**	**–16 479**
Modification of the determination of taxable income	1 170	865
Measurement and utilization of loss carryforwards	728	3 794
Out-of period taxes	4 646	6 432
Permanent effects	1 343	0
Other	32	48
Effective income taxes	**603**	**–5 340**

The modification to the determination of taxable income relates in particular to add-backs of non-tax deductible expenses of GFKL Financial Services Aktiengesellschaft.

Out-of-period taxes mainly relate to the allocation to the provision for the tax audit.

The permanent effects are in particular attributable to the impairment loss on the Spanish goodwill.

The tax expenses are as follows:

in €k	Dec. 31, 2012	Dec. 31, 2011
Current taxes	681	408
Current taxes from prior years	4 646	6 432
Deferred taxes	–4 724	–12 180
Total	**603**	**–5 340**

10. Discontinued operations

Information on results and cash flows from discontinued operations is provided below. These include the companies ADA Verwaltungsgesellschaft mbH, Universal Benelux B.V. and Universal Leasing GmbH sold in June 2011. Virtual Lease Ltd., sold on October 4, 2011, and GENEVA-ID GmbH and has program service GmbH, both sold in April 2012, are also included in discontinued operations.

Assets and liabilities related to discontinued operations are recognized in the items “Assets classified as held for sale” and “Liabilities classified as held for sale” (section III.12.) and comprise the assets and liabilities of the software operations held for sale as of December 31, 2011.

For the purposes of presentation in accordance with IFRS 5.33, intragroup balances and transactions between discontinued and continuing operations were not consolidated if it is probable that the business relationships will be continued after the disposal. Profits and losses from intragroup transactions were eliminated in full.

The depreciation/amortization of non-current assets of discontinued operations was suspended.

The result from discontinued operations breaks down as follows:

in €k	Dec. 31, 2012	Dec. 31, 2011
Discontinued operations income	3 963	36 087
thereof in respect of affiliates	0	0
Discontinued operations expenses	4 509	39 754
thereof in respect of affiliates	0	398
Earnings before tax	**–546**	**–3 667**

in €k	Dec. 31, 2012	Dec. 31, 2011
Taxes on earnings	94	186
Profit/loss from measurement/deconsolidation less costs to sell	316	–16 319
Taxes on profit/loss from measurement/deconsolidation	0	0
Profit/loss from discontinued operations	**–325**	**–20 171**

There are no earnings for non-controlling interests attributable to discontinued operations.

The cash flows from discontinued operations break down as follows:

in €k	Dec. 31, 2012	Dec. 31, 2011
Cash flow from operating activities	–815	2 707
Cash flow from investing activities	–40	–96
Cash flow from financing activities	0	106
Total	**–855**	**2 717**

V. Other disclosures

1. Basic/diluted earnings per share and dividends

Earnings per share are calculated on the basis of the profit attributable to the equity holders of the parent and the number of outstanding shares in the Group's parent, GFKL Financial Services Aktiengesellschaft. As of December 31, 2012, the average number of shares was 24,783,567 (prior year: 24,783,567). Treasury shares (1,100,223 shares; prior year: 1,100,223 shares) are not taken into account in the calculation of earnings per share.

The average number of shares is derived from the number of shares in GFKL Financial Services Aktiengesellschaft including the issue of new shares. In order to determine diluted earnings per share, the shares not yet tendered under the cash settlement offer and the corresponding interest must be taken into account.

Beginning of period	End of period	No. days	No. shares	Weighting
Jan. 1, 2012	Dec. 31, 2012	366	24 783 567	24 783 567
Total/average:		**366**		**24 783 567**

Basic earnings per share were calculated by dividing the profit attributable to the equity holders of the parent by the weighted average number of shares, as follows:

	Dec. 31, 2012	Dec. 31, 2011
Profit/loss from continuing operations after non-controlling interests in €k	–23 661	–46 538
Profit/loss from discontinued operations in €k	–325	–20 171
Profit/loss attributable to equity holders of the parent in €k	**–23 986**	**–66 709**
Weighted number of shares	24 783 567	24 783 567
Earnings per share in €	**–0.97**	**–2.69**

Diluted earnings per share was calculated as follows:

	Dec. 31, 2012	Dec. 31, 2011
Profit/loss from continuing operations after non-controlling interests in €k	–23 570	–46 436
Profit/loss from discontinued operations in €k	–325	–20 171
Profit/loss attributable to equity holders of the parent in €k	**–23 895**	**–66 607**
Weighted number of shares	25 005 526	25 062 693
Earnings per share in €	**–0.96**	**–2.66**

The profit/loss used for determining diluted earnings per share is adjusted for interest expenses and corresponding taxes for outstanding share repurchases of €91k (prior year: €102k). The weighted average number of shares is influenced by the number of shares outstanding as of January 1, 2012 from the cash settlement offer to former ABIT shareholders. The required issue of new ordinary shares at the current share price that would be necessary to settle the outstanding amount under the cash settlement offer is determined in this context.

As for 2011, there are no plans to distribute a dividend for 2012.

2. Additional disclosures on financial instruments

The following table shows the breakdown of assets and liabilities as of December 31, 2012 by IAS 39 category:

in €k	Category	Carrying amounts	Fair values
Assets			
Loans and receivables	LaR	75 827	75 827
Held-to-maturity investments	HtM	0	0
Available-for-sale financial assets	AfS	0	0
Financial assets at fair value through profit or loss	FAaFV	116 771	116 771
Liabilities			
Financial liabilities at amortized cost	FLAC	200 841	200 841
Financial liabilities at fair value through profit or loss	FLaFV	4 013	4 013

GFKL holds financial instruments in the categories "Loans and receivables" and "Financial assets at fair value through profit or loss." In the "Financial assets at fair value through profit or loss" category, the carrying amount is equal to the fair value because these items are recognized at market value. In the case of financial instruments in the "Loans and receivables" category, the carrying amount is also equal to the fair value because these items are recognized at the expected settlement amount taking into account appropriate valuation allowances. Assets and liabilities are mostly subject to floating-rate interest. An exception is the fixed-rate subordinated loan from Carl Holding, which is non-current.

As of December 31, 2011, the breakdown is as follows:

in €k	Category	Carrying amounts	Fair values
Assets			
Loans and receivables	LaR	130 517	130 517
Held-to-maturity investments	HtM	0	0
Available-for-sale financial assets	AfS	0	0
Financial assets at fair value through profit or loss	FAaFV	121 495	121 495
Liabilities			
Financial liabilities at amortized cost	FLAC	260 196	257 881
Financial liabilities at fair value through profit or loss	FLaFV	2 891	2 891

NPL portfolios and derivatives that do not qualify for hedge accounting are recognized in the "Financial assets at fair value through profit or loss" and "Financial liabilities at fair value through profit or loss" categories. Derivatives fall under Level 2 of the fair value hierarchy in IFRS 7; NPL portfolios under Level 3.

The derivatives recognized (Level 2) relate exclusively to interest rate swaps that GFKL concludes with its banking partners in OTC trade. In order to recognize the fair value of these derivatives, the fair value calculation performed by GFKL as of the balance sheet date is used, which is based on the customary market method and is regularly compared with fair value calculation provided by the counterparties. The fair value of interest rate swaps is determined by discounting expected future cash flows over the residual term of the contract based on current market rates and the term structure of interest rates.

Please see section II.7.a (Accounting treatment of acquired portfolios) for more information on the valuation techniques for determining the fair value of the NPL investments.

For the comparison required by IFRS 7 of financial liabilities recognized at cost in the "Financial liabilities at amortized cost" category, GFKL calculated the fair values by adjusting the margin levels on the basis of the assumption that securitization transactions would be settled. No significant differences arose in this process. The effect is therefore considered to be neutral for measurement purposes. This approach adequately reflects the hypothetical market prices of third parties for the financial liabilities of the GFKL Group.

As of December 31, 2012, the breakdown of contributions to net gain/loss by IAS 39 category was as follows:

in €k

Category	Interest income	Interest expenses	Fees	Impairment losses and reversals of impairment losses	Net gain/loss
LaR	3 850	0	–553	–4 987	**–1 690**
HtM	0	0	0	0	**0**
AfS	0	0	0	0	**0**
FAaFV	13	0	0	50 632	**50 645**
FLAC	0	11 226	–1	3 724	**–7 503**
FLaFV	0	4 206	–36	–134	**–4 376**

As of December 31, 2011, the amounts were as follows:

in €k

Category	Interest income	Interest expenses	Fees	Impairment losses and reversals of impairment losses	Net gain/loss
LaR	1 892	1	–262	–28 543	**–26 913**
HtM	0	0	0	0	**0**
AfS	0	0	0	–7 405	**–7 405**
FAaFV	0	0	0	48 508	**48 508**
FLAC	0	9 112	–466	–12	**–9 591**
FLaFV	0	2 815	0	94	**–2 721**

As part of refinancing arrangements, various financial assets were pledged to third parties as collateral. The changes in financial assets pledged as collateral were as follows:

in €k	Dec. 31, 2012	Dec. 31, 2011
Assigned NPL portfolios	36 617	103 211
Pledged current accounts	12 961	14 583
Cash security	0	1 711
Total	**49 578**	**119 505**

The cash security mainly relates to the refinancing of NPL portfolios and thus servers to cover credit risk.

The assigned NPL portfolios arose in connection with the refinancing of these portfolios via special purpose entities. Please refer to section V.3. (Derecognition of assets) for further details.

The pledged current accounts are mainly used for the collection and separation of NPL receivables, which then have to passed on to various counterparties under the ABS programs.

There are no financial instruments that include multiple embedded derivatives.

For disclosures on compliance with the terms and conditions of loan agreements, please refer to the information on capital management under section II.9. (Business risks and capital management).

The following table shows the fair values of derivative financial instruments. A distinction is made between the derivatives depending on whether they form part of an effective hedge in accordance with IAS 39 (cash flow hedge).

in €k	Dec. 31, 2012	Dec. 31, 2011
Derivative financial instruments with positive fair values		
- in conjunction with cash flow hedges	0	0
- not designated as part of a hedge relationship	0	5
Derivative financial instruments with negative fair values		
- in conjunction with cash flow hedges	0	–1 937
- not designated as part of a hedge relationship	–4 013	–6 409

There were no derivative financial instruments to hedge fair value risks in accordance with IAS 39 either as of the current or prior-year balance sheet date. The derivative financial instruments with negative fair values for the hedging of cash flow risks of €589k relate to interest rate hedging on bilateral loans and (until June 28, 2012) GFKL Financial Services Aktiengesellschaft promissory notes, which were incorporated into the refinancing under the syndicated credit facility. As a result, application of the hedge accounting rules is no longer possible as of the balance sheet date and therefore all derivative financial instruments are not designated as being part of a hedge relationship. Derivative financial instruments with a negative fair value of €3,423k are held to hedge against fluctuations in the fair value of the NPL portfolios arising from changes in the general level of interest rates.

3. Derecognition of assets

a) Refinancing of NPL portfolios

Some NPL portfolios are refinanced by the sale of these portfolios to special purpose entities. In this case, the assets are not derecognized, nor is it necessary to recognize any continuing involvement. GFKL retains substantially all the risks and rewards of the NPL portfolio through the subordinated financing of the special purpose entity and the settlement terms for incoming payments from debtors. The assets continue to be recognized under “Non-performing loans and receivables acquired for settlement” (€36.6 million) and the liabilities under “Other financial liabilities” (€10.6 million).

b) Derecognitions in relation to the change in shareholders in 2009

In relation to the change in GFKL’s shareholders in 2009, assets were transferred to the former shareholders, or a special purpose entity set up by them. The assets mainly relate to the loans from the sale of 75% of ADA – Das SystemHaus GmbH and Universal Leasing Ltd. to the local management (management buyout) and the settlement claim against Resba GmbH. Since substantially all the risks and rewards were transferred, the assets were derecognized.

Risks and rewards from the loans to Domusvenda were also transferred. When dividing the claims relating to Domusvenda, the derecognition of the senior portion and the junior portion is to be considered separately due to clearly distinguishable cash flows. Repayments from the asset are used to service a clearly defined volume of GFKL’s claims. The claims from the junior portion can also be defined and are passed on immediately upon receipt. There are no other pass-through obligations arising from payments not received. The junior portion of a nominal €27 million, which was written down by €7 million, was derecognized. In March 2013, a settlement was reached between the parties to the dispute. The settlement included a set-off with liabilities of GFKL to Domusvenda of €1.3 million, an upfront payment of €0.4 million and other payments due at a later date of €2.7 million. In light of the upfront payment already received, allowances of €0.4 million were reversed.

4. Contingent liabilities

Contingent liabilities were as follows:

in €k	Dec. 31, 2012	Dec. 31, 2011
Guarantees	0	228
Warranty agreements	0	8 682
Total	**0**	**8 910**

The prior periods were shaped by the joint liability retained by GFKL for liabilities of Universal Leasing GmbH which had to be disclosed as contingent liabilities due to the latter's deconsolidation. Moreover, GFKL AG had a contingent liability of €3 million in connection with the acquisition of an equity investment. As the conditions in the purchase agreement were all met by June 30, 2012, the contractual penalty of €3 million due in the event of non-performance was not payable.

GFKL is subject to continued liability in some instances in respect of former group companies that have been sold.

5. Other financial obligations

The following tables set out the expected changes in rent obligations for company offices, in the lease obligations for vehicles, IT and communications equipment the company uses itself and in maintenance agreement obligations.

As of December 31, 2012, the Group had the following financial obligations:

in €k	In the following year	1 to 5 years	More than 5 years
Rent	3 640	6 535	0
Maintenance agreements	24	40	0
Operating leases	399	281	0

As of December 31, 2011, the financial obligations were as follows:

in €k	In the following year	1 to 5 years	More than 5 years
Rent	4 971	10 966	189
Maintenance agreements	1 137	237	0
Operating leases	735	518	0

The company enters into leases for vehicles and communications and IT equipment that it uses itself in the course of its business. These leases are operating leases as defined by IAS 17.

6. Auditor's fees

The group auditor's fees for the fiscal years break down as follows:

in €k	Dec. 31, 2012	Dec. 31, 2011
Audit services	382	278
Audit-related services	200	326
Tax services	526	287
Other services	681	1 785
Total	**1 789**	**2 677**

VI. Cash flow statement disclosures

The cash flow statement shows how the cash and cash equivalents in the GFKL Group changed during the course of the year under review as a result of cash inflows and outflows. Cash flows in the cash flow statement are broken down by operating, investing and financing activities (IAS 7).

In the receivables management segment, GFKL's activities include the acquisition and settlement of NPL portfolios for its own account. The related cash flows are separated and allocated to the cash flow from investing activities (acquisition of portfolios), cash flow from financing activities (financing of NPL investments) and cash flow from operating activities (recovery of payments from servicing). This means that cash is allocated more accurately.

The following specific disclosures are made:

1. Cash and cash equivalents comprised cash amounting to €38.2 million (prior year: €59.8 million). €20.3 million (prior year: €19.7 million) of this amount is earmarked funds as of December 31, 2012. Cash and cash equivalents in the cash flow statement correspond to the cash and cash equivalents in the balance sheet and contain cash from discontinued operations of €0 million (prior year: €1.2 million).
2. The cash flow from operating activities is primarily shaped by the payments received for NPL portfolios (€84,667k; prior year: €89,188k). Another significant contributor in the prior year is the cash flows from the cash reserves of the lease receivables sold to the ABCP programs/ABS bond (€6,727k).
3. As of December 31, 2012, the Group's cash flow from operating activities amounted to €18,279k (prior year: €35,707k). Taking into account the change in the cash reserve, the adjusted cash flow from operating activities was €28,980k in the prior year.
4. The cash flow from investing activities of –€14,483k (prior year: –€3,707k) includes payments for the purchase of NPL portfolios, property, plant and equipment, intangible assets, changes in loans granted, payments received from the disposal of assets and acquisitions and disposals of companies and shares. The cash flow from investments in NPL portfolios amounted to –€ 16,487k (prior year: –€13,809k). Please see section II.8.a (Basis of consolidation) for further information on cash flows from corporate transactions.
5. Apart from the repayment of loans, the cash flow from financing activities of –€24.2 million (prior year: –€43.8 million) largely comprised the cash inflows from the issue of equity instruments (€30 million; prior year: €0 million).
6. In the period under review, the Group generated cash flow from interest paid of €9,686k (prior year: €16,657k) and interest received of €3,186k (prior year: €13,060k). The amounts in the prior year are dominated by interest paid and received by the leasing segment, which is presented in the cash flow from operating activities. The cash flow from income taxes was –€2,689k (prior year: €1,211k).

VII. Events after the balance sheet date

In March 2013, a settlement was reached between the parties to the dispute related to the equity investment in Domusvenda S.A. (for details, please refer to section II.6. (Significant accounting judgments)). There were no other events after the balance sheet date which would have had an effect on the consolidated financial statements as of December 31, 2012.

VIII. Related party relationships and Executive Board and Supervisory Board disclosures

1. Related parties

Carl Holding GmbH, a subsidiary of Advent International, is the majority shareholder with a stake of 92.80%. The following tables show transactions with related parties. In the tables, individual dealings, whether recognized in profit or loss or recognized directly in equity, have been aggregated under "Transactions." The tables do not include any disclosures regarding the remuneration paid to the members of the Executive Board and Supervisory Board. These disclosures are set out in detail under section VIII.2. (Executive Board and Supervisory Board disclosures).

Liabilities and transactions relating to services received break down as follows:

	Transactions		Balances	
	2012	2011	Dec. 31, 2012	Dec. 31, 2011
Advent International	2 000	2 350	19 465	29 857
Equity holders with a significant influence	**2 000**	**2 350**	**19 465**	**29 857**
Associates	0	103	0	9
Entities over which key persons have a significant influence	0	0	0	0
Other related parties	9	0	0	0
Total	**2 009**	**2 453**	**19 469**	**29 866**

Liabilities to Advent International are primarily due to loans granted by Carl Holding GmbH. Please also see section III.15. (Hybrid capital).

Receivables and transactions relating to services rendered break down as follows:

in €k	Transactions 2012	Transactions 2011	Balances Dec. 31, 2012	Balances Dec. 31, 2011
Advent International	20	38 347	0	35 740
Equity holders with a significant influence	**20**	**38 347**	**0**	**35 740**
Related parties of the equity holder with a significant influence	**17**	**0**	**1**	**0**
Associates	13	14	0	1
Entities over which key persons have a significant influence	0	0	0	0
Management in key positions	1	1	0	0
Total	**51**	**38 362**	**1**	**35 741**

Related party transactions are conducted on an arm's length basis.

Universal Leasing GmbH and ADA Financial Services Verwaltungsgesellschaft mbH were sold to an entity held by institutional investor funds that are advised by Advent International Corp., Boston. The sale price was based on the business value determined by an appraiser. At the same time, receivables from Universal Leasing GmbH were transferred to the buyer at their carrying amounts. In June 2012, GFKL's purchase price receivable from ADA Financial Services Verwaltungsgesellschaft mbH from the sale of Universal Leasing GmbH was sold to Carl Holding GmbH at its carrying amount, which was €36.4 million. €24.6 million of the sale price was paid in cash and €11.8 million was offset against a shareholder loan from Carl Holding GmbH.

The Executive Board members simultaneously hold investments in an Advent entity that indirectly holds shares in GFKL. The shares were acquired at market prices. This therefore did not have an effect on GFKL's profit or loss. Rather, the shareholders are entitled to any potential exit income. Management may not freely sell the shares.

2. Executive Board and Supervisory Board disclosures

Over the past few years, the following gentlemen were members of the Executive Board:

Members of the Executive Board	Appointed on	Left on
Christoph Pfeifer, Oberursel	Nov. 12, 2012	
Kamyar Niroumand (Chairman of the Executive Board), Berlin	Oct. 1, 2012	
Marc Knothe, Vienna	May 1, 2011	
Stefan Brauel, Bodenheim	Mar. 15, 2011	Nov. 5, 2012
Christian Weber, Düsseldorf	Apr. 1, 2010	Nov. 7, 2012
Jürgen Baltes, Essen	Oct. 5, 2005	Jan. 12, 2011

The following table shows the changes in the year under review in the total remuneration paid to the Executive Board and in the remuneration entitlement for the members of the Supervisory Board specified by the articles of incorporation:

in €k	Dec. 31, 2012	Dec. 31, 2011
Current remuneration	1 915	1 574
Termination benefits	1 120	1 258
Earned pension entitlement	49	166
Share-based compensation	0	0
Executive Board remuneration	**3 085**	**2 997**
Supervisory Board remuneration	92	98
Total remuneration	**3 177**	**3 095**

In the reporting period, a provision of €1,120k was recognized for termination benefits for two former Executive Board members.

“Earned pension entitlement” shows the total expenses for the period related to the pension obligation in favor of one member of the Executive Board. Please see section III.25. (Provisions for pensions) for further information.

The shareholder meeting of GFKL Financial Services AG took place on August 15, 2012. At the end of the shareholder meeting, Geoffrey Ognall retired from the Supervisory Board of GFKL Financial Services AG. At the same time, Nicole Linke took up office as an employee representative on the Supervisory Board. The Supervisory Board is composed of three members. Over the past few years, the Supervisory Board members were:

Members of the Supervisory Board	Joined on	Left on
Nicole Linke, Mülheim an der Ruhr (employee representative)	Aug. 15, 2012	
Hans-Hermann Anton Lotter, Frankfurt am Main (Chairman)	Dec. 15, 2009	
Wilhelm Plumpe, Hamburg (Deputy Chairman)	Dec. 15, 2009	
Geoffrey Philip Ognall, London, UK (Deputy Chairman)........................	Dec. 15, 2009	Aug. 15, 2012

Essen, April 26, 2013

sgd Kamyar Niroumand (Chairman of the Executive Board)	sgd Marc Knothe (Member of the Executive Board)	sgd Christoph Pfeifer (Member of the Executive Board)

Company No. 07652466

METIS BIDCO LIMITED

Unaudited Interim Financial Statements

9 months ended 30th June 2015

METIS BIDCO LIMITED

INTERIM FINANCIAL STATEMENTS 30 JUNE 2015

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METIS BIDCO LIMITED

INTERIM FINANCIAL STATEMENTS 30 JUNE 2015

OFFICERS AND PROFESSIONAL ADVISERS

Directors

J J Cornell
M Dale
A R Hill
T J H Large
J B Rosen
B J Thompson
I A Kennedy
M Teubner
C G Storrar (appointed 15 June 2015)
S L Leckenby (appointed 15 June 2015)

Company secretary

M A Gilbert

Registered office

Ellington House
9 Savannah Way
Leeds Valley Park West
Leeds
LS10 1AB

Bankers

The Royal Bank of Scotland plc
280 Bishopsgate
London
EC2M 4RB

Solicitors

Travers Smith LLP
10 Snow Hill
London
EC1A 2AL

Auditor

KPMG LLP
Chartered Accountants & Statutory Auditors
1 The Embankment
Neville Street
Leeds
LS1 4DW

METIS BIDCO LIMITED

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Nine months ended 30 June 2015

	Note	9 months ended 30 June 2015 £000	9 months ended 30 June 2014 £000
Continuing operations			
Revenue			
Income from portfolio investments	10	92,149	78,380
Portfolio write up	10	15,058	17,413
Portfolio fair value release	10	(2,808)	(3,661)
Other revenue		8,129	10,145
Total revenue		**112,528**	**102,277**
Operating expenses			
Collection activity costs		(28,228)	(23,453)
Other expenses		(46,438)	(43,473)
Total operating expenses		**(74,666)**	**(66,926)**
Operating profit		**37,862**	**35,351**
Interest income	5	17	104
Finance costs	6	(50,766)	(47,262)
Loss before tax	4	**(12,887)**	**(11,807)**
Income tax expense	7	(1,363)	(1,017)
Loss for the period attributable to equity shareholders		**(14,250)**	**(12,824)**
Other comprehensive income		—	—
Total comprehensive expenditure for the period attributable to equity shareholders		**(14,250)**	**(12,824)**

The notes on pages F-199 to F-204 form part of these interim financial statements.

METIS BIDCO LIMITED

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2015

	Note	30 June 2015 £000	30 Sept 2014 £000	30 June 2014 £000	30 Sept 2013 £000
Assets					
Non-current assets					
Goodwill		169,819	169,819	169,819	169,819
Intangible assets	8	4,578	5,622	6,343	7,434
Property, plant and equipment	9	3,928	3,987	4,260	2,072
Portfolio investments	10	235,351	204,600	206,341	146,098
Deferred tax asset		—	250	4,310	4,310
Total non-current assets		**413,676**	**384,278**	**391,073**	**329,733**
Current assets					
Portfolio investments	10	183,661	163,677	137,925	129,290
Trade and other receivables	11	39,767	33,153	32,884	14,796
Cash and cash equivalents		11,239	34,373	54,068	15,303
Total current assets		**234,667**	**231,203**	**224,877**	**159,389**
Total assets		**648,343**	**615,481**	**615,950**	**489,122**
Equity					
Share capital	14	1,295	1,295	1,230	1,230
Share premium		69	69	69	69
Retained deficit	15	(87,116)	(72,866)	(69,603)	(56,779)
Total deficit attributable to shareholders		**(85,752)**	**(71,502)**	**(68,304)**	**(55,480)**
Liabilities					
Non-current liabilities					
Borrowings	12	672,001	650,023	642,550	508,344
Deferred tax liability		1,110	—	—	—
Total current liabilities		**673,111**	**650,023**	**642,550**	**508,344**
Current liabilities					
Trade and other payables	13	43,904	36,909	32,167	25,774
Borrowings	12	17,080	—	9,474	10,000
Current tax liabilities		—	51	63	484
Total non current liabilities		**60,984**	**36,960**	**41,704**	**36,258**
Total equity and liabilities		**648,343**	**615,481**	**615,950**	**489,122**

The notes on pages F-199 to F-204 form part of these interim financial statements.

METIS BIDCO LIMITED

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
As at 30 June 2015

	Share Capital £000	Share Premium £000	Retained Deficit £000	Total £000
Balance at 1 October 2013	**1,230**	**69**	**(56,779)**	**(55,480)**
Loss for the period	—	—	(12,824)	(12,824)
Balance at 30 June 2014	**1,230**	**69**	**(69,603)**	**(68,304)**
Balance as at 1 October 2014	1,295	69	(72,866)	(71,502)
Loss for the period	—	—	(14,250)	(14,250)
Balance at 30 June 2015	**1,295**	**69**	**(87,116)**	**(85,752)**

INTERIM STATEMENT OF CASH FLOWS
Nine months ended 30 June 2015

	Note	9 months ended 30 June 2015 £000	9 months ended 30 June 2014 £000
Net cash from operating activities	16	(29,466)	(61,772)
Investing activities			
Interest received	5	17	104
Purchase of property, plant and equipment	9	(571)	(3,069)
Purchase of intangible assets	8	(1,114)	(1,524)
Net cash from investing activities		**(1,668)**	**(4,489)**
Financing activities			
New borrowings	12	8,000	115,000
Repayment of borrowings	12	—	(9,974)
Net cash from financing activities		**8,000**	**105,026**
Net increase in cash and cash equivalents		**(23,134)**	**38,765**
Cash and cash equivalents at beginning of period		34,373	15,303
Cash and cash equivalents at end of period		**11,239**	**54,068**

The notes on pages F-199 to F-204 form part of these interim financial statements.

METIS BIDCO LIMITED

NOTES TO THE INTERIM FINANCIAL STATEMENTS
Nine months ended 30 June 2015

1. BASIS OF PREPARATION

These consolidated interim financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union (EU). These consolidated interim financial statements should be read in conjunction with the Group's 2014 Annual Report and Accounts, which have been prepared in accordance with International Financial Reporting Standards as adopted by the EU ('IFRSs').

The Group's 2014 Annual Report and Accounts have been delivered to the Registrar of Companies in England and Wales in accordance with section 447 of the Companies Act 2006. The auditor has reported on those accounts. Its report was unqualified; did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

2. ACCOUNTING POLICIES

The accounting policies are consistent with those applied by Metis Bidco Limited in the 2014 Annual Report and Accounts.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The critical accounting estimates and judgements are consistent with those applied by Metis Bidco Limited in the 2014 Annual Report and Accounts.

