IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QUALIFIED INSTITUTIONAL BUYERS ("**QIBs**") WITHIN THE MEANING OF RULE 144A ("**RULE 144A**") UNDER THE US SECURITIES ACT OF 1933, AS AMENDED (THE "**US SECURITIES ACT**"), OR (2) OUTSIDE THE UNITED STATES IN ACCORDANCE WITH REGULATION S ("**REGULATION S**") UNDER THE US SECURITIES ACT (AND, IN THIS CASE, ONLY TO INVESTORS WHO, IF RESIDENT IN A MEMBER STATE OF THE EUROPEAN ECONOMIC AREA, ARE QUALIFIED INVESTORS UNDER DIRECTIVE 2003/71/EC, AS AMENDED (THE "**PROSPECTUS DIRECTIVE**")).

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

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE US SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE US SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE FOLLOWING OFFERING MEMORANDUM MAY NOT BE PUBLISHED, FORWARDED, DISTRIBUTED OR OTHERWISE MADE AVAILABLE IN WHOLE OR IN PART TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE US SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORIZED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE NOTES DESCRIBED HEREIN.

Confirmation of your representation: In order to be eligible to view the offering memorandum or make an investment decision with respect to the securities described therein, investors must be either (1) QIBs or (2) purchasing such securities in an offshore transaction outside the United States in reliance on Regulation S; provided that investors resident in a Member State of the European Economic Area are "qualified investors" (within the meaning of Article 2(1)(e) of Directive 2003/71/EC (and amendments thereto, including Directive 2010/73/EU, to the extent implemented in the relevant Member State) and any relevant implementing measure in each Member State of the European Economic Area). The offering memorandum is being sent at your request. By accepting the e-mail and accessing the offering memorandum, you shall be deemed to have represented to us that:

1. you consent to delivery of such offering memorandum by electronic transmission,
2. either:
   (a) you and any customers you represent are QIBs; or
   (b) the e-mail address that you gave us and to which the e-mail has been delivered is not located in the United States, its territories and possessions (including Puerto Rico, the US Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands), any state of the United States or the District of Columbia; and
3. if you are resident in a Member State of the European Economic Area, you are a qualified investor.

Prospective purchasers that are QIBs are hereby notified that the seller of the securities will be relying on the exemption from the provisions of Section 5 of the US Securities Act pursuant to Rule 144A.

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

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the initial purchasers or any affiliate of the initial purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the initial purchasers or such affiliate on behalf of the issuers in such jurisdiction.

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

The offering memorandum is not being distributed by, nor has it been approved for the purposes of section 21 of the Financial Services and Markets Act 2000 as amended (the "**FSMA**") by, a person authorized under the FSMA. The offering memorandum is only being distributed to and is only directed at persons who (i) are outside the United Kingdom, (ii) have professional experience in matters relating to investments (being investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Financial Promotion Order**")), (iii) fall within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations, etc. ") of the Financial Promotion Order, or (iv) to the extent that doing so does not prejudice the lawful distribution of the offering memorandum to the foregoing, are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) in connection with the issue or sale of any Notes may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). Accordingly, by accepting delivery of this offering memorandum, the recipient warrants and acknowledges that it is such a relevant person. The offering memorandum is directed only at relevant persons and must not be acted or relied upon by persons who are not relevant persons. Any investment or investment activity to which this offering memorandum relates is available only to relevant persons and will be engaged in only with relevant persons.

The offering memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither the initial purchasers, nor any person who controls the initial purchasers, nor any of its directors, officers, employees or agents, accepts any liability or responsibility whatsoever in respect of any difference between the offering memorandum distributed to you in electronic format and the hard copy version available to you on request from the initial purchaser.

CONFIDENTIAL
OFFERING MEMORANDUM

NOT FOR GENERAL DISTRIBUTION
IN THE UNITED STATES

Nemean Bondco plc

to acquire

NewDay Group Holdings S.à r.l.

£275,000,000 7⅜% Senior Secured Notes due 2024
£150,000,000 Senior Secured Floating Rate Notes due 2023

Guaranteed on a senior secured basis by
Nemean Bidco Limited and certain of Nemean Bidco Limited's subsidiaries

Nemean Bondco plc, a public limited company incorporated under the laws of England and Wales (the "**Issuer**"), is hereby offering £275.0 million aggregate principal amount of its 7⅜% Senior Secured Notes due 2024 (the "**Fixed Rate Notes**") and £150.0 million aggregate principal amount of its Senior Secured Floating Rate Notes due 2023 (the "**Floating Rate Notes**" and, together with the Fixed Rate Notes, the "**Notes**") as part of the financing for the proposed acquisition (the "**Acquisition**") of the entire share capital of NewDay Group Holdings S.à r.l., a *société à responsabilité limitée* (private limited liability company) formed and existing under the laws of the Grand Duchy of Luxembourg (the "**Target**"), by Nemean Bidco Limited, a private limited company organized under the laws of Jersey (the "**Company**").

The Fixed Rate Notes will mature on February 1, 2024. The Issuer will pay interest on the Fixed Rate Notes semiannually in arrear on each of February 1 and August 1 of each year, commencing on August 1, 2017. At any time on or after February 1, 2020, the Issuer may redeem all or part of the Fixed Rate Notes at the redemption prices set forth in this offering memorandum (this "**Offering Memorandum**"). Prior to February 1, 2020, the Issuer may redeem, at its option, all or a portion of the Fixed Rate 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 the applicable "make-whole" premium, as described in this Offering Memorandum. In addition, prior to February 1, 2020, the Issuer may also redeem, at its option, up to 40% of the aggregate principal amount of the Fixed Rate Notes with the net cash proceeds from certain equity offerings at the redemption price set forth in this Offering Memorandum if at least 50% of the originally issued aggregate principal amount of the Fixed Rate Notes remains outstanding. Prior to February 1, 2020, the Issuer may redeem, during each twelve-month period commencing with the Issue Date, up to 10% of the aggregate principal amount of the Fixed Rate Notes outstanding (including Additional Notes, if any), at its option, at a redemption price equal to 103% of the principal amount of the Fixed Rate Notes redeemed plus accrued and unpaid interest and additional amounts, if any.

The Floating Rate Notes will mature on February 1, 2023. The Issuer will pay interest on the Floating Rate Notes at a rate equal to three-month LIBOR (subject to a 0% floor) plus 6.50% per annum, reset quarterly. The Issuer will pay interest on the Floating Rate Notes quarterly in arrear on each of February 1, May 1, August 1, and November 1, commencing on May 1, 2017. At any time on or after February 1, 2018, the Issuer may redeem all or part of the Floating Rate Notes at the redemption prices set forth in this Offering Memorandum. Prior to February 1, 2018, the Issuer may redeem, at its option, all or a portion of the Floating Rate 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 the applicable "make-whole" premium, as described in this Offering Memorandum.

Upon certain events defined as constituting a change of control, the Issuer may be required to make an offer to purchase all of the outstanding Notes at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest and additional amounts, if any. However, a change of control will be deemed not to have occurred if specified consolidated net leverage ratios are not exceeded in connection with such event. In the event of certain developments affecting taxation, the Issuer may redeem all, but not less than all, of the Notes.

Pending the consummation of the Acquisition, the Initial Purchasers (as defined herein) will, concurrently with the issuance of the Notes on the Issue Date (as defined herein), deposit the gross proceeds from the offering of the Notes (the "**Offering**") into a segregated escrow account (the "**Escrow Account**") in the name of the Issuer. The Escrow Account will be controlled by the Escrow Agent and charged on a first-priority basis in favor of the Trustee (as defined herein) on behalf of the holders of the Notes. The release of the escrowed proceeds will be subject to the satisfaction of certain conditions, including the closing of the Acquisition. The closing of the Acquisition is subject to certain conditions, including regulatory approval. If the Acquisition is not consummated on or prior to May 31, 2017, and upon the occurrence of certain other events, each series of Notes will be subject to a special mandatory redemption. The special mandatory redemption price for each series of Notes will be equal to 100% of the issue price of such series of Notes, plus accrued and unpaid interest and additional amounts, if any, from the Issue Date, or if applicable, from the most recent date on which interest with respect to such series of Notes was paid or provided for, to, but not including, such special mandatory redemption date. See "*Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption*."

On the Issue Date, the Notes will be senior obligations of the Issuer and will be guaranteed on a senior secured basis (the "**Notes Guarantees**" and, each, a "**Notes Guarantee**") by the Company, Nemean Holdco Limited ("**UK Holdco**") and Nemean Holdco 2 Limited ("**UK Holdco 2**" and together with the Company and UK Holdco, the "**Initial Guarantors**"), and each series of Notes and the Notes Guarantees will be secured by a first-priority security interest over the proceeds of the offering of such series of Notes deposited in the Escrow Account. Within one business day of the Completion Date, subject to the Agreed Security Principles (as defined herein), the Notes will be secured by the Completion Date Collateral (as defined herein). In addition, within 90 days following the Completion Date, the Notes will also be guaranteed on a senior secured basis by the Target, NewDay Holdings Ltd, NewDay Group Ltd and all subsidiaries of the Target (other than NewDay Ltd, NewDay Partnership Transferor plc, NewDay Funding Transferor Ltd, NewDay UPL Transferor Ltd and certain dormant subsidiaries) (together, the "**Post-Completion Date Guarantors**" and together with the Initial Guarantors, the "**Guarantors**") and secured by the Post-Completion Date Collateral (as defined herein). The Notes and the Notes Guarantees will rank pari passu in right of payment with all of the Issuer's and the Guarantors' existing and future senior indebtedness that is not expressly subordinated in right of payment to the Notes or the Notes Guarantees, as applicable, including indebtedness incurred under the Revolving Credit Facility (as defined herein) and guarantees of such indebtedness. The property and assets that will secure the Notes and the Notes Guarantees will also secure the Revolving Credit Facility and certain priority hedging obligations (the "**Super Senior Obligations**") on a first-ranking basis. Pursuant to the terms of the Intercreditor Agreement (as defined herein), in the event of a distressed disposal of the Collateral (as defined herein) or an enforcement of the security interests over the Collateral, the Super Senior Obligations and certain other indebtedness permitted under the Indenture (as defined herein) to be incurred on a priority basis will be repaid with the proceeds from the enforcement of the Collateral in priority to the Notes. The validity and enforceability of the Notes Guarantees and the security interests and the liability of each Guarantor will be subject to the limitations described in "*Limitations on Validity and Enforceability of Guarantees and Security and Certain Insolvency Law Considerations*." The Collateral and the Notes Guarantees may be released in certain circumstances.

There is currently no public market for the Notes. Application has been made to the Channel Islands Securities Exchange Authority Limited (the "**Exchange**") for the listing of and permission to deal in the Notes on the Official List of the Exchange. There can be no assurance that the Notes will be listed on the Official List of the Exchange, that such permission to deal in the Notes will be granted or that such listing will be maintained.

Investing in the Notes involves a high degree of risk. See "Risk Factors" beginning on page 34.

Issue Price for the Fixed Rate Notes: 100.0%
Issue Price for the Floating Rate Notes: 100.0%

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

The Notes will initially be issued in the form of global notes in registered form. See "*Book-Entry, Delivery and Form*." We expect the Notes to be delivered to investors in book-entry form through Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream**"), on or about January 25, 2017 (the "**Issue Date**").

Joint Global Coordinators and Joint Bookrunners

Credit Suisse **Citigroup**

Joint Bookrunners

HSBC **NatWest Markets**

The date of this Offering Memorandum is January 20, 2017

You should rely only on the information contained in this Offering Memorandum. We have not, and each of Credit Suisse Securities (Europe) Limited, Citigroup Global Markets Limited, HSBC Bank plc and The Royal Bank of Scotland plc (trading as NatWest Markets) (each an "Initial Purchaser" and collectively, the "Initial Purchasers") have not, authorized anyone to provide you with information that is different from the information contained herein. We are not, and the Initial Purchasers are not, making an offer of these securities in any jurisdiction where such offer is not permitted. You should not assume that the information contained in this Offering Memorandum is accurate as of any date other than the date on the front of this Offering Memorandum.

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In this Offering Memorandum, "**Issuer**" refers to Nemean Bondco plc, "**Company**" refers to Nemean Bidco Limited, "**Target**" refers to NewDay Group Holdings S.à r.l. and "**Target Group**" refers to the Target and its subsidiaries. In this Offering Memorandum, "**NewDay**," "**we**," "**us**" and "**our**" refer to the Target and its direct and indirect subsidiaries, and, following the completion of the Acquisition, the Company and its direct and indirect subsidiaries, except where the context otherwise requires or it is otherwise indicated. The registered office of the Issuer is located at 5th Floor, 6 St. Andrew Street, London EC4A 3AE, United Kingdom. Our telephone number is +44 (0)20 7160 8800 and our website is *www.newday.co.uk*. The information contained on our website is not part of this Offering Memorandum.

Important Information

This Offering Memorandum is confidential and has been prepared by us solely for use in connection with the offering. This Offering Memorandum is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire Notes. Distribution of this Offering Memorandum to any person other than the prospective investor and any person retained to advise such prospective investor with respect to the purchase of Notes is unauthorized, and any disclosure of any of the contents of this Offering Memorandum, without our prior written consent, is prohibited. Each prospective investor, by accepting delivery of this Offering Memorandum, agrees to the foregoing and to make no photocopies of this Offering Memorandum or any documents referred to in this Offering Memorandum.

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

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

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

The information set out in relation to sections of this Offering Memorandum describing clearing 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 and Clearstream currently in effect. Although we accept responsibility for accurately summarizing the information concerning Euroclear and Clearstream, we accept no further responsibility in respect of such information. Euroclear and Clearstream are not under any obligation to perform or continue to perform under such clearing arrangements and such arrangements may be modified or discontinued by any of them at any time. We will not, nor will any of our agents, have responsibility for the performance of the respective obligations of Euroclear or Clearstream or their respective participants. Investors wishing to use these clearing systems are advised to confirm the continued applicability of these arrangements.

By receiving this Offering Memorandum, you acknowledge that you have had an opportunity to request from us for review, and that you have received, all additional information you deem necessary to verify the accuracy and completeness of the information contained in this Offering Memorandum. You also acknowledge that you have not relied on the Initial Purchasers in connection with your investigation of the accuracy of this information or your decision whether to invest in the Notes.

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

The Notes are subject to restrictions on transferability and resale and may not be transferred or resold, except as permitted under the US Securities Act and the applicable state securities laws, pursuant to registration or exemption therefrom. As a prospective investor, you should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time. Please refer to the sections in this Offering Memorandum entitled "*Plan of Distribution*" and "*Notice to Investors*."

Application has been made to the Channel Islands Securities Exchange Authority Limited (the "**Exchange**") for the listing of and permission to deal in the Notes on the Official List of the Exchange, and we will submit this Offering Memorandum to the competent authority in connection with the listing application. In the course of any review by the competent authority, we may be requested to make changes to the financial and other information included in this Offering Memorandum in producing listing particulars for such listing. Comments by the competent authority may require significant modification or reformulation of information contained in this Offering Memorandum or may require the inclusion of additional information. We may also be required to update the information in this Offering Memorandum to reflect changes in our business, financial condition or results of operations and prospects. There can be no assurance that the Notes will be listed on the Official List of the Exchange, that permission to deal in the Notes will be granted or that such listing will be maintained, and settlement of the Notes is not conditioned on obtaining this listing. Any investor or potential investor in the European Economic Area (the "**EEA**") should not base any investment decision relating to the Notes on the information contained in this Offering Memorandum after publication of the listing particulars and should refer instead to those listing particulars.

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

The Notes will be available in book-entry form only. We expect that the Notes sold pursuant to this Offering Memorandum will be issued in the form of two or more global notes. The global notes will be deposited with a common depositary and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream. Beneficial interests in the global notes will be shown on, and transfers of interests in the global notes will be effected only through, records maintained by Euroclear and Clearstream and their direct and indirect participants. After the initial issuance of the global notes, Notes in certificated form will be issued in exchange for the global notes only as set forth in the Indenture. See "*Book-Entry, Delivery and Form.*"

IN CONNECTION WITH THE OFFERING OF THE NOTES, CREDIT SUISSE SECURITIES (EUROPE) LIMITED (OR PERSONS ACTING ON ITS BEHALF) OR ONE OF ITS AFFILIATES (THE "**STABILIZING MANAGER**") MAY OVER-ALLOT THE NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. NOTWITHSTANDING, THERE IS NO ASSURANCE THAT A STABILIZING MANAGER WILL UNDERTAKE STABILIZATION ACTION. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFERING OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE DATE ON WHICH THE ISSUER RECEIVED THE PROCEEDS OF THE ISSUE AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES.

Notice to Investors in the United States

Each purchaser of the Notes will be deemed to have made the representations, warranties, and acknowledgements that are described in this Offering Memorandum under the "*Notice to Investors*" section of this Offering Memorandum.

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

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

Notice to Investors in the United Kingdom

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

Notice to Investors in the European Economic Area

This Offering Memorandum has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area will be made pursuant to an exemption under the Prospectus Directive from the requirement to produce a prospectus for offers of the Notes. Accordingly, any person making or intending to make any offer within that Member State of Notes, which are the subject of the offering contemplated in this Offering Memorandum, may only do so in circumstances in which no obligation arises for the Issuer or the Initial Purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor the Initial Purchasers have authorized, nor do they authorize, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or the Initial Purchasers to publish a prospectus or supplement a prospectus for such offer. The expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Member State), and includes any relevant implementing measure in the Member State and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU.

Notice to Investors in Jersey

Except with the consent of the Jersey Financial Services Commission, there shall be no circulation in Jersey of any offer for subscription, sale or exchange of the Notes.

Notice to Investors in 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 of National Instrument 33-105 *Underwriting Conflicts* ("**NI 33-105**"), the Initial Purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

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. Unless otherwise indicated, we have generally obtained all information regarding market, market size, growth rate, development, trends and competitive position and other industry data pertaining to our business contained in this Offering Memorandum from industry publications, surveys or studies conducted by third-party sources, including the Office of National Statistics, the Bank of England, Fitch Ratings, Moneysupermarket.com and other sources mentioned in "*Industry Overview*," internal surveys and estimates and publicly available 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 information made available to the public in such companies' publicly available reports and independent research, as well as from our experience, internal studies, estimates and investigation of market conditions.

Certain market and industry data included in this Offering Memorandum, including the size of certain markets, are based on estimates of our management and commissioned reports. These estimates have been derived from our management's knowledge and experience in the markets in which we operate, as well as information obtained from two reports prepared by PricewaterhouseCoopers LLP ("**PwC**") at our request and published in January 2016 entitled "*Sizing the UK Near Prime Credit Card Market*" and "*Sizing the UK Co-brand Card Market*," which are each available on our website.

Industry and consultant publications and forecasts generally state that the information they contain 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 each of the studies and publications we have used is reliable, neither we nor the Initial Purchasers have independently verified the data that were extracted or derived from these industry and consultant publications or reports and cannot guarantee their accuracy or completeness. Market data and statistics are inherently uncertain and not necessarily reflective of actual market conditions. Such statistics are based on market research, which itself is based on sampling and subjective judgments by both the researchers and the respondents, including judgments about what types of products and transactions should be included in the relevant market.

In addition, in many cases, we have made statements in this Offering Memorandum regarding our industry and our position in the industry based on our experience and our own investigation of market conditions. We cannot assure you that any of these assumptions are accurate or correctly reflect our position in the industry, and none of our internal surveys or information have or has been verified by any independent sources. While we are not aware of any misstatements regarding the industry or similar data presented herein, such data involve risks and uncertainties and are subject to change based on various factors, including those discussed under "*Risk Factors*." As far as we are aware and have been able to ascertain from information published by such third parties, no facts have been omitted that would render the reproduced information inaccurate or misleading. Neither we nor the Initial Purchasers make any representation as to the accuracy or completeness of any such information in this Offering Memorandum.

Forward-Looking Statements

This Offering Memorandum contains statements under the captions "*Summary*," "*Risk Factors*," "*Industry Overview*," "*Business*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and in other sections that are, or may be deemed to be, forward-looking statements. In some cases, these forward-looking statements can be identified by the use of forward-looking terminology, including the words "aims," "anticipates," "assumes," "believes," "continue" "estimates," "expects," "intends," "may," "plans," "predicts," "shall," "should" or "will" or, in each case, their negative or other variations or comparable terminology or by discussions of strategies, plans, objectives, targets, goals, future events or intentions.

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

- the availability and cost of funding for our business;
- the occurrence of an early payout event under our Securitization Structures;
- the impact of the result of the United Kingdom's referendum on withdrawal from the European Union;
- the impact of macroeconomic conditions in the United Kingdom and elsewhere;
- our ability to manage our credit risk and the propensity of our customers to pay the amounts they owe us;
- our relationships with third party corporate partners, strategic suppliers and contractual counterparties;
- the effectiveness of third-party websites and aggregators that our Own-Brands business depends on;
- our ability to retain existing retail partners and attract new retail partners;
- promotion and support of our products by our retail partners and the financial and operating performance of our retail partners;
- our ability to increase or sustain the use of our credit products;
- changes in market interest rates;
- competition in the consumer lending markets;
- our ability to develop and commercialize new or enhanced products and services;
- our ability to manage the growth of our business;
- our ability to protect our brand and reputation;
- the effectiveness of our IT systems and transaction processing systems or our ability to maintain secure information systems;
- our ability to detect and prevent fraudulent activity;
- the effectiveness of our risk management processes and procedures;
- our ability to maintain fully functional offices and operations;
- our ability to retain and recruit skilled senior management and employees;
- our ability to identify suitable acquisitions and integrate them into our business;
- the occurrence of work stoppages;
- the impact of regulatory interventions in the UK consumer credit market or other changes to the regulatory environment in the United Kingdom or any other jurisdiction where we may operate in the future;
- the impact of regulatory investigations in the consumer credit and related financial services;
- our ability to detect and prevent violations of anti-money laundering, anti-corruption and anti-terrorism regulations;
- the impact of privacy, data protection and security regulations;
- the impact of litigation;
- changes in our accounting policies;
- the effectiveness of our internal controls and procedures;
- changes in tax laws, the imposition of additional taxes or increased tax liabilities;
- our substantial indebtedness;
- the impact of the Acquisition; and
- the other factors discussed in more detail under "*Risk Factors*."

These risks and others described under "*Risk Factors*" are not exhaustive. Other sections of this Offering Memorandum describe additional factors that could adversely affect our results of operations, financial condition, liquidity and the development of the industries in which we operate. New risks can emerge from time to time, and it is not possible for us to predict all such risks, nor can we assess the impact of all such risks on our business or the extent to which any risks, or combination of risks and other factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, you should not rely on forward-looking statements as a prediction of actual results.

Any forward-looking statements are only made as of the date of this Offering Memorandum, and we do not intend, and do not assume any obligation, to update forward-looking statements set forth in this Offering Memorandum. You should interpret all subsequent written or oral forward-looking statements attributable to us or to persons acting on our behalf as being qualified by the cautionary statements in this Offering Memorandum. As a result, you should not place undue reliance on these forward-looking statements.

Presentation of Financial and Other Information

The Issuer, UK Holdco, UK Holdco 2 and the Company

The Issuer was formed under the laws of England and Wales on November 7, 2016 to facilitate the Acquisition and it is not expected to engage in any activities other than those related to its formation, the Acquisition and the financing of the Acquisition. The Issuer's parent company, UK Holdco, was formed under the laws of England and Wales on October 20, 2016. UK Holdco 2, a subsidiary of UK Holdco and sister company of the Issuer, was formed under the laws of England and Wales on October 21, 2016. The Company is the direct parent of UK Holdco and the indirect parent of UK Holdco 2 and the Issuer. The Company was formed under the laws of Jersey on September 26, 2016. Following the Acquisition, the Company will be the indirect parent of the Target. For more information about the expected post-Acquisition corporate structure, see "*Summary Corporate and Financing Structure*." None of the foregoing entities have any business operations or material assets or liabilities other than those incurred in connection with their incorporation and the Transactions. We do not present any financial information or financial statements of the Issuer, UK Holdco, UK Holdco 2 or the Company in this Offering Memorandum for the periods presented other than certain limited financial data presented for the Company on an as adjusted basis to give pro forma effect to the Transactions. See "*Summary Historical Financial Information and Other Data*" and "*Capitalization*."

NewDay Group Holdings S.à r.l.

The Target Group historical financial information included in this Offering Memorandum is the consolidated financial information of the Target. The Target was incorporated as a *société à responsabilité limitée* (private limited liability company) under the laws of the Grand Duchy of Luxembourg on October 20, 2011.

In addition to the Target's subsidiaries, certain of the special purpose vehicles established for purposes of facilitating our Securitization Structures (the "**Securitization Entities**" and together with the Target's subsidiaries, the "**Target Group**") are consolidated into the consolidated financial statements of the Target for the years ended December 31, 2014 and 2015 and for the nine months ended September 30, 2015 and 2016. The Securitization Entities did not engage in any significant activities or business operations prior to 2014. These Securitization Entities are consolidated with the Target because, although all of the share capital of these entities is held by a third-party trustee, the Target has the power to direct relevant activities of the Securitization Entities, is exposed to variable returns of these entities and is able to use its power to affect those returns. For the year ended December 31, 2014, the Securitization Entities included NewDay Funding Transferor Ltd, NewDay Partnership Receivables Trustee Ltd, NewDay Partnership Loan Note Issuer Ltd, NewDay Partnership Funding 2014-1 plc, NewDay Partnership Funding 2015-1 plc and NewDay Partnership Transferor plc. For the year ended December 31, 2015, the Securitization Entities included those that were consolidated in the year ended December 31, 2014 (other than NewDay Partnership Transferor plc) as well as NewDay Funding 2015-1 plc, NewDay Funding 2015-2 plc, NewDay Funding Loan Note Issuer Ltd, NewDay Funding Receivables Trustee Ltd and NewDay Secondary Funding Limited. For the nine months ended September 30, 2016, the Securitization Entities included those that were consolidated in the year ended December 31, 2015 as well as NewDay Funding 2016-1 plc, NewDay Partnership Secondary Funding Ltd and NewDay UPL Transferor Ltd. For additional information, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Accounting Treatment of the Securitization Structures*." The consolidated financial statements of the Target Group are prepared in accordance with International Financial Reporting Standards, as adopted by the European Union ("**IFRS**").

Financial Statements

This Offering Memorandum includes (i) the audited consolidated financial statements of the Target Group as of and for each of the years ended December 31, 2013, 2014 and 2015, including the related notes thereto, prepared in accordance with IFRS (the "**Audited Financial Statements**"), and (ii) the unaudited interim consolidated financial statements of the Target Group as of and for the nine months ended September 30, 2015 and 2016, including the related notes thereto, prepared in accordance with IAS 34 (the "**Unaudited Interim Financial Statements**" and together with the Audited Financial Statements, the "**Financial Statements**").

The comparability of our results of operations for 2014 and 2013 has been impacted (and, to a lesser extent, so has been the comparability of results between those periods and 2015) by the Co-Brands Acquisition in 2013. However, the Co-Brands Acquisition does not affect the comparability of the results of operations of our Own-Brands segment except for the allocation of certain expenses related to the Co-Brands Acquisition to that segment.

In addition, we have included in this Offering Memorandum unaudited consolidated financial data for the Target Group for the twelve-month period ended September 30, 2016, which has been derived by adding the unaudited interim consolidated financial information of the Target Group for the nine-month period ended September 30, 2016 to the consolidated financial information of the Target Group for the year ended December 31, 2015 and subtracting the interim consolidated financial information of the Target Group for the nine-month period ended September 30, 2015. The unaudited financial data for the twelve-month period ended September 30, 2016 has been prepared solely for the purposes of this Offering Memorandum, is for illustrative purposes only and is not necessarily indicative of our results of operations for any future period or our financial condition at any future date.

Unaudited Pro Forma Financial Data

We have included in this Offering Memorandum certain unaudited pro forma financial data of the Company, which is based on consolidated financial information of the Target Group, as adjusted to give pro forma effect to (i) the Transactions as if the Transactions had occurred on either October 1, 2015 (for purposes of pro forma financial data derived from the Target Group's consolidated results of operations) or September 30, 2016 (for purposes of pro forma financial data derived from the Target Group's consolidated statement of financial position) or (ii) the sale of certain publicly-listed bonds subsequent to September 30, 2016 (the "**Bond Sales**") as if these sales had occurred on October 1, 2015. See "*Summary Historical Financial Information and Other Data.*" The unaudited pro forma financial data is for informational purposes only and is not intended to represent or to be indicative of the consolidated results of operations or financial position that we would have reported had the Transactions or the Bond Sales been completed on October 1, 2015, September 30, 2016 or any other date and should not be taken as indicative of our future consolidated results of operations or financial position following consummation of the Transactions and the Bond Sales. The unaudited pro forma financial data has not been prepared in accordance with the requirements of Regulation S-X of the US Securities Act, the Prospectus Directive or any generally accepted accounting standards. Neither the assumptions underlying the pro forma adjustments nor the resulting unaudited pro forma financial data have been audited or reviewed in accordance with any generally accepted auditing standards.

Non-IFRS Financial Information

We have included in this Offering Memorandum certain financial measures and ratios that are not presented in accordance with IFRS or any other internationally accepted accounting principles as well as certain other operational key performance indicators. In this Offering Memorandum, references to the following terms have the following meanings:

- "**gross receivables**" means loans and advances to customers presented on a gross basis. Loans and advances to customers as presented on the Target Group's balance sheet, on the other hand, is presented on a net basis, and reflects customer balances net of any related impairment provision, acquisition fair value adjustments, accrued interest and credit balances, deferred costs and reward cash back;
- "**average gross receivables**" is calculated using a 13-point average of month-end gross receivables for twelve-month periods and a ten-point average for nine-month periods (including opening and closing balances) (the 13-point average is calculated as the sum of the period opening amount and the month-end amounts for each of the subsequent twelve months, divided by 13; and the ten-point average is calculated as the sum of the period opening amount and the month-end amounts for each of the subsequent nine months, divided by ten);
- "**Net interest income from loans and advances to customers**" means interest and similar income from loans and advances to customers net of cost of funds;
- "**Normalized Income**" means interest income from loans and advances to customers net of cost of funds (which represents interest expenses related to interest on debt funding and interest rate swaps) plus fee and commission income less cost recovery fees;
- "**Normalized Costs**" means total operating expenses less fair value gain/(loss) on derivatives and normalizing for certain exceptional costs;
- "**risk-adjusted income**" means Normalized Income less impairment losses on loans and advances to customers;
- "**Normalized Contribution**" means risk-adjusted income, less certain Normalized Costs;

- "**Normalized Profit Before Tax**" means profit/loss before tax for the period adjusted for certain exceptional costs, gains/losses on derivatives and the amortization of a fair value adjustment on our acquired portfolios;
- "**Adjusted EBITDA**" means Normalized Profit Before Tax plus depreciation;
- "**Adjusted EBITDA excluding change in impairment provision**" means Adjusted EBITDA plus the increase (or less the decrease) in the impairment provisions on loans and advances to customers between the first day and the final day of the period;
- "**free cash flow available for growth and debt service**" means Adjusted EBITDA excluding change in impairment provision less changes in working capital, capital expenditure and cash taxes paid after exceptional costs;
- "**impairment rate**" means total impairments divided by average gross receivables for that period;
- "**risk-adjusted margin**" means risk-adjusted income for a given period divided by average gross receivables for that same period;
- "**Normalized Cost-to-Income Ratio**" means Normalized Costs divided by Normalized Income; and
- "**advance rate**" means, as of the specified date, debt funding (which includes debt issued and other borrowed funds as presented on the Target Group's balance sheet plus capitalized debt funding fees) expressed as a percentage of gross receivables.

In this Offering Memorandum, we present non-IFRS measures because our management believes that non-IFRS measures, such as Normalized Profit Before Tax and similar measures, may be helpful to investors, securities analysts and other interested parties as supplemental measures of our operating performance and ability to service debt. Measures derived from our Normalized Profit Before Tax have important limitations as an analytical tool, and you should not consider them in isolation or as substitutes for analysis of our results of operations. Such measures may not be comparable to similar measures used by other companies.

We present Normalized Profit Before Tax because we believe it assists investors and analysts in comparing our performance across reporting periods on a consistent basis by excluding items that we do not believe are indicative of our core operating performance. In addition, we use Normalized Profit Before Tax to evaluate the effectiveness of our business strategies.

Normalized Profit Before Tax and measures derived from it has limitations as an analytical tool. Some of these limitations are:

- Normalized Profit Before Tax does not reflect our cash expenditures, or future requirements, for capital expenditures or contractual commitments;
- Normalized Profit Before Tax does not reflect changes in, or cash requirements for, our working capital needs;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and Normalized Profit Before Tax does not reflect any cash requirements for such replacements;
- Normalized Profit Before Tax does not reflect the impact of certain cash charges resulting from matters we consider not to be indicative of our ongoing operations; and
- other companies in our industry may calculate Normalized Profit Before Tax differently than we do, limiting its usefulness as a comparative measure.

Because of these limitations, Normalized Profit Before Tax and other measures derived from Normalized Profit Before Tax should not be considered in isolation or as a substitute for performance measures calculated in accordance with IFRS. We compensate for these limitations by relying primarily on our IFRS results and using Normalized Profit Before Tax only supplementally.

In particular, we have included normalized financial information in this Offering Memorandum on the basis that such information is useful in understanding the operating performance of our underlying business from period to period, in particular, as such information adjusts to eliminate items that have impacted our results as reported under IFRS, but are believed to be exceptional and/or otherwise less indicative of the underlying performance of the business. Normalized financial information, including for annual or interim periods, is not audited.

Over the periods under review, the normalized financial information has reflected adjustments to the Target Group's historical financial information to exclude:

- the gain on bargain purchase, and effect of fair value unwind, relating to the Co-Brands Acquisition;
- fair value gains and losses on derivatives;
- expenses relating to significant, exceptional projects (also referred to as large one-off costs);
- the Co-Brands Acquisition and related migration costs;
- movement in provisions for mis-sold PPI and CPP to customers (also referred to as movement in provisions (excluding impairment losses on loans and advances to customers)); and
- exceptional debt funding fees (including set-up costs associated with our Securitization Structures).

For a reconciliation of Normalized Profit Before Tax to profit/(loss) before tax for the periods indicated, and for further explanation of normalized financial information, see "*Summary Historical Financial and Other Data—Key Performance Indicators and Other Unaudited Financial Data*."

We exclude movement in certain provisions from our normalized financial information because some of these provisions, such as PPI, are primarily driven by regulatory guidance, and we do not believe, in line with our industry peers, that these provisions reflect our underlying business performance. We made adjustments related to the Co-Brands Acquisition, in particular, the gain on bargain purchase reported in 2013 as well as costs associated with the purchase and integration of the acquired Co-Brands business and adjustments related to our establishment of our securitization programs as we consider these to be exceptional events. We believe, in line with our industry peers, that presenting our profit before tax with these items excluded provides a useful measure of our underlying business performance.

Normalized Profit Before Tax, Adjusted EBITDA, and leverage and coverage ratios are not measurements of financial performance pursuant to IFRS and should not be considered as alternatives to other indicators of our operating performance, cash flows or any other measure of performance derived in accordance with IFRS.

The key performance indicators and the other non-financial operational data included in this Offering Memorandum are derived from management estimates, are not part of our financial statements and have not been audited. Our use or computation of these indicators may not be comparable to the use or computation of similarly titled measures reported by other companies. None of the key performance indicators or other non-financial operating data included in this Offering Memorandum should be considered in isolation or as an alternative to any indicator of our operating performance, cash flows or other measure of performance derived in accordance with IFRS.

Certain figures in this Offering Memorandum, including financial information, have been subject to rounding adjustments. Accordingly, in certain instances (i) the sum or percentage change of such numbers may not conform exactly to the total figure given; and (ii) the sum of the numbers in a column or row in certain tables may not conform exactly to the total figure given for that column or row.

With respect to financial information set out in this Offering Memorandum, a dash ("—") signifies that the relevant figure is not applicable, while a zero ("0.0") signifies that the relevant figure has been rounded to zero. A nm signifies that the relevant data is available but is not meaningful due to the limited sample size of the data.

Segment Information

We include in our financial statements two reportable segments, each representing our different businesses, Own-Brands and Co-Brands. Our segmental results contain various reclassifications from the consolidated Target Group results. Our reporting segments reflect our internal reporting structure and are assessed on the basis of Normalized Profit Before Tax on a segment level. In addition, for the purposes of the Offering Memorandum, management has included a discussion of Normalized Contribution on a segmental level.

Normalized Contribution, represents risk-adjusted income, less certain Normalized Costs. Normalized Contribution is not specifically defined under, or presented in accordance with, IFRS or any other generally accepted accounting principles and you should not consider it as an alternative to profit for the period or any other performance measures derived in accordance with IFRS.

In order to present Normalized Contribution, we include a break-down of the expenses that we reported as "Normalized Costs" in our Audited Financial Statements. In the course of preparing the Offering Memorandum, management determined that this enhanced disclosure of Normalized Contribution may be useful in understanding the operating performance of our reportable segments from period to period. We expect to continue reporting Normalized Contribution in the future, including in our annual financial statements for 2016.

For a reconciliation of Normalized Contribution for each segment to Normalized Profit Before Tax for the periods indicated, and for further explanation of segment information, see "*Summary Historical Financial and Other Data—Certain Segment Data*."

We revised the segments used by management in assessing performance during 2015, by allocating central costs to the portfolio to which they relate, and as a result the prior year has been restated on a consistent basis. Our segment results for the year ended December 31, 2013 were not restated on a basis consistent with the segmental results for the years ended December 31, 2015 and 2014 included in our audited consolidated financial statements for the year ended December 31, 2015. Accordingly, the segmental results from our 2013 audited financial statements and those segmental results presented for later periods may not be directly comparable.

Future Financial Information

As will be required by the Indenture, we will report our financial results at the level of the Company on a consolidated basis going forward.

Certain Definitions

Except as otherwise specified, as used in this Offering Memorandum:

- "**Acquisition**" means the acquisition by the Company of all of the issued and outstanding share capital and PECs of the Target;
- "**Acquisition Agreement**" means the Sale and Purchase Agreement, dated October 11, 2016, by and among Nemean Bidco Limited and Invicta Eurocard Services L.P. in respect of, among other things, the purchase of all the issued and outstanding share capital and PECs of the Target;
- "**Acquisition Longstop Date**" means April 11, 2017, or another date agreed between the Company and the Seller that follows April 11, 2017 by no more than 20 business days (as defined in the Acquisition Agreement);
- "**Additional Proceeds Loan**" means the loan from UK Holdco 2 to the Company to be made on the Completion Date with the net proceeds of the Offering;
- "**Agreed Security Principles**" means the agreed security principles as set forth in the Revolving Credit Facility Agreement;
- "**APR**" means annual percentage rate;
- "**Bribery Act**" means the Bribery Act 2010 of the United Kingdom as amended;
- "**Buy Now Pay Later**" means a promotional offer through which consumers can make purchases without making payment for a stated offer period during which interest does not accrue on the purchase price;
- "**CAGR**" means the compound annual growth rate;
- "**Cinven**" means Cinven Limited;
- "**Cinven Funds**" means Sixth Cinven Fund (No. 1) Limited Partnership, Sixth Cinven Fund (No. 2) Limited Partnership, Sixth Cinven Fund (No. 3) Limited Partnership, Sixth Cinven Fund (No. 4) Limited Partnership and Sixth Cinven Fund Co-Investment Limited Partnership;
- "**CMA**" means the UK Completion and Markets Authority;
- "**Co-Brands**" means the Target Group's Co-Brands business;
- "**Co-Brands Acquisition**" means the acquisition by the Target Group in May 2013 of Santander UK plc's co-brands credit cards, store cards and point-of-sale finance portfolio;
- "**Co-Brands Master Trust**" means the Target Group's securitization of certain of its Co-Brands credit card, store card and installment credit receivables through the establishment of a master trust structure under which issuances have been and may be made from time to time;
- "**Co-Brands Master Trust Structure**" means the master trust structure under which the Target Group has securitized the assets that comprise its Co-Brands business;
- "**Co-Brands Warehouse Facility**" means the "warehouse facility" under which variable funding notes are issued as part of the securitization structure of assets which comprise the Target Group's Co-Brands business;
- "**Collateral**" means any and all assets from time to time in which a security interest has been or will be granted on the Issue Date and the Completion Date or thereafter pursuant to any Security Document to secure the obligations under the Indenture, the Notes and/or any Notes Guarantee;
- "**Companies Act**" means the UK Companies Act 2006, as amended;
- "**Company**" means Nemean Bidco Limited;
- "**Completion Date**" means the date on which the Acquisition will be consummated;
- "**CPP**" means card protection plans;
- "**CVC**" means CVC Capital Partners SICAV-FIS S.A.;
- "**CVC Funds**" means CVC Capital Partners VI (A) L.P., CVC Capital Partners VI (B) L.P., CVC Capital Partners VI (C) L.P., CVC Capital Partners VI (D) L.P., CVC Capital Partners VI Associates L.P. and CVC Capital Partners Investments Europe L.P.;
- "**Escrow Account**" means a segregated account in which the Initial Purchasers deposit the gross proceeds of this offering of the Notes, pending consummation of the Acquisition;

- "**Escrow Agent**" means Deutsche Bank AG, London Branch;
- "**Escrow Longstop Date**" means May 31, 2017;
- "**European Economic Area**" or "EEA" means the European Union, Iceland, Norway and Liechtenstein;
- "**European Union**" and "**EU**" means an economic and political union of 28 Member States which are located primarily in Europe;
- "**Executive Team**" means James Corcoran, Paul Sheriff, Ian Corfield, Sanjay Sharma, Stephen Rowland, Mark Eyre and Damaris Anderson-Supple;
- "**Fixed Rate Notes**" means the 7⅜% Senior Secured Notes due 2024 offered hereby;
- "**Floating Rate Notes**" means the Floating Rate Notes due 2023;
- "**Group**" means the Company and its subsidiaries;
- "**Guarantors**" means the Initial Guarantors and the Post-Completion Date Guarantors;
- "**IAS 39**" means the International Accounting Standard for Financial Instruments released by the IASB;
- "**IFRS 9**" means the International Financial Reporting Standard promulgated by the IASB due to become effective in 2018;
- "**Indenture**" means the indenture governing the Notes to be dated the Issue Date by and among *inter alios,* the Issuer and the Guarantors, Deutsche Trustee Company Limited, as Trustee, HSBC Corporate Trustee Company (UK) Limited, as Security Agent, and Deutsche Bank AG, London Branch, as Principal Paying Agent, as described in "*Description of the Notes*";
- "**Initial Guarantors**" means the Company, UK Holdco and UK Holdco 2;
- "**Initial Proceeds Loan**" means the loan from the Issuer to UK Holdco 2 to be made on the Completion Date with the net proceeds of the Notes;
- "**Intercreditor Agreement**" means the intercreditor agreement dated on or about the Issue Date, as amended from time to time, between, among others, Nemean Bidco Limited as the company and an original debtor, Nemean Bondco plc as the senior secured notes issuer, a funding loan lender and an original debtor, Nemean Midco Limited as the original subordinated creditor and Deutsche Trustee Company Limited as senior secured notes trustee;
- "**IPECs**" means interest free preferred equity tracking certificates;
- "**ISIN**" means the International Securities Identification Number;
- "**Issue Date**" means the first date on which Notes are issued;
- "**IT**" means information technology;
- "**LIBOR**" means the London interbank offered rate for deposits in pounds sterling administered by ICE Benchmark Administration Limited (or any other person which takes over the administration of such rate);
- "**Manifesto**" means the Target Group's manifesto which sets out, among other things, a set of core values that support the Target Group's business;
- "**Master Trust Structures**" means the Co-Brands Master Trust Structure and the Own-Brands Master Trust Structure;
- "**Member State**" means member state of the European Economic Area;
- "**Net Promoter Score**" means an index ranging from -100 to 100 that measures the willingness of customers to recommend a company's products or services to others;
- "**Notes**" means the Fixed Rate Notes and the Floating Rate Notes offered hereby;
- "**Offering**" means the offering of the Notes;
- "**Official List of the Exchange**" means the Official List maintained by the Channel Islands Securities Exchange Authority Limited;
- "**Own-Brands**" means the Target Group's Own-Brands business;
- "**Own-Brands Master Trust**" means the Target Group's securitization of certain of its Own-Brands credit card and installment credit receivables through the establishment of a master trust structure under which issuances have been and may be made from time to time;
- "**Own-Brands Master Trust Structure**" means the master trust structure under which the Target Group has securitized the assets which comprise its Own-Brands business;

- "**Own-Brands Warehouse Facility**" means the "warehouse facility" under which variable funding notes are issued as part of the securitization structure of assets which comprise the Target Group's Own-Brands business;
- "**PECs**" means preferred equity certificates and tracking preferred equity certificates, collectively;
- "**Post-Completion Date Guarantors**" means the Target, NewDay Holdings Ltd, NewDay Group Ltd and all subsidiaries of the Target other than NewDay Ltd, NewDay Partnership Transferor plc, NewDay Funding Transferor Ltd, NewDay UPL Transferor Ltd and certain dormant subsidiaries;
- "**PPI**" means payment protection insurance;
- "**PRA**" means the UK Prudential Regulation Authority;
- "**Principal Paying Agent**" means Deutsche Bank AG, London Branch;
- "**Proceeds Loans**" means the Initial Proceeds Loan and the Additional Proceeds Loan, collectively;
- "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in each Relevant Member State;
- "**PwC**" means PricewaterhouseCoopers LLP, a limited liability partnership registered in England with registered number OC303525 and whose registered office is at 1 Embankment Place, London, WC2N 6RH;
- "**Restricted Cash**" means, as of a given date, the aggregate amount of cash that is either designated or earmarked for credit balances on loans and advances to customers or that we are required to maintain pursuant to either covenants or other contractual requirements or restrictions under then-existing funding facilities and/or applicable regulatory capital requirements;
- "**Regulation S-X**" means Regulation S-X of the US Securities Act;
- "**Revolving Credit Facility**" means the multi-currency revolving credit facility made available under the Revolving Credit Facility Agreement;
- "**Revolving Credit Facility Agreement**" means the revolving credit facility agreement, to be entered into on or prior to the Completion Date, between, among others, Nemean Bidco Limited and the Issuer as original borrowers and original guarantors, Citigroup Global Markets Limited, Credit Suisse AG, London Branch, HSBC Bank plc and The Royal Bank of Scotland plc (trading as NatWest Markets) as mandated lead arrangers and the lenders party thereto from time to time, as such agreement may be amended, supplemented, waived or otherwise modified from time to time or refunded, refinanced, restructured, replaced, renewed, repaid, increased or extended from time to time (whether in whole or in part, whether with the original administrative agent and lenders or other agents and lenders or otherwise, and whether provided under the original Revolving Credit Facility Agreement or other credit agreements or otherwise);
- "**Securitization Entities**" means certain special purpose vehicles established for purposes of facilitating the Securitization Structures;
- "**Securitization Facilities**" means the Master Trust Structures, the Warehouse Facilities and the UPL Funding Facility;
- **"Securitization Issuer"** means any of NewDay Partnership Funding 2014-1 plc, NewDay Partnership Funding 2015-1 plc, NewDay Funding 2015-1 plc, NewDay Funding 2015-2 plc or NewDay Funding 2016-1 plc**;**
- "**Securitization Structures**" means the Master Trust Structures and the Warehouse Facilities;
- "**Security Agent**" means HSBC Corporate Trustee Company (UK) Limited;
- "**Security Documents**" means the security agreements, pledge agreements, collateral assignments, and any other instrument and document executed and delivered pursuant to the Indenture or otherwise or any of the foregoing, as the same may be amended, supplemented or otherwise modified from time to time, creating the security interests in the Collateral as contemplated by the Indenture;
- "**Shortfall Agreement**" means the agreement between the Issuer and the Sponsors pursuant to which the Sponsors will be required to, among other things, fund the Issuer with interest accrued and additional amounts, if any, from the Issue Date to a special mandatory redemption date;
- "**Sponsors**" means Cinven and CVC;
- "**Target**" means NewDay Group Holdings S.à r.l.;
- "**Target Group**" means the Target and its consolidated subsidiaries;
- "**TPECs**" means tracking preferred equity certificates;

- "**Transactions**" means the Financing and the Acquisition;
- "**Transfer Agent**" means Deutsche Bank Luxembourg S.A.;
- "**Trustee**" means Deutsche Trustee Company Limited;
- "**United Kingdom**" or "**UK**" means the United Kingdom of Great Britain and Northern Ireland;
- "**United States**" or "**US**" means the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia;
- "**Unrestricted Cash**" means cash and cash equivalents less Restricted Cash;
- "**UPL**" means unsecured personal loans;
- "**UPL Funding Facility**" means the Target Group's funding facility in respect of its portfolio of unsecured personal loan receivables;
- "**US Exchange Act**" means the United States Exchange Act of 1934, as amended; and
- "**Warehouse Facilities**" means the Co-Brands Warehouse Facility and the Own-Brands Warehouse Facility.

Currency Presentation

In this Offering Memorandum, unless otherwise indicated, all references to "**pounds sterling**" and "**£**" are to the lawful currency of the United Kingdom.

Summary

This summary highlights information contained elsewhere in this Offering Memorandum. The summary below does not contain all the information that you should consider before investing in the Notes. The following summary should be read in conjunction with and is qualified in its entirety by the more detailed information included elsewhere in this Offering Memorandum. You should carefully read the entire Offering Memorandum 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 the more detailed information in the Financial Statements and the related notes included elsewhere in this Offering Memorandum, before making an investment decision. See the section entitled "Risk Factors" for factors that you should consider before investing in the Notes and the section entitled "Forward-Looking Statements" for information relating to the statements contained in this Offering Memorandum that are not historical facts.

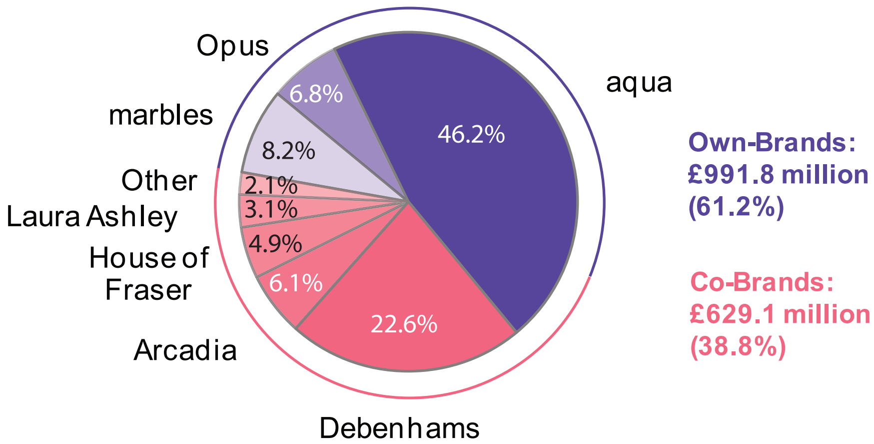
Overview

We are a leading UK consumer finance provider, specializing in the near-prime and co-brands sectors of the UK credit card market. These underpenetrated sectors provide significant potential for growth (through both increasing receivables and attracting new customers). As of September 30, 2016, we had approximately 5.6 million customers in the United Kingdom and £1,620.8 million of gross receivables. The proprietary credit models that we use to make credit decisions draw upon customer and market data that we have gathered over more than 15 years of lending through all phases of the credit cycle. We are an FCA authorized consumer credit firm and have developed innovative products and features to better meet the needs of both (i) our customers, by responsibly offering them the right credit services and (ii) our partners, by providing innovative digital capabilities and data analytics opportunities. We have a stable and flexible funding structure that includes relationships with a diverse group of international banks and an investor base covering various bond classes in our publicly listed asset-backed term debt. Our differentiated customer-focused Manifesto is the guiding principle that underlies our strong customer engagement, credit performance and regulatory relationships.

We have two primary businesses, each of which focuses on specialist credit offerings within a different sector of the consumer credit market.

- **Own-Brands**: In our Own-Brands business, we provide credit cards designed to meet the needs of customers in the near-prime sector of the UK credit card market. For more information about the near-prime sector of the UK credit card market, see "*Industry Overview*." We have issued credit cards in our Own-Brands business since 2002 and currently offer products under our *aqua* and *marbles* brands.
- **Co-Brands**: In our Co-Brands business, which we acquired from Santander UK in May 2013, we partner with well-known retail and consumer brands including Debenhams, House of Fraser, Laura Ashley and the Arcadia Group (namely, Topshop, Topman, Dorothy Perkins, Miss Selfridges, Wallis, Burton, Outfit and Evans) to provide co-branded credit cards and store cards to our partners' customers. Based on the observed credit performance of the overall portfolio, we classify the Co-Brands portfolio as a prime portfolio. As of September 30, 2016, our Co-Brands business represented 38.8% of our gross receivables. We have recently partnered with the travel and tourism company, TUI, to launch the Thomson Credit Card and the online retailer, Amazon, to launch the Amazon Platinum Mastercard.

The chart below provides information about our gross receivables as of September 30, 2016 for each of our key Own-Brands and Co-Brands products.



Own-Brands

Our Own-Brands business specializes in lending and providing credit cards to customers in the near-prime sector of the UK credit card market, in which we have been operating for more than 15 years. We have continually developed our credit models in this sector and proven our resilience through all phases of the credit cycle.

The near-prime sector of the UK credit market refers to customers who typically encounter difficulties accessing products such as credit cards from mainstream credit providers, but whose credit profiles are superior to sub-prime borrowers. Customers are categorized as near-prime if they are employed, but exhibit one or more additional characteristic, such as a "thin" credit history or a history of adverse credit events, that prevents them from accessing credit from mainstream credit providers. For example, customers in the near-prime sector may be first time credit users, or have an inconsistent address history, a low or fluctuating income or a lower credit score as a result of missing a payment on another obligation.

We have identified four customer segments within the near-prime sector that we target specifically.

- "New to Credit" includes individuals who have a "thin" credit history because they are first time credit users.
- "Second Chance" includes individuals looking to re-build their credit history following an adverse credit event.
- "Low Income" includes individuals working in lower-paid or part-time jobs.
- "Sole Trader" includes individuals working for themselves.

We provide a range of products within our Own-Brands business, each of which is designed to appeal to our customers' differing needs. We have achieved consistent and attractive returns across all of our customer segments. For more information on the current range of our Own-Brands products, see "*Business—Our Operations—Own-Brands Business*."

We provide responsible lending to customers in our Own-Brands business by deploying a "low and grow" strategy, offering new customers a low initial credit line (as low as £100 for some) until that customer demonstrates that he or she can actively manage and afford further credit in a responsible and sustainable manner. This strategy allows us to be more welcoming of near-prime customers whose risk profiles may make it difficult for them to access credit from high street banks and traditional lenders. The margins that we can achieve reflect the higher risk involved and provide a significant cushion against a rise in default rates.

We continually develop our data-driven underwriting processes to more optimally consider affordability, creditworthiness and sustainability before making a lending decision. The proprietary credit models that we use to make credit decisions draw upon customer and market data that we have gathered over more than 15 years of experience lending through all phases of the credit cycle. In addition to using these models when we make an initial decision to offer credit to a new customer, we also apply them as we regularly review the interest rates charged to our existing customers. Based on these reviews, we adjust our existing customers' credit limits (both increases and decreases) to respond to changes in a customer's circumstances and to ensure we continue to responsibly provide our customers with the right credit products. As part of our commitment to responsible lending, we seek to support our operations through our ongoing focus on robust management of all of our key risk areas, including conduct, liquidity, credit and operational risks. For more information about our approach to risk management, see "*Business—Risk Management*."

Our three Own-Brands credit card brands are: *aqua* and *marbles* (which are each open to new customers) and *Opus* (which is closed to new customers). We market and distribute our Own-Brands products through multiple digital and direct channels, such as through our own websites, websites of third parties (including aggregators and price comparison websites), and e-mail, direct mail and television advertising campaigns. In addition, we have established a strategic partnership with TotallyMoney.com to market our *marbles* product.

Co-Brands

In our Co-Brands business, we work closely with our retail partners to develop products and propositions to enhance the customer experience for their customers.

We operate a number of financial products for our brand partners in order to meet a variety of customer needs. Our primary Co-Brands products are store cards and credit cards. Store cards and credit cards are both credit products, but store cards can only be used in the stores of the retailer that offers the card, while Co-Brands credit cards do not have this restriction. We estimate that for every £1 a customer spends on a Co-Brands card in-store at one of our retail partners, they will typically spend nearly £3 on their Co-Brands card elsewhere.

We market and distribute our Co-Brands products primarily through our brand partners who promote our products in their stores and online. The products we offer through our Co-Brands business bear our partners' logos, but we underwrite the credit cards and store cards and provide ongoing credit risk management, billing and collections services, as well as information and support to facilitate marketing campaigns and other promotions targeting Co-Brands cardholders. Our Co-Brands business partners provide us opportunities to significantly scale our Co-Brands business through access to the cost-effective distribution of our Co-Brands products. For example, our relationships with Debenhams, House of Fraser, Laura Ashley and Arcadia provide access to approximately 2,700 UK stores and retailer websites that attract, on average, more than one million visits per month. Our new relationships with TUI and Amazon provide further opportunities to drive scale and growth.

Co-Brands customers typically seek a credit product that offers attractive rewards for consumers, such as brand loyalty points, discounts and/or unique value added benefits (e.g., preferred delivery options and exclusive experiences), in addition to serving the conventional purpose of providing credit. Our Co-Brands cards offer benefits (that are jointly built between us and our brand partner) and cannot be accessed through standard open market products. While the pool of customers who apply for Co-Brands cards varies from one brand partner to another, we classify the Co-Brands portfolio as a prime portfolio based on the observed credit performance of the overall portfolio. The customer profile of Co-Brands card holders typically trends towards homeowners with above average incomes who tend to have good credit histories.

We expanded our operations into the Co-Brands business segment when we acquired the Co-Brands portfolio from Santander UK in May 2013. The acquired portfolio consisted of more than 3.5 million customer accounts and had £943.2 million of customer balances at the time of the Co-Brands Acquisition. Following the Co-Brands Acquisition, we split the acquired portfolio into two separate portfolios, based on their growth strategies: (i) products offered in conjunction with four core retail partners (i.e., Debenhams, House of Fraser, Laura Ashley and the Arcadia Group), covering eleven retail brands, with a clear strategy for growth (which we classify as "open books") and (ii) products, including certain point-of-sale loans, that were closed to new customer acquisition and had no active growth strategy because they were deemed to be sub-scale or non-core due to legacy retailer relationships that had ended (which we classify as "closed books"). For the twelve months ended September 30, 2016, 14.7% of customer spend at these four retail partners were made using Co-Brands cards. Closed books represented 5% of our Co-Brands portfolio as of September 30, 2016.

We have longstanding relationships with Debenhams, House of Fraser, Laura Ashley and Arcadia. These retail partners have been part of the Co-Brands portfolio for an average tenure of over ten years and there is an average remaining term of approximately four years on our agreements with these partners, providing stability to our Co-Brands business. We have renegotiated certain contracts since the Co-Brands Acquisition in order to better align our financial interests with those of our Co-Brands business partners.

In November 2016, we partnered with the travel and tourism company TUI and launched the Thomson Credit Card, which offers Thomson and First Choice's approximately 5.5 million customers in the United Kingdom opportunities to earn points towards their holiday bookings by using the Thomson Credit Card for their everyday spending. This further diversifies and complements NewDay's reach by targeting holiday and leisure spending alongside traditional retail. In late 2016, we also partnered with the online retailer Amazon, and in January 2017, launched the Amazon Platinum MasterCard, which rewards customers for purchases made on-line and on the high street. Given the strength of the Amazon brand and its customer pool, this important partnership represents another major milestone in the development of our Co-Brands business. In addition to the direct benefits associated with launching the Amazon program, we improved our digital capability through the deployment of a number of elements of this program and gained further insight into the dynamics of online retail by working with a leader in this critical sector. As our partnership with Amazon develops, we believe it will result in significant diversification of the Co-Brands portfolio into digitally acquired accounts. Both programs evidence delivery against our strategy for the Co-Brands business together with its potential for growth.

We have invested significantly in digital capability, customer service, credit management and new product launches to stimulate growth in relation to our Co-Brands products (e.g., Buy Now Pay Later and 0% interest offers). As consumer credit has returned to growth following declines in 2008-09, consumer spending has been shifting towards digital channels. While high street stores still dominate customers' retail spending, with 78% of consumers buying in-store, online retail spending is a rapidly growing channel. Retailers are responding by investing in omni-channel, digital technology and big data capability projects. Our existing portfolio and digital innovations such as instant online spend provide digital growth capabilities for our Co-Brands partners, including enabling new customer acquisition channels, new products and further untapped data analytics opportunities. We believe that these digital developments provide our Co-Brands partners a better understanding of their customers and align consumer and retailer needs.

Unsecured Personal Loans

In December 2016, we launched an unsecured personal loan product to our Own-Brands customers, with the intention to progressively and prudently build this product over the near-term. Our unsecured personal loan products are not secured by personal assets of the borrower, such as a car or home, which makes this an attractive product for customers who do not have valuable property or assets that can be used as security. The unsecured nature of the loan also allows for quick access to funds for the users of this product, while providing the certainty connected with a fixed repayment schedule. We believe that we are uniquely positioned to provide this product due to our detailed customer credit data, our access to pre-qualified customers within our Own-Brands portfolio and our proven capabilities in credit management.

Funding program

We have a stable and flexible funding program that consists of traditional bank lines combined with securitization structures for our Own-Brands and Co-Brands businesses. We maintain relationships with a diverse group of international banks and an investor base covering various bond classes in our publicly listed asset-backed term debt. We are continually exploring alternative funding options to optimize our capital structure and fund receivables growth. See "*Description of Certain Financing Arrangements—The Securitization Facilities*."

Our Competitive Strengths

Leading player in attractive, underpenetrated market sectors. We believe that the market sectors in which we operate are underpenetrated, with significant growth potential. The near-prime consumer credit sector in the United Kingdom is large and growing but remains underserved by high street banks and other mainstream lenders. According to PwC estimates, there are between 10.2 and 13.6 million potential near-prime customers in the United Kingdom and only approximately one-third hold a near-prime credit card. Market trends in the UK credit market indicate consistent inflows of potential customers from both the prime and sub-prime sectors into the near-prime sector as customers' credit profiles evolve. Our long-standing experience in the consumer credit market enables us to recognize the different needs of different types of customers. As a result, we can customize our product offerings, marketing and communication approaches in the near-prime market sector.

Near-prime customers tend to demonstrate greater resilience to economic distress and less sensitivity towards interest rate movements than prime customers due to their lack of other credit obligations, such as mortgages or overdrafts. We believe that such customers are more likely to use credit cards as their primary credit source and protect that credit line during economic downturns. Historically, the 24-month utilization rate (calculated as average balance divided by average credit limit) for our Own-Brands credit cards has been approximately 60%, evidencing the importance of our products to our customers. Our product pricing covers the entire near-prime spectrum and our product offerings include our two well-known near-prime brands, *aqua* and *marbles*. The breadth of our product offerings allows customers to move between our products at different stages in their credit life, contributing to improved customer retention. Our penetration rate of the potential customers in the sector as of December 2015 was an estimated 7.0%, while only around one-third of potential near-prime customers in the United Kingdom held a near-prime credit card. Based on internal analysis, we estimate that our market share of new near-prime accounts opened during 2015 was over 20%, thereby providing significant opportunities to grow our overall market share over time.

Our ability to appropriately price near-prime risk and generate attractive returns by utilizing our credit expertise and proven credit models has allowed us to establish ourselves as a leading player in the near-prime sector. Credit card issuers in the prime sector of the consumer credit market, such as large banks, have a small presence in the near-prime sectors with Barclaycard being the only large bank competitor. The near-prime sector requires specialist knowledge that takes time, data, capability and experience to achieve. For example, near-prime customers, such as those who have lower credit scores as a result of a missed payment on another obligation, require closer analysis with respect to creditworthiness and a specialized ability to underwrite. Additionally, we are focused on and active in preventing delinquency, engaging with our customers early if their accounts are in arrears. We are committed to such proactive management to ensure the stable credit performance of our portfolio, which is not a traditional focus for prime issuers.

The co-brands market sector is similarly underpenetrated relative to the prime market with a penetration rate of approximately 47% as of June 2015. We believe that the co-brands market sector requires specialized expertise, and that we are well-placed to scale our Co-Brands business and to take on new brand partners on a selective basis. Our penetration rate of potential customers in the co-brands sector as of June 2015 was an estimated 25.9%. We are focused on providing our brand partners with value-added services and are able to provide "omni-channel" financial solutions that are designed to operate seamlessly (and sometimes instantly) across a retailer's digital and in-store retail operations, enhancing their sales. We are continually working to strengthen our customer experience propositions and currently work only with well-known, established brand partners.

Proven through-the-cycle credit risk management expertise and proprietary data analytics. Providing our customers with the appropriate level of credit and our robust risk management are the core of our business. We believe this focus differentiates us from our competitors and is the basis for our through-the-cycle risk management success. The success of our business is underpinned by specialist data analytics and bespoke and granular proprietary credit management models. Our proprietary credit models allow us to deliver optimized results and growth at all levels of the business.

Our risk management approach is more data intensive than that of traditional card issuers, both in terms of frequency of review and volume. We have evaluated 4.4 billion data points to construct our 26 proprietary score cards to better manage our 5.6 million existing customer accounts. Our proprietary credit models have been developed and refined by our dedicated in-house strategy change team over more than 15 years. Our robust credit risk management is overseen by our Executive Team which has an aggregate of over 130 years of combined experience in the industry through multiple economic and credit cycles. In addition, we have over 45 credit risk specialists, who are supported by over 200 collections team members.

We also have detailed historical data of our customers' transactions, behavior and credit performance. The information covers existing and historical customer accounts across all portfolios and is a significant business asset, enabling in-depth analysis of customer propensities and modeling of future performance. We use our proprietary customer and market data to generate both underwriting and collections scorecards tailored to our customer demographics. Our underwriting scorecards are used to definitively determine whether or not to accept an applicant, while our collections scorecards enable us to estimate customers' propensity to cure, allowing us to tailor communications with the customer accordingly. In addition, we created a proprietary "Collector Toolkit" designed to optimize repayments. We also use a range of well-known tools to prevent fraud, including daily payment assessment to identify potential first-party fraud and references provided by Detect and Cifas.