4. LOSS BEFORE TAX

	9 months ended 30 June 15 £000	9 months ended 30 June 14 £000
Loss for the period is after charging		
Depreciation of property, plant and equipment (Note 9)	629	807
Amortisation of intangible assets (Note 8)	2,078	2,479
Loss on disposal of property, plant and equipment (Note 9)	1	74
Loss on disposal of intangible assets (Note 8)	80	136
Staff costs	28,916	25,379
Rentals under operating leases	1,137	1,726

5. INTEREST INCOME

	9 months ended 30 June 15 £000	9 months ended 30 June 14 £000
Bank interest receivable	17	99
Directors loan interest income	—	5
	17	**104**

6. FINANCE COSTS

	9 months ended 30 June 15 £000	9 months ended 30 June 14 £000
Interest payable on the £200m Notes	16,125	16,125
Fees payable on the £200m Notes	868	876
Interest payable on the £75m Notes	6,047	6,047
Fees payable on the £75m Notes	182	181
Release of premium on £75m Notes (Note A)	(868)	(868)

	9 months ended 30 June 15 £000	9 months ended 30 June 14 £000
Interest payable on the £115m Notes	5,067	2,065
Fees payable on the £115m Notes	546	239
Interest payable on preference shares	18,912	18,912
Interest payable on loan notes	2,063	2,008
Interest and fees payable on revolving credit facility	1,824	1,677
	50,766	**47,262**

Note A: The £75m Notes were issued at a premium of £7.125m (cash raised £82.125m; Notes outstanding £75m). The premium is being released to the Statement of Comprehensive Income over the term of the £75m Notes.

7. INCOME TAX

a) Amounts recognised in the Statement of Comprehensive Income

	9 months ended 30 June 15 £000	9 months ended 30 June 14 £000
Current taxation		
UK corporation tax	2,156	1,017
Adjustment in respect of prior periods	(1)	—
	2,155	**1,017**
Deferred tax		
Prior period adjustment	(739)	—
Impact of change in tax rate	(53)	—
Total deferred tax charge credit	(792)	—
Total tax expense	**1,363**	**1,017**

The Finance Act 2013 was substantively enacted on 2 July 2013 and provided for a reduction in the main rate of corporation tax from 23% to 21% with effect from 1 April 2014 and by a further 1% to 20% from 1 April 2015. In the Budget on 8 July 2015, the Chancellor announced additional planned reductions to 18% by 2020. This will reduce the company's future current tax charge accordingly. The deferred tax liability at 30 June 2015 has been calculated based on the rate of 20% substantively enacted at the balance sheet date.

b) Reconciliation of effective tax rate

The tax assessed for the period is higher (9 months ended 30 June 2014: higher) than the standard effective rate of corporation tax in the UK for the year ended 30 June 2015 of 20.50% (9 months ended 30 June 2014: 22.00%) The differences are explained below:

	9 months ended 30 June 15 £000	9 months ended 30 June 14 £000
Loss on ordinary activities before tax	(12,887)	(11,807)
Tax credit on loss on ordinary activities at standard UK corporation tax rate of 20.50% (9 months ended 30 June 2014: 22.00%)	(2,642)	(2,598)
Effects of:		
Expenses not deductible for tax purposes	4,797	3,615
Adjustment to tax charge in respect of previous periods	(792)	—
Total tax expense	**1,363**	**1,017**

8. INTANGIBLE FIXED ASSETS

	Software £000	Development costs £000	Acquired customer contracts £000	Total £000
Cost				
At 1 October 2013	4,641	—	11,404	16,045
Reclassifications	1,122	(1,122)	—	—
Additions	187	1,337	—	1,524
Disposals	(973)	—	—	(973)
At 30 June 2014	**4,977**	**215**	**11,404**	**16,596**
At 1 October 2014	4,221	204	11,404	15,829
Reclassifications	164	(164)	—	—
Additions	372	742	—	1,114
Disposals	(551)	(54)	—	(605)
At 30 June 2015	**4,206**	**728**	**11,404**	**16,338**
Accumulated amortisation				
At 1 October 2013	2,005	—	6,606	8,611
Charge for the period	1,227	—	1,252	2,479
Disposals	(837)	—	—	(837)
At 30 June 2014	**2,395**	**—**	**7,858**	**10,253**
At 1 October 2014	1,932	—	8,275	10,207
Charge for the period	1,189	—	889	2,078
Disposals	(525)	—	—	(525)
At 30 June 2015	**2,596**	**—**	**9,164**	**11,760**
Net book value				
At 30 June 2015	**1,610**	**728**	**2,240**	**4,578**
At 30 June 2014	**2,582**	**215**	**3,546**	**6,343**

9. PROPERTY, PLANT AND EQUIPMENT

	Fixtures and fittings £000	Leasehold improvements £000	Computer hardware £000	Office equipment £000	Total £000
Cost					
At 1 October 2013	44	1,488	3,055	5,427	10,014
Additions	99	2,450	343	177	3,069
Disposals	—	(109)	(218)	(66)	(393)
At 30 June 2014	**143**	**3,829**	**3,180**	**5,538**	**12,690**
At 1 October 2014	143	2,644	2,793	3,927	9,507
Additions	40	284	211	36	571
Disposals	(33)	(105)	(567)	(3,322)	(4,027)
At 30 June 2015	**150**	**2,823**	**2,437**	**641**	**6,051**
Accumulated depreciation					
At 1 October 2013	31	1,200	1,605	5,106	7,942
Charge for the period	15	278	415	99	807
Disposals	—	(94)	(167)	(58)	(319)
At 30 June 2014	**46**	**1,384**	**1,853**	**5,147**	**8,430**
At 1 October 2014	49	258	1,626	3,587	5,520
Charge for the period	21	173	280	155	629
Disposals	(33)	(105)	(566)	(3,322)	(4,026)
At 30 June 2015	**37**	**326**	**1,340**	**420**	**2,123**

	Fixtures and fittings £000	Leasehold improvements £000	Computer hardware £000	Office equipment £000	Total £000
Net book value					
At 30 June 2015	**113**	**2,497**	**1,097**	**221**	**3,928**
At 30 June 2014	**97**	**2,445**	**1,327**	**391**	**4,260**

10. PORTFOLIO INVESTMENTS

	30 Jun 2015 £000	30 Sept 2014 £000	30 Jun 2014 £000	30 Sept 2013 £000
Non-current				
Portfolio investments	235,351	204,600	206,341	146,098
Current				
Portfolio investments	183,661	163,677	137,925	129,290
Total	**419,012**	**368,277**	**344,266**	**275,388**

The movements in acquired portfolio investments were as follows:

	30 Jun 2015 £000	30 Jun 2014 £000
As at the period brought forward	368,277	275,388
Portfolios acquired during the period	113,421	120,156
Collections in the period	(167,085)	(143,410)
Income from portfolio investments	92,149	78,380
Portfolio fair value release	(2,808)	(3,661)
Portfolio write-up	15,058	17,413
As at the period end	**419,012**	**344,266**

11. TRADE AND OTHER RECEIVABLES

	30 June 2015 £000	30 Sept 2014 £000	30 June 2014 £000	30 Sept 2013 £000
Trade receivables	1,901	2,176	2,156	2,961
Litigation deferred costs	16,400	14,410	11,824	2,888
Other receivables	7,940	6,162	11,524	3,706
Prepayments and accrued income	10,726	6,818	7,231	5,070
Directors' loans	—	—	149	171
Corporation tax recoverable	2,800	3,587	—	—
	39,767	**33,153**	**32,884**	**14,796**

12. BORROWINGS

	30 June 2015 £000	30 Sept 2014 £000	30 June 2014 £000	30 Sept 2013 £000
Non-current				
Unsecured borrowing at amortised cost				
Preference shares amounts owed to Metis Holdco Limited	163,376	151,569	230,827	213,114
Preference shares amounts owed to other parties	98,313	91,208	5,645	4,446
Loan notes owed to Metis Holdco Limited	17,800	16,516	25,146	23,138
Loan notes owed to other parties	10,031	9,307	—	—
Total unsecured	**289,520**	**268,600**	**261,618**	**240,698**
Secured borrowing at amortised cost				

	30 June 2015 £000	30 Sept 2014 £000	30 June 2014 £000	30 Sept 2013 £000
Senior secured notes	390,000	390,000	390,000	275,000
Prepaid costs on senior secured notes	(7,519)	(8,577)	(9,068)	(7,354)
Total Secured	**382,481**	**381,423**	**380,932**	**267,646**
Total borrowings due for settlement after 12 months	**672,001**	**650,023**	**642,550**	**508,344**
Current				
Secured borrowing at amortised cost				
Revolving credit facility	8,000	—	—	10,000
Interest on senior secured notes	9,080	—	9,474	—
Total Secured	**17,080**	**—**	**9,474**	**10,000**
Total borrowings due for settlement before 12 months	**17,080**	**—**	**9,474**	**10,000**

13. TRADE AND OTHER PAYABLES

	30 June 2015 £000	30 Sept 2014 £000	30 June 2014 £000	30 Sept 2013 £000
Trade payables	6,247	6,257	3,240	2,886
Amounts owed to Metis Holdco Limited (Note A)	2,785	2,785	3,746	3,773
Amounts owed to other parties (Note B)	1,416	1,361	—	—
Other taxes and social security	1,136	1,533	1,172	1,115
Accruals and deferred income	3,970	5,763	6,445	4,235
Other payables	3,512	4,682	2,446	1,381
Other payables—acquired portfolio investments	20,480	9,302	4,399	797
Other payables—contingent consideration	—	—	5,200	5,200
Loan notes premium	4,358	5,226	5,519	6,387
	43,904	**36,909**	**32,167**	**25,774**

Note A: This group relief balance due to Metis Holdco Limited is non- interest bearing and repayable on demand.
Note B: This group relief balance due to other parties is interest bearing and repayable on demand. The loan attracts a fixed interest rate of 5.4% payable annually.

14. SHARE CAPITAL

	30 June 2015 £000	30 Sept 2014 £000	30 June 2014 £000	30 Sept 2013 £000
Called up, allotted and fully paid:				
940,478 A ordinary shares of £1.00 each	940	940	940	940
226,190 B ordinary shares of £1.00 each	226	226	226	226
128,082 C ordinary shares of £1.00 each	128	128	63	63
23,810 D ordinary shares of £0.01 each	1	1	1	1
	1,295	**1,295**	**1,230**	**1,230**

15. RETAINED DEFICIT

	£000
At 1 October 2013	(56,779)
Loss for the period	(12,824)
At 30 June 2014	**(69,603)**
At 1 October 2014	(72,866)
Loss for the period	(14,250)

	£000
At 30 June 2015	**(87,116)**

16. NOTES TO THE CASHFLOW STATEMENT

	9 months ended 30 June 2015 £000	9 months ended 30 June 2014 £000
Loss for the period	(14,250)	(12,824)
Adjustments for:		
Depreciation of property, plant and equipment (Note 9)	629	807
Amortisation of intangible assets (Note 8)	2,078	2,479
Interest receivable (Note 5)	(17)	(104)
Loss on sale of property, plant and equipment (Note 9)	1	74
Loss on sale of intangible assets (Note 8)	80	136
Tax expense (Note 7)	1,363	1,017
Finance costs (Note 6)	50,766	47,262
	54,900	51,671
Increase in portfolio investments	(50,735)	(68,878)
Increase in trade and other receivables	(4,064)	(17,451)
Increase in trade and other payables	7,742	7,359
Cash generated from operating activities	(6,407)	(40,123)
Interest paid	(23,792)	(20,211)
Income taxes paid	733	(1,438)
Net cash from operating activities	**(29,466)**	**(61,772)**

	30 June 2015 £000	30 Sept 2014 £000	30 June 2014 £000	30 Sept 2013 £000
Cash and cash equivalents	11,239	34,373	54,068	15,303

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts. The carrying amount of these assets is approximately equal to their fair value.

17. ULTIMATE CONTROLLING PARTY

The Company is a subsidiary undertaking of Metis Holdings Sarl, which is the ultimate parent company, incorporated in Luxembourg.

The largest group which consolidates these financial statements is that headed by Metis Holdco Limited, the Company's immediate parent undertaking, incorporated in England and Wales. The consolidated financial statements of Metis Holdco Limited are available from its registered office at 20 Bentinck Street, London, W1U 2EU.

Company No. 07652466

METIS BIDCO LIMITED

Report and Consolidated Financial Statements

Year ended 30 September 2014

METIS BIDCO LIMITED

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS 2014

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METIS BIDCO LIMITED

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS 2014

OFFICERS AND PROFESSIONAL ADVISERS

Directors

J J Cornell
M Dale
A R Hill
T J H Large
J B Rosen
B J Thompson
I A Kennedy (appointed 25 September 2014)
M Teubner (appointed 25 September 2014)

Company secretary

M A Gilbert (appointed 25 March 2014)

Registered office

Ellington House
9 Savannah Way
Leeds Valley Park West
Leeds
LS10 1AB

Bankers

The Royal Bank of Scotland plc
280 Bishopsgate
London
EC2M 4RB

Solicitors

Travers Smith LLP
10 Snow Hill
London
EC1A 2AL

Auditor

KPMG LLP
Chartered Accountants & Statutory Auditors
1 The Embankment
Neville Street
Leeds
LS1 4DW

METIS BIDCO LIMITED

DIRECTORS' REPORT
Year ended 30 September 2014

The directors present their annual report and the audited consolidated financial statements of Metis Bidco Limited ("the Company") and its subsidiaries (together "the Group") for the year ended 30 September 2014.

In 2014 the Company and Group converted its accounting methodology from UK Generally Accepted Accounting Practice (UK GAAP) to International Financial Reporting Standards (IFRS). These financial statements are the first to be presented by the Company and Group under IFRS. The directors have decided that the effective date of the transition is to be 1 September 2012 and as a result the comparative periods have been restated accordingly.

In 2013 the financial year end of the Company and the Group was changed from 31 August to 30 September in order to align the financial reporting schedule to calendar year quarters. Accordingly, the prior year financial statements are prepared for the 13 months from 1 September 2012 to 30 September 2013, and as a result, the comparative figures stated in the consolidated statement of comprehensive income and notes are not comparable.

During the current year the directors of Tocatto Ltd, a subsidiary of the Company, took the decision to end the trading of that company. The operational site of Tocatto Ltd, located in Preston, was formally closed in December 2013 and the expectation is that all trade and operations will cease by the end of September 2015.

PRINCIPAL ACTIVITIES

The Company is the holding company of the Lowell Group of companies.

The principal activities of the Group are the acquisition and collection of non-performing consumer debt portfolios.

GOING CONCERN

The directors remain confident that the Group will continue to grow through the investment into and recovery of non-performing debt portfolios in the UK. The directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason the directors adopt the going concern basis in preparing the financial statements (further details are included in Note 1).

DIVIDENDS

The directors do not recommend the payment of a dividend for the year (13 months ended 30 September 2013: £nil).

EMPLOYEES

The Group continues to support equal opportunities in respect of recruitment, career progression and employee management processes. Consideration is given to all applicants for employment, irrespective of any of the protected characteristics as detailed in the Equality Act 2010. It is the policy of the Group to treat disabled persons fairly by making reasonable adjustments to the workplace and business processes. Likewise, in the event of a member of staff becoming disabled, every effort is made to ensure that their employment within the Group can continue. Support is also given to internal applicants in moving to new jobs in other parts of the organisation.

The Chief Executive Officer and other members of the executive team conducted a number of staff briefings throughout the year that kept our people fully informed and updated on business activities. The Group's intranet and magazine are used on a routine basis to keep employees and others informed about important business issues, the progress that is being made on key corporate programmes, and other changes affecting the Group, its employees and other stakeholders.

Key employees are invited to take part in an employee share offer to apply for ordinary shares in the Company.

DIRECTORS

The directors who held office during the year and up to the date of signing the financial statements are shown on page F-207.

CHARITABLE AND POLITICAL DONATIONS

During the year, the Group made charitable donations of £6,397 (13 months ended 30 September 2013: £1,238).

DISCLOSURE OF INFORMATION TO THE COMPANY'S AUDITOR

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

AUDITOR

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Approved by the Board of Directors and signed on behalf of the Board by:

J J Cornell
Director

27 January 2015

METIS BIDCO LIMITED

STRATEGIC REPORT
Year ended 30 September 2014

OBJECTIVES & STRATEGY

The Group's strategy is to flourish as a debt recovery organisation, achieve significant growth across all key performance indicators and find innovative, ethical, cost-effective and fair solutions for our customers, clients and team members.

In the year to 30 September 2014 the Group's key objectives were to build capacity and capability, to provide a first class service to our clients, to ensure the customer is at the heart of what we do, to increase profitable collections, to develop and create new market opportunities, to maximise efficiency and reduce cost, and to manage our risks with effective governance.

THE BUSINESS MODEL

The Group's business model remains unchanged from the prior year – the acquisition and collection of non-performing consumer debt portfolios through a largely in-house, UK based, integrated collection platform.

PRINCIPAL RISKS AND UNCERTAINITIES

Details of the Group's financial risk management policies are set out in Notes 1 and 25.

FINANCIAL PERFORMANCE

It is estimated that the Group, through its subsidiaries, is invited to bid upon over 94% of the portfolios brought to market. The business acquired portfolios from 30 vendors during the year (13 months ended 30 September 2013: 30).

The overall fair value of portfolio investments stood at £368.3m at 30 September 2014 (2013: £275.4m), growth of 34% over the year.

The Group continues to be funded by the £200m 10.75% Senior Secured Notes due 2019 (the "Notes"), (Note 17), which the subsidiary, Lowell Group Financing Plc, had issued on 30 March 2012. An additional £75m was issued on 11 February 2013 under the same terms, and a further £115m was issued on 11 March 2014 under the same terms apart from the interest rate of 5.875%. Semi-annual interest payments have been made during the year.

In addition, on 28 November 2013 the facility available under the Revolving Credit Facility ("RCF") was increased from £55m to £66m. Specific conditions in the RCF allowed the facility to be increased to £83m. As at 30 September 2014 these conditions had been met and the Group therefore has an available facility of £83m.

The Group has performed strongly in the year, with 84 months ERC (Estimated Remaining Collections) of £713.9m at 30 September 2014 (2013: £532.1m), an increase of 34%. 120 month ERC was £800.9m at 30 September 2014 (2013: £593.4m).

The Group defines ERC as the expected collections on acquired portfolios over an 84 month period, based on our proprietary valuation model.

Adjusted EBITDA is defined as collections on acquired portfolios plus other revenue, less collection activity costs and other expenses (which together equal operating costs) and adjusted for non-recurring costs. The Adjusted EBITDA in the year ended 30 September 2014 is £126.1m (13 months ended 30 September 2013: £119.0m).

ERC and Adjusted EBITDA are non-IFRS financial measures but are widely used by investors to measure a company's asset base and cash flow generation and operating performance respectively. Analysts and investors use ERC and Adjusted EBITDA as supplemental measures to evaluate the overall operating performance of companies in our industry.

The Group has included other non-IFRS financial measures, including Net Debt and certain other financial measures and ratios, to aid the reader of these financial statements.

These measurements may not be comparable to those of other companies and may be calculated differently from similar measurements under the indenture governing the Group's Senior Secured Notes due 2019. Reference to these non-IFRS financial measures should be considered in addition to IFRS financial measures, but should not be considered a substitute for results that are presented in accordance with IFRS.

KEY PERFORMANCE INDICATORS (KPIs)

	2014	2013
Cumulative face value of debt acquisitions	£13.1bn	£11.0bn
Cumulative number of accounts	15.6m	12.3m
Collections on acquired portfolios	£196.8m	£173.2m
Portfolio investments	£368.3m	£275.4m
ERC (Estimated Remaining Collections)	£713.9m	£532.1m
Consolidated Adjusted EBITDA	£126.1m	£119.0m
Fixed charge cover ratio (Consolidated Adjusted EBITDA / Fixed Charges)	3.51	3.90
Bond covenant (Net Debt* / ERC)	0.50	0.51
Drawdown on RCF** (Revolving Credit Facility)	—	£10.0m
10.75% Senior Secured Notes	£275.0m	£275.0m
5.875% Senior Secured Notes	£115.0m	—
Net Debt* / portfolio investments	96.5%	97.9%

* Net Debt is total indebtedness of £390.0m (2013: £285.0m) less cash in bank of £34.4m (2013: £15.3m).

** Facility available under the RCF as at 30 September 2014 is £83.0m (2013: £55.0m). The RCF was increased from £55.0m to £66.0m on 28 November 2013. Under the terms of the RCF, if certain conditions are achieved this will allow the facility to increase to a maximum limit of £83.0m. As at 30 September 2014 these conditions had been met and therefore the available facility is £83.0m. (see Note 17 for further details).

There is a significant tail of cash flow inherent in our portfolios past the 84 months ERC period which is not reflected in our ERC at 30 September 2014. Our forecast tail of cash flow from month 84 to month 120 is £87.0m (2013: £61.3m), which is in addition to the £713.9m (2013: £532.1m) ERC.

OUTLOOK

There are a number of external factors which we believe will affect both our business and the industry as a whole.

Regulatory requirements in the consumer debt industry are expected to continue to increase as a result of evolving client and regulatory requirements. We believe we are well placed to respond to such developments, not least because culturally, our FAIR programme places our customers at the heart of our business. (See Note 25, page F-252, Conduct Risk for more details). In the year leading up to FCA regulation our risk management structure has been significantly enhanced and improvements made to the governance structure.

The consumer debt investor community is expected to consolidate around a smaller number of trusted partners. Clients are increasingly reducing their auction panel sizes as they seek to maintain relationships with those investors who can demonstrate compliance excellence. We benefit from a strong record in compliance and already have relationships with the majority of key clients.

We also believe that our data asset will aid the business in terms of both our investment ambitions and our servicing offerings, leveraging the knowledge that comes from owning over 15 million accounts to help our clients from underwriting to contact through to responsible collection.

Approved by the Board of Directors and signed on behalf of the Board by:

J J Cornell
Director

27 January 2015

METIS BIDCO LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT, STRATEGIC REPORT AND THE FINANCIAL STATEMENTS
Year ended 30 September 2014

The directors are responsible for preparing the Directors' Report, the Strategic Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and Parent Company financial statements for each financial year. Under that law they have elected to prepare both the Group and the Parent Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Parent Company and of their profit or loss for that period.

In preparing each of the Group and Parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF METIS BIDCO LIMITED

We have audited the financial statements of Metis Bidco Limited for the year ended 30 September 2014 set out on pages F-215 to F-262. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the EU, and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page F-212, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 September 2014 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the EU;
- the Parent Company financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Andrew Walker (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

1 The Embankment
Neville Street
Leeds
LS1 4DW

28 January 2015

METIS BIDCO LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 30 September 2014

	Note	Year ended 30 Sept 2014 £000	Restated* 13 months ended 30 Sept 2013 £000
Continuing operations			
Revenue			
Income from portfolio investments	1,14	107,050	93,295
Portfolio write up	1,14	25,338	11,911
Portfolio fair value release	14	(4,882)	(7,268)
Other revenue	1	18,688	6,849
Total revenue		**146,194**	**104,787**
Operating expenses			
Collection activity costs	1	(33,486)	(23,591)
Other expenses	5	(63,117)	(43,374)
Total operating expenses		**(96,603)**	**(66,965)**
Operating profit		**49,591**	**37,822**
Interest income	6	127	206
Finance costs	7	(63,931)	(60,952)
Goodwill impairment	9	—	(785)
Loss before tax	4	**(14,213)**	**(23,709)**
Income tax expense	8	(1,874)	(1,755)
Loss for the period attributable to equity shareholders		**(16,087)**	**(25,464)**
Other comprehensive income		—	—
Total comprehensive expenditure for the period attributable to equity shareholders	20,21	**(16,087)**	**(25,464)**

* Prior period figures have been restated due to the change from UK GAAP to IFRS. See Note 3 for further details.

The notes on pages F-221 to F-262 form part of these financial statements.

METIS BIDCO LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 September 2014

	Note	30 Sept 2014 £000	Restated* 30 Sept 2013 £000	Restated* 1 Sept 2012 £000
Assets				
Non-current assets				
Goodwill	9	169,819	169,819	140,205
Intangible assets	10	5,622	7,434	9,322
Property, plant and equipment	11	3,987	2,072	2,346
Portfolio investments	14	204,600	146,098	119,519
Deferred tax asset	16	250	4,310	930
Total non-current assets		**384,278**	**329,733**	**272,322**
Current assets				
Portfolio investments	14	163,677	129,290	105,670
Trade and other receivables	15	33,153	14,796	9,226
Cash and cash equivalents	22	34,373	15,303	9,020
Total current assets		**231,203**	**159,389**	**123,916**
Total assets		**615,481**	**489,122**	**396,238**
Equity				
Share capital	19	1,295	1,230	1,212
Share premium		69	69	6
Retained deficit	20	(72,866)	(56,779)	(31,315)
Total deficit attributable to shareholders	21	**(71,502)**	**(55,480)**	**(30,097)**
Liabilities				
Non-current liabilities				
Borrowings	17	650,023	508,344	403,089
Current Liabilities				
Trade and other payables	18	36,909	25,774	11,202
Borrowings	17	—	10,000	9,018
Current tax liabilities		51	484	3,026
Total current liabilities		**36,960**	**36,258**	**23,246**
Total equity and liabilities		**615,481**	**489,122**	**396,238**

* Prior period figures have been restated due to the change from UK GAAP to IFRS. See Note 3 for further details.

These financial statements of Metis Bidco Limited, Company No. 07652466 were approved by the Board of Directors on 26 January 2015.

Signed on behalf of the Board of Directors by:

J J Cornell
Director
27 January 2015

The notes on pages F-221 to F-262 form part of these financial statements.

METIS BIDCO LIMITED

COMPANY STATEMENT OF FINANCIAL POSITION
Year ended 30 September 2014

	Note	30 Sept 2014 £000	Restated* 30 Sept 2013 £000	Restated* 1 Sept 2012 £000
Assets				
Non-current assets				
Investments	12	176,102	176,102	176,102
Current assets				
Trade and other receivables	15	5,200	2,466	2,692
Cash and cash equivalents		695	482	81
Total current assets		**5,895**	**2,948**	**2,773**
Total assets		**181,997**	**179,050**	**178,875**
Equity				
Share capital	19	1,295	1,230	1,212
Share premium		69	69	6
Retained deficit	20	(98,935)	(64,551)	(33,446)
Total deficit attributable to shareholders	21	**(97,571)**	**(63,252)**	**(32,228)**
Liabilities				
Non-current liabilities				
Borrowings	17	268,600	240,698	210,428
Current Liabilities				
Trade and other payables	18	10,968	1,604	675
Total equity and liabilities		**181,997**	**179,050**	**178,875**

* Prior period figures have been restated due to the change from UK GAAP to IFRS. See Note 3 for further details.

These financial statements of Metis Bidco Limited, Company No. 07652466 were approved by the Board of Directors on 26 January 2015.

Signed on behalf of the Board of Directors by:

J J Cornell
Director
27 January 2015

The notes on pages F-221 to F-262 form part of these financial statements.

METIS BIDCO LIMITED

STATEMENT OF CHANGES IN EQUITY
Year ended 30 September 2014

Group

	Share Capital £000	Share Premium £000	Retained Deficit £000	Total £000
Balance at 1 September 2012 (Restated*)	**1,212**	**6**	**(31,315)**	**(30,097)**
Loss for the period (Restated*)	—	—	(25,464)	(25,464)
Issuance of shares	18	63	—	81
Balance at 30 September 2013 (Restated*)	**1,230**	**69**	**(56,779)**	**(55,480)**
Loss for the year	—	—	(16,087)	(16,087)
Issuance of shares	65	—	—	65
Balance at 30 September 2014	**1,295**	**69**	**(72,866)**	**(71,502)**

Company

	Share Capital £000	Share Premium £000	Retained Deficit £000	Total £000
Balance at 1 September 2012 (Restated*)	**1,212**	**6**	**(33,446)**	**(33,228)**
Loss for the period (Restated*)	—	—	(31,105)	(31,105)
Issuance of shares	18	63	—	81
Balance at 30 September 2013 (Restated*)	**1,230**	**69**	**(64,551)**	**(63,252)**
Loss for the year	—	—	(34,384)	(34,384)
Issuance of shares	65	—	—	65
Balance at 30 September 2014	**1,295**	**69**	**(98,935)**	**(97,571)**

* Prior period figures have been restated due to the change from UK GAAP to IFRS. See Note 3 for further details.

The notes on pages F-221 to F-262 form part of these financial statements.

METIS BIDCO LIMITED

STATEMENT OF CASH FLOWS
Year ended 30 September 2014

Group

	Note	Year ended 30 Sept 2014 £000	13 months ended 30 Sept 2013 £000
Net cash from operating activities	22	(81,247)	(57,085)
Investing activities			
Interest received		127	206
Purchase of property, plant and equipment		(3,148)	(916)
Purchase of intangible assets		(1,768)	(1,795)
Proceeds of sale of property, plant and equipment		41	—
Acquisition of subsidiary		—	(29,163)
Net cash from investing activities		(4,748)	(31,668)
Financing activities			
New borrowings		115,000	95,036
Repayment of borrowings		(10,000)	—
New share issue		65	—
Net cash from financing activities		105,065	95,036
Net increase in cash and cash equivalents		19,070	6,283
Cash and cash equivalents at beginning of period		15,303	9,020
Cash and cash equivalents at end of period		34,373	15,303

The notes on pages F-221 to F-262 form part of these financial statements.

Company

	Note	Year ended 30 Sept 2014 £000	13 months ended 30 Sept 2013 £000
Net cash from operating activities	22	143	316
Investing activities			
Interest received		5	4
Net cash from investing activities		5	4
Financing activities			
New share issue		65	81
Net cash from financing activities		65	81
Net increase in cash and cash equivalents		213	401
Cash and cash equivalents at beginning of period		482	81
Cash and cash equivalents at end of period		695	482

The notes on pages F-221 to F-262 form part of these financial statements.

METIS BIDCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 September 2014

1. ACCOUNTING POLICIES

General information and basis of preparation

These financial statements are prepared under the historical cost convention and in accordance with applicable International Financial Reporting Standards (IFRS) as adopted for use in the European Union (EU). Those standards have been applied consistently to the historical periods.

Adoption of new and revised standards

The following new and revised Standards and Interpretations have been endorsed but are not yet effective for these financial statements.

IFRS 10	Consolidated Financial Statements
IFRS 10, IFRS 12 and IAS 27	Investment entities (amended)
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IAS 19 (amended)	Employee Benefits
IAS 27 (revised)	Separate Financial Statements
IAS 28 (revised)	Investments in Associates and Joint Ventures
IAS 32 (amended)	Offsetting Financial Assets and Financial Liabilities
IAS 36 (amended)	Requirement for Recoverable Amount Disclosures for Non-Financial Assets
IAS 39 (amended)	Novation of Derivatives and Continuation of Hedge Accounting

No new or revised Standards and Interpretations that have been endorsed but are not yet effective in these financial statements are deemed to have a material impact on future financial statements.

The following standard is not yet endorsed however may have a material impact and affect disclosure requirements in future periods:

- IFRS 9—Financial Instruments—will impact the measurement and disclosures for Financial Instruments. The adoption of Effective Interest Rate is thought to be in line with current IFRS 9 guidance however additional disclosure requirements, over and above those from IFRS 7 will be required. In particular more specific disclosures around compliance with applicable regulation and the management of risk. Management are still assessing the impact of IFRS 9 on future periods.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to the end of each period. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passes. Control is achieved where the company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

No Statement of Comprehensive Income is presented for Metis Bidco Limited itself, as permitted by Section 408 of the Companies Act 2006.

Going concern

The Group's business activities are set out in the Statement of Comprehensive Income (SCI) and Statement of Financial Position (SFP) on pages F-215 and F-216. In addition, Note 25 to these financial statements includes the Group's financial risk management objectives; details of its financial instruments and hedging activities and its exposures to credit risk and liquidity risk.

The Group is in a net liabilities position as a result of funding structures in place from investment by the immediate parent, Metis Holdco Limited. These funding structures relate to redeemable cumulative preference shares and a shareholder loan (see Note 17 for further details), both of which have a fixed interest rate and are not due to be redeemed until September 2021. The interest due is not payable until the redemption date.

The Adjusted EBITDA of the Group is an industry accepted measure of a business's asset base and cashflow generation. The Group has demonstrated strong growth in Adjusted EBITDA during the year ended 30 September 2014 with the Adjusted EBITDA of £126.1m (13 months ended 30 September 2013 Adjusted EBITDA £119.0m).

The business as a whole is cash generative, receiving £196.8m in gross cash collections for the year ended 30 September 2014 (2013: £173.2m). The Group continually monitors its cash flow requirements to ensure that enough cash is available to meet its commitments.

Other than the funding from the immediate parent the Group has two other sources of funding at 30 September 2014, £390m of listed Senior Secured loan notes ("Notes"), and an £83m Revolving Credit Facility ("RCF"). These are due for repayment on 1 April 2019 and 1 April 2018 respectively. The key covenant for the Loan Notes is the Loan to Value ratio ("LTV") and for the RCF is the Super Senior Loan to Value ratio ("SSLTV"). The LTV is defined as the Net Debt to estimated remaining collections ("ERC") and cannot exceed 75%. As at 30 September 2014 the LTV was 50%. The SSLTV is defined as the percentage of utilised RCF to ERC and cannot exceed 25%. At 30 September 2014 the RCF was unutilised. As at 30 September 2014 the gross ERC would need to fall by 34% to £471.1m before the covenant would be breached.

There are long term business plans and short term forecasts in place which are reviewed and updated on a regular basis by management. The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they adopt the going concern basis of accounting in preparing these financial statements.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition date fair value (see Financial Instruments Note 25). Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below).

All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRSs. Changes in the fair value of contingent consideration classified as equity are not recognised.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 (2008) (Business Combinations) are recognised at their fair value at the acquisition date, except that of deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements that are recognised and measured in accordance with IAS 12 (Income Taxes) and IAS 19 (Employee Benefits) respectively.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year from the date of acquisition.

Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed.

Total goodwill is tested for impairment annually. Additionally, if there is evidence of impairment in any cash-generating unit (CGU), goodwill allocated to that CGU is also tested for impairment.

The Group calculates the recoverable amount of each CGU by determining the higher of its fair value less costs to sell, and value in use. Certain assumptions are made in relation to the value in use calculation including forecast cash flows, growth rates, and an appropriate discount rate.

If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis in relation to the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On a business combination the portfolio investments are remeasured to fair value using an appropriate discount rate at the date of acquisition, calculated based on actual performance and forecasts at that date.

On disposal of a subsidiary, the goodwill attributable to that subsidiary is included when calculating the profit or loss on disposal.

Revenue recognition and effective interest rate method

Finance revenue on acquired portfolio investments

Income from portfolio investments represents the yield from acquired portfolio investments, net of VAT, all of which arose in the UK. Acquired portfolio investments are financial instruments that are accounted for using IAS 39 (Financial Instruments), and are measured at amortised cost using the effective interest method.

The effective interest rate (EIR) is the rate that exactly discounts 84 months of estimated future cash receipts of the acquired portfolio asset to the net carrying amount at initial recognition, (i.e. the price paid to acquire the asset). An initial EIR is determined at the acquisition of the portfolio investment, and then reassessed for up to 12 months after the acquisition to reflect refinements made to estimates of future cash flows based on actual data collected during that time period. It is not subsequently changed and this does not have a material impact on the accounts.

Acquired portfolio investments are acquired at a deep discount and as a result the estimated future cashflows reflect the likely credit losses within each portfolio.

Upward adjustments to carrying values as a result of reassessments to forecasted cashflows are recognised in the portfolio write up line item within revenue, with subsequent reversals also recorded in this line. If these reversals exceed cumulative revenue recognised to date, a provision for impairment is recognised as a separate Statement of Comprehensive Income ("SCI") line item.

When an individual portfolio's carrying value is completely recovered, the Group recognises collections as revenue as they are received.

As part of the acquisition accounting around the purchase of Lowell Group Limited by Metis Bidco Limited on 15 September 2011 the portfolio investments were uplifted to their fair value at the date of acquisition. The portfolio fair value release represents the unwinding of this fair value uplift (see Note 14). This uplift is being unwound in line with the profile of gross ERC over an 84 month period from the date of acquisition, in keeping with a standard collection curve profile. This results in over 50% being released in the first 24 months and almost 80% in 48 months.

Other revenue

Other revenue represents amounts receivable for tracing and debt collecting services (commissions) provided to the debt collection industry, net of VAT, all of which arose in the UK. The revenue is recognised when the service is provided (accrual basis) which in this case is when cash is collected from the debtor on behalf of the Group's client.

Impairment of acquired portfolio investments

Acquired portfolio investments are reviewed for indications of impairment at the Statement of Financial Position ("SFP") date in accordance with IAS 39 (Financial Instruments). Where portfolios exhibit objective evidence of impairment, an adjustment is recorded to the carrying value of the portfolio investment. If the forecast portfolio collections exceed initial estimates, a portfolio basis adjustment is recorded as an increase to the carrying value of the portfolio investment and is included in revenue. If the forecast portfolio collections are lower than previous forecasts the revenue from previous upward revaluations are reversed and this reversal is recognised in revenue, up to the point that the reversals equal the previously recognised cumulative revenue. If these reversals exceed the previously recognised cumulative revenue then a provision for impairment is recognised as a separate SCI line item.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's SFP when the Group becomes a party to the contractual provisions of the instrument.

Loans and receivables

Acquired portfolio investments are acquired from institutions at a substantial discount from their face value. The portfolio investments are initially recorded at their fair value, being their acquisition price, and are subsequently measured at amortised cost using the effective interest method.

The portfolio investment asset is analysed between current and non-current in the SFP. The current asset is determined using the expected cash flows arising in the next twelve months after the SFP date. The residual amount is classified as non-current.

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'Trade and other receivables'. Trade and other receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables (including Trade receivables) when the recognition of interest would be immaterial.

The Group has forward flow agreements in place in relation to the future acquisition of portfolio investments. The fair value and subsequent amortised cost of portfolios acquired under these agreements are determined on the same basis as the Group's other acquired portfolio investments.

Impairment of financial assets

Financial assets, other than those held at fair value through profit or loss / SCI (FVTPL), are assessed for indicators of impairment at each period end. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Financial liabilities

All financial liabilities held by the Group are measured at amortised cost using the effective interest method, except for those measured at fair value through SCI, e.g. derivative liabilities.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Derivative financial instruments

The Group historically (prior to 1 September 2012) entered into interest rate caps and interest rate swaps to commercially hedge its exposure to interest rate risk from financing activities. The Group did not and does not hold derivative instruments for trading purposes.

Derivatives are initially recognised at fair value on the date on which the derivative contract is entered into, and subsequently re-measured at their fair value at each reporting date. The resulting gain or loss is recognised in the SCI immediately. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

As at 30 September 2014 the Group had no outstanding derivative contracts. All contracts matured or were closed out as at 30 March 2012. No other contracts have been entered into since this date.

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when the terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract. This relates to forward flow contracts (see page F-224).

An embedded derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Fair value measurements

The fair value of financial instruments is determined in accordance with IFRS 13 (Fair Value Measurement), as described in Note 25.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, if it is probable that the Group will be required to settle that obligation and if a reliable estimate of the amount of the obligation can be made.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the SFP date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Leases

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Litigation costs

Litigation costs represent upfront fees paid during the litigation process. The fees are legally recoverable from the customer and are added to the customer account balance to be recovered at a later date. Litigation costs are deferred to the SFP on initial recognition and released to the SCI in line with the forecast collections profile over seven years.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the SCI because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the period end.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each SFP date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the SFP date. Deferred tax is charged or credited in the SCI, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Non-current asset investments

Investments are stated at cost less provision for impairment.

Pensions

The Group operates a number of defined contribution schemes for the benefit of its employees. Contributions payable are charged to the SCI in the period they are payable.

Collection activity costs

Collection activity costs represents the direct third party costs in providing services as a debt collection agency or collecting debts on acquired portfolio investments; examples include printing and postage, third party commissions, search and trace costs, litigation, telephone and SMS text costs. They are recognised as the costs are incurred (accruals basis).

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight-line method, on the following bases:

Office equipment	5 years (4 years prior to October 2013)

Fixtures and fittings	5 years (4 years prior to October 2013)
Hardware	5 years (4 years prior to October 2013)
Leasehold improvements	Life of lease (4 years prior to October 2013)

The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the SCI.

Intangible assets

Separately acquired or internally generated intangible assets are stated at cost less accumulated amortisation and any recognised impairment loss.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised only if technical feasibility has been demonstrated such that the asset will be available for use or sale, that there is an intention and ability to use or sell the asset, that it will generate future economic benefit, and that the expenditure attributable to the asset during its development can be measured. Where no internally generated intangible asset can be recognised, development expenditure is expensed as incurred.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Software	3 years (4 years prior to October 2013) Straight line
Licences	3 years (4 years prior to October 2013) Straight line
Development costs	Not amortised
Acquired customer contracts	Expected life of the underlying contract (Collection profile)

Development costs are not amortised until the project they relate to is complete and goes live. Once the project is live the costs are moved from development costs to the relevant category and amortised over the applicable useful economic life.

Assets are reviewed for signs of impairment at least annually and more frequently if necessary. Impairments are recognised where the carrying value of the asset exceeds the future economic benefit.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The reported results of the Group are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of the Group’s financial statements. UK company law and IFRS require the directors, in preparing the Group’s financial statements, to select suitable accounting policies, apply them consistently, and make judgements and estimates that are reasonable and prudent.

The judgements and estimates used in applying the Group’s accounting policies that are considered by the directors to be the most important to the portrayal of its financial position are detailed below. The use of estimates, assumptions or models that differ from those adopted by the Group would affect its reported results.

Revenue recognition

Portfolio investments are acquired from institutions at a substantial discount from their face value and are subsequently measured at amortised cost using the effective interest method.

The EIR is determined as at the time of acquisition of the portfolio and then reassessed and adjusted up to 12 months after the acquisition of the portfolio to reflect refinements made to estimates of future cash flows, based on actual data and analysis considered during that time period. It is not subsequently changed.

The calculation of the EIR for each portfolio is based on the estimation of future cash flows. These cash flows are estimates and are therefore inherently judgemental. These estimates are based upon historical collections data from other portfolios with similar features such as type and quantum of debt, or age.

A change in EIR of +/- 2.5% has the following impact on the income from portfolio investments:

	Year ended 30 Sept 2014 £000	Restated 13 months ended 30 Sept 2013 £000
Plus 2.5%		
Income from portfolio investments	5,377	4,340
Portfolio write-up	(8,992)	(6,208)
Decrease of income	(3,615)	(1,868)
Minus 2.5%		
Income from portfolio investments	(5,102)	(3,952)
Portfolio write-up	9,063	6,054
Increase of income	3,961	2,102

If the forecast portfolio collections exceed initial estimates, an adjustment is recorded as an increase to the carrying value of the portfolio and is included in revenue as a portfolio write up.

Impairment of acquired portfolio investments

The portfolio investments are reviewed for indications of impairment at the SFP date in accordance with IAS 39 (Financial Instruments). Where portfolios exhibit objective evidence of impairment, an adjustment is recorded to the carrying value of the portfolio. If the forecast portfolio collections are lower than previous forecasts, the cumulative revenue recognised is considered as described in the revenue recognition accounting policy.

The impairment adjustment is calculated by discounting regularly revised cash flow forecasts developed for each individual portfolio investment, at the initially set EIR. The cash flow forecasts, which represent the undiscounted value of the estimated remaining collections ("ERC") of our portfolio investments at a given point in time, are calculated over an 84 month period, based on previous month's collections and historical portfolio performance information collated within our proprietary valuation model.

The calculation of the ERC for each portfolio investment is inherently judgemental as it involves the estimation of future cash flows based upon historical collections data from the individual debt owed.

Goodwill and valuation of intangible assets

The Group capitalises goodwill on the acquisition of businesses as discussed in the significant accounting policies. Goodwill is the excess of the cost of an acquired business over the fair value of its net assets. The determination of the fair value of acquired net assets requires the exercise of management judgement, particularly for those financial assets or liabilities for which there are no quoted prices, or assets such as acquired investment portfolios where valuations reflect estimates of future cash flows. Different valuations would result in changes to the goodwill arising and to the post acquisition performance of the acquisition.

Goodwill is not amortised but is tested for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that it might be impaired. Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. Calculation of the value in use requires an estimate of future cash flows expected to arise from the reduced cash-generating unit after a suitable discount rate has been applied to calculate present value. This inherently involves a number of judgements in that cash flow forecasts are prepared for periods that are beyond the normal requirement of management reporting, and the appropriate discount rate relevant to the business is an estimate.

See Note 9 for further details regarding goodwill.

3. EXPLANATION OF TRANSITION TO IFRS

These financial statements are the first to be presented by Metis Bidco Limited under IFRS. The financial statements for the periods ended 30 September 2013 and 31 August 2012 were both prepared under the UK Companies Act and applicable United Kingdom Generally Accepted Accounting Practice (UK GAAP). The directors have decided that the effective date for the first time adoption of IFRS for these financial statements will be 1 September 2012. Consequently IFRS accounting policies have been applied consistently for the period ended 30 September 2013.

3.1 Adjustments to profit attributable to shareholder and shareholder's equity

a) Acquired portfolio investment accounting

Portfolio investments were previously accounted for using the fair value option under FRS 26. However in order to better represent the nature of the underlying transactions and business model of the Group, on transition to IFRS a policy of amortised cost, under IAS 39 (Financial Instruments), has been adopted.

b) Reversal of goodwill amortisation

Goodwill was previously amortised under UK GAAP. This is not permitted under IFRS so the previously amortised amounts have been reversed.

c) Identification of separable intangible assets

IFRS 3 (Business Combinations) and IAS 38 (Intangible Assets) require recognition of identifiable, separable intangible assets prior to recognising goodwill from a business combination. The intangible assets that have been identified from past business combinations have been separated out, reclassified and amortised over their useful economic lives.

d) Expenditure of capitalised costs

Costs in relation to business combinations were previously capitalised under UK GAAP as part of the recognised goodwill. IFRS is more restrictive on this matter and any costs that did not meet the capitalisation criteria in IFRS 3 (Business Combinations) and IAS 38 (Intangible Assets) have been expensed.

e) Reclassifications

i) Under UK GAAP portfolio investments were recognised within current assets however under IFRS they have been split between current and non-current assets.

ii) Software and development costs were previously classified as tangible assets under UK GAAP. Such costs have been reclassified to intangible assets with corresponding depreciation having been reclassified to amortisation as per IAS 38 (Intangible Assets).

iii) Upfront set up fees and any premium paid for the listed Loan Notes have been reclassified to Borrowings under the amortised cost method.

iv) Under UK GAAP corporation tax is recognised within creditors falling due within one year however under IFRS it has been separately disclosed on the face of the SFP within current liabilities.

v) Under UK GAAP RCF borrowings were recognised within creditors falling due within one year however under IFRS it has been separately disclosed on the face of the SFP within current liabilities.

f) Deferred tax adjustments

Under UK GAAP, deferred tax assets were classified as current assets. Under IFRS they are classified as non-current assets.

g) Goodwill impairment

As at 30 September 2013 the goodwill within Tocatto Ltd was fully written down under UK GAAP. As a result of the IFRS conversion the previous amortisation was reversed leaving an outstanding balance at 30 September 2013. An impairment review was carried out as at 30 September 2013 that resulted in the goodwill balance being written down to £nil. The goodwill was assessed to have no value as Tocatto Ltd continued to make losses and a decision to close the business down was made by the directors in December 2013.

3.2 Reconciliation of loss under UK GAAP to total comprehensive expenditure under IFRS

Group

13 months to 30 September 2013

	UK GAAP £000	Porftolio investments £000 a)	Reversal of goodwill amortisation £000 b)	Separable intangible assets £000 c)	Capitalised costs £000 d)	Reclassif-ications £000 e)	Deferred tax £000 f)	Goodwill impairment £000 g)	IFRS £000
Revenue									
Income from portfolio investments	173,684	(80,389)	—	—	—	—	—	—	93,295
Portfolio write up	10,997	914	—	—	—	—	—	—	11,911
Portfolio fair value release	—	(7,268)	—	—	—	—	—	—	(7,268)
Amount of acquisition cost recovered	(74,527)	74,527	—	—	—	—	—	—	—
Other revenue	6,849	—	—	—	—	—	—	—	6,849
Total revenue	**117,003**	**(12,216)**	**—**	**—**	**—**	**—**	**—**	**—**	**104,787**
Collection activity costs	(23,591)	—	—	—	—	—	—	—	(23,591)
Other operating expenses	(49,310)	—	9,479	(2,710)	(833)	—	—	—	(43,374)
Total operating expenses	**(72,901)**	**—**	**9,479**	**(2,710)**	**(833)**	**—**	**—**	**—**	**(66,965)**
Operating profit / (loss)	**44,102**	**(12,216)**	**9,479**	**(2,710)**	**(833)**	**—**	**—**	**—**	**37,822**
Interest income	944	—	—	—	—	(738)	—	—	206
Finance costs	(61,690)	—	—	—	—	738	—	—	(60,952)
Goodwill impairment	—	—	—	—	—	—	—	(785)	(785)
Loss before tax	**(16,644)**	**(12,216)**	**9,479**	**(2,710)**	**(833)**	**—**	**—**	**(785)**	**(23,709)**
Income tax expense	(4,752)	2,096	—	767	—	—	6	128	(1,755)
Loss for the period attributable to equity shareholders	**(21,396)**	**(10,120)**	**9,479**	**(1,943)**	**(833)**	**—**	**6**	**(657)**	**(25,464)**
Other comprehensive income	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Total comprehensive deficit for the period attributable to equity shareholders	**(21,396)**	**(10,120)**	**9,479**	**(1,943)**	**(833)**	**—**	**6**	**(657)**	**(25,464)**

3.2 Reconciliation of equity under UK GAAP to equity under IFRS

Group

As at 30 September 2013

	UK GAAP £000	Portfolio investments £000 a)	Reversal of goodwill amortisation £000 b)	Separable intangible assets £000 c)	Capitalised costs £000 d)	Reclass-ifications £000 e)	Deferred tax £000 f)	Goodwill impairment £000 g)	IFRS £000
Non-current assets									
Goodwill	174,249	234	17,447	(8,553)	(12,807)	—	34	(785)	169,819
Intangible assets	—	—	—	4,798	—	2,636	—	—	7,434
Property, plant and equipment	4,708	—	—	—	—	(2,636)	—	—	2,072
Portfolio investments	—	(44,773)	—	—	—	190,871	—	—	146,098
Deferred tax asset	—	4,815	—	(960)	—	473	(18)	—	4,310

	UK GAAP £000	Portfolio investments £000 a)	Reversal of goodwill amortisation £000 b)	Separable intangible assets £000 c)	Capitalised costs £000 d)	Reclass-ifications £000 e)	Deferred tax £000 f)	Goodwill impairment £000 g)	IFRS £000
	178,957	**(39,724)**	**17,447**	**(4,715)**	**(12,807)**	**191,344**	**16**	**(785)**	**329,733**
Current assets									
Portfolio investments.......	299,465	20,696	—	—	—	(190,871)	—	—	129,290
Trade and other receivables........	22,623	—	—	—	—	(7,827)	—	—	14,796
Cash and cash equivalents........	15,303	—	—	—	—	—	—	—	15,303
Total assets	**516,348**	**(19,028)**	**17,447**	**(4,715)**	**(12,807)**	**(7,354)**	**16**	**(785)**	**489,122**
Equity									
Share capital	1,230	—	—	—	—	—	—	—	1,230
Share premium.......	69	—	—	—	—	—	—	—	69
Retained deficit	(36,907)	(19,028)	17,447	(4,715)	(12,807)	—	16	(785)	(56,779)
	(35,608)	**(19,028)**	**17,447**	**(4,715)**	**(12,807)**	**—**	**16**	**(785)**	**(55,480)**
Non-current liabilities									
Borrowings	515,698	—	—	—	—	(7,354)	—	—	508,344
	515,698	**—**	**—**	**—**	**—**	**(7,354)**	**—**	**—**	**508,344**
Current liabilities									
Trade and other payables	36,258	—	—	—	—	(10,484)	—	—	25,774
Borrowings	—	—	—	—	—	10,000	—	—	10,000
Current tax liabilities	—	—	—	—	—	484	—	—	484
Total equity and liabilities	**516,348**	**(19,028)**	**17,447**	**(4,715)**	**(12,807)**	**(7,354)**	**16**	**(785)**	**489,122**

3.2 Reconciliation of equity under UK GAAP to equity under IFRS

Group

As at 1 September 2012

	UK GAAP £000	Portfolio investments £000 a)	Reversal of goodwill amortisation £000 b)	Separable intangible assets £000 c)	Capitalised costs £000 d)	Reclass-ifications £000 e)	Deferred tax £000 f)	IFRS £000
Non-current assets								
Goodwill	152,728	2	7,968	(8,553)	(11,974)	—	34	140,205
Intangible assets	—	—	—	7,508	—	1,814	—	9,322
Property, plant and equipment.	4,160	—	—	—	—	(1,814)	—	2,346
Portfolio investments................	—	(48,743)	—	—	—	168,262	—	119,519
Deferred tax asset....................	—	2,660	—	(1,727)	—	149	(152)	930
	156,888	**(46,081)**	**7,968**	**(2,772)**	**(11,974)**	**168,411**	**(118)**	**272,322**
Current assets								
Portfolio investments................	236,759	37,173	—	—	—	(168,262)	—	105,670
Trade and other receivables	16,714	—	—	—	—	(7,488)	—	9,226
Cash and cash equivalents......	9,020	—	—	—	—	—	—	9,020
Total assets	**419,381**	**(8,908)**	**7,968**	**(2,772)**	**(11,974)**	**(7,339)**	**(118)**	**396,238**
Equity								
Share capital	1,212	—	—	—	—	—	—	1,212

	UK GAAP £000	Portfolio investments £000 a)	Reversal of goodwill amortisation £000 b)	Separable intangible assets £000 c)	Capitalised costs £000 d)	Reclass-ifications £000 e)	Deferred tax £000 f)	IFRS £000
Share premium	6	—	—	—	—	—	—	6
Retained deficit	(15,511)	(8,908)	7,968	(2,772)	(11,974)	—	(118)	(31,315)
	(14,293)	**(8,908)**	**7,968**	**(2,772)**	**(11,974)**	**—**	**(118)**	**(30,097)**
Non-current liabilities								
Borrowings	410,428	—	—	—	—	(7,339)	—	403,089
	410,428	**—**	**—**	**—**	**—**	**(7,339)**	**—**	**403,089**
Current liabilities								
Trade and other payables	23,246	—	—	—	—	(12,044)	—	11,202
Borrowings	—	—	—	—	—	9,018	—	9,018
Current tax liabilities	—	—	—	—	—	3,026	—	3,026
Total equity and liabilities	**419,381**	**(8,908)**	**7,968**	**(2,772)**	**(11,974)**	**(7,339)**	**(118)**	**396,238**

3.2 Reconciliation of equity under UK GAAP to equity under IFRS

Company

As at 30 September 2013

	UK GAAP £000	Capitalised costs £000 d)	IFRS £000
Non-current assets			
Investments	188,076	(11,974)	176,102
Current assets			
Trade and other receivables	2,466	—	2,466
Cash and cash equivalents	482	—	482
Total current assets	**2,948**	**—**	**2,948**
Total assets	**191,024**	**(11,974)**	**179,050**
Equity			
Share capital	1,230	—	1,230
Share premium	69	—	69
Retained deficit	(52,577)	(11,974)	(64,551)
	(51,278)	**(11,974)**	**(63,252)**
Non-current liabilities			
Borrowings	240,698	—	240,698
Current liabilities			
Trade and other payables	1,604	—	1,604
Total equity and liabilities	**191,024**	**(11,974)**	**179,050**

There is only one adjustment required to the Company's UK GAAP profit and loss account to arrive at the IFRS Statement of Comprehensive Income. This occurs during the 15 months ended 31 August 2012 and relates to the £12m costs incurred on a business combination that were previously capitalised under UK GAAP but under IFRS are expensed. See page F-235 for further details.

3.2 Reconciliation of equity under UK GAAP to equity under IFRS

Company

As at 1 September 2012

	UK GAAP £000	Capitalised costs £000 d)	IFRS £000
Non-current assets			
Investments	188,076	(11,974)	176,102
Current assets			
Trade and other receivables	2,692	—	2,692
Cash and cash equivalents	81	—	81
Total current assets	**2,773**	**—**	**2,773**
Total assets	**190,849**	**(11,974)**	**178,875**
Equity			
Share capital	1,212	—	1,212
Share premium	6	—	6
Retained deficit	(21,472)	(11,974)	(33,446)
	(20,254)	**(11,974)**	**(32,228)**
Non-current liabilities			
Borrowings	210,428	—	210,428
Current liabilities			
Trade and other payables	675	—	675
Total equity and liabilities	**190,849**	**(11,974)**	**178,875**

There is only one adjustment required to the Company's UK GAAP profit and loss account to arrive at the IFRS Statement of Comprehensive Income. This occurs during the 15 months ended 31 August 2012 and relates to the £12m costs incurred on a business combination that were previously capitalised under UK GAAP but under IFRS are expensed.