When we acquire a new customer, we use a risk-based approach to pricing that allows us to responsibly say "yes" to more applicants, with a minimum of 51% of accepted applicants receiving the advertised APR. We offer customers who do not qualify for our headline APR, but otherwise meet our lending criteria, a range of additional price points, which enables us to offer more effective risk-based pricing at the point of acquisition. For our existing *aqua* customers, we use an "always on" automated program to assess for risk-based re-pricing on a monthly basis (although a re-price is only offered once every six months, in line with regulatory requirements). Following an internal review in 2016 of re-pricing with respect to our Co-Brands customers, we found that in the case of an upwards re-pricing, the number of customers choosing to opt-out is low. Based on balances, the opt-out rate was at a steady level of approximately 3%. Customers often choose to take advantage of our downward re-pricing offers, which we extend to customers who have established consistent on-time payment track records. 23.5% of *aqua* customers re-priced downwards within 18 months of becoming cardholders, compared to 16.9% of customers being priced upwards.

We monitor and manage our customers' accounts by taking an in-depth approach to credit analytics, not just analyzing customers' behavioral score but also more than 200 variables upon which it is based and scoring all of our 5.6 million customers on a monthly basis to ensure there are no significant movements in availability or consistency of the information underpinning the variables. Our credit models and monitoring metrics have contributed to significantly improved credit performance. From 2011 to 2015, average receivables balances in our Own-Brands business have grown while charge-off rates have declined, on a whole portfolio basis and a vintage-by-vintage basis (based on months since origination).

We have experienced material improvements in charge-off rates through the cycle since December 2007 in respect of the *aqua*, *marbles* and *Opus* products and since May 2013 in respect of the Co-Brands accounts portfolio. Our charge-off rates decreased from 9.8% for the year ended December 31, 2013 to 7.9% for the year ended December 31, 2015. In addition, the charge-off rate for *aqua* between December 2007 and December 2015 experienced less volatility than the industry average, in particular during the global financial downturn in 2008-09.

Strong, embedded profitability with high cash generation. We are a highly cash-generative business and we believe that momentum from new account originations combined with embedded growth, both in terms of receivables and income, from existing accounts drives predictable income streams. Additionally, we believe our strong balance sheet and high cash flow generation provides a solid foundation for growth.

We began issuing credit cards in 2002. Through organic growth and a series of acquisitions, we accumulated loans and advances to customers of £1,571.0 million as of September 30, 2016. Our risk-adjusted income (calculated as Normalized Income less impairment losses on loans and advances to customers) grew from £135.4 million for the year ended December 31, 2013 to £212.6 million for the year ended December 31, 2015, and was £252.8 million for the twelve months ended September 30, 2016. Our Adjusted EBITDA increased from £53.0 million for the year ended December 31, 2013 to £72.3 million for the year ended December 31, 2015, and was £83.2 million for the twelve months ended September 30, 2016. See "*Presentation of Financial and Other Information*" and "*Summary Historical Financial Information and Other Data—Key Performance Indicators and Other Unaudited Financial Data*" for more information on how we use and calculate risk-adjusted income and Adjusted EBITDA.

We believe that we are well placed to continue our strong performance with multiple drivers of future earnings growth. The growth of *aqua* receivables has been supplemented by the successful re-launch of *marbles* to customers seeking a product to help them re-build their credit history. As a result, we acquired a million new customers in 2015. Furthermore, we expect developments and investment in our Co-Brands business, such as the launch of a new online servicing site, to position us well for future growth.

We have a loyal and growing customer base. Once a customer establishes a relationship with us and has been a customer for more than a year, the customer is much less likely to default and will typically maintain credit with us for three to four years. As a result, as our portfolio matures, the profit generated by the accounts within the portfolio tends to become more predictable. After origination costs (taking into account deferred marketing costs) and provision in year one, the profitability generated by a customer will typically improve as their outstanding balance grows. Our ability to generate cash flow quickly has provided us with flexibility in determining how to best invest the cash that we generate each year. Our free cash flow available for growth and debt service increased from £17.0 million for the year ended December 31, 2013 to £38.1 million for the year ended December 31, 2015, and was £71.1 million for the twelve months ended September 30, 2016.

Stable and flexible funding program able to support future growth. We have a stable and flexible funding structure with a diversified group of bank lenders and asset-backed securities ("**ABS**") investors, including access to public and private ABS market. We have established an Own-Brands Master Trust and a Co-Brands Master Trust which enable us to finance our receivables in both of these businesses at an attractive cost of funds. Since we first accessed the public asset-backed securities market in 2014, we have returned to the market to complete a total of four additional public securitizations of our Own-Brands and Co-Brands receivables, and have 24 ABS investors across the various bond classes, excluding banks who also lend to us under our warehouse lines. Total debt held by third parties under our asset-backed securities was £1,195.5 million as of September 30, 2016.

The development of these funding structures, together with reducing LIBOR levels, contributed to our cost of funds declining from 6.1% in the year ended December 31, 2014 to 2.9% in the year ended December 31, 2015 and remaining stable at 3.0% for the nine months ended September 30, 2016.

We maintain significant liquidity and excess capacity under our funding structures in order to support the future growth of our business. As of September 30, 2016, we had £625 million in total third-party commitments under our warehouse facilities, leaving us with £661.2 million of undrawn capacity, enabling us to finance the growth of our business and providing an alternative source of funds should the public securitization markets be unavailable or commercially unattractive for a period of time. In addition, as of September 30, 2016, we had retained £154.5 million in notes on our asset-backed securitizations, and had £103.4 million in unrestricted cash on our balance sheet and £36.8 million in restricted cash in our funding structures.

Furthermore, we have staggered the dates on which various tranches of our debt mature, with a target of no more than around £300.0 million maturing in any three month period, and have the ability to defer repayment of each tranche by up to twelve months, reducing our refinancing risk. As of September 30, 2016, we did not have more than £480.3 million in third-party debt maturing in any given year.

Robust and scalable infrastructure. Our core IT systems are sophisticated and have significant capacity to take on higher customer volumes and, therefore, are scalable to support future growth. Our new IT infrastructure is well invested and modern, with significant strategic investments having been made since 2012 in building systems capability. We have proven, in-depth experience in portfolio acquisition and the consolidation of such platforms into our existing operational infrastructure, having carried out four successful migrations in the past seven years. In 2014, we invested more than £45 million in the migration of the Co-Brands business following the Co-Brands Acquisition, which included investment not only in the core processing platform, but also in building peripheral applications such as online acquisition, online servicing, fraud management and credit risk applications, none of which previously existed.

We also have platform partnerships with leading providers such as First Data, a global provider of cards servicing, for certain outsourced functions.

In line with our approach of continuous improvement, we have also made specific investments in our IT systems, including (i) the creation of a strategic Co-Brands business operating model in 2013 and 2014, (ii) digital, online and mobile acquisitions and a servicing platform in 2015 and 2016, (iii) a completely refreshed call center, head office, telephony infrastructure and (iv) new operational capability for the unsecured personal loans business. In addition to building strategic operational capability, we have invested in new strategic capabilities to support new products such as Buy Now Pay Later, credit offers on our credit and store card platform and a fully-digital, retailer-integrated credit card offering. Our IT infrastructure and systems contribute to improvements in key efficiency metrics.

Focus on optimal customer outcomes and regulatory compliance. We are a "customer outcomes"-driven business. Our aim is to use our expertise and understanding of the circumstances of our customers (both their financial needs and standing) to better inform our business approach, product development and management of existing customers.

To assist in achieving this aim, we produced a manifesto, which is at the heart of our corporate culture and organization. Our Manifesto embodies four core principles for our business.

- *We are a welcoming business*—We do our best to responsibly say "yes" to as many people as possible who apply for credit. We engage with customers, whether directly or through our partners, to ensure affordability criteria are met and that we provide the right service, offer the right rate and give clear information. We want customers to have a great experience with us because our products and services are simple, intuitive, useful and are backed up by people committed to helping customers be better with credit.
- *We are an understanding business*—We do not see our customers as a short-term revenue opportunity, but rather as a lifelong relationship. If our customers want to change products as their circumstances change we will help them with that change. If things are not going quite to plan for them, we will be there to offer support, coming up with a solution for moving forward.
- *We are a knowing business*—We have considerable knowledge of the varying needs of our customers and provide a range of products to suit these different needs. Our approach is to provide the products, services and tools that help all of our customers be better with credit. We use our analytical expertise, combined with partner insight, to the benefit of our customers. We provide tools that help people manage their credit more easily and access the benefits it provides.
- *We are a rewarding business*—We reward our customers for being better with credit. This can mean sharing some of the proceeds that come from them paying on time and sticking to the commitments made to us or, through our bespoke Co-Brands products developed with our partners, providing rewards for customer loyalty. Ultimately, our success as a business is based on helping customers be better with credit.

Our Manifesto and its focus on, and commitment to, customer experience is a key attribute of our business, which we believe allows us to attract new customers, encourages loyalty in existing customers and helps us maintain positive relationships with regulators.

One measure that suggests success in our endeavors is our Net Promoter Score. The Net Promoter Score is based on responses out of a score of ten to a single question "How likely is it that you would recommend our company/product/service to a friend or colleague?" Respondents are then categorized into three categories: Promoters (scores 9 and 10), Passives (scores 7 and 8) and Detractors (scores 6 and below). The Net Promoter Score is calculated by subtracting the percentage of respondents who are Detractors from the percentage of respondents who are Promoters.

As of September 2016, our transactional Net Promoter Score, which measures responses to an event such as contacting our customer call centre, was approximately +69, a high score evidencing the level of loyalty that we foster with our customers. Our relational Net Promoter Score, which provide an overall assessment of our relationships with our customers, for our Own-Brands business was +43, as of June 2016. In addition, customers who call our customer service centers are asked to rate the level of satisfaction with the associates handling their call. The average rating as of September 2016 was 9.2 out of 10.

Our culture of regulatory compliance is strongly embedded throughout our organization. We received FCA authorization in March 2016 and we are also an Authorized Payment Institution under the Payment Services Directive. We are both a member and a director of the UK Cards Association, an industry trade association, as well as the Finance and Leasing Association and the Lending Standards Board. We voluntarily subscribe to codes of best practices such as the Standards of Lending Practice and the FLA Lending Code.

Highly experienced Executive Team and strong governance. Our board of directors and Executive Team bring many skills and a breadth of experience, including strategic experience, commercial knowledge, retail banking experience, UK regulatory knowledge, treasury, funding and accounting experience, risk management expertise and operational and IT experience. The experience of our board of directors and Executive Team enable them to make informed decisions on key issues facing the business. Our Executive Team has over 130 years of combined experience in the industry, with several members of the team having worked with one another for a number of years. Our board of directors and Executive Team are supported by a team of over 700 employees (as of September 30, 2016).

Managing risk effectively is fundamental to the way we manage our business. We seek to make sensible and balanced business decisions through our risk appetite and corporate governance frameworks. Our board of directors's extensive and diverse experience is intended to ensure that our strategy is underpinned by high standards of corporate governance to enable us to achieve responsible growth. We have a well-structured corporate governance framework that has been developed to meet the evolving needs of the business and, where deemed appropriate, adheres to the UK Corporate Governance Code.

For more information about our board of directors and the Executive Team, see "*Management*" and for more information about our approach to risk management, see "*Business—Risk Management*."

Our Strategy

Our key strategic objectives are growing the Own-Brands and Co-Brands businesses, continuing to enhance our credit management, continuing to improve operational leverage, diversifying our product offerings and delivering against our Manifesto. We intend to achieve this by pursuing the following strategies.

Growing the Own-Brands business. In our Own-Brands business, we are implementing new initiatives to increase receivables and improve profitability whilst supporting customers to be better with credit. We aim to optimize our long-term relationships with our customers and the profitability of our rapidly growing portfolio of customer accounts. Through a variety of initiatives, we aim to be able to responsibly say "yes" to more customers, to open new channels for customer acquisition and to continue to effectively manage credit and pricing. We aim to grow our Own-Brands customer base through three key strategic focuses.

- We aim to expand our near-prime market reach by launching an additional brand into the market to complement *aqua* and *marbles* as well as extending our digital marketing capability and establishing new credit lender and broker partnerships.
- We aim to deliver value though portfolio optimization by further enhancing our "low and grow" credit limit strategy and continue to deliver value-add propositions to customers. We are implementing new initiatives

in the near-prime market to increase receivables and improve profitability whilst supporting customers to be better with credit. Our newly implemented initiatives include dynamic credit limit and pricing frameworks that adapt to changes in customers' credit profiles, the launch of contactless cards to encourage greater front-of-wallet behavior and introducing money transfer functionality to customers to give them a greater degree of flexibility in how they access their credit line.

- We aim to build long-term relationships with customers through introducing upgrade propositions (such as *aqua gold*) whilst building on regulatory standards to help customers to achieve better outcomes for themselves. We are looking to increase our customer engagement by offering financial health support tools (e.g., next payment calculator, budget and repayment tools) that increase their propensity to use our products.

Growing the Co-Brands business. In our Co-Brands business, we aim to enhance our existing retailer relationships, while continuing to add new partners. We aim to grow and improve the profitability of our Co-Brands business through four key strategic focuses.

- We aim to increase our penetration of our existing partners' sales volumes by offering products that are designed to meet the credit needs of their customers. Within UK consumer financing, customers have a range of payment and funding options open to them and we believe that the solutions that will gain acceptance will be those that provide a better experience, a competitive price and/or an added value proposition.
- We aim to develop the digital experience for both new and existing customers. We believe that today's customer seeks financing solutions that are digital and instant but that also remain consistent across online and in-store environments. As spending patterns and consumer behavior in the United Kingdom change, we are working closely with our partners to support and evolve with them.
- We aim to acquire new brands on a selective basis, targeting consumer brands operating in the UK with a credit-oriented customer demographic, sector leaders or challengers and retailers with growth prospects. Our new partner pipeline is active, with two new brands signed during 2016, the travel and tourism company, TUI, and the online retailer, Amazon.
- We aim to take advantage of our untapped data analysis capabilities and help our brand partners so that they are able to gain a better understanding of their customers and generate additional sales, thereby strengthening our retailer relationships while at the same time driving additional transaction volumes across our customer profile.

Continuous enhancement of credit management. We focus on credit management with a vision to make credit decisions more bespoke and data driven. Our near-term strategic credit initiatives include launching a next generation collection strategy, deploying a single customer credit view and a more consistent affordability solution, as well as enhancing credit decisions made through the use of quotation searches, which will allow us to provide applicants with an estimate of the interest rate and credit limit we could offer without having the potential customer's inquiry appear on his or her credit history. Particularly in the event of any uncertainty in economic forecasts or market outlook, we believe that credit management will be key to helping people manage credit and detecting early warning signs.

Ongoing improvement of operational leverage. We apply a philosophy of continuous improvement to optimize operational processes. This approach drives reductions in our operational costs by reducing inefficiency while improving the customer experience by providing standardized, reliable outcomes. To support these efforts we created a dedicated Operational Excellence team that focuses on improving processes while embedding the culture of continuous improvement across the business. We promote this culture with all operational staff, and we brand it as the "NewDayWay." We are continuing to invest and refine our internal processes, including across complaints management, collections and procurement to drive significant improvements in customer experience while delivering higher efficiencies. As we implement our continuous improvement processes, we also continue to invest in our infrastructure, for example, by investing in our digital capabilities and our reach through online channels in 2015.

Diversifying our product and customer experience offerings. We seek to continue to expand our Co-Brands proposition range to develop products, brands and distribution channels that are specifically designed to meet the needs of the different customer segments. We also plan to expand in adjacent market sectors where we have competitive advantages and can leverage our existing customer relationships, extensive customer data and near-prime lending experience. This includes the launch of an unsecured personal loan product as a result of research and analysis demonstrating customer demand for additional lending beyond credit cards. We believe that responsibly targeting known customers also provides us greater control over key value drivers across marketing, credit and operational risks, through levers such as pre-selection credit criteria and invitation-based marketing offers.

Delivering against the Manifesto. We use our customer-focused Manifesto to guide our operations and embed its four core principles in all that we do. We are continuing to improve the implementation of our Manifesto throughout all areas of our business, including with service providers such as First Data. We ensure that all new joiners across our organization and First Data receive orientation and training to provide them with an understanding of the values and aims of our Manifesto. In addition, we will deliver greater empowerment of colleagues to propose new initiatives, take action in customers' favor where appropriate and continue to optimize existing and new customer journeys, ensuring that they are truly customer orientated.

Recent Developments

Trading update. Trading between September 30, 2016 and December 31, 2016 has been in line both with expectations and the trends noted in the periods under review. See "*Summary Historical Financial Information and Other Data*". Own Brands receivables have continued on their growth trajectory, driven by continued new account origination combined with higher customer spending levels in the fourth quarter of 2016. Co-Brands receivables have seen seasonal growth in customer spending in line with expectations.

Distribution. In December 2016, the Target paid a cash distribution of £60 million by way of a repayment of accrued interest on the TPECs to the Seller, as permitted by the Acquisition Agreement. See "*—The Transactions—The Acquisition*" and "*The Transactions*".

UPL securitization. In December 2016, we established a new funding facility in connection with our portfolio of UPL receivables.

New Co-Brand partners. We recently partnered with two leading brands that we believe will drive scale and promote growth in our Co-Brands business. In late 2016, we partnered with the online retailer Amazon, and in January 2017, launched the Amazon Platinum Mastercard, which rewards customers for purchases made on-line and on the high street. Given the strength of the Amazon brand and its customer pool, this important partnership represents another major milestone in the development of our Co-Brands business. In addition to the direct benefits associated with launching the Amazon program, we improved our digital capability through the deployment of a number of elements of this program and gained further insight into the dynamics of online retail by working with a leader in this critical sector. As our partnership with Amazon develops, we believe it will result in significant diversification of the Co-Brands portfolio into digitally acquired accounts. We also partnered with the travel and tourism company TUI in November 2016 and launched the Thomson Credit Card. This further diversifies and complements NewDay's reach by targeting holiday and leisure spending alongside traditional retail. Both programs evidence delivery against our strategy for the Co-Brands business together with its potential for growth.

Bond Sales. Since September 30, 2016, we have sold three tranches of our publicly-listed bonds with a nominal value in aggregate of £83.5 million, which were issued through our Own-Brands Master Trust Structure as part of our ordinary course funding activity. The Bond Sales are reflected on our balance sheet as third-party debt and increased cash.

The Transactions

The Acquisition

On October 11, 2016, the Company entered into a sale and purchase agreement (the "**Acquisition Agreement**") for the purchase from Invicta Eurocard Services L.P. (the "**Seller**") of all of the issued and outstanding share capital (the "**Shares**") and interest free preferred equity certificates and tracking preferred equity certificates (collectively, the "**PECs**") of the Target (the "**Acquisition**"). Completion of the Acquisition ("**Completion**," and such date, the "**Completion Date**") is anticipated to take place in the first quarter of 2017 and is subject to certain anti-trust and regulatory conditions, including approval by the UK Financial Conduct Authority (the "**FCA**") of the Company's acquisition of control over the FCA-authorized subsidiaries of the Target and clearance by competition authorities in China, the European Union and Turkey. These conditions have since been satisfied. Unless Completion occurs, the Acquisition Agreement will automatically terminate on either (i) April 11, 2017 or (ii) a date agreed between the Company and the Seller that is no more than 20 business days (as defined in the Acquisition Agreement) after April 11, 2017 (the "**Acquisition Longstop Date**"). Pursuant to the Acquisition Agreement, the Company will acquire the Shares and PECs for £1,050.0 million (the "**Purchase Price**"), subject to certain purchase price adjustments, and including interest from (but excluding) January 9, 2017, to (and including) the Completion Date. In addition, the Purchase Price will be reduced by £60.0 million of distributions in cash made by the Target to the Seller permitted under the Acquisition Agreement and any other transfers of value from the Target to the Seller or its affiliates that occur prior to Completion but are not permitted under the Acquisition Agreement. Such reduction in the Purchase Price will reduce the amount of the Equity Contribution (as defined below under "*—The Financing*").

The Acquisition Agreement includes customary restrictions on the activities of the Target prior to Completion, including restrictions on the incurrence of additional indebtedness, as well as limited representations and warranties from the Seller and the management of the Target and its subsidiaries that are subject to certain limitations and exclusions.

The Financing

The Acquisition is expected to be financed as follows:

- the Cinven Funds and the CVC Funds, together with members of our management team, expect to contribute £605.0 million plus an amount equal to the interest that accrues on the Purchase Price, directly or indirectly, by way of equity, subordinated shareholder loans and/or other instruments (the "**Equity Contribution**");
- the Issuer will issue the notes offered hereby in the aggregate principal amount of £425.0 million, the proceeds of which will be on-lent to UK Holdco 2 and the Company; and
- £60.0 million of cash on the balance sheet of the Target which was distributed to the Seller as provided in the Acquisition Agreement.

As of the Issue Date, the Revolving Credit Facility Agreement will also provide for the Revolving Credit Facility in the amount of £30.0 million. The Revolving Credit Facility is not currently expected to be drawn as of the Completion Date. See "*Use of Proceeds*."

The proceeds from the financing described above will be used to:

- fund the consideration payable for the Shares and the PECs of the Target Group; and
- pay the fees, premiums and expenses incurred in connection with the Acquisition and the Financing, including estimated fees and expenses to be incurred in connection with the Offering.

The above financings are collectively referred to herein as the "**Financing**," and the Financing and the Acquisition, are collectively referred to herein as the "**Transactions**." For more information about the Transactions, see "*The Transactions*."

Escrow Account

Pending consummation of the Acquisition, the Initial Purchasers will, concurrently with the issuance of the Notes on the Issue Date, deposit the gross proceeds of the sale of the Notes into an escrow account held in the name of the Issuer. The Escrow Account will be controlled by the Escrow Agent and will be charged on a first-priority basis in favor of the Trustee on behalf of the holders of the Notes. The release of the escrow proceeds is subject to the satisfaction of certain conditions, including Completion. If Completion does not occur on or prior to May 31, 2017 (the "**Escrow Longstop Date**") or upon the occurrence of certain other events, the Notes will be subject to a special mandatory redemption. The special mandatory redemption price of each series of Notes will be equal to 100% of the aggregate initial issue price of such series of Notes, plus accrued and unpaid interest and additional amounts, if any, from the Issue Date, or if applicable, from the most recent date on which interest with respect to such series of Notes was paid, to, but not including, such special mandatory redemption date. Pursuant to an agreement between the Issuer and the Initial Investors (as defined in "*Description of the Notes—Certain Definitions*") to be entered into on or about the Issue Date, one or more of the Initial Investors will be required to contribute to the Escrow Account an amount necessary to, among other things, fund the accrued and unpaid interest on the Notes and additional amounts, if any, from the Issue Date to, but excluding, the special mandatory redemption date. For further information, see "*Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption*" and "*Risk Factors—Risks Relating to the Transactions—If the conditions in the Escrow Agreement are not satisfied, we will be required to redeem the Notes, which means that you may not obtain the return you expect on the Notes*."

The Issuer

The Issuer is a public limited company formed on November 7, 2016 under the laws of England and Wales with company number 10466251. The Issuer's principal business address is 5th Floor, 6 St. Andrew Street, London EC4A 3AE, United Kingdom. The Issuer was incorporated to facilitate the Transactions and is a wholly-owned indirect subsidiary of the Company. Since the date of its incorporation, the Issuer's activities have related only to entering into contracts in connection with the Transactions.

Our Sponsors

Cinven is a leading private equity provider for large European buyouts, having led transactions totaling in excess of €70 billion. Since 1996, Cinven has completed more than 50 buyouts with an enterprise value per transaction of more than €500 million in ten countries across Europe. Cinven focuses on the following six sectors across Europe: business services, consumer, financial services, healthcare, industrials and technology, media and telecommunications (TMT), and has offices in Guernsey, London, Frankfurt, Paris, Madrid, Milan, Luxembourg, New York and Hong Kong.

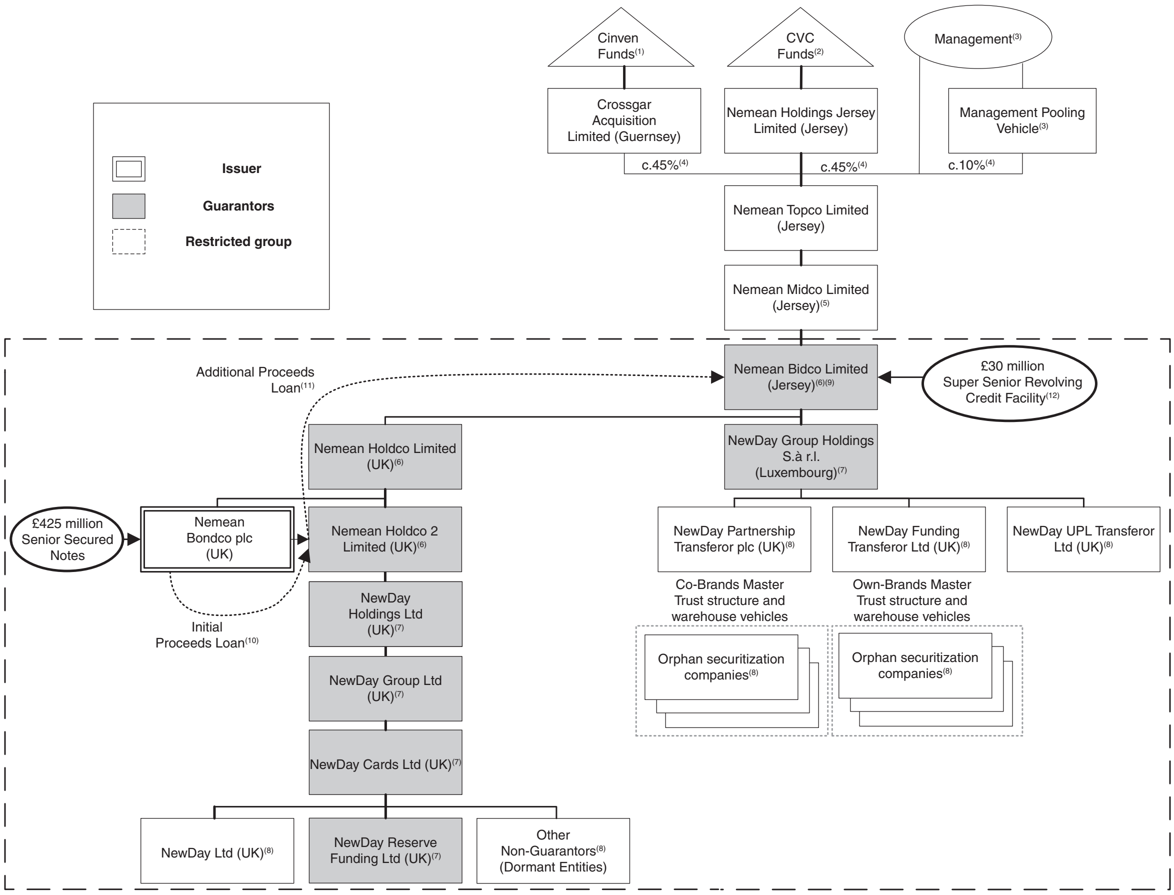
Cinven has a long and differentiated track record of investing in the financial services sector, including in highly regulated assets, where its track record includes the acquisitions of Premium Credit Limited, Partnership Assurance and Guardian Financial Services in the United Kingdom, Ark Life and Avolon in Ireland, Heidelberger Leben (now renamed Viridum Group) in Germany, Skandia in Germany and Austria and Ergo Italia and Old Mutual Wealth in Italy.

CVC is a leading international private equity and advisory firm. Founded in 1981, CVC today has a network of 24 offices on four continents. To date, CVC has secured commitments of over US$80 billion in funds and has completed over 300 investments in a wide range of industries and countries across the world, with an aggregate enterprise value of approximately US$250 billion. CVC Funds currently have investments in more than 50 companies worldwide, which generate over US$100 billion in revenues and employ approximately 350,000 people. CVC's local knowledge, relevant sector expertise and extensive contacts underpin a 35 year proven track record of investment success.

CVC's financial services team has invested over €2 billion of equity capital in the financial services sector since the team's inception in 2008, including its historic and current portfolio companies, Skrill, Domestic & General and Brit Insurance in the United Kingdom, Avolon in Ireland, Cunningham Lindsey in the United States, Cerved in Italy, Sun Hung Kai in China and Rizal Commercial Banking Corporation and SPi Global in the Philippines.

Summary Corporate and Financing Structure

The diagram below provides a simplified overview of our corporate and financing structure on a consolidated basis after giving pro forma effect to the Transactions. For further information, see "*The Transactions*." The diagram does not include all entities in the Target Group, nor does it show all of our liabilities. For a summary of the material financing arrangements identified in the diagram, see "*Description of Certain Financing Arrangements*" and "*Description of the Notes*."



(1) Upon consummation of the Acquisition, the Cinven Funds will have beneficial ownership, indirectly through its intermediate holding company, Crossgar Acquisition Limited, a company formed under the laws of Guernsey, Nemean Topco Limited ("**Topco**"), Nemean Midco Limited ("**Midco**") and the Company, of approximately 45% of the Shares and PECs of the Target Group. See "*Principal Shareholders—Cinven*."

(2) Upon consummation of the Acquisition, the CVC Funds will have beneficial ownership, indirectly through its intermediate holding company, Nemean Holdings Jersey Limited, a company formed under the laws of Jersey, Topco, Midco and the Company, of approximately 45% of the Shares and PECs of the Target Group. See "*Principal Shareholders—CVC*."

(3) Upon consummation of the Acquisition, certain members of our management team will collectively have beneficial ownership, indirectly through intermediate holding companies including Topco, Midco and the Company, of approximately 10% of the Shares and PECs of the Target Group.

(4) Ultimate ownership percentages are estimated amounts based upon the value of the equity to be rolled over by certain members of management, which will be determined on the Completion Date and in accordance with the terms agreed between management and the Sponsors.

(5) On or prior to the Completion Date, the entire issued share capital and all or substantially all of the Company's assets will be pledged in favor of the Security Agent by Nemean Midco Limited and comprise part of the collateral. See "*Description of the Notes—Security—General*."

(6) On the Issue Date, the Notes will be guaranteed by the Initial Guarantors.

(7) Within 90 days following the Completion Date, the Notes will be guaranteed by the Post-Completion Date Guarantors. The Notes will be guaranteed on a senior secured basis by the Guarantors. The Post-Completion Date Guarantors represented 83.5% of our Adjusted EBITDA for the twelve months ended September 30, 2016 and 84.3% of our net assets as of September 30, 2016. The validity and enforceability of the Notes Guarantees and the security interests and the liability of each Guarantor will be subject to the limitations described in "*Limitations on Validity and Enforceability of Guarantees and Security and Certain Insolvency Law Considerations*."

(8) The Notes will not be guaranteed by NewDay Ltd, NewDay Partnership Transferor plc, NewDay Funding Transferor Ltd, NewDay UPL Transferor Ltd and certain dormant subsidiaries of the Target.

(9) Within one business day of the Completion Date, the Notes and/or the Notes Guarantees will (subject to the Agreed Security Principles) be secured by a first-ranking pledge over the entire issued share capital and PECs of the Target and any shareholder loans made to Target.

(10) On the Completion Date, the Issuer will loan the net proceeds of the Notes to UK Holdco 2 via the Initial Proceeds Loans, having the terms described under "*Description of the Notes—The Proceeds Loans*." The rights of the Issuer in the Initial Proceeds Loan will be pledged in favor of the Security Agent and comprise part of the Collateral. See "*Description of the Notes—Security—General*."

(11) On the Completion Date, UK Holdco 2 will loan the net proceeds of the Notes to the Company via the Additional Proceeds Loan, having the terms described under "*Description of the Notes—The Proceeds Loans*" and the Company will then apply the net proceeds of the Additional Proceeds Loans to pay a portion of the consideration for the Acquisition and other amounts due in connection with the Transactions. The rights of UK Holdco 2 in the Additional Proceeds Loan will be pledged in favor of the Security Agent and comprise part of the Collateral. See "*Description of the Notes—Security—General*."

(12) The Company will enter into the Revolving Credit Facility on or prior to the Completion Date. The Revolving Credit Facility will have a total commitment of £30.0 million and will mature five years and nine months after the Issue Date. Borrowings under the Revolving Credit Facility will be available to fund our general corporate purposes and working capital requirements and may be drawn in pounds sterling, euros or US dollars. The Target or any wholly owned subsidiary of the Company that (a) has been approved by all lenders under the Revolving Credit Facility and (b) is in an approved jurisdiction under the Revolving Credit Facility (which includes Jersey, England and Wales and Luxembourg) may accede as a additional borrower under the Revolving Credit Facility, subject to certain conditions. The Revolving Credit Facility will be guaranteed by all the Company's subsidiaries that guarantee the Notes, as well as by the Issuer.

The Offering

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

Issuer	Nemean Bondco plc
Notes Offered:	
Fixed Rate Notes	£275.0 million aggregate principal amount of Senior Secured Fixed Rate Notes due 2024.
Floating Rate Notes	£150.0 million aggregate principal amount of Senior Secured Floating Rate Notes due 2023.
Issue Date	January 25, 2017.
Issue Price:	
Fixed Rate Notes	100.0%.
Floating Rate Notes	100.0%.
Maturity Date:	
Fixed Rate Notes	February 1, 2024.
Floating Rate Notes	February 1, 2023.
Interest Rate:	
Fixed Rate Notes	7.375% per annum. Interest on the Fixed Rate Notes will accrue from, and including, the Issue Date.
Floating Rate Notes	Three-month LIBOR (subject to a 0% floor) plus 6.50% per annum, reset quarterly. Interest on the Floating Rate Notes will accrue from, and including, the Issue Date.
Interest Payment Dates:	
Fixed Rate Notes	Semi-annually in arrear on February 1 and August 1 of each year, commencing on August 1, 2017.
Floating Rate Notes	Quarterly in arrear on February 1, May 1, August 1 and November 1 of each year, commencing on May 1, 2017.
Denominations	The Notes will have minimum denominations of £100,000 and integral multiples of £1,000 in excess thereof. Notes in denominations of less than £100,000 will not be available.

Ranking of the Notes	As of the Issue Date and prior to the Completion Date, the Notes will be senior secured obligations of the Issuer secured only by the Escrow Agreement and all deposits therein and will be guaranteed by the Initial Guarantors. From and after the Completion Date, the Notes will: • be general senior obligations of the Issuer; • be secured by the Collateral on a first-priority basis along with the obligations under the Revolving Credit Facility Agreement and certain priority hedging obligations (*provided* that the proceeds from any recovery from the enforcement of any security interest will be applied to satisfy the obligations under the Revolving Credit Facility Agreement, certain priority hedging obligations and certain future indebtedness permitted under the Indenture, if any, before being applied to satisfy obligations to holders under the Notes and the Indenture); • be effectively subordinated to any existing and future obligations (including obligations to trade creditors) of the Company and its subsidiaries that are secured by property or assets that do not secure the Notes, to the extent of the value of the property and assets securing such obligations; • rank *pari passu* in right of payment with all existing and future indebtedness of the Issuer that is not subordinated in right of payment to the Notes; • rank senior in right of payment to all existing and future indebtedness of the Issuer that is subordinated in right of payment to the Notes, if any; • be guaranteed by the Guarantors as described under "*Description of the Notes—The Notes Guarantees*"; and • be structurally subordinated to any existing and future obligations (including obligations to trade creditors and in connection with the existing Securitization Facilities) of the Company's subsidiaries that are not Guarantors.
Notes Guarantees	On the Issue Date, the Notes will be guaranteed on a senior secured basis by the Company, UK Holdco and UK Holdco 2 (together, the "**Initial Guarantors**"). In addition, within 90 days following the Completion Date, subject to the Agreed Security Principles, the Notes will also be guaranteed on a senior secured basis by the Target, NewDay Holdings Ltd, NewDay Group Ltd and all subsidiaries of the Target (other than NewDay Ltd, NewDay Partnership Transferor plc, NewDay Funding Transferor Ltd, NewDay UPL Transferor Ltd and certain dormant subsidiaries) (together, the "**Post-Completion Date Guarantors**," and together with the Initial Guarantors, the "**Guarantors**"). See "*Description of the Notes—The Notes Guarantees*" and "*Risk Factors—Risk Relating to the Notes and Our Structure—Certain Collateral will not initially secure the Notes.*" The Post-Completion Date Guarantors represented 83.5% of our Adjusted EBITDA for the twelve months ended September 30, 2016 and 84.3% of our net assets as of September 30, 2016. The Notes Guarantees may not be granted under certain circumstances. See "*Risk Factors—Risks Related to the Notes and Our Structure—There are circumstances other than repayment or*

	discharge of the Notes under which the Collateral securing the Notes and the Notes Guarantees will be released automatically and under which the Notes Guarantees may not be granted or will be released automatically, without your consent or the consent of the Trustee" and "*Description of Certain Financing Arrangements—Revolving Credit Facility—Agreed Security Principles*."
Ranking of the Notes Guarantees	The Notes Guarantee of each Guarantor will: • be a general senior obligation of that Guarantor; • be secured by the Collateral held by that Guarantor on a first-priority basis along with its obligations under the Revolving Credit Facility Agreement and certain priority hedging obligations (*provided* that the proceeds from any recovery from the enforcement of any security interest will be applied to satisfy the obligations under the Revolving Credit Facility Agreement, certain priority hedging obligations and certain future indebtedness permitted under the Indenture, if any, before being applied to satisfy obligations to holders under the Notes and the Indenture); • be effectively subordinated to any existing and future indebtedness (including obligations to trade creditors) of such Guarantor that are secured by property or assets that do not secure such Notes Guarantee, to the extent of the value of the property and assets securing such obligations; • rank *pari passu* in right of payment with all existing and future indebtedness of such Guarantor that is not subordinated in right of payment to such Notes Guarantee; • rank senior in right of payment to all existing and future indebtedness of such Guarantor that is subordinated in right of payment to such Notes Guarantee; and • be structurally subordinated to any existing and future obligations (including obligations to trade creditors and pursuant to the Securitization Facilities) of the Guarantor's subsidiaries that are not Guarantors.
Security	Prior to the Completion Date, the Notes and/or the Notes Guarantees will be senior secured indebtedness of the Issuer secured only by the Escrow Agreement and the Escrowed Funds (together, the "**Issue Date Collateral**"). On or prior to the Completion Date, the Notes and/or the Notes Guarantees will (subject to the Agreed Security Principles) also be secured by first priority fixed and floating security interests in: (1) the entire issued share capital of the Company and any shareholder loans made to the Company; (2) the entire issued share capital of UK Holdco, UK Holdco 2 and the Issuer; (3) receivables owed to the Issuer in respect of any proceeds loan pursuant to which the proceeds of the offering of the Notes are on-lent; (4) receivables owed to UK Holdco 2 in respect of any proceeds loan pursuant to which the proceeds of the offering of the Notes are on-lent; and

(5) all or substantially all of the assets of the Company, the Issuer, UK Holdco and UK Holdco 2.

Within one business day of the Completion Date, the Notes and/or the Note Guarantees will (subject to the Agreed Security Principles) also be secured by a first-ranking pledge over the entire issued share capital and PECs of the Target and any shareholder loans made to the Target (together, the "**Completion Date Collateral**").

Within 90 days following the Completion Date, the Notes and/or the Notes Guarantees will (subject to the Agreed Security Principles) also be secured by first-ranking security over:

(1) (a) the entire issued share capital of the Target's wholly-owned subsidiaries (other than NewDay UPL Transferor Ltd), (b) any shareholder loans to the Target's wholly-owned subsidiaries pursuant to which any proceeds of the Notes are on-lent, (c) any subordinated notes held by the Target issued by NewDay Partnership Transferor plc or NewDay Funding Transferor Ltd and (d) certain bank accounts of the Target; and

(2) all or substantially all assets of those entities that, following the Completion Date, will become wholly-owned subsidiaries of the Company or UK Holdco 2, excluding any dormant subsidiaries,

(together, the "**Post-Completion Date Collateral**" and, together with the Issue Date Collateral and the Completion Date Collateral, the "**Collateral**").

The Notes and the Notes Guarantees will not be secured by assets of NewDay Ltd, NewDay Partnership Transferor plc, NewDay Funding Transferor Ltd and NewDay UPL Transferor Ltd.

The security interests over the Collateral may be released under certain circumstances. See "*Description of the Notes—Security—Release of Liens*." In addition, the security interests over the Collateral may not be granted under certain circumstances. See "*Risk Factors—Risks Related to the Notes and Our Structure—Certain Collateral will not initially secure the Notes*" and "*Description of Certain Financing Arrangements—Revolving Credit Facility—Agreed Security Principles*."

Any security granted by the Issuer and certain Guarantors will be limited as described under "*Risk Factors—Risks Relating to the Notes and Our Structure—The insolvency laws of England and Wales, Jersey, Luxembourg 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 assets securing the Notes and the Notes Guarantees will also secure the Revolving Credit Facility and certain hedging obligations. Pursuant to the terms of the Intercreditor Agreement, any liabilities in respect of indebtedness incurred under the Revolving Credit Facility and certain hedging obligations that are secured by assets that also secure the Issuer's or the Guarantors' obligations under the Notes or the Notes Guarantees, as applicable, will receive priority with respect to any proceeds received upon any enforcement action over any such assets. See "*Description of Certain Financing Arrangements—Intercreditor Agreement.*" The assets securing the Notes and the Notes Guarantees may be released under certain circumstances. See

“*Risk Factors—Risks Relating to the Notes and Our Structure—There are circumstances other than repayment or discharge of the Notes under which the Collateral securing the Notes and the Notes Guarantees will be released automatically and under which the Notes Guarantees may not be granted or will be released automatically, without your consent or the consent of the Trustee*,” “*Description of Certain Financing Arrangements—Intercreditor Agreement*” and “*Description of the Notes—Security*.”

Escrow of Proceeds; Special Mandatory Redemption . . . . Concurrently with the closing of this offering of the Notes on the Issue Date, the Issuer will enter into an escrow agreement (the “**Escrow Agreement**”) with the Trustee and Deutsche Bank AG, London Branch, as escrow agent (the “**Escrow Agent**”), pursuant to which the Issuer will instruct the Initial Purchasers to deposit with the Escrow Agent an amount in cash equal to the gross proceeds of this offering of the Notes sold on the Issue Date into the Escrow Account. The initial funds deposited into the Escrow Account, and all other funds, securities, interest, dividends, and other distributions and other property and payments thereon credited to the Escrow Account (less any property and/or funds paid in accordance with the Escrow Agreement), are referred to, collectively, as the “**Escrowed Funds**.” The Escrow Account will be in the name of the Issuer in which the Escrow Agent will receive into its custody the Escrowed Funds. The Escrow Account will be charged on a first-priority basis in favor of the Trustee on behalf of the holders of the Notes pursuant to an escrow charge dated the Issue Date between the Issuer and the Escrow Agent.

In the event that (a) the Completion Date does not take place on or prior to the Escrow Longstop Date, (b) the Issuer certifies to the Trustee and the Escrow Agent that the Acquisition Agreement has been terminated, or that, in the reasonable judgment of the Issuer, the Acquisition will not be consummated by the Escrow Longstop Date, or (c) the Initial Investors (as defined under the heading “*Description of the Notes—Certain Definitions*”) cease to beneficially own and control a majority of the issued and outstanding capital stock of the Issuer on or prior to the escrow release date, (each such event being a “**Mandatory Redemption Event**”), the Issuer will redeem all of the Notes (the “**Special Mandatory Redemption**”) at a price equal to 100.0% of the initial issue price of the Notes plus accrued and unpaid interest and Additional Amounts, if any, from the Issue Date, or, if applicable, from the most recent date to which interest has been paid or provided for, to, but not including, the special mandatory redemption date (the “**Special Mandatory Redemption Price**”). Pursuant to the Shortfall Agreement between the Issuer and the Initial Investors to be entered into on or about the Issue Date, one or more of the Sponsors will be required to contribute to the Escrow Account an amount necessary to, among other things, fund the accrued and unpaid interest on the Notes and additional amounts, if any, from the Issue Date to, but excluding, the special mandatory redemption date.

See “*Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption*” and “*Risk Factors—Risks Relating to the Notes and Our Structure—If the conditions in the Escrow Agreement are not satisfied, we will be required to redeem the Notes, which means that you may not obtain the return you expect on the Notes*.”

Use of Proceeds . . . . Upon satisfaction of the conditions to the release of the proceeds from the Offering from escrow, the gross proceeds from the sale of the Notes will be released and will be used, together with the Equity Contribution: (i) to fund the purchase price payable to the Seller under the Acquisition Agreement and (ii) to pay certain fees and expenses incurred in connection with the Transactions, including estimated fees and expenses incurred in connection with this Offering.

Optional Redemption:

Fixed Rate Notes . . . . At any time prior to February 1, 2020, the Issuer, at its option, may redeem all or part of the Fixed Rate Notes at 100% of their principal amount, plus accrued and unpaid interest and additional amounts, if any, up to the redemption date, plus the applicable make-whole premium as described under "*Description of the Notes—Optional Redemption*."

The Issuer, at its option, may redeem all or part of the Fixed Rate Notes on or after February 1, 2020, at the redemption prices described under "*Description of the Notes—Optional Redemption*."

Prior to February 1, 2020, the Issuer, at its option, may on one or more occasions use the net proceeds of specified equity offerings to redeem up to 40% of the principal amount of the Fixed Rate Notes at a redemption price equal to 107.375% of the principal amount of such Fixed Rate Notes, plus accrued and unpaid interest and additional amounts, if any, up to the redemption date, provided that at least 50% of the original principal amount of the Fixed Rate Notes remains outstanding after the redemption.

At any time and from time to time prior to February 1, 2020 the Issuer may redeem during each twelve-month period commencing with the Issue Date up to 10% of the aggregate principal amount of the Fixed Rate Notes (including Additional Fixed Rate Notes, if any), at its option, at a redemption price equal to 103% of the principal amount of the Fixed Rate Notes redeemed, plus accrued and unpaid interest and additional amounts, if any, to the redemption date.

Floating Rate Notes . . . . At any time prior to February 1, 2018, the Issuer, at its option, may redeem all or part of the Floating Rate Notes at 100% of their principal amount, plus accrued and unpaid interest and additional amounts, if any, up to the redemption date, plus the applicable make-whole premium as described under "*Description of the Notes—Optional Redemption*."

The Issuer, at its option, may redeem all or part of the Floating Rate Notes on or after February 1, 2018, at the redemption prices described under "*Description of the Notes—Optional Redemption*."

Additional Amounts; Tax Redemption . . . . All payments under or with respect to the Notes or under or with respect to any Notes Guarantee will be made without withholding or deduction for any taxes or other governmental charges, except to the extent required by law. If withholding or deduction is required by law, subject to certain exceptions, the Issuer or the relevant guarantor, as applicable, will pay additional amounts so that the net amount received is no less than that which would have been received in the absence of such withholding or deduction. See "*Description of the Notes—Withholding Taxes*."

The Issuer may redeem each series of Notes in whole, but not in part, at any time, upon giving prior notice, if certain changes in tax law impose certain withholding taxes on amounts payable on that series of Notes, and, as a result, the Issuer or any Guarantor is required to pay additional amounts with respect to such withholding taxes. If the Issuer decides to exercise such redemption right, it must pay each holder of the relevant series of Notes a price equal to the principal amount of the Notes plus interest and additional amounts, if any, to the date of redemption. See "*Description of the Notes—Redemption for Taxation Reasons*."

Change of Control . . . . Upon the occurrence of certain events constituting a change of control, the Issuer will be required to offer to repurchase the Notes at 101% of their principal amount plus accrued interest and additional amounts, if any, to the date of such repurchase. However, a change of control will be deemed not to have occurred if specified consolidated net leverage ratios are not exceeded in connection with such event. See "*Description of the Notes—Change of Control*" and "*Risk Factors—Risks Relating to the Notes and Our Structure—We may not have the ability to raise the funds necessary to finance an offer to repurchase the Notes upon the occurrence of certain events constituting a change of control as required by the Indenture*."

Certain Covenants . . . . The Indenture will limit, among other things, the ability of the Issuer, the Company and its restricted subsidiaries to:

- incur or guarantee additional indebtedness and issue certain preferred stock;
- pay dividends on, or redeem or repurchase, capital stock and make certain other restricted payments;
- make certain investments;
- create or permit to exist certain liens;
- agree to restrictions on dividends by restricted subsidiaries;
- transfer, lease or sell certain assets including subsidiary stock;
- enter into certain transactions with affiliates;
- merge or consolidate with other entities;
- amend certain documents;
- engage in certain activities (with respect to the Issuer); and
- impair the security interests for the benefit of the holders of the Notes.

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

Certain of the covenants will be suspended if and for as long as we achieve investment-grade ratings. See "*Description of the Notes—Certain Covenants—Suspension of Covenants on Achievement of Investment Grade Status*."

Notice to Investors . . . . The Notes and the Notes Guarantees have not been, and will not be, registered under the US Securities Act or the securities laws of any other jurisdiction. The Notes are subject to restrictions on transfer and may only be offered or sold in transactions that are exempt from or

	not subject to the registration requirements of the US Securities Act and any other applicable law. See "*Notice to Investors*" and "*Plan of Distribution*." We have not agreed, or otherwise undertaken, to register the Notes (including by way of an exchange offer).
Listing	Application has been made to the Channel Islands Securities Exchange Authority Limited (the "**Exchange**") for the listing of and permission to deal in the Notes on the Official List of the Exchange. There can be no assurance that the Notes will be listed on the Official List of the Exchange, that such permission to deal in the Notes will be granted or that such listing will be maintained.
Trustee	Deutsche Trustee Company Limited
Security Agent	HSBC Corporate Trustee Company (UK) Limited
Registrar and Transfer Agent	Deutsche Bank Luxembourg S.A.
Principal Paying Agent, Calculation Agent and Escrow Agent	Deutsche Bank AG, London Branch
Listing Sponsor	Mourant Ozannes Securities Limited, Jersey Branch
Governing Law	The Indenture will be governed by the laws of the State of New York. The Intercreditor Agreement, the Revolving Credit Facility Agreement and the Proceeds Loans will be governed by English law. The application of the provisions set out in articles 84 to 94-8 of the Luxembourg law dated 10 August 1915 on commercial companies, as amended ("**Luxembourg Law on Commercial Companies**") is excluded.

Risk Factors

See the "*Risk Factors*" section for a description of certain of the risks you should carefully consider before investing in the Notes.

Summary Historical Financial Information and Other Data

The following tables set forth our summary historical financial information and summary unaudited interim financial information of the Target Group for the periods and dates indicated. The Issuer was formed as a private limited company under the laws of England and Wales on November 7, 2016. The Company was formed under the laws of Jersey on September 26, 2016 for purposes of facilitating the Transactions. Consequently, no historical financial information relating to either the Issuer or the Company is available. Neither the Issuer nor the Company has engaged in any activities other than those related to their formation and the Transactions. After the Acquisition, the only material assets and liabilities (other than with respect to the Financing) will be those of the Target. Going forward, our financial statements will be consolidated at the level of the Company as will be required under the Indenture.

The summary historical financial data as of September 30, 2016 and for the nine month periods ended September 30, 2015 and 2016 has been derived from the Unaudited Interim Financial Statements. The Unaudited Interim Financial Statements have been prepared in accordance with IAS 34 and, in the opinion of the management, include all adjustments necessary for fair presentation of such financial statements. The historical financial data included in this Offering Memorandum as of and for the years ended December 31, 2013, 2014 and 2015 has been derived from the Audited Financial Statements. The Audited Financial Statements are prepared in accordance with IFRS. The results of operations for prior years are not necessarily indicative of the results to be expected for any future period. Interim financial results are not necessarily indicative of results for the full fiscal year or any future reporting period.

Our segment results for the year ended December 31, 2013 were not restated on a basis consistent with the segmental results for the years ended December 31, 2015 and 2014 included in our audited consolidated financial statements for the year ended December 31, 2015. Accordingly, the segmental results from our 2013 audited financial statements and those segmental results presented for later periods may not be directly comparable.

The comparability of our results of operations for 2014 and 2013 has been impacted (and, to a lesser extent, so has been the comparability of results between those periods and 2015) by the Co-Brands Acquisition in 2013. However, the Co-Brands Acquisition does not affect the comparability of the results of operations of our Own-Brands segment except for the allocation of certain expenses related to the Co-Brands Acquisition to that segment.

The summary unaudited financial data for the Target Group for the twelve-month period ended September 30, 2016, has been derived by adding the unaudited interim consolidated financial information of the Target Group for the nine-month period ended September 30, 2016 to the consolidated financial information of the Target Group for the year ended December 31, 2015 and then subtracting the interim consolidated financial information of the Target Group for the nine-month period ended September 30, 2015. The summary unaudited financial data for the Target Group for the twelve-month period ended September 30, 2016 has been prepared for illustrative purposes only and is not necessarily representative of our results of operations for any future period or our financial condition at any future date.

We have included in this Offering Memorandum certain unaudited pro forma financial data of the Company, which is based on consolidated financial information of the Target Group, as adjusted to give pro forma effect to (i) the Transactions as if the Transactions had occurred on either October 1, 2015 (for purposes of unaudited pro forma financial data derived from the Target Group's consolidated results of operations) or September 30, 2016, for purposes of unaudited pro forma financial data derived from the Target Group's consolidated statement of financial position or (ii) the Bond Sales as if these sales had occurred on October 1, 2015. The unaudited pro forma financial data is for informational purposes only and is not intended to represent or to be indicative of the consolidated results of operations or financial position that we would have reported had the Transactions or the Bond Sales been completed on October 1, 2015, September 30, 2016 or any other date and should not be taken as indicative of our future consolidated results of operations or financial position following consummation of the Transactions and the Bond Sales. The unaudited pro forma financial data has not been prepared in accordance with the requirements of Regulation S-X of the U.S. Securities Act, the Prospectus Directive or any generally accepted accounting standards. Neither the assumptions underlying the pro forma adjustments nor the resulting unaudited pro forma financial data have been audited or reviewed in accordance with any generally accepted auditing standards.

The financial data below also includes certain non-IFRS measures used to evaluate our economic and financial performance. These measures are not identified as accounting measures pursuant to IFRS or any generally accepted accounting standards and therefore should not be considered as alternative measures to evaluate our performance. See "*Presentation of Financial and Other Information—Non-IFRS Financial Information*."

This information is only a summary and should be read in conjunction with "*Risk Factors*," "*Capitalization*," "*Selected Historical Financial Information*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations,*" our Unaudited Interim Financial Statements and the notes thereto and our Audited Financial Statements and the accompanying notes appearing elsewhere in this Offering Memorandum, as well as the other financial information included in this Offering Memorandum.

Consolidated Income Statement and Consolidated Statement of Comprehensive Income

	For the year ended December 31,			For the nine months ended September 30,		For the twelve months ended September 30,
	2013	2014	2015	2015	2016	2016
	(£ in millions)					
Interest and similar income	228.2	284.2	313.1	228.6	292.8	377.3
Interest and similar expense	(41.0)	(66.9)	(29.7)	(22.9)	(21.5)	(28.3)
Net interest income	**187.2**	**217.3**	**283.4**	**205.7**	**271.3**	**349.0**
Fee and commission income	55.8	73.6	74.6	58.6	56.1	72.1
Impairment losses on loans and advances to customers	(55.8)	(75.4)	(115.7)	(81.8)	(105.0)	(138.9)
Net operating income	**187.1**	**215.5**	**242.3**	**182.5**	**222.4**	**282.2**
Fair value gain/(loss) on derivatives	4.9	(5.1)	0.5	0.5	—	—
Personnel expense	(14.4)	(26.8)	(48.3)	(34.4)	(38.3)	(52.2)
Other operating expenses	(141.6)	(196.7)	(169.5)	(105.6)	(133.0)	(196.9)
Total operating expenses	**(151.1)**	**(228.6)**	**(217.3)**	**(139.5)**	**(171.3)**	**(249.1)**
Profit/(loss) before gain on a bargain purchase	**36.0**	**(13.1)**	**25.0**	**43.0**	**51.1**	**33.1**
Gain on a bargain purchase	80.9	—	—	—	—	—
Profit/(loss) before tax	**116.9**	**(13.1)**	**25.0**	**43.0**	**51.1**	**33.1**
Tax expense	(0.1)	(0.5)	(0.9)	(0.9)	(0.8)	(0.8)
Profit/(loss) for the period	**116.8**	**(13.6)**	**24.1**	**42.1**	**50.3**	**32.3**
Other comprehensive income	0.0	0.0	0.0	0.0	0.0	0.0
Total comprehensive income/(expense) for the period	**116.8**	**(13.6)**	**24.1**	**42.1**	**50.3**	**32.3**

Consolidated Balance Sheet

	As of December 31,			As of September 30,
	2013	2014	2015	2016
	(£ in millions)			
Assets:				
Loans and advances to banks	59.6	86.0	106.8	140.2
Loans and advances to customers	1,270.8	1,244.7	1,409.4	1,571.0
Derivative assets	4.5	—	—	—
Current tax assets	—	—	0.4	0.8
Other assets	28.3	14.1	29.3	41.2
Property and equipment	0.4	5.3	6.0	5.4
Intangible assets	—	—	—	3.3
Total assets	**1,363.6**	**1,350.1**	**1,551.9**	**1,761.9**
Liabilities:				
Debt issued and other borrowed funds	982.3	974.8	1,169.8	1,307.2
Derivative liabilities	—	0.5	—	—
Current tax liabilities	—	—	0.4	0.7
Deferred tax liabilities	—	—	0.1	0.1
Other liabilities	59.2	59.6	48.9	67.4
Provisions	17.9	25.1	58.9	62.4
Total liabilities	**1,059.4**	**1,060.0**	**1,278.1**	**1,437.8**
Equity attributable to owners of NewDay Holdings S.à r.l.:				
Share capital and share premium	2.0	2.0	2.0	2.0
Interest Free Preferred Equity Certificates (IPECs)	68.5	68.5	68.5	68.5
Tracking Preferred Equity Certificates (TPECs)	161.8	161.8	161.8	161.8
Retained earnings	71.9	57.8	41.5	91.8
Total equity	**304.2**	**290.1**	**273.8**	**324.1**
Total liabilities and equity	**1,363.6**	**1,350.1**	**1,551.9**	**1,761.9**

Consolidated Statement of Cash Flows

	For the year ended December 31,			For the nine months ended September 30,
	2013	2014	2015	2016
	(£ in millions)			
Net cash (used in)/generated from operating activities	(15.4)	50.0	(150.3)	(103.7)
Net cash used in investing activities	(771.5)	(4.0)	(2.5)	(3.6)
Net cash generated from/(used in) financing activities	757.2	(8.0)	153.6	137.0
Net (decrease)/increase in cash and cash equivalents	(29.6)	38.0	0.8	29.7
Cash and cash equivalents at the end of the period	34.9	72.9	73.7	103.4

Certain Segment Data

We include in our financial statements two reportable segments, each representing our different businesses, Own-Brands and Co-Brands. Our segmental results contain various reclassifications from the consolidated Target Group results. Our reporting segments reflect our internal reporting structure and are assessed on the basis of Normalized Profit Before Tax on a segment level. In addition, for the purposes of the Offering Memorandum, management has included a discussion of Normalized Contribution on a segmental level.

Normalized Contribution, represents risk-adjusted income, less certain Normalized Costs. Normalized Contribution is not specifically defined under, or presented in accordance with, IFRS or any other generally accepted accounting principles and you should not consider it as an alternative to profit for the period or any other performance measures derived in accordance with IFRS.

In order to present Normalized Contribution, we include a break-down of the expenses that we reported as "Normalized Costs" in our Audited Financial Statements. In the course of preparing the Offering Memorandum, management determined that this enhanced disclosure of Normalized Contribution may be useful in understanding the operating performance of our reportable segments from period to period. We expect to continue reporting Normalized Contribution in the future, including in our annual financial statements for 2016.

For a reconciliation of Normalized Contribution for each segment to Normalized Profit Before Tax for the periods indicated, and for further explanation of segment information, see "*Summary Historical Financial and Other Data—Certain Segment Data*."

The following tables presents the segment results for our Own-Brands business, our Co-Brands business and our consolidated results for the periods under review.

	For the nine months ended September 30, 2015			For the nine months ended September 30, 2016			For the twelve months ended September 30, 2016		
	Own-Brands	**Co-Brands**	**Group**	**Own-Brands**	**Co-Brands**	**Group**	**Own-Brands**	**Co-Brands**	**Group**
					(£ in millions) *(unaudited)*				
Net interest income from loans and advances to customers[1]	117.5	83.7	201.2	176.4	89.9	266.3	225.0	118.7	343.7
Fee and commission income[2]	21.5	17.0	38.5	23.3	13.8	37.1	28.3	19.2	47.5
Total Normalized Income	**139.0**	**100.7**	**239.7**	**199.7**	**103.7**	**303.4**	**253.3**	**137.9**	**391.2**
Impairment losses on loans and advances to customers	(65.9)	(15.4)	(81.3)	(91.4)	(13.4)	(104.8)	(121.7)	(16.7)	(138.4)
Risk adjusted income[3]	**73.1**	**85.3**	**158.4**	**108.3**	**90.3**	**198.6**	**131.6**	**121.2**	**252.8**
By type:									
Open Book	41.9	80.1	122.0	76.1	85.6	161.7	89.6	113.8	203.5
Closed Book	31.2	5.2	36.4	32.3	4.6	36.9	42.1	7.3	49.4
Servicing costs[4]	(17.5)	(32.6)	(50.1)	(27.5)	(40.3)	(67.8)	(35.2)	(52.3)	(87.5)
Collections fees[5]	7.9	12.2	20.1	9.3	9.7	19.0	12.0	12.6	24.6
Investment costs[6]	(13.2)	(28.0)	(41.2)	(17.6)	(29.3)	(46.9)	(23.3)	(38.1)	(61.4)
Normalized Contribution	**50.3**	**36.9**	**87.2**	**72.5**	**30.4**	**102.9**	**85.1**	**43.4**	**128.5**
Salaries, benefits and overhead[7]			(30.5)			(35.1)			(46.6)
Normalized Profit Before Tax[8]			**56.7**			**67.8**			**81.9**

	For the year ended December 31, 2013			For the year ended December 31, 2014			For the year ended December 31, 2015		
	Own-Brands	**Co-Brands**	**Group**	**Own-Brands**	**Co-Brands**	**Group**	**Own-Brands**	**Co-Brands**	**Group**
					(£ in millions) *(unaudited)*				
Net interest income from loans and advances to customers[(1)]	91.6	68.9	160.5	110.0	94.4	204.4	166.1	112.5	278.6
Fee and commission income[(2)]	15.4	15.3	30.7	22.5	22.6	45.1	26.5	22.4	48.9
Total Normalized Income	**107.0**	**84.2**	**191.2**	**132.5**	**117.0**	**249.5**	**192.6**	**134.9**	**327.5**
Impairment losses on loans and advances to customers	(38.4)	(17.4)	(55.8)	(52.5)	(22.9)	(75.4)	(96.2)	(18.7)	(114.9)
Risk adjusted income[(3)]	**68.6**	**66.8**	**135.4**	**80.0**	**94.1**	**174.1**	**96.4**	**116.2**	**212.6**
By type:									
Open Book	16.0	54.9	70.9	35.5	87.8	123.3	55.5	108.4	163.8
Closed Book	52.6	11.9	64.5	44.5	6.3	50.8	41.0	7.9	48.8
Servicing costs[(4)]	(23.0)	(27.0)	(50.0)	(22.8)	(45.1)	(67.9)	(25.2)	(44.6)	(69.8)
Collections fees[(5)]	8.6	16.5	25.1	8.0	20.5	28.5	10.6	15.1	25.7
Investment costs[(6)]	(15.5)	(25.7)	(41.2)	(16.7)	(35.4)	(52.1)	(18.9)	(36.8)	(55.7)
Normalized Contribution	**38.7**	**30.6**	**69.3**	**48.5**	**34.1**	**82.6**	**62.9**	**49.9**	**112.8**
Salaries, benefits and overhead[(7)]			(17.7)			(33.3)			(42.0)
Normalized Profit Before Tax[(8)]			**51.6**			**49.3**			**70.8**

(1) Net interest income from loans and advances to customers represents interest and similar income from loans and advances to customers net of cost of funds. See note (2) of the table below in "—*Key Performance Indicators and Other Unaudited Financial Data* " for more information.

(2) Represents fee and commission income as presented on the Target Group's income statement but excluding cost recovery fees. Cost recovery fees (which are the collections fees charged to customers who make late payments) were £19.0 million and £20.1 million for the nine months ended September 30, 2016 and 2015, and £25.7 million, £28.5 million and £25.1 million for the years ended December 31, 2015, 2014 and 2013, respectively. Cost recovery fees are excluded in calculating total Normalized Income as we consider them as a component of our service costs rather than fee and commission income on the basis that they represent recoveries against these costs.

(3) In addition to excluding impairment losses on loans and advances to customers from total Normalized Income to calculate risk-adjusted income for the year ended December 31, 2015, we excluded £0.8 million which relates to operational losses that it considers to be service costs (rather than impairment losses) because these losses were determined to be driven by operational rather than credit-related incidents. See note (2) of the table below in "—*Key Performance Indicators and Other Unaudited Financial Data*" for more information.

(4) Represents the operational costs related to servicing customers' accounts which comprises the following principal elements: ongoing fraud management, issuing plastic cards and other fulfillment activities and customer services but does not include costs relating to collections, which is presented separately.

(5) Represents costs associated with the collection and recovery of unpaid balances from customers.

(6) Represents payments to retail partners, marketing costs, IT costs and change costs (which relate to changes made to our infrastructure and IT software systems).

(7) Represents salaries and wages and benefits paid to employees and overhead costs.

(8) See note (3) of the table below in "—*Key Performance Indicators and Other Unaudited Financial Data*" for a reconciliation of profit/loss before tax for the period to Normalized Profit Before Tax.