4. LOSS BEFORE TAX

	Year ended 30 Sept 2014 £000	13 months ended 30 Sept 2013 £000
Loss for the period is after charging/(crediting):		
Release of contingent consideration obligation (Note 18)	(5,200)	—
Impairment of goodwill (Note 9)	—	785
Depreciation of property, plant and equipment (Note 11)	1,033	1,468
Amortisation of intangible assets (Note 10)	3,294	3,739
Loss on disposal of property, plant and equipment (Note 11)	314	—
Loss on disposal of intangible assets (Note 10)	131	—
Staff costs (Note 5c)	35,681	25,039
Rentals under operating leases (Note 23)	2,233	1,098

5. STAFF COSTS AND OTHER OPERATING EXPENSES

a) Other operating expenses

	Year ended 30 Sept 2014 £000	13 months ended 30 Sept 2013 £000
Staff costs (Note 5c)	35,681	25,039
Depreciation of property, plant and equipment (Note 11)	1,033	1,468
Amortisation of intangible assets (Note 10)	3,294	3,739
Other	23,109	13,128
Total other operating expenses	**63,117**	**43,374**

b) Auditor's remuneration

	Year ended 30 Sept 2014 £000	13 months ended 30 Sept 2013 £000
Audit of Parent Company and consolidated financial statements	3	4
Audit of financial statements of subsidiaries	67	87
Other services	1,032	—
Total auditor's remuneration	**1,102**	**91**

Other services comprise corporate finance consultancy and assurance services provided to the Group.

The extent of non-audit services fees payable are reviewed by the Audit Committee in the context of the fees paid by the Group to its other advisors during the period. The Committee also reviews the nature and extent of the non-audit services to ensure that independence is maintained.

c) Staff costs

The average number of employees (including executive directors) was:

	Year ended 30 Sept 2014 Number	13 months ended 30 Sept 2013 Number
Customer account associates	548	310
Other operational staff	244	231
Business support	288	199
Total	**1,080**	**740**

	Year ended 30 Sept 2014 £000	13 months ended 30 Sept 2013 £000
Wages and salaries	32,071	22,541
Social security costs	3,300	2,387
Pension costs (Note 24)	310	111
Total	**35,681**	**25,039**

d) Directors' remuneration

	Year ended 30 Sept 2014 £000	13 months ended 30 Sept 2013 £000
Directors' remuneration		
Directors' emoluments to current directors	518	557
Company contributions to defined contribution scheme	2	1
	520	**558**

d) Directors' remuneration (Continued)

The emoluments listed above relate to JJ Cornell and A R Hill, who are directors of the Company. JJ Cornell is paid by a subsidiary undertaking of the Company (Lowell Financial Ltd) for his services as a director to the Company and the Group. A R Hill is paid by the Company for his services as a director to the Company and the Group. The above does not include any emoluments for M Dale, T J H Large, J B Rosen, B J Thompson, I A Kennedy and M Teubner who are paid by a parent undertaking for their services to the Group.

Emoluments paid to other key employees who are not directors of this Company but are directors of subsidiaries of the Company are detailed in Note 26. These five employees are paid by a subsidiary undertaking of the Company (Lowell Financial Ltd) for their services as directors to the Group.

The aggregate of emoluments of the highest paid director was £370.4k (2013: £402.7k) and company pension contributions of £2.1k (2013: £0.2k) were made to a defined contribution scheme on their behalf.

The number of directors who have benefits accruing under defined contribution pension schemes is one (2013: one).

e) Holiday pay

In 2014, a European Court of Justice ruling indicated that, under the European Working Time Directive, 'normal pay' for the purposes of calculating statutory holiday pay includes contractual overtime and commission, rather than being limited to basic salary. On 4 November 2014 a UK Employment Tribunal, considering the implications for UK employers, under the Working Time Regulations 1998, ruled that overtime pay should be included in calculating holiday pay. A UK Employment Appeal Tribunal is also considering whether commission payments should be included in the calculation and is expected to conclude in 2015. As a result of these tribunals, there is a possibility that workers and employees may seek compensation for a shortfall in their holiday pay in prior years. This gives rise to a possible obligation for the Group. The directors do not consider any compensation required to be a material amount, particularly as any claims are likely to be capped at two years.

6. INTEREST INCOME

	Year ended 30 Sept 2014 £000	13 months ended 30 Sept 2013 £000
Bank interest receivable	127	206

7. FINANCE COSTS

	Year ended 30 Sept 2014 £000	13 months ended 30 Sept 2013 £000
Interest payable on the £200m Notes	21,500	23,292
Fees payable on the £200m Notes	1,152	1,297
Interest payable on the £75m Notes	8,062	5,151
Fees payable on the £75m Notes	242	156
Release of premium on £75m Notes (Note A)	(1,161)	(738)
Interest payable on the £115m Notes	3,754	—
Fees payable on the £115m Notes	326	—
Interest payable on preference shares to Metis Holdco Limited	24,249	26,661
Interest payable preference shares to other parties	968	703
Interest payable on loan notes to Metis Holdco Limited	2,672	2,906
Interest payable on loan notes to other parties	13	—
Interest and fees payable on revolving credit facility	2,154	1,524
	63,931	**60,952**

Note A: The £75m Notes were issued at a premium of £7.125m (cash raised £82.125m; Notes outstanding £75m). The premium is being released to the SCI over the term of the £75m Notes. For further details on the borrowing facilities and premium see Notes 17 and 18 respectively.

8. INCOME TAX

a) Amounts recognised in the Statement of Comprehensive Income

	Year ended 30 Sept 2014 £000	Restated* 13 months ended 30 Sept 2013 £000
Current taxation		
UK corporation tax	(2,164)	5,313
Adjustment in respect of previous periods	(22)	(97)

	Year ended 30 Sept 2014 £000	Restated* 13 months ended 30 Sept 2013 £000
Total current tax (credit) / charge	(2,186)	5,216
Deferred tax		
Origination and reversal of temporary differences	4,469	(4,136)
Prior period adjustment	(3)	(8)
Change in estimate of recoverable deferred tax	—	(42)
Impact of change in tax rate	(406)	725
Total deferred tax charge / (credit) (Note 16)	4,060	(3,461)
Total tax expense	**1,874**	**1,755**

The Finance Act 2013 was substantively enacted on 2 July 2013 and provided for a reduction in the main rate of corporation tax from 23% to 21% with effect from 1 April 2014 and by a further 1% to 20% from 1 April 2015. Accordingly both of these rate reductions have been reflected in the financial statements.

b) Reconciliation of effective tax rate

The tax assessed for the year is higher (13 months ended 30 September 2013: higher) than the standard effective rate of corporation tax in the UK for the year ended 30 September 2014 of 22.00% (13 months ended 30 September 2013: 23.54%) The differences are explained below:

	Year ended 30 Sept 2014 £000	Restated* 13 months ended 30 Sept 2013 £000
Loss on ordinary activities before tax	(14,213)	(23,709)
Tax credit on loss on ordinary activities at standard UK corporation tax rate of 22.00% (13 months ended 30 September 2013: 23.54%)	(3,127)	(5,581)
Effects of:		
Expenses not deductible for tax purposes	6,717	6,754
Income not taxable for tax purposes	(1,144)	—
Effects of other tax rates	(547)	726
Adjustment to tax charge in respect of previous periods	(25)	(105)
Change in estimate of recoverable deferred tax asset	—	(42)
Group relief paid for	—	3
Total tax expense	**1,874**	**1,755**

* Prior period figures have been restated due to the change from UK GAAP to IFRS. See Note 3 for further details.

9. GOODWILL

	Total £000
Cost	
At 1 September 2012	140,205
Addition on acquisition of Interlaken Group on 16 May 2013 (Note 13)	30,399
At 30 September 2013 and 2014	170,604
Impairment	
At 1 September 2012	—
Charge for the period—Tocatto Limited	(785)
At 30 September 2013 and 2014	(785)
Net book value	

	Total £000
At 30 September 2014	169,819
At 30 September 2013	169,819
At 1 September 2012	140,205

* Prior period figures have been restated due to the change from UK GAAP to IFRS. See Note 3 for further details.

An impairment review was carried out as at 30 September 2013 that resulted in the goodwill balance relating to Tocatto Ltd being written down to £nil. The goodwill was assessed to have no value as Tocatto Ltd continued to make losses and a decision to close the business down was made by the directors in December 2013.

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination. The carrying amount of goodwill has been allocated to two aggregated CGU on the basis that these represent the lowest level at which goodwill is monitored for internal management purposes, and are not larger than the single operating segment defined under IFRS 8 (Operating Segments). The two CGU's identified are Lowell Group, comprising of all group companies other than those within the Interlaken Group, which represent the cash flows generated from collections on acquired portfolio investments, and Interlaken Group, consisting of Interlaken Group Limited, Fredrickson International Limited and SRJ Debt Recoveries Limited, which represents cashflows generated from collections of third party debt.

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

The recoverable amount of the CGUs is determined as the higher of fair value less cost to sell and value in use. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to collections and direct costs during the period.

Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The rate used to discount the forecast cash flows for the CGU's are based upon the Group's weighted average cost of capital ("WACC") and are as follows:

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
Lowell Group CGU	11.81%	13.66%	13.81%
Interlaken Group CGU	19.57%	18.68%	—

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next five years and extrapolates cash flows for the following two years at a flat rate. The forecasts assume growth rates in acquisitions which in turn drive the forecast collections and cost figures. As at 30 September 2014 the five year forecast assumed acquisitions growth of between 9% and 11% per annum, which is in keeping with the directors' expectations of market growth.

The Group has conducted a sensitivity analysis on the impairment test of the CGU's carrying value.

Lowell Group CGU

Based on the value in use a fall in the forecast cashflows of 36% would result in an impairment at 30 September 2014, (41% at 30 September 2013 and 35% at 1 September 2012).

Interlaken Group CGU

Based on the value in use a fall in the forecast cashflows of 36% would result in an impairment at 30 September 2014, (13% at 30 September 2013).

10. INTANGIBLE ASSETS

Group

	Software and licences £000	Development costs £000	Acquired customer contracts £000	Total £000
Cost				
At 1 September 2012	2,790	—	11,404	14,194
Acquisition of subsidiary (Note 13)	56	—	—	56
Additions	1,795	—	—	1,795
At 30 September 2013	4,641	—	11,404	16,045
Additions	271	1,497	—	1,768
Reclassification	1,138	(1,293)	—	(155)
Disposals	(1,829)	—	—	(1,829)
At 30 September 2014	4,221	204	11,404	15,829
Accumulated amortisation				
At 1 September 2012	(976)	—	(3,896)	(4,872)
Charge for the period	(1,029)	—	(2,710)	(3,739)
At 30 September 2013	(2,005)	—	(6,606)	(8,611)
Charge for the year	(1,625)	—	(1,669)	(3,294)
Disposals	1,698	—	—	1,698
At 30 September 2014	(1,932)	—	(8,275)	(10,207)
Net book value				
At 30 September 2014	2,289	204	3,129	5,622
At 30 September 2013	2,636	—	4,798	7,434
At 1 September 2012	1,814	—	7,508	9,322

Reclassifications: Development costs can be a combination of “Software and Licences” and “Property, Plant and Equipment”. When projects go live and development costs are reclassified they are transferred to “Software and Licences” or “Property, Plant and Equipment” (Note 11).

11. PROPERTY, PLANT AND EQUIPMENT

Group

	Fixtures and fittings £000	Leasehold improvements £000	Hardware £000	Office Equipment £000	Total £000
Cost					
At 1 September 2012	33	1,399	2,199	5,189	8,820
Acquisition of subsidiary (Note 13)	11	—	118	149	278
Additions	—	89	738	89	916
At 30 September 2013	44	1,488	3,055	5,427	10,014
Additions	99	2,450	400	199	3,148
Disposals	—	(1,294)	(817)	(1,699)	(3,810)
Reclassification	—	—	155	—	155
At 30 September 2014	143	2,644	2,793	3,927	9,507
Accumulated depreciation					
At 1 September 2012	(18)	(819)	(839)	(4,798)	(6,474)
Charge for the period	(13)	(381)	(766)	(308)	(1,468)
At 30 September 2013	(31)	(1,200)	(1,605)	(5,106)	(7,942)
Charge for the year	(18)	(337)	(546)	(132)	(1,033)
Disposals	—	1,279	525	1,651	3,455
At 30 September 2014	(49)	(258)	(1,626)	(3,587)	(5,520)
Net book value					

	Fixtures and fittings £000	Leasehold improvements £000	Hardware £000	Office Equipment £000	Total £000
At 30 September 2014	94	2,386	1,167	340	3,987
At 30 September 2013	13	288	1,450	321	2,072
At 1 September 2012	15	580	1,360	391	2,346

Reclassifications: Development costs can be a combination of "Software and Licences" and "Property, Plant and Equipment". When projects go live and development costs are reclassified they are transferred to "Software and Licences" or "Property, Plant and Equipment" (Note 10).

12. NON-CURRENT ASSET INVESTMENTS

Company

Subsidiary undertakings

	£000
Cost	
At 30 September 2014 and 2013 and 1 September 2012	176,102

The Company has investments in the following subsidiary undertakings:

Name	Country of incorporation	Principal activity	Ordinary share holding %
Lowell Finance Holdings Limited	UK	Holding company	100*
Lowell Group Financing Plc	UK	Financing	100
Lowell Group Limited	UK	Holding company	100
Lowell Funding Limited	UK	Holding company	100
Lowell Acquisitions Limited	UK	Holding company	100
Lowell Holdings Ltd	UK	Holding company	100
Lowell Finance Ltd	UK	Holding company	100
Lowell Financial Ltd	UK	Consumer debt collection	100
Lowell Portfolio I Ltd	UK	Consumer debt acquisition and collection	100
Tocatto Ltd	UK	Consumer debt collection	100
Lowell Portfolio III Holdings Limited	UK	Holding company	100
Lowell Portfolio III Limited	UK	Dormant	100
Lowell Portfolio IV Holdings Limited	UK	Holding company	100
Lowell Portfolio IV Limited	UK	Dormant	100
Overdales Legal Limited	UK	Dormant	100
Interlaken Group Limited	UK	Holding company	100
Fredrickson International Limited	UK	Consumer debt collection	100
SRJ Debt Recoveries Limited	UK	Consumer debt collection	100

* Held directly by the Company.

All subsidiaries are included in the consolidation.

On 16 May 2013, Lowell Finance Limited acquired 100% of the issued ordinary shares of Interlaken Group Limited. Interlaken Group Limited consists of three entities, Interlaken Group Limited, Fredrickson International Limited and SRJ Debt Recoveries Limited. Further details of the acquisition are set out in Note 13.

13. ACQUISITION OF SUBSIDIARY UNDERTAKINGS

On 16 May 2013, Lowell Finance Limited acquired 100% of the issued ordinary shares of Interlaken Group Limited. Interlaken Group Limited consists of three entities, Interlaken Group Limited, Fredrickson International Limited and SRJ Debt Recoveries Limited. The consideration paid was £29.9m cash, with potential contingent consideration of £5.2m payable in cash on achievement of certain revenue stream targets. The potential undiscounted amount of all future payments that could be required under the contingent consideration is between £nil and £5.2m. The fair value of the contingent consideration was calculated by estimating the probability of achieving the defined revenue targets.

During the year ended 30 September 2014 it was assessed that these revenue targets will not be achieved and the decision was taken to release the contingent consideration to the SCI (see Notes 4 and 18).

In addition, the Group incurred professional fees of £0.8m on the acquisition of Interlaken Group Limited.

The acquisition of Interlaken Group Limited has been accounted for by the acquisition method of accounting. Included below is a fair value adjustment which has been made to the portfolio investments acquired by aligning the valuation method with that used by Lowell Portfolio I Ltd. This resulted in an increase in the portfolio value of £0.4m. The tax effect of this adjustment is an additional tax charge of £0.1m (deferred tax liability).

	£000
Assets and liabilities acquired at fair value:	
Intangible assets (Note 10)	56
Property, plant & equipment (Note 11)	278
Portfolio investments (Note 14)	999
Trade and other receivables	4,197
Cash	827
Trade and other payables	(1,427)
Payables: deferred tax liability (Note 16)	(140)
	4,790
Goodwill (Note 9)	30,399
Consideration	35,189

The goodwill arising and the justification for the acquisition can be attributed to a combination of how Interlaken's debt management capability aids Lowell Portfolio I's acquisition ambitions, the value of the workforce, the going concern of the business, and expectations of future growth. These items were not recognised as separate assets due to their insignificant nature and/or non-qualification for recognition as separate intangible assets under IFRS.

Trade receivables had a gross contractual value of £4.2m, and the best estimate at the acquisition date of contractual cash flows not expected to be collected was £nil.

In its last financial year ended 31 March 2013 the Consolidated Profit and Loss Account of Interlaken Group Limited showed a loss after tax of £0.6m.

For the period since acquisition on 16 May 2013 to 30 September 2013, the consolidated unaudited management accounts of Interlaken Group Limited showed the following:

	£000
Turnover	6,933
Gross Profit	2,897
Profit before taxation	130

If the acquisition of Interlaken Group Limited had been completed on the first day of the financial period on 1 September 2012, Group revenues for the period would have been £12.4m, and group profit after tax would have been £50k.

14. PORTFOLIO INVESTMENTS

Group

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
Non-current			
Portfolio investments	204,600	146,098	119,519
Current			

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
Portfolio investments	163,677	129,290	105,670
Total	**368,277**	**275,388**	**225,189**

The movements in acquired portfolio investments were as follows:

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
As at the period brought forward	275,388	225,189	—
Portfolios acquired during the period	162,209	124,447	90,682
Portfolios acquired through acquisitions	—	999	189,295
Collections in the period	(196,826)	(173,185)	(135,902)
Income from portfolio investments	107,050	93,295	68,649
Portfolio fair value release	(4,882)	(7,268)	(8,777)
Portfolio write-up	25,338	11,911	21,242
As at the period end	**368,277**	**275,388**	**225,189**

15. TRADE AND OTHER RECEIVABLES

Group

	30 Sept 2014 £000	Restated* 30 Sept 2013 £000	Restated* 1 Sept 2012 £000
Trade receivables	2,176	2,961	126
Litigation deferred costs	14,410	2,888	—
Other receivables	6,162	3,706	4,719
Prepayments and accrued income	6,818	5,070	4,381
Directors' loans (Note A)	—	171	—
Corporation tax recoverable	3,587	—	—
	33,153	**14,796**	**9,226**

Company

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
Amounts owed by group undertakings (Note B)	5,146	2,245	2,577
Other receivables	18	18	18
Other taxes and social security	—	—	59
Prepayments and accrued income	—	32	38
Directors' loans (Note A)	—	171	—
Corporation tax recoverable	36	—	—
	5,200	**2,466**	**2,692**

* Prior period figures have been restated due to the change from UK GAAP to IFRS. See Note 3 for further details.

Note A: All directors loans were repaid in full during the year ended 30 September 2014.

Note B: These balances are non- interest bearing and repayable on demand.

16. DEFERRED TAX

Group

The following are the major deferred tax assets / (liabilities) recognised by the Group and movements thereon during the current and prior reporting period.

	Accelerated capital allowances £000	Short term timing differences £000	Deferred tax on losses £000	Total £000
At 1 September 2012	382	548	—	930
Credited to the income statement*	267	3,194	—	3,461
Credited to goodwill (Note A)	—	59	—	59
Deferred tax acquired in the period (note 13)	(140)	—	—	(140)
At 30 September 2013	509	3,801	—	4,310
Credited/(charged) to the income statement*	467	(6,615)	2,088	(4,060)
At 30 September 2014	**976**	**(2,814)**	**2,088**	**250**

Note A: Deferred tax charged/(credited) to goodwill represents deferred tax adjustments to the acquired balance sheet as a result of converting to IFRS. These adjustments have altered the net assets acquired and consequently the goodwill arising on the relevant acquisition. Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so.

* See Note 8.

17. BORROWINGS

Group

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
Non-current			
Unsecured borrowing at amortised cost			
Preference shares amounts owed to Metis Holdco Limited	151,569	213,114	184,647
Preference shares amounts owed to other parties	91,208	4,446	5,549
Loan notes owed to Metis Holdco Limited	16,516	23,138	20,232
Loan notes owed to other parties	9,307	—	—
Total unsecured	268,600	240,698	210,428
Secured borrowing at amortised cost			
Senior secured notes	390,000	275,000	200,000
Prepaid costs on senior secured notes	(8,577)	(7,354)	(7,339)
Total Secured	381,423	267,646	192,661
Total borrowings due for settlement after 12 months	**650,023**	**508,344**	**403,089**
Current			
Unsecured borrowing at amortised cost			
Revolving credit facility	—	10,000	—
Total unsecured	—	10,000	—
Secured borrowing at amortised cost			
Interest on senior secured notes	—	—	9,018
Total Secured	—	—	9,018
Total borrowings due for settlement before 12 months	**—**	**10,000**	**9,018**

Company

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
Non-current			
Unsecured borrowing at amortised cost			
Preference shares amounts owed to Metis Holdco Limited	151,569	213,114	184,647
Preference shares amounts owed to other parties	91,208	4,446	5,549
Loan notes owed to Metis Holdco Limited	16,516	23,138	20,232
Loan notes owed to other parties	9,307	—	—
Total unsecured	268,600	240,698	210,428
Total borrowings due for settlement after 12 months	**268,600**	**240,698**	**210,428**

All borrowings are denominated in Sterling.

The other principal features of the Group's borrowings are as follows:

Redeemable Cumulative Preference Shares ("Preference Shares")

The rights attached to the 165,810,093 preference shares, with a nominal value of £1.00 each, are as follows:

Voting

Preference shareholders are entitled to receive notice of and to attend and speak at general meetings of the Company. Preference Shares may not vote at general meetings in respect of their preference shares.

Dividends

Each preference share shall accrue a fixed preferential dividend at 15.25% (non-compounding) of the subscription price per preference share and shall be paid on the date of repayment, redemption or repurchase of the relevant preference share. The right to the preference dividend has priority over the dividend rights of the holders of any other class of share.

Return of capital

On a return of capital on a liquidation, reduction of capital or otherwise, the assets of the Company available for distribution among the shareholders shall be applied in paying to the preference shareholders, in priority to any payment to the holders of any other class of shares: (i) the subscription price in respect of each preference share and (ii) a sum equal to the accrued and unpaid preference dividend calculated to the date of return of capital in accordance with the articles and payable irrespective of whether or not the Company has enough profits available for distribution to pay the accrued and unpaid preference dividend. The preference shares do not confer any further right of participation in the profits or assets of the Company.

The preference shares shall, unless previously repaid, redeemed or repurchased by the Company, be redeemed by the Company in full at par value (together with the amounts of accrued and unpaid preference dividend) ten years after the date of their issue (15 September 2011). The preference shares may be redeemed early by the Company at any time or by the holders of a majority of the preference shares in issue on the occurrence of the events specified in the articles.

Senior Secured Notes ("Notes")

On 30 March 2012 the Company issued £200m 10.75% Senior Secured Notes due 2019. The interest rate on the Notes is fixed at 10.75% for the entirety of its term. Commencing on 1 October 2012, the interest on the Notes is paid by the Company semi-annually on each 1 April and 1 October. The Notes will mature on 1 April 2019, though the Company may redeem some or all of the Notes at an earlier date as per the details set out in the Offering Memorandum issued on 23 March 2012.

On 11 February 2013 the Company issued a further £75m 10.75% Senior Secured Notes due 2019. The interest rate on the Notes is fixed at 10.75% for the entirety of its term. Commencing on 1 April 2013, the interest on the Notes is paid by the Company semi-annually on each 1 April and 1 October. The Notes will mature on 1 April 2019, though the Company may redeem some or all of the Notes at an earlier date as per the details set out in the Offering Memorandum issued on 3 February 2013.

The £75m Notes were issued at a premium raising cash of £82.1m. The loan premium of £7.1m is recorded within Accruals and deferred income (Note 18) and is being released to the SCI over the remaining term of the Notes. The release to the SCI during the year ended 30 September 2014 was £1.2m (13 months ended 30 September 2013: £0.7m). As at 30 September 2014 and 30 September 2013 the outstanding loan premium is £5.2m and £6.4m respectively.

On 11 March 2014 the Company issued £115m 5.875% Senior Secured Notes due 2019. The interest rate on the Notes is fixed at 5.875% for the entirety of its term. Commencing on 1 October 2014, the interest on the Notes is paid by the Company semi-annually on each 1 April and 1 October. The Notes will mature on 1 April 2019, though the Company may redeem some or all of the Notes at an earlier date as per the details set out in the Offering Memorandum issued on 4 March 2014.

Unsecured Loan Notes 2021 ("Shareholder Loan")

The Unsecured Loan Notes 2021 were issued by the Company on 15 September 2011. The interest rate is 15.25% non-compounding for the first five years and then 12% compounding annually for the next five years. The principal and accrued interest are both payable ten years after the issue date. The loan notes together with accrued interest may be redeemed early by the Company at any time or by the noteholders with the lead investor's consent on the occurrence of any event specified in the Loan Note Instrument.

As at 30 September 2014 the amount of Shareholder Loan outstanding was £25.8m (2013: £23.1m), comprising loan principal of £17.6m (2013: £17.6m) and accrued interest of £8.2m (2013: £5.5m).

Revolving Credit Facility ("RCF")

The current RCF was put in place on 30 March 2012 for £40m. On 21 January 2013 the facility was increased to £55m. On 28 November 2013 the facility was further increased to £66m. Under the terms of the RCF, if certain conditions were achieved this would allow the facility to increase to £83m. As at 30 September 2014 these conditions had been met and the available facility, which is unutilised at 30 September 2014, is £83m.

The RCF has a variable interest rate linked to LIBOR and a quarterly commitment fee calculated on the undrawn facility. The current RCF ceases on 1 April 2018.

The weighted average interest rates during the period were as follows:

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
Notes	9.83%	10.75%	10.75%
RCF	4.49%	4.28%	5.10%
Shareholder Loan	15.25%	15.25%	15.25%
Preference Shares	15.25%	15.25%	15.25%

18. TRADE AND OTHER PAYABLES

Group

	30 Sept 2014 £000	Restated* 30 Sept 2013 £000	Restated* 1 Sept 2012 £000
Trade payables	6,257	2,886	1,769
Amounts owed to Metis Holdco Limited (Note A)	2,785	3,773	1,087
Amounts owed to other parties (Note B)	1,361	—	—
Other taxes and social security	1,533	1,115	377
Accruals and deferred income	5,763	4,235	3,636
Other payables	4,682	1,381	441
Other payables—acquired portfolio investments	9,302	797	3,892
Other payables—contingent consideration	—	5,200	—
Loan notes premium	5,226	6,387	—
	36,909	**25,774**	**11,202**

Company

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
Trade payables	3,358	30	71
Amounts owed to Metis Holdco Limited (Note A)	2,785	1,279	—
Amounts owed to other parties (Note B)	1,361	—	—
Amounts owed to group undertakings (Note C)	1,101	—	227
Other taxes and social security	4	14	6
Accruals and deferred income	2,359	281	363
Other payables	—	—	8
	10,968	**1,604**	**675**

* Prior period figures have been restated due to the change from UK GAAP to IFRS. See Note 3 for further details.

Note A: This group relief balance due to Metis Holdco Limited is non- interest bearing and repayable on demand.

Note B: This group relief balance due to other parties is interest bearing and repayable on demand. The loan attracts a fixed interest rate of 5.4% payable annually.

Note C: These balances are non- interest bearing and repayable on demand.

Other payables—acquired portfolio investments: this relates to the acquisition of portfolio investments that are paid for after the year end. In all cases the obligation is settled within one month.

Other payables—contingent consideration: this relates to the acquisition of Interlaken Group Limited on 16 May 2013. During the year ended 30 September 2014 the decision was taken to release the obligation to pay the contingent consideration. Further details see Note 13.

Loan notes premium—for further details see Notes 7 and 17.

19. SHARE CAPITAL

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
Called up, allotted and fully paid:			
940,478 (2012 & 2013: 940,478) A ordinary shares of £1.00 each	940	940	940
226,190 (2012 & 2013: 226,190) B ordinary shares of £1.00 each	226	226	226
128,082 (2013: 62,836; 2012: 45,515) C ordinary shares of £1.00 each	128	63	46
23,810 (2013: 23,810; 2012: 6,250) D ordinary shares of £0.01 each	1	1	—
	1,295	**1,230**	**1,212**

The rights attached to the ordinary shares are as follows:

Voting

The ordinary shareholders shall be entitled to receive notice of, attend and speak at and vote at general meetings of the Parent company. On a show of hands each ordinary shareholder shall have one vote and on a poll the ordinary shareholders (other than the D ordinary shareholders) shall have one vote for each ordinary share held by them, and the D ordinary shareholders shall have one vote for every one hundred D ordinary shares held by them.