Key Performance Indicators and Other Unaudited Financial Data

	As of and for the year ended December 31,			As of and for the nine months ended September 30,		As of and for the twelve months ended September 30,
	2013	2014	2015	2015	2016	2016
	(£ in millions, except percentages and ratios) *(unaudited)*					
Gross receivables[(1)]	1,348.0	1,302.8	1,470.6	1,343.7	1,620.8	1,620.8
Open Book:	835.8	970.4	1,233.0	1,088.5	1,427.5	1,427.5
Own-Brands	180.2	332.9	603.4	509.5	831.7	831.7
Co-Brands	655.5	637.5	629.6	579.0	595.8	595.8
Closed Book:	512.2	332.4	237.6	255.2	193.3	193.3
Own-Brands	249.9	212.0	183.5	188.4	160.1	160.1
Co-Brands	262.4	120.4	54.1	66.8	33.3	33.3
Risk-adjusted income[(2)]	135.4	174.1	212.6	158.4	198.6	252.8
Normalized Profit Before Tax[(3)]	51.6	49.3	70.8	56.7	67.8	81.9
Adjusted EBITDA[(4)]	53.0	49.7	72.3	57.8	68.7	83.2
Adjusted EBITDA excluding change in impairment provision[(4)]	76.3	78.0	103.3	78.5	71.2	96.0
Free cash flow available for growth and debt service[(5)]	17.0	24.2	38.1	18.8	51.8	71.1
Impairment rate (%)[(6)]	5.9	6.0	8.7	8.4	9.2	9.3
By segment:						
Own-Brands	9.3	11.2	14.9	14.4	13.9	14.4
Co-Brands	3.2	2.9	2.8	3.0	2.8	2.6
Risk-adjusted margin (%)[(7)]	14.3	13.9	16.1	16.3	17.5	17.1
Open Book:						
Own-Brands	12.2	14.8	12.4	13.5	14.4	13.4
Co-Brands	13.4	14.7	18.3	18.1	19.3	19.2
Closed Book:						
Own-Brands	18.8	19.5	20.9	20.9	25.0	24.0
Co-Brands	9.1	3.5	9.3	7.6	14.5	15.4
Normalized Cost-to-Income Ratio (%)[(8)]	43.8	50.0	43.3	42.4	43.1	43.7
Advance rate (%)[(9)]	73.9	75.2	80.0	—	—	81.1
By segment:						
Own-Brands	60.7	60.0	69.8	—	—	73.8
Co-Brands	80.2	86.1	91.8	—	—	92.6

(1) Gross receivables presents customer balances on a gross basis. Loans and advances to customers as presented on the Target Group's balance sheet, on the other hand, is presented on a net basis, and reflects customer balances net of any related impairment provision acquisition, fair value adjustments, accrued interest and credit balances, deferred costs and reward cash back. The following table presents the reconciliation between loans and advances to customers and gross receivables as of the dates indicated.

	As of December 31,			As of September 30,
	2013	2014	2015	2016
	(£ in millions) *(unaudited)*			
Loans and advances to customers	**1,270.8**	**1,244.7**	**1,409.4**	**1,571.0**
Reward cashback[(A)]	0	0	0.3	0.4
Deferred marketing costs[(B)]	(2.6)	(4.0)	(12.9)	(18.8)
Acquisition fair value adjustments[(C)]	50.5	19.3	14.4	9.5
Accrued interest and credit balances[(D)]	(11.1)	(11.4)	(25.7)	(28.9)
Impairment provision on loans and advances to customers	25.8	54.1	85.1	87.6
Other[(E)]	14.6	—	—	—
Gross receivables	**1,348.0**	**1,302.8**	**1,470.6**	**1,620.8**

(A) Represents cash and other awards payable to customers in accordance with the terms of the credit card agreement as an incentive to encourage spending.

(B) Represents the balance of capitalized marketing costs that are directly attributable to the issue of a card, which are to be amortized over the estimated life of customer accounts in line with accounting standards.

(C) Reflects the amortization of the fair value adjustment attributed to our acquired portfolios of loans and advances to customers.

(D) Accrued interest represents the daily interest that should be recognized from a customer's billing cycle date (which can be anywhere during a month) to the balance sheet date. Credit balances are the amounts owed to customers who have made overpayments on their accounts. These amounts are held as client money and are protected in designated client money accounts.

(E) Represents an opening balance sheet adjustment to acquired Own-Brands portfolios.

(2) For all periods other than the year ended December 31, 2015, risk-adjusted income is calculated as total Normalized Income less impairment losses on loans and advances to customers. To calculate risk-adjusted income for the year ended December 31, 2015, we excluded £0.8 million of certain operational losses reclassified to service costs from its impairment losses on loans and advances to customers because these losses were determined to be driven by operational rather than credit-related incidents.

The following table presents the reconciliation of interest and similar income as presented on the Target Group's income statement to risk-adjusted income and total Normalized Income for the periods under review.

	For the year ended December 31,			For the nine months ended September 30,		For the twelve months ended September 30,
	2013	2014	2015	2015	2016	2016
				(£ in millions) *(unaudited)*		
Interest and similar income	**228.2**	**284.2**	**313.1**	**228.6**	**292.8**	**377.3**
Interest income from banks	0.1	0.1	0.3	0.2	0.2	0.3
Fair value unwind(A)	26.7	24.0	4.8	4.5	5.0	5.3
Other(B)	0.1	0.2	0.1	0.1	0.1	0.1
Interest and similar income from loans and advances to customers	**201.3**	**259.9**	**307.9**	**223.8**	**287.5**	**371.6**
Other(B)	0.1	0.2	0.1	0.1	0.1	0.1
Interest Income	**201.3**	**260.1**	**307.9**	**223.8**	**287.5**	**371.6**
Cost of funds(C)	(40.8)	(55.7)	(29.3)	(22.7)	(21.3)	(27.9)
Net interest income from loans and advances to customers	**160.5**	**204.4**	**278.6**	**201.2**	**266.3**	**343.7**
Fee and commission income(D)	30.7	45.1	48.9	38.5	37.1	47.5
Total Normalized Income	**191.2**	**249.5**	**327.5**	**239.7**	**303.4**	**391.2**
Impairment losses on loans and advances to customers	(55.8)	(75.4)	(114.9)	(81.3)	(104.8)	(138.4)
Risk-adjusted income	**135.4**	**174.1**	**212.6**	**158.4**	**198.6**	**252.8**

(A) The initial recognition of carrying value of loans and advances to customers which have been acquired resulted in a fair value adjustment against gross receivables. In the Target Group's historical financial information, the fair value adjustment applied to these receivables is amortized into interest and similar income using the effective interest rate ("EIR") method over the average expected life of these assets.

(B) Other comprises interest receivable on a third party loan.

(C) Represents interest and similar expense as presented on the Target Group's income statement but excluding the effects of (i) the 'Other' line item to the Target Group's interest and similar expense and contributed £0.4 million, £0.2 million and £0.1 million in the years ended December 31, 2015, 2014 and 2013, respectively; and (ii) for the years ended December 31, 2014 and 2013, exceptional expenses related to the refinancing of debt facilities, which resulted in the accelerated amortization of capitalized debt funding fees.

(D) Represents fee and commission income as presented on the Target Group's income statement but excluding cost recovery fees. Cost recovery fees (which are the collections fees charged to customers who make late payments) were £19.0 million and £20.1 million for the nine months ended September 30, 2016 and 2015, and £25.7 million, £28.5 million and £25.1 million for the years ended December 31, 2015, 2014 and 2013, respectively. Cost recovery fees are excluded in calculating total Normalized Income as we consider them as a component of our service costs rather than fee and commission income on the basis that they represent recoveries against these costs.

(3) Normalized Profit Before Tax represents profit/loss before tax for the period adjusted for certain exceptional costs, gains/losses on derivatives and amortization of a fair value adjustment on our acquired portfolio. Normalized Profit Before Tax is not specifically defined under, or presented in accordance with, IFRS or any other generally accepted accounting principles and you should not consider it as an alternative to profit for the period or any other performance measures derived in accordance with IFRS. In addition, you should be aware that we may incur expenses similar to the adjustments in this presentation in the future and that certain of these items could be considered recurring in nature.

Normalized Profit Before Tax as used in this Offering Memorandum is not calculated in the same manner as "Consolidated EBITDA" will be calculated pursuant to the Indenture governing the Notes as defined in "*Description of the Notes*" or for purposes of any of our other indebtedness. Our presentation of Normalized Profit Before Tax should not be construed as an inference that our future results will be unaffected by exceptional items. Normalized Profit Before Tax has been included in this Offering Memorandum because our management believes such measure may provide helpful information to investors, securities analysts and other parties regarding our operating performance and ability to service our debt. For a description of the limitations of Normalized Profit Before Tax as a financial measure, see "*Presentation of Financial and Other Information—Non-IFRS Financial Information*."

The following table reconciles profit/loss before tax to Normalized Profit Before Tax for the periods indicated.

	For the year Ended December 31,			For the nine months ended September 30,		For the twelve months ended September 30,
	2013	2014	2015	2015	2016	2016
	(£ in millions) (unaudited)					
Profit/loss for the period before taxation	**116.9**	**(13.1)**	**25.0**	**43.0**	**51.1**	**33.1**
Exceptional Expenses:						
Movement in PPI and CPP provisions(A)	11.3	17.5	37.6	3.5	17.4	51.5
Project and other expenses(B)	11.7	18.7	13.5	15.2	4.3	2.6
Co-Brands acquisition and migration(C)	24.2	32.1	—	—	—	—
Exceptional debt funding fees(D)	—	13.0	—	—	—	—
Total Exceptional Expenses	**47.2**	**81.3**	**51.1**	**18.7**	**21.7**	**54.1**
Gains/(losses) on derivatives(E)	(4.9)	5.1	(0.5)	(0.5)	—	—
Fair value unwind(F)	(107.6)	(24.0)	(4.8)	(4.5)	(5.0)	(5.3)
Normalized Profit Before Tax	**51.6**	**49.3**	**70.8**	**56.7**	**67.8**	**81.9**

(A) The PPI and CPP provision relate to the Target Group's liabilities in connection with the sale of PPI and card protection plans. See "*Risk Factors—Risks Relating to the Legal and Regulatory Environment in which We Operate—There are various recently concluded and ongoing regulatory investigations into consumer credit and related financial services, in particular by the European Commission, the CMA and the FCA. The outcome and effect of these investigations is uncertain but they may have an impact on our reputation and financial condition*." Movement in PPI and CPP provisions includes the combined amount arising/released during the period for both the PPI and CPP provisions and excludes changes in the amount of the provisions over the period relating to utilization. See note 7 to our Unaudited Interim Financial Statements and note 16 to the audited financial statements for 2015 and 2014 and note 17 to the audited financial statements for 2013, each appearing elsewhere in this Offering Memorandum. Movement in PPI and CPP provisions was referred to as "movement in provisions (excluding impairment losses on loans and advances to customers)" in our audited financial statements for 2014 and also included a dilapidation and other provision. In our Unaudited Interim Financial Statements for the nine months ended September 30, 2016, this included a movement in CCA provision.

(B) In the nine months ended September 30, 2016, project and other expenses primarily included £2.6 million of advisory fees relating to the Acquisition. In 2015, project and other expenses include the transactional costs associated with the launch of the Own-Brands Master Trust Structure (£2.3 million), and the costs incurred as part of our investment in digital capabilities (£2.5 million). In 2014, project expenses include the transactional costs associated with the launch of the Co-Brands Master Trust Structure (£1.1 million), the costs of relocating to our new London and Leeds offices (£2.2 million) and the costs of rebranding us to NewDay (£1.5 million). In 2013, project and other expenses include costs for a number of small projects.

(C) Primarily reflects the one-off costs of migrating the Acquired Co-Brands Business onto our own platform and expenses related to the Co-Brands Acquisition during 2013 and 2014.

(D) Exceptional debt funding fees relate to the accelerated amortization of up-front debt funding fees and the cancellation of indebtedness fees incurred upon the refinancing of the Co-Brands business in December 2014 via the Co-Brands Master Trust Structure.

(E) Comprises non-cash fair value movements on interest rates swap positions that we held in 2013 and 2014. We held no interest rate swaps during 2015.

(F) Reflects the amortization of the fair value adjustment attributed to our acquired portfolios of loans and advances to customers and for the year ended December 31, 2013 includes gain on a bargain purchase of £80.9 million resulting from the Co-Brands Acquisition.

(4) Adjusted EBITDA represents Normalized Profit Before Tax plus depreciation. You should be aware that, as an analytical tool, Adjusted EBITDA is subject to all of the limitations applicable to Normalized Profit Before Tax. Our presentation of Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by exceptional items. Adjusted EBITDA has been included in this Offering Memorandum because our management believes such measure may provide helpful information to investors, securities analysts and other parties regarding our operating performance and ability to service our debt. Adjusted EBITDA is not specifically defined under, or presented in accordance with, IFRS or any other generally accepted accounting principles and you should not consider it as an alternative to profit for the period or any other performance measures derived in accordance with IFRS. For a description of the limitations of Adjusted EBITDA as a financial measure, see "*Presentation of Financial and Other Information—Non-IFRS Financial Information.*"

Adjusted EBITDA excluding change in impairment provision represents Adjusted EBITDA plus the increase (or less the decrease) in the impairment provision on loans and advances to customers between the first day and the final day of the period.

The following table reconciles Normalized Profit Before Tax to Adjusted EBITDA and Adjusted EBITDA excluding change in impairment provision for the periods indicated.

	For the year ended December 31,			For the nine months ended September 30,		For the twelve months ended September 30,
	2013	2014	2015	2015	2016	2016
	(£ in millions) (unaudited)					
Normalized Profit Before Tax	**51.6**	**49.3**	**70.8**	**56.7**	**67.8**	**81.9**
Depreciation	1.4	0.4	1.5	1.1	0.9	1.3
Adjusted EBITDA	**53.0**	**49.7**	**72.3**	**57.8**	**68.7**	**83.2**
Change in Impairment Provision(A)	23.3	28.3	31.0	20.7	2.5	12.8
Adjusted EBITDA excluding change in impairment provision	**76.3**	**78.0**	**103.3**	**78.5**	**71.2**	**96.0**

(A) Represents the change in the value of the impairment provision between the first and last days of the period. See note 7 to the Unaudited Interim Financial Statements, note 16 to the audited financial statements for 2015 and note 17 to the audited financial statements for 2014, each appearing elsewhere in this Offering Memorandum.

(5) Free cash flow available for growth and debt service is calculated as Adjusted EBITDA excluding change in impairment provision less change in working capital, capital expenditure and cash taxes paid after the exceptional items.

The following table reconciles free cash flow available for growth and debt service to Adjusted EBITDA excluding change in impairment provision for the periods indicated.

	For the year ended December 31,			For the nine months ended September 30,		For the twelve months ended September 30,
	2013	2014	2015	2015	2016	2016
	(£ in millions) (unaudited)					
Adjusted EBITDA excluding change in impairment provision(A)	**76.3**	**78.0**	**103.3**	**78.5**	**71.2**	**96.0**
Change in working capital(B)	(23.2)	14.0	(48.4)	(41.7)	(10.6)	(17.3)
Capital expenditure	(0.2)	(4.0)	(2.5)	(2.4)	(3.6)	(3.7)
Cash taxes paid	0.0	0.0	(0.8)	(0.4)	(0.9)	(1.3)
Exceptional costs(C)	(35.9)	(63.8)	(13.5)	(15.2)	(4.3)	(2.6)
Free cash flow available for growth and debt service	**17.0**	**24.2**	**38.1**	**18.8**	**51.8**	**71.1**

(A) See note (3) above for a reconciliation of Normalized Profit Before Tax to Adjusted EBITDA excluding change in impairment provision.

(B) Working capital includes other assets, restricted cash, other provisions and other liabilities.

(C) Exceptional costs includes project and other expense, costs relating to the Co-Brands Acquisition and migration and exceptional debt funding fees. See the table in note (3) above for more information relating to exceptional costs.

(6) Impairment rate is calculated as total impairments for the period divided by average gross receivables for that period.

(7) Risk-adjusted margin is calculated as risk-adjusted income divided by average gross receivables.

Average gross receivables is calculated using a 13-point average of month-end gross receivables for any twelve-month period and a ten-point average for nine-month periods (including opening and closing balances) (the 13 point average is calculated as the sum of the balance at the end of the twelve-month period and end of the month amounts for each of the preceding twelve months, divided by 13; and the ten-point average is calculated as the sum of the balance at the end of the nine-month period and the end of the month balances for each of the preceding nine months, divided by ten). See note (1) above for a description of gross receivables and a reconciliation of this non-IFRS measure to the loans and advances to customers as presented in the Target Group's balance sheet as of the dates indicated. The following table presents the Target Group's average gross receivables for the periods under review.

	For the year ended December 31,			For the nine months ended September 30,		For the twelve months ended September 30,
	2013	2014	2015	2015	2016	2016
	(£ in millions) (unaudited)					
Average gross receivables	**949.8**	**1,248.6**	**1,321.9**	**1,292.3**	**1,512.4**	**1,481.5**
Open Book						
Own-Brands	131.4	240.4	448.1	412.3	706.7	667.4
Co-Brands	408.3	598.5	593.6	589.4	591.1	591.5
Closed Book						
Own-Brands	279.5	228.3	196.2	199.4	172.2	175.5
Co-Brands	130.6	181.4	84.1	91.1	42.5	47.2

(8) The Normalized Cost-to-Income Ratio is Normalized Costs divided by total Normalized Income. Note (2) above sets forth a table presenting total Normalized Income over the periods under review. Normalized Costs comprise servicing costs, investment costs and salaries, benefits and overhead.

The table below presents our Normalized Costs used to calculate the Normalized Cost-to Income Ratio as well as a reconciliation of Normalized Costs to total operating expenses as presented on the Target Group's income statement:

	For the year ended December 31,			For the nine months ended September 30,		For the twelve months ended September 30,
	2013	2014	2015	2015	2016	2016
	(£ in millions) *(unaudited)*					
Servicing costs	(50.0)	(67.9)	(69.8)	(50.1)	(67.8)	(87.5)
Collections fees	25.1	28.5	25.7	20.1	19.0	24.6
Investment costs	(41.2)	(52.1)	(55.7)	(41.2)	(46.9)	(61.4)
Salaries and benefits	(17.7)	(33.3)	(42.0)	(30.5)	(35.1)	(46.6)
Total Normalized Costs	**(83.8)**	**(124.8)**	**(141.8)**	**(101.7)**	**(130.8)**	**(170.9)**
Movement in PPI and CPP provisions(A)	(11.3)	(17.5)	(37.6)	(3.5)	(17.8)	(51.9)
Project expenses(B)	(5.8)	(16.5)	(13.5)	(15.2)	(4.3)	(2.6)
Co-Brands migration	(13.2)	(32.1)	—	—	—	—
Co-Brands acquisition	(11.0)	—	—	—	—	—
Exceptional debt funding fees(C)	—	(13.0)	—	—	—	—
Other	(26.0)	(24.7)	(24.4)	(19.1)	(18.4)	(23.7)
Total operating expenses	**(151.1)**	**(228.6)**	**(217.3)**	**(139.5)**	**(171.3)**	**(249.1)**

(A) The PPI and CPP provision relate to the Target Group's liabilities in connection with the sale of PPI and card protection plans. See "*Risk Factors—Risks relating to the legal and regulatory environment in which we operate—There are various recently concluded and ongoing regulatory investigations into consumer credit and related financial services, in particular by the European Commission, the CMA and the FCA. The outcome and effect of these investigations is uncertain but they may have an impact on our reputation and financial condition*." Movement in PPI and CPP provisions includes the combined amount arising/released during the period for both the PPI and CPP provisions and excludes changes in the amount of the provisions over the period relating to utilization. See note 7 to our Unaudited Interim Financial Statements and note 16 to the audited financial statements for 2015 and 2014 and note 17 to the audited financial statements for 2013, each appearing elsewhere in this Offering Memorandum. Movement in PPI and CPP provisions was referred to as "movement in provisions (excluding impairment losses on loans and advances to customers)" in our audited financial statements for 2014 and also included a dilapidation and other provision, in our Unaudited Interim Financial Statements for the nine months ended September 30, 2016 this included a movement in CCA provision.

(B) Represents costs incurred in relation to business transformation and systems improvements.

(C) Exceptional debt funding fees relate to the accelerated amortization of up-front debt funding fees and the cancellation of indebtedness fees incurred upon refinancing of the Co-Brands business in December 2014 via the Co-Brands Master Trust Structure.

(9) Advance rate is debt funding (which includes debt issued and other borrowed funds as presented on the Target Group's balance sheet plus capitalized debt funding fees) expressed as a percentage of gross receivables. See note (1) above for further information in connection with the Target Group's gross receivables.

The table below presents a reconciliation of debt funding to debt issued and other borrowed funds as presented on the Target Group's balance sheet:

	As of December 31,			As of September 30,
	2013	2014	2015	2016
	(£ in millions)			
Own-Brands debt funding	261.1	327.1	549.0	731.4
Co-Brands debt funding	735.7	652.6	627.8	582.4
Debt funding for the Group	**996.8**	**979.7**	**1,176.8**	**1,313.8**
Capitalized debt funding fees	(14.4)	(4.9)	(7.0)	(6.6)
Debt issued and other borrowed funds	**982.3**	**974.8**	**1,169.8**	**1,307.2**

Unaudited Pro Forma As Adjusted Financial Data

	As of and for the twelve months ended September 30, 2016
	(£ in millions, except ratios) *(unaudited)*
Unaudited Pro Forma As Adjusted Financial Data for the Company:	
Pro forma corporate senior secured net debt(1)	308.2
Pro forma corporate cash interest expense(2)	30.9
Pro forma Adjusted EBITDA(3)	79.5
Ratio of pro forma net corporate senior secured debt to pro forma Adjusted EBITDA	3.9x
Ratio of pro forma Adjusted EBITDA to pro forma corporate cash interest expense	2.6x

(1) Pro forma corporate senior secured net debt represents corporate senior secured debt (which excludes subordinated shareholder funding and indebtedness under our Securitization Structures) net of Unrestricted Cash in each case adjusted to give pro forma effect to the Transactions and the increase in cash and cash equivalents from the Bond Sales as if they occurred on September 30, 2016. See "*Capitalization*."

(2) Pro forma corporate cash interest expense represents cash interest expense excluding interest expense in relation to the securitization structures adjusted to give effect to the Offering and the application of the proceeds therefrom, as described in "*Use of Proceeds*" as if the Transaction had occurred on October 1, 2015. Pro forma corporate cash interest expense assumes the Revolving Credit Facility was undrawn during such period and uses the current interest rate for the floating rate notes for the full period. Pro forma corporate 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 issue of the Notes occurred on the date assumed, nor does it purport to project our interest expenses for any period or our financial condition at any future date.

(3) Pro forma Adjusted EBITDA represents Adjusted EBITDA for the twelve months ending September 30, 2016 adjusted to give pro forma effect to the Bond Sales as if these sales had occurred on October 1, 2015. Pro forma Adjusted EBITDA reflects the payment of interest expenses related to the Securitization Structures. Pro forma Adjusted EBITDA has been presented for informational purposes only and is not intended to represent or to be indicative of the Adjusted EBITDA that we would have reported had the Bond Sales been completed on October 1, 2015 or any other date nor does it purport to project our Adjusted EBITDA for any period or our financial condition at any future date. Pro forma Adjusted EBITDA has not been prepared in accordance with the requirements of Regulation S-X of the U.S. Securities Act, the Prospectus Directive or any generally accepted accounting standards. You should be aware that, as an analytical tool, Pro forma Adjusted EBITDA is subject to all of the limitations applicable to Adjusted EBITDA. See "*Presentation of Financial and Other Information—Non-IFRS Financial Information.*"

The following table reconciles Pro forma Adjusted EBITDA to Adjusted EBITDA for the period indicated.

	For the twelve months ended September 30, 2016
	(£ in millions) *(unaudited)*
Adjusted EBITDA(A)	83.2
Pro forma adjustment for Bond Sales cash interest expense(B)	(3.7)
Pro forma Adjusted EBITDA	79.5

(A) Adjusted EBITDA reflects the payment of interest expenses related to the Securitization Structures, other than the Bond Sales. For the calculation of Adjusted EBITDA for the twelve months ended September 30, 2016, see note (4) under "*—Key Performance Indicators and Other Unaudited Financial Data*."

(B) Pro forma adjustment for Bond Sales cash interest expense represents the adjustments to cash interest expense required to give pro forma effect to the Bond Sales as if the Bond Sales had occurred on October 1, 2015.

Risk Factors

You should carefully consider the following risk factors together with all the other information included in this Offering Memorandum before purchasing the Notes. The risks below are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently consider immaterial may also materially and adversely affect our business or operations. Any of the following risks could result in a material adverse effect on our business, financial condition, results of operations and our ability to service our debt, including the Notes.

Risks Relating to Our Business

If the availability of funding for our business becomes limited or funding becomes more expensive, this may have a material adverse effect on our business, results of operations and financial condition.

Our business model relies on borrowing funds from external sources. We lend to our customers at rates substantially higher than our cost of funds, and rely on this interest rate differential, among other things, to generate profits. Historically our primary sources of funding have been, and following the Offering are expected to continue to be, funds from public and private securitized financings. We require funds to be able to make credit products available to our customers, to meet our day-to-day operating expenses, to make payments of principal and interest on our borrowings and to make payments on other obligations. If we do not have sufficient funds, particularly during a liquidity stress event or peak credit usage periods such as in the period leading up to the holidays in December of each year, we may not be able to meet our debt service and other obligations or grow our business in accordance with our business plan. If we maintain too much liquidity, or if the levels of liquidity we are required to maintain increase significantly because of regulatory changes, this could reduce our overall profitability. For further information, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations*."

We source most of our debt funding through the issuance of term debt in the public, private and wholesale bank markets under the Securitization Structures backed by our collections from our customers. The extent to which we are able to use securitized financings in the future will depend upon the conditions in the securitization markets in general and the credit card asset-backed public securitization market in particular, the credit quality of our credit extensions, the ratings on the bonds, the costs of funds in the securitizations, and the legal, regulatory, accounting and tax requirements governing securitization transactions. If the credit quality of our assets used to raise securitization financing declines, or the perception of investors, rating agencies or regulators about the credit quality of our assets, or consumer finance assets in general, declines, we may need to source other, possibly more expensive or contractually more restrictive, sources of debt funding. If the ratings of our asset-backed securities are reduced, put on negative watch or withdrawn, this may have an adverse effect on the liquidity or the market price of our asset-backed securities and on the cost of, or our ability to continue using, securitization financing to the extent required. If we are unable to obtain a cross-currency swap at a reasonable price, we may not be able to access the securitization markets in currencies other than pounds sterling. We do not accept deposits and do not have access to central bank or other forms of funding, which further restricts our ability to mitigate the impact of loss of access to our Securitization Structures. A prolonged inability to securitize on favorable terms, or at all, or to refinance our asset-backed securities would have a material adverse effect on our business, results of operations and financial condition.

We will need additional financing in the future to refinance our existing debt and finance further growth of our business. The availability of additional financing and its cost to us will depend on a variety of factors, such as prevailing levels of interest rates, financial market conditions generally, including the availability of credit to the consumer credit sector, our performance and creditworthiness and the performance of our securitized receivables portfolios. Disruption, uncertainty or volatility in the capital or credit markets may limit our ability to obtain additional financing or refinance maturing liabilities on the desired terms in a timely manner or at all. As a result, we may be required to delay obtaining funding or to raise funding on undesirable terms, which could significantly reduce our financial flexibility, increase our funding costs and cause us to contract or not grow our business. For further information, see "*—Risks Relating to the Notes and Our Structure—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 Notes Guarantees*" and "*—Risks Relating to the Notes and Our Structure—We will require a significant amount of cash to service our debt and sustain our operations. Our ability to generate or raise sufficient cash depends on many factors beyond our control, and we may not be able to generate sufficient cash to service our debt*."

Lack of liquidity may require us to cease to originate new accounts, cease to increase, or reduce, existing customers' credit limits or terminate customers' spending privileges, all of which could have a material adverse effect on our business, results of operations and financial condition.

The Securitization Structures contain payout events and the Master Trust Structures contain amortization events. If either were to occur, this could have a material adverse effect on our business, financial condition and results of operations.

Each Securitization Structure contains certain payout events (subject, in some cases, to grace periods), which trigger the repayment of all outstanding debt of a particular public or private debt series of a Securitization Structure or, in some cases, all outstanding debt issued pursuant to that Securitization Structure, in each case on an accelerated basis. These events relate, broadly, to excess spread being below a minimum threshold level for a specified period of time, to the insolvency of certain securitization special purpose vehicles and our companies, the failure, inability or unlawfulness of certain parties performing certain obligations including those relating to payment, their misrepresentation, breach of warranty, cessation of business, rescission or repudiation of the securitization transaction documents, default by the servicer of the Securitization Structures and certain events relating to litigation, risk retention requirements and taxation.

From the occurrence of a payout event, funds within a Securitization Structure (or, in the case of a payout event in respect of a particular series, funds attributable to that series) are applied to amortize investor interests and the corresponding series of debt securities. The occurrence of a payout event may lead to a lack of liquidity or trigger a contractual obligation under the Securitization Structures' sub-servicing agreements, in each case requiring us to notify MasterCard, the retail partners and cardholders of the termination of new spending on credit card and store card accounts and the possible permanent suspension of authorization of credit card or store card transactions, opening of new accounts, increasing of credit limits or processing of balance transfer transactions. This could have a material adverse effect on our business, results of operations and financial condition. For further information, see "*Description of Certain Financing Arrangements*."

The results of the United Kingdom's referendum on withdrawal from the European Union may have a negative effect on global economic conditions, financial markets and demand for our products and services, which could materially affect our business, results of operations and financial condition.

We are a UK-based company and operate principally within the United Kingdom. On June 23, 2016, a majority of voters in the United Kingdom opted to withdraw from the European Union in a national referendum ("**Brexit**"). The terms of withdrawal are subject to a negotiation period that could last at least two years after the government of the United Kingdom formally initiates the withdrawal process, which the government has announced that it intends to do by March 2017. The outcome of the referendum has created significant uncertainty about the future relationship between the United Kingdom and the European Union, and has given rise to calls for certain regions within the United Kingdom to preserve their place in the European Union by separating from the United Kingdom as well as for the governments of other EU member states to consider withdrawal. Political instability in the European Union as a result of Brexit may result in a material negative effect on credit markets and foreign direct investments in Europe. This deterioration in economic conditions could result in increased unemployment rates, increased short- and long-term interest rates, consumer and commercial bankruptcy filings, a decline in the strength of national and local economies, and other results that negatively impact household incomes.

These developments, or the perception that any of them could occur, may have a material adverse effect on global economic conditions and the stability of global financial markets, and could significantly reduce global market liquidity and restrict the ability of key market participants to operate in certain financial markets. As a result, it may become increasingly difficult to refinance our existing indebtedness. The policies of the Bank of England in the period after the Brexit referendum have been to reduce interest rates and increase quantitative easing. There can be no assurance that such policies of the Bank of England will be maintained. Asset valuations and credit ratings may be subject to increased market volatility. Depending on the terms of Brexit, the United Kingdom could also lose access to the single EU market resulting in an impact on the general and economic conditions in the United Kingdom, which will directly impact the financial condition of our customers. A significant weakening of economic conditions in the United Kingdom accompanied by a rise in unemployment could impact our receivables growth and charge-off rates, and could also result in a decrease in consumption, which could adversely affect the performance of our retail partners in our Co-Brands business.

If the United Kingdom and the European Union are unable to negotiate acceptable withdrawal terms or if other EU member states pursue withdrawal, barrier-free access between the United Kingdom and other EU member states or among the European Economic Area overall could be diminished or eliminated. In addition, many of our regulatory obligations are based on, or are derived from, EU measures. Some or all of our regulatory framework may be amended or modified once the terms of Brexit are finalized.

These negative impacts on the UK economy that may follow from Brexit could negatively impact the growth of the economy and materially affect our business, results of operations and financial condition.

Our business and financial performance are affected by general economic conditions in the United Kingdom and elsewhere, and any adverse developments in the United Kingdom or global economies could cause our earnings and profitability to decline.

Macroeconomic conditions have historically affected our business, results of operations and financial condition and are likely to affect them in the future. Poor economic conditions generally increase the usage of, and the average purchase amount on, our credit cards and store cards. However, poor economic conditions may also adversely affect the ability and willingness of customers to pay amounts owed to us, increasing delinquencies, bankruptcies, impairments, charge-offs and provisions for losses, and decreasing recoveries.

As our revenue is derived entirely from customers based or resident in the United Kingdom, we are directly and indirectly subject to the inherent risks arising from the general economic conditions of the UK economy and other major economies that impact the UK economy. In particular, we are exposed to prevailing levels of unemployment, interest rates and levels and fluctuations in consumers' disposable income in the United Kingdom.

During the most recent global financial crisis, the UK economy experienced economic turbulence and recession, which adversely affected, among other things, levels of employment, the cost and availability of credit and the liquidity of the financial markets. The volatility and uncertainty that affected the banking system and the financial markets during and after the most recent global financial crisis resulted in a contraction of credit markets generally and the consumer credit market in particular. A prolonged period of slow economic growth or a significant deterioration in economic conditions would likely affect consumer spending levels, the ability of consumers to incur new debt and the ability and willingness of customers to pay amounts owed to us, any of which could have a material adverse effect on our business, results of operations and financial condition.

Moreover, if the level of unemployment in the United Kingdom were to increase, the resultant decrease in unemployed customers' income could have a material adverse effect on our business, financial condition and results of operations through increased defaults on payments owed to us. Higher levels of unemployment have also historically resulted in reduced or deferred levels of consumer spending, which adversely affects fees and commissions received on consumer credit transactions which, in turn, could have a material adverse effect on our business, results of operations and financial condition.

In addition, deterioration in global economic conditions, including a return to macroeconomic or financial market instability, may pose a risk to our business, as a result of the impact on the UK economy. Deterioration in global economic conditions may have an adverse impact on consumer confidence, spending and demand for credit in the United Kingdom, any of which could have a material adverse effect on our business, results of operations and financial condition.

If the credit quality of our customers deteriorates and/or we are unable to effectively control our level of charge-off rates in the future, or if our allowances for impairment are insufficient to cover future losses, our business, results of operations and financial condition may be materially adversely affected.

Our success depends on our ability to manage credit risk while attracting new customers with profitable usage patterns. We select our customers, manage their accounts and establish terms and credit limits using proprietary scoring models and other analytical techniques. Although these models and techniques attempt to take into account both customer behavior and the external environment that might impact customers' ability to service their debts, such as macroeconomic conditions, they may not accurately predict future charge-off rates for various reasons, including as a result of errors in constructing, interpreting or using the models or the use of inaccurate assumptions, including failures to update assumptions appropriately or in a timely manner.

Inaccuracy of assumptions can arise, in particular, as some of our assumptions relate to matters that are inherently difficult to predict and beyond our control (e.g., macroeconomic conditions and their impact on retail partner and customer behaviors) and often involve complex interactions between a number of dependent and independent variables. Moreover, our models cannot predict loss of employment or prolonged or serious medical illness. Our models may also produce incorrect predictions of future events in relation to a customer because that customer has provided data that is erroneous or misleading. In addition, participants in our target customer group change frequently. Therefore, even though the credit models we use may be capable of providing adequate predictions prior to a change in the composition of our target customer group, such changes may render our models less able to give adequate predictions in the future.

The errors or inaccuracies in our models may be material. This could lead us to make wrong or sub-optimal decisions in managing our business and allocating the appropriate product to customers based on their risk profile. In addition, following the decision to issue credit to customers, we may not be effective in managing the ongoing relationship with our customers and collecting on the customers' payment obligations to us. Our collection operations or collections strategies may not operate effectively to secure the necessary amount or level of cash flow from customers for us to operate effectively and profitably. We also may fail to identify customers who are likely to default on their payment obligations to us and reduce our exposure by closing credit lines and restricting authorizations.

An increase in delinquencies can reduce our profitability and cash flow and result in higher servicing costs for our credit portfolios (due to the increased time and effort required to collect payments), which we may not be able to fully recover. Likewise, there is no precise method for predicting losses due to defaults, and we cannot assure you that our monitoring and risk management procedures will effectively predict such losses or that our allowances for impairment will be sufficient to cover future losses. If we are unable to effectively assure the credit quality of our customers and/or control our level of delinquencies in the future, or if our allowance for impairment is insufficient to cover future losses due to defaults, our business, results of operations and financial condition could be materially adversely affected.

In our Own-Brands business, we target customers in the near-prime sector of the United Kingdom credit card market. Customers in the near-prime sector are more likely than customers in the prime sector of the United Kingdom credit card market to have insufficient cash flow to fund daily living expenses and lack access to other sources of credit. Such customers are more likely to increase their credit card usage and potentially default on their payment obligations to us, resulting in higher charge-off rates for us.

In particular, the ability of customers to repay us can be negatively impacted by increases in their payment obligations under mortgages or leases, other credit cards and other loans. These changes can result from increases in base lending rates or structured increases in payment obligations, and could reduce the ability of our customers to meet their payment obligations to us. In addition, a customer's ability to repay us can be negatively impacted by that customer's ability to manage other debts.

If our charge-off rates, which reflect the level of charge-offs or balances associated with accounts written off following 180 days of delinquency, increase, our business, results of operations and financial condition may be materially adversely affected.

We are exposed to risks relating to relationships with key third-party corporate partners, strategic suppliers and contractual counterparties.

Our platform for issuing and managing our products relies on a small number of key relationships with corporate partners and strategic suppliers, including with First Data, which provides information technology, application processing, card production, transaction and payment processing and customer communication services. This exposes us to the risk of performance failure by our corporate partners and strategic suppliers, and to the risk of deterioration of the commercial, financial or operational soundness of those organizations. In particular, our strategic partnership with First Data, and our reliance on First Data with respect to our most crucial and customer facing systems and processes, especially for the Own-Brands business, poses these risks. Our ability to originate new accounts and issue our products and service our customers could be impaired in the event of: (i) the failure of third-party systems or technology platforms, which could cause temporary service outage, adversely affect customers and negatively affect our reputation; and (ii) any corporate failure of third parties, which could more significantly affect customers and our reputation and, potentially, give rise to claims by customers for financial loss experienced and regulatory sanctions.

We could incur substantial migration costs should we choose, or be forced, to use another supplier for key services currently provided by First Data. Failure by First Data, and in general, failure by a key third-party supplier has the potential to cause: (i) negative pressure on revenue; (ii) deterioration in customer service; (iii) regulatory censure; and (iv) a negative impact on our brand and investor confidence.

Any interruption to the services provided by First Data or other key suppliers could cause material damage to our business and reputation, could cause delays in recurring fees and could cause us to incur higher administrative and other costs both for the processing of business and the potential remediation of disputes. If First Data or another key supplier fails to provide or procure the services envisaged or fails to provide them in a timely or appropriate manner, such failure could have a material adverse effect on our business, results of operations and financial condition.

Our credit underwriting models are based in-part on credit reference agency data provided by Experian and Callcredit. If we were to become unable to access data from these credit reference agencies, or if they data they provide proves to be unreliable, we may be unable to properly assess risk in acquiring new customers or re-pricing existing customers, which could have a material adverse effect on our business, results of operations and financial condition. See "*—If the credit quality of our customers deteriorates and/or we are unable to effectively control our level of charge-off rates in the future, or if our allowances for impairment are insufficient to cover future losses, our business, results of operations and financial condition may be materially adversely affected*."

In addition, we sell most of our charged-off debt accounts to third-party debt purchasers as part of our debt recovery strategies. We perform a due diligence process before selecting a debt purchaser for sale and are required to continue to monitor their activities after the sale. However, such debt purchasers may act inappropriately in the conduct of their business, resulting in poor outcomes for customers whose debts have been sold as well as reputational damage to us. In addition, should such third-party debt purchasers fail to handle customer and confidential data appropriately, cease to have appropriate authorizations, be insufficiently controlled, or otherwise violate applicable regulatory requirements, we may be subject to regulatory sanctions and reputational damage, which could have a material adverse effect on our business, results of operations and financial condition.

We depend on financing under the Securitization Facilities to fund our business. Our access to funding under the Securitization Facilities depends on our contractual counterparties carrying out their appointed responsibilities as set out in the Securitization Facilities, including in roles such as servicer, paying agent, calculation agent, agent bank or cash manager. If our contractual counterparties or their delegates fail to perform their respective obligations under the applicable securitization agreement, this could adversely affect our access to funding and have a material adverse effect on our business, results of operations and financial condition.

Our distribution channels for our Own-Brands products rely on third-party websites and aggregators that could cease to be effective.

We use multiple distribution channels for our Own-Brands products. Any one of these distribution channels or all of them could cease to be cost effective. Websites and aggregators may also change their methodology or the way in which they rank or present results in a way which makes them less effective for attracting new customers for our products. Redirecting distribution to different channels may be ineffective and will take time, leading to a loss of new business while an effective replacement distribution channel is being established. Increases in distribution costs or decreases in effectiveness of existing distribution channels would increase our customer acquisition costs, which could have a material adverse effect on our business, results of operations and financial condition.

Further, we rely to a significant extent on the prominent display of our Own-Brands products by the various websites that aggregate financial services products for consumers (e.g., www.moneysupermarket.com) for distribution of our Own-Brands products. For the period from January 1, 2013 to September 30, 2016, 57.8% of our new Own-Brands customers applied via an aggregator website. While we currently rank highly on these websites on the basis of our pricing levels and certainty of credit approvals, there can be no assurances that these rankings will be maintained, and the failure of our Own-Brands products to maintain or achieve a high ranking on these websites could have a material adverse effect on demand for those products. Should such websites adjust their search algorithms to emphasize competing products or make any other changes that result in our products being displayed less prominently, or should our products be poorly reviewed on such websites, we may not be able to acquire new customers for our Own-Brands products cost-effectively, which would have a material adverse effect on our business, results of operations and financial position. Also, the price comparison website market may change, which may result in us having to pay fees to price comparison websites to list our products, which would also increase our customer acquisition costs, and which could have a material adverse effect on our business, results of operations and financial condition.

Results of operations and growth for our Co-Brands business depend on our ability to retain existing partners and attract new partners.

For the year ended December 31, 2015, 41% of our Normalized Income was derived from our Co-Brands products and we continue to target growth in our Co-Brands business. As a result, our results of operations and growth materially depend on our ability to retain existing retail partners and attract new retail partners through whom we issue our Co-Brands products.

Our arrangements with retail partners are subject to change from time to time and may come to an end or be terminated, for instance, as a result of the occurrence of a termination event under the applicable agreement. The consequences of termination depend on the terms of the agreement with the relevant retail partner. However, any such change or termination may, in addition to affecting or terminating the origination of further accounts through the relevant retail partner, affect the performance of the accounts already originated through that retail partner. If arrangements with a retail partner terminate and spending on the related accounts is withdrawn, this may also affect the behavioral patterns of customers and may have an impact on payment rates or charge-off rates. In particular, if a retail partner were to cease trading, this may have a negative effect on the performance of our portfolio of Co-Brands products that were originated through that retail partner. Additionally, we face a risk that our retail partners will partner with other providers and compete with us for market share. This could have a negative impact on the profitability of our Co-Brands business and could have a material adverse effect on our business, results of operations and financial condition.

We may not be able to maintain access to those distribution channels made available by retail partners or add new distribution channels to replace any that are lost. The loss of any such distribution channels, the acquisition by a retail partner of any accounts originated through such distribution channels, or a decline in new account origination through them, could have an impact on our profits leading to a material adverse effect on our business, financial condition and results of operations. Our failure to attract new retail partners could adversely affect our ability to grow or maintain our present scale.

Results in our Co-Brands portfolios are impacted, to a significant extent, by the performance and conduct of our retail partners and the active and effective promotion and support of our products by our retail partners.

Our ability to achieve receivables growth and increase the interest income and fees for our Co-Brands products is largely dependent upon sales made by our retail partners. Currently, we have six active retail partners. One of our retail partners, Debenhams, accounts for a substantial part of our Co-Brands business which exposes us to concentration risk, especially if we do not succeed in adding additional retail partners.

Our retail partners are exposed to high levels of competition in their specific retail sectors and we are exposed to this competitive risk through our Co-Brands portfolios. Should any of our retail partners lose a part of their market share, this may have a negative effect on the performance of our portfolio of Co-Brands products. If customers have a Co-Brands product and change their loyalty to another retailer, they may decrease their use of, or cease to use, our Co-Brands products. If any of our retailer partners provide poor customer service or sell poor quality products or services or if any of them were to engage in unethical or inappropriate practices, this could adversely affect the appeal of our Co-Brands products. Any circumstance that causes damage to any of the brands of our retail partners could have a material adverse effect on the ability of those retail partners to retain customers and attract new customers, which could in turn have a material adverse effect on our business, results of operations and financial condition. Actions by intermediaries or other third parties on whom our retail partners rely could have a similarly negative impact on our Co-Brands products.

We may suffer reputational harm should our retail partners fail to fulfill their obligations as credit brokers when introducing prospective customers to our products or should they otherwise engage in misconduct. Although our retail partners are authorized directly by the FCA as credit brokers and so have independent regulatory obligations, we are expected to have systems in place to monitor the behavior of our credit brokers, and our failure to comply with these monitoring requirements could result in regulatory sanctions for us.

Retail partners' sales may decrease for various reasons, some of which are in the retail partners' control and some of which are not. For example, retail partners' sales may be adversely affected by macroeconomic conditions having a national, regional or local effect on consumer spending, business conditions affecting a particular retail partner or industry, or catastrophes affecting broad or discrete geographic areas. If our retail partners' sales decline for any reason, this generally results in lower credit or store card sales and therefore lower growth in receivables balances and associated interest and fees for us from our retail partners' customers. In addition, if a retail partner closes some or all of its stores, websites or other sales channels, becomes subject to a voluntary or involuntary insolvency proceeding or if there is a perception that it may become subject to insolvency proceedings, customers who have used our products may have less incentive to pay their outstanding balances to us. In turn, this could result in higher charge-off and delinquency rates than anticipated and our costs for servicing such customers' accounts may increase. A decrease in sales by our retail partners for any reason or an insolvency proceeding involving any of them could have a negative impact on the profitability of our Co-Brands business which could have a material adverse effect on our business, results of operations and financial condition.

Our retail partners generally accept most major credit cards and various other forms of payment, and therefore the success of our Co-Brands products depends on our retail partners' active and effective promotion of our products to their customers. We depend on our retail partners to market our products effectively, which requires such retail partners to integrate the use of our Co-Brands products into their store culture by effectively utilizing the training materials produced by us to train the relevant staff on our products, having such staff encourage their customers to apply for and use our products and otherwise effectively marketing our products. We also depend on our retail partners to effectively promote our products through their websites and to ensure customers are provided with the opportunity to use their Co-Brands card in respect of any online purchases that they make. Partners may also implement changes in their systems and technologies that may disrupt the integration between their systems and technologies and ours, which could disrupt the use of our products. Failure by our retail partners to effectively promote and support our products could have a material adverse effect on our business, results of operations and financial condition.

We may be unable to increase or sustain the usage of our credit products, which could impair growth in, or lead to diminishing, average receivable balances and total revenue.

A key element of our business strategy is to increase the usage of our credit products by our customers and thereby increase revenue from interest income and transaction and service fees. However, customers' use and payment patterns may change because of social, legal and economic factors, and customers may decide to use cash, debit cards or other payment products instead of credit products. In addition, the composition of our customers may change to include a greater proportion of customers who are transactors, (i.e., customers who pay off their entire balance due within their grace period without incurring any interest or fees), compared to customers who are revolvers, (i.e., customers who carry balances and make partial payments only, and therefore incur interest and fees), thereby decreasing our profitability. We may also not be able to design our products appropriately to reach our target customers. Furthermore, we face challenges from competing credit products in our attempts to increase product usage by our existing customers. For example, although our Co-Brands credit cards can be used anywhere, our customers may choose to use other cards, or other methods of payment, outside of the retail partners' stores. Our ability to increase product usage is also dependent on customer satisfaction, which may be adversely affected by factors outside of our control, including competitors' actions and legislative or regulatory changes. As a result of these or other factors, we may be unable to increase or sustain product usage profitably or at all, which could impair growth in or lead to diminishing of average receivables balances and total revenue and have a material adverse effect on our business, results of operations and financial condition.

Our business and financial performance are linked to interest rate levels and their volatility.

Interest rate levels and their volatility may have a material adverse effect on our results, trading volumes, profitability and returns across our credit products. Interest rates are driven by factors outside of our control, including the United Kingdom Government's fiscal policies and the Bank of England's monetary policy, as well as United Kingdom, European and global economic and political conditions.

Credit card rates historically have not been driven by changes in interest rates to the same extent as, for instance, mortgages as credit card rates are typically "managed" rates based on creditworthiness of the relevant customers. Hence, increasing or volatile interest rates could lead to higher interest costs for existing customers on their other indebtedness, which may affect their ability to repay their borrowings, including debt owed to us and may lead to an increase in arrears among our customers as well as an increase in our impairment charges and charge-off rates.

A higher interest rate environment could reduce demand for our credit products generally, as individuals are less likely or less able to borrow when interest rates are high. Interest rates have been at historic lows over the last few years, which may exacerbate the impact of rising interest rates as consumers have become accustomed to the low interest rate environment. This could reduce the volume of new business for both our Own-Brands and Co-Brands products and therefore have a material adverse impact on our revenue and profits. In addition, we may not be able to raise interest rates on our products in line with any increases in the prevailing interest rates immediately or at all due to competitive or other factors, which could adversely impact our net interest margin and therefore have a material adverse effect on our business, results of operations and financial condition.

Competition in the UK consumer lending markets may have a material adverse effect on our business, results of operations and financial condition.

The consumer credit market in the United Kingdom is highly competitive. We compete with other credit card and store card issuers and other consumer credit providers on the basis of a number of factors, including products and services, brand, network, reputation and pricing. We also compete for co-brand relationships with retailers. This competition affects our ability to obtain applicants for our products, encourage customers to use our products, maximize the revenue generated by product usage and generate customer loyalty and satisfaction so as to minimize the number of customers switching to other credit card or store card brands or other methods of payment. Competition may also compress the yield on our credit products, if new entrants or existing competitors choose to attract new customers by lowering interest rates or providing significant incentives to new customers. If we are unable to compete successfully, our business, results of operations and financial condition could be materially adversely affected.

We have historically not used the principal methods of competition among credit card issuers to acquire new customers, that is, the offers of low introductory interest rates and balance transfer programs that offer a favorable annual percentage rate or other financial incentives for a specified length of time on account balances transferred from another credit card (though we do, to a limited extent, offer this to existing customers). However, we are in the initial stages of testing such methods and may use them in the future. These methods of competition have adversely affected credit card yields in the past, and led cardholders to frequently switch credit cards or transfer their balances to another card. If we adopt such methods, we may also experience a drop in our risk-adjusted margin and an increase in the voluntary attrition rates of our customers, as customers choose to use products other than ours. Any of the incentives that we offer in the future to attempt to acquire and maintain accounts and increase card usage may not be effective.

A feature of the market in which we operate is competition among lenders on credit standards. Should our competitors, who currently focus primarily on prime customers, expand their risk appetite and extend credit to customers in the near-prime sector of the United Kingdom credit card market, we may lose market share, which may materially adversely affect our financial position and results of operations. In addition, should new entrants appear in the Co-Brands market, we may not be able to grow our Co-Brands business by entering into Co-Brands partnerships with new retailers, lose our existing retail partner relationships or may need to offer more advantageous terms to our retail partners to retain them. Our business may also be disrupted by the supply of new alternative credit sources for consumers.

If our customer service levels were perceived by the market to be only in line with, or materially below, those of competitor consumer credit providers, we could lose existing and potential new business. For example, applicants expect to be able to apply quickly and easily for our products and access credit as soon as possible. If our competitors are able to offer an enhanced application process, this may result in a decrease in our number of new customers. We may also be unable to adequately react to changes in the market as a result of new digital or online offerings by our competitors, which are becoming increasingly important in the consumer credit market. If we are not successful in retaining and strengthening customer relationships, or in developing our digital or online offering, we may lose market share, incur losses on some or all of our activities or fail to attract new business or retain existing business, which could have a material adverse effect on our business, results of operations and financial condition. For further information, see "—*We are exposed to reputational risks to our brand that could cause harm to us and our business prospects*."

Furthermore, we may not succeed in further developing our brands and leveraging such brands into market share growth over more established competitors. If we are unable to adequately develop our brands in line with our plans for growth, this could have a material adverse effect on our business, results of operations and financial condition.

We may be unable to successfully develop and commercialize new or enhanced products and services.

The consumer credit industry is subject to rapid and significant changes in technologies, products and services. As a result, a key part of our financial success depends on our ability to develop and commercialize new products and services or enhancements to existing products and services, including with respect to loyalty programs, Buy

Now Pay Later initiatives, mobile apps and other digital offerings, point of sale technologies and credit products. Realizing the benefits of those products and services or any enhancements to them is not certain. We may not assign the appropriate level of resources, priority or expertise to the development and commercialization of these new products, services or enhancements or to the execution of change programs. Our ability to develop, acquire on acceptable terms or commercialize competitive technologies, products or services may be limited by intellectual property rights that third parties, including competitors and potential competitors, may assert. In addition, success is dependent on factors such as partner and customer acceptance, adoption and usage, competition, the effectiveness of marketing programs, the availability of appropriate technologies and business processes and regulatory approvals.

We may also select, use and invest in technologies, products and services that ultimately do not achieve widespread adoption and therefore are not as attractive or useful to our partners or customers as we anticipate. Partners may also not recognize the value of our new products and services or believe they justify any potential costs or disruptions associated with implementing them. Competitors may also develop or adopt technologies or introduce innovations that change the markets in which we operate and make our products less competitive and attractive to our partners and customers.

Our failure to successfully develop and commercialize new or improved products, services or enhancements could have a material adverse effect on our business and results of operations. Additionally, if we fail to invest sufficiently, fail to invest to the same extent as our competitors or fail to invest in the right technologies, our business, results of operations and financial condition could be materially adversely affected.

We may not have sufficient resources to manage the growth of our business successfully.

We have grown considerably in size and scope since we were established in 2001 and we continue to target further growth. The success of our growth strategy depends primarily on our ability to generate an increasing level of business from customers at acceptable risk levels and costs of acquisition of new customers. If achieved, growth may place a significant strain on our financial, technical, operational and management resources and require us to develop and adapt our internal processes, functions and systems so that they are suitable for our larger scale.

The failure to implement administrative, operating, security and financial control systems and software to cope with such growth, an inability to manage increased expenses correctly or the occurrence of unexpected difficulties in achieving growth, including the recruitment and retention of experienced personnel, could affect our ability to achieve successful growth and execute our business plan. This could have a material adverse effect on our business, results of operations and financial condition.

We are exposed to reputational risks to our brands that could cause harm to us and our business prospects.

Our brands and their attributes are key assets of our business. The ability to attract consumers to our branded products and retain them depends upon the external perception of us, our retail partners and our industry. Adverse developments with respect to our industry may also, by association, impair our reputation, or result in greater regulatory or legislative scrutiny. We have also been pursuing the use of social media channels at an increasingly rapid pace. Under some circumstances, our use of social media, or the use of social media by others as a channel for criticism or other purposes, could also cause rapid, widespread reputational harm to our brands. Such perception and damage to our reputation could have a material and adverse effect to our overall business.

Our reputation is an important asset and our ability to attract and retain customers and staff and conduct business with our retail partners could be materially adversely affected to the extent that our reputation or the reputation of our brands is damaged. Failure to address, or appearing to fail to address, various issues that could give rise to reputational risk, such as poor customer service or technology failures that impact upon customer services and accounts, or breaching or facing allegations of having breached legal and regulatory requirements could cause harm to us and our business prospects and, therefore, have a material adverse effect on our business, results of operations and financial condition.

We are exposed to a range of IT and service-related risks encompassing security breaches and disruption to our infrastructure and that of our partners and service providers.

Our IT infrastructure and that of our retail partners and third-party service providers is critical to the operation of our business and the delivery of products and services to our customers. Any disruption in a customer's access to account information or delays in making payments could have a significant negative effect on our reputation and could also lead to potentially large costs to rectify the issue and reimburse losses incurred by customers. Technological efficiency and automation, including a range of standard form documentation and systems, are widely used to process high volumes of transactions. As a result, any defect in the standard documentation or defect in the electronic applications themselves could be replicated across a large number of transactions before the defect is discovered and corrected and this could significantly increase the cost of remediating the defect, and could expose us to regulatory sanction, unenforceability of contracts and reputational damage.

Our IT infrastructure may not be able to support a significant, unexpected or extraordinary increase in online traffic. Volumes of our operations may exceed our expectations and the capacity of our systems. Furthermore, if we were to make substantial changes or improvements to our IT infrastructure, such as the proposed launch of in-house digital acquisition platforms for our Own-Brands and Co-Brands businesses, these changes may not work as expected alongside our current IT systems. In such circumstances, we may experience a disruption in the availability of our IT services to clients or for internal management purposes, and may need to modify or upgrade our IT systems or staffing, which could increase our costs.

Our transaction processing systems and other offerings may experience interruptions as a result of a disaster, including, but not limited to, technology malfunctions, fire, weather events, power outages, telecommunications disruptions, terrorism, workplace violence, accidents or other catastrophic events. Our presence in the global payments industry may also put us at greater risk of attack by terrorists, activists, or hackers who intend to disrupt our facilities, systems, or the sensitive and confidential information we collect in the normal course of business. A disaster that occurs at, or in the vicinity of, our primary or back-up facilities in any global location could interrupt our services and/or lead to a loss of data. Although we maintain a business continuity program to analyze risk, assess potential impacts, and develop effective response strategies, we cannot ensure that our business continuity program will provide sufficient protection from these risks.

Additionally, we rely on third-party service providers for the timely transmission of information across our global data network. If one of our service providers fails to provide the communications capacity or services we require, as a result of natural disaster, operational disruptions, terrorism, hacking or any other reason, the failure could interrupt our services. Because of the intrinsic importance of our processing systems to our business, any interruption or degradation could adversely affect the perception of the reliability of products carrying our brands and materially affect our business, results of operations and financial condition.

We or our retail partners and third-party service providers may be subject to attempted IT security breaches by unauthorized parties. Our IT infrastructure and controls may not prove effective in all circumstances to prevent this, particularly as the sophistication of perpetrators of cyberattacks and fraud continues to grow or if the source of the attack is an employee, a supplier or any other authorized user of our infrastructure. Any unauthorized access, including theft of consumer data, could result in disruption of business, significant legal and financial exposure, supervisory liability or damage to our reputation or a loss of confidence in the security of our systems, products and services, any of which could have a material adverse effect on our business, results of operations and financial condition. See "*—Regulation of privacy, data protection and security could increase our costs, as well as negatively impact our growth*."

We may suffer disruptions to our ability to conduct business at our offices, due to the occurrence of a disaster that prevents our employees from working there. We have a head office in London and a substantial number of staff are located at our office in Leeds, which performs critical customer-facing and back office operations services. While we have business continuity arrangements in place, these business continuity arrangements may not work as intended, sufficiently or at all. We also rely on numerous third-party providers to conduct aspects of our business operations, including the maintenance of backup business critical systems. In the event of a disruption, these systems may not function properly or be able to fully duplicate the functions of our operational systems. Any significant or prolonged disruption to our operations will compromise our ability to conduct our business, which could have a material adverse effect on our business, results of operations and financial condition.

Any temporary or permanent loss of any part of our IT systems or any disruption to or loss of data could disrupt our operations, result in increased capital expenditure and insurance and operating costs, cause us to suffer a competitive disadvantage and materially and adversely affect our business and results of operations. A prolonged IT systems failure or loss of data, including those caused by cyberattacks, could compromise our ability to monitor the credit status of our customers or cause a delay in our acceptance of prospective customers and thus compromise underwriting risk management procedures. In addition, any security or privacy breach of our systems could expose us to liability, regulatory scrutiny and reputational damage.

We are subject to losses relating to fraudulent activity.

Our underwriting process relies heavily on information provided by our customers. Our selection and screening processes with respect to our customers may be ineffective if individuals engage in fraudulent activity. Examples of such activity may include individuals providing us with falsified or fictitious information in order to obtain one of our products or posing as an existing customer to make unauthorized and fraudulent charges on credit cards. Such fraudulent activity could lead us to extend credit to customers who do not meet our underwriting criteria or to customers whose accounts are being misused and, in turn, may result in an increased likelihood of defaults in payments and increased losses. In addition, we could be exposed to internal fraud if our employees act dishonestly or abuse their position, which could have a material adverse effect on our business, results of operations and financial condition.

We also face the risk of credit card theft, including the use of software and skimmer devices to monitor and record credit card information. If our customers' confidential information is compromised by such methods, this could have a material adverse effect on our business, results of operations and financial condition.

Our guidelines and policies for risk management may not be effective in protecting us from risk, and any failure to properly manage the risks that we face could harm us and our business prospects.

The management of credit, liquidity and other financial risks, operational, legal, regulatory and compliance risks and reputational risks requires, among other things, robust guidelines and policies for the accurate identification and control of a large number of transactions and events. Such guidelines and policies may not always be adequate or effective in practice. We face a wide range of risks in our core business activities, including but not limited to:

- credit risk associated with the extension of credit to customers, which is the risk that unexpected losses arise as a result of our customers failing to meet their obligations to repay;
- conduct risk, which is the risk of customer detriment arising from inappropriate culture, products and processes. For further information, see "—*Results in our Co-Brands portfolio are impacted to a significant extent by the performance and conduct of our retail partners and the active and effective promotion and support of our products by our retail partners*;"
- liquidity risk, which is the risk that we will not have sufficient funds to maintain or grow our business;
- market risk, which is the risk which lies within the economy or financial markets as a whole, such as interest rate risk; and
- operational risk, which is the risk of loss or negative impact to us resulting from inadequate or failed internal processes, people and systems, or from external events, including legal, internal and external fraud but excluding application fraud and strategic or business risks. Based on our operating model, this extends to all those services and processes provided by third parties.

Our methods for measuring and managing our risks are based on historical market behavior and may prove to be inadequate for predicting future risk exposure, which may be significantly greater than what is suggested by historical experience. Historical data may also not adequately allow prediction of circumstances arising as a result of new laws or regulations or UK government interventions and stimulus packages, which increase the difficulty of evaluating risks. Other methods for risk management are based on evaluation of information regarding markets, customers or other information that is publicly known or otherwise available to us and which may not always be correct or correctly evaluated. Failure to manage risk properly could have a material adverse effect on our business, results of operations and financial condition.

Any material weaknesses in our internal controls over management and financial reporting could, if not remediated, result in material misstatements in our financial statements.

Although management has instituted a framework of systems and procedures which seek to ensure appropriate internal control over management and financial reporting, because of the large scale organizational changes experienced by us during the periods under review, such systems and procedures may not work as anticipated. In addition, certain areas may be under-resourced and may not be expanded as fast as the business grows. If deficiencies in our internal controls are discovered or occur in the future, our financial statements may contain material misstatements and we could be required to restate our financial results. In addition, management may rely on inaccurate information for internal decision-making. This could have a material adverse effect on our business, results of operations and financial condition.

We are exposed to operational risks relating to systems and processes.

Our ability to deliver products and services to our partners and customers and otherwise operate our business and comply with applicable laws depends on the efficient and uninterrupted operation of our systems and processes, as well as those of our retail partners and third-party service providers. Any weakness in these systems or processes could have a material adverse effect on our results and on our ability to deliver appropriate customer outcomes during the affected period. For example, inadequate assessment of a project or insufficient business planning could result in uninformed or sub-optimal decisions. This risk is exacerbated during the period when we are undertaking significant change projects, as is expected to be the case in the near term in relation to unsecured personal loans. Moreover, the services, as well as the agreements under which they are provided, are highly complex. As a result, we face the risk that the systems and processes that underpin these services may not function in the manner anticipated and is necessary to deliver the required outcomes for customers and us.

Commingling of collections may delay or reduce our receipt of securitization funding.

Our securitized credit card receivables are paid into collection accounts at a collection agent bank and are then swept into the transferor collection account on a daily basis. These funds are subsequently swept daily into the receivables trustee collection account. While in the collection accounts or the transferor collection accounts, these funds are comingled and if the accounts have not been operated in accordance with their terms or adequate records have not been kept, they may be untraceable. Consequently, in the event of the insolvency of any of the financial institutions holding these accounts, there may be a delay in the collection of these funds, which could adversely affect our funding position, our business, results of operations and financial condition.

We rely on our offices being fully operational to perform critical functions.

We have a head office in London and a substantial number of staff are located at our office in Leeds, which performs critical customer-facing and back office operations services. While we have business continuity arrangements in place, these business continuity arrangements may not work as intended, sufficiently or at all. Any significant or prolonged disruptions to our operations, such as the occurrence of a disaster that prevents our employees from working at our offices, will compromise our ability to conduct our business, which could have a material adverse effect on our business, results of operations and financial condition.

In order to compete successfully, we are dependent on highly skilled individuals, including our senior management team. We may not be able to retain or recruit key talent.

Our successful management and operations are reliant upon the contributions of our Board members, our senior management team and other key personnel who are critical to our business. Our performance is also more generally dependent on the talents and efforts of highly skilled individuals. The skills required are often highly specialized and in relatively short supply in locations where we have a number of our principal operations, such as Leeds, and, if we are unable to recruit or retain key talent, this may have a material adverse effect on our business, results of operations and financial condition.

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

From time to time, we may seek to grow our business by acquiring or combining with other businesses through purchases of either assets, such as portfolios, as we have previously done with the Co-Brands acquisition, or corporate entities. Successful growth through future acquisitions is dependent upon our ability to identify suitable acquisition targets, conduct appropriate due diligence, negotiate transactions on favorable terms and ultimately complete such transactions and effectively integrate the acquired business.

If we make acquisitions, we may not be able to generate expected margins or cash flows, or to realize the anticipated benefits of such acquisitions, including growth or expected synergies. Our assessment of, and assumptions regarding, acquisition targets may prove to be incorrect, and actual developments may differ significantly from expectations. We could incur or assume unknown or unanticipated liabilities or contingencies with respect to, among others, customers, employees, suppliers, government authorities or to other third parties, which may impact our results of operations. Moreover, any acquisition may be funded by debt, which could have a material adverse effect on our business, financial condition and results of operations. Even if the assets of the business are acquired for cash, we may overpay relative to the fair value of such assets, and this could result in losses, reduce our profitability and could have a material adverse effect on our business, results of operations and financial condition.

We may not be able to integrate acquisitions successfully into our business or such integration may require more investment than expected, including significant one-time write-offs or restructuring charges and unanticipated costs. The process of integrating businesses may be disruptive to our operations and may cause an interruption of, or a loss of momentum in, such businesses or a decrease in our results of operations as a result of difficulties or risks.

We may also choose to enter into joint ventures, alliances or other arrangements to acquire assets or other types of investments, which could involve the same or similar risks and uncertainties as are involved in acquisitions. In addition, any arrangement in which we do not fully control business operations may present, greater financial, legal, operational or compliance risks.

A significant proportion of our call center work force is unionized.

We are party to a collective bargaining agreement with a labor union, which represents around one-third of our employees who transferred to us as a result of the Co-Brands acquisition. If the unionized employees were to engage in a strike or other work stoppage, our business and results of operations could be materially adversely affected.

Risks Relating to the Legal and Regulatory Environment in which We Operate

Failure to comply with the requirements of the FCA's consumer credit regulatory regime could result in the suspension, termination or impairment of our ability to conduct business, harm to our reputation and substantial fines and losses.

Our business of carrying on consumer credit activities in the United Kingdom is subject to supervision and regulation by the Financial Conduct Authority. Within the Target Group, NewDay Cards Ltd and NewDay Ltd are authorized by the FCA and hold full permissions to carry out the consumer credit activities required to operate our business.