Dividends

The profits of the Parent company available for distribution and resolved to be distributed shall be distributed as follows: (i) 999,999 / 1,000,000 to the holders of the ordinary shares (other than the C ordinary shares) pro rata to the number of the ordinary shares (other than the C ordinary shares) held by them; and (ii) 1 / 1,000,000 to the holders of the C ordinary shares pro rata to the number of C ordinary shares held by them.

Return of capital

On a return of capital on liquidation, reduction of capital or otherwise (other than on a redemption or purchase of shares), the balance of any assets available for distribution, subject to any special rights which may be attached to any other class of shares, shall be distributed among the ordinary shareholders in the following priority: (i) first, in paying to each holder of ordinary shares, in respect of each ordinary share of which he / she is a holder, a sum equal to the issue price; (ii) thereafter, of the balance remaining: (a) 999,999 / 1,000,000 to the holders of ordinary shares (other than C ordinary shares) pro rata to the number of the ordinary shares (other than C ordinary shares) held by them; and (b) 1 / 1,000,000 to the holders of C ordinary shares pro rata to the number of C ordinary shares held by them.

During the 13 month period ended 30 September 2013 the Company issued 17,321 C ordinary shares and 17,560 D ordinary shares at a subscription price of £1.00 and £3.57 respectively for cash. This gave rise to a share premium on the D ordinary shares of £63k.

During the year ended 30 September 2014 the Company issued 65,246 C ordinary shares at a subscription price of £1.00 for cash.

20. RETAINED DEFICIT

Group

	£000
At 1 September 2012 (Restated*)	(31,315)
Loss for the period (Restated*)	(25,464)
At 30 September 2013 (Restated*)	(56,779)
Loss for the year	(16,087)
At 30 September 2014	**(72,866)**

Company

	£000
At 1 September 2012 (restated)	(33,446)
Loss for the period	(31,105)
At 30 September 2013	(64,551)
Loss for the year	(34,384)
At 30 September 2014	**(98,935)**

* Prior period figures have been restated due to the change from UK GAAP to IFRS. See Note 3 for further details.

21. RECONCILIATION OF MOVEMENT IN TOTAL SHAREHOLDERS' DEFICIT

Group

	30 Sept 2014 £000	Restated* 30 Sept 2013 £000	Restated* 1 Sept 2012 £000
Opening total shareholders' deficit	(55,480)	(30,097)	—
Issue of share capital	65	18	1,212
Share premium on shares issued	—	63	6
Loss for the financial period	(16,087)	(25,464)	(31,315)
Closing total shareholders' deficit	**(71,502)**	**(55,480)**	**(30,097)**

Company

	30 Sept 2014 £000	Restated* 30 Sept 2013 £000	Restated* 1 Sept 2012 £000
Opening total shareholders' deficit	(63,252)	(32,228)	—
Issue of share capital	65	18	1,212
Share premium on shares issued	—	63	6
Loss for the financial period	(34,384)	(31,105)	(33,446)
Closing total shareholders' deficit	**(97,571)**	**(63,252)**	**(32,228)**

* Prior period figures have been restated due to the change from UK GAAP to IFRS. See Note 3 for further details.

22. NOTES TO THE CASHFLOW STATEMENT

Group

	Year ended 30 Sept 2014 £000	13 months ended 30 Sept 2013 £000
Loss for the period	(16,087)	(25,464)
Adjustments for:		
Depreciation of property, plant and equipment (Note 11)	1,033	1,468
Amortisation of intangible assets (Note 10)	3,294	3,739
Impairment of goodwill (Note 9)	—	785
Release of deferred consideration	(5,200)	—
Interest receivable	(127)	(206)
Loss on sale of property, plant and equipment	314	—
Loss on sale of intangible assets	131	—
Tax expense	1,874	1,755
Finance costs	63,931	60,952
	49,163	43,029
Increase in portfolio investments	(92,889)	(49,201)
Increase in trade and other receivables	(14,229)	(1,270)
Increase/(decrease) in trade and other payables	17,123	(970)
Cash generated from operating activities	(40,832)	(8,412)
Interest paid	(38,954)	(43,804)
Income taxes paid	(1,461)	(4,869)
Net cash from operating activities	**(81,247)**	**(57,085)**

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
Cash and bank balances	34,373	15,303	9,020

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts. The carrying amount of these assets is approximately equal to their fair value.

Company

	Year ended 30 Sept 2014 £000	13 months ended 30 Sept 2013 £000
Loss for the period	(34,384)	(31,105)
Adjustments for:		
Interest receivable	(5)	(4)
Finance costs	27,902	30,270
	(6,487)	(839)
(Increase) / decrease in trade and other receivables	(2,735)	226
Increase in trade and other payables	9,365	929
Net cash from operating activities	**143**	**316**

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
Cash and bank balances	695	482	81

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts. The carrying amount of these assets is approximately equal to their fair value.

23. OPERATING LEASE ARRANGEMENTS

The Group as lessee

	Year ended 30 Sept 2014 £000	13 months ended 30 Sept 2013 £000
Lease payments under operating leases recognised as an expense in the period	2,233	1,098

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
No later than one year	1,275	1,137	805
Later than one year and no later than five years	4,622	989	1,943
Later than five years	5,898	—	1,326
	11,795	2,126	4,074

Operating lease payments represent rentals payable by the Group for certain of its office properties and car leases.

The main property lease has been negotiated for a lease term of 15 years, commencing on 9 December 2013, with the option to break, free of charge, after 10 years.

The other property leases are for periods of one to three years with various options for breaks. The car leases run for three years with the option to extend.

24. RETIREMENT BENEFIT SCHEMES

Defined contribution schemes

The Group operates defined contribution retirement benefit schemes for all qualifying employees of its operations in the UK. The assets of the schemes are held separately from those of the Group in funds under the control of trustees.

The total cost charged to income of £310k (13 months ended 30 September 2013: £111k) represents contributions payable to these schemes by the Group at rates specified in the rules of the schemes

As at 30 September 2014, contributions of £66k (30 September 2013: £41k) due in respect of the current reporting period had not been paid over to the schemes.

25. FINANCIAL INSTRUMENTS

Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in Note 1.

Categories of financial instruments

Group

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
Financial assets			
Cash and cash equivalents	34,373	15,303	9,020
Loans and receivables	368,277	275,388	225,189
Trade and other receivables	33,153	14,796	9,226
Financial liabilities			
Borrowings	(650,023)	(508,344)	(412,107)
Borrowings—Revolving Credit Facility (RCF)	—	(10,000)	(9,018)
Trade and other payables	(36,909)	(20,574)	(11,202)
Tax liability	(51)	(484)	(3,026)
Contingent consideration (FVTPL)	—	(5,200)	—

Company

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
Financial assets			
Cash and cash equivalents	695	482	81
Trade and other receivables	5,200	2,466	2,692
Financial liabilities			
Borrowings	(268,600)	(240,698)	(210,428)
Trade and other payables	(10,968)	(1,604)	(675)

Financial risk management objectives

As a result of its normal business activities, the Company and Group has exposure to the following risks:

- Credit risk
- Liquidity risk
- Operational risk
- Market risk
- Conduct risk
- Interest rate risk
- Capital management risk
- Fair value estimation risk

This note presents information about the exposure of the Company and Group to each of the above risks, the Company's and Group's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these financial statements. The Company and Group manages these risks through the Board of Directors.

The Group has no significant exposure in foreign currency and does not hold any speculative foreign exchange positions. The Group has a number of foreign suppliers who invoice in foreign currency. The total amount invoiced in foreign currency is not significant and is considered immaterial by the Group. The Company has no exposures in foreign currency.

The Company and Group have no exposure to equity markets and do not hold any speculative equity positions.

Credit risk management

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual payment obligations.

The risk from the concentration of debtor credit risk is limited due to the high number of individual debtors and the relatively low value of each of the individual's debts. At 30 September 2014 the Group had 15.6m individual customer accounts, of those 10.6m were still open and of those 1.0m made at least one payment during the last 12 months. The average balance on a customer account at 30 September 2014 was £839.

The Group's principal activity is the acquisition and management of underperforming consumer debt portfolios. All portfolios by their nature are impaired on acquisition and the Group continually monitors cash collections and the carrying values are impaired where the underlying performance does not meet initial expectations. The on-going risk is managed through utilising a comprehensive portfolio valuation model and building current expectations of recoverability from historical information on debt types and customers into pricing assumptions and models. A pricing committee is in place which is attended by at least two members of the Executive Board as well as other key members from all areas of the business. This committee is in place to scrutinise all aspects of a portfolio acquisition from reputational and regulatory risk through to the financial assumptions and maximum bid price.

Default rate is the most relevant measure of credit risk and the Group monitors this on an on-going basis. The default rate at 30 September 2014 is 15.52% (30 September 2013 17.47%, 1 September 2012 19.72%). The default rate is based on those accounts that we classify as paying and is calculated using the monetary value of payments collected during a month, against the payment plans that was in place at the start of the month. (For example : if an account had a payment plan in place at the start of the month of £20 per month, but actually only paid £10 during the month, then the default rate would be 50%.).

The carrying amount of financial assets recorded in these financial statements represents the Group's maximum exposure to credit risk. These portfolios are performing in line with the Group's expectations, but are in default relative to the original contractual terms between the debtor and the third party from whom the Group acquired the debt. The Group does not hold any collateral in respect of its receivables. The Group's maximum exposure to credit risk as at 30 September 2014 is £435.8m (30 September 2013: £305.5m, 1 September 2012: £243.4m). There are no financial assets that are past due and not impaired, nor any financial assets that are individually impaired.

The Company's maximum exposure to credit risk as at 30 September 2014 is £5.9m (30 September 2013: £2.9m, 1 September 2012: £2.8m). There are no financial assets that are past due and not impaired, nor any financial assets that are individually impaired.

Liquidity risk management

Liquidity risk is the risk of the Company and the Group being unable to meet its financial obligations as they fall due, due to insufficient cash, cash equivalents and available drawings. The approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's or the Group's reputation.

The Company and the Group manage liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows. At 30 September 2014, the Group had available undrawn committed borrowing facilities. See Note 17 for further details on banking facilities.

The following tables show the Group's gross undiscounted contractual cash flows of financial liabilities including interest payments at the SFP dates:

As at 30 September 2014

	Weighted average interest rate %	Carrying amount £000	Contractual cash flows £000	0-6 months £000	6-12 months £000	1-5 years £000	Over 5 years £000
Notes*	9.31	381,423	553,434	—	18,159	535,275	—
Preference shares	15.25	242,777	418,670	—	—	—	418,670
Shareholder loan	15.25	25,823	54,764	—	—	—	54,764
Other liabilities	—	36,960	36,960	36,960	—	—	—
Total liabilities		686,983	1,063,828	36,960	18,159	535,275	473,434

As at 30 September 2013

	Weighted average interest rate %	Carrying amount £000	Contractual cash flows £000	0-6 months £000	6-12 months £000	1-5 years £000	Over 5 years £000
Notes*	10.75	267,646	437,593	—	14,781	118,250	304,562
RCF	4.49	10,000	10,000	10,000	—	—	—
Preference shares	15.25	217,560	418,670	—	—	—	418,670
Shareholder loan	15.25	23,138	54,764	—	—	—	54,764
Other liabilities	—	21,058	21,058	21,058	—	—	—
Contingent consideration	—	5,200	5,200	—	—	5,200	—
Total liabilities		544,602	947,285	31,058	14,781	123,450	777,996

As at 1 September 2012

	Weighted average interest rate %	Carrying amount £000	Contractual cash flows £000	0-6 months £000	6-12 months £000	1-5 years £000	Over 5 years £000
Notes*	10.75	201,679	350,560	10,810	10,750	86,000	243,000
Preference shares	15.25	190,196	418,670	—	—	—	418,670
Shareholder loan	15.25	20,232	54,764	—	—	—	54,764
Other liabilities	—	14,228	14,228	14,228	—	—	—
Total liabilities		426,335	838,222	25,038	10,750	86,000	716,434

* Includes Loan principal outstanding and accrued interest (Note 17).
Other liabilities: this includes "Trade and other payables" and "Tax liabilities".

The following tables show the Company's gross undiscounted contractual cash flows of financial liabilities including interest payments at the SFP dates:

As at 30 September 2014

	Weighted average interest rate %	Carrying amount £000	Contractual cash flows £000	0-6 months £000	6-12 months £000	1-5 years £000	Over 5 years £000
Preference shares	15.25	242,777	418,670	—	—	—	418,670
Shareholder loan	15.25	25,823	54,764	—	—	—	54,764
Other liabilities	—	10,968	10,968	10,968	—	—	—
Total liabilities		279,568	484,402	10,968	—	—	473,434

As at 30 September 2013

	Weighted average interest rate %	Carrying amount £000	Contractual cash flows £000	0-6 months £000	6-12 months £000	1-5 years £000	Over 5 years £000
Preference shares	15.25	217,560	418,670	—	—	—	418,670
Shareholder loan	15.25	23,138	54,764	—	—	—	54,764
Other liabilities	—	1,604	1,604	1,604	—	—	—
Total liabilities		242,302	475,038	1,604	—	—	777,996

As at 1 September 2012

	Weighted average interest rate %	Carrying amount £000	Contractual cash flows £000	0-6 months £000	6-12 months £000	1-5 years £000	Over 5 years £000
Preference shares	15.25	190,196	418,670	—	—	—	418,670
Shareholder loan	15.25	20,232	54,764	—	—	—	54,764
Other liabilities	—	675	675	675	—	—	—
Total liabilities		211,103	474,109	675	—	—	716,434

Other liabilities: includes "Trade and other payables".

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of the Company's and the Group's short, medium and long-term funding and liquidity management requirements. The Company and the Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. Details of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk are set on the next page.

Group financing facilities

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
RCF			
Amount used..	—	10,000	—
Amount unused..	83,000	45,000	40,000
	83,000	55,000	40,000

The Company has no separate financing facilities.

Operational risk

Operational risk is defined by the Company and the Group as the potential risk of financial loss, or impairment to reputation, as a result of internal process failures, or from the inappropriate actions of employees or management. The Board of Directors has ultimate responsibility for establishing the framework in which operational risk is managed, and the day to day management of operational risk rests with line managers.

Market risk

Market risk is the risk of changes caused by market variables such as prices, type and timing of debt coming to the market, i.e. the cost of consumer debt portfolios.

By only bidding for consumer debt portfolios up to a price that enables the Group to expect a yield high enough to cover all costs of collection and to make a contribution to overhead costs, the Group minimises its risk against the cost of these portfolios. The Group uses sophisticated pricing models along with extensive customer and market data to establish the profitability of portfolios coming to market. The Group monitors its pricing assumptions through a Pricing committee which is attended by at least two members of the executive board.

The Group manages the unpredictability of the market through a number of financing structures. The Group has in place £390m of senior secured loan notes along with an £83m RCF facility. At 30 September 2014 the RCF facility was unutilised. This facility allows the Group the flexibility to bid on portfolios as and when they come to market and are not restricted by cash flow constraints.

Conduct risk

Conduct risk is the risk to Customers that the controls and operations of the Company and Group fail. The ultimate penalty would be if the FCA deemed the Company's and Group's conduct and customer interaction to be so poor that they sought to impose financial penalty and/or financial redress for customers. The directors are not aware of any indication that this is a possibility and seek to minimise the risk through initiatives such as the FAIR programme, which was launched in December 2013, and brings together work carried out on the six principles of TCF, customer focus behaviour, fair outcomes for customers, assessing affordability and responding to client audits, and helps to minimise this risk.

Interest rate risk

Interest rate risk is the risk of changing interest rates. The Group has minimised its risk against changes in interest rates by being funded by share capital, in particular Preference Shares that have a fixed coupon for the whole term, and from 30 March 2012 by a series of Senior Secured Notes with fixed interest rates for the whole term.

The Group's RCF has a variable interest rate however at 30 September 2014 this was fully unutilised.

Derivatives are contracts or arrangements whose value is derived from one or more underlying price, rate or index inherent in the contract or arrangement, such as interest rates. Historically the Group entered into interest rate caps and interest rate swaps to mitigate the risk of changing interest rates, however due to the stability in interest rates in recent years the Group has taken the decision to not enter into any derivative contracts to hedge this risk. As at 30 September 2014 the Group had no outstanding derivative contracts. All contracts matured or were closed out during the year ended 31 August 2012.

Capital management risk

The Group's objective in managing capital is to maintain a strong capital base to support current operations and planned growth and so to maintain investor, creditor and market confidence. Neither the Parent company nor any of its subsidiaries are subject to externally imposed capital requirements.

The capital structure of the Company and the Group consists of net debt, which includes the borrowings disclosed in Note 17 after deducting cash and cash equivalents, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in Notes 19 to 20.

The risk management committee reviews the capital structure on a semi-annual basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital.

Financial assets and liabilities

Financial assets and liabilities are classified into the following categories:

Group

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
Financial assets			
Investments and receivables	401,430	290,184	234,415
Total financial assets	401,430	290,184	234,415
Financial liabilities			
Fair value through SCI	—	(5,200)	—
Financial liabilities measured at amortised cost	(686,983)	(539,402)	(426,335)
Total financial liabilities	(686,983)	(544,602)	(426,335)

Company

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
Financial assets			
Receivables	5,200	2,466	2,692
Total financial assets	5,200	2,466	2,692
Financial liabilities			
Financial liabilities measured at amortised cost	(279,568)	(242,302)	(211,103)
Total financial liabilities	(279,568)	(242,302)	(211,103)

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the SFP date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at SFP date was outstanding for the whole year. A 2.5% per cent increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. If interest rates had been 2.5% per cent higher/lower and all other variables were held constant, the Group's movement in the profit for the year ended 30 September 2014 would be £nil (30 September 2013: decrease/increase £0.1m, 1 September 2012: £nil). This is attributable to the Group's exposure to interest rates on its variable rate borrowings

Interest rate swap contracts

Under interest rate swap contracts, the Group agreed to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enabled the Group to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt held and the cash flow exposures on the issued variable rate debt held. The fair value of interest rate swaps at the reporting date was determined by discounting the future cash flows using the curves at the reporting date and the credit risk inherent in the contract. As at 30 September 2014 the Company and the Group had no outstanding derivative contracts. All contracts matured or were closed out during the year ended 31 August 2012.

Fair value of financial instruments

Fair value of financial instruments carried at amortised cost

Except as detailed in the following table, the directors consider that the carrying amounts of the financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

Group

	Carrying amount			Fair Value		
	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
Financial assets						
Investments and receivables:						
Portfolio investments	368,277	275,388	225,189	387,177	299,465	236,759
Trade and other receivables	33,153	14,796	9,226	33,153	14,796	9,226
Total financial assets	401,430	290,184	234,415	420,330	314,261	245,985
Financial liabilities						
Financial liabilities measured at amortised cost:						
Senior secured notes	(381,423)	(267,646)	(201,679)	(408,088)	(311,094)	(208,272)
RCF	—	(10,000)	—	—	(10,000)	—
Loan notes to parent	(25,823)	(23,138)	(20,232)	(25,823)	(23,138)	(20,232)
Preference shares	(242,777)	(217,560)	(190,196)	(242,777)	(217,560)	(190,196)
Trade and other payables	(34,175)	(17,285)	(13,141)	(34,175)	(17,285)	(13,141)
Amounts owed to parent	(2,785)	(3,773)	(1,087)	(2,785)	(3,773)	(1,087)
Contingent consideration	—	(5,200)	—	—	(5,200)	—
Total financial liabilities	(686,983)	(544,602)	(426,335)	(713,648)	(588,050)	(432,928)

Fair value of financial instruments (Continued)

Company

	Carrying amount			Fair Value		
	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
Financial assets						
Receivables:						
Trade and other receivables	5,200	2,466	2,692	5,200	2,466	2,692
Total financial assets	5,200	2,466	2,692	5,200	2,466	2,692
Financial liabilities						
Financial liabilities measured at amortised cost:						
Loan notes to parent	(25,823)	(23,138)	(20,232)	(25,823)	(23,138)	(20,232)
Preference shares	(242,777)	(217,560)	(190,196)	(242,777)	(217,560)	(190,196)
Trade and other payables	(8,183)	(325)	(448)	(8,183)	(325)	(448)
Amounts owed to parent	(2,785)	(1,279)	(229)	(2,785)	(1,279)	(229)
Total financial liabilities	(279,568)	(242,302)	(211,105)	(279,658)	(242,302)	(211,105)

For the Group, the fair value of the acquired portfolios is determined using a discounted cashflow model with unobservable inputs and are classified as level 3 measurements. The senior secured notes are publicly traded instruments whose value can be obtained from public sources; as a result these are classified as level 1. The remaining financial assets and liabilities carried have a fair value equal to their carrying value. All of the Company's financial assets and liabilities have a fair value equal to their carrying value.

The fair value of non-financial instruments have been considered and it was determined that the fair value is materially equal to their carrying value therefore no additional disclosure has been made.

The fair value of the portfolios is calculated by discounting the net 84 month forecast cashflows. The unobservable inputs in determining the fair value are the discount rate and service cost percentage. These are 15% and 25% respectively for portfolios that are not deemed as “paying” at the point of acquisition and 12% and 10% for portfolios that are deemed as “paying”. A “paying” portfolio is determined at the point of acquisition based on the proportion of accounts within that portfolio that are set up on a payment plan. The discount rates have been determined from market information and benchmarking. The service cost percentage is the percentage used to discount the gross cashflows to net and is based on historical information on costs to collect.

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities are determined as follows.

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments. The acquired portfolio investments fair value is calculated using discounted net 84 month forecast cashflows as detailed on page F-257.
- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional

Fair value of financial instruments (Continued)

derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

Fair value measurements recognised in the Statement of Financial Position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	30 September 2013		
	Level 1 £000	**Level 2 £000**	**Level 3 £000**
Financial liabilities at fair value			
Contingent consideration	—	—	(5,200)

	30 September 2014		
	Level 1 £000	**Level 2 £000**	**Level 3 £000**
Financial liabilities at fair value			
Contingent consideration	—	—	—

26. RELATED PARTY TRANSACTIONS

The Company is a wholly owned subsidiary undertaking of Metis Holdco Limited, which prepares consolidated financial statements. The consolidated financial statements of Metis Holdco Limited are available from the company's registered office at 20 Bentinck Street, London, W1U 2EU.

The tables below set out the related party transactions and year end balances between the Company and its related parties and also the Group and its related parties.

Group and Company

Year ended 30 September 2014

	Parent company's immediate parent £000	Other holders £000	Total £000
Unsecured loan notes 2021			
Principal and accrued interest at 30 September 2013	23,138	—	23,138
Principal and accrued interest transferred	(9,294)	9,294	—
Interest charged (Note 7)	2,672	13	2,685
As at 30 September 2014	16,516	9,307	25,823
Preference Shares			
Principal and accrued interest at 30 September 2013	213,114	4,446	217,560
Principal and interest transferred	(85,794)	85,794	—
Interest charged (Note 7)	24,249	968	25,217
As at 30 September 2014	151,569	91,208	242,777

13 months ended 30 September 2013

	Parent company's immediate parent £000	Other holders £000	Total £000
Unsecured loan notes 2021			
Principal and accrued interest at 1 September 2012	20,232	—	20,232
Interest charged (Note 7)	2,906	—	2,906
As at 30 September 2013	23,138	—	23,138
Preference Shares			
Principal and accrued interest at 1 September 2012	184,647	5,549	190,196
Principal and interest transferred	1,806	(1,806)	—
Interest charged (Note 7)	26,661	703	27,364
As at 30 September 2013	213,114	4,446	217,560

Group and Company

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
Other year end balances with related parties			
Metis Holdco Limited (group relief)	(2,785)	(3,773)	(1,087)
Other related parties (group relief)	(1,361)	—	—
Directors' loans	—	171	—

In addition, the Company also had the following transactions and year end balances with other related parties.

Company

	Year ended 30 Sept 2014 £000	13 months ended 30 Sept 2013 £000
Transactions with related parties		
Expenses and costs recharged to Lowell Financial Limited	1,286	801
Expenses and costs recharged to Tocatto Ltd	13	162
Expenses and costs recharged to Fredricksons International Limited	384	—

	30 Sept 2014 £000	30 Sept 2013 £000	1 Sept 2012 £000
Year end balances with related parties			
Lowell Portfolio I Ltd (trading)	(793)	(155)	2,442
Lowell Portfolio I Ltd (group relief)	1,902	2,093	4
Tocatto Ltd	(4)	8	135
Lowell Group Limited	—	11	(7)
Fredrickson International Limited	(44)	—	—
Lowell Financial Ltd (trading)	(260)	87	(220)
Lowell Financial Ltd (group relief)	3,244	2,653	1,083

Group

Remuneration of key management personnel

The remuneration of key management personnel of the Group, who are not directors of the Company, is set out below in aggregate for each of the categories specified in IAS 24 (Related Party Disclosures):

	Year ended 30 Sept 2014 £000	13 months ended 30 Sept 2013 £000
Short-term employee benefits	1,483	1,195

The above details relate to five key management personnel who are directors of subsidiary undertakings of the Company. They are paid directors' emoluments by a subsidiary company (Lowell Financial Ltd) for their services to the Group. Emoluments of directors of the Company, who provide services as directors to the Company and the Group, but are paid by the Company or by a subsidiary company (Lowell Financial Ltd) are set out in Note 5d.

27. ULTIMATE CONTROLLING PARTY

The Company is a subsidiary undertaking of Metis Holdings Sarl, which is the ultimate parent company, incorporated in Luxembourg.

The largest group which consolidates these financial statements is that headed by Metis Holdco Limited, the Company's immediate parent undertaking, incorporated in England and Wales. The consolidated financial statements of Metis Holdco Limited are available from its registered office at 20 Bentinck Street, London, W1U 2EU.

Company No. 07652466

METIS BIDCO LIMITED

Report and Consolidated Financial Statements

13 months ended 30 September 2013

METIS BIDCO LIMITED

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS 2013

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METIS BIDCO LIMITED

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS 2013

OFFICERS AND PROFESSIONAL ADVISERS

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M Dale
A R Hill
T J H Large
J R Rosen
B J Thompson

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Solicitors

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KPMG LLP
Chartered Accountants & Statutory Auditors
15 Canada Square
London
E14 5GL

METIS BIDCO LIMITED

DIRECTORS' REPORT
Period ended 30 September 2013

The directors present their report and the audited financial statements for the 13 months ended 30 September 2013.

The financial year end of the Company was changed from 31 August to 30 September in order to align the financial reporting schedule to calendar year quarters. Accordingly, the current financial statements are prepared for the 13 months from 1 September 2012 to 30 September 2013, and as a result, the comparative figures stated in the income statement and notes are not comparable.

On 16 May 2013 the Group acquired 100% of the issued ordinary shares of Interlaken Group Limited. The principal activity of Interlaken Group Limited is contingent debt collection on behalf of third parties. Further details are set out in Note 12 to the financial statements.

PRINCIPAL ACTIVITIES

The principal activities of the Group are the purchase and collection of non-performing consumer debt portfolios.

The subsidiary undertakings affecting the losses and net liabilities of the Group in the period are listed in Note 11.

GOING CONCERN

The directors remain confident that the Group will continue to grow through the further purchase and recovery of non-performing debt portfolios in the UK. The directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason the directors adopt the going concern basis in preparing the financial statements (further details are included in Note 1).

DIVIDENDS

The directors do not recommend the payment of a dividend for the period (15 months ended 31 August 2012: £nil).

EMPLOYEES

The Group supports equal opportunities in respect of recruitment, career progression and employee management processes. Consideration is given to all applicants for employment, irrespective of any of the protected characteristics as detailed in the Equality Act 2010. It is the policy of the Group to treat disabled persons fairly by making reasonable adjustments to the workplace and business processes. Likewise, in the event of a member of staff becoming disabled, every effort is made to ensure that their employment within the Group can continue. Support is also given to internal applicants in moving to new jobs in other parts of the organisation.

The Chief Executive Officer and other members of the executive team conducted a number of staff briefings throughout the period that kept our people fully informed and updated on business activities. The Group's magazine is used on a routine basis to keep employees and others informed about important business issues, the progress that is being made on key corporate programmes, and other changes affecting the Group, its employees and other stakeholders.

Key employees are invited to take part in an employee share offer to apply for ordinary shares in the Company.

DIRECTORS

The directors who held office during the period and up to the date of signing the financial statements are shown on page F-265.

CHARITABLE AND POLITICAL DONATIONS

During the period, the Group made charitable donations of £1,238 (15 months ended 31 August 2012: £2,665).