Breaches of the FCA's rules can result in an authorized firm becoming subject to enforcement and the FCA has much greater enforcement powers than were available to the OFT, the prior regulator of consumer credit businesses, including the power to bring criminal, civil and disciplinary proceedings, withdraw authorizations and approvals, stop individuals from working in the regulated financial services sector, suspend firms or individuals for a period of time, impose substantial financial penalties and prohibit authorized persons from taking a number of actions, including entering into specified contracts with any person or with a specified person. The FCA also has the power to require firms to reimburse consumers for loss resulting from a firm's actions.

Any variation, suspension or withdrawal of FCA authorization or permissions would severely constrain our business and could prevent us from continuing to operate in the way in which we currently operate. In addition, should we breach FCA rules, the FCA may take enforcement action, which might lead, for example, to an imposition of a financial penalty on us or the issuance of a public statement of censure, which may result in substantial reputational damage. Further, disciplinary action taken against us may require us to make potentially significant changes to our business practices or expend considerable sums in fines, redress or remediation.

In March 2016, we announced that we would refund over £4 million to over 180,000 customers. This decision followed an internal review of the fairness of our charging model which found that, in a limited number of circumstances, default fees and other charges triggered additional charges that we considered unfair to customers. This redress was a decision our board of directors determined was appropriate and was not in response to any disciplinary measure ordered by the FCA.

We may also have to introduce changes to our business practices in response to disciplinary action taken against competitors or as a result of FCA general investigatory work or thematic reviews in the credit card market, in particular the credit card market study published in July 2016. Our business, in common with many other UK consumer credit businesses, expects to receive correspondence from and to have discussions with the FCA in relation to compliance with consumer credit legislation and guidance in the United Kingdom from time to time, which may set forth restrictions on the operations of our business on a permanent or temporary basis. Remedial actions that may be necessary could increase our costs, reduce our ability to collect payments owed by our customers and otherwise adversely affect our business, results of operations and financial condition.

Since taking over responsibility for the regulation of consumer credit from the OFT on April 1, 2014, the FCA has identified certain key areas of focus in the consumer credit market. For example, the FCA published a market study of credit cards in July 2016 and has carried out thematic reviews of early arrears management in unsecured lending, and staff remuneration and incentives in consumer credit firms, the final reports of which are all expected in the near future.

In November 2016, the FCA published a call for input, inviting views on high-cost credit and on the high-cost short-term credit price cap that came into force in January 2015. Although the high-cost short-term credit price cap is not applicable to credit cards, the call for input invites views on whether the measures implemented in the high-cost short-term sector have been effective and whether some or all of them could have uses in other high-cost credit sectors. Credit cards are not usually considered high-cost for purposes of the FCA's definitions, but the call for input notes that some credit cards, particularly those aimed at less credit-worthy customers, may be considered to be high-cost. The FCA call for input is open until February 2017. It is unclear what action, if any, the FCA may take with respect to the credit card market, but any extensions of the rules imposed on the high-cost short-term sector could have a material adverse effect on our business, results of operations and financial condition.

The FCA has also stated that it intends to examine the ways in which consumer credit debts are collected, to gain an understanding of how firms assess affordability, and to review financial promotions across all consumer credit sectors. It is possible that the market study of credit cards and these thematic reviews and initiatives could lead to the FCA introducing new rules for the consumer credit market, which could have a material adverse effect on our business, results of operations and financial condition.

Should the FCA impose temporary product intervention rules ("**TPIRs**") or make rules limiting the cost of credit and duration of credit agreements, this may result in unrecoverable losses on accounts to which such agreements apply, which would have a material adverse effect on our business, results of operations and financial condition. Additionally, we may have to introduce changes to our business practices, offered products and the terms of our products, which may have a material adverse effect on our business, results of operations and financial condition and could also have a negative effect on our reputation and the confidence of our customers.

We are subject to an increasing volume of rules, guidance and legislation that are applicable to consumer credit in the United Kingdom and to unfair contractual terms.

In addition to the rules and guidance in the FCA Handbook, we are subject to legislation that is applicable to consumer credit in the United Kingdom, including the Consumer Credit Act 1974 (as amended) (the "**CCA**") and legislation relating to unfair contractual terms. The focus of this legislation is the prevention of customer detriment, which could arise from inappropriate documentation, products and processes of consumer credit providers, such as us.

The CCA, together with its related secondary legislation, provides for the content of regulated credit agreements from inception through to enforcement, including pre-contract disclosure obligations, the form and content of regulated credit agreements and the rights of borrowers to receive certain notices and statements. Where a firm has failed to comply with the strict terms of the CCA and the related secondary legislation in relation to entering into agreements, such agreements may be unenforceable and where this relates to agreements entered into before April 1, 2007, the agreements will be irredeemably unenforceable. Agreements entered into on or after April 1, 2007 may be enforceable with an order of the court. However, we cannot guarantee that such a court order can be obtained. Non-compliance with certain other provisions of the CCA may also render customer agreements unenforceable against the borrower and result in there being no obligation on the borrower to pay interest and charges during the period of non-compliance, and require interest and charges that have already been collected to be refunded. Failure to provide certain post-contractual documentation may also render the agreement unenforceable during the period of non-compliance. Under the CCA, the court has the power to determine that an unfair relationship exists in relation to our credit agreements. A finding of an "unfair relationship" may result in unrecoverable losses on the account to which such finding relates, possible repayment of any sum paid by the customer and significant litigation and other legal costs. In addition, under section 75 of the CCA, we may be jointly and severally liable for breach of contract or misrepresentation by retailers or traders for claims up to £30,000. See "*Regulation—Consumer Credit Act 1974*."

Further, we are subject to unfair contract terms legislation, namely the Unfair Terms in Consumer Contracts Regulations 1999 (the "**UTCCRs**"), which apply to business-to-consumer contracts entered into prior to October 1, 2015, and the Consumer Rights Act 2015 (the "**CRA 2015**"), which replaced the UTCCRs and applies to business-to-consumer contracts entered into with effect from October 1, 2015. Under the UTCCRs and the CRA 2015, a consumer may challenge a standard term in a contract on the basis that it is unfair and not binding on the consumer, although the remainder of the contract continues to bind the parties if it is capable of continuing in existence without the unfair term. See "*Regulation—Unfair Terms in Consumer Contracts Regulations 1999*" and "*Regulation—Consumer Rights Act 2015*."

The broad and general wording of the UTCCRs and the CRA 2015 makes any assessment of the fairness of terms largely subjective and makes it difficult to predict whether or not a court would find a particular term to be unfair. It is therefore possible that any underlying credit agreements made with consumers may be found to contain unfair terms, which may result in the possible unenforceability of those unfair terms. Should the court or the relevant regulatory authority determine that any term of our credit agreements are unfair and consequently unenforceable, it may result, among other things, in there being no obligation on the borrower to pay interest and charges, us being unable to increase the amount of fees or charges payable or the agreement being rendered unenforceable.

The Consumer Protection from Unfair Trading Regulations 2008 (the "**CPR**") implement the EU Unfair Commercial Practices Directive and prohibit certain practices that are deemed "unfair" within the terms of the CPR. Such practices include misleading actions or omissions, aggressive sales tactics and failures to comply with the requirements of professional diligence. Possible liabilities for misrepresentation or breach of contract, in relation to an underlying credit agreement, may result in unrecoverable losses on accounts to which such agreements apply. The CMA may also take enforcement action. See "*Regulation—Other Relevant UK Legislation and Regulation—The Consumer Protection from Unfair Trading Regulations 2008*."

The volume of regulation that is applicable to consumer credit in the United Kingdom has significantly increased in recent years, and this trend may continue. Increasingly, the regulatory focus in the consumer credit sector is on ensuring that consumer credit businesses treat their customers fairly and that business processes throughout the credit cycle are focused on achieving fair outcomes for consumers, from assessing affordability of credit at the outset through to treating borrowers in financial difficulties with forbearance. New laws or regulations or changes in existing laws or regulations (or the manner in which they are interpreted or applied) could subject us to additional operating costs or potentially expose us to additional liability, or otherwise adversely impact the manner in which we operate our business and have a material adverse effect on our results of operations and financial condition. For example, the FCA is considering whether it should impose any additional rules for dealing with consumers who carry revolving balances while making only minimum payments long-term. The FCA is also considering whether action should be taken to ensure that credit line increases are not provided inappropriately. If such rules are imposed, it could have a material adverse effect on our business, results of operations and financial position.

Failure to comply with any of the foregoing laws, rules and regulations could have a material adverse effect on our business, results of operations and financial condition.

The revised Payment Services Directive may have a material adverse effect on our business.

The Payment Services Directive (the "**PSD**") is part of the EU's development of the Single European Payments Area which is intended to harmonize and remove legal barriers for payments throughout the EU. The UK government implemented the PSD on November 1, 2009 through the Payment Services Regulations 2009 (the "**PSRs**"). NewDay Ltd is an Authorized Payment Institution subject to the PSRs. See "*Regulation—Other Relevant UK Legislation and Regulation—Payment Services Regulations 2009*."

In July 2013, the Commission issued a proposal to amend and restate the existing PSD with a second PSD ("**PSD2**"). PSD2 aims to update the current framework on payment services, extending its scope to payment service providers that were previously unregulated, and to improve the transparency and security of payment services. PSD2 came into force on January 12, 2016 and Member States must transpose it into national law by January 13, 2018. The changes introduced by PSD2 may require us to change our business practices or to incur costs to ensure compliance with the new regime and, as a result, may have a material adverse effect on our business, results of operations and financial position. For further information, see "*Regulation—EU Legislation Payment Services Directive*."

There are various recently concluded and ongoing regulatory investigations into consumer credit and related financial services, in particular by the European Commission, the CMA and the FCA. The outcome and effect of these investigations is uncertain but they may have an impact on our reputation and financial condition.

Following the conclusion of the 2011 judicial review into payment protection insurance ("**PPI**"), many financial institutions have made significant payments to compensate customers who have claimed that their policies were missold to them. No member of the Target Group has itself sold or marketed any form of insurance (including PPI) to consumers. However, certain of our customers took out PPI in respect of their accounts prior to the legal assignment of such accounts to us. In respect of our Own-Brands portfolio, we have undertaken to the Financial Ombudsman Service (the "**FOS**") that we will handle PPI claims (or procure that a third party handles such claims on our behalf) relating to the accounts that we now legally own. Accordingly, although we are able to recover a certain amount of PPI misselling redress payments from the third-party originators of such accounts, PPI redress payments represent a cost to us, which may have a material adverse effect on our business, results of operations and financial condition. In addition, the association between us and third-party providers who may have missold PPI to our customers may have a material adverse effect on our reputation. As of September 30, 2016 we held a provision of £59.1 million in respect of the anticipated costs of PPI redress, which provision may prove to be insufficient. For further information, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources.*"

In November 2014, the United Kingdom Supreme Court ruled in Plevin v Paragon Personal Finance Limited ("**Plevin**") that a failure to disclose to a client the amount of a large commission payment on a single premium PPI policy made the relationship between the lender and the borrower unfair under section 140A of the CCA. The impact of Plevin and the FCA's anticipated rules and guidance on payment protection insurance complaints on our business is not yet certain, but any increase in the number of claims brought by customers as a result of both the FCA's proposed communications plan and Plevin would increase our expenses and cash outflow, which may have a material adverse effect on our business, results of operations and financial condition.

There have historically been and continue to be various cases brought in respect of, and regulatory investigations into, interchange fees. In particular, in September 2014, the European Court of Justice upheld the European Commission's finding from December 2007 that MasterCard's default interchange fees for cross-border transactions within the EEA breached EU competition laws. As a result of a similar antitrust case, in February 2014, Visa Europe agreed to enter into legally binding commitments with the European Commission to reduce its interchange fees in order to address concerns about its interchange fees for credit card payments in the EEA. In the United Kingdom, the CMA (prior to April 1, 2014, the OFT) has been conducting investigations into the compatibility of Visa and MasterCard domestic interchange fee rates with competition law. In November 2014 (following the Court of Justice of the European Union's September 2014 judgment), the CMA announced its decision not to progress its investigations, as it expects the MIFs Regulation to deal with the harm suspected to be caused by current levels of interchange fees. In May 2015 the CMA decided to close the investigation on the grounds of casework priorities. However, the CMA has indicated that it may look again at continuing proactively with the investigations if it later decides that the MIFs Regulation does not address the suspected harm as expected. These investigations, together with increased regulation in this area may result in a reduction in interchange fee rates and may in turn have a material adverse effect on our business, results of operations and financial condition.

The FCA has carried out a market study of credit cards, the final report of which was published in July 2016. Should the FCA introduce rules as a result of this study, we may have to introduce changes to our business practices, offered products and the terms of our products, including the applicable interest rates, which may have a material adverse effect on our business, results of operations and financial condition.

Decisions of the FOS could adversely affect our profits and financial condition.

Under the FSMA, the FOS is required to make decisions on complaints relating to the acts or omissions of respondents under its jurisdiction on the basis of what, in the FOS's opinion, would be fair and reasonable in all circumstances of the case, taking into account law and guidance, among other things.

Complaints brought before the FOS for consideration must be decided on a case-by-case basis, with reference to the particular facts of any individual case. Each such case is first adjudicated by an adjudicator. Either party to the case may then appeal against the adjudication. In the event of an appeal, the case proceeds to a final decision by an ombudsman. The FOS may make a money award or require the firm to take other actions to make restitution to a borrower, which, if there were to be a material number of such awards, may have a material adverse effect on our business, results of operations and financial condition.

In addition, the FOS has made a series of recent decisions supported by the FCA in which it has determined that certain insurance policies did not represent "value for money" for customers. Even where certain premiums paid by customers on policies relating to their credit agreements have been reduced to ensure they remained "value for money," we cannot be guaranteed that the FOS will not make new decisions that would have the impact of decreasing the premiums further. This, along with further reductions, may have a material adverse effect on our business, results of operations and financial condition.

Our controls aimed at detecting and preventing financial crime might not be sufficient to prevent our services from being used to violate anti-money laundering, anti-corruption and anti-terrorism regulations.

We are subject to laws regarding the prevention of money laundering and the financing of terrorism, as well as laws that prohibit us or our employees or intermediaries from making improper payments or offers of payment to foreign governments and their officials and political parties for the purpose of obtaining or retaining business, including the UK Bribery Act 2010. Monitoring compliance with anti-money laundering, anti-corruption, anti-terrorism and anti-bribery rules can put a significant financial burden on financial institutions and requires significant technical capabilities. We cannot predict the nature, scope or effect of future regulatory requirements to which we might be subject or the manner in which existing laws might be administered or interpreted. For example, we will have to comply with the Fourth Money Laundering Directive, which must be implemented in Member States by June 26, 2017. Our compliance policies and procedures may not prevent all instances of money laundering or bribery, or other prohibited transactions, including those arising from actions by our employees, for which we might be held responsible. Any such events may have severe consequences, including sanctions, fines and reputational consequences, which could have a material adverse effect on our business, results of operations and financial condition.

Financial crime in the financial services sector is a threat for lenders and borrowers that is increasing and becoming increasingly more sophisticated. In addition, regulators are increasingly focused on financial crime prevention. Although we have controls and processes designed to help us identify misrepresented information in our customer origination processes, and we also utilize information supplied by third party fraud prevention agencies to support our fraud prevention activities, our controls aimed at detecting and preventing financial crime may not perform accurately or eliminate all instances where our services could be used for financial crime. There can be no assurance that our framework will be able to prevent financial crime risk. Failure of our financial crime prevention controls and processes could result in a breach of applicable regulation and harm our reputation, which could in turn have a material adverse effect on our business, results of operations and financial condition.

Regulation of privacy, data protection and security could increase our costs, as well as negatively impact our growth.

We are subject to legislation and regulation regarding the use of personal customer data. We process sensitive personal customer data as part of our business and therefore must comply with strict data protection and privacy laws. We seek to ensure that procedures are in place to ensure compliance with the relevant data protection regulations by our employees and any third-party service providers, and also implement security measures to help prevent cybertheft. Notwithstanding such efforts, we are exposed to the risk that this data could be wrongfully appropriated, lost or disclosed, stolen or processed in breach of data protection legislation. If we or any of the third-party service providers on which we rely fails to store or transmit customer information in a secure manner, or if any loss of personal customer data were otherwise to occur, we could face liability under data protection laws. Any of these events could also result in the loss of the goodwill of our customers and deter new customers, any of which could have a material adverse effect on our business, results of operations and financial condition.

New requirements in these areas, either from new regulations or laws or any additions or changes (as well as the manner in which they could be interpreted or applied) may also increase our costs and could impact aspects of our business such as fraud monitoring, the development of information-based products and solutions and technology operations. Moreover, due to recent account data compromise events at large companies, there has been heightened legislative and regulatory scrutiny around the world that could lead to further regulation and requirements. For example, GDPR may impact our ability to use customer data that is of fundamental importance to the operation of our business. Effective from May 2018, GDPR will bring about material changes to the way data processes are regulated and will affect marketing processes, particularly with respect to requirements relating to consent to the use of personal data. GDPR will also expand the territorial reach of data protection legislation, beyond the borders of the European Union and will require data controllers to map their data processes, ensuring demonstrable compliance with the provisions of the regulation. GDPR will also bring about more onerous breach reporting obligations and tougher penalties for compliance failures. See "*Regulation—Upcoming UK Regulation*." Any of these developments could have a material adverse effect on our business, results of operations and financial condition.

Litigation and other adversarial actions in the ordinary course of business could materially adversely affect our business.

We are subject to claims and complaints, including lawsuits, by customers, employees, suppliers, and others in the ordinary course of business. Regulators and governmental authorities may also bring administrative or other enforcement actions against us. Significant claims or a substantial number of small claims may be expensive to defend and may divert time and money away from our operations, which could have a material adverse effect on our results of operations and financial condition. In addition, adverse publicity or a substantial judgment against us could negatively impact our reputation, which could have a material adverse effect on our business, results of operations and financial condition.

Changes in our accounting policies or in accounting standards, especially IFRS 9, could materially affect how we report our financial condition and results of operations.

From time to time, the International Accounting Standards Board (the "**IASB**") and the European Union change the accounting standards that govern the preparation of our financial statements. These changes can be difficult to predict and could materially affect how we record and report our financial condition and results of operations. In some cases, we could be required to apply a new or revised standard retrospectively, resulting in restating prior period financial statements.

IFRS 9 *Financial Instruments* is the IASB's replacement of IAS 39 *Financial Instruments*: *Recognition and Measurement*. IFRS 9 includes requirements for recognition and measurement, impairment, de-recognition and hedge accounting. The introduction of IFRS 9 is expected to impact all UK financial services providers, including us. Under IFRS 9, we will be required to provide for expected credit losses for our accounting periods commencing on or after January 1, 2018 (the effective date of IFRS 9).

For consumer lending businesses such as ours, the adoption of IFRS 9 will mean that expected credit losses over the life of a credit card account will be required to be recognized either on issue of a credit card or early in the term of a credit card agreement, whereas currently impairment provisions are only recognized where a "loss event" has been experienced. The impact of IFRS 9, and in particular the introduction of the expected loss model, has yet to be quantified for us. However, there is a risk that such impact on the carrying value of our credit card receivables would be significant and adverse in the period when IFRS 9 is first introduced.

Although the profit recognized over the life of the credit card account will be unchanged following the adoption of the prospective changes to IFRS 9, this accounting policy change will result in earlier recognition of impairment losses and therefore later recognition of profits earned on credit card receivables, with a resultant decrease in the risk adjusted margin and an increase in the net debt-to-equity ratio, which could have a material adverse effect on our results of operations. Such changes may also result in consequent changes to our strategy, business model or operations.

The IASB may make other changes to financial accounting and reporting standards that govern the preparation of our financial statements, which, if endorsed by the EU, we may choose to adopt, including prior to any date on which such changes become mandatory, if determined to be appropriate, or which we may be required to adopt. Any such change in our accounting policies or accounting standards could have a material adverse effect on our business, results of operations and financial condition.

Our accounting policies and methods are critical to how we report our financial condition and results of operations. They require management to make estimates about matters that are often uncertain.

Accounting policies and methods are fundamental to how we record and report our financial condition and results of operations. Management must exercise judgment in selecting and applying many of these accounting policies and methods so that they comply with IFRS. Our financial accounts carry an inherent reliance on management's judgment. We have identified certain accounting policies in the notes to the Financial Statements in respect of which significant judgment is required in determining appropriate assumptions and estimates when valuing assets, liabilities, commitments and contingencies. For further information, see "*Selected Historical Financial Information*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*." Areas requiring more complex judgments may shift over time based on changes in accounting policies or changes in our business mix. There is a risk that the judgments exercised by our management team are erroneous and this could lead to inaccuracies in the reported financial position and performance of our business.

Although we have established detailed policies and control procedures that are intended to ensure that these judgments and the associated assumptions and estimates are well informed and applied consistently and to ensure that the process for changing methodologies occurs in an appropriate manner, because of the uncertainty surrounding our judgments and the estimates pertaining to these matters, we may be required to make changes in accounting estimates or restate prior period financial statements in the future and any such changes or restatements could be material in nature.

We may be exposed to the imposition of new taxes and the risk of changes in tax legislation and its interpretation and to variances in the rate of corporate and other taxes.

Future actions by the UK government to increase tax rates or to impose additional taxes could reduce our profitability. Revisions to tax legislation or to its interpretation might also affect our financial condition in the future. In addition, we are likely to be subject to periodic tax audits that could result in additional tax assessments, which may be material, relating to past periods being made. Any such assessments might also have a material adverse effect on our business, results of operations and financial condition.

We may not be able to deduct interest on certain intercompany loans and third-party indebtedness.

The government of the United Kingdom recently published draft legislation to implement Action 4 (*limiting base erosion involving interest deductions and other financial payments*) of the G20/Organisation for Economic Co-operation and Development's base erosion and profit shifting initiative. The proposed legislation is intended to apply to interest expense accruing on or after April 1, 2017, however several areas of the draft legislation are incomplete or outstanding. The proposed legislation contains rules that may limit the deductibility of interest on both intercompany loans and certain external debt. In the event such legislation is enacted, we may be unable to deduct interest and our tax burden may increase.

Certain companies within the Securitization Structures may cease to benefit from the special corporation tax regime for securitization companies, which could lead to uncertainty and increased tax liabilities, thereby adversely affecting our cost of funds.

Regulation 14 of the Taxation of Securitization Companies Regulations 2006 (the "**Securitization Regulations**") provides a special corporation tax regime for securitization companies that meet certain qualifying conditions. If the Securitization Regulations apply to a company, then it will benefit from being subject to corporation tax only on the cash profit retained by it for each accounting period, compared to being taxed on its accounting profit under the normal corporation tax rules. Certain companies within the Securitization Structures expect to be taxed under this more favorable special tax regime, but must satisfy the qualifying conditions in respect of each of its accounting periods in order to be eligible for the special treatment. If these companies cease to meet the qualifying conditions and become taxed under the normal corporation tax rules, the relevant company's profits or losses for tax purposes might be different from its cash position, and there might be a risk of incurring unfunded tax liabilities. Moreover, interest paid on term debt issued under the Securitization Structures could be disallowed as a deduction for corporation tax purposes, which could cause a significant divergence between the company's cash profits and its taxable profits. Any unforeseen taxable profits for companies within the Securitization Structures could have an adverse effect on their ability to fund interest and repayments under the terms of the term debt and may make future debt issuances less attractive to prospective investors, resulting in an increase in our overall cost of funds and negatively affecting our profitability and our growth.

Risks Relating to the Notes and Our Structure

The Issuer is a special purpose finance subsidiary of the Company with no business operations and will depend on cash from UK Holdco 2, the Company and its direct and indirect subsidiaries to be able to make payments on the Notes.

The Issuer is a special purpose finance subsidiary indirectly owned by the Company, formed for the purpose of facilitating the Transactions, and has no subsidiaries, business operations or assets or sources of income of its own. As of the Completion Date, after giving effect to the Transactions, the Issuer will not have any subsidiaries and the Issuer's only source of income will be amounts received under the Proceeds Loans and certain other intercompany loans (if any), which will be pledged as Collateral for the benefit of the Holders of the Notes. As a result, the ability of the Issuer to make payments on the Notes will be wholly dependent upon interest or other payments it receives from UK Holdco 2, the Company and its other subsidiaries. The ability of UK Holdco 2 to make payments to the Issuer in connection with the Proceeds Loans will depend upon the cash it receives from its subsidiaries and from the Company and its other subsidiaries, which, in turn, will be affected by all of the factors discussed in these "*Risk Factors*." The Company, UK Holdco 2 and the Issuer's direct parent, UK Holdco, are holding companies and they are dependent upon payments by their respective subsidiaries to service their indebtedness, including payments of amounts owed under the Proceeds Loans and their guarantee of the Notes. Applicable law imposes certain restrictions upon the Company's and certain of its subsidiaries' ability to access cash of certain of the Target's subsidiaries. The inability to transfer cash within the Group may mean that, even though we, in aggregate, may have sufficient resources to meet our obligations, we may not be permitted to make the necessary transfers from one entity in the Group to another entity in the Group in order to make payments to the Issuer for the purposes of meeting the Issuer's obligations under the Notes.

The Notes and each Notes Guarantee will be structurally subordinated to the liabilities of non-Guarantors.

None of the Target or any of its subsidiaries will initially guarantee the Notes, which means that holders of the Notes will have no direct claims against the assets or the earnings of the Target or its subsidiaries to satisfy obligations due under the Notes. Following the Completion Date, some, but not all, of the Target's subsidiaries will guarantee the Notes. For the twelve months ended September 30, 2016, the Post-Completion Date Guarantors represented 83.5% of our Adjusted EBITDA. As of September 30, 2016, the Post-Completion Date Guarantors represented 84.3% of our net assets. See "*—The Issuer is a special purpose finance subsidiary of the Company with no business operations and will depend on cash from UK Holdco 2, the Company and its direct and indirect subsidiaries to be able to make payments on the Notes*."

Any of the Company's subsidiaries that do not guarantee the Notes do not have any obligation to pay amounts due on the Notes or to make funds available for that purpose. Accordingly, you should only rely on the Notes Guarantees of the Notes to provide credit support in respect of payments of principal or interest on the Notes.

Generally, holders of indebtedness of, obligations of and trade creditors of, non-Guarantors, including lenders under bank financing agreements and the Securitization Facilities, are entitled to payments of their claims from the assets of such entities before these assets are made available for distribution to any direct or indirect shareholder of any such entity, including the Company and the Guarantors. Accordingly, in the event that any of the non-Guarantors becomes insolvent, liquidates or otherwise reorganizes:

- the creditors of the Guarantors or the Issuer (including the holders of the Notes) will have no right to proceed against such non-Guarantor's assets; and
- creditors of such non-Guarantor entity, including trade creditors, will generally be entitled to payment in full from the sale or other disposal of the assets of such non-Guarantor entity before any direct or indirect shareholder, including the Issuer and the Guarantors, will be entitled to receive any distributions from such non-Guarantor entity.

As such, the Notes, each Notes Guarantee and the Proceeds Loans will be structurally subordinated to the creditors (including trade creditors) and any preferred stockholders of the Company's non-guarantor subsidiaries.

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 Notes Guarantees.

We have a substantial amount of debt and significant debt service obligations. We cannot guarantee that we will be able to generate enough cash flow from operations to service our debt obligations. After the issuance of the Notes, we will be highly leveraged. As of September 30, 2016, on a pro forma basis after giving effect to the Transactions and the Bond Sales, we would have had total financial indebtedness of £1,822.3 million (which represents the aggregate principal amount of the Notes offered hereby, together with debt incurred under the Securitization Structures). For further details, see "*Description of Certain Financing Arrangements*" and "*Description of the Notes*."

We anticipate that our high leverage will continue to be in place for the foreseeable future. Our high leverage could have significant consequences to holders of the Notes offered hereby and our business and operations, including, but not limited to:

- making it more difficult for us to satisfy our obligations with respect to the Notes and our other debt and liabilities;
- restricting us from pursuing strategic acquisitions or exploiting certain business opportunities;
- negatively impacting credit terms with our creditors;
- making us vulnerable to, and reducing our flexibility to respond to, general adverse economic and industry conditions;
- requiring us to dedicate 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 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 industry in which we operate;

- placing us at a competitive disadvantage as compared to our competitors that are not as highly leveraged; and
- limiting our ability to borrow additional funds or raise equity capital in the future and increasing the cost of any such additional financings.

Any of these or other consequences or events could have a material adverse effect on our ability to satisfy our debt obligations, including obligations under the Notes. Our ability to make payments on and refinance our indebtedness and to fund working capital expenditures and other expenses will depend on our future operating performance and ability to generate cash from operations. Our ability to generate cash from operations is subject, in large part, to general economic, competitive, legislative and regulatory factors and other factors that are beyond our control. We may not be able to generate sufficient cash flow from operations nor obtain enough capital to service our debt or fund our planned capital expenditures.

Despite our substantial leverage, we may incur significant additional amounts of debt, which could adversely affect our business, prevent us from fulfilling our obligations with respect to the Notes and the Notes Guarantees and further exacerbate the risks associated with our substantial indebtedness.

The terms of the Indenture will permit us to incur substantial additional indebtedness, including in respect of committed borrowings under the Revolving Credit Facility and certain other debt, which may be secured and that shares in the Collateral securing the Notes. Certain creditors in respect of our debt, including lenders under our Revolving Credit Facility and counterparties to certain hedging obligations will receive proceeds from the enforcement of security granted over the Collateral prior to the holders of the Notes. In addition, the Indenture will allow our non-guarantor subsidiaries to incur additional debt that would be structurally senior to the Notes and will not prevent us from incurring liabilities that do not constitute "Indebtedness" as defined thereunder. The agreements governing our debt generally limit our ability to incur additional indebtedness, but do not prohibit us from doing so. Borrowings under debt instruments that contain cross-acceleration or cross-default provisions may as a result also be accelerated and become due and payable. We may be unable to pay these debts in such circumstances. The incurrence of additional indebtedness would increase the leverage-related risks described in this Offering Memorandum.

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 Securitization Facilities contain, and the Indenture and the Revolving Credit Facility will contain, covenants that significantly restrict, among other things, our ability to:

- incur or guarantee additional indebtedness and issue certain preferred stock;
- create or permit to exist certain liens;
- make certain payments, including dividends or other distributions;
- prepay or redeem subordinated debt or equity;
- make certain investments or acquisitions, including participation in joint ventures;
- engage in certain transactions with affiliates;
- sell, lease or transfer certain assets, including stock of restricted subsidiaries;
- guarantee debt of the Issuer or any Guarantor without also guaranteeing the Notes;
- create certain restrictions on the ability of the Issuer, the Company and restricted subsidiaries to pay dividends or make other payments or transfers of assets to the Issuer, the Company or a restricted subsidiary;
- create unrestricted subsidiaries;
- merge or consolidate with other entities or transfer all or substantially all of the Company and its restricted subsidiaries' assets or a Guarantor's assets; and
- impair the security interest for the benefit of the holders of the Notes.

All of these limitations will be subject to significant exceptions and qualifications. See "*Description of the Notes—Certain Covenants*," "*Description of Certain Financing Arrangements—The Securitization Facilities*" and "*Description of Certain Financing Arrangements—Revolving Credit Facility*." 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, some of our financing arrangements (including our Securitization Facilities and the Revolving Credit Facility) require us to maintain certain ratios, including with respect to the Securitization Facilities, ratios relating to certain of our assets. These requirements 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. See "*Description of Certain Financing Arrangements—The Securitization Facilities*" and "*Description of Certain Financing Arrangements—Revolving Credit Facility*." Any future indebtedness incurred may include similar or other restrictive terms. As a result of these restrictions, we will be limited in the manner in which we conduct our business and may be unable to engage in favorable business activities or finance future operations.

In addition to limiting our flexibility to operate our business, a failure to comply with their obligations and restrictions contained in these financing arrangements, or to maintain ratios with respect to certain aspects of our assets, or otherwise, required by our financing arrangements, could lead to a default under their terms that could result in an acceleration of the indebtedness. There can be no assurance that our future results of operations will be sufficient to enable compliance with the covenants in their financing arrangements or to remedy a default. Moreover, our ability to maintain or to meet the financial and operational ratios under the Securitization Facilities, the Revolving Credit Facility or other prospective financing arrangements can be affected by events beyond our control and we cannot assure you that we will meet them. A breach of any of those obligations, covenants, ratios, tests or restrictions could result in an event of default under the Revolving Credit Facility or an early amortization event, pay out event and certain other events under certain of the Securitization Facilities which may impact our ability to meet our obligations under the Notes, including to pay principal and/or interest. Upon the occurrence of any event of default under the Revolving Credit Facility or an early amortization event, pay out event and certain other events under certain of the Securitization Facilities, subject to any cure periods, if applicable, and other limitations on acceleration or enforcement, our creditors could cancel the availability of the Securitization Facilities and/or the Revolving Credit Facility and elect to declare all amounts outstanding under the Securitization Facilities and/or the Revolving Credit Facility, together with accrued interest, immediately due and payable. In addition, an event of default or declaration of acceleration under the Securitization Facilities and/or the Revolving Credit Facility could also result in an event of default under one or more of our other financing arrangements and material contracts, including under the Notes. Furthermore, indebtedness incurred under the Securitization Facilities will be excluded from the definition of "Indebtedness" under the Indenture and therefore an early amortization event, pay out event and certain other events related thereto may not trigger an event of default and acceleration of the Notes under the Indenture. If our creditors, including those under the Securitization Facilities or the Revolving Credit Facility, accelerate the payment of amounts due thereunder, there can be no assurance that we would have sufficient assets to repay in full those amounts, and to satisfy all other liabilities of the Group that would be due and payable and to repay the Notes in full or in part.

We will require a significant amount of cash to service our debt and sustain our operations. Our ability to generate or raise sufficient cash depends on many factors beyond our control, and we may not be able to generate sufficient cash to service our debt.

Our ability to make principal or interest payments when due on our indebtedness, including the Revolving Credit Facility, the Securitization Facilities and our obligations under the Notes, and to fund our ongoing operations, will depend on our future performance and ability to generate cash, which is subject to general economic, financial, competitive, legislative, legal, regulatory and other factors, as well as other factors discussed in these "*Risk Factors*," many of which are beyond our control.

Our Revolving Credit Facility will provide for a revolving credit facility with commitments of £30.0 million, which will terminate on the date falling 69 months after the date of the closing of the Acquisition. If we are unable to generate sufficient cash flows from operations and other capital resources to pay our debt obligations or meet other liquidity needs, we may be required to refinance or restructure our indebtedness. If we are unable to refinance or restructure all or a portion of our indebtedness or obtain such refinancing or restructuring on terms acceptable to us, we may be forced to, among others:

- reduce or delay our business activities, planned acquisitions and capital expenditures;
- sell assets;
- raise additional debt or equity financing; or
- restructure or refinance all or a portion of our debt, including the Revolving Credit Facility, the Securitization Facilities and the Notes, on or before maturity.

If any of the above were to occur, the holders of our debt may be able to accelerate our debt and, to the extent such debt is secured, foreclose on our assets. The type, timing and terms of any future financing, restructuring, asset sales or other capital raising transactions will depend on our cash needs and the prevailing conditions in the financial markets. We cannot assure you that we will be able to accomplish any of these measures in a timely manner or on commercially reasonable terms, if at all. In such an event, we may not have sufficient cash or sources of cash to repay all of our debt. See also "*—Risks Relating to Our Business—Our business and financial performance are affected by general economic conditions in the United Kingdom and elsewhere, and any adverse developments in the United Kingdom or global economies could cause our earnings and profitability to decline*." We cannot assure you that we will be able to generate sufficient cash through any of the foregoing. If we are not able to refinance any of our debt, obtain additional financing or sell assets on commercially reasonable terms or at all, we may not be able to satisfy our obligations with respect to our debt, including the Notes. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources*."

Creditors under the Revolving Credit Facility and certain hedging obligations relating to indebtedness permitted to be incurred on the Collateral will be entitled to be repaid with the proceeds of the Collateral sold in any enforcement sale in priority to the Notes. Holders of the Notes will not control decisions regarding the Collateral in certain circumstances.

The Notes and the Notes Guarantees will be secured initially on a first-priority basis by the same Collateral that will secure the obligations under the Revolving Credit Facility and certain hedging liabilities that may be secured by the Collateral. Pursuant to the Intercreditor Agreement, lenders under the Revolving Credit Facility and under certain hedging arrangements, the Security Agent, any receiver and certain creditor representatives are entitled to be repaid with the proceeds of the Collateral sold in any enforcement sale prior to the holders of the Notes. In addition, the lenders under the Revolving Credit Facility and certain hedging arrangements will have priority over any amounts received from the sale of any assets of the Issuer or any of the Guarantors pursuant to certain distressed disposals. As such, in the event of a foreclosure of the Collateral, you may not be able to recover on the Collateral if the aggregate of the then outstanding claims under the Revolving Credit Facility, such hedging obligations, or owing to the Security Agent, any receiver and such creditor representatives are greater than the proceeds realized. Any proceeds from an enforcement sale of the Collateral by any creditor will, after all obligations under the Revolving Credit Facility, such hedging obligations and any sums owing to the Security Agent, any receiver and such creditor representatives have been discharged from such recoveries, be applied *pro rata* in repayment of the Notes and any other obligations secured by the Collateral which are permitted to rank pari passu with the Notes.

The Intercreditor Agreement provides that a common Security Agent, who will also serve as the security agent for the lenders under the Revolving Credit Facility, certain potential future hedging obligations which are permitted by the Indenture to be secured on the Collateral, and any additional debt secured by the Collateral permitted to be incurred by the Indenture, will act only as provided for in the Intercreditor Agreement. The Intercreditor Agreement regulates the ability of the Trustee or the holders of the Notes to instruct the Security Agent to take enforcement action. In addition, the Intercreditor Agreement includes security enforcement principles with the aim of maximizing, so far as is consistent with prompt and expeditious realization of value from enforcement of the Collateral, however certain amendments, variations and waivers to the security enforcement principals may require the prior written consent of the Company, which may limit the manner the Security Agent, on behalf of secured creditors, including holders of the Notes, can take enforcement action with respect to the Collateral. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*."

The lenders under the Revolving Credit Facility and creditors in respect of certain potential future hedging obligations may have interests that are different from the interests of holders of the Notes and they may, subject to the terms of the Intercreditor Agreement, elect to pursue their remedies under the security documents at a time when it would be disadvantageous for the holders of the Notes to do so.

In addition, if the Security Agent sells Collateral comprising the shares of the Company or any of its subsidiaries as a result of an enforcement action or other distressed disposal in accordance with the Intercreditor Agreement, claims under the Notes and the Notes Guarantees against, and the liens over any other assets of, such entities and any subsidiaries of such entity securing the Notes and the Notes Guarantees may be released. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*" *and* "*Description of the Notes—Security—Release of Liens*."

Delays in enforcement could decrease or eliminate recovery values. In addition, the holders of the Notes will not have any independent power to enforce, or have recourse to, any of the Security Documents or to exercise any rights or powers arising under the Security Documents, except through the Security Agent as provided in the Intercreditor Agreement. By accepting the Notes, you will be deemed to have agreed to these restrictions. As a result of these restrictions, holders of the Notes will have limited remedies and recourse against the Issuer and the Guarantors in the event of a default. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*."

The Revolving Credit Facility and the Floating Rate Notes will bear interest at a floating rate that could rise significantly, increasing our interest cost and debt and reducing our cash flow.

The Revolving Credit Facility and the Floating Rate Notes will bear interest at LIBOR, plus a margin, as adjusted periodically and which could rise significantly in the future.

Furthermore, we may incur additional indebtedness that bears interest at a floating rate. LIBOR, the Euro Interbank Offered Rate and/or any other floating interest rate applicable to such indebtedness could rise significantly in the future. To the extent that interest rates were to increase significantly, our interest expense would correspondingly increase, thereby reducing our cash flow. Any such increase could have a material adverse effect on our ability to service our debt obligations, including our obligations under the Notes.

The proceeds from the enforcement of the Collateral may not be sufficient to satisfy the obligations under the Notes.

The Notes and the Notes Guarantees will be secured by security interests in the Collateral described in this Offering Memorandum, which Collateral also will secure the obligations under the Revolving Credit Facility and may secure certain hedging obligations. Certain creditors in respect of our debt, including lenders under our Revolving Credit Facility and counterparties to certain potential future hedging obligations, if any, will receive proceeds from the enforcement of security granted over the Collateral prior to the holders of the Notes. In addition, the Company and certain of its subsidiaries have the ability to incur additional indebtedness in an amount provided under the indenture that will receive proceeds from the enforcement of security granted over the Collateral prior to the holders of the Notes. The Collateral may also secure additional debt ranking pari passu with the Notes to the extent permitted by the terms of the Indenture and the Intercreditor Agreement. Your rights to the Collateral may therefore be diluted by any increase in the first-priority debt secured by the Collateral or a reduction of the Collateral securing the Notes.

No appraisals of the Collateral have been prepared by us or on our behalf in connection with the issuance of the Notes. The value of the Collateral and the amount to be received upon an enforcement of such Collateral will depend upon many factors, including, among others, the ability to sell the Collateral in an orderly sale, the condition of the economies in which operations are located, the availability of buyers, whether or not our business is sold as a going concern, the jurisdiction in which the enforcement action or sale is completed, the ability to readily liquidate the Collateral and the fair market value and condition of the Collateral. 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 that entity is subject to an insolvency or bankruptcy proceeding.

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 may create hardening periods for such security interests in certain jurisdictions. The granting of shared security interests to secure future indebtedness permitted to be secured on the Collateral may restart or reopen such hardening periods in particular, as the Indenture permits the release and retaking of security granted in favor of the Notes in certain circumstances including in connection with the incurrence of future indebtedness. The applicable hardening period for these new security interests can run from the moment each new security interest has been granted or perfected. At each time, if the security interest granted or recreated were to be enforced before the end of the respective hardening period applicable in such jurisdiction, it may be declared void or ineffective and/or it may not be possible to enforce it. See "*Limitation on Validity and Enforceability of Guarantees and Security and Certain Insolvency Law Considerations*."

The same rights also apply following the issuance of the Notes in connection with the accession of further subsidiaries as additional Guarantors and the granting of security interest over their relevant assets and equity interests for the benefit of holders of the Notes. See "*Description of the Notes—Security*."

It may be difficult to realize the value of the Collateral securing the Notes and the ability of the Security Agent to enforce certain of the Collateral may be restricted by local law.

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

In addition, the security interests of the Security Agent will be subject to practical problems generally associated with the realization of security interests in Collateral. For example, under the laws in certain of the jurisdictions where the Collateral is located, the enforcement of share pledges, whether by means of a sale or an appropriation, is subject to certain specific requirements. See "*Limitation on Validity and Enforceability of Guarantees and Security and Certain Insolvency Law Considerations*." 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.

The security interests in the Collateral will be granted to the Security Agent rather than directly to the holders of the Notes.

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

Certain Collateral will not initially secure the Notes.

As of the Issue Date, the Notes will be secured by the Issue Date Collateral, which includes pledges over the Escrow Account, certain fixed and floating charges and share pledges over the shares of each of the Initial Guarantor. In connection with the release of the proceeds of the Notes from the Escrow Account on the Completion Date and pursuant to the terms of the Escrow Agreement, we will be required to take such necessary actions so that, consistent with the provisions of the Revolving Credit Facility, on or within one business day after the Completion Date, the Notes and the Notes Guarantees will be secured, subject to the Agreed Security Principles, by the Completion Date Collateral, which will also secure the Revolving Credit Facility. Within 90 days following the Completion Date, we will be required to take such necessary actions so that, consistent with the provisions of the Revolving Credit Facility, the Notes, and subject to the Agreed Security Principles, the Notes Guarantees and the Revolving Credit Facility will be secured, to the extent not already so secured, by the Post-Completion Collateral. There can, however, be no assurance that we will be successful in procuring such liens within the time period specified. In addition, there are certain circumstances where the Notes may not be secured by the Collateral pursuant to the Agreed Security Principles. See "*Description of Certain Financing Arrangements—Revolving Credit Facility—Agreed Security Principles*."

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.

There are circumstances other than repayment or discharge of the Notes under which the Collateral securing the Notes and the Notes Guarantees will be released automatically and under which the Notes Guarantees may not be granted or will be released automatically, without your consent or the consent of the Trustee.

Under various circumstances, the Collateral securing the Notes and the Notes Guarantees will be released automatically, including:

- in connection with any sale, assignment, transfer, conveyance or other disposition of such property or assets to a person that is not the Company or a Restricted Subsidiary (but excluding any transaction subject to "*Description of the Notes—Certain Covenants—Merger and Consolidation*" and excluding the Capital Stock of the Group), if such sale or other disposition does not violate the covenant described under "*Description of the Notes—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*" or is otherwise permitted in accordance with the Indenture;
- in the case of a Guarantor that is released from its Notes Guarantee pursuant to the terms of the Indenture, the release of the property and assets, and Capital Stock, of such Guarantor;
- if the Lien granted in favor of lenders under the Revolving Credit Facility or such other Indebtedness that gave rise to the obligation to grant the Lien over such Collateral is released (other than pursuant to the repayment and discharge thereof);
- if the Group designates any Restricted Subsidiary to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Indenture, the release of the property and assets, and Capital Stock, of such Unrestricted Subsidiary;
- upon legal defeasance, covenant defeasance or satisfaction and discharge of the Indenture;
- as permitted by the Intercreditor Agreement and any Additional Intercreditor Agreement;
- upon the full and final payment and performance of all financial obligations of the Issuer under the Indenture and the Notes;
- as allowed under the amendments and waivers provisions of the Indenture;
- as allowed under the impairment of security covenant of the Indenture; or
- upon a release of the lien that resulted in the creation of the lien under the liens covenant in the Indenture.

The lien on the capital stock of the Company, the Issuer or any Guarantor that is a parent entity of the Issuer will only be released as provided by the fifth, sixth, seventh, eighth and tenth bullets above.

Even though the holders of the Notes will share in the Collateral securing the Notes rateably with the lenders under the Revolving Credit Facility, under certain circumstances, the creditors under the Revolving Credit Facility 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 "*Description of Certain Financing Arrangements*."

Under various circumstances, the Notes Guarantee of a Guarantor will be released, including:

- other than the Notes Guarantee of the Company or of any Restricted Subsidiary that is a parent entity of the Issuer, upon a sale or other disposition (including by way of consolidation or merger) of any Capital Stock of the relevant Guarantor (whether by direct sale or sale of a holding company as a result of which such Guarantor would no longer be a Restricted Subsidiary), or the sale or disposition of all or substantially all the assets of the Guarantor (other than to the Company or a Restricted Subsidiary), otherwise permitted by the Indenture;
- other than the Notes Guarantee of the Company or of any Restricted Subsidiary that is a parent entity of the Issuer, upon the designation in accordance with the Indenture of the Guarantor as an Unrestricted Subsidiary;
- upon legal defeasance, covenant defeasance or satisfaction and discharge of the Indenture;
- upon the full and final payment and performance of all obligations of the Issuer under the Indenture and the Notes;
- as permitted by the Intercreditor Agreement and any Additional Intercreditor Agreement;

- as allowed under the amendments and waivers provisions of the Indenture;
- to the extent that such Guarantor is released from its guarantee of the Revolving Credit Facility or from such other guarantee that gave rise to the requirement to guarantee the Notes under the covenant described below under the caption "*Description of the Notes—Certain Covenants—Additional Guarantees*;" provided that no other Indebtedness is at that time guaranteed by the relevant Guarantor that would give rise to a requirement to guarantee payment of the Notes pursuant to the same covenant (it being understood that a release subject to contingent reinstatement is still a release); or
- as a result of a transaction allowed under the merger and consolidation covenant in the Indenture.

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

In addition, there are certain circumstances where the Notes Guarantees may not be granted pursuant to the Agreed Security Principles. See "*Description of Certain Financing Arrangements—Revolving Credit Facility—Agreed Security Principles*."

The Issuer and the Guarantors will have control over the Collateral securing the Notes, and the sale of particular assets could reduce the pool of assets securing the Notes.

The Security Documents will allow us to remain in possession of, retain exclusive control over, freely operate, and collect, invest and dispose of any income from the Collateral securing the Notes. So long as no default or event of default under either Indenture would result therefrom, we may, among other things, without any release or consent by the Security Agent, conduct ordinary course activities with respect to the Collateral, such as selling, factoring, abandoning or otherwise disposing of Collateral and making ordinary course cash payments, including repayments of indebtedness.

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 only be properly perfected, and its priority retained, 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.

Each Notes 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 Notes Guarantee will provide the holders of the Notes with a direct claim against the relevant Guarantor. In addition, the Issuer and the Guarantors will secure the payment of the Notes by granting security under the relevant Security Documents. However, each security interest granted under a Security Document will be limited in scope to the value of the relevant assets expressed to be subject to that security interest or to the secured amount stated in the relevant Security Document (which may be lower than the value of the relevant assets expressed to be subject to that security interest), and the Indenture and/or the Intercreditor Agreement will provide that each Notes Guarantee will be limited to the maximum amount that can be guaranteed by the relevant Guarantor, without rendering the relevant Notes Guarantee/security interest voidable or otherwise ineffective under Luxembourg, Jersey, English or other applicable law, and enforcement of each Notes Guarantee/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, transaction at undervalue, voidable preference, financial assistance, corporate purpose, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally. See "*Limitation on Validity and Enforceability of Guarantees and Security and Certain Insolvency Law Considerations*."

Although laws differ among various jurisdictions, in general, under fraudulent conveyance and other laws, Notes 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 Notes Guarantees or the security interests granted under the Security Documents) and, if payment had already been made under a Notes 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 Notes Guarantee or the enforcement proceeds under the relevant Security Document was in excess of the maximum amount permitted under applicable law; and/or
- the relevant Notes Guarantee or security interest under a Security Document was granted in fraud of creditors with intent to defeat, hinder or delay creditors or shareholders of the Guarantor or the relevant Guarantor was influenced in deciding to grant the relevant Guarantee/security interests by a desire to put the holders of the Notes into a position which, in the event of the bankruptcy of the Guarantor would be better than the position in which they would have been if the relevant Guarantee/security interests had not been granted or, in certain jurisdictions, even when the recipient was simply aware that the Guarantor was insolvent when it granted the relevant Notes Guarantee or security interest, and the Guarantor was insolvent or rendered insolvent because of the relevant Guarantee/security interest; and/or
- the grant of the Guarantee/security interest is, having regard to the risk accepted by the holders of the Notes, on terms which are or were such as to require grossly exorbitant payments to be made (whether conditionally or in certain contingencies) in respect of the subscription for the Notes or otherwise grossly contravenes ordinary principles of fair dealing; and/or
- the Guarantor did not receive fair consideration or reasonably equivalent value for granting the relevant Notes Guarantee/security interests or there was no *cause* for or the value of the *cause* (in money or money's worth) was significantly less than the value (in money or money's worth) of granting the relevant Guarantee/security interest and the Guarantor was: (i) insolvent or rendered insolvent because of the relevant Notes Guarantee/security interest; (ii) undercapitalized or became undercapitalized because of the relevant Notes Guarantee/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 Notes Guarantees/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 the directors failed to act honestly and in good faith with a view to the best interests of the Guarantor and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances when the relevant Guarantees/Security Documents were authorized.

We cannot assure you which standard a court would apply in determining whether a Guarantor was "insolvent" at the relevant time or that, regardless of the method of the valuation, a court would not determine that a Guarantor was insolvent on that date, or that a court would not determine, regardless of whether or not a Guarantor was insolvent on the date its Notes Guarantee was issued, that payments to holders of the Notes constituted preferences, fraudulent transfers or conveyances on other grounds.

The payment of dividends to the Company will reduce the distributable profits and reserves available to satisfy the obligations under the Notes Guarantees and Security Documents. There can be no assurances that we will have distributable profits and reserves available to satisfy the obligations under the Notes Guarantees and Security Documents, whether or not we make dividends. The payment of dividends to service our debt obligations (including under the Notes) will deplete the distributable reserves available to satisfy the obligations under the Notes Guarantees. In addition, the payment under the Notes 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.

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

The Issuer is incorporated under the laws of England and Wales and the Guarantors are incorporated under the laws of England and Wales, Jersey and Luxembourg. In addition, the Collateral will include a pledge over the shares in certain of our subsidiaries incorporated under the laws of England and Wales, Jersey and Luxembourg and pledges of certain present and future intercompany receivables held by the Issuer and certain of our subsidiaries incorporated under the laws of England and Wales, Jersey and Luxembourg.

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

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

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

Upon the occurrence of certain events constituting a "Change of Control" as defined in the Indenture, the Issuer may be required to offer to repurchase all 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 and additional amounts to the date of purchase, if any. However, a change of control will be deemed not to have occurred if specified consolidated net leverage ratios are not exceeded in connection with such event. See "*Description of the Notes—Change of Control*." If a change of control were to occur and these specified net leverage ratios were exceeded, we cannot assure you that we would have sufficient funds available at such time, or that we would have sufficient funds to provide to the Issuer to pay the purchase price of the outstanding Notes or that the restrictions imposed by the Revolving Credit Facility, the Indenture, the Intercreditor Agreement or our other existing contractual obligations would allow us to make such required repurchases. A change of control may result in an event of default under, acceleration of, or an obligation to mandatorily prepay the Revolving Credit Facility and other indebtedness. The repurchase of the Notes pursuant to such an offer could cause a default under such indebtedness, even if the change of control itself does not. The ability of the Issuer to receive cash from other Group companies to allow it to pay cash to the holders of the Notes following the occurrence of a change of control, may be limited by our then existing financial resources. Sufficient funds may not be available when necessary to make any required repurchases. If an event constituting a change of control occurs at a time when we are prohibited from providing funds to the Issuer for the purpose of repurchasing the Notes, we may seek the consent of the lenders under such indebtedness to the purchase of the Notes or may attempt to refinance the borrowings that contain such prohibition. If such a consent to repay such borrowings is not obtained, the Issuer will remain prohibited from repurchasing any Notes. In addition, we expect that we would require third-party financing to make an offer to repurchase the Notes upon a change of control. We cannot assure you that we would be able to obtain such financing. Any failure by the Issuer to offer to purchase the Notes would constitute a default under the Indenture, which would, in turn, constitute a default under the Revolving Credit Facility and certain other indebtedness. See "*Description of the Notes—Change of Control*."

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

The definition of "Change of Control" in the Indenture will include a disposition of all or substantially all of the assets of the Company and its restricted subsidiaries, taken as a whole, to any person. Although there is a limited body of case law interpreting the phrase "all or substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances, there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "all or substantially all" of the Company's assets 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 the Issuer is required to make an offer to repurchase the Notes.

There may not be an active trading market for the Notes, in which case your ability to sell the Notes may be limited.

We cannot assure you as to:

- the liquidity of any market in the Notes;
- your ability to sell your Notes; or
- the prices at which you would be able to sell your Notes.

Future trading prices for the Notes will depend on many factors, including, among other things, prevailing interest rates, our operating results and the market for similar securities. Historically, the market for non-investment grade securities has been subject to disruptions that have caused substantial volatility in the prices of securities similar to the Notes. The liquidity of a trading market for the Notes may be adversely affected by a general decline in the market for similar securities and is subject to disruptions that may cause volatility in prices. The trading market for the Notes may attract different investors and this may affect the extent to which the Notes may trade. It is possible that the market for the Notes will be subject to disruptions. Any such disruption may have a negative effect on you, as a holder of the Notes, regardless of our prospects and financial performance. As a result, there is no assurance that there will be an active trading market for the Notes. If no active trading market develops, you may not be able to resell your holding of the Notes at a fair value, if at all.

Although an application has been made to the Exchange for the listing of and permission to deal in the Notes on the Official List of the Exchange, we cannot assure you that the Notes will become or remain listed. Although no assurance is made as to the liquidity of the Notes as a result of the admission to trading on the Official List of the Exchange, failure to be approved for listing or the delisting (whether or not for an alternative admission to listing on another stock exchange) of the Notes, as applicable, from the Exchange may have a material effect on a holder's ability to resell the Notes, as applicable, in the secondary market.

In addition, the Indenture will allow us to issue additional notes in the future which could adversely impact the liquidity of the Notes.

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 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 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 "*Certain Tax Considerations—Certain US Federal Income Tax Considerations*."

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

The Issuer, the Company and the Guarantors and their respective subsidiaries are organized outside the United States, and our business is conducted primarily outside the United States. The directors, managers and/or executive officers of the Issuer and the Guarantors are non-residents of the United States. In addition, as a majority of the assets of the Issuer, the Company 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, actions of the Issuer and the Guarantors may not be subject to the provisions of the federal securities laws of the United States. The United States is not currently bound by a treaty providing for reciprocal recognition and enforcement of judgments, other than arbitral awards, rendered in civil and commercial matters with Jersey or Luxembourg. There is, therefore, doubt as to the enforceability in Jersey or Luxembourg of US securities laws in an action to enforce a US judgment in such jurisdictions. In addition, the enforcement in Jersey or Luxembourg 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 Jersey or Luxembourg 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*."

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

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

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 Notes Guarantees have not been registered under, and we are not obliged to register the Notes or the Notes Guarantees under, the 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 Securities Act and any other applicable laws. See "*Notice to Investors*." We have not agreed to or otherwise undertaken to register any of the Notes or the Notes Guarantees, and do not have any intention to do so.

Certain covenants may be suspended upon the occurrence of a change in the Notes' ratings.

The Indenture will provide that, if at any time following the date of the Indenture, the Notes receive a rating of Baa3 or better by Moody's and a rating of BBB- or better by S&P and no default or event of default has occurred and is continuing, then beginning that day and continuing until such time, if any, at which such Notes cease to have such ratings, certain covenants will cease to be applicable to such Notes. See "*Description of the Notes—Certain Covenants—Suspension of Covenants on Achievement of Investment Grade Status*." If these covenants were to cease to be applicable, we would be able to incur additional debt or make payments, including dividends or investments, which may conflict with the interests of holders of the Notes. There can be no assurance that the Notes will ever achieve an investment grade rating or that any such rating will be maintained.

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 Notes 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 Deutsche Bank AG, London Branch, as principal paying agent, which will make payments to Euroclear and Clearstream. Thereafter, these payments will be credited to participants' accounts that hold book-entry interests in the global notes representing the Notes and credited by such participants to indirect participants. After payment to the common depositary for Euroclear and Clearstream, we will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book-entry interests. Accordingly, if you own a book-entry interest in the Notes, you must rely on the procedures of Euroclear and Clearstream and if you are not a participant in Euroclear and/or Clearstream, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of a holder of the Notes under the Indenture.

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

Similarly, upon the occurrence of an event of default under the Indenture, unless and until the relevant 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.

The Issuer and its subsidiaries may become subject to the Investment Company Act.

Finance businesses are potentially subject to registration and regulation as "investment companies" under the US Investment Company Act of 1940. This is in part because loans on the books of such a business may be deemed to be "investment securities," which, in turn, can characterize the business as an investment company. Operation of a business that is required to be registered as an "investment company" under the US Investment Company Act of 1940, but is not so registered, presents a variety of risks including the potential for regulatory fines, actions that could be taken to dissolve the business, disqualification of contracts, and the like. We do not believe that any of the Company, the Target or their respective subsidiaries is required to be so registered. If that were to change, material modifications to the business of the Company and its subsidiaries would be needed either to come into compliance with the applicable regulations or to seek to avoid registration.

The Notes may be issued with original issue discount ("OID") for US federal income tax purposes.

US Holders (as defined in "*Certain Tax Considerations—Certain US Federal Income Tax Considerations*") of Notes issued with OID will be required to include OID in gross income (as ordinary income) over the term of such Notes in advance of the receipt of cash payments to which such income is attributable (regardless of such US Holder's method of accounting for US federal income tax purposes). See "*Certain Tax Considerations—Certain US Federal Income Tax Considerations*."

Risks Relating to the Transactions

The Acquisition is subject to significant uncertainties and risks.

On October 11, 2016, the Company entered into the Acquisition Agreement with the Seller to acquire, directly or indirectly, from the Seller, the entire share capital of the Target. Completion of the Acquisition is one of the conditions required to release the proceeds of the Offering of the Notes from escrow. The consummation of the Acquisition is subject to certain conditions being satisfied or waived. If such conditions are not satisfied or waived in a timely manner, or if the Acquisition is not consummated for any reason on or prior to the Escrow Longstop Date and, as a result, the proceeds from the sale of the Notes are not released, the Issuer will be required to redeem the Notes pursuant to the terms of the Special Mandatory Redemption provided under the Indenture, and you may not obtain the investment return you expect to receive on the Notes after the Redemption Date. The Issuer may also undertake a Special Mandatory Redemption at any time if, in its reasonable judgment, the Acquisition will not be consummated by the Escrow Longstop Date. See "*Description of the Notes—Escrow of proceeds; Special Mandatory Redemption*" and "*—If the conditions in the Escrow Agreement are not satisfied, we will be required to redeem the Notes, which means you may not obtain the return you expected on the Notes*."

Amendments made to the Acquisition Agreement may have adverse consequences for holders of the Notes.

The Acquisition is expected to be consummated in accordance with the terms of the Acquisition Agreement. The Acquisition Agreement may be amended and the closing conditions may be waived by the parties thereto, except for any changes, waivers or other modifications that will, individually or when taken as a whole, have a materially adverse effect on the holders of the Notes. However, any amendments made to the Acquisition Agreement may make the Acquisition less attractive. Any amendment made to the Acquisition Agreement, or waiver of the conditions to the closing of the Acquisition, may be adverse to the interests of the holders of the Notes, which, in turn, may have an adverse effect on the return you expect to receive on the Notes.

The Company does not currently control the Target and its subsidiaries and will not control the Target and its subsidiaries until completion of the Acquisition.

The Target and its subsidiaries are currently controlled by the Seller as well as members of management. The Company will not obtain control until completion of the Acquisition. We cannot assure you that during the interim period that the Seller will operate the business the same way the Company would and we cannot assure you that, following the Completion Date, the Company will operate the business that same way the Seller has operated the business in the past. The information contained in this Offering Memorandum has been derived from industry publications and from surveys or studies conducted by third-party sources (including on behalf of the Target) and, in the case of historical information relating to the Target and its subsidiaries, has been provided to us by the Target's management, and we have relied on such information supplied to us in its preparation.

Furthermore, the Transactions themselves have required, and will likely continue to require, substantial time and focus from management, which could adversely affect their ability to operate the business. Likewise, other employees may be uncomfortable with the Transactions or feel otherwise affected by it, which could have an impact on work quality and retention. The integration process could distract our management or disrupt our ongoing business, which could in turn adversely affect our ability to maintain relationships with customers, suppliers and employees or to achieve the anticipated benefits of the Acquisition, or could otherwise adversely affect our business and financial results.

In addition, prior to the Completion Date, neither the Target nor any of its subsidiaries will be subject to the covenants described in "*Description of the Notes*" to be included in the Indenture. As such, we cannot assure you that, prior to such date, the Target or any of its subsidiaries will not take an action that would otherwise have been prohibited by the Indenture had those covenants been applicable.

Certain of the Target Group's contracts contain change of control provisions, which may allow counterparties to terminate the contract under circumstances such as the Acquisition.

Certain of the Target Group's contracts, including with respect to certain agreements in connection with the Securitization Structures, contain "change of control" provisions that require us to notify certain counterparties of a potential change of control. Absent receipt of such counterparty's consent or waiver to any such change of control, the counterparty may be permitted to terminate the contract or seek additional remedies. At the time of the Acquisition, we performed a risk analysis of the change of control provisions in the Target Group's contracts as well as the Target Group's relationships with the various counterparties. However, we may fail to identify and send notices of the Acquisition to all of the Target Group's counterparties to whom we are contractually required to notify of the Acquisition, and we may fail to seek formal consent from every counterparty that might have a termination or other right under a change of control provision. Since the Acquisition was announced, we have not received any formal notice or inquiry from any counterparty regarding a termination or other right arising from a change of control. Nevertheless, there can be no assurance that counterparties will not seek to exercise termination or other relevant rights in the future. If a substantial number of these contracts were terminated or materially altered as a result of the Acquisition, we may be forced to enter into new contracts. We may be unable to renegotiate contracts or enter into new contracts on terms acceptable to us or comparable to the terms in place prior to the Acquisition. Any of these events could have a material adverse effect on our business, financial condition and results of operations.

If the conditions in the Escrow Agreement are not satisfied, we will be required to redeem the Notes, which means that you may not obtain the return you expect on the Notes.

The gross proceeds from the Offering will be held in escrow pending the satisfaction of certain conditions, some of which are outside of our control. If the Acquisition does not occur on or prior to the Escrow Longstop Date or if certain other events that trigger escrow termination occur, the Notes will be subject to a special mandatory redemption as described in "*Description of the Notes—Escrow of Proceeds; Special Mandatory Redemption*" and you may not obtain the return you expected to receive on the Notes. The escrow funds will be initially limited to the gross proceeds of the Offering and a portion of the escrow funds may be used to fund any interest payments that become due on the Notes prior to the Escrow Longstop Date. The escrow funds will not be sufficient to pay the special mandatory redemption price, which will be equal to 100% of the aggregate issue price of the Notes plus accrued and unpaid interest and additional amounts, if any, from the Issue Date or, if applicable, the most recent date on which interest with respect to such series of Notes was paid, to the date of the special mandatory redemption.

Pursuant to the Shortfall Agreement to be entered into on or about the Issue Date, one or more of the Sponsors will be required to contribute to the Escrow Account an amount necessary to, among other things, fund the accrued and unpaid interest accrued on the Notes and additional amounts, if any, from the Issue Date to, but excluding, the special mandatory redemption date. In the event such agreement is not honored, the Issuer will not have sufficient funds to make these payments.

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

As part of the Acquisition, we will assume certain liabilities of the Target Group. There may be liabilities that we failed or were unable to discover in the course of performing due diligence investigations into the Target Group. As we integrate the Target Group, we may learn additional information about the Target Group that adversely affects us, such as unknown or contingent liabilities and issues relating to non-compliance with applicable laws. Any such liabilities, individually or in the aggregate, could have a material adverse effect on our business, financial condition and results of operations.

The interests of our principal shareholders may be inconsistent with the interests of holders of the Notes.

After the Completion Date, funds affiliated with the Sponsors, together with management investors, will own 100% of the Target. See "*Principal Shareholders*." As a result, funds affiliated with the Sponsors will have, directly or indirectly, the power to affect, among other things, our legal and capital structure and our day-to-day operations, as well as the ability to elect and change our management and to approve other changes to our operations. In addition, for compliance with certain restrictive covenants, we will depend upon the cooperation of our principal shareholders who have the power to effect compliance with such covenants. For example, the Sponsors could vote to cause us to incur additional indebtedness, to sell certain material assets or make dividends, in each case, so long as the Indenture and the Revolving Credit Facility so permit. In certain circumstances, the interests of our ultimate shareholders could conflict with your interests, particularly if we encounter financial difficulties or are unable to pay our debts when due. The incurrence of additional indebtedness would increase our debt service obligations and the sale of certain assets could reduce our ability to generate revenue, each of which could adversely affect holders of the Notes.