DISCLOSURE OF INFORMATION TO THE COMPANY'S AUDITOR

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

AUDITOR

During the period KPMG Audit Plc resigned as auditors of the Company and KPMG LLP were appointed.

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Approved by the Board of Directors and signed on behalf of the Board by:

J J Cornell
Director

20 January 2014

METIS BIDCO LIMITED

STRATEGIC REPORT
Period ended 30 September 2013

OBJECTIVES & STRATEGY

The Group's strategy is to retain our position as a leading credit management and debt purchasing organisation and achieve significant growth across all key performance indicators by building partnerships and finding innovative, ethical, cost-effective and fair solutions for our customers, clients and team members.

In the period to September 2013 the Group's key objectives were to optimise servicing costs, strengthen market position, optimise data, create capacity and to strengthen compliance in preparation for FCA regulation.

THE BUSINESS MODEL

The Group's business model remains unchanged from prior year – the purchase and collection of non-performing consumer debt portfolios through a largely in-house, UK based, integrated collection platform.

On 16 May 2013 the Group acquired 100% of the issued ordinary shares of Interlaken Group Limited. The principal activity of Interlaken Group Limited is debt collection on behalf of third parties. Further details are set out in Note 12 to the financial statements.

The purchase of Interlaken Group Limited during the period further develops our Group's growth potential as the company's skills in Financial Services higher balances aids portfolio diversification and facilitates incremental purchases in a market segment not previously targeted by the Lowell Group.

PRINCIPAL RISKS AND UNCERTAINITIES

Details of the Group's financial risk management policies are set out in Note 3.

FINANCIAL PERFORMANCE

The Group, through its subsidiaries, is invited to bid upon over 95% of the portfolios brought to market. The business acquired portfolios from 31 vendors during the period (15 months ended 31 August 2012: 28).

The overall fair value of debt portfolios stood at £299.5m at 30 September 2013 (2012: £236.8m), growth of 26% over the period.

Other turnover represents the commission on collections on behalf of third parties. This has increased from £272k to £6,849k, due to the acquisition of Interlaken Group Limited.

The Group continues to be funded by the £200m 10.75% Senior Secured Notes due 2019 (the "Notes"), (Note 15), which the subsidiary, Lowell Group Financing Plc, had issued on 30 March 2012. An additional £75m was issued on 11 February 2013 under the same terms. Semi-annual interest payments have been made during the period.

In addition, on 21 January 2013 the facility available under the Revolving Credit Facility ("RCF") was increased from £40m to £55m.

The Group has performed strongly in the period, with ERC (Estimated Remaining Collections) of £532.1m at 30 September 2013 (2012: £428.8m) and Adjusted EBITDA of £119.6m in the 13 month period ended 30 September 2013 (15 months ended 31 August 2012: £94.9m).

The Group defines ERC as the expected collections on owned portfolios over an 84 months period, based on our proprietary valuation model.

The Group defines Adjusted EBITDA as collections on owned portfolios plus other turnover, less cost of sales and administrative expenses (which together equal servicing costs), which is the same as operating profit before exceptional and non-recurring items, depreciation, fair value movement in debt portfolios and amount of purchase cost recovered.

ERC and Adjusted EBITDA are widely used by investors to measure a company's asset base and cash flow generation and operating performance respectively. Analysts and investors use ERC and Adjusted EBITDA as supplemental measures to evaluate the overall operating performance of companies in our industry.

The Group has included certain non-UK GAAP financial measures in these financial statements, including ERC, Adjusted EBITDA, Net Debt and certain other financial measures and ratios.

These measurements may not be comparable to those of other companies and may be calculated differently from similar measurements under the indenture governing the Group's 10.75% Senior Secured Notes due 2019. Reference to these non-UK GAAP financial measures should be considered in addition to UK GAAP financial measures, but should not be considered a substitute for results that are presented in accordance with UK GAAP.

KEY PERFORMANCE INDICATORS (KPIs)

	2013	2012
Cumulative face value of debt purchases	£11.0bn	£9.0bn
Cumulative number of accounts	12.3m	10.0m
Collections on owned portfolios	£173.7m	£135.9m
Debt portfolios	£299.5m	£236.8m
ERC (Estimated Remaining Collections)	£532.1m	£428.8m
Fixed charge cover ratio (Consolidated EBITDA / Fixed Charges)	1.96	1.87
Bond covenant (Net Debt* / ERC)	0.51	0.45
Drawdown on RCF** (Revolving Credit Facility)	£10.0m	£0.0m
10.75% Senior Secured Notes	£275.0m	£200.0m
Senior Secured Notes / debt portfolios	91.8%	84.5%
Operating cash generation (actual collections received less servicing costs, working capital and capital expenditure)	£114.2m	£91.6m

* Net Debt is total indebtedness of £285.0m (2012: £200.0m) less cash in bank of £15.3m (2012: £9.0m).

** Facility available under the RCF as at 30 September 2013 is £55.0m (2012: £40.0m). This was further increased to £66.0m on 28 November 2013 (see Note 3, page F-281 for further details).

There is a significant tail of cash flow inherent in our portfolios past the 84 months ERC period which is not reflected in our ERC at 30 September 2013. Our forecast tail of cash flow from month 84 to month 120 is £61.2m (2012: £47.9m), which is in addition to the £532.1m (2012: £428.8m) ERC.

Approved by the Board of Directors and signed on behalf of the Board by:

J J Cornell
Director

20 January 2014

METIS BIDCO LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS
Period ended 30 September 2013

The directors are responsible for preparing the Directors' Report and Strategic Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the Group and Parent Company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Parent Company and of their profit or loss for that period.

In preparing each of the Group and Parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF METIS BIDCO LIMITED

We have audited the financial statements of Metis Bidco Limited for the period ended 30 September 2013 set out on pages F-272 to F-295. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page F-270, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 September 2013 and of the Group's loss for the period then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Kieren Cooper (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
15 Canada Square
London
E14 5GL

20 January 2014

METIS BIDCO LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT
Period ended 30 September 2013

	Note	13 months ended 30 Sept 2013 £000	15 months ended 31 Aug 2012 (Restated*) £000
Collections on owned portfolios		173,684	135,903
Amount of purchase cost recovered		(74,527)	(55,078)
Fair value movement in debt portfolios		10,997	11,858
Turnover from debt portfolios		110,154	92,683
Other turnover		6,849	272
Turnover	1	**117,003**	**92,955**
Cost of sales	1	(23,591)	(15,845)
Gross profit		**93,412**	**77,110**
Administrative expenses	1	(37,335)	(25,436)
Depreciation	10	(2,496)	(2,004)
Operating profit	4	**53,581**	**49,670**
Interest receivable	6	944	11
Interest payable and similar charges	7	(61,690)	(51,755)
Fair value movements in derivatives	3	—	160
Amortisation of intangible assets	9	(9,479)	(7,968)
Loss on ordinary activities before taxation		**(16,644)**	**(9,882)**
Tax on loss on ordinary activities	8	(4,752)	(5,629)
Loss for the financial period	18	**(21,396)**	**(15,511)**

* Prior period figures have been restated due to a change in accounting policy regarding litigation costs.

See Note 1 for further details.

All amounts relate to continuing operations.

Although the prior period's figures are stated to be for the 15 months from 31 May 2011 (date of incorporation) to 31 August 2012, the Group only traded for 11 ½ months commencing on 15 September 2011 when it acquired the Lowell group of companies headed by Lowell Group Limited.

There were no recognised gains and losses for the current or prior period other than those included in the Profit and Loss Account and accordingly, a statement of recognised gains and losses has not been prepared.

The notes on pages F-276 to F-295 form part of these financial statements.

METIS BIDCO LIMITED

CONSOLIDATED BALANCE SHEET
30 September 2013

	Note	30 Sept 2013 £000	31 Aug 2012 (Restated*) £000
Fixed assets			
Intangible assets	9	174,249	152,728
Tangible assets	10	4,708	4,160
		178,957	156,888
Current assets			
Debt portfolios	1 & 2	299,465	236,759
Debtors	13	22,623	16,714
Cash at bank and in hand		15,303	9,020
		337,391	262,493
Creditors: amounts falling due within one year	14	**(36,258)**	**(23,246)**
Net current assets		**301,133**	**239,247**
Total assets less current liabilities		**480,090**	**396,135**
Creditors: amounts falling due after more than one year	15	**(515,698)**	**(410,428)**
Net liabilities		**(35,608)**	**(14,293)**
Capital and reserves			
Called-up share capital	16	1,230	1,212
Share premium account	17	69	6
Profit and loss account	17	(36,907)	(15,511)
Total shareholders' deficit	18	**(35,608)**	**(14,293)**

*Prior period figures have been restated due to a change in accounting policy regarding litigation costs.

See Note 1 for further details.

These financial statements of Metis Bidco Limited, Company No. 07652466, were approved by the Board of Directors on 20 January 2014.

Signed on behalf of the Board of Directors by:

J J Cornell
Director

20 January 2014

The notes on pages F-276 to F-295 form part of these financial statements.

METIS BIDCO LIMITED

COMPANY BALANCE SHEET
30 September 2013

	Note	30 Sept 2013 £000	31 Aug 2012 £000
Fixed assets			
Investments	11	188,076	188,076
Current assets			
Debtors	13	2,466	2,692
Cash at bank and in hand		482	81
		2,948	2,773
Creditors: amounts falling due within one year	14	**(1,604)**	**(675)**
Net current assets		**1,344**	**2,098**
Total assets less current liabilities		**189,420**	**190,174**
Creditors: amounts falling due after more than one year	15	**(240,698)**	**(210,428)**
Net liabilities		(51,278)	(20,254)
Capital and reserves			
Called-up share capital	16	1,230	1,212
Share premium account	17	69	6
Profit and loss account	17	(52,577)	(21,472)
Total shareholders' deficit	18	**(51,278)**	**(20,254)**

These financial statements of Metis Bidco Limited, Company No. 07652466, were approved by the Board of Directors on 20 January 2014.

Signed on behalf of the Board of Directors by:

J J Cornell
Director

20 January 2014

The notes on pages F-276 to F-295 form part of these financial statements.

METIS BIDCO LIMITED

CONSOLIDATED CASH FLOW STATEMENT
Period ended 30 September 2013

	Note	13 months ended 30 Sept 2013 £000	15 months ended 31 Aug 2012 £000
Cash flow from operating activities	19	**(7,580)**	**2,890**
Returns on investments and servicing of finance	20	(43,598)	(21,757)
Taxation	20	(4,869)	(6,521)
Capital expenditure and financial investment	20	(2,711)	(1,932)
Acquisitions and disposals	20	(29,995)	(232,125)
Cash outflow before financing		**(88,753)**	**(259,445)**
Financing	20	95,036	268,465
Increase in cash in the period		**6,283**	**9,020**

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT
Period ended 30 September 2013

	Note	13 months ended 30 Sept 2013 £000	15 months ended 31 Aug 2012 £000
Increase in cash in the period	21	**6,283**	**9,020**
Movement in borrowings	21	(115,408)	(267,248)
Non cash movements	21	9,156	(36,031)
Movement in net debt in the period		**(99,969)**	**(294,259)**
Net debt at start of the period / date of acquisition	21	(410,426)	(116,167)
Net debt at end of the period	21	**(510,395)**	**(410,426)**

The notes on pages F-276 to F-295 form part of these financial statements.

1. ACCOUNTING POLICIES

These financial statements are prepared in accordance with UK Generally Accepted Accounting Practice. The particular accounting policies adopted are described below.

Basis of accounting

These financial statements are prepared under the historical cost convention, except for purchased non-performing debt portfolios which are held at fair value to reflect changes in the expected profile of future cash flows and derivative contracts which are also held at their fair value.

Going concern

The Group's business activities together with factors likely to affect its future development, performance and position are set out in the Directors' Report and Strategic Report on pages F-266 to F-269. In addition, Note 3 to these financial statements includes the Group's financial risk management objectives; details of its financial instruments and hedging activities and its exposures to credit risk and liquidity risk.

There are long term business plans and short term forecasts in place which are reviewed and updated on an ongoing regular basis by management. The Group is in a net liabilities position as a result of funding structures in place as investment by the ultimate controlling parent, Metis Holdings Sarl.

The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they adopt the going concern basis of accounting in preparing these financial statements.

Basis of consolidation

The Group financial statements consolidate the financial statements of Metis Bidco Limited and all its subsidiary undertakings drawn up to 30 September 2013. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. Acquisitions are accounted for under the acquisition method.

No Profit and Loss Account is presented for Metis Bidco Limited itself, as permitted by Section 408 of the Companies Act 2006. The Company's result for the period, determined in accordance with the Act, was a loss after tax of £31,105k (15 months ended 31 August 2012: loss after tax of £21,472k).

Financial instruments

In accordance with FRS 26, the financial instruments of the Group have been classified as follows:

a) *Debt portfolios*

Non-performing debt portfolios are purchased from institutions at a substantial discount from their face value. The portfolios are initially recorded at their fair value. These portfolios are classified as a financial asset at "fair value through profit or loss" as the portfolios are managed and evaluated on a fair value basis in accordance with a documented risk management and investment strategy, and internal information is made available to the Board and key management personnel on this basis. The fair value of each portfolio is assessed using valuation techniques taking account of projected future cash flows, an assessment of the discount factor for each portfolio based upon market information modified by appropriate risk assessments or discounts, and recent arm's length transactions.

The Group has forward flow agreements in place in relation to the future purchase of debt portfolios. The fair value of portfolios purchased under these agreements is determined on the same basis as the Group's other purchased debt portfolios.

b) *Financial liabilities*

All financial liabilities held by the Group are measured at amortised cost using the effective interest method, except for those measured at fair value through profit or loss, e.g. derivative liabilities.

c) *Derivatives*

The Group enters into interest rate caps and interest rate swaps to commercially hedge its exposure to interest rate risk from financing activities. The Group does not hold derivative instruments for trading purposes.

If material, derivatives are initially recognised at fair value on the date on which the derivative contract is entered into, and subsequently re-measured at their fair value at each reporting date. The resulting gain or loss is recognised in the Profit and Loss Account immediately. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

At 30 September 2013, the Group had no outstanding derivative contracts. The last derivative contracts that the group entered either matured or were closed out as at 30 March 2012. No other contracts have been entered into since this date.

Turnover

Turnover represents the yield from purchased non-performing debt portfolios, net of VAT, all of which arose in the UK.

Other turnover represents commission on collections for third parties.

Cost of sales

Cost of sales represents the costs of collecting debts; examples include printing and postage, third party commissions, litigation, telephone and SMS text costs.

Administrative expenses

Administrative expenses represent the servicing costs incurred in running the business; examples include staff costs, premises, travel and marketing costs.

Fair value movement in debt portfolios

For portfolios purchased during the period, the fair value movement is the difference in net collection projections from 30 September 2013 between the original curves based on the price paid for the portfolios and the current collection projections, plus reflecting any change in discount rates.

For portfolios owned at the start of the period, the fair value movement is the difference in net collection projections from 30 September 2013 as forecast at 31 August 2012 and 30 September 2013 reflecting any change in discount rates.

Intangible fixed assets – goodwill

Goodwill arising on the acquisition of subsidiary undertakings and business assets, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life as follows:

Acquisition of subsidiary undertakings	20 years
Acquisition of business assets..	4 years

Provision is made for any impairment.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost less estimated residual value on each asset on a straight line basis over their estimated useful lives as follows:

Office equipment..	4 years

Computer equipment	3 years
Fixtures and fittings..	4 years

Fixed asset investments

Fixed asset investments are shown at cost less any provision for impairment. .

Taxation

Current tax, including UK corporation 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 balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in these financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in these financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Amounts collected on behalf of third parties

Amounts collected on behalf of third parties are reported within both Cash at bank and in hand and Other creditors.

Leases

Operating lease rentals are charged to income on a straight line basis over the lease term. Any lease incentives are spread over the life of the lease. During the period the lease was broken on the Interchange building; the cost was expensed in full as incurred.

A dilapidation provision is being accrued for vacating the buildings in June 2014.

Litigation costs

Up to 31 August 2012 litigation costs were expensed through the Profit and Loss Account ("P&L") due to the materiality of the expenditure and the fact that the majority of these costs were incurred internally.

During 2013, litigation costs have increased as a greater number of accounts have been deemed appropriate to litigate upon. The increase in materiality has led to a consideration of accounting policy and a subsequent change to account for litigation costs on an accruals basis. They are now deferred to the balance sheet on initial recognition and released to the P&L in line with the forecast collections profile over 4 years.

At 30 September 2013 there are £2,887k of litigation costs included within Other debtors as a result of the policy change. Prior to the change the full amount of this would have been expensed to the P&L resulting in an additional debit of £1,706k in the current year.

As a material policy change, prior period figures have also been restated. This has resulted in an increase of £867k to 2012 opening retained earnings, a £315k credit to the 2012 P&L, and a £1,182k increase in 2012 other debtors. This prior year restatement also impacted the current year figures due to the release of restated deferred costs held on the balance sheet in 2012 for the first time. This increase of £792k is included in the overall P&L charge for the current year.

2. CRITICAL ACCOUNTING POLICIES, JUDGEMENTS AND ESTIMATES

Certain assets and liabilities are reported in these financial statements based upon managements' estimates and assumptions, introducing a risk of changes to the carrying amounts of these items within the next financial year.

Purchased debt portfolios

Non-performing debt portfolios are purchased from institutions at a substantial discount from their face value. The portfolios are classified as a financial asset at “fair value through profit or loss”. The fair value of each portfolio is assessed on the measurement date using valuation techniques taking account of projected future cash flows, an assessment of the discount factor for each portfolio based upon market information modified by appropriate risk assessments or discounts, and recent arm’s length transactions.

The calculation of the amount falling due after more than one year depends upon the value and profile of ‘setups’ where customers enter into payment plans. As at 30 September 2013 the amount falling due after more than one year is £211,767k (2012: £168,262k).

The directors are of the opinion that the discount rates applied in determining the fair value of the debt portfolios represent unobservable market rates. For both the periods ended 30 September 2013 and 31 August 2012, these rates have been determined by management to be 15% for default portfolios and 12% for paying portfolios. Changes in these assumptions to possible alternatives of plus or minus 2.5% would lead to the following (decrease) / increase of profit:

	13 months ended 30 Sept 2013 £000	15 months ended 31 Aug 2012 £000
Plus 2.5%	(12,383)	(9,127)
Minus 2.5%	13,555	9,898

3. RISK MANAGEMENT AND CONTROL

As a result of its normal business activities, the Group has exposure to the following risks:

- Credit risk
- Liquidity risk
- Operational risk
- Market risk
- Capital management risk
- Fair value estimation risk

This note presents information about the Group’s exposure to each of the above risks, the Group’s objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these financial statements. The Group manages these risks through the Board of Directors.

The Group has no significant exposures in foreign currency and does not hold any speculative foreign exchange positions.

The Group has no significant exposure to equity markets and does not hold any speculative equity positions.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual payment obligations.

The risk to the Group is lower than expected collections from the purchased non-performing debt portfolios.

The risk from the concentration of debtor credit risk is limited due to the relatively low value of each of the individual debtor’s debts and to the Group’s increasingly broadening client base from whom portfolios are purchased.

The risk is managed through utilising appropriate portfolio valuation models and building current expectations of recoverability into pricing models. The Group’s exposure to credit risk is monitored by the Board of Directors.

The carrying amount of financial assets recorded in these financial statements represents the Group’s maximum exposure to credit risk. These portfolios are performing in line with the Group’s expectations, but are in default relative to the original contractual terms between the debtor and the third party from whom the Group acquired the debt. The Group does not hold any collateral in respect of its receivables.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows. At 30 September 2013, the Group had available undrawn committed borrowing facilities of £45m. Subsequent to the year end, on 28 November 2013 the RCF was further increased to £66m, resulting in undrawn committed borrowing facilities increasing to £56m. Under the terms of the RCF, further growth in ERC will allow the facility to increase to a maximum limit of £83m.

The following table shows the Group's contractual maturities of financial liabilities including interest payments at the balance sheet dates:

2013

	Carrying amount £000	Contractual cash flows £000	0-6 months £000	6-12 months £000	1-5 years £000	Over 5 years £000
Notes*	275,000	437,593	14,781	14,781	118,250	289,781
Preference shares	217,560	418,670	—	—	—	418,670
Loan with parent	23,138	54,764	—	—	—	54,764
Other liabilities	36,258	36,258	36,258	—	—	—
Total liabilities	551,956	947,285	51,039	14,781	118,250	763,215

2012

	Carrying amount £000	Contractual cash flows £000	0-6 months £000	6-12 months £000	1-5 years £000	Over 5 years £000
Notes*	209,018	350,560	10,810	10,750	86,000	243,000
Preference shares	190,196	418,670	—	—	—	418,670
Loan with parent	20,232	54,764	—	—	—	54,764
Other liabilities	14,228	14,228	14,228	—	—	—
Total liabilities	433,674	838,222	25,038	10,750	86,000	716,434

* Includes Loan principal outstanding (Note 15) and accrued interest (Note 14)

Operational risk

Operational risk is defined by the Group as the potential risk of financial loss, or impairment to reputation, as a result of internal process failures, or from the inappropriate actions of employees or management. The Board of Directors has ultimate responsibility for establishing the framework in which operational risk is managed, and the day to day management of operational risk rests with line managers.

Market risk

Market risk is the risk of changes caused by market variables such as interest rate and prices, i.e. the cost of consumer debt portfolios. The Group has minimised its risk against interest rates by being funded by share capital and from 30 March 2012 by 10.75% Senior Secured Notes due 2019, upon which the interest rate is fixed.

By only bidding for consumer debt portfolios up to a price that enables the Group to expect a yield high enough to cover all costs of collection and to make a contribution to overhead costs, the Group minimises its risk against the cost of these portfolios.

On 30 March 2012 the balance outstanding on the old Revolving Credit Facility ("RCF") was fully repaid. A new RCF was put in place on 30 March 2012 for £40m. On 21 January 2013 the facility was increased to £55m. On

28 November 2013 the facility was further increased to £66m. Under the terms of the RCF, further growth in ERC will allow the facility to increase to a maximum limit of £83m.

Derivatives are contracts or arrangements whose value is derived from one or more underlying price, rate or index inherent in the contract or arrangement, such as interest rates. The group's RCF has a variable interest rate and at 30 September 2013 £10m of the facility was utilised.

Interest rate caps and interest rate swaps have been used in the past to mitigate the risk of changing interest rates, however due to the stability in interest rates in recent years the group has taken the decision to not enter into any derivative contracts to hedge this risk. As at 30 September 2013 the group has no outstanding derivative contracts.

Capital management risk

The Group's objective in managing capital is to maintain a strong capital base to support current operations and planned growth and so to maintain investor, creditor and market confidence. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

Fair value estimation risk

Financial assets and liabilities are classified into the following categories:

	Sept 2013 £000	Aug 2012 £000
Financial assets		
Fair value through profit and loss (debt portfolios)	299,465	236,759
Loans and receivables	37,926	25,734
Total financial assets	337,391	262,493
Financial liabilities		
Fair value through profit and loss	—	—
Other financial liabilities measured at amortised cost	(551,956)	(433,674)
Total financial liabilities	(551,956)	(433,674)

The directors consider that the carrying amount of financial assets and financial liabilities recorded in these financial statements approximates their fair value. The fair values are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

4. OPERATING PROFIT

	13 months ended 30 Sept 2013 £000	15 months ended 31 Aug 2012 £000
Operating profit is after charging:		
Depreciation of tangible fixed assets	2,496	2,004
Amortisation of intangible fixed assets	9,479	7,968
Rentals under operating leases	1,098	805
Auditor's remuneration:		
Audit of these financial statements	4	4
Audit of other group companies' financial statements	87	52
Other assurance services	—	18

During the 15 months ended 31 August 2012, £186k was charged by the auditor for other assurance services in relation to the issue of the 10.75% Senior Secured Notes (the "Notes"). These costs are charged to the Profit and Loss Account over the 7 year term of the Notes. During the year, £28k has been included in "Fees payable on the Notes" (Note 7) (15 months ended 31 August 2012: £11k).

In the period ended 31 August 2012, statutory audit and non-audit fees solely relate to those paid to KPMG Audit Plc. In the period ended 30 Sept 2013, all such fees relate to these paid to KPMG LLP.

5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	13 months ended 30 Sept 2013 £000	15 months ended 31 Aug 2012 £000
Directors' remuneration		
Aggregate emoluments to current directors	633	502
Remuneration of the highest paid director	458	362

The above emoluments do not include any emoluments for M Dale, T J H Large, J R Rosen and B J Thompson, which are paid by a parent undertaking.

	13 months ended 30 Sept 2013 No.	15 months ended 31 Aug 2012 No.
Employees		
Average number of persons (including executive directors) employed by the Group:		
Administration	740	541

	13 months ended 30 Sept 2013 £000	15 months ended 31 Aug 2012 £000
Staff costs for the Group (including executive directors):		
Wages and salaries	22,541	15,628
Social security costs	2,387	1,663
Pension contributions	111	—
	25,039	17,291

6. INTEREST RECEIVABLE

	13 months ended 30 Sept 2013 £000	15 months ended 31 Aug 2012 £000
Bank interest receivable	206	11
Bond loan premium (Note 15)	738	—
	944	11

7. INTEREST PAYABLE AND SIMILAR CHARGES

	13 months ended 30 Sept 2013 £000	15 months ended 31 Aug 2012 £000
Interest payable on preference shares to Company's immediate parent	26,661	23,674
Interest payable on preference shares to other parties	703	712
Interest payable on the Notes	28,443	9,018
Interest payable on loan notes to Company's immediate parent	2,906	10,232
Interest payable to banks	—	7,215
Fees payable on the Notes	1,453	479
Interest and fees payable on revolving credit facility	1,524	425

	13 months ended 30 Sept 2013 £000	15 months ended 31 Aug 2012 £000
	61,690	51,755

8. TAX ON LOSS ON ORDINARY ACTIVITIES

	13 months ended 30 Sept 2013 £000	15 months ended 31 Aug 2012 (Restated*) £000
Current taxation		
UK corporation tax	2,815	4,287
Group relief paid for (Note 14)	2,547	1,087
Adjustment in respect of previous periods	(146)	(13)
Total current tax charge	5,216	5,361
Deferred taxation		
Origination and reversal of timing differences	(493)	233
Adjustment in respect of previous periods	(7)	—
Effects of change in tax rates	78	35
Change in estimate of recoverable deferred tax asset	(42)	—
Total deferred tax (credit)/charge	(464)	268
Total charge on loss on ordinary activities	**4,752**	**5,629**

Reductions in the UK corporation tax rate from 26% to 24% (effective from 1 April 2012) and to 23% (effective 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the company's future current tax charge accordingly.

The tax assessed for the period is higher (15 months ended 31 August 2012: higher) than the standard effective rate of corporation tax in the UK for the 13 months ended 30 September 2013 of 23.54% (15 months ended 31 August 2012: 25%) The differences are explained below:

	13 months ended 30 Sept 2013 £000	15 months ended 31 Aug 2012 (Restated*) £000
Loss on ordinary activities before tax	**(16,644)**	**(9,882)**
Tax credit on loss on ordinary activities at standard UK corporation tax rate of 23.54% (15 months ended 31 August 2012: 25%)	(3,917)	(2,471)
Effects of:		
Expenses not deductible for tax purposes	8,735	8,146
Impact of prior year restatement	141	—
Movement in short term timing differences	170	(432)
Book depreciation in excess of capital allowances	181	135
Adjustment in respect of previous periods	(97)	(14)
Group relief claimed free of charge	3	(3)
Current tax charge for period	**5,216**	**5,361**

* The prior period figure has been restated due to an accounting policy change regarding litigation costs. (See Note 1).

9. INTANGIBLE FIXED ASSETS

Group

	Goodwill £000
Cost	
At 1 September 2012	160,696
Additions during the period	31,000
At 30 September 2013	191,696
Accumulated amortisation	
At 1 September 2012	(7,968)
Charge for the period	(9,479)
At 30 September 2013	(17,447)
Net book value	
At 30 September 2013	174,249
At 31 August 2012	152,728

The additions in the period arose from the acquisition of Interlaken Group Limited as detailed in Note 12.

This is being amortised over a period of 20 years as detailed in the accounting policies in Note 1.

10. TANGIBLE FIXED ASSETS

Group

	Office equipment £000	Computer equipment £000	Fixtures, fittings & equipment £000	Total £000
Cost				
At 1 September 2012	11,610	—	—	11,610
At acquisition of subsidiary undertakings (Note 12)	—	718	761	1,479
Additions during the period	2,527	94	90	2,711
At 30 September 2013	14,137	812	851	15,800
Accumulated depreciation				
At 1 September 2012	(7,450)	—	—	(7,450)
At acquisition of subsidiary undertakings (Note 12)	—	(530)	(616)	(1,146)
Charge for the period	(2,410)	(55)	(31)	(2,496)
At 30 September 2013	(9,860)	(585)	(647)	(11,092)
Net book value				
At 30 September 2013	4,277	227	204	4,708
At 31 August 2012	4,160	—	—	4,160

11. FIXED ASSETS INVESTMENTS

Company

Subsidiary undertakings

	£000
Cost	
At 30 September 2013 and 31 August 2012	188,076

The Company and the Group have investments in the following subsidiary undertakings:

Name	Country of incorporation	Principal activity	Ordinary share holding %
Lowell Finance Holdings Limited	UK	Holding company	100*
Lowell Group Financing Plc	UK	Financing	100
Lowell Group Limited	UK	Holding company	100
Lowell Funding Limited	UK	Holding company	100
Lowell Acquisitions Limited	UK	Holding company	100
Lowell Holdings Ltd	UK	Holding company	100
Lowell Finance Ltd	UK	Holding company	100
Lowell Financial Ltd	UK	Consumer debt collection	100
Lowell Portfolio I Ltd	UK	Consumer debt purchase and collection	100
Tocatto Ltd	UK	Consumer debt collection	100
Lowell Portfolio III Holdings Limited..	UK	Holding company	100
Lowell Portfolio III Limited	UK	Dormant	100
Lowell Portfolio IV Holdings Limited .	UK	Holding company	100
Lowell Portfolio IV Limited	UK	Dormant	100
Lowell Portfolio V Limited	UK	Dormant	100
Interlaken Group Limited	UK	Holding company	100
Fredrickson International Limited	UK	Consumer debt collection	100
SRJ Debt Recoveries Limited	UK	Consumer debt collection	100

* Held directly by the Company.

All subsidiaries are included in the consolidation.

12. ACQUISITION OF SUBSIDIARY UNDERTAKINGS

On 16 May 2013, Lowell Finance Limited acquired 100% of the issued ordinary shares of Interlaken Group Limited. Interlaken Group Limited consists of three entities, Interlaken Group Limited, Fredrickson International Limited and SRJ Debt Recoveries Limited. The consideration paid was £29.8m cash, with potential contingent consideration of £5.2m payable in cash on achievement of certain revenue stream targets (Note 14: included within other creditors). In addition, the Group incurred professional fees of £1.0m on the acquisition of Interlaken Group Limited.

This resulted in goodwill on acquisition of £31.0m.

	£000
Assets and liabilities acquired at fair value:	
Investment in subsidiary	10
Tangible fixed assets (Note 10)	333
Portfolios	1,289
Debtors	4,158
Cash	827
Creditors	(1,427)
Creditors: deferred tax liability	(140)
Revaluation reserve	(28)
	5,022
Goodwill (Note 9) **.........**	**31,000**
Consideration.........	**36,022**

The acquisition of Interlaken Group Limited has been accounted for by the acquisition method of accounting.

Included within the above is a fair value adjustment which has been made to the portfolio asset book acquired by aligning the valuation method with that used by Lowell Portfolio I Ltd. This resulted in an increase in the portfolio value of £0.6m.The tax effect of this adjustment is an additional tax charge of £0.1m (deferred tax liability).

In its last financial year ended 31 March 2013 the Consolidated Profit and Loss Account of Interlaken Group Limited showed a loss after tax of £0.6m.

For the period since 31 March 2013 to the date of acquisition of 16 May 2013, the consolidated management accounts of Interlaken Group Limited show the following:

	£000
Turnover	2,529
Gross Profit	1,248
Loss before taxation	(13)

13. DEBTORS

Group

	Sept 2013 £000	**Aug 2012 (Restated*) £000**
Trade debtors	2,961	126
Other debtors	6,594	4,719
Deferred tax	473	149
Prepayments and accrued income	12,424	11,720
Directors loans	171	—
	22,623	16,714

* The 2012 other debtors figure has been restated due to an accounting policy change regarding litigation costs. These were previously recognised through the P&L, but are now being deferred to the balance sheet to more accurately reflect the nature of the costs (See Note 1).

Deferred tax assets recognised in these financial statements are as follows:

	Sept 2013 £000	**Aug 2012 (Restated*) £000**
Book depreciation in excess of capital allowances:		
At 1 September 2012	382	281
Deferred tax credit in the Profit & Loss Account (Note 8)	144	101
At 30 September 2013 / 31 August 2012	526	382
Short term timing differences:		
At 1 September 2012	(233)	137
Acquisition of subsidiary undertaking (Note 12)	(140)	—
Deferred tax credit/(charge) in the Profit & Loss Account (Note 8)	320	(370)
At 30 September 2013 / 31 August 2012	(53)	(233)
Total deferred tax assets at 30 September 2013 / 31 August 2012	473	149

Company

	Sept 2013 £000	Aug 2012 £000
Amounts owing by group undertakings (repayable on demand)	2,245	2,577
Other debtors	18	18
Other taxes and social security	—	59
Prepayments and accrued income	32	38
Directors loans	171	—
	2,466	2,692

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

Group

	Sept 2013 £000	Aug 2012 £000
Trade creditors	2,886	1,769
Other taxes and social security	1,115	377
Corporation tax	484	3,026
Other creditors	7,378	441
Accruals and deferred income	10,622	7,528
Interest due on the Notes	—	9,018
Amounts owing to Company's immediate parent for group relief (repayable on demand) (Note 8)	3,773	1,087
Bank loan (RCF)	10,000	—
	36,258	23,246

Company

	Sept 2013 £000	Aug 2012 £000
Trade creditors	30	71
Other taxes and social security	14	6
Other creditors	—	8
Accruals and deferred income	281	363
Amounts owing to Company's immediate parent for group relief (repayable on demand) (Note 8)	1,279	227
	1,604	675

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

Group

	Sept 2013 £000	Aug 2012 £000
10.75% Senior Secured Notes due 2019	275,000	200,000
Unsecured loan notes 2021 and accrued interest, owing to Company's immediate parent (Note 22)	23,138	20,232
Preferences shares and accrued interest:		
Amounts owing to Company's immediate parent (Note 22)	213,114	184,647
Amounts owing to other parties	4,446	5,549
	515,698	410,428

On 30 March 2012, the subsidiary, Lowell Group Financing Plc, issued £200.0m 10.75% Senior Secured Notes due 2019, with the interest rate fixed at 10.75% for the entirety of its term. Commencing on 1 October 2012, the interest on the Notes is paid by the subsidiary semi-annually on each 1 April and 1 October. The Notes will mature on 1 April 2019, though the subsidiary may redeem some or all of the Notes at an earlier date as per the details set out in the Offering Memorandum issued on 23 March 2012.

A further £75.0m Notes were issued on 11 February 2013 under the same terms. The £75.0m Notes were issued at a premium raising cash of £82.1m. The loan premium of £7.1m is recorded within Accruals and deferred income (Note 14) and is being released to the profit and loss account (Note 6) over the remaining term of the Notes. As at 30 September 2013 the outstanding loan premium is £6.4m.

Company

	Sept 2013 £000	Aug 2012 £000
Unsecured loan notes 2021 and accrued interest, owing to Company's immediate parent (Note 22)	23,138	20,232
Preferences shares and accrued interest:		
Amounts owing to Company's immediate parent (Note 22)	213,114	184,647
Amounts owing to other parties	4,446	5,549
	240,698	210,428

The Unsecured Loan Notes 2021 were all issued to the Company's immediate parent on 15 September 2011. The interest rate is 15.25% non-compounding for the first five years and then 12.00% compounding annually for the next five years. The principal and accrued interest are both payable ten years after the issue date. The loan notes together with accrued interest may be redeemed early by the Company at any time or by the noteholders with the lead investor's consent on the occurrence of any event specified in the Loan Note Instrument.

The rights attached to the 165,810,093 preference shares, with a nominal value of £1.00 each, are as follows:

Voting

Preference shareholders are entitled to receive notice of and to attend and speak at general meetings of the Company, but they may not vote at general meetings in respect of their preference shares.

Dividends

Each preference share shall accrue a fixed preferential dividend at 15.25% (non-compounding) of the subscription price per preference share and shall be paid on the date of repayment, redemption or repurchase of the relevant preference share. The right to the preference dividend has priority over the dividend rights of the holders of any other class of share.

Return of capital

On a return of capital on a liquidation, reduction of capital or otherwise, the assets of the Company available for distribution among the shareholders shall be applied in paying to the preference shareholders, in priority to any payment to the holders of any other class of shares: (i) the subscription price in respect of each preference share and (ii) a sum equal to the accrued and unpaid preference dividend calculated to the date of return of capital in accordance with the articles and payable irrespective of whether or not the Company has enough profits available for distribution to pay the accrued and unpaid preference dividend. The preference shares do not confer any further right of participation in the profits or assets of the Company.

The preference shares shall, unless previously repaid, redeemed or repurchased by the Company, be redeemed by the Company in full at par value (together with the amounts of accrued and unpaid preference dividend) ten years after the date of their issue. The preference shares may be redeemed early by the Company at any time or by the holders of a majority of the preference shares in issue on the occurrence of the events specified in the articles.

16. CALLED-UP SHARE CAPITAL

	Sept 2013 £000	Aug 2012 £000
Allotted and fully paid		
940,478 (2012: 940,478) A ordinary shares of £1.00 each	940	940
226,190 (2012: 226,190) B ordinary shares of £1.00 each	226	226
62,836 (2012: 45,515) C ordinary shares of £1.00 each	63	46
23,810 (2012: 6,250) D ordinary shares of £0.01 each	1	—
	1,230	1,212

The rights attached to the ordinary shares are as follows:

Voting

The ordinary shareholders shall be entitled to receive notice of, attend and speak at and vote at general meetings of the Company. On a show of hands each ordinary shareholder shall have one vote and on a poll the ordinary shareholders (other than the D ordinary shareholders) shall have one vote for each ordinary share held by them, and the D ordinary shareholders shall have one vote for every one hundred D ordinary shares held by them.

Dividends

The profits of the Company available for distribution and resolved to be distributed shall be distributed as follows: (i) 999,999 / 1,000,000 to the holders of the ordinary shares (other than the C ordinary shares) pro rata to the number of the ordinary shares (other than the C ordinary shares) held by them; and (ii) 1 / 1,000,000 to the holders of the C ordinary shares pro rata to the number of C ordinary shares held by them.

Return of capital

On a return of capital on liquidation, reduction of capital or otherwise (other than on a redemption or purchase of shares), the balance of any assets available for distribution, subject to any special rights which may be attached to any other class of shares, shall be distributed among the ordinary shareholders in the following priority: (i) first, in paying to each holder of ordinary shares, in respect of each ordinary share of which he / she is a holder, a sum equal to the issue price; (ii) thereafter, of the balance remaining: (a) 999,999 / 1,000,000 to the holders of ordinary shares (other than C ordinary shares) pro rata to the number of the ordinary shares (other than C ordinary shares) held by them; and (b) 1 / 1,000,000 to the holders of C ordinary shares pro rata to the number of C ordinary shares held by them.

During the period the Company issued 17,231 C ordinary shares and 17,560 D ordinary shares at a subscription price of £1.00 and £3.57 respectively. This gave rise to a share premium on the D ordinary shares of £63k.

17. RESERVES

Group

	Share premium account £000	Profit and loss account (restated*) £000
At 1 September 2012 (restated*)	6	(15,511)
Arising on issue of shares (Note 16)	63	—
Loss for the financial period	—	(21,396)
At 30 September 2013	69	(36,907)

* Prior year figures have been restated due to a change in accounting policy for treatment of litigation costs (see Note 1).

Company

	Share premium account £000	Profit and loss account £000
At 1 September 2012	6	(21,472)
Arising on issue of shares (Note 16)	63	—
Loss for the financial period	—	(31,105)
At 30 September 2013	69	(52,577)

18. RECONCILIATION OF MOVEMENT IN TOTAL SHAREHOLDERS' DEFICIT

Group

	13 months ended 30 Sept 2013 £000	15 months ended 31 Aug 2012 (restated*) £000
Opening total shareholders' deficit	(14,293)	—
Issue of share capital (Note 16)	18	1,212
Share premium on shares issued (Note 16)	63	6
Loss for the financial period	(21,396)	(15,511)
Closing total shareholders' deficit	(35,608)	(14,293)

* Prior year figures have been restated due to a change in accounting policy for treatment of litigation costs (see Note 1).

Company

	13 months ended 30 Sept 2013 £000	15 months ended 31 Aug 2012 £000
Opening total shareholders' deficit	(20,254)	—
Issue of share capital (Note 16)	18	1,212
Share premium on shares issued (Note 16)	63	6
Loss for the financial period	(31,105)	(21,472)
Closing total shareholders' deficit	(51,278)	(20,254)

19. RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS

	13 months ended 30 Sept 2013 £000	15 months ended 31 Aug 2012 (restated) £000
Operating profit	53,581	49,670
Depreciation	2,496	2,004
Increase in debt portfolios	(61,417)	(47,464)
Increase in debtors	(1,270)	(1,972)
(Decrease)/increase in creditors	(970)	652
Net cash (outflow)/inflow from operating activities	**(7,580)**	**2,890**

20. ANALYSIS OF CASH FLOWS

	13 months ended 30 Sept 2013 £000	15 months ended 31 Aug 2012 £000
Returns on investments and servicing of finance		
Interest received	206	11
Interest and set up fees paid	(43,804)	(21,928)
Fair value movement in derivatives	—	160
	(43,598)	(21,757)
Taxation		
UK corporation tax paid	(3,869)	(6,521)
Group relief paid to immediate parent	(1,000)	—
	(4,869)	(6,521)
Capital expenditure and financial investment		
Purchase of tangible fixed assets (Note 10)	(2,711)	(1,932)
Acquisitions and disposals		
Purchase of Interlaken Group Limited (Note 12)	(30,822)	—
Cash acquired with Interlaken Group Limited (Note 12)	827	—
Purchase of Lowell Group Limited	—	(241,887)
Cash acquired with Lowell Group Limited	—	9,762
	(29,995)	(232,125)
Financing		
Issue of 10.75% Senior Secured Notes 2019 (Note 15)	85,036	200,000
Drawdown of revolving credit facility	10,000	—
Issue of ordinary share capital	—	1,218
Issue of preference shares	—	165,810
Issue of Unsecured Loan Notes 2021	—	110,000
Repayment of Unsecured Loan Notes 2021	—	(92,395)
Repayment of mezzanine loan	—	(35,355)
Repayment of bank loan	—	(80,813)
	95,036	268,465

21. ANALYSIS OF NET DEBT

	At 1 September 2012 £000	Cash flow £000	Acquisition of subsidiary £000	Non cash movements £000	At 30 September 2013 £000
Debt due within one year	(9,018)	(30,372)	—	29,390	(10,000)
Debt due after more than one year	(410,428)	(85,036)	—	(20,234)	(515,698)
	(419,446)	(115,408)	—	9,156	(525,698)
Cash at bank and in hand	9,020	5,456	827	—	15,303
Total	(410,426)	(109,952)	827	9,156	(510,395)

22. RELATED PARTY TRANSACTIONS

The Group had the following related party transactions in relation to loan notes (Note 15) and preference shares (Note 15):

13 months ended 30 September 2013	Company's immediate parent £000	Other holders £000	Total £000
Unsecured Loan Notes 2021			
Principal and accrued interest at 1 September 2012	20,232	—	20,232
Interest charged (Note 7)	2,906	—	2,906
As at 30 September 2013	23,138	—	23,138
Preference Shares			
Principal and accrued interest at 1 September 2012	184,647	5,549	190,196
Principal and interest transferred	1,806	(1,806)	—
Interest charged (Note 7)	26,661	703	27,364
As at 30 September 2013	213,114	4,446	217,560

15 months ended 31 August 2012	Company's immediate parent £000	Other holders £000	Total £000
Unsecured Loan Notes 2021			
Principal	110,000	—	110,000
Principal repaid	(92,395)	—	(92,395)
Interest charged (Note 7)	10,232	—	10,232
Interest paid	(7,605)	—	(7,605)
As at 31 August 2012	20,232	—	20,232
Preference Shares			
Principal	160,973	2,967	165,810
Interest charged (Note 7)	23,674	437	24,386
As at 31 August 2012	184,647	3,404	190,196

23. OPERATING LEASE COMMITMENTS

Group

Annual commitments under non-cancellable operating leases for which no provision has been made in these financial statements are as follows:

	Sept 2013 £000	Aug 2012 £000
Land and buildings, which expire:		
Within one year	621	—
Within two to five years	494	805
Other operating leases, which expire:		
Within one year	23	—
Within two to five years	44	—
	1,182	805

The lease expires on Enterprise House on 16th June 2014.

The lease on Interchange House includes a break clause which allows the Company to terminate the lease on 16th June 2014. The Company has taken up this option and the lease will expire on 16th June 2014.

A new lease was signed post year end for new premises at Leeds Valley Park. The annual commitment on this new lease is £1.1m.

24. ULTIMATE CONTROLLING PARTY

The Company is a subsidiary undertaking of Metis Holdings Sarl, which is the ultimate parent company, incorporated in Luxembourg.

The largest group which consolidates these financial statements is that headed by Metis Holdco Limited, incorporated in England and Wales. The consolidated financial statements of Metis Holdco Limited are available from its registered office at One Stanhope Gate, London, W1K 1AF.

Company No. 07652466

METIS BIDCO LIMITED

Report and Consolidated Financial Statements

From 31 May 2011 (date of incorporation) to

31 August 2012

METIS BIDCO LIMITED

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS 2012
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METIS BIDCO LIMITED

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS 2012
OFFICERS AND PROFESSIONAL ADVISERS

Directors

J J Cornell (appointed 15 September 2012)
M Dale (appointed 15 September 2012)
A R Hill (appointed 15 September 2012)
T J H Large (appointed 11 August 2011)
J R Rosen (appointed 11 August 2011)
B J Thompson (appointed 31 May 2011)
P A Newcombe (appointed 31 May 2011; resigned 31 May 2011)

Registered office

Enterprise House
1 Apex View
Leeds
LS11 9BH

Bankers

Royal Bank of Scotland
280 Bishopsgate
London
EC2M 4RB

Solicitors

Travers Smith LLP
10 Snow Hill
London
EC1A 2AL

Auditors

KPMG Audit Plc
Chartered Accountants & Statutory Auditor
15 Canada Square
London
E14 5GL

METIS BIDCO LIMITED

DIRECTORS' REPORT
From 31 May 2011 (date of incorporation) to 31 August 2012

The directors present their report and the audited financial statements for the period from 31 May 2011 (date of incorporation) to 31 August 2012.

PRINCIPAL ACTIVITIES

The principal activities of the Group comprise the purchase and recovery of non-performing consumer debt portfolios.

The subsidiary undertakings affecting the profits and net assets of the Group in the period are listed in Note 11.

BUSINESS REVIEW

On 15 September 2011, the Lowell group of companies (headed by Lowell Group Limited) was acquired by Metis Bidco Limited (the "Company"), which is indirectly controlled by funds managed by TDR Capital LLP. On the date of acquisition Exponent's (the previous owners) representatives resigned as directors from the Board of Lowell Group Limited and Lowell's Chairman Adrian Hill was appointed a director of the Company.

On 29 February 2012, Lowell Group Limited incorporated a wholly owned subsidiary Lowell Group Financing Plc and on 12 March 2012 the Company incorporated a wholly owned subsidiary Lowell Finance Holdings Limited. On 13 March 2012 the Company acquired 100% of the issued share capital of Lowell Group Financing Plc from Lowell Group Limited.

On 30 March 2012, Lowell Group Financing Plc issued £200.0m 10.75% Senior Secured Notes due 2019 (the "Notes"), (Note 15). The majority of the funds from this issue were immediately lent to fellow subsidiaries on terms to allow Lowell Group Financing Plc to comply with the term of the Notes.

The Group, through its subsidiaries, has been invited to bid upon the majority of portfolios brought to market. The business acquired portfolios from 28 vendors during the twelve months ended 31 August 2012.

The overall fair value of debt portfolios stood at £236.8m at 31 August 2012, which is a growth of 25% over the period from acquisition, 15 September 2011, to the 31 August 2012.

The Group has performed strongly since acquiring Lowell Group Limited on the 15 September 2011, with ERC (Estimated Remaining Collections) of £428.8m as at 31 August 2012 and Adjusted EBITDA of £95.5m in the period to 31 August 2012.

The Group defines ERC as the expected collections on owned portfolios over an 84 month period, based on our proprietary valuation model.

The Group defines Adjusted EBITDA as collections on owned portfolios plus other turnover, less cost of sales and administrative expenses (which together equal servicing costs), which is the same as operating profit before exceptional and non-recurring items, depreciation, fair value movement in debt portfolios and amount of purchase cost recovered.

ERC and Adjusted EBITDA are widely used by investors to measure a company's asset base and cash flow generation and operating performance respectively. Analysts and investors use ERC and Adjusted EBITDA as supplemental measures to evaluate the overall operating performance of companies in our industry.

The Group has included certain non-UK GAAP financial measures in these financial statements, including ERC, Adjusted EBITDA, Net Debt and certain other financial measures and ratios. These measurements may not be comparable to those of other companies and may be calculated differently from similar measurements under the indenture governing the Group's 10.75% Senior Secured Notes due 2019. Reference to these non-UK GAAP financial measures should be considered in addition to UK GAAP financial measures, but should not be considered a substitute for results that are presented in accordance with UK GAAP.

GOING CONCERN

The directors remain confident that the Group will continue to grow through the purchase and servicing of non-performing debt portfolios in the UK. The directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason the directors adopt the going concern basis in preparing the financial statements (further details are included in Note 1).

DIVIDENDS

The directors do not recommend the payment of a dividend for the period.

KPIs

	2012
Cumulative face value of debt purchases	£9.0bn
Cumulative number of accounts	10.0m
Collections on owned portfolios	£135.9m
Debt portfolios	£236.8m
ERC (Estimated Remaining Collections)	£428.8m
Fixed charge cover ratio (Consolidated EBITDA / Fixed Charges)	1.84
Bond covenant (Net Debt* / ERC)	0.45
Drawdown on RCF** (Revolving Credit Facility)	£0.0m
10.75% Senior Secured Notes	£200.0m
Senior Secured Notes / debt portfolios	84.5%
Operating cash generation (actual collections received less servicing costs, working capital and capital expenditure)	£91.6m

*	Net Debt is total indebtedness (£200.0m) less cash in bank (£9.0m).
**	Facility available under the RCF is £40.0m.

There is a significant tail of cash flow inherent in our portfolios past the 84 months ERC period which is not reflected in our ERC as at 31 August 2012. Our forecast tail of cash flow from month 84 to month 120 is £47.9m, which is in addition to the £428.8m ERC.

FINANCIAL RISK MANAGEMENT

Details of the Group's financial risk management policies are set out in Note 3.

EMPLOYEES

The Group supports equal opportunities in respect of recruitment, career progression and employee management processes. Consideration is given to all applicants for employment, irrespective of any of the protected characteristics as detailed in the Equality Act 2010. It is the policy of the Group to treat disabled persons fairly by making reasonable adjustments to the workplace and business processes. Likewise, in the event of a member of staff becoming disabled, every effort is made to ensure that their employment within the Group can continue. Support is also given to internal applicants in moving to new jobs in other parts of the organisation.

The Chief Executive Officer and other members of the executive team conducted a number of staff briefings throughout the period that kept staff fully informed and updated on business activities. The Group's magazine is used on a routine basis to keep employees and others informed about important business issues, the progress that is being made on key corporate programmes, and other changes affecting the Group, its employees and other stakeholders.

Key employees are invited to take part in an employee share offer to apply for ordinary shares in the Company.

DIRECTORS

The directors who served during the period are shown on page F-298.

CHARITABLE AND POLITICAL DONATIONS

The Group made charitable donations of £2,665 in the period.

DISCLOSURE OF INFORMATION TO AUDITORS

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he / she ought to have taken as a director to make himself / herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

AUDITORS

During the period KPMG Audit Plc were appointed as auditors to the Company.

Pursuant to section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office.

Approved by the Board of Directors and signed on behalf of the Board by:

J J Cornell
Director

28 November 2012

METIS BIDCO LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS
From 31 May 2011 (date of incorporation) to 31 August 2012

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the Group and Parent Company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Parent Company and of their profit or loss for that period.

In preparing each of the Group and Parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF METIS BIDCO LIMITED

We have audited the financial statements of Metis Bidco Limited for the period from 31 May 2011 (date of incorporation) to 31 August 2012 set out on pages F-303 to F-324. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page F-302, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm**.**

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 August 2012 and of the Group's loss for the period then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Kieren Cooper (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants
15 Canada Square
London
E14 5GL

METIS BIDCO LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT
From 31 May 2011 (date of incorporation) to 31 August 2012

	Note	2012 £000
Collections on owned portfolios		135,903
Amount of purchase cost recovered		(55,078)
Fair value movement in debt portfolios		11,858
Turnover from debt portfolios		92,683
Other turnover		272
Turnover	1	92,955
Cost of sales	1	(17,026)
Gross profit		75,929
Administrative expenses		(25,436)
Depreciation	10	(2,004)
Operating profit	4	48,489
Interest receivable	6	11
Interest payable and similar charges	7	(51,755)
Fair value movements in derivatives	3	160
Amortisation of intangible assets	9	(7,968)
Loss on ordinary activities before taxation		(11,063)
Tax on loss on ordinary activities	8	(5,380)
Loss on ordinary activities after taxation for the period	18	(16,443)

All amounts relate to continuing operations.

There were no recognised gains and losses for the period other than those included in the Profit and Loss Account and accordingly, a statement of recognised gains and losses has not been prepared.

The notes on pages F-308 to F-324 form part of these financial statements.

METIS BIDCO LIMITED

CONSOLIDATED BALANCE SHEET
31 August 2012

	Note	2012 £000
Fixed assets		
Intangible assets	9	152,728
Tangible assets	10	4,160
		156,888
Current assets		
Portfolios (including £168,262k falling due after more than one year)	1 & 2	236,759
Debtors	13	15,782
Cash at bank and in hand		9,020
		261,561
Creditors: amounts falling due within one year	14	(23,246)
Net current assets		238,315
Total assets less current liabilities		395,203
Creditors: amounts falling due after more than one year	15	(410,428)
Net liabilities		(15,225)
Called-up share capital	17	1,212
Share premium account	18	6
Profit and loss account	18	(16,443)
Total equity shareholders' deficit	19	(15,225)

These financial statements of Metis Bidco Limited, Company No. 07652466, were approved by the Board of Directors on 27 November 2012.

Signed on behalf of the Board of Directors by:

J J Cornell
Director

28 November 2012

The notes on pages F-308 to F-324 form part of these financial statements.

METIS BIDCO LIMITED

COMPANY BALANCE SHEET
31 August 2012

	Note	2012 £000
Fixed assets		
Investments	11	188,076
Current assets		
Debtors	13	2,692
Cash at bank and in hand		81
		2,773
Creditors: amounts falling due within one year	14	(675)
Net current assets		2,098
Total assets less current liabilities		190,174
Creditors: amounts falling due after more than one year	15	(210,428)
Net liabilities		(20,254)
Called-up share capital	17	1,212
Share premium account	18	6
Profit and loss account	18	(21,472)
Total equity shareholders' deficit	19	(20,254)

These financial statements of Metis Bidco Limited, Company No. 07652466, were approved by the Board of Directors on 27 November 2012.

Signed on behalf of the Board of Directors by:

J J Cornell
Director

28 November 2012

The notes on pages F-308 to F-324 form part of these financial statements.

METIS BIDCO LIMITED

CONSOLIDATED CASH FLOW STATEMENT
From 31 May 2011 (date of incorporation) to 31 August 2012

	Note	2012 £000
Cash flow from operating activities	20	2,890
Returns on investments and servicing of finance	21	(21,757)
Taxation	21	(6,521)
Capital expenditure and financial investment	21	(1,932)
Acquisitions and disposals	21	(232,125)
Cash outflow before financing		(259,445)
Financing	21	268,465
Increase in cash in the period		9,020

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT
From 31 May 2011 (date of incorporation) to 31 August 2012

	Note	2012 £000
Increase in cash in the period	22	9,020
Movement in borrowings	22	(267,248)
Non cash movements	22	(36,031)
Movement in net debt in the period		(294,259)
Net debt at start of the period / date of acquisition	22	(116,167)
Net debt at end of the period	22	(410,426)

The notes on pages F-308 to F-324 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
From 31 May 2011 (date of incorporation) to 31 August 2012

1. ACCOUNTING POLICIES

These financial statements are prepared in accordance with UK Generally Accepted Accounting Practice. The particular accounting policies adopted are described below.