The Sponsors and their affiliated funds are in the business of making investments in companies and may have an interest in pursuing acquisitions, divestitures, financing or other transactions that, in their judgment, could enhance their equity investment, even though such transactions might involve risks to you as holders of the Notes. In addition, the Sponsors and their affiliated funds may from time to time acquire and hold interests in businesses that compete, directly or indirectly, with us.

The Transactions

The Acquisition

On October 11, 2016, the Company entered into the Acquisition Agreement for the purchase from the Seller of all of the Shares and the PECs of the Target. The Completion is anticipated to take place in the first quarter of 2017 and is subject to certain anti-trust and regulatory conditions including approval by the FCA of the Company's acquisition of control over the FCA-authorized subsidiaries of the Target and clearance by competition authorities in China, the European Union and Turkey. These conditions have since been satisfied.

Unless Completion occurs, the Acquisition Agreement will automatically terminate on the Acquisition Longstop Date. Pursuant to the Acquisition Agreement, the Company will acquire the Shares and PECs for the Purchase Price, subject to certain purchase price adjustments, and including interest from (but excluding) January 9, 2017, to (and including) the Completion Date. In addition, the Purchase Price will be reduced by the £60.0 million of distributions in cash made by the Target to the Seller permitted under the Acquisition Agreement and any other transfers of value from the Target to the Seller or its affiliates that occur prior to Completion but are not permitted under the Acquisition Agreement. Such reduction in the Purchase Price will reduce the amount of the Equity Contribution.

The Acquisition Agreement includes customary restrictions on the activities of the Target prior to Completion, including restrictions on the incurrence of additional indebtedness, as well as limited representations and warranties from the Seller and the management of the Target and its subsidiaries that are subject to certain limitations and exclusions.

The Financing

The Acquisition is expected to be financed as follows:

- the Cinven Funds and the CVC Funds, together with members of our management team, expect to contribute the Equity Contribution;
- the Issuer will issue the Notes in the aggregate principal amount of £425.0 million, the proceeds of which will be on-lent to UK Holdco 2 and the Company; and
- £60.0 million of cash on the balance sheet of the Target which was distributed to the Seller as provided in the Acquisition Agreement.

As of the Issue Date, the Revolving Credit Facility Agreement will also provide for the Revolving Credit Facility in the amount of £30.0 million. The Revolving Credit Facility is not currently expected to be drawn as of the Completion Date. See "*Use of Proceeds*."

The proceeds from the financing described above will be used to:

- fund the consideration payable for the Shares and the PECs of the Target Group; and
- pay the fees, premiums and expenses incurred in connection with the Acquisition and the Financing, including estimated fees and expenses to be incurred in connection with the Offering.

Use of Proceeds

The gross proceeds from the offering of the Notes will be £425.0 million. The gross proceeds from the Offering will be placed into the Escrow Account on the Issue Date. Upon satisfaction of the conditions to the release of the proceeds of the Offering from the Escrow Account, the gross proceeds from the sale of the Notes will be released and will be indirectly on-lent to the Company which in turn will use the proceeds, together with the Equity Contribution and surplus cash from our balance sheet, to (i) fund the purchase price payable to the Seller under the Acquisition Agreement and (ii) pay certain fees and expenses incurred in connection with the Transactions, including estimated fees and expenses incurred in connection with the Offering. For further information, see "*The Transactions*."

The following table sets forth our expected sources and uses of funds from the offering of the Notes. Actual amounts may vary from expected amounts depending on several factors, including differences between estimated and actual fees and expenses. Additionally, amounts may vary depending on the expected closing date of the Transactions.

Sources of funds	**Amount**	**Uses of funds**	**Amount**
	(£ in millions)		**(£ in millions)**
Equity Contribution[1]	605.0	Acquisition purchase price[3]	1,050.0
Notes offered hereby[2]	425.0	Transaction fees and expenses[4]	40.0
Surplus cash from balance sheet[1]	60.0		
Total Sources	**1,090.0**	**Total Uses**	**1,090.0**

(1) The Cinven Funds and the CVC Funds, together with members of our management team, expect to contribute £605.0 million plus an amount equal to the interest that accrues on the Purchase Price, directly or indirectly, by way of equity, subordinated shareholder loans and/or other combinations of such instruments. Interest will accrue on the Purchase Price from (but excluding) January 9, 2017, to (and including) the Completion Date. In addition, the Purchase Price will be reduced by the £60.0 million of distributions in cash made by the Target to the Seller permitted under the Acquisition Agreement and any other transfers of value from the Target to the Seller or its affiliates that occur prior to Completion but are not permitted under the Acquisition Agreement. Any adjustment to the Purchase Price may result in a change to the amount of the Equity Contribution.

(2) Represents the aggregate principal amount of the Notes offered hereby, to be split between Fixed Rate Notes and Floating Rate Notes.

(3) Pursuant to the Acquisition Agreement, the Company will acquire the Shares and the PECs for £1,050 million, subject to certain purchase price adjustments, and accrued interest from (but excluding) January 9, 2017, to (and including) the Completion Date. In addition, the Purchase Price will be reduced by the £60.0 million of distributions in cash made by the Target to the Seller permitted under the Acquisition Agreement and any other transfers of value from the Target to the Seller or its affiliates that occur prior to Completion but are not permitted under the Acquisition Agreement.

(4) Represents the estimated fees and expenses associated with the Transactions, including commitment, placement, financial advisory, Initial Purchasers' commissions and discounts and other transaction costs and professional fees.

Capitalization

The following table sets forth the consolidated available cash and capitalization as of September 30, 2016 for the Target on a historical consolidated basis and for the Issuer on an as adjusted basis to give pro forma effect to the offering of the Notes and use of proceeds therefrom.

The historical information has been derived from the Unaudited Interim Financial Statements included elsewhere in this Offering Memorandum. You should read the following table in conjunction with "*The Transactions*," "*Use of Proceeds*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," "*Description of Certain Financing Arrangements*," "*Description of the Notes*" and our Financial Statements and the notes thereto. Except as set forth below, there have been no other material changes in our capitalization since September 30, 2016. Amounts may vary depending on the expected closing date of the Transactions and such amounts do not reflect any adjustments to the Purchase Price. The Purchase Price will be reduced by £60.0 million in cash distributed by the Target to the Seller prior to Completion, which is permitted by the terms of the Acquisition Agreement and any other transfers of value from the Target to the Seller or its Affiliates that occur prior to Completion but are not permitted under the Acquisition Agreement.

	As of September 30, 2016	
	Actual	**As Adjusted**
	(£ in millions) *(unaudited)*	
Cash and cash equivalents:		
Restricted cash[1]	36.8	46.8
Unrestricted cash[2]	103.4	116.8
Total cash and cash equivalents[3]	**140.2**	**163.6**
Debt issued:		
Own-Brands Securitization[4]	664.5	748.0
Co-Brands Securitization[5]	531.0	531.0
Variable Funding Notes[6]	118.3	118.3
UPL Funding Facility[7]	—	—
Notes offered hereby	—	275.0
Fixed Rate:		
Floating Rate Notes offered hereby	—	150.0
Total debt issued	**1,313.8**	**1,822.3**
Total equity[8]	**324.1**	**605.0**
Total capitalization	**1,637.9**	**2,427.3**

(1) Adjustment represents an increase of £10.0 million to reflect amounts required as cash collateral.

(2) Adjustment represents the net increase in unrestricted cash following the Bond Sales which yielded cash proceeds of £83.4 million (see "*Recent Developments—Bond Sales*"), less £60.0 million, representing the amount distributed to the Seller prior to the Completion Date pursuant to the Acquisition Agreement, and less £10.0 million required as cash collateral.

(3) Cash and cash equivalents, loans and advances to banks, non-restricted current accounts, restricted cash and amounts due on demand or with an original maturity of three months or less and are held with large commercial banks. A portion of those amounts consists of cash which is restricted for more than a year. Restricted cash consists of ring fenced cash for credit balances on loans and advances to customers, as well as cash restricted due to regulatory requirements and covenants in the Target Group's funding agreements.

(4) Represents principal amounts outstanding under our Own-Brands Securitization Structure, which amount increased by £83.5 million as a result of the Bond Sales (see "*Summary—Recent Developments—Bond Sales*"). For details of our Own-Brands Securitization Structure, see "*Description of Certain Financing Arrangements—The Securitization Facilities*."

(5) Represents principal amounts outstanding under our Co-Brands Securitization Structure. For details of our Co-Brands Securitization Structure, see "*Description of Certain Financing Arrangements—The Securitization Facilities*."

(6) Represents total notes outstanding under our variable funding note issuance program. For details of our variable funding notes issuance, see "*Description of Certain Financing Arrangements—The Securitization Facilities*."

(7) Represents principal amounts outstanding under our UPL Funding Facility. For details of our UPL Funding Facility, see "*Recent Developments—UPL securitization*" and "*Description of Certain Financing Arrangements—The Securitization Facilities*."

(8) The Cinven Funds and the CVC Funds, together with members of our management team, expect to contribute £605.0 million plus an amount equal to the interest that accrues on the Purchase Price, directly or indirectly, by way of our shareholder loans and/or other combinations of such instruments. Any adjustment to the Purchase Price may result in a change to the amount of the Equity Contribution.

Selected Historical Financial Information

The following tables set forth our selected historical financial information and selected unaudited interim financial information of the Target Group for the periods and dates indicated. The Issuer was formed as a private limited company under the laws of England and Wales on November 7, 2016. The Company was formed under the laws of Jersey on September 26, 2016 for purposes of facilitating the Transactions. Consequently, no historical financial information relating to either the Issuer or the Company is available. Neither the Issuer nor the Company has engaged in any activities other than those related to their formation and the Transactions. After the Acquisition, the only material assets and liabilities (other than with respect to the Financing) will be those of the Target. Going forward, our financial statements will be consolidated at the level of the Company as will be required under the Indenture.

The selected historical financial data as of September 30, 2016 and for the nine month periods ended September 30, 2015 and 2016 has been derived from the Unaudited Interim Financial Statements. The Unaudited Interim Financial Statements have been prepared in accordance with IAS 34 and, in the opinion of the management, include all adjustments necessary for fair presentation of such financial statements. The historical financial data included in this Offering Memorandum as of and for the years ended December 31, 2013, 2014 and 2015 has been derived from the Audited Financial Statements. The Audited Financial Statements are prepared in accordance with IFRS. The results of operations for prior years are not necessarily indicative of the results to be expected for any future period. Interim financial results are not necessarily indicative of results for the full fiscal year or any future reporting period.

Our segment results for the year ended December 31, 2013 were not restated on a basis consistent with the segmental results for the years ended December 31, 2015 and 2014 included in our audited consolidated financial statements for the year ended December 31, 2015. Accordingly, the segmental results from our 2013 audited financial statements and those segmental results presented for later periods may not be directly comparable.

The comparability of our results of operations for 2014 and 2013 has been impacted (and, to a lesser extent, so has been the comparability of results between those periods and 2015) by the Co-Brands Acquisition in 2013. However, the Co-Brands Acquisition does not affect the comparability of the results of operations of our Own-Brands segment except for the allocation of certain expenses related to the Co-Brands Acquisition to that segment.

This information is only a summary and should be read in conjunction with "*Risk Factors*," "*Capitalization*," "*Summary Historical Financial Information and Other Data*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations,*" our Unaudited Interim Financial Statements and the notes thereto and our Audited Financial Statements and the accompanying notes appearing elsewhere in this Offering Memorandum, as well as the other financial information included in this Offering Memorandum.

Consolidated Income Statement and Consolidated Statement of Comprehensive Income

	For the year ended December 31,			For the nine months ended September 30,	
	2013	2014	2015	2015	2016
	(£ in millions)				
Interest and similar income	228.2	284.2	313.1	228.6	292.8
Interest and similar expense	(41.0)	(66.9)	(29.7)	(22.9)	(21.5)
Net interest income	**187.2**	**217.3**	**283.4**	**205.7**	**271.3**
Fee and commission income	55.8	73.6	74.6	58.6	56.1
Impairment losses on loans and advances to customers	(55.8)	(75.4)	(115.7)	(81.8)	(105.0)
Net operating income	**187.1**	**215.5**	**242.3**	**182.5**	**222.4**
Fair value gain/(loss) on derivatives	4.9	(5.1)	0.5	0.5	—
Personnel expense	(14.4)	(26.8)	(48.3)	(34.4)	(38.3)
Other operating expenses	(141.6)	(196.7)	(169.5)	(105.6)	(133.0)
Total operating expenses	**(151.1)**	**(228.6)**	**(217.3)**	**(139.5)**	**(171.3)**
Profit/(loss) before gain on a bargain purchase	**36.0**	**(13.1)**	**25.0**	**43.0**	**51.1**
Gain on a bargain purchase	80.9	—	—	—	—
Profit/(loss) before tax	**116.9**	**(13.1)**	**25.0**	**43.0**	**51.1**
Tax expense	(0.1)	(0.5)	(0.9)	(0.9)	(0.8)
Profit/(loss) for the period	**116.8**	**(13.6)**	**24.1**	**42.1**	**50.3**
Other comprehensive income	0.0	0.0	0.0	0.0	0.0
Total comprehensive income/(expense) for the period	**116.8**	**(13.6)**	**24.1**	**42.1**	**50.3**

Consolidated Balance Sheet

	As of December 31,			As of September 30, 2016
	2013	2014	2015	
	(£ in millions)			
Assets:				
Loans and advances to banks	59.6	86.0	106.8	140.2
Loans and advances to customers	1,270.8	1,244.7	1,409.4	1,571.0
Derivative assets	4.5	—	—	—
Current tax assets	—	—	0.4	0.8
Other assets	28.3	14.1	29.3	41.2
Property and equipment	0.4	5.3	6.0	5.4
Intangible assets	—	—	—	3.3
Total assets	**1,363.6**	**1,350.1**	**1,551.9**	**1,761.9**
Liabilities:				
Debt issued and other borrowed funds	982.3	974.8	1,169.8	1,307.2
Derivative liabilities	—	0.5	—	—
Current tax liabilities	—	—	0.4	0.7
Deferred tax liabilities	—	—	0.1	0.1
Other liabilities	59.2	59.6	48.9	67.4
Provisions	17.9	25.1	58.9	62.4
Total liabilities	**1,059.4**	**1,060.0**	**1,278.1**	**1,437.8**
Equity attributable to owners of NewDay Holdings S.à r.l.:				
Share capital and share premium	2.0	2.0	2.0	2.0
Interest Free Preferred Equity Certificates (IPECs)	68.5	68.5	68.5	68.5
Tracking Preferred Equity Certificates (TPECs)	161.8	161.8	161.8	161.8
Retained earnings	71.9	57.8	41.5	91.8
Total equity	**304.2**	**290.1**	**273.8**	**324.1**
Total liabilities and equity	**1,363.6**	**1,350.1**	**1,551.9**	**1,761.9**

Consolidated Statement of Cash Flows

	For the year ended December 31,			For the nine months ended September 30,
	2013	2014	2015	2016
	(£ in millions)			
Net cash (used in)/generated from operating activities	(15.4)	50.0	(150.3)	(103.7)
Net cash used in investing activities	(771.5)	(4.0)	(2.5)	(3.6)
Net cash generated from/(used in) financing activities	757.2	(8.0)	153.6	137.0
Net (decrease)/increase in cash and cash equivalents	(29.6)	38.0	0.8	29.7
Cash and cash equivalents at the end of the period	34.9	72.9	73.7	103.4

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis is based upon the Target Group's consolidated financial statements and should be read in conjunction with the information set forth under "Selected Historical Financial Information and Other Data," "Presentation of Financial and Other Information," and our Financial Statements and the notes thereto included in this Offering Memorandum. The following discussion contains certain forward-looking statements that reflect our plans, estimates and beliefs. Our results of operations could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed below and elsewhere in this offering memorandum, including the section entitled "Risk Factors."

The Issuer and the Company are newly-formed entities incorporated for purposes of the Transactions. Neither Issuer nor the Company is expected to engage in any activities other than those related to its formation, the Acquisition and the financing of the Acquisition. We do not present in this section any financial information or financial statements of the Issuer or the Company for the periods presented.

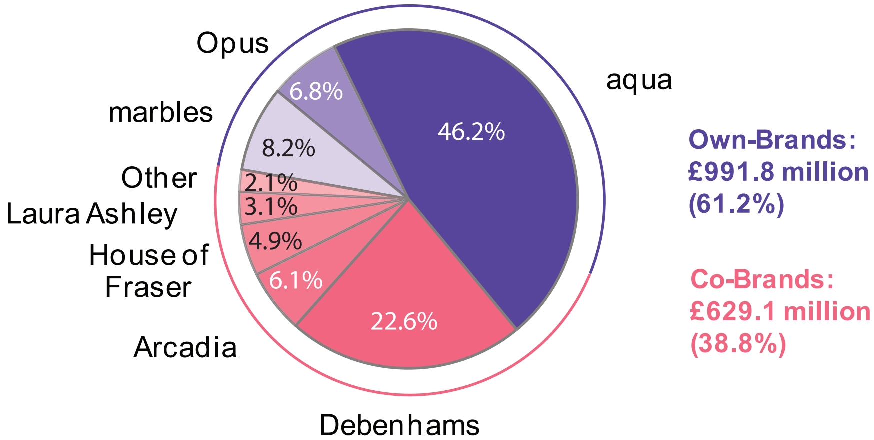
Overview

We are a leading UK consumer finance provider, specializing in the near-prime and co-brands sectors of the UK credit card market. These underpenetrated sectors provide significant potential for growth (through both increasing receivables and attracting new customers). As of September 30, 2016, we had approximately 5.6 million customers in the United Kingdom and £1,620.8 million of gross receivables. The proprietary credit models that we use to make credit decisions draw upon customer and market data that we have gathered over more than 15 years of lending through all phases of the credit cycle. We are an FCA authorized consumer credit firm and have developed innovative products and features to better meet the needs of both (i) our customers, by responsibly offering them the right credit services and (ii) our partners, by providing innovative digital capabilities and data analytics opportunities. We have a stable and flexible funding structure that includes relationships with a diverse group of international banks and an investor base covering various bond classes in our publicly listed asset-backed term debt. Our differentiated customer-focused Manifesto is the guiding principle that underlies our strong customer engagement, credit performance and regulatory relationships.

We have two primary businesses, each of which focuses on specialist credit offerings within a different sector of the consumer credit market.

- **Own-Brands**: In our Own-Brands business, we provide credit cards designed to meet the needs of customers in the near-prime sector of the UK credit card market. For more information about the near-prime sector of the UK credit card market, see "*Industry Overview*." We have issued credit cards in our Own-Brands business since 2002 and currently offer products under our *aqua* and *marbles* brands.
- **Co-Brands**: In our Co-Brands business, which we acquired from Santander UK in May 2013, we partner with well-known retail and consumer brands including Debenhams, House of Fraser, Laura Ashley and the Arcadia Group (namely, Topshop, Topman, Dorothy Perkins, Miss Selfridges, Wallis, Burton, Outfit and Evans) to provide co-branded credit cards and store cards to our partners' customers. Based on the observed credit performance of the overall portfolio, we classify the Co-Brands portfolio as a prime portfolio. As of September 30, 2016, our Co-Brands business represented 38.8% of our gross receivables. In November 2016, we partnered with the travel and tourism company, TUI, to launch the Thomson Credit Card.

The chart below provides information about our gross receivables as of September 30, 2016 for each of our key Own-Brands and Co-Brands products.



Own-Brands

Our Own-Brands business specializes in lending and providing credit cards to customers in the near-prime sector of the UK credit card market, in which we have been operating for more than 15 years. We have continually developed our credit models in this sector and proven our resilience through all phases of the credit cycle.

The near-prime sector of the UK credit market refers to customers who typically encounter difficulties accessing products such as credit cards from mainstream credit providers, but whose credit profiles are superior to sub-prime borrowers. Customers are categorized as near-prime if they are employed, but exhibit one or more additional characteristic, such as a "thin" credit history or a history of adverse credit events, that prevents them from accessing credit from mainstream credit providers. For example, customers in the near-prime sector may be first time credit users, or have an inconsistent address history, a low or fluctuating income or a lower credit score as a result of missing a payment on another obligation.

We have identified four customer segments within the near-prime sector that we target specifically.

- "New to Credit" includes individuals who have a "thin" credit history because they are first time credit users.
- "Second Chance" includes individuals looking to re-build their credit history following an adverse credit event.
- "Low Income" includes individuals working in lower-paid or part-time jobs.
- "Sole Trader" includes individuals working for themselves.

We provide a range of products within our Own-Brands business, each of which is designed to appeal to our customers' differing needs. We have achieved consistent and attractive returns across all of our customer segments. For more information on the current range of our Own-Brands products, see "*Business—Our Operations—Own-Brands Business*."

We provide responsible lending to customers in our Own-Brands business by deploying a "low and grow" strategy, offering new customers a low initial credit line (as low as £100 for some) until that customer demonstrates that he or she can actively manage and afford further credit in a responsible and sustainable manner. This strategy allows us to be more welcoming of near-prime customers whose risk profiles may make it difficult for them to access credit from high street banks and traditional lenders. The margins that we can achieve reflect the higher risk involved and provide a significant cushion against a rise in default rates.

We continually develop our data-driven underwriting processes to more optimally consider affordability, creditworthiness and sustainability before making a lending decision. The proprietary credit models that we use to make credit decisions draw upon customer and market data that we have gathered over more than 15 years of experience lending through all phases of the credit cycle. In addition to using these models when we make an initial decision to offer credit to a new customer, we also apply them as we regularly review the interest rates charged to our existing customers. Based on these reviews, we adjust our existing customers' credit limits (both increases and decreases) to respond to changes in a customer's circumstances and to ensure we continue to responsibly provide our customers with the right credit products. As part of our commitment to responsible lending, we seek to support our operations through our ongoing focus on robust management of all of our key risk areas, including conduct, liquidity, credit and operational risks. For more information about our approach to risk management, see "*Business—Risk Management*."

Our three Own-Brands credit card brands are: *aqua* and *marbles* (which are each open to new customers) and *Opus* (which is closed to new customers). We market and distribute our Own-Brands products through multiple digital and direct channels, such as through our own websites, websites of third parties (including aggregators and price comparison websites), and e-mail, direct mail and television advertising campaigns. In addition, we have established a strategic partnership with TotallyMoney.com to market our *marbles* product.

Co-Brands

In our Co-Brands business, we work closely with our retail partners to develop products and propositions to enhance the customer experience for their customers.

We operate a number of financial products for our brand partners in order to meet a variety of customer needs. Our primary Co-Brands products are store cards and credit cards. Store cards and credit cards are both credit products, but store cards can only be used in the stores of the retailer that offers the card, while Co-Brands credit cards do not have this restriction. We estimate that for every £1 a customer spends on a Co-Brands card in-store at one of our retail partners, they will typically spend nearly £3 on their Co-Brands card elsewhere.

We market and distribute our Co-Brands products primarily through our brand partners who promote our products in their stores and online. The products we offer through our Co-Brands business bear our partners' logos, but we underwrite the credit cards and store cards and provide ongoing credit risk management, billing and collections services, as well as information and support to facilitate marketing campaigns and other promotions targeting Co-Brands cardholders. Our Co-Brands business partners provide us opportunities to significantly scale our Co-Brands business through access to the cost-effective distribution of our Co-Brands products. For example, our relationships with Debenhams, House of Fraser, Laura Ashley and Arcadia provide access to approximately 2,700 UK stores and retailer websites that attract, on average, more than one million visits per month. Our new relationships with TUI and Amazon provide further opportunities to drive scale and growth.

Co-Brands customers typically seek a credit product that offers attractive rewards for consumers, such as brand loyalty points, discounts and/or unique value added benefits (e.g., preferred delivery options and exclusive experiences), in addition to serving the conventional purpose of providing credit. Our Co-Brands cards offer benefits (that are jointly built between us and our brand partner) and cannot be accessed through standard open market products. While the pool of customers who apply for Co-Brands cards varies from one brand partner to another, we classify the Co-Brands portfolio as a prime portfolio based on the observed credit performance of the overall portfolio. The customer profile of Co-Brands card holders typically trends towards homeowners with above average incomes who tend to have good credit histories.

We expanded our operations into the Co-Brands business segment when we acquired the Co-Brands portfolio from Santander UK in May 2013. The acquired portfolio consisted of more than 3.5 million customer accounts and had £943.2 million of customer balances at the time of the Co-Brands Acquisition. Following the Co-Brands Acquisition, we split the acquired portfolio into two separate portfolios, based on their growth strategies: (i) products offered in conjunction with four core retail partners (i.e., Debenhams, House of Fraser, Laura Ashley and the Arcadia Group), covering eleven retail brands, with a clear strategy for growth (which we classify as "open books") and (ii) products, including certain point-of-sale loans, that were closed to new customer acquisition and had no active growth strategy because they were deemed to be sub-scale or non-core due to legacy retailer relationships that had ended (which we classify as "closed books"). For the twelve months ended September 30, 2016, 14.7% of customer spend at these four retail partners were made using Co-Brands cards. Closed books represented 5% of our Co-Brands portfolio as of September 30, 2016.

We have longstanding relationships with Debenhams, House of Fraser, Laura Ashley and Arcadia. These retail partners have been part of the Co-Brands portfolio for an average tenure of over ten years and there is an average remaining term of approximately four years on our agreements with these partners, providing stability to our Co-Brands business. We have renegotiated certain contracts since the Co-Brands Acquisition in order to better align our financial interests with those of our Co-Brands business partners.

In November 2016, we partnered with the travel and tourism company TUI and launched the Thomson Credit Card, which offers Thomson and First Choice's approximately 5.5 million customers in the United Kingdom opportunities to earn points towards their holiday bookings by using the Thomson Credit Card for their everyday spending. This further diversifies and complements NewDay's reach by targeting holiday and leisure spending alongside traditional retail. In late 2016, we also partnered with the online retailer Amazon, and in January 2017, launched the Amazon Platinum MasterCard, which rewards customers for purchases made on-line and on the high street. Given the strength of the Amazon brand and its customer pool, this important partnership represents another major milestone in the development of our Co-Brands business. In addition to the direct benefits associated with launching the Amazon program, we improved our digital capability through the deployment of a number of elements of this program and gained further insight into the dynamics of online retail by working with a leader in this critical sector. As our partnership with Amazon develops, we believe it will result in significant diversification of the Co-Brands portfolio into digitally acquired accounts. Both programs evidence delivery against our strategy for the Co-Brands business together with its potential for growth.

We have invested significantly in digital capability, customer service, credit management and new product launches to stimulate growth in relation to our Co-Brands products (e.g., Buy Now Pay Later and 0% interest offers). As consumer credit has returned to growth following declines in 2008-09, consumer spending has been shifting towards digital channels. While high street stores still dominate customers' retail spending, with 78% of consumers buying in-store, online retail spending is a rapidly growing channel. Retailers are responding by investing in omni-channel, digital technology and big data capability projects. Our existing portfolio and digital innovations such as instant online spend provide digital growth capabilities for our Co-Brands partners, including enabling new customer acquisition channels, new products and further untapped data analytics opportunities. We believe that these digital developments provide our Co-Brands partners a better understanding of their customers and align consumer and retailer needs.

Unsecured Personal Loans

In December 2016, we launched an unsecured personal loan product to our Own-Brands customers, with the intention to progressively and prudently build this product over the near-term. Our unsecured personal loan products are not secured by personal assets of the borrower, such as a car or home, which makes this an attractive product for customers who do not have valuable property or assets that can be used as security. The unsecured nature of the loan also allows for quick access to funds for the users of this product, while providing the certainty connected with a fixed repayment schedule. We believe that we are uniquely positioned to provide this product due to our detailed customer credit data, our access to pre-qualified customers within our Own-Brands portfolio and our proven capabilities in credit management.

Funding program

We have a stable and flexible funding program that consists of traditional bank lines combined with securitization structures for our Own-Brands and Co-Brands businesses. We maintain relationships with a diverse group of international banks and an investor base covering various bond classes in our publicly listed asset-backed term debt. We are continually exploring alternative funding options to optimize our capital structure and fund receivables growth. See "*Description of Certain Financing Arrangements—Overview of the Securitization Facilities*."

Significant Factors Affecting Results of Operations

Macroeconomic Environment in the United Kingdom

The macroeconomic environment in the United Kingdom has affected, and will continue to affect, our results of operations. We operate solely in the United Kingdom and have grown significantly despite turbulent economic conditions in the United Kingdom including a recession following the onset of the global financial crisis in 2008. The UK economy continues to recover from its low point in 2009. GDP growth reached 2.2% in 2015, which was down from 2.9% in 2014 but up from 1.9% in 2013 (source: Office of National Statistics). However, there has been greater uncertainty regarding future economic growth and weaker forecasted growth for the United Kingdom following the results of the United Kingdom's referendum to leave the European Union. See "*Risk Factors—Risks Relating to Our Business—The results of the United Kingdom's referendum on withdrawal from the European Union may have a negative effect on global economic conditions, financial markets and demand for our products and services, which could materially affect our business, results of operations and financial condition*."

We believe GDP growth tends to increase consumer confidence and consumer spending while also decreasing individuals' propensity to reduce indebtedness. To the extent these effects impact our customers, we therefore expect GDP growth to generally lead to increased demand for and use of our credit products along with decreased repayment of outstanding credit card balances. We believe a fall in GDP would tend to have the opposite effect.

In addition, we believe that unemployment rates have an impact on the default levels (which drives the impairment rate) experienced by consumer lenders, including us. There would be a time lag with respect to any such impact, but changes in unemployment would ultimately affect our results of operations. Employment rates continued to improve during the periods under review, with the unemployment rate dropping from 7.6% at the end of September 2013 to 4.8% at the end of September 2016 (source: Office of National Statistics).

We may experience higher default levels if interest rates increase as consumers may be unable to meet their increased debt servicing costs. Changes in interest rates impact our cost of funds and, to a lesser extent, our interest income from loans and advances to customers. In its first rate cut since March of 2009, the Bank of England's Monetary Policy Committee ("**MPC**") lowered interest rates in August 2016, to a record low 0.25% from the previous rate of 0.5%. In a rising interest rate environment (reflected in LIBOR rates) our cost of funds would increase, and we would be affected to the extent we are unable to offset this increase with increased interest income from our customers. Although we reserve the right to re-price most of our customers, in our credit agreements' terms and conditions, our ability to reprice is subject to regulatory constraints. Any increase must be fair to comply with Unfair Terms in Consumer Contracts Regulations and the Consumer Act, and fairness can be subjective. Our margins may suffer because even if we can pass through our increased costs by repricing, growth in receivables may slow. Consumers' monthly payments on floating rate mortgages or expenses in connection with other variable-rate debt could rise along with interest rates, which would thereby reduce those consumers' disposable incomes and potentially make them less willing to spend.

Over the periods under review, generally benign macroeconomic conditions in the United Kingdom contributed to improved consumer confidence, which in turn favorably impacted consumer spending. As more consumers used credit cards compared to other forms of payment, such as cash and check, a favorable environment that encouraged consumer credit card spending was created. Credit cards are perceived as more flexible with a lower required payment amount than other forms of payment, especially compared to loans. In addition, improving unemployment rates and GDP led to a reduction in our Co-Brands impairment rate over the periods under review. We believe these conditions also positively influenced our Own-Brands impairment rate by partially mitigating the expected increase in Own-Brands impairment attributable to the growth of our Own-Brands business and the resulting shift in the maturity profile of our Own-Brands portfolio. The overall performance of the UK economy drives consumer confidence and business activity, and we believe that the current macroeconomic environment supports continued growth in our target markets.

Growth in Receivables

Interest income earned on customers' revolving balances (receivables) is our principal revenue stream. Interest income is a function of the volume of such receivables and the yield that we earn on them. The aggregate volume of customers' revolving balances is affected by the size of our customer base, the rate of growth of our customer base (as measured by the growth in new accounts), customer spending levels on credit cards, customer repayment rates of the balances owed on the credit cards, and the charge-offs we take. We expect interest income to increase with growth in customer balances over time. In addition to interest income on customers' revolving balances, we earn income through fees that we charge to customers.

Our ability to increase the aggregate volume of our customers' revolving balances has been an important factor in the growth of both our interest income and fee income during the periods under review. Underpinned by the macroeconomic trends in the United Kingdom described above, our marketing and "low and grow" credit and pricing strategies (in which we start new customers with a low limit that is gradually raised as the customer proves his or her creditworthiness) and the growth in our Co-Brands customer base (offset by the run-off of Co-Brands closed book portfolios described below) led our gross receivables to grow to £1,470.6 million as of December 31, 2015 from £1,302.8 million and £1,348 million as of December 31, 2014 and 2013, respectively.

Following the Co-Brands Acquisition, we split the acquired portfolio into core (open books) which facilitates customer spend and non-core (closed books) which do not. This controlled run-off of closed books led to a significant decline in receivables from the Co-Brands segment during the periods under review. In contrast, additional spending by existing customers of the Own-Brands closed books (which do not allow new accounts to be booked) is permitted, and as such, the decline in gross receivables from the Own-Brands closed book has not been as significant.

Business Mix

Our two reportable segments, Own-Brands and Co-Brands, are oriented towards different customer segments and acquisition channels and therefore have different customer characteristics, business models, risks, and profitability. Consequently, the mix of the Own-Brands and the Co-Brands portfolios in our receivables portfolios affects our results. Interest yields on Co-Brands portfolios are generally lower than the Own-Brands portfolios because a larger proportion of new Co-Brands customers tend to clear their balances in full each payment cycle and do not pay interest. Interest yields on Own-Brands portfolios are also higher because of higher interest rates charged to near-prime customers as a result of their higher risk profiles. The growth of the Own-Brands portfolios coupled with a planned decrease in the Co-Brands portfolios in the year ended December 31, 2014 and in the year ended December 31, 2015 resulted in an increased overall impairment rate, as the Own-Brands portfolios have a higher average impairment rate compared to the Co-Brands portfolios. Within the Own-Brands portfolios, *aqua* receivables display higher impairment rates than *Opus* or the closed book of *marbles* receivables. The open book of *marbles* receivables displays similar levels of impairment rate to that of *aqua*.

Additionally, the split of our gross receivables between open book and closed book portfolios affects our results. In the periods under review, we derived an increasing proportion of our risk-adjusted income from our open books due to organic growth and the Co-Brands Acquisition, off-set by the run-off of the closed books. The two types of portfolios, open book and closed book, have different income and margin profiles. Closed books are expected to run-off to zero over time (albeit it typically takes a very long time for closed books to be run-off completely), while open books are expected to continue. Closed books tend to be mature portfolios, in which the customers have outstanding balances that generate interest income (except for one Co-Brands portfolio where credit was provided to customers at a contractual interest rate of zero percent), with limited new borrowing, which removes the need for us to extend additional credit. Closed books also tend to have higher risk-adjusted margins because the peak of customer defaults would have happened earlier in the life of the credit agreement. Open books require us to extend credit to customers and may have lower outstanding customer balances (with lower interest income generation, as well as lower risk-adjusted margins), and therefore, open books are less profitable than closed books driven by their relative maturity. Open books tend to have a higher impairment rate than closed books because of the maturation stage of the portfolio.

Sources and Costs of Funding

Our primary funding source historically has been credit facilities provided by third-party lending institutions, and these credit facilities have provided a stable base of funding for us to grow our business. Even during the financial crisis in 2008-09, we were able to obtain debt funding, which we attribute, in part, to strong relationships with third-party lending institutions. However, to mitigate the risk that any one source of funding could become unavailable at any time due to unforeseen market conditions or otherwise, and also to lower interest expense margin, in 2014, we began to build our funding base through securitizations. In December 2014, we established the Co-Brands Master Trust Structure. In June 2015, we established a similar securitization program, the Own-Brands Master Trust Structure, together with a parallel Warehouse Facility, for our Own-Brands receivables. Securitization vehicles have issued multiple series of debt instruments under these Securitization Structures for our benefit, backed by our cash flow. These debt instruments have diversified both the maturity profile of our debt and the number of investors and financial institutions that provide financing to us.

For the nine months ended September 30, 2016, our interest expense was £21.5 million and our interest expense margin was 2.4% per annum on average debt of £1,209.5 million, compared to interest expense of £22.9 million and interest expense margin of 3.1% per annum on average debt of £999.2 million for same period in 2015. These decreases were primarily driven by the interest expense and interest expense margin associated with our new Securitization Structures relative to those of our previous credit facilities. These decreases do not reflect the full-year impact of our Own-Brands Master Trust Structure and Warehouse Facility, which was put into effect part way through 2015.

In the year ended December 31, 2015, our interest expense was £29.7 million and our interest expense margin was 2.9% per annum on average debt of £1,025.4 million, compared to £66.9 million and 7.3 % per annum on average debt of £919.2 million, respectively, in the year ended December 31, 2014 and compared to £41.0 million and 6.3% per annum on average debt of £651.6 million, respectively, in the year ended December 31, 2013.

Asset Quality and Risk Management

The credit quality of receivables is central to our business. Any growth in receivables carries credit risk. We use proprietary scoring models and bespoke credit management strategies, which we believe enables us to achieve more optimal credit risk performance at all stages of the credit lifecycle and at all levels of the business. We work with customers who have difficulty making their payments, and offer some such customers forbearance arrangements. Forbearance arrangements span a vast spectrum of relief and time, ranging from a temporary suspension of fees and interest, through matched contributions to bring customers back into a more sustainable position and extending to an indefinite suspension of fees and interest with a contribution from the customer being made on a monthly basis. The impact of the forbearance arrangements is reflected in our impairment rate.

Historically, our monthly charge-off rate (calculated as gross charge-offs for the period divided by average gross receivables) has generally improved from December 31, 2007 to December 31, 2015. Our credit performance as measured by charge-off rate has continued to improve from December 31, 2013 to December 31, 2015. Our charge-off rates (calculated as gross charge-offs divided by average gross receivables) decreased from 9.8% for the year ended December 31, 2013 to 7.8% for 2014 and increased slightly to 7.9% for the year ended December 31, 2015. This increase was driven by our two reportable segments. On a product basis, *aqua* has the highest charge-off rates, followed by *marbles* and *Opus*, with Co-Brands receivables displaying characteristics of prime receivables, with charge-off rates of 4.2% for the year ending December 31, 2015, (5.0% for the year ending December 31, 2014, 6.3% for the year ending December 31, 2013). Increasing the proportion of Own-Brands gross receivables, which have a higher average impairment rate than Co-Brands receivables, would tend to increase the impairment rate at the Group level.

Our charge-off rates peak in the eighth month since origination of an account because of the impact of a percentage of customers who take a card, spend and fail to make any payments, breaching their terms and conditions, which prompts us to initiate the industry standard 180-day collection and charge-off process that starts from month two following the origination of the account (i.e., once the first payment is missed).

The credit quality of our receivables impacts the charge-off rates. We regularly review and evaluate our scoring models and credit management strategies to ensure that credit quality is maintained. We will continue to implement further enhancements or changes to our models and strategies from time to time as may be necessary or prudent, particularly when introducing new products or enhancements to existing products. Due to our planned growth in existing books of business, the planned entry into new market segments and the launch of new products, such as unsecured personal loans, we will continue to further enhance our credit function and our collections capability. For example, we began offering Instant Spend Online capability for new customers recently, and our entry into this new product may result in higher than expected impairment until we accumulate the requisite data to refine scorecards for customers acquired through this new capability more accurately. We believe that the data accumulated through this new product will be useful in further credit scorecards enhancements.

Monitoring our impairments is also a part of our risk management process. We continuously make improvements to our impairment management processes and collections strategies and capabilities. For example, we rebuilt certain impairment models utilizing the expertise of a team of impairment specialists, and in 2015 we moved to a customer account level cash collected approach. These initiatives (as well as others) are continuing in 2016 and 2017 and will include work to prepare for the implementation of IFRS 9 impairment methodologies, effective from January 2018, and deploying a single customer credit view.

Agreements with Co-Brands Partners

In the Co-Brands market we have long standing relationships with four partners who are all well-known brands in the United Kingdom—Arcadia (namely Topshop, Topman, Dorothy Perkins, Miss Selfridges, Wallis, Burton, Outfit and Evans), Debenhams, House of Fraser, and Laura Ashley. As of September 30, 2016, these four retailers had been a part of the Co-Brands portfolio for an average tenure of 10 years. These arrangements represented, in aggregate, 36.8% of our net interest income in the year ended December 31, 2015, 32.0% of our net interest income for the nine months ended September 30, 2016 and 36.8% of our total loans and advances to customers as of September 30, 2016. Our Co-Brands business demonstrates stable results and provides opportunities to scale the operations with new partners.

In November 2016, we partnered with the travel and tourism company TUI and launched the Thomson Credit Card, which offers Thomson and First Choice’s approximately 5.5 million customers in the United Kingdom opportunities to earn points towards their holiday bookings by using the Thomson Credit Card for their everyday spending. This further diversifies and complements NewDay’s reach by targeting holiday and leisure spending alongside traditional retail. In late 2016, we also partnered with the online retailer Amazon, and in January 2017, launched the Amazon Platinum MasterCard, which rewards customers for purchases made on-line and on the high street. Given the strength of the Amazon brand and its customer pool, this important partnership represents another major milestone in the development of our Co-Brands business. In addition to the direct benefits associated with launching the Amazon program, we improved our digital capability through the deployment of a number of elements of this program and gained further insight into the dynamics of online retail by working with a leader in this critical sector. As our partnership with Amazon develops, we believe it will result in significant diversification of the Co-Brands portfolio into digitally acquired accounts. Both programs evidence delivery against our strategy for the Co-Brands business together with its potential for growth.

Since the Co-Brands Acquisition, we have focused on enhancing the profitability of the Co-Brands portfolios to improve retail partner engagement. In 2015, we negotiated a re-pricing upwards of our existing portfolios with our retail partners. We also updated our agreements with existing retail partners to better align our commercial interests and our retail partners by switching to agreements that were more profit-driven rather than transactional.

For example, we implemented provisions to enable revenue share from new customers on an ongoing basis to incentivize the retail partners to promote our products. These changes are expected to continue to support our revenue and profit.

Provisions

We maintain various provisions against potential liabilities, the largest of which relates to our obligations in respect of missold payment protection insurance (PPI) to customers and other matters related to PPI. We make compensation payments to customers under contractual arrangements with the sellers of purchased portfolios and the previous legal title holder of the *aqua* accounts. In addition, we have given undertakings to the Financial Ombudsman Service that we will take responsibility for processing PPI claims submitted by customers (or procuring that such claims are processed). We are entitled to recover certain amounts of certain compensation payments from the relevant seller or former legal title holder, although there is no certainty whether we will in fact be able to do so. We have calculated the provisions by making a number of assumptions based upon current and expected experience. For further information, please see note 16 of our audited consolidated financial statements as of and for the year ended December 31, 2015 included elsewhere in this Offering Memorandum.

As of September 30, 2016, we estimate our cumulative cost associated with PPI misselling and other matters related to PPI at £99.2 million (December 31, 2015: £81.4 million; December 31, 2014: £43.3 million and December 31, 2013: £24.7 million). Out of this cumulative cost, we settled £8.7 million of claims with customers in the nine months ended September 30, 2016 (December 31, 2015: £9.0 million; December 31, 2014: £5.5 million and December 31, 2013: £6.1 million). Following such customer settlements, our PPI provision in respect of future PPI costs was £59.1 million as of September 30, 2016 (December 31, 2015: £50.0 million; December 31, 2014: £20.9 million and December 31, 2013: £7.7 million). This includes a provision of £3.1 million in relation to administrative expenses. The uplift in the provision of £17.8 million from December 31, 2015 reflects the best estimate of our management, in relation to the impact of the Financial Conduct Authority's consultation paper 16/20, issued on August 2, 2016. Our management believes that the amounts provided at the period end, based on historical and forecasted claim rates and amounts, along with ongoing legal and regulatory developments, appropriately reflect the expected cost to us.

For the year ended December 31, 2015, we increased our PPI provision by £38.1 million (£18.7 million for the year ended December 31, 2014), in response to the court ruling in Plevin, which expanded the types of claims that could be brought by purchasers of PPI, and subsequent regulatory guidance from the FCA, including the potential impact of the date at which PPI claims will cease. This adjustment also was in response to a higher than expected volume of claims. There are still a number of uncertainties as to the eventual PPI redress costs, in particular the total number of claims and the cost per claim, however, we believe that the amounts of the provisions, based on historical and forecasted claim rates and amounts, along with ongoing legal and regulatory developments, appropriately reflect the expected total cost to us. For further information, see "*Regulation*."

Impairment provisions impacted our results of operations in the periods under review. Along with costs relating to the integration of the Co-Brands business following the Co-Brands Acquisition, this increase in PPI provision was a primary driver of our loss in 2014. An increase in our PPI provision also reduced our profit in the year ended December 31, 2015.

In addition to the PPI provision, we have maintained a customer refund provision since December 31, 2015. This was voluntarily established following our own in-depth review of the way in which we charge default fees to customers. As a result of this review, we decided to reimburse customers who had been charged certain default fees since April 1, 2014 in the total amount of £3.9 million (including associated operating costs) and recognized a provision in respect of this, including the associated operational costs. This was reflected in our provisions as of December 31, 2015, and we ceased to charge such fees from January 1, 2016. This redress to our customers has now been completed. For further information, see "*Regulation*" and note 7 of our Unaudited Interim Consolidated Financial Statements as of and for the nine-months ended September 30, 2016.

We also maintain provisions in respect of compensating customers for non-compliance with the Consumer Credit Act 1974 (where the provision arises in a similar manner to our obligations in respect of missold PPI), dilapidation of our newly leased Leeds and London offices, and other provisions, historically including obligations in respect of missold card protection plans. Our card protection plans provisions were released in full in 2015 and we have no further liability under such plans. In certain instances, non-compliance with the CCA relates to purchased accounts where the seller had not complied with the requirements of the CCA, and, as such, we are fully compensated for costs by the seller of such accounts. In other instances, non-compliance related to accounts originated by us. For further information relating to our provisions, see our audited consolidated financial statements as of and for the year ended December 31, 2015 included elsewhere in this offering memorandum.

Acquisitions

The Co-Brands Acquisition was the primary driver for the changes between our results of operations in the year ended December 31, 2013 and our results of operations in the year ended December 31, 2014.

In connection with the Co-Brands Acquisition, we entered into a transition services agreement ("**TSA**") with Santander UK plc ("**Santander UK**"), pursuant to which Santander UK serviced the Acquired Co-Brands Business in 2013 and 2014 in exchange for a fee. In 2014, the TSA was terminated in line with expectations, and the costs of servicing the Acquired Co-Brands Business began to be borne by us directly. We incurred migration costs to move the Acquired Co-Brands Business to our platform and to integrate it within our business. These fees and costs represented a large portion of our expenses in the year ended December 31, 2013 and in the year ended December 31, 2014 which were recorded in "other operating expenses" within our income statement.

The Co-Brands acquisition also had an impact on the carrying value of our portfolio assets and, since the acquisition, on non-cash expenses recognized to unwind the Co-Brands Acquisition-related write-up of these portfolio assets. All financial instruments, such as the receivables acquired by us through our Co-Brands Acquisition, are measured initially at their fair value. At the time of being acquired, the Acquired Co-Brands Business was assigned a fair value determined on the basis of a variety of valuation techniques in accordance with IFRS 13, including the use of mathematical models. A key judgment in assigning fair value is the expected life of the acquired portfolios, which determines the period over which any discount or premium on acquisition is amortized. Acquisition fair value unwind is included in "interest and similar income" within our income statement and reflects the amortization of the fair value adjustment attributed to the Acquired Co-Brands Business and other acquired portfolios. The acquisition fair value unwind profile is assessed at each reporting date to determine if, based on the actual portfolio metrics, the amortization of the premium or discount for a given year should be accelerated or reduced compared with the profile assigned to each portfolio as of the prior reporting date. Shortening the expected life of the acquired portfolios held by us by a year would impact the income statement for the year ended December 31, 2015 with an additional credit to our income statement of £5.1 million.

Our historical growth rates in receivables and interest (and fee) income have benefitted from the Co-Brands Acquisition. We may choose to acquire further loan portfolios opportunistically in the future and may also engage in acquisitions of other consumer lending businesses opportunistically subject to market conditions.

Seasonality

We experience fluctuations in transaction volumes and the level of loans and advances to customers, particularly in our Co-Brands business, as a result of seasonal consumer spending and payment patterns that typically result in an increase of loans and advances to customers in the final quarter of the year with a peak in late December, with reductions in loans and advances to customers occurring over the first half of the following year as customers pay down their balances. There are also distinct spikes in gross receivables growth during one-off events or occasions that drive consumers to increase their spending, including sporting events, such as the football World Cup or the Olympics. The effect of seasonality is less pronounced in the Own-Brands segment.

The seasonal impact of transaction volumes on our gross receivables results in fluctuations in our results of operations, delinquency metrics and the provision for impairment as a percentage of gross receivables between applicable periods.

Impact of Regulatory Developments

Described below are key regulatory changes and/or potential regulatory changes that have had or may have a direct financial impact on our results of operations during the periods under review or may do so in the future. For further information on the regulatory environment in which we operate, please see "*Risk Factors—Risks Relating to the Legal and Regulatory Environment in which We Operate*" and "*Regulation*."

The FCA recently completed a review of the UK credit card market and examining the credit card products made available to consumers across the range of credit card providers in order to determine whether there is effective competition in the market, how firms recover their costs across different cardholder groups and to identify any sources of consumer detriment, including the extent of unaffordable debt. The FCA published its final findings from the review in July 2016. One of the changes proposed by the FCA is to require credit card customers to opt-in rather than to opt-out of any credit limit increases offered by their credit card provider. For further information on the regulatory environment in which we operate, please see "*Risk Factors—Risks Relating to the Legal and Regulatory Environment in which We Operate—Failure to comply with the requirements of the FCA's consumer credit regulatory regime could result in the suspension, termination or impairment of our ability to conduct business, harm to our reputation and substantial losses*."

For our Own-Brands segment, we rely on a "low and grow strategy," which is characterized by starting new customers on a low credit limit, and gradually increasing it as such customers demonstrate the ability to comply with the terms of the credit card. If there are changes to the way in which unsolicited credit limit increases may be offered to customers, for example if a positive opt-in to each credit line increase is required, this may impact the "low and grow" strategy, which in turn could impact our receivables growth or the quality of our receivables.

In addition to its work on improving the functioning of the credit card market in the United Kingdom, the FCA is continuing to address issues relating to the sale of PPI by financial institutions. The FCA has issued draft rules and guidance that propose a deadline for complaints about misselling and other matters relating to the sale of PPI to be made within two years of the start of the rule, currently anticipated to be some time in 2019. Although the general expectation is that most of the complaints still outstanding (or revived as a result of Plevin) would be brought within this timeframe because it is free and relatively easy to bring a complaint to the creditor and/or FOS compared to what it would be to make a claim in court, this deadline will not apply to the right to bring civil proceedings and it is expected that some litigation activity will resume post the FCA deadline from those customers who are either unhappy with the outcome of the complaint made to the creditor or FOS or missed the deadline.

Taxation

As the Target Group was historically headquartered in Luxembourg, our profits were mainly booked in Luxembourg and our effective annual income tax rate over the periods under review as a result thereof and also due to our securitization arrangements was less than 2%.

Factors Affecting Comparability—Acquisition

In 2013, we completed the Co-Brands Acquisition under which we acquired Santander UK's Co-Brands credit card, store card and point-of-sale finance portfolios (the "**Acquired Co-Brands Business**"). The Acquired Co-Brands Business currently forms the basis of our Co-Brands segment. We acquired loans and advances to customers with a fair value of £852.1 million for £771.2 million of cash consideration, resulting in a gain on a bargain purchase of £80.9 million in a two-step transaction. The gain on a bargain purchase was recognized in our income statement for the year ended December 31, 2013.

The results of operations of the Acquired Co-Brands Business are reflected in our Audited Financial Statements from May 10, 2013. As a result of the Co-Brands Acquisition, the timing of the consolidation of the Acquired Co-Brands Business in 2013 and the related accounting treatment, the comparability of our results of operations for the years ended December 31, 2014 and 2013 has been impacted (and, to a lesser extent, so has been the comparability of results between those periods and 2015). However, as the Co-Brands Acquisition relates only to our Co-Brands segment, the Co-Brands Acquisition does not affect the comparability of the results of operations of our Own-Brands segment except for the allocation of certain expenses related to the Co-Brands Acquisition to that segment. Our Own-Brands business has experienced solely organic growth during the period under review.

Factors Affecting the Comparability of Future Results of Operations

The Issuer is incurring £425.0 million of new debt to finance a portion of the Acquisition. As of September 30, 2016, after giving pro forma effect to the Transactions as if they had occurred on that date, the Company's only corporate debt would have been the £425.0 million in debt represented by the Notes. As a result of this increase in third party borrowings, the Company's interest expense will increase for future periods. After giving pro forma effect to the Transactions and the Bond Sales as if they had occurred on October 1, 2015 (and assuming the Revolving Credit Facility remained undrawn), the Company's estimated corporate cash interest expenses would have been £30.9 million for the twelve months ended September 30, 2016.

Description of Statement of Comprehensive Income Items

Set forth below is a brief description of the composition of the line items of our statement of comprehensive income.

Interest and Similar Income

Interest and similar income primarily relates to interest income on all interest-earning assets, which are mainly comprised of loans and advances to customers.

Interest and Similar Expense

Interest and similar expense primarily relates to interest expense on interest-bearing liabilities, which are mainly comprised of our debt funding. In addition, we recognize in this line item interest on derivatives.

Fees and Commission Income

Fees and commission income primarily relates to card fees arising from credit card agreements, interchange fees and other fees, including insurance commission and profit shares, along with merchant transaction fee commission.

Impairment Losses on Loans and Advances to Customers

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment (assessed at each reporting date) as a result of one or more events that have occurred after the initial recognition of the asset (an "incurred loss event") and that incurred loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Fair Value Gain/(Loss) on Derivatives

Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Differences between these carrying values between periods represent a fair value gain/(loss). The only derivatives we held during the periods under review were interest rate swaps used to hedge our interest rate risk. We ceased to use derivatives beginning in 2015 and did not have any derivatives as of September 30, 2016. We continue to assess the requirement for hedging as part of our ongoing risk management framework.

Personnel Expense

Personnel expense represents costs relating to our employees and includes contributions payable to our defined contribution pension plan.

Other Operating Expenses

Other operating expenses includes advertising and marketing costs, administrative costs and commissions to retailers, professional fees, movements in provisions, service costs, IT and communications, depreciation of property and equipment, project expenses and other expenses.

Tax Expense

Tax expense represents the tax liability owed to the government based on our income before tax and the applicable tax rate.

Segmental Analysis

We include in our financial statements two reportable segments, each representing our different businesses, Own-Brands and Co-Brands. Our segmental results contain various reclassifications from the consolidated Target Group results. Our reporting segments reflect our internal reporting structure and are assessed on the basis of Normalized Profit Before Tax on a segment level. In addition, for the purposes of the Offering Memorandum, management has included a discussion of Normalized Contribution on a segmental level.

Normalized Contribution, represents risk-adjusted income, less certain Normalized Costs. Normalized Contribution is not specifically defined under, or presented in accordance with, IFRS or any other generally accepted accounting principles and you should not consider it as an alternative to profit for the period or any other performance measures derived in accordance with IFRS.

In order to present Normalized Contribution, we include a break-down of the expenses that we reported as "Normalized Costs" in our Audited Financial Statements. In the course of preparing the Offering Memorandum, management determined that this enhanced disclosure of Normalized Contribution may be useful in understanding the operating performance of our reportable segments from period to period. We expect to continue reporting Normalized Contribution in the future, including in our annual financial statements for 2016.

For a reconciliation of Normalized Contribution for each segment to Normalized Profit Before Tax for the periods indicated, and for further explanation of segment information, see "*Summary Historical Financial and Other Data—Certain Segment Data*."

Own-Brands Segmental Results

The following table presents financial information for the periods indicated for our Own-Brands Segment.

	Own-Brands				
	For the year ended December 31,			**For the nine months ended September 30,**	
	2013	**2014**	**2015**	**2015**	**2016**
			(£ in millions) *(unaudited)*		
Net interest income on loans and advances to customers	91.6	110.0	166.1	117.5	176.4
Fee and commission income(1)	15.4	22.5	26.5	21.5	23.3
Total Normalized Income	**107.0**	**132.5**	**192.6**	**139.0**	**199.7**
Impairment losses on loans and advances to customers	(38.4)	(52.5)	(96.2)	(65.9)	(91.4)
Risk-adjusted income	**68.6**	**80.0**	**96.4**	**73.1**	**108.3**
Servicing costs	(23.0)	(22.8)	(25.2)	(17.5)	(27.5)
Collection fees	8.6	8.0	10.6	7.9	9.3
Investment costs	(15.5)	(16.7)	(18.9)	(13.2)	(17.6)
Normalized Contribution	**38.7**	**48.5**	**62.9**	**50.3**	**72.5**

(1) Represents Own-Brands fee and commission income excluding cost recovery fees. Cost recovery fees (which are the collections fees charged to customers who make late payments) were £9.3 million and £7.9 million for the nine months ended September 30, 2016 and 2015, £10.6 million, £8.0 million and £8.6 million in the years ended December 31, 2015, 2014 and 2013, respectively. Cost recovery fees are excluded in calculating total Normalized Income as we consider them as a component of our service costs rather than fee and commission income on the basis that they represent recoveries against these costs.

Own-Brands net interest income on loans and advances to customers increased during the periods under review as a result of new *aqua* accounts driving receivables growth. For the nine months ended September 30, 2015, Own-Brands net interest income on loans and advances to customers increased by £58.9 million, or 50.1%, from £117.5 million to £176.4 million for the nine months ended September 30, 2016. Own-Brand's net interest income on loans and advances to customers increased by £56.1 million, or 51.0%, from £110.0 million in the year ended December 31, 2014 to £166.1 million in the year ended December 31, 2015 and by £18.4 million, or 20.1%, from £91.6 million in the year ended December 31, 2013 to £110.0 million in the year ended December 31, 2014.

Own-Brands fee and commission income increased by £1.8 million, or 8.4%, from £21.5 million for the nine months ended September 30, 2015 to £23.3 million for the nine months ended September 30, 2016. This increase was primarily driven by growth in the number of *aqua* and *marbles* accounts. Own-Brands fee and commission income increased by £4.0 million, or 17.8%, from £22.5 million in the year ended December 31, 2014 to £26.5 million in the year ended December 31, 2015 primarily due to the growth in the number of *aqua* accounts, which was partially offset by the regulatory cap on the interchange fees which came into force in early December 2015. Own-Brands fee and commission income increased by £7.1 million, or 46.1%, from £15.4 million in the year ended December 31, 2013 to £22.5 million in the year ended December 31, 2014, primarily due to the growth in the number of *aqua* accounts and growth in the volume of transactions.

Own-Brands impairment losses increased by £25.5 million, or 38.7%, from £65.9 million for the nine months ended September 30, 2015 to £91.4 million for the nine months ended September 30, 2016. Own-Brands impairment losses increased by £14.1 million, or 36.7%, from £38.4 million for the year ended December 31, 2013, to £52.5 million in the year ended December 31, 2014 and further increased by £43.7 million, or 83.2%, from £52.5 million in the year ended December 31, 2014 to £96.2 million in the year ended December 31, 2015 primarily due to the increase in the size of the Own-Brands receivables, but also partially due to the increase in the impairment rate to 14.9% in the year ended December 31, 2015 (compared to 11.2% in 2014). The increase in the impairment rate throughout the periods under review was driven by the increased percentage of *aqua* receivables in the Own-Brands open book gross receivables. *aqua* receivables have a higher impairment rate than those of *marbles* (historic closed book) and *Opus* (which is also a closed book) which are more seasoned portfolios.

Due to the factors above, Own-Brands risk-adjusted income increased by £35.2 million, or 48.2%, from £73.1 million for the nine months ended September 30, 2015 to £108.3 million for the nine months ended September 30, 2016. Own-Brand's risk-adjusted income increased by £16.4 million, or 20.5%, from £80.0 million in the year ended December 31, 2014 to £96.4 million in the year ended December 31, 2015 and increased by £11.4 million, or 16.6%, from £68.6 million in the year ended December 31, 2013 to £80.0 million in the year ended December 31, 2014 also as a result of the factors above.

In our segment results, Normalized Costs include servicing costs, investment costs and collection fees. Own-Brands servicing costs increased by £10.0 million, or 57.1%, from £17.5 million for the nine months ended September 30, 2015 to £27.5 million for the nine months ended September 30, 2016. This increase was primarily driven by the growth in active accounts as a result of new account origination. Own-Brands servicing costs increased by £2.4 million, or 10.5%, from £22.8 million in the year ended December 31, 2014 to £25.2 million in the year ended December 31, 2015, also primarily as a result of the growth in active accounts as a result of new account origination. Own-Brands servicing costs remained relatively flat, decreasing by £0.2 million, or 0.9%, from £23.0 million in the year ended December 31, 2013 to £22.8 million in the year ended December 31, 2014 also primarily as a result of account volume growth.

Own-Brands collection fees increased by £1.4 million, or 17.7%, from £7.9 million for the nine months ended September 30, 2015 to £9.3 million for the nine months ended September 30, 2016, and increased by £2.6 million or 32.5%, from £8.0 million in the year ended December 31, 2014 to £10.6 million in the year ended December 31, 2015, primarily as a result of the increase in the number of accounts during the period, which typically drives collection fee income. Own-Brands collection fees remained relatively stable, from £8.6 million in the year ended December 31, 2013 to £8.0 million in the year ended December 31, 2014.

Own-Brands investment costs increased by £4.4 million, or 33.3%, from £13.2 million for the nine months ended September 30, 2015 to £17.6 million for the nine months ended September 30, 2016. This increase was primarily driven by increased marketing expenditure due to the increase in new accounts. Own-Brands investment costs increased by £2.2 million, or 13.2%, from £16.7 million in the year ended December 31, 2014 to £18.9 million in the year ended December 31, 2015, primarily as a result of increased marketing expenditure as a result of new account acquisitions. Own-Brands investment costs increased by £1.2 million, or 7.7%, from £15.5 million in the year ended December 31, 2013 to £16.7 million in the year ended December 31, 2014 also primarily as a result of increased marketing activity.

Own-Brands Normalized Contribution increased by £22.2 million, or 44.1%, from £50.3 million for the nine months ended September 30, 2015 to £72.5 million for the nine months ended September 30, 2016. This increase was primarily driven by increased risk adjusted income as a result of significant receivables growth over the period, offset by increased servicing costs and marketing expenditure. Own-Brand's Normalized Contribution increased by £14.4 million, or 29.7%, from £48.5 million in the year ended December 31, 2014 to £62.9 million in the year ended December 31, 2015, and increased by £9.8 million, or 25.3%, from £38.7 million in the year ended December 31, 2013 to £48.5 million in the year ended December 31, 2014 primarily as a result of increased risk adjusted income driven by account growth.

Co-Brands Segmental Results

The following table presents financial information for the periods indicated for our Co-Brands segment.

	Co-Brands				
	For the year ended December 31,			For the nine months ended September 30,	
	2013	2014	2015	2015	2016
			(£ in millions) (*unaudited*)		
Net interest income on loans and advances to customers	68.9	94.4	112.5	83.7	89.9
Fee and commission income[(1)]	15.3	22.6	22.4	17.0	13.8
Total Normalized Income	**84.2**	**117.0**	**134.9**	**100.7**	**103.7**
Impairment losses on loans and advances to customers	(17.4)	(22.9)	(18.7)	(15.4)	(13.4)
Risk-adjusted income	**66.8**	**94.1**	**116.2**	**85.3**	**90.3**
Servicing costs	(27.0)	(45.1)	(44.6)	(32.6)	(40.3)
Collection fees	16.5	20.5	15.1	12.2	9.7
Investment costs	(25.7)	(35.4)	(36.8)	(28.0)	(29.3)
Normalized Contribution	**30.6**	**34.1**	**49.9**	**36.9**	**30.4**

(1) Represents Co-Brands fee and commission income as presented on the Target Group's income statement but excluding cost recovery fees. Cost recovery fees (which are the collections fees charged to customers who make late payments) were £9.7 million and £12.2 million for the nine months ended September 30, 2016 and 2015, £15.1 million, £20.5 million and £16.5 million for the years ended December 31, 2015, 2014 and 2013 respectively. Cost recovery fees are excluded in calculating total Normalized Income as we consider them as a component of our service costs rather than fee and commission income on the basis that they represent recoveries against these costs.

Co-Brands net interest income on loans and advances to customers increased by £6.2 million, or 7.4%, from £83.7 million for the nine months ended September 30, 2015 to £89.9 million for the nine months ended September 30, 2016. This increase was driven by improved interest yield as a result of the impact of the customer re-price during 2015. Co-Brands net interest income on loans and advances to customers increased by £18.1 million, or 19.2%, from £94.4 million in the year ended December 31, 2014 to £112.5 million in the year ended December 31, 2015, primarily as a result of interest margin improvement by 1.7% during the year following re-pricing initiatives and a reduction in the non-interest bearing receivables in the closed book, partially offset by a decrease in the Co-Brands gross receivables. Co-Brands net interest income on loans and advances to customers increased by £25.5 million, or 37.0%, from £68.9 million in the year ended December 31, 2013 to £94.4 million in the year ended December 31, 2014 primarily as a result of the benefits of the Co-Brands Acquisition over the full year, partially offset by a decrease in Co-Brands gross receivables.

Co-Brands fee and commission income decreased by £3.2 million, or 18.8%, from £17.0 million for the nine months ended September 30, 2015 to £13.8 million for the nine months ended September 30, 2016 as a result of our decision to reimburse customers who had been charged certain default fees since April 1, 2014. Co-Brands fee and commission income decreased by £0.2 million, or 0.9%, from £22.6 million in the year ended December 31, 2014 to £22.4 million in the year ended December 31,2015 primarily due to the reduction in the size of the closed book. The regulatory cap on the interchange fees which came into force in December 2015 also contributed to the decline in fee income. Co-Brands fee and commission income increased by £7.3 million, or 47.7%, from £15.3 million in the year ended December 31, 2013 to £22.6 million in the year ended December 31, 2014, primarily as a result of the benefits of the Co-Brands Acquisition over the full year.