Basis of accounting

These financial statements are prepared under the historical cost convention, except for purchased non-performing debt portfolios which are held at fair value to reflect changes in the expected profile of future cash flows.

Going concern

The Group's business activities together with factors likely to affect its future development, performance and position are set out in the Business Review on page F-299. In addition, Note 3 to these financial statements includes the Group's financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

There are long term business plans and short term forecasts in place which are reviewed and updated on an ongoing regular basis by management. The Group is in a net liabilities position as a result of funding structures in place as investment by the ultimate controlling parent, Metis Holdings Sarl.

The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they adopt the going concern basis of accounting in preparing these financial statements.

Basis of consolidation

The Group financial statements consolidate the financial statements of Metis Bidco Limited and all its subsidiary undertakings drawn up to 31 August 2012. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. Acquisitions are accounted for under the acquisition method.

No Profit and Loss Account is presented for Metis Bidco Limited itself as permitted by Section 408 of the Companies Act 2006. The Company's result for the period, determined in accordance with the Act, was a loss after tax of £21,472k.

Financial instruments

In accordance with FRS 26, the financial instruments of the Group have been classified as follows:

a) *Debt portfolios*

Non-performing debt portfolios are purchased from institutions at a substantial discount from their face value. The portfolios are initially recorded at their fair value. These portfolios are classified as a financial asset at "fair value through profit or loss" as the portfolios are managed and evaluated on a fair value basis in accordance with a documented risk management and investment strategy, and internal information is made available to the Board and key management personnel on this basis. The fair value of each portfolio is assessed using valuation techniques taking account of projected future cash flows, an assessment of the discount factor for each portfolio based upon market information modified by appropriate risk assessments or discounts, and recent arm's length transactions.

b) *Financial liabilities*

All financial liabilities held by the Group are measured at amortised cost using the effective interest method, except for those measured at fair value through profit or loss, e.g. derivative liabilities.

c) *Derivatives*

The Group enters into interest rate caps and interest rate swaps to commercially hedge its exposure to interest rate risk from financing activities. The Group does not hold derivative instruments for trading purposes.

If material, derivatives are initially recognised at fair value on the date on which the derivative contract is entered into, and subsequently re-measured at their fair value at each reporting date. The resulting gain or loss is recognised in the Profit and Loss Account immediately. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

As at the 31 August 2012 the Group had no outstanding derivative contracts. All contracts matured or were closed out during the period.

Turnover

Turnover represents the yield from purchased non-performing debt portfolios, net of VAT, all of which arose in the UK.

Cost of sales

Cost of sales represents the costs of collecting debts.

Fair value movement in debt portfolios

For portfolios purchased during the period, the fair value movement is the difference in net collection projections from 31 August 2012 between the original curves based on the price paid for the portfolios and the current collection projections, plus reflecting any change in discount rates.

For portfolios acquired on the acquisition of Lowell Group Limited (Note 12), the fair value movement is the difference in net collection projections from 31 August 2012 between the original curves based on the price paid for the acquired portfolios and the current collection projections, plus reflecting any change in discount rates.

Intangible fixed assets – goodwill

Goodwill arising on the acquisition of subsidiary undertakings and business assets, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life as follows:

Acquisition of subsidiary undertakings	20 years
Acquisition of business assets.................................	4 years

Provision is made for any impairment.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost less estimated residual value on each asset on a straight line basis over their estimated useful lives as follows:

Office equipment...	4 years

Fixed asset investments

Fixed asset investments are shown at cost less any provision for impairment.

Taxation

Current tax, including UK corporation 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 balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in these financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in these financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Amounts collected on behalf of third parties

Amounts collected on behalf of third parties are reported within both Cash at bank and in hand and Other creditors.

Leases

Operating lease rentals are charged to income on a straight line basis over the lease term. Any lease incentives are spread over the life of the lease.

2. CRITICAL ACCOUNTING POLICIES, JUDGEMENTS AND ESTIMATES

Certain assets and liabilities are reported in these financial statements based upon managements' estimates and assumptions, introducing a risk of changes to the carrying amounts of these items within the next financial year.

Purchased debt portfolios

Non-performing debt portfolios are purchased from institutions at a substantial discount from their face value. The portfolios are classified as a financial asset at "fair value through profit or loss". The fair value of each portfolio is assessed on the measurement date using valuation techniques taking account of projected future cash flows, an assessment of the discount factor for each portfolio based upon market information modified by appropriate risk assessments or discounts, and recent arm's length transactions.

The calculation of the amount falling due after more than one year depends upon the value and profile of 'setups' where customers enter into payment plans.

The directors are of the opinion that the discount rate applied in determining the fair value of the debt portfolios represents an unobservable market rate. That rate has been determined by management to be 15% for default portfolios and 12% for paying portfolios. Changes in this assumption to possible alternatives of plus or minus 2.5% would lead to the following (decrease) / increase of profit:

	£000
Plus 2.5%..	(9,127)
Minus 2.5%..	9,898

The Group has forward flow agreements in place in relation to the future purchase of debt portfolios. The fair value of portfolios purchased under these agreements is determined on the same basis as the Group's other purchased debt portfolios.

3. RISK MANAGEMENT AND CONTROL

As a result of its normal business activities, the Group has exposure to the following risks:

- Credit risk
- Liquidity risk
- Operational risk
- Market risk

- Capital management risk
- Fair value estimation risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these financial statements. The Group manages these risks through the Board of Directors.

The Group has no significant exposures in foreign currency and does not hold any speculative foreign exchange positions.

The Group has no significant exposure to equity markets and does not hold any speculative equity positions.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual payment obligations.

The risk to the Group is lower than expected collections from the acquired non-performing debt portfolios.

The risk from the concentration of debtor credit risk is limited due to the relatively low value of each of the individual debtor's debts and to the Group's increasingly broadening client base from whom portfolios are purchased.

The risk is managed through utilising appropriate portfolio valuation models and building current expectations of recoverability into pricing models. The Group's exposure to credit risk is monitored by the Board of Directors.

The carrying amount of financial assets recorded in these financial statements represents the Group's maximum exposure to credit risk. These portfolios are performing in line with the Group's expectations, but are in default relative to the original contractual terms between the debtor and the third party from whom the Group acquired the debt. The Group does not hold any collateral in respect of its receivables.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows. At 31 August 2012, the Group had available undrawn committed borrowing facilities.

The following table shows the Group's contractual maturities of financial liabilities including interest payments at the balance sheet date:

	Carrying amount £000	Contractual cash flows £000	0-6 months £000	6-12 months £000	1-5 years £000	Over 5 years £000
Notes	209,018	350,560	10,810	10,750	86,000	243,000
Preference shares	190,196	418,670	—	—	—	418,670
Loan with parent	20,232	54,764	—	—	—	54,764
Other liabilities	14,228	14,228	14,228	—	—	—
Total liabilities	433,674	838,222	25,038	10,750	86,000	716,434

Operational risk

Operational risk is defined by the Group as the potential risk of financial loss, or impairment to reputation, as a result of internal process failures, or from the inappropriate actions of employees or management. The Board of Directors has ultimate responsibility for establishing the framework in which operational risk is managed, and the day to day management of operational risk rests with line managers.

Market risk

Market risk is risk of changes caused by market variables such as interest rate and prices, i.e. the cost of consumer debt portfolios. The Group has minimised its risk against interest rates by being funded by share capital and from 30 March 2012 by 10.75% Senior Secured Notes due 2019, upon which the interest rate is fixed.

By only bidding for consumer debt portfolios up to a price that enables the Group to expect a yield high enough to cover all costs of collection and to make a contribution to overhead costs, the Group minimises its risk against the cost of these portfolios.

Derivatives are contracts or arrangements whose value is derived from one or more underlying price, rate or index inherent in the contract or arrangement, such as interest rates. The Group possesses variable rate funding for which interest rate caps and interest rate swaps are used to mitigate the risk of changing interest rates.

On 30 March 2012 the balance outstanding on the old RCF (Revolving Credit Facility) was fully repaid. A new RCF was put in place on 30 March 2012. There have been no drawdowns on the new facility in the period from 30 March 2012 to 31 August 2012.

The use of derivatives is controlled by the Board of Directors. However, because there have been no drawdowns on the new RCF from 30 March 2012 to 31 August 2012 no further derivative contracts have been entered into. As at the 31 August 2012 the Group has no outstanding derivative contracts. All contracts matured or were closed out during the period.

At 31 August 2012 the Group has no exposure to changes in interest rates. Except for the RCF, which is undrawn at the year end, the Group's funding is subject to fixed terms and fixed interest rates.

Capital management risk

The Group's objective in managing capital is to maintain a strong capital base to support current operations and planned growth and so to maintain investor, creditor and market confidence. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

Fair value estimation risk

Financial assets and liabilities are classified into the following categories:

	2012 £000
Financial assets	
Fair value through profit and loss	236,759
Loans and receivables	24,802
Total financial assets	261,561
Financial liabilities	
Fair value through profit and loss	—
Other financial liabilities measured at amortised cost	(433,674)
Total financial liabilities	(433,674)

The directors consider that the carrying amount of financial assets and financial liabilities recorded in these financial statements approximates their fair value. The fair values are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

4. OPERATING PROFIT

	2012 £000
Operating profit is after charging:	
Depreciation of tangible fixed assets	2,004
Amortisation of intangible fixed assets	7,968
Rentals under operating leases	805

	2012 £000
Auditor's remuneration:	
Audit of these financial statements	4
Audit of other group companies' financial statements	52
Other assurance services	18

During the period £186k was charged by the auditor for other assurance services in relation to the issue of the 10.75% Senior Secured Notes (the "Notes"). These costs are charged to the Profit and Loss Account over the 7 year term of the Notes. During the period to 31 August 2012 £11k has been included in "Fees payable on the Notes", (Note 7).

5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2012 £000
Directors' remuneration	
Aggregate emoluments to current directors	502
Emoluments of highest paid director	362

The above emoluments do not include any emoluments for M Dale, T J H Large, J R Rosen and B J Thompson, which are paid by a parent company.

	2012 No.
Employees	
Average number of persons employed by the Group:	
Administration	541

	2012 £000
Staff costs for the Group (including directors)	
Wages and salaries	15,628
Social security costs	1,663
	17,291

6. INTEREST RECEIVABLE

	2012 £000
Bank interest receivable	11

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2012 £000
Interest payable on preference shares to Company's immediate parent	23,675
Interest payable on preference shares to other parties	711
Interest payable on the Notes	9,018
Interest payable on loan notes to Company's immediate parent	10,232
Interest payable to banks	7,215
Fees payable on the Notes	479
Fees payable on revolving credit facility	425
	51,755

8. TAX ON LOSS ON ORDINARY ACTIVITIES

	2012 £000
Current taxation	
UK corporation tax	4,287
Group relief paid for (Note 14)	1,087
Adjustment in respect of previous periods	(13)
Total current tax charge	5,361
Deferred taxation	
Book depreciation in excess of capital allowances:	
Origination and reversal of timing differences	(135)
Effects of change in tax rates	34
Deferred tax credit in the Profit and Loss Account (Note 13)	(101)
Short term timing differences:	
Origination and reversal of timing differences	119
Effects of change in tax rates	1
Deferred tax charge in the Profit and Loss Account (Note 13)	120
Total deferred tax charge	19
Total charge on loss on ordinary activities	5,380

On 21 March 2012, the government announced that the main rate of corporation tax was to reduce from 26% to 24% with effect from 1 April 2012. Finance Act 2012 confirmed this and included legislation to reduce the main rate of corporation tax from 24% to 23% with effect from 1 April 2013. Accordingly, deferred tax balances which are expected to reverse after 31 August 2012 have been revalued at 23% in these financial statements.

Legislation is planned to be introduced in Finance Bill 2013 to reduce the main rate of corporation tax to 22% from 1 April 2014. This change has not been substantively enacted at the balance sheet date and therefore is not recognised in these financial statements. The impact of this change would be to reduce the net deferred tax asset by £17k.

The tax assessed for the period is greater than the standard effective rate of corporation tax in the UK for the period ended 31 August 2012 of 25%. The differences are explained below:

	2012 £000
Loss on ordinary activities before tax	(11,063)
Tax credit on loss on ordinary activities at standard UK corporation tax rate of 25%	(2,784)
Effects of:	
Expenses not deductible for tax purposes	8,146
Movement in short term timing differences	(119)
Book depreciation in excess of capital allowances	135
Adjustment in respect of previous periods	(14)
Group relief claimed free of charge	(3)
Current tax charge for period	5,361

9. INTANGIBLE FIXED ASSETS

Group

	Goodwill £000
Cost	
Upon acquisition of Lowell Group Limited	160,696

	Goodwill £000
Accumulated amortisation	
Charge for the period	(7,968)
Net book value	
At 31 August 2012	152,728

The goodwill arose from the acquisition as detailed in Note 12.

This is being amortised over a period of 20 years as detailed in the accounting policies in Note 1.

The charge is for the period from the acquisition date, 15 September 2011, to the 31 August 2012.

10. TANGIBLE FIXED ASSETS

Group

	Office equipment £000
Cost	
At acquisition of subsidiary undertakings	9,678
Additions during the period	1,932
At 31 August 2012	11,610
Accumulated depreciation	
At acquisition of subsidiary undertakings	(5,446)
Charge for the period	(2,004)
At 31 August 2012	(7,450)
Net book value	
At acquisition of subsidiary undertakings (Note 12)	4,232
At 31 August 2012	4,160

11. FIXED ASSETS INVESTMENTS

Company
Subsidiary undertakings

	2012 £000
Cost	
Acquisition of subsidiary undertakings (Note 12)	241,887
Preference dividend received from subsidiary	(58,974)
Waiver of preference dividend from subsidiary	5,163
At 31 August	188,076

On 30 March 2012, the accrued preference dividend from Lowell Group Limited was £70,225k.

On 30 March 2012, Lowell Group Limited paid a preference dividend to the Company of £65,062k, of which £58,974k was the pre acquisition amount and consequently this has been netted off the cost of investment.

On 30 March 2012, the Company waived its rights to the remaining outstanding preference dividend from Lowell Group Limited of £5,163k, thereby increasing its investment.

The Company and the Group have investments in the following subsidiary undertakings:

Name	Country of incorporation	Principal activity	Ordinary share holding %
Lowell Finance Holdings Limited	UK	Holding company	100*
Lowell Group Financing Plc	UK	Financing	100
Lowell Group Limited	UK	Holding company	100
Lowell Funding Limited	UK	Holding company	100
Lowell Acquisitions Limited	UK	Holding company	100
Lowell Holdings Ltd	UK	Holding company	100
Lowell Finance Ltd	UK	Holding company	100
Lowell Financial Ltd	UK	Consumer debt collection	100
Lowell Portfolio I Ltd	UK	Consumer debt purchase and collection	100
Tocatto Ltd	UK	Consumer debt collection	100
Lowell Portfolio III Limited	UK	Dormant	100

* Held directly by the Company.

On 29 February 2012, Lowell Group Limited incorporated a wholly owned subsidiary Lowell Group Financing Plc with share capital of one ordinary share for £1.00 and fifty thousand preference shares of £1.00 each. Lowell Group Financing Plc did not trade between 29 February 2012 (its date of incorporation) and 13 March 2012, when its ownership was transferred to Lowell Finance Holdings Limited. The consideration was £50,001, being the fair value of the net assets acquired.

On 12 March 2012, the Company incorporated Lowell Finance Holdings Limited with 1 £1.00 ordinary share. The only other transactions for Lowell Finance Holdings Limited that have taken place since its incorporation are detailed in Note 12.

On 7 June 2012, Lowell Finance Ltd incorporated Lowell Portfolio III Limited with two £1.00 ordinary shares. There have been no further transactions for Lowell Portfolio III Limited since its incorporation.

12. ACQUISITION AND DISPOSAL OF SUBSIDIARY UNDERTAKINGS

On 15 September 2011, the Company acquired the entire ordinary share capital of Lowell Group Limited. The consideration of £59,100k was paid in cash.

Also on 15 September 2011, the Company acquired the entire preference share capital of Lowell Group Limited. This consisted of nominal preference share capital of £111,839k and accrued interest of £58,974k on such preference shares, a total of £170,813k. The consideration of £170,813k was paid in cash.

In addition, the Company incurred professional fees of £11,974k on the acquisition of Lowell Group Limited.

	£000
Assets and liabilities acquired:	
Tangible fixed assets (Note 10)	4,232
Portfolios	189,295
Debtors	8,305
Cash	9,762
Creditors: amounts falling due within one year	(10,307)
Creditors: amounts falling due after more than one year	(115,241)
Preference shares	(170,813)
Corporation tax liabilities	(5,273)
Deferred tax assets:	
Book depreciation in excess of capital allowances (Note 13)	281
Short term timing differences (Note 13)	137
	(89,622)
Goodwill (Note 9)	160,696
Consideration for share capital (including professional fees)	71,074
Consideration for preference shares	170,813
Total consideration (Note 11)	241,887

	£000

The acquisition of Lowell Group Limited has been accounted for by the acquisition method of accounting.

There were no fair value adjustments to the book value of the assets and liabilities acquired.

In its last financial year to 31 August 2011 the Consolidated Profit and Loss Account of Lowell Group Limited reported a loss after taxation of £1,326k.

For the period since 31 August 2011 to the date of acquisition of 15 September 2011, the consolidated management accounts of Lowell Group Limited show the following:

	£000
Turnover	2,456
Operating profit	396
Loss before taxation	(858)
Taxation	(59)
Loss after taxation	(917)

On 19 March 2012, the Company disposed of 100% of the issued ordinary shares of Lowell Group Limited to its wholly owned subsidiary Lowell Finance Holdings Limited. The consideration was £71,073,883 being both the book value and the fair value of the Company's investment in the ordinary shares of Lowell Group Limited. Lowell Finance Holdings Limited paid for this by issuing 71,073,883 ordinary shares of £1.00 each.

On 30 March 2012, the Company disposed of 100% of the issued preference shares of Lowell Group Limited, to its wholly owned subsidiary Lowell Finance Holdings Limited. The consideration was £111,839,512 being both the book value and fair value of the Company's investment in the preference shares of Lowell Group Limited. Lowell Finance Holdings Limited paid for this by issuing 111,839,512 ordinary shares of £1.00 each.

13. DEBTORS

Group

	2012 £000
Trade debtors	126
Other debtors	3,537
Deferred tax	399
Prepayments and accrued income	11,720
	15,782

Deferred tax assets recognised in these financial statements are as follows:

	2012 £000
Book depreciation in excess of capital allowances:	
Acquisition of subsidiary undertakings (Note 12)	281
Deferred tax credit in the Profit and Loss Account (Note 8)	101
Balance 31 August 2012	382
Short term timing differences:	
Acquisition of subsidiary undertakings (Note 12)	137
Deferred tax charge in the Profit and Loss Account (Note 8)	(120)
Balance 31 August 2012	17
Total deferred tax assets at 31 August 2012	399

Company

	2012 £000
Amounts owing by group undertakings (repayable on demand)	2,577
Other debtors	18
Other taxes and social security	59
Prepayments and accrued income	38
	2,692

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

Group

	2012 £000
Trade creditors	1,769
Other taxes and social security	377
Corporation tax	3,026
Other creditors	441
Accruals and deferred income	7,528
Interest due on the Notes	9,018
Amounts owing to Company's immediate parent for group relief (repayable on demand) (Note 8)	1,087
	23,246

Company

	2012 £000
Trade creditors	71
Other taxes and social security	6
Other creditors	8
Accruals and deferred income	363
Amounts owing to group undertakings (repayable on demand)	227
	675

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

Group

	2012 £000
10.75% Senior Secured Notes due 2019	200,000
Loan notes and accrued interest, owing to Company's immediate parent (Note 23)	20,232
Preferences shares and accrued interest:	
Amounts owing to Company's immediate parent (Note 23)	184,647
Amounts owing to other parties	5,549
	410,428

On 30 March 2012, the subsidiary, Lowell Group Financing Plc, issued £200m 10.75% Senior Secured Notes due 2019. The interest rate on the Notes is fixed at 10.75% for the entirety of its term. The interest on the Notes will be paid by the subsidiary semi-annually on each 1 April and 1 October, commencing 1 October 2012. The Notes will

mature on 1 April 2019, though the subsidiary may redeem some or all of the Notes at an earlier date as per the details set out in the Offering Memorandum issued on 23 March 2012.

Company

	2012 £000
Loan notes and accrued interest, owing to Company's immediate parent (Note 23)	20,232
Preferences shares and accrued interest:	
Amounts owing to Company's immediate parent (Note 23)	184,647
Amounts owing to other parties	5,549
	210,428

The Unsecured Loan Notes 2021 were all issued to the Company's immediate parent on 15 September 2011. The interest rate is 15.25% non-compounding for the first five years and then 12.00% compounding annually for the next five years. The principal and accrued interest are both payable ten years after the issue date. The loan notes together with accrued interest may be redeemed early by the Company at any time or by the noteholders with the lead investor's consent on the occurrence of any event specified in the Loan Note Instrument.

The rights attached to the 165,810,093 preference shares, with a nominal value of £1.00 each, are as follows:

Voting

Preference shareholders are entitled to receive notice of and to attend and speak at general meetings of the Company, but they may not vote at general meetings in respect of their preference shares.

Dividends

Each preference share shall accrue a fixed preferential dividend at 15.25% (non-compounding) of the subscription price per preference share and shall be paid on the date of repayment, redemption or repurchase of the relevant preference share. The right to the preference dividend has priority over the dividend rights of the holders of any other class of share.

Return of capital

On a return of capital on a liquidation, reduction of capital or otherwise, the assets of the Company available for distribution among the shareholders shall be applied in paying to the preference shareholders, in priority to any payment to the holders of any other class of shares: (i) the subscription price in respect of each preference share and (ii) a sum equal to the accrued and unpaid preference dividend calculated to the date of return of capital in accordance with the articles and payable irrespective of whether or not the Company has enough profits available for distribution to pay the accrued and unpaid preference dividend. The preference shares do not confer any further right of participation in the profits or assets of the Company.

The preference shares shall, unless previously repaid, redeemed or repurchased by the Company, be redeemed by the Company in full at par value (together with the amounts of accrued and unpaid preference dividend) ten years after the date of their issue. The preference shares may be redeemed early by the Company at any time or by the holders of a majority of the preference shares in issue on the occurrence of the events specified in the articles.

16. OPERATING LEASE COMMITMENTS

Group

Commitments under non-cancellable operating leases for which no provision has been made in these financial statements are as follows:

	2012 £000
Land and buildings operating leases which expire:	
Within one year	805
Within two to five years	977
	1,782

17. CALLED-UP SHARE CAPITAL

	2012 £000
Called-up, allotted and fully paid	
940,478 A ordinary shares of £1.00 each	940
226,190 B ordinary shares of £1.00 each	226
45,515 C ordinary shares of £1.00 each	46
6,250 D ordinary shares of £0.01 each	—
	1,212

The rights attached to the ordinary shares are as follows:

Voting

The ordinary shareholders shall be entitled to receive notice of, attend and speak at and vote at general meetings of the Company. On a show of hands each ordinary shareholder shall have one vote and on a poll the ordinary shareholders (other than the D ordinary shareholders) shall have one vote for each ordinary share held by them, and the D ordinary shareholders shall have one vote for every one hundred D ordinary shares held by them.

Dividends

The profits of the Company available for distribution and resolved to be distributed shall be distributed as follows: (i) 999,999 / 1,000,000 to the holders of the ordinary shares (other than the C ordinary shares) pro rata to the number of the ordinary shares (other than the C ordinary shares) held by them; and (ii) 1 / 1,000,000 to the holders of the C ordinary shares pro rata to the number of C ordinary shares held by them.

Return of capital

On a return of capital on liquidation, reduction of capital or otherwise (other than on a redemption or purchase of shares), the balance of any assets available for distribution, subject to any special rights which may be attached to any other class of shares, shall be distributed among the ordinary shareholders in the following priority: (i) first, in paying to each holder of ordinary shares, in respect of each ordinary share of which he / she is a holder, a sum equal to the issue price; (ii) thereafter, of the balance remaining: (a) 999,999 / 1,000,000 to the holders of ordinary shares (other than C ordinary shares) pro rata to the number of the ordinary shares (other than C ordinary shares) held by them; and (b) 1 / 1,000,000 to the holders of C ordinary shares pro rata to the number of C ordinary shares held by them.

18. RESERVES

Group

	Share premium account £000	Profit and loss account £000
Shares issued at a premium	6	—
Loss for the period	—	(16,443)
At 31 August 2012	6	(16,443)

Company

	£000	£000
Shares issued at a premium	6	—
Loss for the period	—	(21,472)
At 31 August 2012	6	(21,472)

The 6,250 D ordinary shares, with a nominal value of £0.01 each, were issued at £1.00 each giving rise to a total share premium of £6,188.

19. RECONCILIATION OF MOVEMENT IN TOTAL EQUITY SHAREHOLDERS' DEFICIT

Group

	2012 £000
Issue of share capital (Note 17)	1,212
Share premium on shares issued (Note 18)	6
Loss for the period	(16,443)
Closing total equity shareholders' deficit	(15,225)

Company

	2012 £000
Issue of share capital (Note 17)	1,212
Share premium on shares issued (Note 18)	6
Loss for the period	(21,472)
Closing total equity shareholders' deficit	(20,254)

20. RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS

	2012 £000
Operating profit	48,489
Depreciation	2,004
Increase in debt portfolios	(47,464)
Increase in debtors	(791)
Increase in creditors	652
Net cash inflow from operating activities	2,890

21. ANALYSIS OF CASH FLOWS

	2012 £000
Returns on investments and servicing of finance	
Interest received	11
Interest and set up fees paid	(21,928)
Fair value movement in derivatives	160
	(21,757)
Taxation	
UK corporation tax paid	(6,521)
Capital expenditure and financial investment	

	2012 £000
Purchase of tangible fixed assets	(1,932)
Acquisitions and disposals	
Purchase of Lowell Group Limited (Note 12)	(241,887)
Cash acquired with Lowell Group Limited (Note 12)	9,762
	(232,125)
Financing	
Issue of 10.75% Senior Secured Notes 2019	200,000
Issue of ordinary share capital	1,218
Issue of preference shares	165,810
Issue of Unsecured Loan Notes 2021	110,000
Repayment of Unsecured Loan Notes 2021	(92,395)
Repayment of mezzanine loan	(35,355)
Repayment of bank loan	(80,813)
	268,465

22. ANALYSIS OF NET DEBT

	At start of period £000	Cash flow £000	Acquisition (excluding cash) £000	Non cash movements £000	At 31 August 2012 £000
Debt due within one year	—	926	(926)	(9,018)	(9,018)
Debt due after more than one year	—	(268,174)	(115,241)	(27,013)	(410,428)
	—	(267,248)	(116,167)	(36,031)	(419,446)
Cash at bank and in hand	—	9,020	—	—	9,020
Total	—	(258,228)	(116,167)	(36,031)	(410,426)

23. RELATED PARTY TRANSACTIONS

During the period, loan notes (Note 15) and preference shares (Note 15) were issued, partly repaid and interest charged and paid as follows:

	Directors £000	Company's immediate parent £000	Other holders £000	Total £000
Unsecured Loan Notes 2021				
Principal	—	110,000	—	110,000
Principal repaid	—	(92,395)	—	(92,395)
Interest charged	—	10,232	—	10,232
Interest paid	—	(7,605)	—	(7,605)
	—	20,232	—	20,232
Preference Shares				
Principal	1,870	160,973	2,967	165,810
Interest charged	275	23,674	437	24,386
	2,145	184,647	3,404	190,196

24. ULTIMATE CONTROLLING PARTY

The Company is a subsidiary undertaking of Metis Holdings Sarl, which is the ultimate parent company, incorporated in Luxembourg.

The largest group in which the results of the Company's consolidated financial statements are consolidated is that headed by Metis Holdco Limited, incorporated in England and Wales. The consolidated financial statements of Metis Holdco Limited are available from its registered office at One Stanhope Gate, London, W1K 1AF.

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Garfunkelux Holdco 3 S.A.
and
Garfunkelux Holdco 2 S.A.

£565,000,000 8.500% Senior
Secured Notes due 2022
£230,000,000 11.000% Senior
Notes due 2023

February 3, 2016

LUXEMBOURG STOCK EXCHANGE LISTING PROSPECTUS

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Garfunkelux Holdco 3 S.A. £565,000,000 8.500% Senior Secured Notes due 2022

Garfunkelux Holdco 2 S.A. £230,000,000 11.000% Senior Notes due 2023