Co-Brands impairment losses decreased by £2.0 million, or 13.0%, from £15.4 million for the nine months ended September 30, 2015 to £13.4 million for the nine months ended September 30, 2016 as a result of the generally benign UK macro economic environment and our continued focus on credit risk. Co-Brands impairment losses decreased by £4.2 million, or 18.3%, from £22.9 million in the year ended December 31, 2014 to £18.7 million in the year ended December 31, 2015 primarily due to the decrease in the size of the closed book. The Co-Brands impairment rate remained broadly unchanged in 2015 at 2.8% (compared to 2.9% in 2014). Co-Brands impairment losses increased by £5.5 million, or 31.6%, from £17.4 million in the year ended December 31, 2013 to £22.9 million in the year ended December 31, 2014 primarily due to the increase in the size of the Co-Brands average gross receivables (as 2014 included a full year of the Co-Brands receivables). The impairment rate on Co-Brands receivables decreased from 3.2% in the year ended December 31, 2013 to 2.9% in the year ended December 31, 2014. The stability of the Co-Brands impairment rate reflects the mature profile of the Co-Brands portfolio and the risk profile of the customer base.

Due to the factors above, Co-Brands risk-adjusted income increased by £5.0 million, or 5.9%, from £85.3 million for the nine months ended September 30, 2015 to £90.3 million for the nine months ended September 30, 2016. Co-Brands' risk-adjusted income increased by £22.1 million, or 23.5%, from £94.1 million in the year ended December 31, 2014 to £116.2 million in the year ended December 31, 2015 and increased by £27.3 million, or 40.9%, from £66.8 million in the year ended December 31, 2013 to £94.1 million in the year ended December 31, 2014 also as a result of the factors above.

In our segment results, Normalized Costs include servicing costs, investment costs and collection fees. Co-Brands servicing costs increased by £7.7 million, or 23.6%, from £32.6 million for the nine months ended September 30, 2015 to £40.3 million for the nine months ended September 30, 2016. This increase was primarily driven by increased investment and set-up cost associated with new Co-Brand partners, including with the travel and tourism company, TUI and the online retailer, Amazon. Co-Brands' servicing costs remained stable, from £45.1 million in the year ended December 31, 2014 to £44.6 million in the year ended December 31, 2015. Co-Brands servicing costs increased by £18.1 million, or 67.0%, from £27.0 million in the year ended December 31, 2013 to £45.1 million in the year ended December 31, 2014 also primarily as a result of the Co-Brands portfolio acquisition in May 2013, as 2014 was the first full year that included results of that acquisition in our portfolio.

Co-Brands collection fees decreased by £2.5 million, or 20.5%, from £12.2 million for the nine months ended September 30, 2015 to £9.7 million for the nine months ended September 30, 2016 and by £5.4 million, or 26.3%, from £20.5 million in the year ended December 31, 2014 to £15.1 million in the year ended December 31, 2015, primarily as a result of a decrease in the number of active accounts. Co-Brands collection fees increased by £4 million, or 24.2%, from £16.5 million in the year ended December 31, 2013 to £20.5 million in the year ended December 31, 2014 also primarily as a result of the acquisition of the portfolio.

Co-Brands investment costs increased by £1.3 million, or 4.6%, from £28.0 million for the nine months ended September 30, 2015 to £29.3 million for the nine months ended September 30, 2016, and increased by £1.4 million, or 4.0%, from £35.4 million in the year ended December 31, 2014 to £36.8 million in the year ended December 31, 2015, primarily as a result of increased marketing spend to existing customers and increased partner payments as a result of increased risk adjusted income. Co-Brands investment costs increased by £9.7 million, or 37.7%, from £25.7 million in the year ended December 31, 2013 to £35.4 million in the year ended December 31, 2014 also primarily as a result of the Co-Brands portfolio acquisition in May 2013, as 2014 was the first full year results that included the portfolio.

Co-Brands Normalized Contribution decreased by £6.5 million, or 17.6%, from £36.9 million for the nine months ended September 30, 2015 to £30.4 million for the nine months ended September 30, 2016. This decrease was primarily driven by an increase in servicing costs. Co-Brands' Normalized Contribution increased by £15.8 million, or 46.3%, from £34.1 million in the year ended December 31, 2014 to £49.9 million in the year ended December 31, 2015, primarily as a result of repricing the portfolio and refinancing under the Co-Brands Securitization Structure. Co-Brands Normalized Contribution increased by £3.5 million, or 11.4%, from £30.6 million in the year ended December 31, 2013 to £34.1 million in the year ended December 31, 2014 also primarily as a result of having ownership of the portfolio for a full year.

Results of Operations

Nine Months Ended September 30, 2016 Compared with the Nine Months Ended September 30, 2015

The table below sets forth certain statement of comprehensive income data for the nine months ended September 30, 2015 and 2016.

	For the nine months ended September 30,		Percentage change
	2015	**2016**	
	(£ in millions) *(unaudited)*		**(%)**
Interest and similar income	228.6	292.8	28.1
Interest and similar expense	(22.9)	(21.5)	(6.1)
Net interest income	**205.7**	**271.3**	**31.9**
Fee and commission income	58.6	56.1	(4.3)
Impairment losses on loans and advances to customers	(81.8)	(105.0)	28.4
Net operating income	**182.5**	**222.4**	**21.9**
Fair value gain/(loss) on derivatives	0.5	—	—
Personnel expense	(34.4)	(38.3)	11.3
Other operating expenses	(105.6)	(133.0)	25.9
Total operating expenses	**(139.5)**	**(171.3)**	**22.8**
Profit/(loss) before tax	**43.0**	**51.1**	**18.8**
Tax expense	(0.9)	(0.8)	(11.1)
Profit/(loss) for the period	**42.1**	**50.3**	**19.5**
Total comprehensive income/(expense) for the period	**42.1**	**50.3**	**19.5**

Interest and similar income

The following table sets forth the components of interest and similar income for the periods indicated.

	For the nine months ended September 30,		Percentage change
	2015	**2016**	
	(£ in millions)		**(%)**
Interest income from loans and advances to customers	223.8	287.5	28.5
Interest income from banks	0.2	0.2	—
Acquisition fair value unwind	4.5	5.0	11.1
Other	0.1	0.1	—
Total interest and similar income	**228.6**	**292.8**	**28.1**

Interest and similar income for the nine months ended September 30, 2016 was £292.8 million, an increase of £64.2 million or 28.1%, compared to £228.6 million in the nine months ended September 30, 2015. This was primarily due to the increase in Own-Brands receivables and the re-price of the Co-Brands portfolio.

Interest and similar expense

Interest and similar expense for the nine months ended September 30, 2016 was £21.5 million, a decrease of £1.4 million or 6.1%, compared to £22.9 million in the nine months ended September 30, 2015. This was primarily due to the securitization of the Own-Brands portfolio and the lower average LIBOR.

Net interest income

Net interest income for the nine months ended September 30, 2016 was £271.3 million, an increase of £65.6 million or 31.9%, compared to £205.7 million in the nine months ended September 30, 2015. This was due to the reasons described above.

Fee and commission income

The following table sets forth the components of fee and commission income for the periods indicated.

	For the nine months ended September 30,		Percentage change
	2015	2016	
	(£ in millions)		(%)
Card fees[(1)]	43.7	46.5	6.4
Interchange fees	9.3	5.0	(46.2)
Other fees received[(2)]	5.6	4.6	(17.9)
Total fee and commission income	**58.6**	**56.1**	**(4.3)**

(1) Includes transaction fees on customer cards, which include but are not limited to fees for cash advances, over credit limit, balance transfers, foreign currency, bounced transaction fees and default fees. Certain costs of the business including customer cashback payments, are netted against these forms of income.

(2) Includes PPI insurance commission and profit shares along with merchant transaction fee commission.

Fee and commission income for the nine months ended September 30, 2016 was £56.1 million, a decrease of £2.5 million or 4.3%, compared to £58.6 million in the nine months ended September 30, 2015. This was primarily due to a reduced interchange and suppressed fee charging structure following a review of our fee charging policy.

Impairment losses on loans and advances to customers

Impairment losses on loans and advances to customers for the nine months ended September 30, 2016 were £105.0 million, an increase of £23.2 million or 28.4%, compared to £81.8 million in the nine months ended September 30, 2015. This was primarily due to growth in receivables in the Own-Brands business.

Net operating Income

Net operating income for the nine months ended September 30, 2016 was £222.4 million, an increase of £39.9 million or 21.9%, compared to £182.5 million in the nine months ended September 30, 2015. This was due to the reasons described above.

Personnel expense

The following table sets forth the components of personnel expense by category for the periods indicated.

	For the nine months ended September 30		Percentage change
	2015	2016	
	(£ in millions)		(%)
Wages and salaries	28.4	31.4	10.6
Social security costs	2.8	3.0	7.1
Pension contributions	1.2	1.9	58.3
Other staff costs	2.0	2.0	0
Total personnel expense	**34.4**	**38.3**	**11.3**

Personnel expense for the nine months ended September 30, 2016 was £38.3 million, an increase of £3.9 million or 11.3%, compared to £34.4 million in the nine months ended September 30, 2015. This was primarily due to increased head count to support company growth.

Other operating expenses

The following table sets forth other operating expenses for the periods indicated.

	For the nine months ended September 30,		Percentage change
	2015	2016	
	(£ in millions)		(%)
Advertising and marketing	17.2	17.7	2.9
Administrative costs and commissions to retailers	23.3	29.4	26.2
Professional fees	2.7	3.3	22.2
Movement in PPI and CPP provisions	3.6	17.8	394.4
Service costs	37.5	43.3	15.5
IT and communications	5.7	9.6	68.4
Project expenses	13.7	10.7	(21.9)
Depreciation of property and equipment	1.1	0.9	(18.2)
Other	0.8	0.3	(62.5)
Total other operating expenses	**105.6**	**133.0**	**25.9**

Other operating expenses for the nine months ended September 30, 2016 were £133.0 million, an increase of £27.4 million or 25.9%, compared to £105.6 million in the nine months ended September 30, 2015. This was primarily due to the increase in PPI and CPP provision from £3.6 million in 2015 to £17.8 million in 2016.

Total operating expenses

Total operating expenses for the nine months ended September 30, 2016 were £171.3 million, an increase of £31.8 million or 22.8%, compared to £139.5 million in the nine months ended September 30, 2015. This was due to the reasons described above.

Profit/(loss) before tax

Profit/(loss) before tax for the nine months ended September 30, 2016 was £51.1 million, an increase of £8.1 million or 18.8%, compared to £43.0 million in the nine months ended September 30, 2015. This was primarily due to the reasons described above.

Tax expense

Tax expense for the nine months ended September 30, 2016 was £0.8 million, a decrease of £0.1 million or 11.1%, compared to £0.9 million in the nine months ended September 30, 2015.

Profit/(loss) for the period

Profit/(loss) for the period for the nine months ended September 30, 2016 was £50.3 million, an increase of £8.2 million or 19.5%, compared to £42.1 million in the nine months ended September 30, 2015. This was due to the reasons described above.

Total comprehensive income/(expense) for the period

Total comprehensive income/(expense) for the period for the nine months ended September 30, 2016 was £50.3 million, an increase of £8.2 million or 19.5%, compared to £42.1 million in the nine months ended September 30, 2015. This was due to the reasons described above.

Year Ended December 31, 2015 Compared with the Year Ended December 31, 2014

The table below sets forth certain statement of comprehensive income data for the years ended December 31, 2014 and 2015.

	Year ended December 31,		Percentage change
	2014	2015	
	(£ in millions)		(%)
Interest and similar income	284.2	313.1	10.2
Interest and similar expense	(66.9)	(29.7)	(55.6)
Net interest income	**217.3**	**283.4**	**30.4**
Fee and commission income	73.6	74.6	1.4
Impairment losses on loans and advances to customers	(75.4)	(115.7)	53.4
Net operating income	**215.5**	**242.3**	**12.4**
Fair value gain/(loss) on derivatives	(5.1)	0.5	(109.8)
Personnel expense	(26.8)	(48.3)	80.2
Other operating expenses	(196.7)	(169.5)	(13.8)
Total operating expenses	**(228.6)**	**(217.3)**	**(4.9)**
Profit/(loss) before tax	**(13.1)**	**25.0**	—
Tax expense	(0.5)	(0.9)	80.0
Profit/(loss) for the year	**(13.6)**	**24.1**	—
Other comprehensive income	—	—	—
Total comprehensive income/(expense) for the year	**(13.6)**	**24.1**	—

Interest and similar income

The following table sets forth the components of interest and similar income for the periods indicated.

	For the year ended December 31,		Percentage change
	2014	2015	
	(£ in millions)		(%)
Interest income from loans and advances to customers	259.9	307.9	18.5
Interest income from banks	0.1	0.3	200.0
Acquisition fair value unwind(1)	24.0	4.8	(80.0)
Other	0.2	0.1	(50.0)
Total interest and similar income	**284.2**	**313.1**	**10.2**

(1) The initial recognition of carrying value of loans and advances to customers which have been acquired resulted in a fair value adjustment against receivables. The fair value adjustment applied to these receivable balances is amortized through interest and similar income over the average expected life of these assets.

Interest and similar income for the year ended December 31, 2015 was £313.1 million, an increase of £28.9 million, or 10.2%, compared to £284.2 million in the year ended December 31, 2014. This increase was driven primarily by the increase in average interest-earning assets for 2015 and the effect of the increase in yield on average interest-earning assets from 2014 to 2015, each of which is described in more detail below.

Average interest-earning assets. Interest-earning assets consist primarily of Own-Brands and Co-Brands loans and advances to customers. Average loans and advances to customers increased by £73.3 million, or 5.9%, to £1,321.9 million for the year ended December 31, 2015 from £1,248.6 million for the year ended December 31, 2014. This increase in average receivables was driven by a 44% increase in Own-Brands gross receivables, which was primarily driven by growth in the number of *aqua* customers (which more than offset a decrease of Co-Brands gross receivables, primarily due to the run-off on the Co-Brands segment's closed books). Open book receivables increased to £1,233.0 million, a £262.4 million, or 27.0%, increase compared to the year ended December 31, 2014, with *aqua* accounting for £242.3 million of this increase (*aqua* represented 39% of closing receivables in the year ended December 31, 2015 compared to 26% in the year ended December 31, 2014). The increase in average loans and advances to customers also reflected the relaunch of the *marbles* brand.

Yield on average interest-earning assets. The yield on average interest-earning assets is driven primarily by yield on average loans and advances to customers (which increased from 20.8% for the year ended December 31, 2014 to 23.3% for the year ended December 31, 2015) and the average size of our loan portfolio (which increased from

£1,248.6 million for the year ended December 31, 2014 to £1,321.9 million for the year ended December 31, 2015). The increased interest yield on interest-earning loans and advances to customers for 2015 was largely attributable to the increasing prominence of *aqua* receivables in our receivables portfolio because *aqua* has a higher interest yield compared to the rest of our products. The increase in interest yield in 2015 also reflected a number of re-pricing initiatives specifically relating to the Co-Brands portfolio and a reduction in the non-interest bearing customer balances in the closed portfolios.

Interest and similar expense

Interest and similar expense decreased by £37.2 million, or 55.6%, to £29.7 million for the year ended December 31, 2015 from £66.9 million for the year ended December 31, 2014. This decrease was driven primarily by the establishment of our Securitization Structures, which decreased our cost of funds in the year ended December 31, 2015. The proceeds of the initial securitizations were used to repay our then existing credit facilities. The decrease in the average costs of funds was partially offset by a £106.2 million increase in average interest-bearing liabilities, from £919.2 million for the year ended December 31, 2014 to £1,025.4 million for the year ended December 31, 2015, reflecting the new issuances under the Securitization Structures and drawings on the Warehouse facilities to fund our growing receivables.

Net interest income

Net interest income for the year ended December 31, 2015 was £283.4 million, an increase of £66.1 million, or 30.4%, compared to £217.3 million in the year ended December 31, 2014. This was due to the reasons described above.

Fee and commission income

The following table sets forth the components of fee and commission income for the periods indicated.

	For the year ended December 31,		Percentage change
	2014	**2015**	
	(£ in millions)		**(%)**
Card fees[(1)]	52.8	55.4	4.9
Interchange fees	10.2	12.3	20.6
Other fees received[(2)]	10.6	6.9	(34.9)
Total fee and commission income	**73.6**	**74.6**	**1.4**

(1) Includes transaction fees on customer cards, which include but are not limited to fees for cash advances, over credit limit, balance transfers, foreign currency, bounced transaction fees and default fees. Certain costs of the business including customer cashback payments, are netted against these forms of income.
(2) Includes PPI insurance commission and profit shares along with merchant transaction fee commission.

Fee and commission income increased by £1.0 million, or 1.4%, to £74.6 million for the year ended December 31, 2015, from £73.6 million for the year ended December 31, 2014. This increase was driven by the growth in the number of Own-Brands accounts. In addition, interchange fees increased in the year ended December 31, 2015 compared with the year ended December 31, 2014, largely as a result of an increased volume of transactions, the effect of which was offset in part by the implementation of the Interchange Fee Regulation that capped interchange fee income at 0.3% of transactional value for credit card spend (compared to 0.7% before the Interchange Fee Regulation came into effect). Growth in card fees and interchange fees more than offset the decline in other fees received, which was primarily due to a reduction in PPI insurance commissions.

Impairment losses on loans and advances to customers

Impairment losses on loans and advances increased by £40.3 million, or 53.4%, to £115.7 million for the year ended December 31, 2015 from £75.4 million for the year ended December 31, 2014. This increase was driven by the change in portfolio mix because of the higher average impairment rate associated with the Own-Brands segment compared to the Co-Brands segment. The Own-Brands segment comprised 53.5% of gross receivables as of December 31, 2015, compared to 41.8% of gross receivables as of December 31, 2014 and 31.9% of gross receivables as of December 31, 2013. The Co-Brands portfolios' impairment rates remained stable at 2.8%, but decreases in the Co-Brands closed books gross receivables reduced the impairment losses for the Co-Brands segment which partially offset the increase attributable to the Own-Brands segment.

Net operating income

Net operating income for the year ended December 31, 2015 was £242.3 million, an increase of £26.8 million, or 12.4%, compared to £215.5 million in the year ended December 31, 2014. This was due to the reasons described above.

Fair value gain/(loss) on derivatives

Fair value gain/(loss) on derivatives increased by £5.6 million, or 109.8%, to £0.5 million gain for the year ended December 31, 2015 from a £5.1 million loss for the year ended December 31, 2014. This increase was driven by fair value movements in interest rate swaps.

Personnel expense

The following table sets forth the components of personnel expense by category for the periods indicated.

	For the year ended December 31,		Percentage change
	2014	2015	
	(£ in millions)		(%)
Wages and salaries	22.4	38.9	73.7
Social security costs	2.3	3.7	60.9
Pension contributions	0.7	1.7	142.9
Other staff costs	1.4	3.0	114.3
Redundancy costs	—	1.0	—
Total personnel expense	**26.8**	**48.3**	**80.2**

Personnel expense increased by £21.5 million, or 80.2%, to £48.3 million for the year ended December 31, 2015 from £26.8 million for the year ended December 31, 2014. This was driven primarily by the increase in the average number of full-time employees from 362 during the year ended December 31, 2014 to 695 during the year ended December 31, 2015 primarily due to the addition of employees (both new and transferring) as a result of the Co-Brands Acquisition and growth otherwise in our business. We strengthened our risk governance and control capabilities, which contributed to the growth in personnel expenses. Redundancy costs were a result of a reorganization of the UK based customer collections and operations team, whose functions were outsourced to First Data.

Other operating expenses

The following table sets forth other operating expenses for the periods indicated.

	For the year ended December 31,		Percentage change
	2014	2015	
	(£ in millions)		(%)
Advertising and marketing	17.3	24.4	41.0
Administrative costs and commissions to retailers	36.8	33.8	(8.2)
Professional fees	3.3	3.7	12.1
Movement in PPI and CPP provisions	17.5	37.6	114.9
Service costs	70.2	48.2	(31.3)
IT and communications	1.8	4.7	161.1
Project expenses	48.7	14.1	(71.0)
Depreciation of property and equipment	0.4	1.5	275.0
Other	0.7	1.5	114.3
Total other operating expenses	**196.7**	**169.5**	**(13.8)**

Other operating expenses decreased by £27.2 million, or 13.8%, to £169.5 million for the year ended December 31, 2015, from £196.7 million for the year ended December 31, 2014. This decrease was primarily driven by a decrease in project expenses and service costs, the effect of which was partially offset by increases in provisions and advertising and marketing costs.

Project expenses decreased by £34.6 million in the year ended December 31, 2015 compared with the year ended December 31, 2014 primarily due to the completion of most of the integration work for the Co-Brands Acquisition in the year ended December 31, 2014, which represented the majority of the project expenses during that year. Project expenses in the year ended December 31, 2015 and the year ended December 31, 2014 also included exceptional costs associated with the set-up and launch of the Securitization Structures and investment in our digital capabilities.

Service costs decreased by £22.0 million in the year ended December 31, 2015 compared with the year ended December 31, 2014 primarily because of implementation of a number of initiatives which improved servicing efficiencies.

The £20.1 million increase in provision in the year ended December 31, 2015 compared with the year ended December 31, 2014 primarily reflected our increasing our provision for PPI claims as a result of higher anticipated claim rates for PPI across the industry following new legal and regulatory developments.

We incurred additional advertising and marketing costs in the year ended December 31, 2015 compared to the year ended December 31, 2014 primarily as a result of initiatives undertaken to expand our Own-Brands business, including the relaunching of the *marbles* brand and increased Own-Brands account originations.

IT and communications expenses increased by £2.9 million, or 161.1% to £4.7 million for the year ended December 31, 2015 from £1.8 million for the year ended December 31, 2014 as a result of further investment in the back office functions of the business.

Administrative costs and commissions to retailers decreased by £3.0 million, or 8.2%, from £36.8 million in the year ended December 31, 2014 to £33.8 million in the year ended December 31, 2015 as a result of the ongoing negotiation of more favorable partner payment terms.

Total operating expenses

Total operating expenses for the year ended December 31, 2015 were £217.3 million, a decrease of £11.3 million, or 4.9%, compared to £228.6 million in the year ended December 31, 2014. This was due to the reasons described above.

Profit/(loss) before income tax

We made a pre-tax profit of £25.0 million in the year ended December 31, 2015 compared to a pre-tax loss of £13.1 million in the year ended December 31, 2014 due to the reasons described above.

Tax expense

Tax expense increased by £0.4 million to £0.9 million for the year ended December 31, 2015 from £0.5 million for the year ended December 31, 2014. This increase was driven by an increase in the amount of profit subject to the corporation tax.

Profit/(loss) for the year

Profit/(loss) for the year ended December 31, 2015 was a profit of £24.1 million, compared to a loss of £13.6 million in the year ended December 31, 2014 due to the reasons described above.

Year Ended December 31, 2014 Compared with the Year Ended December 31, 2013

The table below sets forth certain statement of comprehensive income data for the years ended December 31, 2013 and 2014.

	Year ended December 31, 2013	Year ended December 31, 2014	Percentage change
	(£ in millions)		(%)
Interest and similar income	228.2	284.2	24.5
Interest and similar expense	(41.0)	(66.9)	63.2
Net interest income	**187.2**	**217.3**	**16.0**
Fee and commission income	55.8	73.6	31.9
Impairment losses on loans and advances to customers	(55.8)	(75.4)	35.1
Net operating income	**187.1**	**215.5**	**15.2**
Fair value gain/(loss) on derivatives	4.9	(5.1)	—
Personnel expense	(14.4)	(26.8)	86.1
Depreciation of property and equipment	(0.2)	(0.4)	100.0
Amortization of intangible assets	(1.2)	(0.0)	(99.9)
Other operating expenses	(140.2)	(196.3)	40.0
Total operating expenses	**(151.1)**	**(228.6)**	**51.3**
Profit/(loss) before gain on a bargain purchase	**36.0**	**(13.1)**	—
Gain on a bargain purchase	80.9	—	—
Profit/(loss) before income tax	**116.9**	**(13.1)**	—
Income tax expense	(0.1)	(0.5)	400.0
Profit/(loss) for the year	**116.8**	**(13.6)**	—
Total comprehensive income/(expense) for the year	**116.8**	**(13.6)**	—

Interest and similar income

The following table sets forth the components of interest and similar income for the periods indicated.

	Year ended December 31, 2013	Year ended December 31, 2014	Percentage change
	(£ in millions)		(%)
Interest income from loans and advances to customers	201.3	259.9	29.1
Interest income from banks	0.1	0.1	0.0
Acquisition fair value unwind[(1)]	26.7	24.0	(10.1)
Other	0.1	0.2	100.0
Total interest and similar income	**228.2**	**284.2**	**24.5**

(1) The initial recognition of carrying value of loans and advances to customers which have been acquired resulted in a fair value adjustment against receivables. The fair value adjustment applied to these receivable balances is amortized through interest and similar income over the average expected life of these assets.

Interest and similar income for the year ended December 31, 2014 was £284.2 million, an increase of £56.0 million, or 24.5%, compared to £228.2 million in the year ended December 31, 2013. This increase was driven primarily by the increase in average interest-earning assets for 2014, partially offset by the effect of the decrease in yield on average interest-earning assets from 2013 to 2014, each of which is described in more detail below.

Average interest-earning assets. Average loans and advances to customers increased by £298.8 million, or 31.5%, to £1,248.6 million for the year ended December 31, 2014 from £949.8 million for the year ended December 31, 2013. Co-Brands loans and advances did not contribute to our results for some of the year ended December 31, 2013 since we acquired the Acquired Co-Brands Business in May 2013. Excluding the impact of the Co-Brands Acquisition, this increase in average loans and advances to customers was driven primarily by increased purchase volumes, as open Own-Brands accounts increased from 0.5 million for the year ended December 31, 2013 to 0.6 million for the year ended December 31, 2014. The increase in average loans and advances to customers also reflected increased average balances per account in the Own-Brands segment.

Yield on average interest-earning assets. The yield on average loans and advances to customers decreased from 21.2% for the year ended December 31, 2013 to 20.8% for the year ended December 31, 2014 and the size of our loan portfolio increased from £949.8 million in the year ended December 31, 2013 to £1,248.6 million for the year ended December 31, 2014. The decreased interest yield on interest-earning loans and advances to customers for 2014 was largely attributable to the impact of the Co-Brands Acquisition which increased the proportion of receivables considered non-interest bearing, thereby reducing the yield.

Interest and similar expense

Interest and similar expense increased by £25.9 million, or 63.2%, to £66.9 million for the year ended December 31, 2014 from £41.0 million for the year ended December 31, 2013. This increase was driven primarily by the Co-Brands Acquisition and continuing organic growth in the Own-Brands segment.

Net interest income

Net interest income for the year ended December 31, 2014 was £217.3 million, an increase of £30.0 million, or 16.0%, compared to £187.2 million in the year ended December 31, 2013. This was due to the reasons described above.

Fee and commission income

The following table sets forth the components of fee and commission income for the periods indicated.

	For the year ended December 31,		Percentage change
	2013	**2014**	
	(£ in millions)		**(%)**
Card fees[(1)]	41.5	52.8	27.2
Interchange fees	10.8	10.2	(5.6)
Other fees received[(2)]	3.4	10.6	211.8
Total fee and commission income	**55.8**	**73.6**	**31.9**

(1) Includes transaction fees on customer cards, which include but are not limited to fees for cash advances, over credit limit, balance transfers, foreign currency, bounced transaction fees and default fees. Certain costs of the business including customer cashback payments, are netted against these forms of income.

(2) Includes PPI insurance commission and profit shares along with merchant transaction fee commission.

Fee and commission income increased by £17.8 million, or 31.9%, to £73.6 million for the year ended December 31, 2014 from £55.8 million for the year ended December 31, 2013. This increase was driven by the Co-Brands Acquisition and organic growth in the Own-Brands segment.

Impairment losses on loans and advances to customers

Impairment losses on loans and advances increased by £19.6 million, or 35.1%, to £75.4 million for the year ended December 31, 2014 from £55.8 million for the year ended December 31, 2013. This increase was driven by the Co-Brands Acquisition and organic growth in the Own-Brands segment.

Net operating income

Net operating income for the year ended December 31, 2014 was £215.5 million, an increase of £28.4 million, or 15.2%, compared to £187.1 million in the year ended December 31, 2013. This was due to the reasons described above.

Fair value gain/(loss) on derivatives

Fair value gain/(loss) on derivatives decreased by £10.0 million, or 204.1%, to a £5.1 million loss for the year ended December 31, 2014 from a £4.9 million gain for the year ended December 31, 2013. This decrease was driven by fair value movements in interest rate swaps.

Personnel expense

The following table sets forth the components of personnel expense by category for the periods indicated.

	For the year ended December 31,		Percentage change
	2013	2014	
	(£ in millions)		(%)
Wages and salaries	9.7	22.4	131.0
Social security costs	1.2	2.3	92.0
Pension contributions	0.3	0.7	133.0
Other staff costs	3.2	1.4	(56.3)
Total personnel expense	**14.4**	**26.8**	**86.1**

Personnel expense increased by £12.4 million, or 86.1%, to £26.8 million for the year ended December 31, 2014 from £14.4 million for the year ended December 31, 2013. This increase was driven by the increase in the average number of full-time equivalent employees from 95 during the year ended December 31, 2013 to 362 during the year ended December 31, 2014. The average number of employees increased due to the addition of employees as a result of the Co-Brands Acquisition and organic growth in our business.

Depreciation of property and equipment

Depreciation of property and equipment for the year ended December 31, 2014 was £0.4 million, an increase of £0.2 million, or 100.0%, compared to £0.2 million in the year ended December 31, 2013. This was primarily due to the depreciation of leasehold improvements.

Amortization of intangible assets

Amortization of intangible assets for the year ended December 31, 2014 was £0.003 million, a decrease of £1.2 million, or 99.9%, compared to £1.2 million in the year ended December 31, 2013. This was primarily due to having no intangible assets on the Balance Sheet.

Other operating expenses

The following table sets forth other operating expenses for the periods indicated.

	For the year ended December 31,		Percentage change
	2013	2014	
	(£ in millions)		(%)
Advertising and marketing	11.2	17.3	54.5
Administrative costs and commissions to retailers	39.4	36.8	(6.5)
Professional fees	2.4	3.3	37.5
Movement in PPI and CPP provisions	11.3	17.5	54.9
Service costs	54.0	70.2	30.0
IT and communications	0.3	1.8	500.0
Project expenses	19.0	48.7	156.3
Other	2.6	0.7	(75.0)
Total other operating expenses	**140.2**	**196.3**	**40.0**

Other operating expenses increased by £56.1 million, or 40.0%, to £196.3 million for the year ended December 31, 2014 from £140.2 million in the year ended December 31, 2013. This increase was primarily driven by the Co-Brands Acquisition, which in particular was responsible for the increase in service costs (to service the newly acquired accounts), project expenses (to integrate the Acquired Co-Brands Business), the establishment of the Co-Brands Master Trust Structure (to finance the Acquired Co-Brands Business), as well as by the cost of rebranding ourselves to “NewDay” and office refurbishment costs.

Advertising and marketing expenses increased from the year ended December 31, 2013 to the year ended December 31, 2014 due to full-year marketing expenses for the Acquired Co-Brands Business and continued investment in marketing of Own-Brands business.

The £6.2 million increase in provision in the year ended December 31, 2014 as compared with the year ended December 31, 2013 primarily reflected our increasing of our provision for PPI claims as a result of higher anticipated claim rates for PPI across the industry.

Service costs increased by £16.2 million in the year ended December 31, 2014 as compared with the year ended December 31, 2013 primarily because of the Co-Brands Acquisition and the full-year impact of the consequent expansion of the business.

IT and communications expenses increased by £1.5 million to £1.8 million for the year ended December 31, 2014 from £0.3 million for the year ended December 31, 2013 as a result of infrastructure growth following the Co-Brands Acquisition.

Project expenses increased by £29.7 million in the year ended December 31, 2014 as compared with the year ended December 31, 2013 primarily due to the integration work for the Co-Brands Acquisition.

Administrative costs and commissions to retailers decreased by £2.6 million, or 6.5%, from £39.4 million in the year ended December 31, 2013 to £36.8 million in the year ended December 31, 2014 due to negotiation of more favorable terms with retail partners.

Profit/(loss) before tax

We made a pre-tax profit of £116.9 million in the year ended December 31, 2013, of which £80.9 million was due to the gain on a bargain purchase in connection with the Co-Brands Acquisition and the remainder was due to the reasons described above.

Tax expense

Tax expense increased by £0.4 million to £0.5 million for the year ended December 31, 2014 from £0.1 million for the year ended December 31, 2013. This increase was driven by an increase in the amount of profit subject to the corporation tax.

Profit/(loss) for the year

Profit/(loss) for the year ended December 31, 2014 was a loss of £13.6 million, compared to a profit of £116.8 million in the year ended December 31, 2013. This was due to the reasons described above.

Liquidity and Capital Resources

Liquidity describes our ability to generate sufficient cash flows to meet the cash requirements of our business operations, including working capital needs, capital expenditures, debt service obligations, other commitments, contractual obligations and acquisitions. Liquidity risk is the risk that we would be unable to meet our current and future financial obligations as they fall due or can do so only at excessive cost.

Our primary funding sources have historically included cash from operations, third-party liquidity lines, variable funding notes and publicly issued term notes under our Securitization Structures. Following the Transactions, the Revolving Credit Facility will also be available to meet our liquidity needs. See "*Description of Certain Financing Arrangements—Revolving Credit Facility.*" We are subject to various covenants under existing funding facilities, as well as regulatory capital requirements for a subsidiary that holds our regulatory licenses. These covenants and requirements impose minimum levels of capital and liquidity. Pursuant to these covenants and requirements, we hold cash that is restricted from being used. Restricted Cash amounted to £33.1 million as of December 31, 2015 and £36.8 million as of September 30, 2016. Further, our Securitization Structures are subject to early amortization events which, if triggered, will require us to seek immediate sources of replacement funding to replace funds obtained from its Securitization Structures. In addition, we maintain cash and cash equivalents to meet our liquidity and funding needs, over and above our restricted cash. As additional sources of liquidity, we had £661.2 million of undrawn committed capacity under our Securitization Structures as of September 30, 2016. The increase in committed capacity under the Securitization Structures was primarily due to a further issuance of notes in accordance with the Own-Brands Securitization Structure and the seasonality of the portfolio as December is when customer spend levels are at their highest.

The following table sets forth our liquidity portfolio and undrawn committed capacity information as of September 30, 2016 and December 31, 2015.

	As of September 30, 2016
	(£ in millions)
Cash and cash equivalents (excluding restricted cash)	103.4
Undrawn committed capacity	**661.2**
Undrawn committed capacity under credit facilities	0.0
Undrawn committed capacity under securitization and warehouse financings	661.2
Total cash and cash equivalents and undrawn committed capacity	**764.6**

The following tables summaries further information concerning our credit facilities and securitized financings during the periods indicated.

	For the year ended December 31,								
	2013			2014			2015		
	Average Balance	%	Average Rate (%)	Average Balance	%	Average Rate (%)	Average Balance	%	Average Rate (%)
				(£ in millions)					
Credit facilities	651.6	100.0	5.5	869.0	94.5	5.4	156.4	15.3	5.6
Securitized financings	—	—	—	21.4	2.3	0.9	635.6	62.0	1.3
Variable funding notes	—	—	—	28.8	3.1	1.2	233.4	22.8	1.5
Total	**651.6**	**100**	**5.5**	**919.2**	**100**	**5.2**	**1,025.4**	**100**	**2.0**

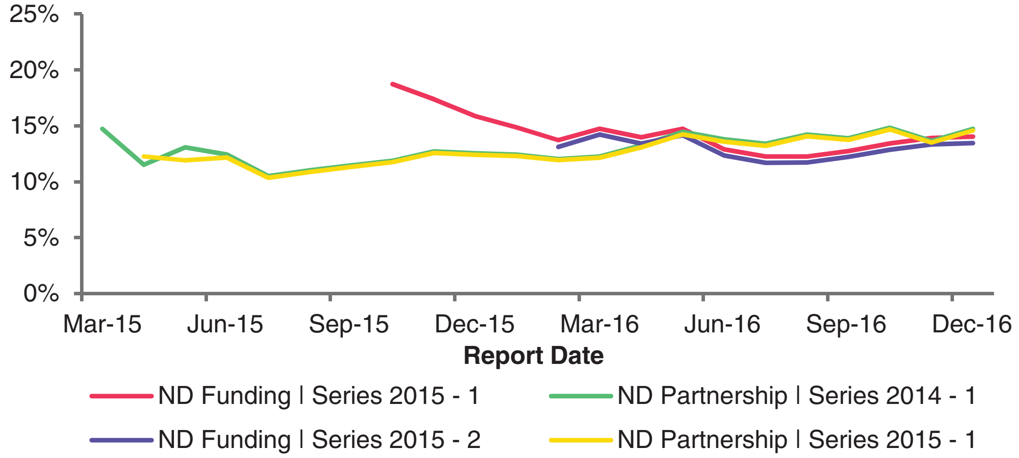
Our primary liquidity and funding need is making loans and advances to credit card and store card customers, while our secondary need will be to pay interest on our debt following the Transactions. Individual customer behavior varies, but typically the card balances are used as revolving credit facilities, where contributions towards outstanding balances and draw-downs are made over time and from time to time. The inclusion within our funding structure of liquidity lines, and the inclusion within the securitized and warehouse financings of variable funding notes (which can be drawn, repaid and redrawn), is designed to accommodate short-term fluctuations in our credit card, and where relevant, store card and installment credit, receivables, which aims to mitigate our liquidity risk. The Securitization Structures also allow for future issues of public term notes, which can increase our longer-term funding and refinance maturing long-term funding, market conditions permitting.

Finance cash flows generated by the assigned receivables in the Securitization Structures ("**Collections**") are applied pursuant to one or more priority of payments waterfalls on a monthly basis. The surplus Collections available after such priority of payments waterfalls is referred to as "excess spread". Such surplus Collections are ultimately available to the Transferor to make payments of principal and interest in respect of subordinated notes held by us, and are consequently available to us to fund our operations and future growth in receivables.

In addition, as the servicer of the Securitization Structures, NewDay Cards Ltd. is entitled to receive servicing fees on a monthly basis as part of the priority of payments waterfalls which provides for payment of the servicing fee ahead of coupon payments on the securitization bonds.

The chart below shows the excess spread (which is calculated monthly as a rolling three-month average) on selected outstanding series of our publicly issued term notes.

Excess spread (rolling 3-month average)



We have not included all of our outstanding securitization bonds in the chart above, such as our most recent publicly issued term notes due to their short history and the VFN notes issued under our Secondary Funding Facilities and our VFN notes issued from our master trusts, as the excess spread of such VFN notes are not directly comparable to the publicly issued term notes shown above or no debt has been issued under a particular facility to date. For example, our VFN notes are revolving in nature and inter-month drawings on those notes would impact calculations on a month-end basis. The excess spread for the following series, as calculated in December 2016 for the rolling three-month period, are:

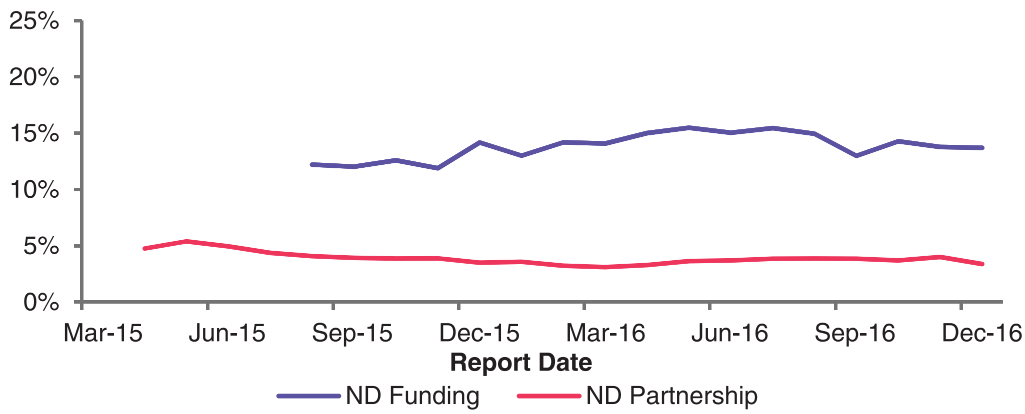
NewDay Secondary Funding Facility Senior VFN – 16.3%;
NewDay Funding Partnership Master Trust, Series 2014-VFN – 9.1%; and
NewDay Funding Master Trust, Series 2015-VFN – 9.2%.

There has been no outstanding debt to date under the NewDay Partnership Secondary Funding Facility Senior VFN.

The amount of Collections received in each monthly period and the cash which flows through each priority of payments waterfall is affected by, among other factors, the charge-off and recovery rates for the accounts underlying the assigned receivables during such period as well as the yield on credit cards and LIBOR. An increase or a decrease in any of these may increase or decrease the amount of cash flowing through such waterfalls which may ultimately be available to us.

The chart below reflects the gross charge-off rate (before recoveries) on the underlying accounts in each of our two master trust securitization facilities annualized on a monthly basis.

Gross annualized charge-off rate



Although we believe that our expected cash flows from operating activities, together with available borrowings will be adequate to meet our anticipated general liquidity needs and debt service obligations, we cannot assure you that our business will generate sufficient cash flows from operations to meet these needs or that future debt or equity financing will be available to us in an amount sufficient to enable us to fund our liquidity needs, including making payments on the Notes or other debt when due. If our cash flows from operating activities are lower than expected or our capital expenditure requirements exceed our projections, we may be required to seek additional financing, which may not be available on commercially reasonable terms, if at all. Our ability to arrange financing generally and the cost of our current and future debt obligations depends on numerous factors, including general economic conditions, the availability of credit from banks, other financial institutions and capital markets, restrictions in instruments governing our debt, and our general financial performance. See "*Risk Factors—Risks Relating to the Notes and Our Structure—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 Notes Guarantees*" and "*Risk Factors—Risks Relating to the Notes and Our Structure—We will require a significant amount of cash to service our debt and sustain our operations. Our ability to generate or raise sufficient cash depends on many factors beyond our control, and we may not be able to generate sufficient cash to service our debt*."

Cash Flows

The table below sets forth information regarding our cash flows for the periods indicated.

	For the year ended December 31,			For the nine months ended September 30,	
	2013	2014	2015	2015	2016
	(£ in millions)				
Net cash (used in)/generated from operating activities	(15.4)	50.0	(150.3)	(29.0)	(103.7)
Net cash used in investing activities	(771.4)	(4.0)	(2.5)	(2.4)	(3.6)
Net cash generated from/(used in) financing activities	757.2	(8.0)	153.6	69.9	137.0
Net (decrease)/increase in cash and cash equivalents	(29.6)	38.0	0.8	38.5	29.7
Cash and cash equivalents at the end of the period	34.9	72.9	73.7	111.4	103.4

Net cash generated from operating activities

Net cash used in operating activities for the year ended December 31, 2015 was £150.3 million, as compared to £50.0 million net cash generated from operating activities for the year ended December 31, 2014. This change was primarily due to the increase in receivables growth in the Own-Brands portfolio. This is offset by the increase in cash generated from financing activities.

Net cash generated from operating activities for the year ended December 31, 2014 was £50.0 million, as compared to £15.4 million net cash used in operating activities for the year ended December 31, 2013.

Net cash generated from investing activities

Net cash used in investing activities for the year ended December 31, 2015 was £2.5 million, as compared to £4.0 million net cash generated from investing activities for the year ended December 31, 2014. This change was related to purchases of property and equipment in 2014.

Net cash generated from investing activities for the year ended December 31, 2014 was £4.0 million, as compared to £771.4 million net cash used in investing activities for the year ended December 31, 2013 in connection with the Co-Brands Acquisition in 2013.

Net cash generated from financing activities

Net cash generated from financing activities for the year ended December 31, 2015 was £153.6 million, as compared to £8.0 million net cash used in financing activities for the year ended December 31, 2014. This change was primarily driven by an increase in amount of debt issued in 2015, which was greater than the amount of net debt issued in the year ended December 31, 2014 by £201.5 million. The increase was a result of the refinancing that took place during the year at increased leverage levels. The increased amount of borrowings in the year ended December 31, 2015 was partially offset by the payment of a distribution to shareholders in the amount of £40.4 million.

Net cash used in financing activities for the year ended December 31, 2014 was £8.0 million, as compared to £757.2 million net cash generated from financing activities for the year ended December 31, 2013. This was driven primarily by minimal repayment of borrowings during the year ended December 31, 2013, when the purchase price was paid for the Co-Brands Acquisition, which was accounted for in cash from investing activities for that year.

Capital Resources

Following the offering of the Notes and the use of proceeds therefrom, our debt service obligations will consist primarily of interest payments on the Notes, the Securitization Facilities and the Revolving Credit Facility. See "*Description of Certain Financing Arrangements—The Securitization Facilities.*"

Contractual Obligations

The following table sets forth the principal amount of our material contractual obligations as of September 30, 2016 on a pro forma basis after giving effect to the offering of the Notes and the use of proceeds therefrom, and the related principal amounts falling due within the periods indicated.

	Less than 1 year	1-5 years	More than 5 years	Total
Contractual obligations				
Notes offered hereby	—	—	425.0	425.0
Securitized Notes previously issued	—	1,195.5	—	1,195.5
Variable Funding Rate Notes previously issued	—	69.5	48.8	118.3
Operating lease commitments	2.1	8.1	6.5	16.7
Total	**2.1**	**1,273.1**	**55.3**	**1,330.5**

Off-Balance Sheet Arrangements

We have unused credit available to our customers as part of established credit card agreements. Total unused credit available to customers does not represent potential future cash requirements, as a significant portion of this unused credit will likely not be drawn and because we have the right to change customer credit limits.

Quantitative and Qualitative Disclosures about Market Risk

In the ordinary course of business, we are exposed to a variety of market risks, including credit risk and interest rate risk.

Credit risk

We are exposed to credit risk on loans and advances to customers and other financial assets. Credit risk is the risk that we will incur a loss because our customers or counterparties fail to discharge their contractual obligations. We manage and control credit risk by setting limits on the amount of risk we are willing to accept for individual counterparties and monitoring exposures in relation to such limits.

Credit risk exposure from customers is managed throughout the lifecycle of the relationship between us and the customer, underpinned by proprietary models which have been developed from customers' historical credit performance and are used to forecast a probability of default given a level of credit. At the point of originating a new account, the risk profile is assessed against the credit policy and scorecard cut off, aligned to the product applied for, to determine the terms and credit limit offered. Credit assessment utilizes a combination of customer provided data as well as data sourced from multiple credit reference agencies.

Impairment assessment

In accordance with IAS 39, we use an incurred loss model for the recognition of impairment losses on financial assets. This means that losses can only be recognized when objective evidence of a specific loss event has been observed. Trigger events include the following:

- indication of significant financial difficulty of a customer or a breach of contract such as a default of payment;

- where we grant the customer a concession due to the customer experiencing financial difficulty;
- it becomes probable that the customer will enter bankruptcy or other financial reorganization; or
- other observable data that suggests that there is a decrease in the estimated future cash flows from the loans.

A monthly assessment of our existing customers' risk profiles determines if their credit limit is still appropriate for their borrowing needs. The proprietary models utilize spend and payment behavior from products we hold as well as products with other providers to determine if a credit limit increase or decrease should be presented to the customer.

Risk-based arrears management combined with specific contact strategies ensure that letters, inbound and outbound telephony, use of SMS and email are deployed in a way which manages credit risks. Contact is established with customers to understand the reason behind missed payments and to understand if potential future concerns exist over payments due. Strategies are then deployed to ensure the customers in arrears are supported in returning to an up-to-date position or appropriate forbearance arrangements are put into place.

We have a range of treatments for customers who are experiencing financial stress through concessions which can be applied on a short term or permanent basis where there is no detriment to the customer. Forbearance or other temporary arrangements are designed to ensure that the customer's product remains sustainable and aligned to their personal circumstances. A customer identified as being in financial difficulty will be managed on an individual basis, with the appropriate understanding of personal circumstances and priority debt being key factors in judging if a suitable arrangement can be made so the debt repayment becomes affordable and sustainable.

The provision of such arrangements is managed through the operational centers and governed via several methods, including, but not limited to: operational policy framework, controls against the execution of the policy, regular quality assurance reviews and customer outcomes through regular reporting.

Forbearance arrangements span a vast spectrum of relief and time, ranging from a temporary suspension of fees and interest, which allows a customer the time to assess their options and complete an income and expenditure assessment which is issued to them, through matched contributions to bring customers back into a more sustainable position and extending to an indefinite suspension of fees and interest with a contribution from the customer being made on a monthly basis.

We have established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties. Counterparty limits are established using a credit risk classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. The credit quality review process aims to allow us to assess the potential loss as a result of the risks to which it is exposed and to take corrective action where appropriate.

Collectively assessed allowances

Allowances are assessed collectively for impairment losses on loans and advances to customers due to the fact that balances are not individually significant.

We generally base our analyses on historical experience. However, in response to significant regional and/or global market developments, we would include macro-economic factors within our assessments. These factors depend on the characteristics of the assessment but include: unemployment rates; current levels of bad debt; change in the law; change in regulation; bankruptcy trends; and other consumer data. We may use the aforementioned factors as appropriate to adjust impairment allowances.

A collective assessment is made for groups of assets with similar risk characteristics, in order to determine whether a provision should be made due to incurred loss events. The collective assessment takes account of data from the loan portfolio, such as historical losses on the portfolio, levels of arrears, credit utilization, and expected receipts and recoveries once impaired. The emergence period, being the delay between the time a loss crystallizes or is incurred and the time that trigger event is identified, is also taken into consideration. The impairment allowance is then reviewed by credit management to ensure alignment with our overall policy.

Interest rate risk/market risk

Market risk is defined as the risk of market movements that will negatively affect the value of the Group's assets and liabilities. The only material market risk that we are exposed to is interest rate risk.

The main source of interest rate risk for us arises where there is a significant difference between the interest rate bases on assets compared to liabilities. Our assets are predominantly variable rate and are sensitive to interest rate movements to the extent that we are prohibited from re-pricing the portfolio of assets. Our funding is LIBOR-based floating rate and therefore is also sensitive to interest rate movements.

Funding risk

Loans and advances to customers constitute primarily store and credit cards as well as point of sale finance receivables. All cardholder receivables are contractually repayable on demand and have been disclosed as such. Individual cardholder customer behavior varies and the cards are used as revolving facilities where drawdowns and repayments towards outstanding balances are made over time. The point of sale finance receivables follow a pre-agreed repayment schedule and have been disclosed accordingly.

Of the £1,313.8 million debt issued, £1,265.0 million has a scheduled redemption date of one to five years and £48.8 million has a scheduled redemption date of more than five years. However, as the movement in debt funding matches the contractual profile of the card balances (as described above), the contractual maturity profile of the debt will match the expected maturity of the card receivable balances and therefore has been disclosed as largely repayable on demand.

Critical Accounting Estimates and Judgments

The preparation of financial statements in conformity with IFRS requires our management to make judgments, estimates and assumptions that affect the application of accounting policies, the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Although these estimates are based on management's best knowledge at the time, differing assumptions could yield different results and actual results may ultimately differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are most significant to the financial statements, including those set forth below, are discussed in note 2.3 of the our consolidated financial statements for 2015.

Impairment losses on loans and advances to customers

We review our individually significant loans and advances at each balance sheet date to assess whether an impairment loss should be recorded in the income statement. In particular, judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Individually insignificant loans and advances are assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident. The collective assessment is calculated by multiplying the flow rate by the eventual loss on each obligor. The key determinants of the flow rate are the loss emergence period (the time taken from the impairment event to it becoming evident to the Target Group, measured by the loan falling into arrears) and the likelihood that a loan in arrears reaches charge-off (180 days in arrears) over the outcome period. The key determinants of the loss rate are the timing and value of recoveries of charged off loans. The collective assessment takes account of data from the loan portfolio (such as historical losses on the portfolio, levels of arrears, credit utilization, and expected receipts and recoveries once impaired), and judgments on the effect of concentrations of risks and economic data (including levels of unemployment, current levels of bad debt, change in the law or regulation, bankruptcy trends and other consumer data).

The principal sensitivity in the provision calculation (which is performed at each reporting period and described in our annual accounts) is the probability of default, the amounts to be recovered on credit losses and the emergence period (being the delay between the time a loss crystallizes or is incurred and the time that trigger event is identified). As of September 30, 2016, a +/- 10% movement in the probability of charge-offs would have resulted in +/- £4.8 million (December 31, 2015: £3.9 million, December 31, 2014: £4.4 million and December 31, 2013: £3.1 million) impact on the total provision required. A +/- £0.01 movement on recoveries expected on credit losses would have resulted +/- £0.8 million as of September 30, 2016 (December 31 2015: £0.7 million; December 31, 2014: £0.7 million and December 31, 2013: £0.3 million) impact on the total provision required. If the emergence period was changed by +/- one month, the impact on the impairment provision would have been +/- £10.7 million as of September 30 2016 (December 31, 2015: £8.2 million; December 31, 2014: £5.4 million and December 31, 2013: £4.3 million). The sensitivities do not take into account the various measures and actions that can be taken by management prior to impairments having to be recorded. For example, fewer new accounts can be approved or credit line increases can be more tightly managed.

The impairment loss on loans and advances is disclosed in more detail in note 5 to the Unaudited Interim Financial Statements, note 11 to the 2015 and 2014 audited financial statements and note 19.4 to the 2013 audited financial statements.

Payment protection insurance provisions

PPI provisions relate to our obligations in respect of matters relating to the sale of PPI policies to cardholders. Whilst we have not sold any PPI policies directly, in certain circumstances we may be liable for PPI policies that were sold to cardholders whose accounts were subsequently acquired by, or assigned to, us by the previous owners or subsequent service providers.

The provision reflects our current view of the expected future liability based on historical information and using our best judgment regarding future developments. We have calculated the provisions by making a number of assumptions based upon current and historical experience and future expectations, having also taken legal and regulatory developments into account including the FCA's consultation paper "CP1/39 and CP16/20: Rules and guidance on payment protection insurance complaints."

As of September 30, 2016, the total cost associated with our PPI claims is estimated at £99.2 million (December 31, 2015: £81.4 million; December 31, 2014: £43.3 million and December 31, 2013: £24.7 million), out of which £40.1 million has been settled by September 30, 2016 (December 31, 2015: £31.4 million; December 31, 2014: £22.4 million and December 31, 2013: £17.0 million), leaving a provision of £59.1 million as of September 30, 2016 (December 31, 2015: £50.0 million; December 31, 2014: £20.9 million and December 31, 2013: £7.7 million) in respect of future costs.

The principal sensitivities in the PPI provision calculation are: volume of policies affected, uphold rate and average redress amount. Testing the provision for sensitivity, a +/- 5% movement in uphold rate resulted in a +/- £0.9 million movement in the level of provision required, a +/- 5% movement in the claim rate resulted in a +/- £0.9 million movement in the level of the provision required and a +/- 10% movement in average redress amount resulted in a +/- £5.6 million (+/- 7%) movement in the level of provision required as of September 30, 2016.

See note 7 to the Unaudited Interim Financial Statements, note 16 to the 2015 and 2014 audited financial statements and note 17 to the 2013 audited financial statements.

Fair value unwind

Where the fair values of assets and liabilities cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgment is required to establish fair values. A key judgment is the expected life of the acquired portfolio, which determines the period over which any discount or premium on acquisition is amortized.

Consumer Credit Act (CCA) provision

The CCA provision relates to our obligations in respect of non-compliance with the requirements of the Consumer Credit Act and related issues. Our obligations arise from compensating customers for interest and fees charged on their accounts during the period of non-compliance with the CCA. We have calculated the provision by analyzing the accounts impacted and computing the total amount of interest and fees charged on these accounts during the period of non-compliance. An element of this provision relates to where the seller of the accounts to us has not complied with the requirements of the CCA and in relation to the Co-Brands portfolio acquired from Santander UK we are fully compensated and a corresponding asset has been recorded.

Accounting Treatment of the Securitization Structures

We are primarily funded through two securitization financing arrangements, the Co-Brands and Own-Brands Master Trusts. The Securitization Structures, which consist of several special purposes vehicles, have issued multiple series of debt instruments and variable funding notes external to our Group, backed by the cash flows of the receivables portfolios. See "*Description of Certain Financing Arrangements—The Securitization Facilities.*" Several securitization vehicles are consolidated in our consolidated financial statements in accordance with IFRS 10, as if they were wholly owned subsidiaries. Receivables held in the Securitization Structures are maintained on our consolidated balance sheet as assets due from our customers and the associated interest receivable credited to our profit and loss account. The debt instruments issued by the Securitization Structures are maintained on our balance sheet as liabilities with interest and costs expensed through our profit and loss account.

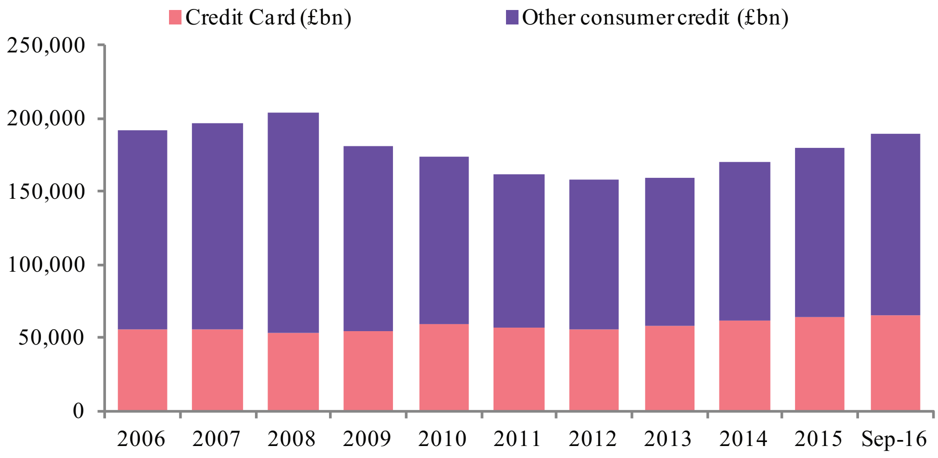
For more information about the accounting treatment of the Securitization Entities, see note 23 of our consolidated financial statements.

Industry Overview

Overview of the UK Credit Card Industry

As of September 2016, there was approximately £189 billion of unsecured consumer credit debt outstanding in the United Kingdom, comprised of £65.8 billion of credit card debt and £123.1 billion of other consumer debt, as reported by the Bank of England. As shown in the chart below, borrowers reduced their outstanding debt in the years immediately following the global financial crisis of 2008-2009; however this period of retrenchment ended in 2012, with total unsecured debt returning to 2009 levels by the end of 2015, in nominal terms.

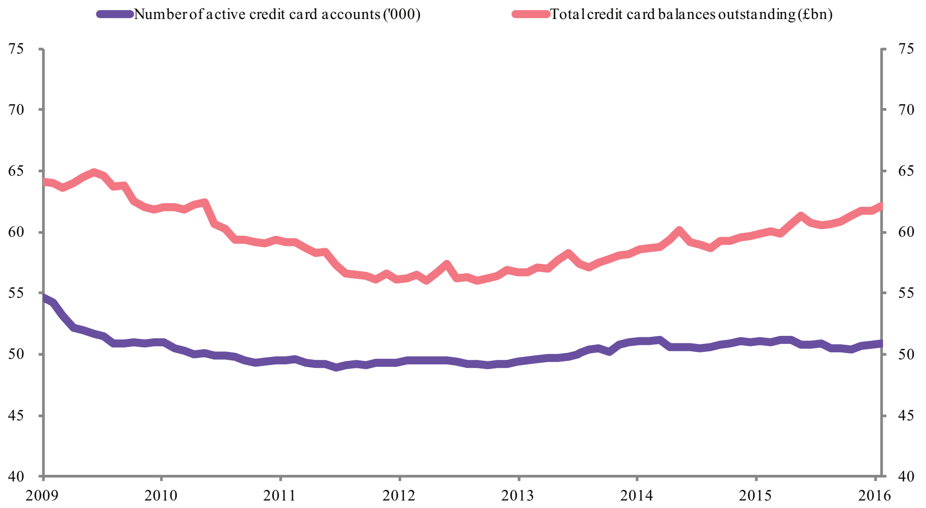
Unsecured Personal Debt in the United Kingdom



Source: Bank of England

Mainstream lenders in the United Kingdom reduced their exposure to the credit card market in the years after 2009, resulting in a decline in credit card balances and credit cards in issue from 2008 to 2013; however this trend started to reverse in 2014, with the number of cards in issue remaining relatively stable and average balances rising to over £1,200 per active credit card account as of August 2016, according to the British Bankers Association ("**BBA**").

Total credit card balances outstanding and number of active credit card accounts in issue



Source: British Bankers Association

Providers of credit

Credit card issuers can broadly be categorized into those credit providers that are part of a larger banking institution, such as high street banks, and those that are independent credit providers. Larger banks tend to offer credit card products as part of their broader service proposition to their existing customer base and distribute their products primarily through their retail branch networks. Credit card issuers that are part of a banking institution are regulated by the PRA and therefore are subject to prudential capital regulations.

Independent credit providers, on the other hand, typically focus on a specialist product that they market to a defined customer segment. Such customer segments, for example, can include lower-income earners with little or no credit history or, conversely, customers at the higher end of the credit spectrum which require a greater level of personalized service alongside the typical financing aspect of a credit card offering. Specialist lenders typically distribute lending products through branchless channels, such as broker networks, online and digital channels.

Independent, non-bank credit card issuers are regulated by the FCA, which requires supervised firms to have adequate financial resources; however they are not typically subject to prudential capital regulations. Instead, independent credit card issuers may have leverage limitations arising out of covenants from their financing arrangements that impose minimum levels of capital and liquidity and maximum levels of debt. Independent credit card issuers, largely rely on wholesale funding to finance themselves. This type of funding can take different forms, including term loans, credit facilities with banking institutions, or securitization programs, which allow issuers to issue debt backed by receivables from lending on their credit cards.

Customer Segmentation

In general, credit cards are designed to facilitate retail transactions for consumers. However, the exact usage typically depends on the customer. While credit cards may fulfill merely a transaction processing function bundled with the ability to accumulate loyalty points for certain types of customers, others are more likely to depend on credit cards as a means to finance the purchases of consumer goods and services on an ongoing basis through the extension of credit. These customers rely on credit cards for making transactions and may choose to revolve the balance making only the minimum payment (or any other payment less than the full balance) each month or to pay off the balance in full each month.

In broad terms, the type of customer financed, including the annual rate being charged, can be differentiated depending on where the customer is placed on the credit rating spectrum that evaluates his or her credit worthiness.

The credit rating spectrum ranges from super-prime (encompassing customers with the highest credit worthiness) to prime (above average credit worthiness), near-prime and sub-prime. Whereas in the United States the different positions on the credit rating spectrum can be arithmetically distinguished by a commonly used credit score, i.e., FICO score, there are no widely accepted quantitative definitions for each credit market segment in the United Kingdom. Instead, the boundaries of each market segment are in part determined by the types of customers and their respective credit characteristics, including an assessment of the affordability of the debt, for which businesses compete.

The term “prime” refers to customers whose credit histories do not reflect any recent adverse credit events that may indicate a lesser ability to service debt. Prime customers typically have a longer credit history and a stable repayment pattern on debt. They use cards as a more convenient payment tool, to accumulate loyalty points and / or as a mean for purchasing higher ticket items or debt consolidation (for example, 0% balance transfer offers). In general terms, default rates on lending to super-prime and prime customers are expected to be lower than default rates for near-prime and sub-prime customers, so super-prime and prime customers tend to be charged the lowest APRs. In comparison to prime customers, super prime customers tend to have low or no borrowing requirements and are almost entirely motivated by reward / added card benefits.

Customers are categorized as near-prime if they exhibit one or more characteristic which prevents them from accessing mainstream credit from high street banks. We characterize near-prime customers into the following four segments:

- New to credit—customers who have a “thin” credit history because they are a first time credit user
- Second chance—customers who have had a negative credit event in the past and are seeking to rebuild their credit history
- Low income—customers working in low-paid sectors or part-time jobs
- Sole traders—customers who are working for themselves

Near-prime customers tend to be charged higher average APRs than prime customers, with default levels on lending to such customers expected to be higher than those for prime customers.

Sub-prime customers are those that have a credit history that would make them ineligible for credit from either a mainstream lender or prime or near-prime credit provider, typically as a result of an individual's employment status, annual household income or a significant adverse credit history. Sub-prime customers tend to be charged a higher average APR than near-prime customers, with default levels on lending to such customers correspondingly higher.

Since 2009, mainstream lenders have tightened their lending criteria and refocused their lending activities on customers in the prime, respectively super-prime segments, while certain lenders have exited the business entirely. As a result, near-prime borrowers may find it difficult to open a credit card account with a mainstream provider. This has allowed independent credit card issuers with a focus on the near-prime segment, such as NewDay, to penetrate the market and grow.

While there is significant competition across the United Kingdom credit card industry, the intensity of competition differs across the various segments in the market and competition generally occurs within a certain credit segment rather than across the spectrum. Today, the high street banks serve a large share of the prime credit card market, (in particular, through balance transfer offers, purchase offers and cardholder reward) while independent issuers have a greater share in certain specific niches of the overall credit card market, such as in the near-prime and co-brands sectors.

With the exception of Barclays, high street banks in the United Kingdom typically do not compete in the near-prime or sub-prime segments of the market. We believe that the difficulties associated with entering a new market segment, such as the need to develop new products and scorecards, as well as strategic and brand image concerns for large financial institutions position us well to grow our portfolio. Moreover, established players within a market segment have the competitive advantage of owning historic customer data and payment patterns that allow them to price credit risk more efficiently than a new entrant.

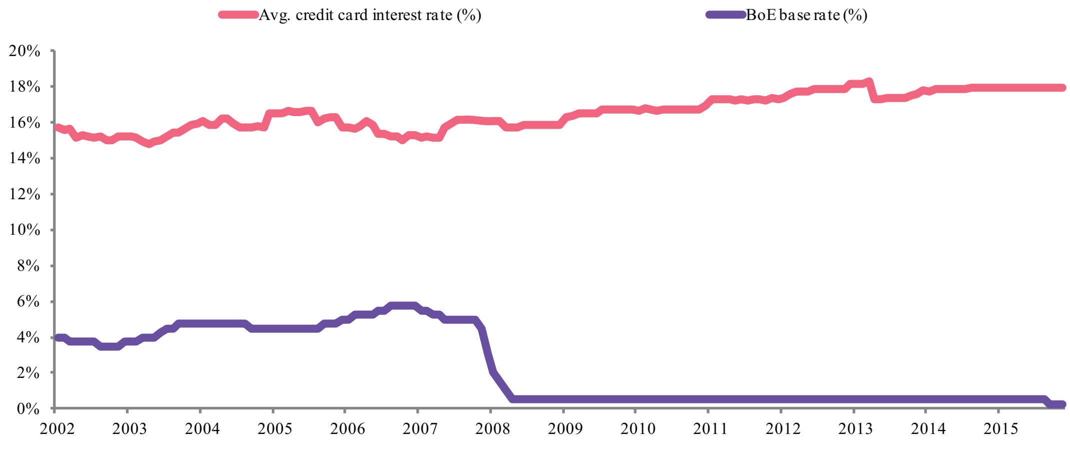
Key Drivers of profitability

Profitability for credit card issuers is driven by the differential between the interest rates and other fees charged to customers and a combination of the issuer's cost of borrowing funds and credit losses. A key consideration in generating profits is controlling credit quality whilst balancing the need to achieve growth in credit provided. The lack of a branch network means independent issuers (i.e., card issuers that are not owned by a banking institution) are required to spend a greater proportion of their revenues in marketing and creating brand awareness, though they save costs associated with the operation and maintenance of a branch network.

Interest income and interest expense

Annual percentage rates charged on credit cards in the United Kingdom have historically shown little correlation with the BoE base rate. Post the financial crisis, interest rates in the United Kingdom have fallen significantly and continued to remain at historically low levels, while the average interest rate on credit card receivables has trended slightly upwards, resulting in a prolonged period of high margins in the credit card sector since 2009.

Average credit card interest rate vs. Bank of England rate (%)



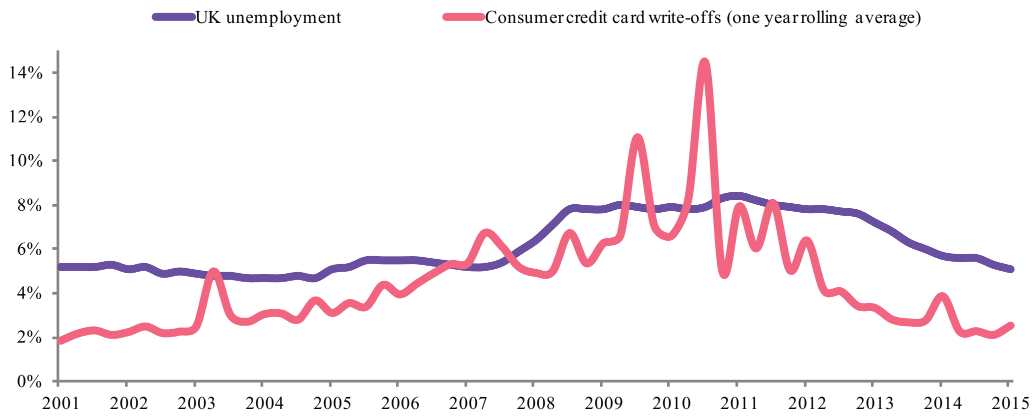
Source: Bank of England

Impairments / charge-offs

There has historically been a strong relationship between economic conditions in the United Kingdom and the performance of the United Kingdom's domestic financial services industry. Unsecured debt, such as credit card debt, is more at risk of default during times of high unemployment and low real household income growth.

During the financial crisis, UK unemployment in the same period reached a peak of 8.5% in 2011 and has been declining since. As a result, and with an approximate time lag of one year, the credit card industry incurred significant impairments on credit card loans, peaking at approximately 14% of total credit extended to customers in 2012. Since then, there has been a steady decline in the amount of write-offs, both on a nominal basis as well as on a percentage of receivables basis, reflecting improved labor market conditions.

Credit card write-offs as percentage of outstanding balances in relation to UK unemployment



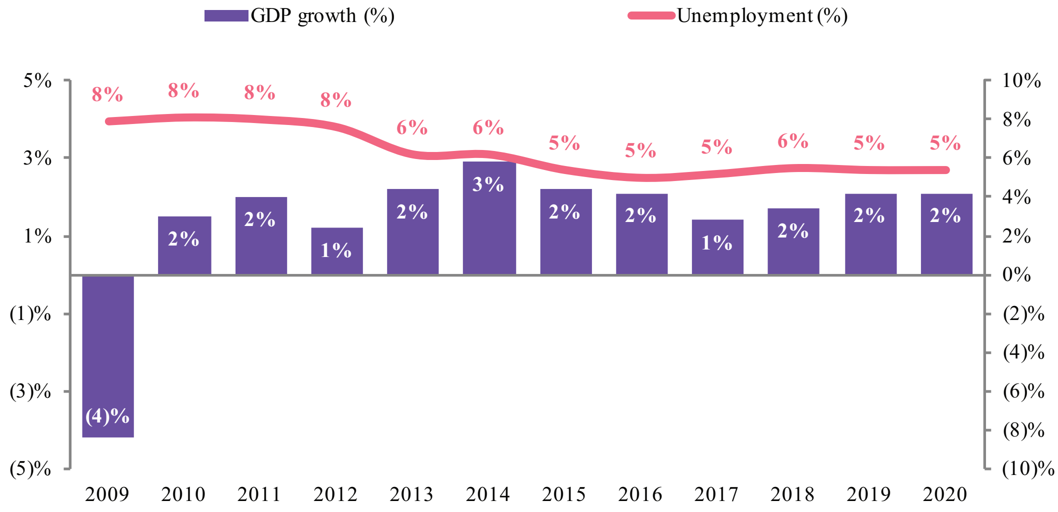
Source: Bank of England, ONS
Note: UK unemployment data shown with one year delay relative to consumer credit card write-offs

Rising interest rates have a less direct impact on customer defaults. Given the relatively higher APRs of credit cards compared to other, particularly secured, financial products, an increase in the base interest rate set by the Bank of England has a limited impact on a customer's ability to service their credit card repayments. The more significant impact on the general population occurs due to increased payment rates on other outstanding forms of credit, in particular mortgages. As mortgage repayment rates are most impacted by interest rate rises, lower credit quality borrowers tend to be less vulnerable to such changes in economic conditions due to lower levels of home ownership which in turn has a positive impact on their ability to service other forms of debt, including credit cards.

Current Market Conditions

The UK economy has experienced a gradual recovery following the global financial crisis of 2008-09, with real GDP growing at a compound annual growth rate ("**CAGR**") of 2.0% from 2009 to 2015. The results of the UK referendum on European Union membership have introduced some additional uncertainty into future expectations for the UK economy; however, there has been limited impact to date on retail consumer behavior, unemployment or consumer credit. The latest UK Office of Budget Responsibility statistics dated November 16, 2016 currently forecasts the UK economy to grow its GDP at 2.1% in 2016 and 1.4% in 2017. Supported by economic growth, the unemployment rate has declined from a peak level of 8.1% of the working age population in 2011 to 4.9% as of June 2016, which is the lowest level since 2004, according to the ONS.

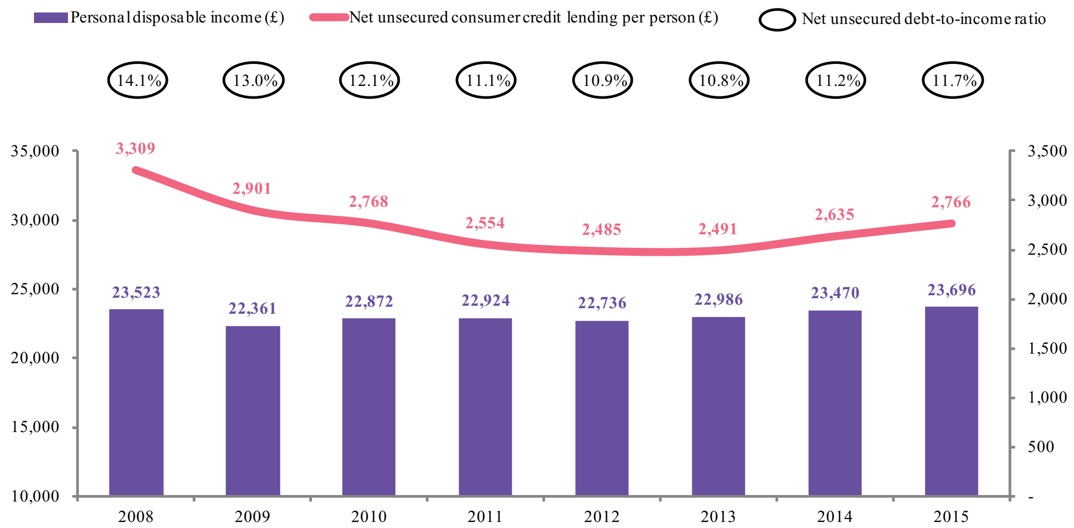
Real GDP growth and unemployment from 2009 to 2020



Source: OBR (May 2016), ONS (October 2016)

The favorable macroeconomic environment in the United Kingdom in recent years has contributed to an increase in average personal disposable income, which rose by a CAGR of 1.0%, from £22,361 in 2009 to £23,696 at the end of 2015 surpassing pre-crisis levels. As shown in the chart below, net unsecured consumer credit lending in the United Kingdom has declined from £3,309 per person in 2008 to £2,766 in 2015, representing a 2.5% annualized decrease. The resulting reduction in the net unsecured debt-to-income ratio between 2008 and 2015 shows that there is yet scope for UK households to increase borrowings going forward.

Personal disposable income and net unsecured consumer credit lending per person from 2008 to 2015



Source: ONS, Bank of England

Together, these favorable macroeconomic conditions should be supportive of a continuous positive development in the credit card industry over the coming years.

Overview of the Near-Prime Market Sector

NewDay's Own-Brands business currently operates primarily in the near-prime market segment, and, as such, Own-Brands customers exhibit the credit characteristics that would typically define them as near-prime in the industry.

The following table shows the illustrative difference in economics between prime and near-prime issuers. As illustrated by the more attractive risk-adjusted margin, the higher headline APR in the near-prime segment more than compensates for the increased impairments.

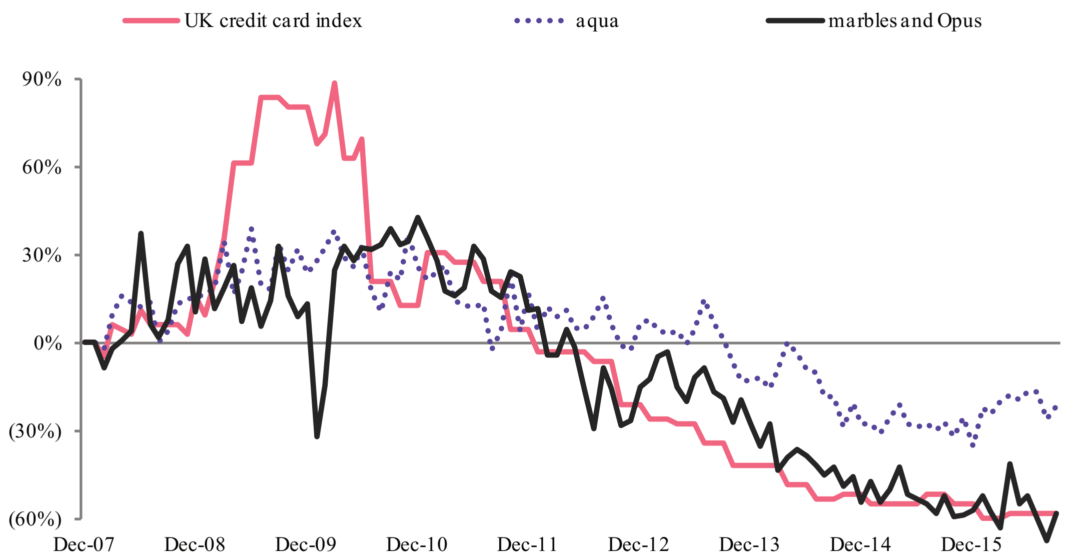
Sample prime credit card issuer		NewDay Own-Brands	
Net interest income from loans and advances to customers	8.6%	Net interest income from loans and advances to customers[(a)]	26.7%
Fee income	0.6%	Fee income[(a)]	3.4%
Total income	**9.2%**	**Total income[(a)]**	**30.1%**
- Impairment	(2.6)%	- Impairment[(a)]	(14.4)%
Risk adjusted margin	**6.6%**	**Risk adjusted margin**	**15.6%**

Source: Bank of England, Nationwide Annual Report 2016, company financial information

(a) Represents, in each case, the applicable figure for the twelve months ended September 30, 2016 divided by Own-Brands gross receivables for the same period.

Through economic cycles, near-prime customers are typically more resilient to economic distress even though impairment rates are generally higher than in the prime segment. A lower proportion of homeowners in the customer base means that interest rate changes have a lower impact on cardholders’ ability to pay. This translates into a lower volatility in relative charge-offs across the cycle.

Relative change in charge-off rate (% of December 2007 level)



Source: Fitch Ratings, company disclosure

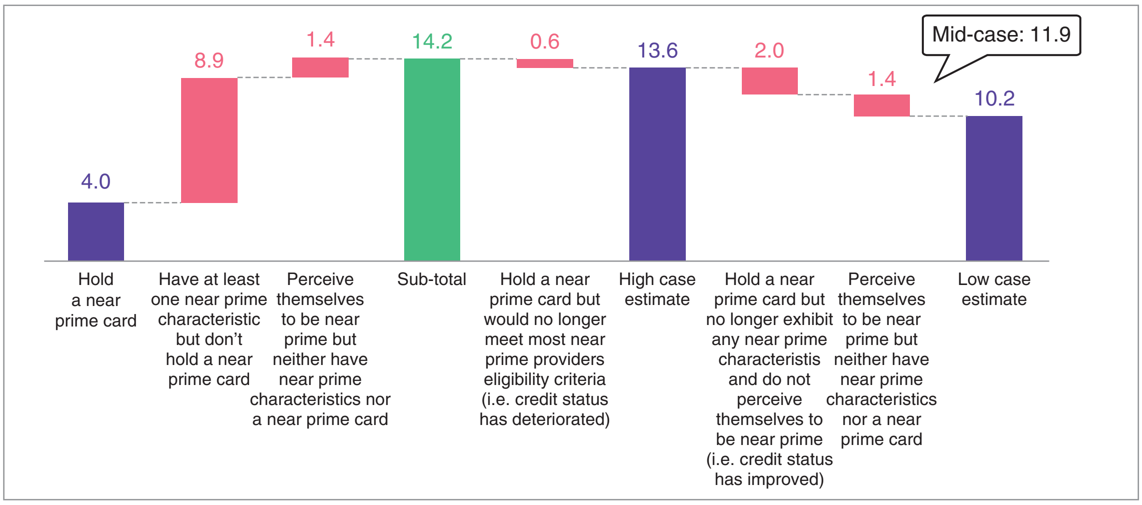
According to PwC, the total target near-prime market consists of three partially overlapping groups of consumers:

- consumers who already hold a near-prime card and therefore represent the existing or current stock in the market;
- consumers who have characteristics that indicate they may only be able to obtain a credit card from a near-prime lender; and
- consumers who perceive that they are near-prime irrespective of their actual credit status and therefore believe that they are unable to access credit from a mainstream lender.

The total target market is the sum of potential customers in these three groups, adjusted for any overlap and those consumers with near-prime credit characteristics that may choose not to take credit at all.

It is estimated that the targetable near-prime unsecured credit card market in the United Kingdom consists of between 10.2 and 13.6 million consumers, as illustrated in the graphic below.

UK near-prime population (number of people in millions)



Source: PwC "*Sizing the UK Near Prime Credit Card Market*" report (January 2016)

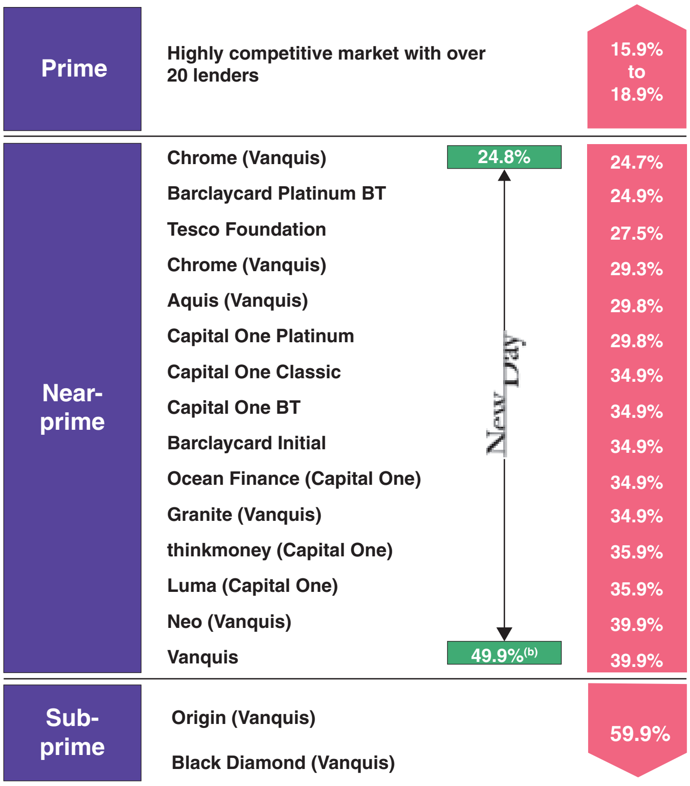
The near-prime market segment is a large, yet underpenetrated market with profitable customer segments and resilience to economic downturns. Only 34%, or 4.0 million customers, in this segment held a credit card compared to 73% in the prime segment as of June 30, 2016. Despite around 10 million potential new near-prime customers, there remains relatively limited competition due to high barriers to entry. The complexities involved, the data and time required to develop a proven credit model, which requires specialist expertise and is critical to operate in the near-prime segment, and the regulatory and compliance requirements are gating considerations for new entrants.

Near-prime credit card issuers typically market credit cards to customers through a number of non-branch channels, either directly or via aggregators. Digital channels include marketing on search engines and comparison websites as well as partnering with third party services. Other channels include direct marketing via text message, calls and referrals. Direct marketing also includes reaching out to customers who use search engines to look for credit cards, face-to-face sales and direct mail offers using credit reference agency data sources (e.g., Experian).

The major near-prime credit card issuers in the United Kingdom include NewDay, Vanquis Bank (a subsidiary of Provident Financial Group), Capital One and Barclaycard. Each of them has a range of products to target specific customer types. While innovation and competitor activity (pre-qualification, pre-approval, new products) continue to drive change across the major acquisition channels in the near-prime market, the number of major competitors operating in this segment has remained broadly unchanged. There have been more recent new entrants to the segment, for example, Tesco, but they remain relatively small scale and are still developing their credit underwriting models.

While challenger banks have increased competition in the banking space, their product offerings tend to be more similar to that of mainstream lenders and as such, their credit card offerings are focused on the prime segment of the market. Additionally, regulatory changes have had a further impact on smaller lenders in adjacent markets (e.g., unsecured personal lending and payday) and reduced competition further.

The graphic below illustrates the landscape of issuers (and corresponding product offerings) that compete in the near-prime segment of the market.



Source: Company websites and data extracted from MoneySupermarket.com as of 24 November 2016

There are other providers who will have products with near-prime credit characteristics and APRs typical of near-prime accounts but that do not specifically target near-prime as a customer segment.

Overview of the Co-Brands Market Sector

Consumer and retail businesses often contract with card issuers to provide a branded credit card or store card that rewards customers for their brand loyalty. These cards, which bear the logo of a non-financial services provider brand, may be provided at point of sale in stores or offered via direct marketing or online. The cards are marketed as a tool to finance purchases and may offer an initial discount or interest-free period to entice consumers. The majority of retailers enter into an agreement with a financial service provider to offer store-branded credit cards or store cards. However, some retailers choose to set up a company within their corporate group or joint ventures for this purpose. From a consumer perspective, Co-Brands cards are attractive in light of brand affinity, discounts and loyalty points, and value added services (e.g., free delivery). In addition, Co-Brands credit cards offer attractive promotional finance rates and the conventional purpose of providing credit.

The total targetable Co-Brands market is composed of customers with:

- store cards which can only be used for purchases with the issuing retailer (for example a Homebase store card or Topshop store card);
- retail branded credit cards which may be used universally (by virtue of being a Visa card, MasterCard, American Express card, etc.) and typically offer rewards schemes to incentivize their use (for example a John Lewis credit card or a Tesco Bank credit card); and
- other Co-Brands or rewards credit cards that have a rewards scheme to incentivize their use (for example a British Airways credit card, a Barclaycard Freedom Rewards credit card or a Marriott Rewards credit card).

There are two different consumer target groups:

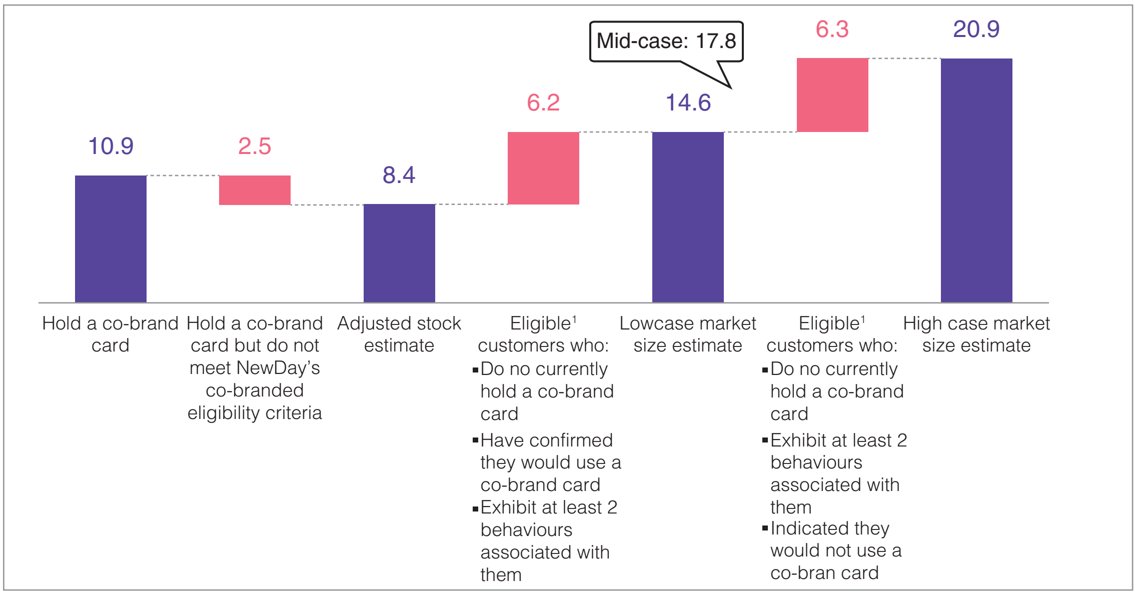
- consumers who already hold a store card, a retail branded credit card or another type of Co-Brands credit card (i.e., the current stock); and

- consumers who do not hold a card but exhibit characteristics that show they would both be eligible from a credit policy perspective and have behaviors that suggest that they may have a propensity to take a Co-Brands card should they be targeted with one.

The total targetable Co-Brands market in the United Kingdom is the sum of these two groups. Layering up each distinct category and adjusting for overlap between them provides an indicative market size estimate of people that could be targetable for a Co-Brands card by virtue of their current card holdings and behaviors. This market size is estimated at between 14.6 and 20.9 million consumers.

The graphic below illustrates the size of the UK targetable Co-Brands market.

UK targetable Co-Brands population (number of people in millions)



(1) Eligible customers refers to customers who would meet NewDay's credit policy

Source: PwC "*Sizing the UK Co-brand Card Market*" report (January 2016)

The customer profile of Co-Branded cards typically trends towards females (77% of cardholders) and homeowners (83% of cardholders), who tend to have good credit history. Similarly to Own-Brands, the Co-Brands segment is significantly underpenetrated (47%) relative to the prime segment. The credit risk on these cards is borne by the issuer rather than the brand and requires a screening process before they are offered a card. There are no differences between the Co-Brands cards and the Own-Brands cards in terms of how the cards are regulated, although there are some differences in the requirements relating to scorecards.

Co-branded credit cards continue to be a financially sustainable business model with opportunities for growth in the near-term. The combination of long-term stable partnerships, low costs of distribution due to the network of retail partners and the availability of a large customer base make this a highly profitable industry for lenders with an existing strong presence in the consumer lending space. In addition, NewDay's longstanding partnerships and the technological expertise required for customizing offerings to partners make this a long-term attractive prospect.

Retail partnerships are the key distribution channel in the co-brands sector and depending on the brand and offering type, the cards may be distributed at point of sale in retail stores or via direct marketing to regular customers (through digital and offline channels). Emerging channels of customer acquisition include the website and partner brand's retail applications. Often these channels are exclusive to the retailer. Card issuers look to grow the depth of relationships they maintain with retailers and other companies but this is often balanced with considerations concerning the potential number of customers and average billing size whilst ensuring regulatory compliance.

The Co-Brands credit and store card market has a limited number of major operators as it requires significant scale to operate effectively and profitably and there are a finite number of store relationships. In addition, a Co-Brands issuer needs to have flexible operating platforms and models in order to integrate into a retailer's trading platform. Key participants in this segment are HSBC (M&S Bank, John Lewis), American Express (Starwood, British Airways, Nectar), MBNA (Manchester United, Virgin Atlantic), Ikano (New Look, Ikea, Harveys) and Laser UK (Asda, Everton, Fulham FC).

The number of high street lenders issuing branded credit cards is relatively low. Some of the reasons for this may include the re-focus of such banks on their core lending areas as well as the requirement for specialist operational alignment with retailers which tends to require a critical mass in terms of portfolio size in order to be profitable.

NewDay's market positioning

	Led by	Products	Competitors	Risk profile
NewDay focus segment	Value added service	Marks & Spencer, ASDA, Debenhams, House of Fraser	HSBC, Ikano, Laser, mbna	Prime
	Spend & rewards	British Airways, Virgin Atlantic	American Express, mbna	Super prime
	Finance & credit	Argos, very	Shop Direct, Home Retail Group	Near-prime
	Charity/ affinity	Manchester United, WWF	Laser, mbna	Near-prime

Source: PwC, "*Sizing the UK Co-brand Card Market*" (June 2015)

As traditional high street sales shrink in terms of customer spend in the face of online sales growth, a new segment has emerged within the Co-Brands credit card market as the trend towards online shopping has gathered momentum. Retailers are increasingly looking for financial services partners that can complement their digital strategy or help strengthen it. In addition to point of sale cards, which are available at brick-and-mortar stores, issuers are now looking to financing opportunities for online shoppers, ranging from single-brand outlets such as Tommy Hilfiger to multi-brand stores such as House of Fraser and e-commerce websites such as Amazon. A key component in the transition to online sales is providing a level of customization based on each retailer's preferences. As the market grows, online financing is expected to grow at a healthy pace.

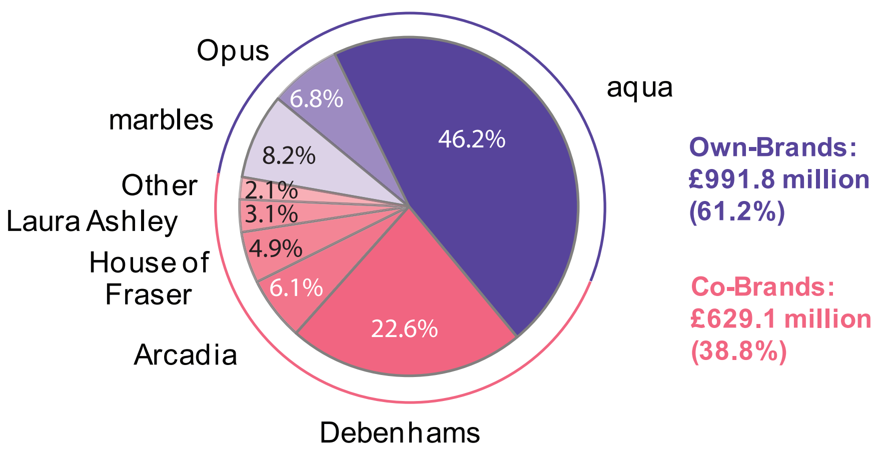
Overview

We are a leading UK consumer finance provider, specializing in the near-prime and co-brands sectors of the UK credit card market. These underpenetrated sectors provide significant potential for growth (through both increasing receivables and attracting new customers). As of September 30, 2016, we had approximately 5.6 million customers in the United Kingdom and £1,620.8 million of gross receivables. The proprietary credit models that we use to make credit decisions draw upon customer and market data that we have gathered over more than 15 years of lending through all phases of the credit cycle. We are an FCA authorized consumer credit firm and have developed innovative products and features to better meet the needs of both (i) our customers, by responsibly offering them the right credit services and (ii) our partners, by providing innovative digital capabilities and data analytics opportunities. We have a stable and flexible funding structure that includes relationships with a diverse group of international banks and an investor base covering various bond classes in our publicly listed asset-backed term debt. Our differentiated customer-focused Manifesto is the guiding principle that underlies our strong customer engagement, credit performance and regulatory relationships.

We have two primary businesses, each of which focuses on specialist credit offerings within a different sector of the consumer credit market.

- **Own-Brands**: In our Own-Brands business, we provide credit cards designed to meet the needs of customers in the near-prime sector of the UK credit card market. For more information about the near-prime sector of the UK credit card market, see "*Industry Overview*." We have issued credit cards in our Own-Brands business since 2002 and currently offer products under our *aqua* and *marbles* brands.
- **Co-Brands**: In our Co-Brands business, which we acquired from Santander UK in May 2013, we partner with well-known retail and consumer brands including Debenhams, House of Fraser, Laura Ashley and the Arcadia Group (namely, Topshop, Topman, Dorothy Perkins, Miss Selfridges, Wallis, Burton, Outfit and Evans) to provide co-branded credit cards and store cards to our partners' customers. Based on the observed credit performance of the overall portfolio, we classify the Co-Brands portfolio as a prime portfolio. As of September 30, 2016, our Co-Brands business represented 38.8% of our gross receivables. In November 2016, we partnered with the travel and tourism company, TUI, to launch the Thomson Credit Card.

The chart below provides information about our gross receivables as of September 30, 2016 for each of our key Own-Brands and Co-Brands products.



Own-Brands

Our Own-Brands business specializes in lending and providing credit cards to customers in the near-prime sector of the UK credit card market, in which we have been operating for more than 15 years. We have continually developed our credit models in this sector and proven our resilience through all phases of the credit cycle.

The near-prime sector of the UK credit market refers to customers who typically encounter difficulties accessing products such as credit cards from mainstream credit providers, but whose credit profiles are superior to sub-prime borrowers. Customers are categorized as near-prime if they are employed, but exhibit one or more additional characteristic, such as a "thin" credit history or a history of adverse credit events, that prevents them from accessing credit from mainstream credit providers. For example, customers in the near-prime sector may be first time credit users, or have an inconsistent address history, a low or fluctuating income or a lower credit score as a result of missing a payment on another obligation.

We have identified four customer segments within the near-prime sector that we target specifically.

- "New to Credit" includes individuals who have a "thin" credit history because they are first time credit users.
- "Second Chance" includes individuals looking to re-build their credit history following an adverse credit event.
- "Low Income" includes individuals working in lower-paid or part-time jobs.
- "Sole Trader" includes individuals working for themselves.

We provide a range of products within our Own-Brands business, each of which is designed to appeal to our customers' differing needs. We have achieved consistent and attractive returns across all of our customer segments. For more information on the current range of our Own-Brands products, see "*—Our Operations—Own-Brands Business*."

We provide responsible lending to customers in our Own-Brands business by deploying a "low and grow" strategy, offering new customers a low initial credit line (as low as £100 for some) until that customer demonstrates that he or she can actively manage and afford further credit in a responsible and sustainable manner. This strategy allows us to be more welcoming of near-prime customers whose risk profiles may make it difficult for them to access credit from high street banks and traditional lenders. The margins that we can achieve reflect the higher risk involved and provide a significant cushion against a rise in default rates.

We continually develop our data-driven underwriting processes to more optimally consider affordability, creditworthiness and sustainability before making a lending decision. The proprietary credit models that we use to make credit decisions draw upon customer and market data that we have gathered over more than 15 years of experience lending through all phases of the credit cycle. In addition to using these models when we make an initial decision to offer credit to a new customer, we also apply them as we regularly review the interest rates charged to our existing customers. Based on these reviews, we adjust our existing customers' credit limits (both increases and decreases) to respond to changes in a customer's circumstances and to ensure we continue to responsibly provide our customers with the right credit products. As part of our commitment to responsible lending, we seek to support our operations through our ongoing focus on robust management of all of our key risk areas, including conduct, liquidity, credit and operational risks. For more information about our approach to risk management, see "*—Risk Management*."

Our three Own-Brands credit card brands are: *aqua* and *marbles* (which are each open to new customers) and *Opus* (which is closed to new customers). We market and distribute our Own-Brands products through multiple digital and direct channels, such as through our own websites, websites of third parties (including aggregators and price comparison websites), and e-mail, direct mail and television advertising campaigns. In addition, we have established a strategic partnership with TotallyMoney.com to market our *marbles* product.

Co-Brands

In our Co-Brands business, we work closely with our retail partners to develop products and propositions to enhance the customer experience for their customers.

We operate a number of financial products for our brand partners in order to meet a variety of customer needs. Our primary Co-Brands products are store cards and credit cards. Store cards and credit cards are both credit products, but store cards can only be used in the stores of the retailer that offers the card, while Co-Brands credit cards do not have this restriction. We estimate that for every £1 a customer spends on a Co-Brands card in-store at one of our retail partners, they will typically spend nearly £3 on their Co-Brands card elsewhere.

We market and distribute our Co-Brands products primarily through our brand partners who promote our products in their stores and online. The products we offer through our Co-Brands business bear our partners' logos, but we underwrite the credit cards and store cards and provide ongoing credit risk management, billing and collections services, as well as information and support to facilitate marketing campaigns and other promotions targeting Co-Brands cardholders. Our relationship with Debenhams, House of Fraser, Laura Ashley and Arcadia, provide us opportunities to significantly scale our Co-Brands business through access to the cost-effective distribution of our Co-Brands products in over 2,700 UK stores and on retailer websites that attract more than one million visits per month on average.

Co-Brands customers typically seek a credit product that offers attractive rewards for consumers, such as brand loyalty points, discounts and/or unique value added benefits (e.g., preferred delivery options and exclusive experiences), in addition to serving the conventional purpose of providing credit. Our Co-Brands cards offer benefits (that are jointly built between us and our brand partner) and cannot be accessed through standard open market products. While the pool of customers who apply for Co-Brands cards varies from one brand partner to another, we classify the Co-Brands portfolio as a prime portfolio based on the observed credit performance of the overall portfolio. The customer profile of Co-Brands card holders typically trends towards homeowners with above average incomes who tend to have good credit histories.

We expanded our operations into the Co-Brands business segment when we acquired the Co-Brands portfolio from Santander UK in May 2013. The acquired portfolio consisted of more than 3.5 million customer accounts and had £943.2 million of customer balances at the time of the Co-Brands Acquisition. Following the Co-Brands Acquisition, we split the acquired portfolio into two separate portfolios, based on their growth strategies: (i) products offered in conjunction with our four core retail partners (i.e., Debenhams, House of Fraser, Laura Ashley and the Arcadia Group), covering eleven retail brands, with a clear strategy for growth (which we classify as "open books") and (ii) products, including certain point-of-sale loans, that were closed to new customer acquisition and had no active growth strategy because they were deemed to be sub-scale or non-core due to legacy retailer relationships that had ended (which we classify as "closed books"). For the twelve months ended September 30, 2016, 14.7% of customer spend at our four core retail partners were made using Co-Brands cards. Closed books represented 5% of our Co-Brands portfolio as of September 30, 2016.

We have longstanding relationships with our retail brand partners. Our four core retail partners have been a part of the Co-Brands portfolio for an average tenure of over ten years and there is an average remaining term of approximately four years on our current partner relationship agreements, providing stability to our Co-Brands business. We have renegotiated certain contracts since the Co-Brands Acquisition in order to better align our financial interests with those of our Co-Brands business partners.

In November 2016, we partnered with TUI, the travel and tourism company behind the leading holiday brands, Thomson and First Choice, to launch the Thomson Credit Card, which offers Thomson and First Choice's approximately 5.5 million customers in the United Kingdom opportunities to earn points towards their holiday bookings by using the Thomson Credit Card for their everyday spending.

We have invested significantly in digital capability, customer service, credit management and new product launches to stimulate growth in relation to our Co-Brands products (e.g., Buy Now Pay Later and 0% interest offers). As consumer credit has returned to growth following declines in 2008-09, consumer spending has been shifting towards digital channels. While high street stores still dominate customers' retail spending, with 78% of consumers buying in-store, online retail spending is a rapidly growing channel. Retailers are responding by investing in omni-channel, digital technology and big data capability projects. Our existing portfolio and digital innovations such as instant online spend provide digital growth capabilities for our Co-Brands partners, including enabling new customer acquisition channels, new products and further untapped data analytics opportunities. We believe that these digital developments provide our Co-Brands partners a better understanding of their customers and align consumer and retailer needs.

Unsecured Personal Loans

In December 2016, we launched an unsecured personal loan product to our Own-Brands customers, with the intention to progressively and prudently build this product over the near-term. Our unsecured personal loan products are not secured by personal assets of the borrower, such as a car or home, which makes this an attractive product for customers who do not have valuable property or assets that can be used as security. The unsecured nature of the loan also allows for quick access to funds for the users of this product, while providing the certainty connected with a fixed repayment schedule. We believe that we are uniquely positioned to provide this product due to our detailed customer credit data, our access to pre-qualified customers within our Own-Brands portfolio and our proven capabilities in credit management.

Funding program

We have a stable and flexible funding program that consists of traditional bank lines combined with securitization structures for our Own-Brands and Co-Brands businesses. We maintain relationships with a diverse group of international banks and an investor base covering various bond classes in our publicly listed asset-backed term debt. We are continually exploring alternative funding options to optimize our capital structure and fund receivables growth. See "*Description of Certain Financing Arrangements—Overview of the Securitization Facilities*."

Our Competitive Strengths

Leading player in attractive, underpenetrated market sectors. We believe that the market sectors in which we operate are underpenetrated, with significant growth potential. The near-prime consumer credit sector in the United Kingdom is large and growing but remains underserved by high street banks and other mainstream lenders. According to PwC estimates, there are between 10.2 and 13.6 million potential near-prime customers in the United Kingdom and only approximately one-third hold a near-prime credit card. Market trends in the UK credit market indicate consistent inflows of potential customers from both the prime and sub-prime sectors into the near-prime sector as customers' credit profiles evolve. Our long-standing experience in the consumer credit market enables us to recognize the different needs of different types of customers. As a result, we can customize our product offerings, marketing and communication approaches in the near-prime market sector.

Near-prime customers tend to demonstrate greater resilience to economic distress and less sensitivity towards interest rate movements than prime customers due to their lack of other credit obligations, such as mortgages or overdrafts. We believe that such customers are more likely to use credit cards as their primary credit source and protect that credit line during economic downturns. Historically, the 24-month utilization rate (calculated as average balance divided by average credit limit) for our Own-Brands credit cards has been approximately 60%, evidencing the importance of our products to our customers. Our product pricing covers the entire near-prime spectrum and our product offerings include our two well-known near-prime brands, *aqua* and *marbles*. The breadth of our product offerings allows customers to move between our products at different stages in their credit life, contributing to improved customer retention. Our penetration rate of the potential customers in the sector as of December 2015 was an estimated 7.0%, while only around one-third of potential near-prime customers in the United Kingdom held a near-prime credit card. Based on internal analysis, we estimate that our market share of new near-prime accounts opened during 2015 was over 20%, thereby providing significant opportunities to grow our overall market share over time.

Our ability to appropriately price near-prime risk and generate attractive returns by utilizing our credit expertise and proven credit models has allowed us to establish ourselves as a leading player in the near-prime sector. Credit card issuers in the prime sector of the consumer credit market, such as large banks, have a small presence in the near-prime sectors with Barclaycard being the only large bank competitor. The near-prime sector requires specialist knowledge that takes time, data, capability and experience to achieve. For example, near-prime customers, such as those who have lower credit scores as a result of a missed payment on another obligation, require closer analysis with respect to creditworthiness and a specialized ability to underwrite. Additionally, we are focused on and active in preventing delinquency, engaging with our customers early if their accounts are in arrears. We are committed to such proactive management to ensure the stable credit performance of our portfolio, which is not a traditional focus for prime issuers.

The co-brands market sector is similarly underpenetrated relative to the prime market with a penetration rate of approximately 47% as of June 2015. We believe that the co-brands market sector requires specialized expertise, and that we are well-placed to scale our Co-Brands business and to take on new brand partners on a selective basis. Our penetration rate of potential customers in the co-brands sector as of June 2015 was an estimated 25.9%. We are focused on providing our brand partners with value-added services and are able to provide "omni-channel" financial solutions that are designed to operate seamlessly (and sometimes instantly) across a retailer's digital and in-store retail operations, enhancing their sales. We are continually working to strengthen our customer experience propositions and currently work only with well-known, established brand partners.

Proven through-the-cycle credit risk management expertise and proprietary data analytics. Providing our customers with the appropriate level of credit and our robust risk management are the core of our business. We believe this focus differentiates us from our competitors and is the basis for our through-the-cycle risk management success. The success of our business is underpinned by specialist data analytics and bespoke and granular proprietary credit management models. Our proprietary credit models allow us to deliver optimized results and growth at all levels of the business.

Our risk management approach is more data intensive than that of traditional card issuers, both in terms of frequency of review and volume. We have evaluated 4.4 billion data points to construct our 26 proprietary score cards to better manage our 5.6 million existing customer accounts. Our proprietary credit models have been developed and refined by our dedicated in-house strategy change team over more than 15 years. Our robust credit risk management is overseen by our Executive Team which has an aggregate of over 130 years of combined experience in the industry through multiple economic and credit cycles. In addition, we have over 45 credit risk specialists, who are supported by over 200 collections team members.

We also have detailed historical data of our customers' transactions, behavior and credit performance. The information covers existing and historical customer accounts across all portfolios and is a significant business asset, enabling in-depth analysis of customer propensities and modeling of future performance. We use our proprietary customer and market data to generate both underwriting and collections scorecards tailored to our customer demographics. Our underwriting scorecards are used to definitively determine whether or not to accept an applicant, while our collections scorecards enable us to estimate customers' propensity to cure, allowing us to tailor communications with the customer accordingly. In addition, we created a proprietary "Collector Toolkit" designed to optimize repayments. We also use a range of well-known tools to prevent fraud, including daily payment assessment to identify potential first-party fraud and references provided by Detect and Cifas.

When we acquire a new customer, we use a risk-based approach to pricing that allows us to responsibly say "yes" to more applicants, with a minimum of 51% of accepted applicants receiving the advertised APR. We offer customers who do not qualify for our headline APR, but otherwise meet our lending criteria, a range of additional price points, which enables us to offer more effective risk-based pricing at the point of acquisition. For our existing *aqua* customers, we use an "always on" automated program to assess for risk-based re-pricing on a monthly basis (although a re-price is only offered once every six months, in line with regulatory requirements). Following an internal review in 2016 of re-pricing with respect to our Co-Brands customers, we found that in the case of an upwards re-pricing, the number of customers choosing to opt-out is low. Based on balances, the opt out rate was at a steady level of approximately 3%. Customers often choose to take advantage of our downward re-pricing offers, which we extend to customers who have established consistent on-time payment track records. 23.5% of *aqua* customers re-priced downwards within 18 months of becoming cardholders, compared to 16.9% of customers being priced upwards.

We monitor and manage our customers' accounts by taking an in-depth approach to credit analytics, not just analyzing customers' behavioral score but also more than 200 variables upon which it is based and scoring all of our 5.6 million customers on a monthly basis to ensure there are no significant movements in availability or consistency of the information underpinning the variables. Our credit models and monitoring metrics have contributed to significantly improved credit performance. From 2011 to 2015, average receivables balances in our Own-Brands business have grown while charge-off rates have declined, on a whole portfolio basis and a vintage-by-vintage basis (based on months since origination).

We have experienced material improvements in charge-off rates through the cycle since December 2007 in respect of the *aqua*, *marbles* and *Opus* products and since May 2013 in respect of the Co-Brands accounts portfolio. Our charge-off rates decreased from 9.8% for the year ended December 31, 2013 to 7.9% for the year ended December 31, 2015. In addition, the charge-off rate for *aqua* between December 2007 and December 2015 experienced less volatility than the industry average, in particular during the global financial downturn in 2008-09.

Strong, embedded profitability with high cash generation. We are a highly cash-generative business and we believe that momentum from new account originations combined with embedded growth, both in terms of receivables and income, from existing accounts drives predictable income streams. Additionally, we believe our strong balance sheet and high cash flow generation provides a solid foundation for growth.

We began issuing credit cards in 2002. Through organic growth and a series of acquisitions, we accumulated loans and advances to customers of £1,571.0 million as of September 30, 2016. Our risk-adjusted income (calculated as Normalized Income less impairment losses on loans and advances to customers) grew from £135.4 million for the year ended December 31, 2013 to £212.6 million for the year ended December 31, 2015, and was £252.8 million for the twelve months ended September 30, 2016. Our Adjusted EBITDA increased from £53.0 million for the year ended December 31, 2013 to £72.3 million for the year ended December 31, 2015, and was £83.2 million for the twelve months ended September 30, 2016. See "*Presentation of Financial and Other Information*" and "*Summary Historical Financial Information and Other Data—Key Performance Indicators and Other Unaudited Financial Data*" for more information on how we use and calculate risk-adjusted income and Adjusted EBITDA.

We believe that we are well placed to continue our strong performance with multiple drivers of future earnings growth. The growth of *aqua* receivables has been supplemented by the successful re-launch of *marbles* to customers seeking a product to help them re-build their credit history. As a result, we acquired a million new customers in 2015. Furthermore, we expect developments and investment in our Co-Brands business, such as the launch of a new online servicing site, to position us well for future growth.

We have a loyal and growing customer base. Once a customer establishes a relationship with us and has been a customer for more than a year, the customer is much less likely to default and will typically maintain credit with us for three to four years. As a result, as our portfolio matures, the profit generated by the accounts within the portfolio tends to become more predictable. After origination costs (taking into account deferred marketing costs) and provision in year one, the profitability generated by a customer will typically improve as their outstanding balance grows. Our ability to generate cash flow quickly has provided us with flexibility in determining how to best invest the cash that we generate each year. Our free cash flow available for growth and debt service increased from £17.0 million for the year ended December 31, 2013 to £38.1 million for the year ended December 31, 2015, and was £71.1 million for the twelve months ended September 30, 2016.

Stable and flexible funding program able to support future growth. We have a stable and flexible funding structure with a diversified group of bank lenders and ABS investors, including access to public and private ABS market. We have established an Own-Brands Master Trust and a Co-Brands Master Trust which enable us to finance our receivables in both of these businesses at an attractive cost of funds. Since we first accessed the public asset-backed securities market in 2014, we have returned to the market to complete a total of four additional public securitizations of our Own-Brands and Co-Brands receivables, and have 24 ABS investors across the various bond classes, excluding banks who also lend to us under our warehouse lines. Total debt held by third parties under our asset-backed securities was £1,195.5 million as of September 30, 2016.

The development of these funding structures, together with reducing LIBOR levels, contributed to our cost of funds declining from 6.1% in the year ended December 31, 2014 to 2.9% in the year ended December 31, 2015, with a further reduction to 3.0% for the nine months ended September 30, 2016.

We maintain significant liquidity and excess capacity under our funding structures in order to support the future growth of our business. As of September 30, 2016, we had £625 million in total third-party commitments under our warehouse facilities, leaving us with £661.2 million of undrawn capacity, enabling us to finance the growth of our business and providing an alternative source of funds should the public securitization markets be unavailable or commercially unattractive for a period of time. In addition, as of September 30, 2016, we had retained £154.5 million in notes on our asset-backed securitizations, and had £103.4 million in unrestricted cash on our balance sheet and £36.8 million in restricted cash in our funding structures.

Furthermore, we have staggered the dates on which various tranches of our debt mature, with a target of no more than around £300.0 million maturing in any three month period, and have the ability to defer repayment of each tranche by up to twelve months, reducing our refinancing risk. As of September 30, 2016, we did not have more than £480.7 million in third-party debt maturing in any given year.

Robust and scalable infrastructure. Our core IT systems are sophisticated and have significant capacity to take on higher customer volumes and, therefore, are scalable to support future growth. Our new IT infrastructure is well invested and modern, with significant strategic investments having been made since 2012 in building systems capability. We have proven, in-depth experience in portfolio acquisition and the consolidation of such platforms into our existing operational infrastructure, having carried out four successful migrations in the past seven years. In 2014, we invested more than £45 million in the migration of the Co-Brands business following the Co-Brands Acquisition, which included investment not only in the core processing platform, but also in building peripheral applications such as online acquisition, online servicing, fraud management and credit risk applications, none of which previously existed.

We also have platform partnerships with leading providers such as First Data, a global provider of cards servicing, for certain outsourced functions.

In line with our approach of continuous improvement, we have also made specific investments in our IT systems, including (i) the creation of a strategic Co-Brands business operating model in 2013 and 2014, (ii) digital, online and mobile acquisitions and a servicing platform in 2015 and 2016, (iii) a completely refreshed call center, head office, telephony infrastructure and (iv) new operational capability for the unsecured personal loans business. In addition to building strategic operational capability, we have invested in new strategic capabilities to support new products such as Buy Now Pay Later, credit offers on our credit and store card platform and a fully-digital, retailer-integrated credit card offering. Our IT infrastructure and systems contribute to improvements in key efficiency metrics.

Focus on optimal customer outcomes and regulatory compliance. We are a "customer outcomes"-driven business. Our aim is to use our expertise and understanding of the circumstances of our customers (both their financial needs and standing) to better inform our business approach, product development and management of existing customers.

To assist in achieving this aim, we produced a manifesto, which is at the heart of our corporate culture and organization. Our Manifesto embodies four core principles for our business.

- *We are a welcoming business*—We do our best to responsibly say "yes" to as many people as possible who apply for credit. We engage with customers, whether directly or through our partners, to ensure affordability criteria are met and that we provide the right service, offer the right rate and give clear information. We want customers to have a great experience with us because our products and services are simple, intuitive, useful and are backed up by people committed to helping customers be better with credit.
- *We are an understanding business*—We do not see our customers as a short-term revenue opportunity, but rather as a lifelong relationship. If our customers want to change products as their circumstances change we will help them with that change. If things are not going quite to plan for them, we will be there to offer support, coming up with a solution for moving forward.
- *We are a knowing business*—We have considerable knowledge of the varying needs of our customers and provide a range of products to suit these different needs. Our approach is to provide the products, services and tools that help all of our customers be better with credit. We use our analytical expertise, combined with partner insight, to the benefit of our customers. We provide tools that help people manage their credit more easily and access the benefits it provides.
- *We are a rewarding business*—We reward our customers for being better with credit. This can mean sharing some of the proceeds that come from them paying on time and sticking to the commitments made to us or, through our bespoke Co-Brands products developed with our partners, providing rewards for customer loyalty. Ultimately, our success as a business is based on helping customers be better with credit.

Our Manifesto and its focus on, and commitment to, customer experience is a key attribute of our business, which we believe allows us to attract new customers, encourages loyalty in existing customers and helps us maintain positive relationships with regulators.

One measure that suggests success in our endeavors is our Net Promoter Score. The Net Promoter Score is based on responses out of a score of ten to a single question "How likely is it that you would recommend our company/product/service to a friend or colleague?" Respondents are then categorized into three categories: Promoters (scores 9 and 10), Passives (scores 7 and 8) and Detractors (scores 6 and below). The Net Promoter Score is calculated by subtracting the percentage of respondents who are Detractors from the percentage of respondents who are Promoters.

As of September 2016, our transactional Net Promoter Score, which measures responses to an event such as contacting our customer call center, was approximately +69, a high score evidencing the level of loyalty that we foster with our customers. Our relational Net Promoter Score, which provide an overall assessment of our relationships with our customers, for our Own-Brands business was +43, as of June 2016. In addition, customers who call our customer service centers are asked to rate the level of satisfaction with the associates handling their call. The average rating as of September 2016 was 9.2 out of 10.

Our culture of regulatory compliance is strongly embedded throughout our organization. We received FCA authorization in March 2016 and we are also an Authorized Payment Institution under the Payment Services Directive. We are both a member and a director of the UK Cards Association, an industry trade association, as well as the Finance and Leasing Association and the Lending Standards Board. We voluntarily subscribe to codes of best practices such as the Standards of Lending Practice and the FLA Lending Code.

Highly experienced Executive Team and strong governance. Our board of directors and Executive Team bring many skills and a breadth of experience, including strategic experience, commercial knowledge, retail banking experience, UK regulatory knowledge, treasury, funding and accounting experience, risk management expertise and operational and IT experience. The experience of our board of directors and Executive Team enable them to make informed decisions on key issues facing the business. Our Executive Team has over 130 years of combined experience in the industry, with several members of the team having worked with one another for a number of years. Our board of directors and Executive Team are supported by a team of over 700 employees (as of September 30, 2016).

Managing risk effectively is fundamental to the way we manage our business. We seek to make sensible and balanced business decisions through our risk appetite and corporate governance frameworks. Our board of directors's extensive and diverse experience is intended to ensure that our strategy is underpinned by high standards of corporate governance to enable us to achieve responsible growth. We have a well-structured corporate governance framework that has been developed to meet the evolving needs of the business and, where deemed appropriate, adheres to the UK Corporate Governance Code.

For more information about our board of directors and the Executive Team, see "*Management*" and for more information about our approach to risk management, see "*—Risk Management*."

Our Strategy

Our key strategic objectives are growing the Own-Brands and Co-Brands businesses, continuing to enhance our credit management, continuing to improve operational leverage, diversifying our product offerings and delivering against our Manifesto. We intend to achieve this by pursuing the following strategies.

Growing the Own-Brands business. In our Own-Brands business, we are implementing new initiatives to increase receivables and improve profitability whilst supporting customers to be better with credit. We aim to optimize our long-term relationships with our customers and the profitability of our rapidly growing portfolio of customer accounts. Through a variety of initiatives, we aim to be able to responsibly say "yes" to more customers, to open new channels for customer acquisition and to continue to effectively manage credit and pricing. We aim to grow our Own-Brands customer base through three key strategic focuses.

- We aim to expand our near-prime market reach by launching an additional brand into the market to complement *aqua* and *marbles* as well as extending our digital marketing capability and establishing new credit lender and broker partnerships.
- We aim to deliver value though portfolio optimization by further enhancing our "low and grow" credit limit strategy and continue to deliver value-add propositions to customers. We are implementing new initiatives in the near-prime market to increase receivables and improve profitability whilst supporting customers to be better with credit. Our newly implemented initiatives include dynamic credit limit and pricing frameworks that adapt to changes in customers' credit profiles, the launch of contactless cards to encourage greater front-of-wallet behavior and introducing money transfer functionality to customers to give them a greater degree of flexibility in how they access their credit line.
- We aim to build long-term relationships with customers through introducing upgrade propositions (such as *aqua gold*) whilst building on regulatory standards to help customers to achieve better outcomes for themselves. We are looking to increase our customer engagement by offering financial health support tools (e.g., next payment calculator, budget and repayment tools) that increase their propensity to use our products.

Growing the Co-Brands business. In our Co-Brands business, we aim to enhance our existing core retailer relationships, while continuing to add new partners. We aim to grow and improve the profitability of our Co-Brands business through four key strategic focuses.

- We aim to increase our penetration of our existing partners' sales volumes by offering products that are designed to meet the credit needs of their customers. Within UK consumer financing, customers have a range of payment and funding options open to them and we believe that the solutions that will gain acceptance will be those that provide a better experience, a competitive price and/or an added value proposition.
- We aim to develop the digital experience for both new and existing customers. We believe that today's customer seeks financing solutions that are digital and instant but that also remain consistent across online and in-store environments. As spending patterns and consumer behavior in the United Kingdom change, we are working closely with our partners to support and evolve with them.
- We aim to acquire new brands on a selective basis, targeting consumer brands operating in the UK with a credit-oriented customer demographic, sector leaders or challengers and retailers with growth prospects. Our new partner pipeline is active, with one new brand signed during 2016, the travel and tourism company, TUI.
- We aim to take advantage of our untapped data analysis capabilities and help our brand partners so that they are able to gain a better understanding of their customers and generate additional sales, thereby strengthening our retailer relationships while at the same time driving additional transaction volumes across our customer profile.

Continuous enhancement of credit management. We focus on credit management with a vision to make credit decisions more bespoke and data driven. Our near-term strategic credit initiatives include launching a next generation collection strategy, deploying a single customer credit view and a more consistent affordability solution, as well as enhancing credit decisions made through the use of quotation searches, which will allow us to provide applicants with an estimate of the interest rate and credit limit we could offer without having the potential customer's inquiry appear on his or her credit history. Particularly in the event of any uncertainty in economic forecasts or market outlook, we believe that credit management will be key to helping people manage credit and detecting early warning signs.

Ongoing improvement of operational leverage. We apply a philosophy of continuous improvement to optimize operational processes. This approach drives reductions in our operational costs by reducing inefficiency while improving the customer experience by providing standardized, reliable outcomes. To support these efforts we created a dedicated Operational Excellence team that focuses on improving processes while embedding the culture of continuous improvement across the business. We promote this culture with all operational staff, and we brand it as the "NewDayWay." We are continuing to invest and refine our internal processes, including across complaints management, collections and procurement to drive significant improvements in customer experience while delivering higher efficiencies. As we implement our continuous improvement processes, we also continue to invest in our infrastructure, for example, by investing in our digital capabilities and our reach through online channels in 2015.

Diversifying our product and customer experience offerings. We seek to continue to expand our Co-Brands proposition range to develop products, brands and distribution channels that are specifically designed to meet the needs of the different customer segments. We also plan to expand in adjacent market sectors where we have competitive advantages and can leverage our existing customer relationships, extensive customer data and near-prime lending experience. This includes the launch of an unsecured personal loan product as a result of research and analysis demonstrating customer demand for additional lending beyond credit cards. We believe that responsibly targeting known customers also provides us greater control over key value drivers across marketing, credit and operational risks, through levers such as pre-selection credit criteria and invitation-based marketing offers.

Delivering against the Manifesto. We use our customer-focused Manifesto to guide our operations and embed its four core principles in all that we do. We are continuing to improve the implementation of our Manifesto throughout all areas of our business, including with service providers such as First Data. We ensure that all new joiners across our organization and First Data receive orientation and training to provide them with an understanding of the values and aims of our Manifesto. In addition, we will deliver greater empowerment of colleagues to propose new initiatives, take action in customers' favor where appropriate and continue to optimize existing and new customer journeys, ensuring that they are truly customer orientated.

History

Our origins date to September 2001 with the founding of SAV Credit Limited. We have since grown both organically and through acquisitions. We have operated our Own-Brands business since January 2002, when our first credit card brand, *aqua*, was launched. In October 2007, we acquired a portfolio of credit card accounts from HSBC Bank plc, which included approximately 338,000 customer accounts. We operate these accounts under our *marbles* brand, which we re-launched and opened to new customers in May 2015 after it had previously been closed to new customers. In March 2010, we acquired an additional portfolio of customer accounts involving receivables of approximately £835 million from CitiFinancial Europe plc. We manage these accounts under our *Opus* brand, which is closed to new customers.

Between 2010 and 2013, we focused on organic growth and development of profitability following these acquisitions by, among other things, refining our product offerings. In June 2012, we launched the *aqua advance* card, offering guaranteed 5% interest rate reductions in each of the first three years of card ownership for customers who demonstrated responsible use of credit, and the *aqua reward* card, offering cashback. Since June 2012, the number of *aqua* cardholders has grown from approximately 129,000 cardholders to approximately 749,000 cardholders as of September 30, 2016.

In May 2013, we expanded our operations into the co-brands market sector by acquiring Santander UK plc's co-brands credit cards, store cards and point-of-sale finance portfolio. The acquired portfolio consisted of more than 3.5 million customer accounts and £943.2 million of customer balances. A number of staff who worked on this portfolio when it was run by Santander UK joined us and now work in our dedicated customer service center in Leeds. As a result of the Co-Brands Acquisition, we acquired relationships with Debenhams, House of Fraser, Laura Ashley and the Arcadia Group.

In April 2014, we re-branded from SAV Credit to NewDay to reflect our positioning in the market and established our Manifesto. We launched the *aqua start* credit card in November 2014, which is designed to responsibly provide credit to customers who are beginning the process of establishing a credit rating and whose needs are not met by mainstream lenders.

In December 2014, we undertook our first public securitization of our Co-Brands receivables through the establishment of the Co-Brands Master Trust Structure and in June 2015 we further securitized assets of our Own-Brands receivables. The establishment of the Own-Brands Master Trust Structure and the Own-Brands Warehouse Facility in 2015 reduced our interest expense margin. For the year ended December 31, 2015, our interest expense margin was 2.9% per annum on average debt of £1,025.4 million, compared to £66.9 million and 7.3% per annum on average debt of £919.2 million for the year ended December 31, 2014. The establishment of the Securitization Structures materially reduced our cost of funds. We now have completed five securitizations across both businesses.

In May 2015, we re-launched the *marbles* brand, which is aimed at customers rebuilding their credit profile. This, together with growth in *aqua* products, contributed to the acquisition of approximately one million new customers in 2015. In 2015, we also expanded our credit range of Co-Brands products marketed with retail partners, through Buy Now Pay Later initiatives and other interest-free credit offerings.

We obtained FCA authorization in March 2016. In 2016, we expanded our Co-Brands product offerings by partnering with the travel and tourism company, TUI, to launch the Thompson Credit Card in November. In 2016, we partnered with the online retailer, Amazon, and in January 2017 launched the Amazon Platinum Mastercard.

Our Operations

We have two primary businesses, each of which focuses on specialist credit offerings within a different sector of the consumer credit market.

The following table presents the number of open accounts by business as of the dates indicated.

	As of December 31,			As of September 30,
	2013	2014	2015	2016
	(in thousands)			
Own-Brands	600	620	849	1,013
Co-Brands	9,213	4,864	4,602	4,591
Group	**9,813**	**5,484**	**5,451**	**5,604**

The following table presents the number of new accounts opened in each business during the periods indicated.

	Year ended December 31		Twelve months ended September 30,
	2014	2015	2016
	(in thousands)		
Own-Brands	234	342	384
Co-Brands	765	685	636
Group	**999**	**1,027**	**1,020**

Own-Brands Business

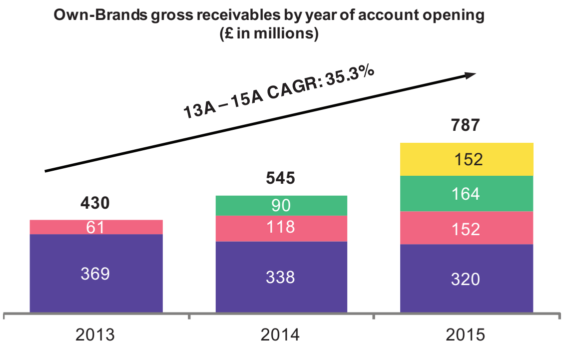
Our Own-Brands business targets consumers in the near-prime sector of the UK credit card market. For more information about the near-prime segment of the UK credit card market, see "*Industry Overview*."

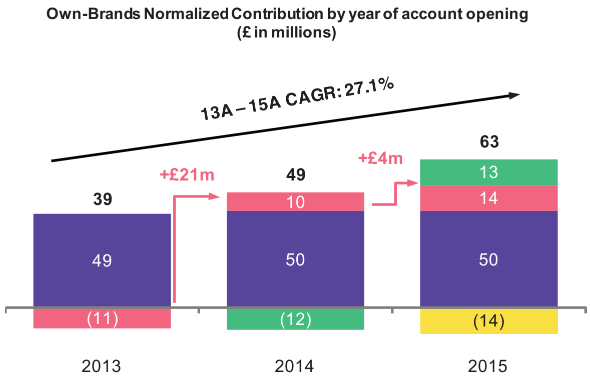
The near-prime market sector is substantially underpenetrated, demonstrating an area of significant potential growth, as, according to PwC estimates, there are between 10.2 and 13.6 million potential near-prime customers in the United Kingdom and only approximately one-third currently hold a near-prime credit card. We believe that there is a clear customer credit need in this market sector, and we are focused on providing products tailored to helping our customers build their credit through support and control.

Near-prime customers have differing financial profiles and credit needs. We provide a range of products within our Own-Brands business, each of which is designed to appeal to our customers' differing needs. We categorize the near-prime market into four core customer segments: "New to Credit," "Second Chance," "Low Income" and "Sole Trader." The "New to Credit" segment includes individuals who have a "thin" credit history because they are first time credit users. This customer segment typically consists of young adults with no previous credit history. The "Second Chance" segment includes individuals looking to re-build their credit history following an adverse credit event. This customer segment typically consists of individuals who are working to improve their credit history while maintaining a higher level of control. The "Low Income" segment includes individuals working in lower-paid sectors or part-time jobs. This customer segment typically consists of individuals who are working to manage their finances and build their credit rating while also managing fluctuating income. The "Sole Trader" segment includes individuals working for themselves. This customer segment typically consists of individuals with a higher, yet more fluctuating income. These segments inform our customer management strategies for existing customers and our marketing for new customers. We target these customer segments differently because we believe that a person who is looking to build a credit history from scratch, for example, is potentially a different credit proposition than a person who has previously experienced a "bump in the road" or a sole trader.

We have developed a number of tools to assist our customers in managing their credit and have low attrition rates due to customer lifecycle management. These include: the Next Payment calculator tool for *marbles* customers, which allows them to calculate the amount of their next bill; customizable text message alerts (to alert customers of delays in repayment); and "health checks" on customers' accounts.

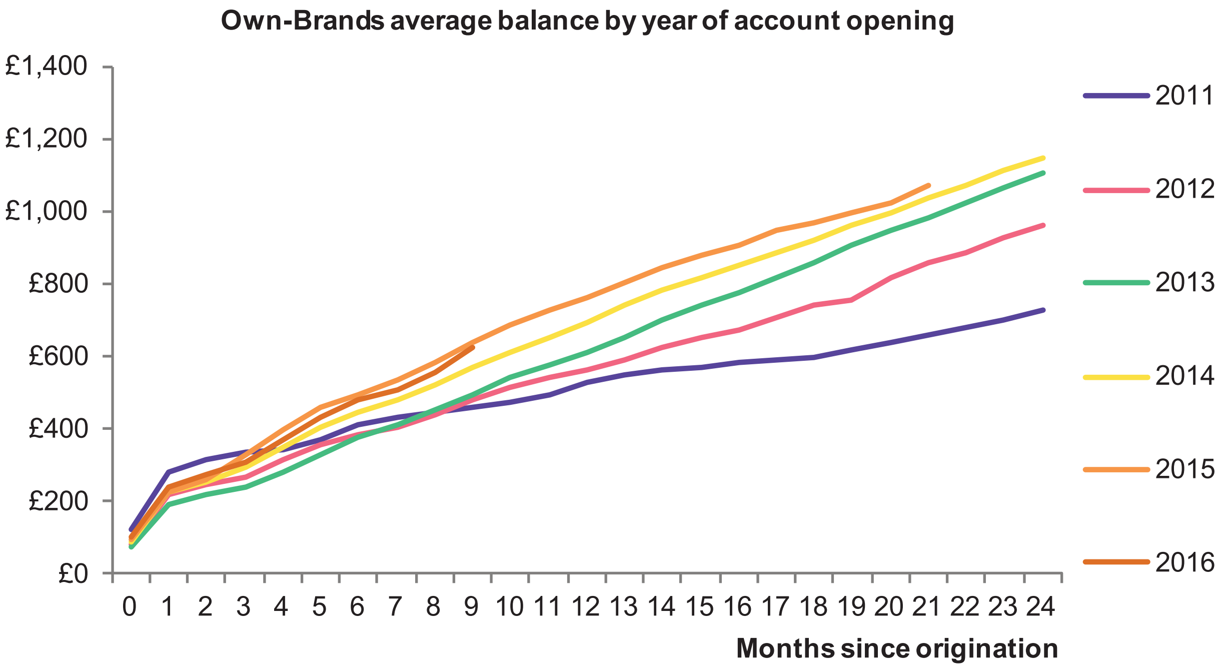
We have a loyal and growing customer base. Once a customer establishes a relationship with us and has been a customer for more than a year, the customer is much less likely to default and will typically maintain credit with us for three to four years. As a result, as our portfolio matures, the profit generated by the accounts within the portfolio tends to become more predictable. After origination costs (taking into account deferred marketing costs) and provision in year one, the profitability generated by a customer will typically improve as their outstanding balance grows. The charts below show gross receivables and Normalized Contribution for our Own-Brands portfolio by year of account opening.

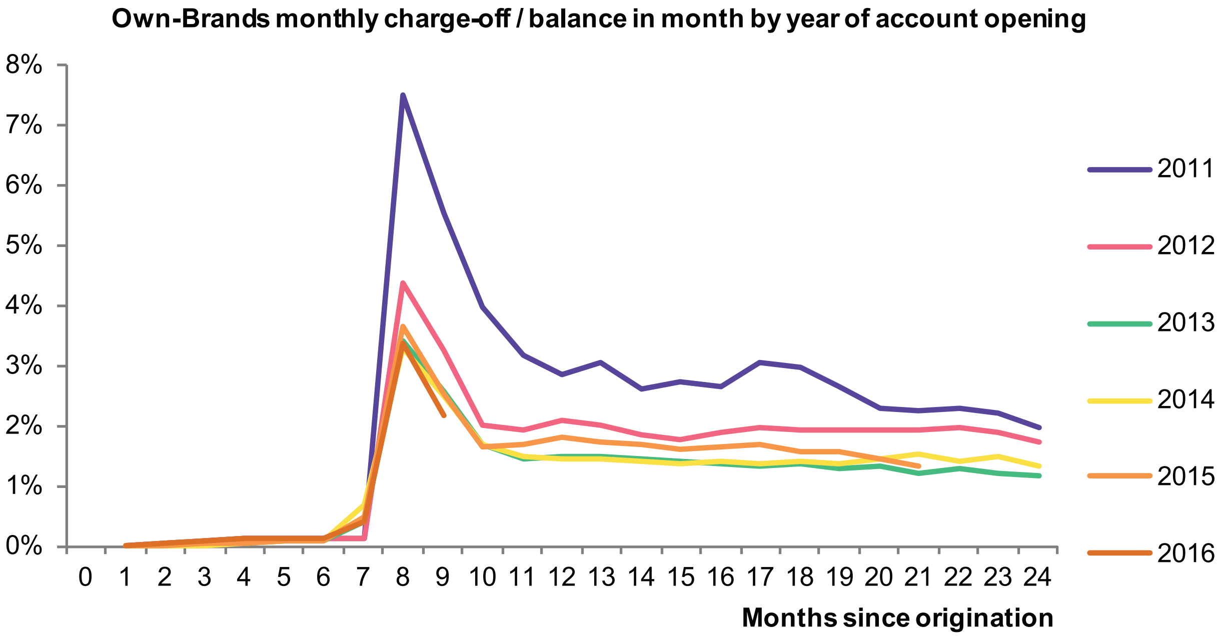




The three brands we use in our Own-Brands business are *aqua*, *marbles* and *Opus*, with *aqua* being our lead brand for new customer acquisitions. We offer different brands because our Own-Brands customers are not homogenous and have differing profiles and credit needs. For instance, the *aqua* brand is primarily designed for customers who need to understand how credit works in order to build a good rating and/or who need help and support following a previous credit default or other adverse credit event, whereas the *marbles* brand is primarily designed for customers who need to rebuild their credit history. We closed the *Opus* brand to new customers after acquiring the portfolio, but continue to manage the accounts of existing customers.

From 2011 to 2015, average receivables balances in our Own-Brands business have grown while charge-off rates have declined, on a whole portfolio basis and a vintage-by-vintage basis (based on months since origination), as demonstrated by the charts below.





Across all products, we charge no annual fee, £12 for each late payment, £12 for each time a customer goes over the overdraft limit and a 3% fee on cash withdrawals.

Our Own-Brands business is an organic growth engine. Our multi-channel distribution approach has driven new account growth, locked in receivables and strong earnings growth. Our consumers typically maintain credit with us for 3 to 4 years, which has historically locked in significant profitability and delivered high organic growth with strong risk-adjusted margins.

Further details of our Own-Brands credit card portfolio as of September 30, 2016 are set forth on the next page.

Own-Brands	Product	New Business	Rep APR	Annual Fee	Product Features	Additional Benefits
aqua	start	✓	49.9	£0	• Low initial credit limit to support affordability	• Free access to credit report & score, through *aqua* Credit Checker • Online budgeting and repayment tools to support money management
	classic	✓	29.6-40.9	£0	• Gives customers a chance to enjoy a competitive APR	• Online servicing and mobile app available, with eStatements options
	advance	✓	34.9	£0	• 5% reduction in rates each year, for first 3 years, APR could be reduced to 19.9% by the end of the third year. • 0% foreign exchange fee	• Text reminders to help manage payments • 51 days maximum interest-free period
	reward	✓	34.9-39.9	£0	• 0.5% cashback on retail spend, max £100 per year • 0% foreign exchange fee	
	gold	✗	n/a	£0	• Upgrade product (only) • 9.9% purchases promotion • 0% foreign exchange fee • Contactless card	
marbles	start	✓	49.9	£0	• Low credit line product	• FastCheck enabling application without credit footprint • Customizable alerts supporting account control
	classic	✓	24.8-33.8	£0	• Gives customers a chance to enjoy a competitive APR	• Next Payment Calculator tool enabling control "on the go"
	platinum	✗	n/a	£0	• n/a	• 56 days maximum interest free period
Opus		✗	n/a	£0	• n/a	• Choice of payment dates • Online servicing and mobile app with eStatement option • 56 days max. interest-free period

aqua

aqua is our lead brand for new Own-Brands customer acquisitions. As shown in the table on the previous page, we have five card offerings in the *aqua* range.

- ***aqua* start**: This card is designed to address the needs of the new-to-credit customer segment. It has a low initial credit limit of between £100 and £300 to enable customers to take the first step on their credit building journey. We are developing a suite of educational and budgeting tools to assist customers in managing their financial needs.
- ***aqua* classic**: This is our most popular *aqua* card, with initial credit lines between £250 and £1,200. It provides customers with a card to help them improve their credit rating. As with all *aqua* cards, customers are able to receive monthly text message payment-due reminders, have an opportunity to change their payment date to suit them, and can register for online servicing, including eStatement provision.
- ***aqua* advance**: This card is designed to encourage good account management through rewarding customers who stay within the terms and conditions of the card with a 5% reduction in their interest rates, on all spend types, each year for the first three years following account opening, reducing the APR to 19.9% by the end of the third year. This card has initial credit lines between £250 and £1,200.
- ***aqua* reward**: This card offers 0.5% cashback on retail purchases (to a maximum of £100 per year) as long as customers stay within their terms and conditions. This card has initial credit lines between £250 and £1,200.
- ***aqua* gold**: This card is designed as a reward for those customers who hold an *aqua* card and have established a good track record of making payments on their balances over a period of time.

All *aqua* credit cards, apart from the *aqua* gold card, provide customers with a relatively low initial credit limit. We consider this "low and grow" approach to be a responsible way of enabling customers to demonstrate that they can afford and manage credit before we extend any further lending.

Based on all open accounts as of December 31, 2015, the average *aqua* customer is 41 years old, has a credit limit of £1,439, a balance of £887 and an APR of 39.2%. 54% of *aqua* customers are male. Based on all accounts opened in 2015 the average *aqua* customer has an income of approximately £23,000 per annum.

We opened approximately 190,000 new *aqua* accounts in the year ended December 31, 2013, approximately 234,000 new *aqua* accounts in the year ended December 31, 2014, approximately 277,000 new *aqua* accounts in the year ended December 31, 2015 and approximately 278,000 new *aqua* accounts in the twelve months ended September 30, 2016.

marbles

The *marbles* brand was re-opened to new customers in 2015. As shown in the table on the previous page, we have three card offerings in the *marbles* range.

- ***marbles* start**: This card is designed to address the needs of a second chance customer. It has a lower initial credit limit of between £100 and £300 than the other cards in the *marbles* range.
- ***marbles* classic**: This is our most popular *marbles* card, with initial credit lines between £250 and £1,200.
- ***marbles* platinum**: This card is designed to reward those customers who hold a *marbles* card and have established a good track record of making payments on their balances over a period of time.

We opened approximately 64,000 new *marbles* accounts after re-opening the brand to new customers in the year ended December 31, 2015 and approximately 106,000 new *marbles* accounts in the twelve months ended September 30, 2016.

Co-Brands Business

The chart below presents our credit card portfolios by brand and retailer relationship as of September 30, 2016.

Co-Brands	Fees	Product Features	Product	New Business	Rep APR Range (%) New Customers	Key proposition
Debenhams	Late Payment £12	• Eligibility checker on application (FastCheck)	StoreCard	✗	N/A	Gives customers a chance to enjoy a competitive APR
		• Instant spend online available				
	Overlimit £12	• Loyalty program				
		• Bonus points upon opening				
		• Online servicing and mobile app with eStatement option	StoreCard Gold	✗	N/A	3 points per £1 internally, 1 point per £2 externally
	Cash fee 3%	• Tactical 0% offers	MasterCard	✓	24.9-39.9	Exclusive retailers offers
		• Exclusive cardholder offers	MasterCard Gold	✓	24.9-39.9	0% interest furniture purchases for 12 months
Arcadia	Late Payment £12	• Eligibility checker on application (FastCheck)	Storecard	✓	19.9-29.9	Gives customers a chance to enjoy a competitive APR
		• Intstant spend online available				
	Overlimit £12	• Loyalty program				
		• Bonus points upon opening				
		• Online servicing and mobile app with eStatement option				
	Cash fee 3%	• Tailored offers to individuals				
		• 0% interest on Buy Now Pay Later purchases for 3 months				
		• Exclusive cardholder offers	MasterCard	✓	29.9-39.9	2 points per £1 internally, 1 point per £1 externally
Laura Ashley	Late Payment £12	• Eligibility checker on application (FastCheck)	Storecard	✗	n/a	Gives customers a chance to enjoy a competitive APR
		• Loyalty program				
	Overlimit £12	• Bonus points upon opening				
		• Cardholder voucher booklet in first statement				
		• Tailored offers to individuals				
	Cash fee 3%	• Online servicing and mobile app with eStatement option	MasterCard	✓	21.9-29.9	2 points per £1 internally, 1 point per £1 externally
		• Exclusive cardholder offers	MasterCard Gold	✓	21.9-29.9	Exclusive retailer offers
House of Fraser	Late Payment £12	• Eligibility checker on application (FastCheck)	Storecard	✗	n/a	3 points per £1 internally, 1 point per £2 externally
		• Loyalty program				
	Overlimit £12	• Bonus points upon first external spend				
		• Cardholder voucher booklet in first statement				
		• Tailored offers to individuals				
	Cash fee 3%	• Online servicing and mobile app with eStatement option				
		• Exclusive cardholder offers	MasterCard	✓	24.4-39.9	Exclusive retailer offers

In our Co-Brands business, we work closely with our retail partners to develop products and propositions to enhance the customer experience for their customers. The products we offer through our Co-Brands business bear our partners' logos, but we underwrite the credit cards and provide ongoing credit risk management, billing and collections services, as well as information and support to facilitate marketing campaigns and other promotions targeting Co-Brands cardholders. Our approach to our Co-Brands business is to promote ourselves as an omni-channel, multi-product financier of retail transactions. Following the Co-Brands Acquisition, we have further aligned our business for growth. We believe that the UK consumer credit market, combined with a rapidly evolving retail market, creates a unique, strategic opportunity for us.

Our Co-Brands business includes different types of consumers, ranging from young, fashion-conscious persons looking for short-term financing and spending power to consumers with high spending on their card motivated by value added benefits Co-Brands cards provide. While we consider our Co-Brands portfolio, as a whole, to be prime, some of our Co-Brands customers exhibit near-prime characteristics.

We have longstanding relationships with Debenhams, House of Fraser, Laura Ashley and Arcadia. These retail partners have been part of the Co-Brands portfolio for an average tenure of over ten years and there is an average remaining term of approximately four years on our agreements with these partners, providing stability to our Co-Brands business. These arrangements represented, in the aggregate, 36.8% of our net interest income for the year ended December 31, 2015, 32.0% of our net interest income for the nine months ended September 30, 2016 and 36.8% of our gross receivables as of September 30, 2016.

Our Co-Brands business model of partnering with a number of established retailers provides us with a low cost and scaled platform for new customer acquisition. Our relationships with Debenhams, House of Fraser, Laura Ashley and Arcadia provides access to a distribution network of over 2,700 UK stores and over 8.6 million followers on social media. Currently these four retail partners have one million website visits per month on average. At the same time, the Co-Brands business enjoys a low cost for new accounts commission. The scalability of our Co-Brands business is further enhanced by investments in our operating systems together with the scale benefits of using the First Data platform, which both have capacity to take on further accounts. This allows the income from organic and inorganic growth to be spread over relatively lower cost increases and therefore enable economies of scale.

Following the Co-Brands Acquisition, we split the acquired portfolio into two separate portfolios, based on their growth strategies: (i) products offered in conjunction with four core retail partners (i.e., Debenhams, House of Fraser, Laura Ashley and the Arcadia Group), covering eleven retail brands, with a clear strategy for growth (which we classify as "open books") and (ii) products that were closed to new customer acquisition and had no active growth strategy because they were deemed to be sub-scale or non-core due to legacy retailer relationships that had ended (which we classify as "closed books").

We have an investment strategy with respect to our Co-Brands open book accounts that includes, among other things, the creation of a new digital platform. In addition, we have a growth strategy for the Co-Brands business focused on expanding online capability with current partners, creating digitally assisted sales in stores and looking to enter into partnerships with new retail partners, such as the relationships established with TUI and Amazon.

New customer acquisitions are focused on credit cards (which are operated via the MasterCard network), rather than store cards, on the basis that where customers have a need for spending or borrowing on credit, a general purpose credit card may provide greater utility and flexibility than a store card. A credit card proposition enables customers to spend across the MasterCard network and still receive home brand loyalty rewards. We are actively exploring new product options online, trialing both credit card sales and new cordless products that offer simple access and ongoing usage.

As of the date of this Offering Memorandum, the largest number of Co-Brands accounts is with Debenhams. Based on all open accounts as of December 31, 2015, the average Debenhams customer was 53 years old and had an income of approximately £27,100 per annum. 77% of Debenhams customers are female. The average Debenhams customer has a credit limit of £2,662, a balance of £425 and APR of 32.0%.

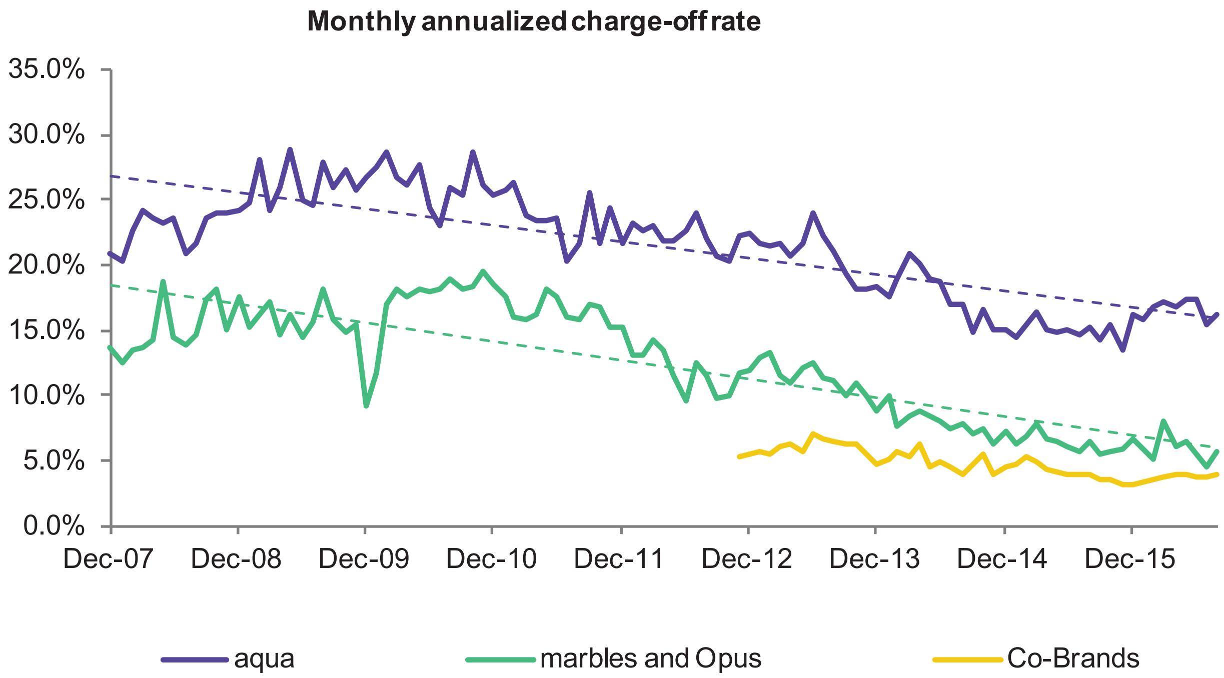
Approximately 5% of our Co-Brands accounts portfolio is made up of accounts that represent the closed book (comprising retailer products deemed sub-scale or non-core following completion of the Co-Brands Acquisition). These accounts were acquired through legacy retailer relationships, many of which have now ended, and are now closed to new spend as the commercial agreement with the relevant partner has been terminated. Customers with closed accounts are paying down their balances over time in the ordinary course and continue to be serviced in the same way as customers with open accounts.

Credit Process

Although our Own-Brands and Co-Brands businesses make their credit decisions based upon models that are specifically tailored to each of the businesses, the process of making credit decisions is broadly similar. We have a proven long-term track record of robust credit risk performance through our credit risk management expertise and proprietary data analysis. Proven through the credit cycle, this expertise is built on our strong in-house expertise.

Within our Own-Brands, we demonstrated a robust credit performance that included a reduction in our open book delinquency and entry rates. Our Own-Brands closed books have also experienced a reduction in delinquency rates. In our Co-Brands business there has been continual improvements in delinquency and entry rates for the open book. This robust credit performance is a result of our continual enhancements to our credit risk strategy, which is driven by our dedicated team of more than 45 credit risk specialists.

The following graph presents our monthly annualized charge-off rate for the periods shown.



Credit Scoring

We use a number of bespoke proprietary scorecards to assess an applicant's creditworthiness. Over the past more than 15 years we have developed 26 proprietary credit models. These models underpin our underwriting process. Our "test and learn" approach drives our continual improvement. The bespoke proprietary models have been developed using a combination of customer-supplied application information and credit reference agency data to ensure that credit decisions are as accurate as possible and collections are optimized. We have evaluated 4.4 billion data points to construct 26 score cards. We analyze over 247 variables including customer provided information, credit reference agency information and the internal behavioral data of our approximately 5.6 million customer accounts on a monthly basis. These scorecards are used to assess applications, credit limits and to set the customer's interest rate.

There are separate bespoke scorecards for Co-Brands and Own-Brands cards, and each brand has its own scorecard segmentation to promote optimal decisions. Our primary credit reference agency is Experian. Additionally, we use data from Callcredit to enhance our underwriting decisions in the circumstances of marginal decisions, and so deploy a multi credit reference agency assessment strategy. Our scorecards are continuously developed, implemented and managed by our in-house specialist team.

Creditworthiness and Affordability

A creditworthiness and affordability assessment is fundamental to our business and decision-making process. As a minimum requirement an applicant must pass both the creditworthiness assessment and the affordability criteria.

Creditworthiness is assessed through a number of credit policy rules set for each brand. These credit policy rules use data from the application form, credit reference agencies and the scorecards to identify customers who are clearly outside of scope of our risk appetite who will be declined. The initial assessment on customer creditworthiness is based on the customer-provided information to ensure that the customer can afford the products. The applicant is categorized into prime or near-prime. We employ bespoke credit bureau statistics collected for prime and near-prime.

As part of the affordability assessment, we take into account the additional financial commitments that could be placed on an applicant in connection with accepting further credit and their ability to meet repayment obligations under the prospective agreement in a sustainable manner. Income verification rules are in place so as to decline the applications of those applicants whose declared income is inconsistent with other available data sources (e.g., Experian's Current Account Turnover data) or refer them for assessment. Experian's latest generation of the customer indebtedness score is also used in making an affordability decision, including declining certain applicants or using the data to inform the level of credit offered. Customers applying for one of our Own-Brands cards provide data that is verified through external sources and internal models. Assessments on affordability for Co-Brands customers are based on customer-provided data and bureau data.

Credit Limit Assignment and Management

Initial credit limit assignment differs by consumer credit market segment, with Own-Brands card limits ranging from £100 to £1,200 and averaging around £400 and Co-Brands card limits ranging from £150 to £20,000 and averaging around £3,300. We assign an initial credit limit based on a number of factors to help ensure an appropriate limit is offered in light of the customer's risk and their indebtedness/income profile. Any application where the new credit would result in the product not being considered affordable for the customer based upon our affordability assessment will be declined. As a result of this, a significant number of applications for our Own-Brands products are declined. For instance, approximately 77% of applications for an *aqua* card were declined in 2015. Furthermore, once we have accepted a customer application, monthly performance tracking is in place with triggers to identify emerging risks as to a customer's creditworthiness and flag such risks as part of our risk management framework.

A "low and grow" strategy has been adopted by the Own-Brands business to support the individual customer profile. Customers applying for Own-Brands cards are, typically, in segments in which offering a customer a low initial credit limit supports their current circumstances until they can demonstrate active management of credit. Our Credit Limit Increase ("**CLI**") strategy is in place for those customers that demonstrate they can afford and manage their credit lines in a responsible and sustainable manner. Continuous improvements to the "low and grow" strategy for our Own-Brands drives reduced costumer risk profile, allowing us to test the credit quality of customers without incurring losses from large balances. We employ multi-bureau proprietary behavioral scorecards using the most up-to-date credit information to devise credit limit increase strategies.

CLIs are only offered to a customer once the individual creditworthiness and affordability assessment is completed and the customer meets certain criteria. We have a bespoke, optimized credit limit increase strategy for customers throughout their credit life cycle. This is designed so that risk, customer use and behavior determine the appropriate size of increase. For example, credit utilization is one of the metrics used to ensure that the customer's increase is proportionate and that an appropriate increase, taking into account the requirements of the customer and us, is approved.

To help prevent a CLI from resulting in an eventual delinquency, we monitor credit usage on products held with other lenders as well as on our own products. In addition, we do not offer CLIs where a customer has: (a) demonstrated a lack of capacity or willingness to make their recent credit card payment; (b) failed to make any one of their recent mortgage payments; (c) used credit beyond the maximum limit in the recent past; and/or (d) demonstrated that they are actively seeking additional credit from other providers.

In June 2016 we restarted the Co-Brands existing customer CLI program following twelve months of inactivity following the implementation of our broad based customer re-pricing strategies. In June 2016, we granted £63 million of new limit to approximately 130,000 customers, an average of £500 per customer. This represented approximately 7% of our active base.

For more information about our risk management position and policies, see "—*Risk Management.*"

Pricing

We have developed a pricing framework for individual customer pricing based on a set of principles that reflect both regulatory requirements and our Manifesto.

We set an interest rate that reflects an applicant's individual risk level and our anticipated cost of providing that individual credit. The interest rate setting decision is governed by, among other things, the following principles:

- A "fair interest rate" is one that covers our expected cost of providing the customer credit for the following two years.
- Interest rates should vary between customers to fairly reflect differences in individuals' risk profiles.
- It is reasonable for interest rates to change over time to fairly reflect any changes in the individual risk profile of the customer, provided in each case the reason is in accordance with our customer terms and conditions.
- Changes to interest rates due to changes in an individual customer's risk profile should only be made when (i) the customer's interest rate is not aligned with their "fair interest rate" (as defined above) and (ii) the customer meets risk-based selection criteria.

New Customer Pricing

We offer risk-based pricing at the time of application to enable us to approve more customers in our target consumer credit market segments in a responsible manner, while rewarding customers with better credit risk profiles with a lower interest rate.

We assign an application score to each applicant based on the applicant's credit history and the outcome of the information about the applicant against the variables in our scorecards. The application score is used to determine the rate offered to the customer. Some applicants who are not offered the representative interest rate will be offered a higher interest rate that is more reflective of their risk profile. We monitor the proportion of new customers who are offered an interest rate that is equal to or less than the representative interest rate on a monthly basis to ensure that our pricing framework meets regulatory requirements, with a minimum of 51% of successful applicants receiving the headline APR for the relevant product.

As of the date of this Offering Memorandum, (i) for the *aqua* range we offer APR pricing points ranging from 29.4% to 49.9% with two further price points added in July 2016 with APR pricing points ranging from 49.9% to 59.9% and (ii) for the Co-Brands credit card range we offer APR pricing points ranging from 21.9% to 39.9%. Our wide range of APR pricing points enables more effective risk-based pricing.

Existing Customer Re-Pricing

We have a continual and proactive approach to pricing risk. Own-Brands and Co-Brands re-pricing is undertaken through the Fair Isaac's Credit Decisioning ("**TRIAD**") system, a third-party control system designed to improve risk assessment.

Re-pricing selections undertaken in TRIAD are automated and auditable in the event that a customer challenges a decision, with customers automatically receiving information explaining the change. The automated program ensures customers are assessed for risk-based re-pricing on a monthly basis. The program is central to our credit build proposition and, together with the credit limit program, underpins our upgrades strategy.

In line with our pricing framework, a customer's individual interest rate can be either increased or decreased. We make downwards re-pricing decisions in order to retain customers who have established on-time payment histories, while upwards re-pricing allows us to adjust our risk/reward analysis for cardholders with deteriorating credit profiles. Our systems are programmed to ensure that our customers are assessed for risk-based re-pricing on a monthly basis but we only re-price a customer every six months in line with regulatory requirements. Vulnerable customers (i.e., customers who are in financial difficulty) are not re-priced.

Approximately 50% of *aqua* customers in the re-pricing program had their interest rates reduced between December 31, 2014 and September 30, 2016. In the fourth quarter of 2016, we expanded our programming to *marbles*. Following an internal review in 2016 of re-pricing with respect to our Co-Brands customers, we found that in the case of an upwards re-pricing, the number of customers choosing to opt-out is low. Based on balances, the opt-out rate was at a steady level of approximately 3%.

Collections

Our collections approach is to help customers who fall into arrears or go over their credit limit by tailoring solutions to help facilitate appropriate outcomes for them based on their particular circumstances. This differentiated and proactive approach to collections is a key area of our credit risk management. Different collections contact strategies, timings and frequencies are used to establish the customer's reason for delinquency and to help resolve accounts that are delinquent or over-limit.

Collections activity is divided into two main sub-sets: "Core" collections and "Non-Core" collections.

Core collections are the main process for accounts without special flags that have a payment overdue. Approximately 74% of collections by accounts, or 65% of collections by balances, are considered Core collections.

An account will enter into Core collections once a customer has failed to make the required minimum payment on their payment due date or exceeds the agreed credit limit.

- **Delinquent**: Customers enter this status if they have failed to make their required minimum payment by their payment due date (subject to Group tolerance levels).
- **Over-limit**: Customers generally enter this status if their account balance is greater than the approved credit limit by at least £1 and their account is not delinquent.

Non-Core collections is an alternative set of strategies designed for accounts where special treatment or consideration is required due to a customer's circumstances.

An account can enter into Non-Core collections for a number of reasons, including a customer's financial difficulties, insolvency or death, or difficulties on our part in tracing the customer.

When an account enters collections, the customer's access to credit facilities is restricted to prevent them from becoming further indebted. Restrictions on spending remain in place until the customer clears their outstanding arrears and/or over-limit amount or are removed from a Non-Core channel.

When an account enters late stage collections (i.e., greater than 60 days delinquent on Co-Brands and 90 days delinquent on Own-Brands) the customer's account is terminated following service of the applicable regulatory notices and all future spend is suspended to prevent any further indebtedness. This will remain in place even if the customer clears its arrears or is no longer considered to be Non-Core. Our Omni-channel collections messaging, intensity and approach are aligned to the arrears status. Everything is done with a view towards compliance and treating our customers fairly.

Our recovery strategy has produced consistent returns on charged-off debt. We classify charge-off as falling into three categories:

- **credit charge-offs**: accounts in Core collections are charged off at the end of the month in which the account reaches 180 days delinquent. Accounts may be partially charged off prior to 180 days if a short settlement (an amount less than the arrears amount) has been agreed before that date;
- **non-credit charge-offs**: accounts are charged off as non-credit charge-offs if the customer is confirmed as insolvent or deceased. These accounts charge-off 30 days after receiving the relevant confirmation; or
- **fraud charge-offs**: accounts have part, or all, of the balance charged off if third party fraud has been confirmed on the account. These accounts charge-off 90 days after receiving the relevant confirmation.

By charging off an account, we disregard the asset on our balance sheet due to the level of default on the customer's account. Thus, the amount owed is written off the balance sheet for accounting purposes. Accounts that reach charge-off may be sold to an approved third party as part of our recoveries strategy. Accounts are always terminated before they are charged off.

Once an account balance is charged off by way of credit charge-off, it enters into our debt recovery process. The treatment of the debt depends on how it is classified. We will sell the debt to third-party purchase's if the debt is a Core recovery, has occurred because of bankruptcy or an insolvency voluntary arrangement or if a customer is subject to a repayment plan. If the debt has occurred because a customer is deceased, the debt will either be sold to a third party purchaser or to a specialist debt recovery provider. We manage the recovery of debt arising from any other circumstance internally. See "*Management's Discussion and Analysis of Financial Condition and Results of Operation—Significant Factors Affecting Results of Operations—Asset Quality and Risk Management*" for further information regarding charge-offs.

We will not sell debt if a customer has an unresolved complaint or dispute, if a customer is classed as vulnerable or if they have a debt recovery order. Furthermore, we only sell debt to an approved panel of debt purchasers. Before a purchaser can be included on the panel, full due diligence of the organization is conducted, including an external, independent audit and appropriate information technology security clearance to ensure that the purchaser is capable of appropriately handling and dealing with the sold debt.

We regularly monitor the performance and compliance of each external debt purchaser. These audits are carried out by an external supplier and internally by the Recoveries and Support team and results are reported to the Enterprise Risk Management Committee with oversight provided by the Board Risk Committee.

Customer Management

We have a set of customer management programs and policies designed to deliver outcomes that are good for customers and our financial performance. Customer management is as crucial as initial credit decisions in ensuring good customer outcomes and our profitability.

The customer management programs concern appropriate management of customer accounts depending on the customer's individual circumstances. Our customer management programs and policies include (a) the proactive management of credit limits and interest rates on an ongoing basis; (b) promotional offers; (c) automatic communications to consistent minimum payers; (d) distinct "health check" campaigns; and (e) ensuring that we alert customers as a reaction to certain customer behaviors.

Collections scorecards tailored to our customer demographics are used to estimate customers' propensity to cure, thus eliminating our need to contact the customer immediately with payment reminders. This enables us to segment customers into risk categories that determine the appropriate nature and timing of the collections contact.

Funding Facilities

Our lending is primarily funded by our Securitization Structures. We first accessed the public asset-backed securitization market in 2014, and as of September 30, 2016, after giving pro forma effect to the Bond Sales as if they occurred on such date, our pro forma total third-party debt would have been £1,397 million.

The table below provides certain information regarding our funding structures presented on a pro forma basis after giving effect to the Bond Sales as if they occurred on September 30, 2016.

Pro forma Securitization Structures at September 30, 2016[a]

Funding structure	**Series**	**Issuance date**	**Maturity date[c]**	**Facility size (£m)**	**Total debt capacity (£m)**	**Ratings of debt placed with 3rd parties**	**Advance rate (%)[d]**	**Outstanding with 3rd parties (£m)**	**Weighted average margin above LIBOR (%)[f]**
NewDay Master Partnership Trust (Co-Brands)	2014-1	December 2014	December 2017	300	293	AAA – BB	95.5	287	1.00
	2014-VFN[b]	December 2014	December 2017	189	175	BBB (single tranche)	92.7	51	1.19[e]
	2015-1	March 2015	March 2020	250	244	AAA – B	97.7	244	1.23
Co-Brands Secondary Funding Facility		October 2016	September 2018	122	100	(not rated)	82.0	0	2.75[e]
NewDay Funding Master Trust (Own-Brands)	2015-1	June 2015	July 2018	300	283	AAA – BB	89.2	268	1.62
	2015-VFN[b]	June/ November 2015	July 2018	367	300	BBB (single tranche)	81.7	18	1.66[e]
	2015-2	November 2015	November 2019	300	282	AAA – BB	88.8	266	2.20
	2016-1	September 2016	June 2019	265	248	AAA –BBB	80.7	214	2.42
Own-Brands Secondary Funding Facility		June 2015	July 2018	208	150	(not rated)	72.0	49	1.91[e]
Total				**2,301**	**2,075**			**1,397**	
Weighted average							**85.1**[d]		**1.66**[e]

(a) Gives pro forma effect to the Bond Sales as if they occurred on September 30, 2016.

(b) One of our variable funding notes. For more information on our variable funding notes, see "*Description of Certain Financing Arrangements—The Securitization Facilities*."

(c) Maturity date indicates the expected maturity date. Depending on the performance of the underlying receivables, the actual maturity date may follow the expected maturity date.

(d) Retention of securities by our transferor entity is reflected in our weighted average advance rate but is not reflected in the advance rates shown for the individual facilities.

(e) Assumes facilities are fully drawn. Accordingly, these figures do not reflect undrawn fees.

(f) Based on debt placed with third parties.

For more information about the Securitization Structures, see "*Description of Certain Financing Arrangements—The Securitization Facilities*."

Distribution Capability

We attract applications for our products in our Own-Brands and Co-Brands businesses through a diverse range of distribution channels.

Applicants for our Own-Brands cards can apply online via our website, or using a paper application form. Our distribution channels are either digital or direct channels. Digital channels comprise aggregators and price comparison websites, which are currently used for *aqua* and *marbles* customer acquisitions and third party partnerships, such as our strategic partnership with TotallyMoney.com to attract applications for *marbles*. The direct channel is used to attract customers from search engines or through the use of direct mail to potential customers.

Comparison Websites and Marketing Affiliates

We have developed strong relationships with the consumer finance comparison websites and marketing affiliates operating in the near-prime sector, such as moneysupermarket.com and uSwitch. These websites enable consumers to compare our Own-Brands products by terms other than just the interest rate, highlighting additional benefits such as *aqua* Credit Checker. We periodically launch unique and time-limited propositions (called "pulse" offers) via the comparison sites to attract consumers seeking the best rates in the market. This method accounted for 57.8% of account originations for our Own-Brands business for the nine month period ended September 30, 2016.

We believe that consumers value the role of comparison websites in their decision making process. We have worked closely with such websites as this distribution channel has become more important to us with regard to the acquisition of new customers for our Own-Brands products.

In addition, we have partnered with selected third parties (such as Experian, Equifax and CallCredit) to provide quotation searches to consumers via their websites, indicating the customers' likelihood to be accepted. In some cases our ability has developed so that it can pre-approve a proportion of applicants, eliminating uncertainty for consumers and reinforcing their decision to choose one of our products.

We have established a strategic partnership with TotallyMoney.com to market the *marbles* card. TotallyMoney.com is a website that allows consumers to assess and compare their eligibility for credit cards. Combining the specialist marketing techniques and market reach of TotallyMoney.com with our product offerings has created significant growth for our Own-Brands business since the launch of this partnership in 2015.

We are actively seeking similar opportunities with other distribution partners to enhance growth in our business.

Our *aqua* and *marbles* products are promoted in television commercials, directing viewers to our websites for more information before applying. To optimize the response from our television advertising, advertisements target specific television channels, days of the week and times of the day to help ensure it efficiently reaches the Own-Brands target audience.

Online Search, Banner Advertising and Television

We attract customers directly to our websites by using search engines and online banners to promote our Own-Brands products. This method accounted for 25.7% of account originations in our Own-Brands business for the nine month period ended September 30, 2016.

We employ various methods to attract visits to our Own-Brands websites. For example, we update relevant content on our website to optimize search engine results. Furthermore, we bid to appear on all key search engine sponsored results (e.g., Google, Bing and Yahoo!) and target banner advertising at individuals who have expressed a recent interest in applying, or who fall into our target demographic for a credit card.

Our websites are designed to provide the information applicants may need to make an informed decision as to whether to apply for a credit card. We are investing in technology to encourage customers to visit our website.

For the *marbles* products, prospective customers can check their eligibility prior to applying and; we are currently developing this functionality for *aqua*. This method of checking for eligibility avoids the need to leave a credit "footprint" on the applicant's credit file.

We also promote the Co-Brands cards through our retail partners' own websites, with all retail partners offering an online application process. Each retail partner has online brochure pages ("brochureware") to promote the relevant Co-Brands product and links to an application form that, while styled in accordance with the relevant retail partner brand, is hosted by us on our Website.

Retail partners additionally place banners throughout their own websites and in their other online marketing tools (such as email) to direct customers to the brochureware site for the relevant products.

Direct Mail and Email

Working in partnership with Experian, we identify our target audience for the *aqua* and *marbles* products and deploy a combination of direct mail and email communications inviting recipients to apply (either online or by mailing a paper application form.) Direct mail and email remain essential to our overall distribution mix, providing reach to consumers who are not actively using digital channels to look for credit. This method accounted for 15.1% of account originations for the nine month period ended September 30, 2016.

We use data analytics and other technology to enable direct mail and email to compete even more effectively in a digital environment. We believe that investments in a new integrated targeting marketing platform, new data sources and improved response times will deliver growth within the direct mail and email channel. By integrating the distribution strategy across all of our direct distribution channels and by delivering a consistent marketing message, we have enabled the distribution channels to work better together.

With our Co-Brands business, we work in partnership with our retail partners to utilize their email marketing databases and CRM systems to invite customers via email to apply online and in store.

The direct mail and email channel is still in the early stages of use, with the Co-Brands business increasing the frequency of customer contact and the sophistication of this distribution channel while, at the same time, optimizing the customer application process so as to maximize conversion rates from email.

Co-Brands Distribution Channels

In Store and Face-to-Face

The primary distribution channel for our Co-Brands products is our retail partners' stores, with successful applications being completed at the till point in store. Select staff are trained and monitored by retail partners to ensure that offering of a Co-Brands product to customers meets the required standard of transparency and fairness imposed on the retailer partner by applicable FCA regulations. We operate a detailed and regular oversight framework and provide training, reporting and monitoring to our retail partners to complement their compliance programs to ensure clear governance and quality assurance across the sales journey. This channel, which also includes online applications from our retail partners' websites, accounted for 95.0% of account originations for our Co-Brands business for the nine month period ended September 30, 2016, with the remainder of applicants primarily being employees of the retailer.

Operations and IT

We maintain a well and fully invested operating platform. We have sophisticated systems free from legacy issues. Our systems are resilient and deliver high levels of customer satisfaction. Our robust infrastructure provides for scalability and improved cost efficiency metrics. Through our continuous improvement process we are safe and secure with disaster recovery and business continuity planning. Our operating model is built on seven core principles. The principles include:

- investment in our existing geographic footprint to deliver cost efficiency, resilience and excellent customer service;
- non-customer facing operations performed at lowest cost to achieve the required level of quality and reliability;
- customer-facing functions in the United Kingdom—either in-house or with our strategic partners;
- virtualized supporting system capabilities to allow full flexibility of workforce locations;
- standardized processes to create reliable and predictable customer experiences;
- processes optimized to drive reliability and cost efficiency; and
- multi-channel option for customers to self-serve for all possible functions.

Through a multi-phased structured build out, our operating model is now equipped for scale and resilience. We are currently investing to support the expansion and enhancement of our operating model. As of and for the nine months ended September 30, 2016, there have been consistent improvements in key efficiency metrics, including a decrease in the Normalized Cost-to-Income Ratio of 690 bps from 2014.

Third party suppliers

We outsource certain critical operational functions. We have chosen to partner with selected suppliers that provide functionality combined with an ability to scale significantly and support future growth. In particular, certain platform services including IT, application processing, card production, transaction and payment processing and customer communication services are outsourced to First Data, one of the leading global providers of payment services and a supplier to many European banks and credit card issuers. First Data is our largest supplier and most extensive third party relationship.

"Data Warehousing" and marketing services are provided by Acxiom, which has key strengths in first-party data management, CRM and advertisement targeting.

Experian supply credit bureau services and hosting our credit scoring system and Own-Brands prospecting database. Santander and Lloyds Bank plc provide certain banking, settlement and cash management services in relation to, respectively, the Co-Brands and Own-Brands accounts portfolios. For further information, see "*Description of Other Financing Arrangements—The Securitization Facilities*."

Other significant third-party providers include Elavon and Cardnet (LBG Corporate), which both provide merchant processing services, and DST, which supplies printing and mailing services.

An approved supplier program is in place for the selection and appointment of all suppliers and third-party providers. All suppliers and third party providers must be approved by the appropriate business contact and/or by the procurement and supplier management function, depending on the nature and materiality of the service. Our supplier governance policies also provide the framework for how we appoint and manage our suppliers and third party suppliers.

We provide oversight of our suppliers, including the management of supplier risk, through a centralized procurement function and a supplier governance program to ensure appropriate and proportionate controls are in place.

Operating platform

Since 2013, our Own-Brands accounts portfolio has resided on a single core processing IT system, First Vision operated by First Data, having previously operated across several platforms due to acquisition legacy. The migration of the *aqua* and *marbles* portfolios from Lloyds Banking Group to First Data was an important step to establishing an independent IT and operations function. First Vision is a large-scale, industry-standard card issuing platform with functionality that enables us to rapidly configure and launch card products such as Buy Now Pay Later and 0% finance offers.

During 2015, we invested £6 million in the development of a digital platform for web and mobile that will provide customers with the ability to interact with us in their preferred manner. Digital servicing for all account portfolios has been consolidated onto this single platform, driving cost savings and standardization, as well as providing customers with a variety of tools to manage their finances such as payment calculators, budgeting tools and customizable alerts. The platform supports flexibility in digital customer experience, allowing the customer acquisition funnel to be monitored and optimized through web analytics and a content management system. Own-Brands digital acquisition utilizes eligibility checks and pre-approvals to ensure customers apply for products that are most suited to their needs.

We have also partnered with Dell and Symantec to build cybersecurity monitoring and protection capabilities to address potential threats of unauthorized access and data leakage.

The acquisition of the Co-Brands accounts portfolio from Santander UK involved the transfer of the operating infrastructure and the migration of the portfolio to our FirstVision core processing platform. This provided us with an opportunity to invest in product functionality, customer servicing and infrastructure as well as delivering benefits of scale. During the period from 2013 to 2015, we invested more than £50 million on our IT platform that delivers greater flexibility to meet customer needs and has a significant capacity to take on higher volumes. The new platform also provides tailored functionality for the portfolios of accounts that are serviced across the business.

The Co-Brands accounts portfolio was migrated to the new Target Group-operated platform in August 2014. This resulted in a fully on-shore customer experience in both customer services and collections, based in Leeds, with large parts of our Co-Brands and Own-Brands back office functions run by First Data in Mumbai, India.

These investments in infrastructure have helped to improve processes, improve customer services and have sought to address specific feedback from retailers.

Customer servicing and support

For both the Own-Brands and Co-Brands arms of the business, our core platform for customer service is First Data's FirstVision. We have also invested in new technology in order to be able to offer multiple service and support options to customers, including interactive voice response and touch tone telephone systems, online services and a customer call center. Own-Brands customers are served by a First Data managed call center in Basildon, United Kingdom, and Co-Brands customers are served by our own site in Leeds, United Kingdom.

One measure that suggests success in our endeavors is our Net Promoter Score. The Net Promoter Score is based on responses out of a score of ten to a single question "How likely is it that you would recommend our company/ product/service to a friend or colleague?" Respondents are then categorized into three categories: Promoters (scores 9 and 10), Passives (scores 7 and 8) and Detractors (scores 6 and below). The Net Promoter Score is calculated by subtracting the percentage of respondents who are Detractors from the percentage of respondents who are Promoters.

As of September 2016, our transactional Net Promoter Score, which measures responses to an event such as contacting our customer call centre, was approximately +69, a high score evidencing the level of loyalty that we foster with our customers. Our relational Net Promoter Score, which provide an overall assessment of our relationships with our customers, for our Own-Brands business was +43, as of June 2016. In addition, customers who call our customer service centers are asked to rate the level of satisfaction with the associates handling their call. The average rating as of September 2016 was 9.2 out of 10.

We have invested in a new digital servicing and application platform. The digital servicing capability allows customers to access an array of standard functions such as digital statements, personal detail changes, payments and new card requests through online or mobile channels. In addition, the platform provides the customer with valuable additional support beyond these basic services, such as next payment calculator, repayment calculator, customizable SMS/email alerts, a budgeting tool and credit health checks.

PPI

Neither we nor any of our subsidiaries have sold or marketed PPI to consumers. However, certain of our customers took out PPI in respect of their accounts prior to the legal assignment of such accounts to us. We receive PPI commission from PPI providers by virtue of those customers who still hold a PPI product relating to an account that was sold by a third party to our customers. Any material disruption to the relationship between the PPI providers who provide the insurance and our customers has the potential to affect our commission income from these products negatively. The commission income is also affected by the decline in the number of accounts that have a PPI product, a decline which is likely to be accelerated as a result of an FCA-led communications campaign to inform consumers of the deadline for making a PPI complaint. We handle all PPI complaints on the *Opus* portfolio and are liable for paying all customer redress. Lloyds Banking Group handles PPI complaints on the *aqua* and *marbles* portfolios and the payment of customer redress is shared with us. Santander handles PPI complaints on the Co-Brands accounts portfolio and pays all customer redress. It is predicted that there will be an increase in the number of PPI complaints as a result of both the FCA's proposed communications campaign and of the impact of Plevin, which may have a material adverse effect on our results of operations and financial condition. For further information, see "*Risk Factors—Risks Relating to the Legal and Regulatory Environment in which We Operate—There are various recently concluded and ongoing regulatory investigations into consumer credit and related financial services, in particular by the European Commission, the CMA and the FCA. The outcome and effect of these investigations is uncertain but they may have an impact on our reputation and financial condition.*" For more information about the FCA's communications campaign, Plevin and/or the regulatory background to PPI, see "*Regulation*."

Material Contracts

Material contracts with partners

Co-Brands Retail Partners

In May 2013 we completed the acquisition of Santander UK's retail Co-Brands card and point of sale finance business. This included relationships with many of the United Kingdom's best-known high street retailers including Debenhams, the Arcadia Group, House of Fraser and Laura Ashley. These arrangements represented, in the aggregate, 36.8% of our net interest income for the year ended December 31, 2015, 32.0% of our net interest income for the nine months ended September 30, 2016 and 36.8% of our gross receivables as of September 30, 2016. The average remaining contract length is four years.

Although the expiry of an agreement with a retail partner would mean that no new accounts would be originated through that partner, it would not necessarily result in the then-active accounts associated with that agreement being closed or transferred to a third party. In certain circumstances, a retailer may have a right to acquire the accounts associated with their agreement on termination, with the price determined in accordance with the terms of the relevant agreement with the retail partner.

- *Arcadia.* Our agreement with the Arcadia Group runs until December 2018 and will continue thereafter unless terminated in accordance with its terms.
- *Debenhams.* Our agreement with Debenhams will expire in August 2022.
- *House of Fraser.* Our agreement with House of Fraser will expire in December 2020.
- *Laura Ashley.* Our agreement with Laura Ashley will expire in April 2018.
- *TUI Group.* Our agreement with the TUI Group runs until November 2021 and will continue thereafter unless terminated in accordance with its terms.
- *Amazon*. Our agreement with Amazon will expire in January 2022.

Material contracts with suppliers

In the ordinary course of our business, we have entered into various agreements, with world-class partners. We maintain flexible contracts with our platform partners.

In particular, we formed our relationship with First Data in 2012. A global leader in commerce-enabling technology and solutions, First Data operates in over 35 countries and serves more than 3,500 financial institutions. We use a wide range of services from First Data. The services include hosting account management platforms and digital servicing for both the Own-Brands and Co-Brands accounts, including collections platforms, fraud monitoring, credit scoring and financial reporting. First Data also provides Own-Brands customer services and collections call centers, offshore back office and printing (via First Data's supplier TNT) and plastic card productions (via First Data supplier's Oberthur Technologies).

Risk Management

Overview

Risk management is central to our operations, consistent with our careful approach to business designed to protect our customers, our reputation and to ensure sufficient liquidity. We have established an enterprise-wide risk management framework underpinned by a comprehensive suite of policies, operational procedures and governance structures and supported by a number of systems to enable us to conduct business in accordance with applicable laws, rules, regulations and guidance. This is complemented by the Chief Risk Officer, who is directly responsible for ensuring that our risk framework remains robust and appropriate for managing our risk function. The Chief Risk Officer reports to the CEO, and independently to the Board Risk Committee. As appropriate, the Chief Risk Officer also has independent access to the business and Board members.

Our approach to risk management is to ensure that all relevant risks in our business activities are appropriately identified, measured, monitored and controlled. We have a focus on leveraging our strong credit risk background and complement this with a focus on conduct, financial control, liquidity and operational risk. We operate a "three lines of defense" model for risk management, comprising: the business; our enterprise risk function; and our internal audit.

First line of defense—business

The first line of defense is the business, which is primarily responsible for managing risks and for executing the business strategy as set by the Board. The individual business functions are responsible for day-to-day management of risk and control. The finance function and legal and conduct advisory team are part of the first line of defense, although their specialist advisory nature means their activities will often include supporting the enterprise risk function. The leaders of each business function have primary accountability for the performance, operation, compliance and effective control of risks affecting their business function.

Second line of defense—enterprise risk function

The second line of defense is our enterprise risk function, which is responsible for the operation of our risk management framework. The enterprise risk function is an independent risk management capability, reporting to the Chief Risk Officer, providing oversight of the operation of the business, including the effectiveness of risk management and the controls in place to mitigate risk and ensuring appropriate balance is maintained between risk and reward. It also provides risk focused advice as an input to business decisions. The enterprise risk function reviews the risk management frameworks in operation, along with related policies and processes, to enable the business to operate within our risk appetite.

The third line of defense—assurance (internal audit)

The third line of defense is the internal audit function, which provides independent assurance on the design, operation and effectiveness of the control framework, including activities performed by the first and second lines of defense. Prior to 2016, the internal audit function was outsourced until we appointed our head of internal audit to the lead the establishment of a co-sourced function. The internal audit function assesses the effectiveness of risk management, control and governance processes in monitoring, managing and mitigating risk and reports to the Chairman of the Audit Committee.

Risk management framework

We operate an overarching risk management framework to articulate our approach to risk management. This document is then supported by the five sub-frameworks covering financial control, credit risk, liquidity risk, conduct risk and operational risk.

The risk management framework is a collection of day-to-day tools, processes and methodologies that support us in defining risk appetite, documenting the governance of risk and identifying risk processes and methodologies to assess, monitor and control the risks. The risk management framework informs development of the risk infrastructure and provides a sound basis for more informed risk-based decision-making across the business.

The Board Risk Committee utilises an annual review framework to internally assess the appropriateness of the frameworks in place, recommending any amendments to the board for approval. During 2015, the overarching risk management framework and five sub-frameworks were redeveloped and re-launched.

The enterprise-wide risk management framework is comprised of the following core components. These are set out below.

Risk appetite statements

Our risk appetite statements are the link between the overall business strategy and the management of risk via the risk management framework. We currently operate in accordance with risk appetite statements which underpin our objectives. Risk appetite is set by the Board to reflect our strategy. The Board monitors adherence to our risk appetite statements so as to ensure that we can deliver on our strategic priorities while continuing to operate within our established risk boundaries. Our risk appetite statements are embedded in our governance and we oversee approval of risk appetite limits through the Board Risk Committee and the Board.

Risk governance

The Board is ultimately accountable for risk and the oversight of risk management. The Board considers the appropriateness of the risk management framework in line with risk appetite and our strategy. Much of the Board's oversight is delegated to certain committees, namely:

- the Board Risk Committee, which will be composed of our Senior Independent Director and two investor directors post-Completion;
- the Management Committee, which exists to support the CEO and, in the context of risk management, to ensure that our activities are undertaken within Board approved risk appetite;
- the Enterprise Risk Management Committee, which is responsible for reviewing, monitoring and reporting on key internal and external risks we have faced;
- the Customer and Conduct Risk Committee, which is responsible for reviewing and reporting on our customer outcomes and conduct risk and supporting systems and controls in order to ensure appropriate customer focus;
- the Asset and Liability Risk Committee, which is responsible for identifying and recommending any financial and liquidity risk policies to the Enterprise Risk Management Committee and reviewing and reporting on all material financial and liquidity risks across our Group;
- the Credit Risk Committee, which monitors credit performance and is responsible for reviewing and reporting on key internal and external credit risks we faced; and
- the Operational Risk Committee, which monitors our operational risk profile and is responsible for reviewing and reporting on principal internal and external operational risks and risk events we face.

Risk management processes and methodologies

Risk management processes and methodologies are central to the risk management framework, allowing for the identification, measurement, monitoring and control of risk. The processes and methodologies include qualitative and quantitative measures. Qualitative measures are defined processes for the identification, assessment, control and monitoring of risk. These processes are used to assess risks both within ourselves and third party suppliers and agents. Quantitative measures are defined models and processes for the quantification of risk exposures with oversight at the Enterprise Risk Management Committee where senior management are made aware of quantitative methodologies which allow assessment of the risk profile against risk appetite, and limits for credit risk and financial risk.

Risk management skills, resources and culture

We believe that it is the responsibility of every employee of ours to act in accordance with our risk culture as set out in the Manifesto. This includes the management of specific risks and controls delegated to them as part of their remit and general, broader responsibilities relating to relevant laws, rules, regulations and guidance. Communication, training, performance management and reward structures support the effective operation of the risk management framework. Regulatory risk-based training is mandatory for all of our employees, and communicating the importance of risk management is an ongoing part of the wider risk management activity.

Intellectual Property

We rely on copyright and trademark laws, confidentiality procedures and contractual provisions to protect our intellectual proprietary rights. We actively take steps to protect our intellectual property rights when and where we deem appropriate.

We have also registered domain names. These domain names are either used by our business to deliver services and information to our customers or held to protect trading names and brands developed by our business. In addition, the agreements with each of our retail partners include trademark licenses to ensure we are able to operate the programs using the relevant retail brand.

Environmental Matters

We do not believe that we have any material environmental compliance costs or environmental liabilities.

Property

We lease two premises in the United Kingdom, our head office in London, where our management functions are based, and our office in Leeds which is primarily, but not exclusively, dedicated to our call center function. We will be moving from our current premises in London to a new office space in King's Cross, London in 2017.

Insurance

We maintain comprehensive insurance policies with respect to, among other things, business interruptions, professional indemnity, directors' and officers' liability and property damage. We believe that our insurance coverage is in accordance with that of other similar companies and is adequate for our needs.

Regulatory proceedings

We may be involved in regulatory proceedings or disputes in our ordinary course of business. As of September 30, 2016, other than as disclosed in the Audited Financial Statements, we were not aware of any regulatory proceedings or disputes that, in the opinion of our management, would have a material adverse effect on our business, financial condition, results of operations or prospects.

Legal proceedings

In common with most consumer credit companies, from time to time the Group receives complaints/claims from customers. Other than complaints/claims from customers in the ordinary course of business, we are not aware of any material pending litigation. All current complaints/claims from customers are in respect of amounts less than £100,000.

Employees

For the years ended December 31, 2014 and 2015, we had an average of 362 and 695 employees, respectively.

Regulation

Introduction

UK consumer credit firms and payment services institutions must be authorized by the Financial Conduct Authority (the "**FCA**") in order to carry on consumer credit card and payment services activities by way of business in the United Kingdom. We currently have two authorized companies:

- NewDay Ltd, which holds full consumer credit permissions for the regulated activities which it carries out and is an authorized payment institution; and
- NewDay Cards Ltd, which holds full consumer credit permissions for the regulated activities which it carries out.

This section provides an overview of the regulatory regime applicable to us and our authorized companies.

Regulatory Framework

UK Consumer Credit Business

Consumer credit activities (which include the provision of credit cards, store cards and personal loans) are subject to extensive regulation in the United Kingdom and the intensity of regulatory supervision has been increasing in recent years.

As is the case across much of the UK financial services industry, the sector in which we operate is currently undergoing, and may in the future undergo, a number of significant regulatory changes. The regulatory regime applicable to us changed with effect from April 1, 2014 when responsibility for the oversight and regulation of consumer credit transferred from the Office of Fair Trading (the "**OFT**") to the FCA.

As a result of the change in regime, the regulatory requirements and expectations applicable to the consumer finance sector have become more aligned with the regulatory requirements and expectations applicable to other core regulated sectors of the UK financial services industry. This reflects the new FCA regulatory framework being more extensive, and the FCA's supervisory and enforcement powers being greater than those the OFT had under the previous consumer credit regime. For example, the FCA's supervisory and enforcement toolkit includes powers to issue greater fines, to undertake regular on-site visits, to ban activities or products being sold, to issue public notices and to instigate investigatory action.

Regulatory Capital

As an authorized payment institution, NewDay Ltd is required to hold a certain amount of regulatory capital. Regulatory capital requirements for authorized payments institutions are less onerous than those for investment firms.

There are three methods of calculation of ongoing capital requirements for authorized payment institutions referred to as methods A, B and C. To calculate its regulatory capital, NewDay Ltd uses the most conservative method, i.e., method B. This method is based on a sliding scale determined on the basis of the volume of transactions and settlements conducted by NewDay Ltd as an authorized payment institution. The total amount of the capital requirement is calculated as a percentage of such payment volume, with such percentage decreasing when the payment volume increases. The payment volume refers to the total amount of payment transactions executed by NewDay Ltd in the preceding financial year, divided by the number of months in that year.

In addition, NewDay Ltd is required to hold 100% of the balances of all credit balances above £50 in a ring-fenced bank account, which is monitored on a daily basis and unallocated.

The United Kingdom's Financial Conduct Authority

The FCA is responsible for the regulation of conduct in retail, as well as wholesale, financial markets and the infrastructure that supports those markets.

The FCA's strategic objective is to ensure that its relevant markets function well. The FCA also has three operational objectives:

- to secure an appropriate degree of protection for consumers;

- to protect and enhance the integrity of the UK financial system; and
- to promote effective competition in the interests of consumers for regulated financial services or services carried out by regulated investment exchanges.

Its supervisory approach is outcomes-based and pre-emptive, and focused on delivering its statutory objectives. The FCA Handbook sets out the FCA's rules and guidance, which have been made under powers given to the FCA under the Financial Services and Markets Act 2000 (the "**FSMA**").

The UK consumer credit regime principally consists of provisions in the FSMA and relevant secondary legislation, certain retained provisions of the Consumer Credit Act 1974, as amended (the "**CCA**"), relevant secondary legislation made under the CCA and new rules and guidance introduced into the FCA Handbook.

In particular, changes were made to the FSMA, the CCA and associated secondary legislation to bring certain consumer credit-related activities into the scope of FCA regulation, and to ensure that certain features of the FSMA regime were modified or disapplied to align to the consumer credit sector. At the same time, parts of the CCA and the secondary legislation made under it were repealed. The FCA is required to complete a review of the retained provisions of the CCA by April 1, 2019, with the intention of substituting these with FCA rules wherever possible.

A credit agreement will be regulated if it is a "regulated credit agreement" for the purposes of Chapter 14A of Part 2 of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (the "**RAO**"). This defines a "regulated credit agreement" as any agreement which involves the provision of credit of any amount by a lender to an individual and does not fall within certain exemptions. The determination of whether an agreement is exempt from being a regulated credit agreement is based on the analysis of a number of factors. These factors include, but are not limited to, the nature of the agreement, the nature of the lender and/or borrower (such as whether the borrower is an individual), the number of repayments to be made by the borrower and the total charge for credit. For example, agreements with companies and agreements for the non-residential purchase of land (such as commercial property arrangements) are generally not regulated credit agreements.

FCA Consumer Credit Regime

Authorization under the FSMA

Pursuant to Section 19 of the FSMA, a firm must be authorized to carry on regulated activities, which from April 1, 2014 have included specified consumer credit activities, by way of business in the United Kingdom. For example, entering into a "regulated credit agreement" as lender, and exercising, or having the right to exercise, the lender's rights and duties under a regulated credit agreement, are regulated activities.

In order to obtain full authorization, applicants must demonstrate that they satisfy certain minimum prudential and organizational requirements, known as the "threshold conditions." These conditions relate to the location of the firm's offices, whether the firm is capable of being effectively supervised by the FCA, the quality and quantity of the firm's resources (including both financial and management resources), whether the firm is a "fit and proper person" to conduct the relevant consumer credit activities and whether the firm has a suitable business model.

Within the Target Group, NewDay Ltd and NewDay Cards Ltd have both been authorized by the FCA since March 31, 2016 to carry on certain consumer credit related activities. As part of the FCA's assessment of NewDay's applications for authorization, NewDay Ltd and NewDay Cards Ltd have both been assigned an indicative prudential classification of P3, which means that the FCA regards our failure, even if disorderly, to be unlikely to have significant impact on the market, and an indicative conduct classification of C4, which means that they will be subject to the lightest touch supervision by the FCA and will be supervised by a team of sector specialists rather than by a dedicated supervisor.

High Level Standards

The FCA's approach to regulation and the standards it requires firms to maintain are set out in the FCA Handbook.

The FCA's high level standards apply to all firms which conduct regulated consumer credit activities in the United Kingdom, including NewDay Cards Ltd and NewDay Ltd. These include the requirements set out in the following sections of the FCA Handbook: the FCA's Principles for Businesses (the "**PRIN**"), the General Provisions (the "**GEN**") and the Senior Management Arrangements, Systems and Controls Sourcebook (the "**SYSC**").

The rules and guidance in the PRIN are in a form of general statements of the fundamental obligations that firms regulated by the FCA must comply with under the regulatory system. They are regarded by the FCA as the basis for most of the other more detailed rules and guidance and include, for example, requirements for a firm to treat its customers fairly, to communicate with customers in a way that is fair, clear and not misleading, to conduct its business with integrity and to deal with its regulators in an open and cooperative way.

The rules in the GEN relate to matters such as status disclosure and interpretation of the FCA Handbook more generally.

The rules in the SYSC require firms to organize and control their affairs responsibly and effectively, and include requirements for firms to establish and maintain appropriate and risk-sensitive financial crime policies and procedures, and to identify, assess and mitigate the risk of money laundering in their business. The rules in the SYSC also impose, among other things, general organizational requirements relating to governance, requirements relating to the skills, knowledge and expertise of staff, outsourcing responsibilities, record-keeping requirements and rules relating to conflicts of interests.

Approved Persons Regime

The FCA's approved persons regime is a system for vetting and holding to account individuals who perform what are known as "significant-influence functions," essentially, senior managers, or the "customer-dealing function," persons who deal with a firm's customers. The application of the approved persons regime has the effect that at least one individual in most consumer credit firms will need to be approved to perform certain functions. When determining whether to approve an individual, the FCA will assess his or her honesty, integrity and reputation, competence and capability, and financial soundness.

If a firm fails to take reasonable care to ensure that it does not employ unapproved persons to carry out functions for which they require approval, the FCA can carry out an investigation and take enforcement action against the firm concerned. Enforcement action could result in a fine or, for serious breaches, the suspension of permission to carry on regulated activities.

If an individual performs a function for which they should have been approved, and knew that they should have been approved, but were not, the FCA can impose a financial penalty of such an amount as it considers appropriate on that person.

An approved person must also comply with the FCA's Statements of Principle and Code of Practice for Approved Persons (the "**APER**"). The APER sets out a number of high level statements of principle for approved persons including, for example, requirements that approved persons act with integrity, due skill, care and diligence.

If an approved person fails to comply with APER, or is knowingly concerned in a contravention by the authorized firm of any requirement imposed on it by or under FSMA, the FCA may (i) fine the approved person; (ii) suspend or impose limitations or restrictions on the approval of that person for such period as the FCA considers appropriate; and/or (iii) issue a public statement concerning the misconduct of that person.

From March 7, 2016, a new senior managers and senior insurance managers regime was applied to banks and insurance companies, respectively, which replaced the approved persons regime for such firms. The main purpose of the new regimes was to strengthen the individual accountability of senior employees at banks and insurers, ensuring that key responsibilities are assigned to specific individuals and that they understand and are held to account for those responsibilities. In October 2015, HM Treasury proposed extending the senior managers regime to all authorized firms, including consumer credit firms. This proposal is currently expected to be implemented during 2018.

Controllers Regime

Any change in control of an authorized firm requires pre-approval from the FCA. A failure to obtain such approval will be a criminal offense.

Under the Controllers Regime, a potential acquirer of NewDay Cards Ltd, NewDay Ltd or us will be required to obtain prior approval of the FCA for a 20% or more holding in the shares or voting rights of NewDay Cards Ltd, NewDay Ltd or one of their parent undertakings. A 10% or more holding in the shares or voting rights of NewDay Ltd is subject to a separate notification regime of the FCA in respect of a "change in qualifying holding" of a payment institution.

The FCA has up to 60 working days, extendable by up to 20 working days (up to 30 working days if the acquirer is not an EEA entity or is not itself subject to regulation), to determine any such application. Such time limits applying from the date it acknowledges that it has all the information it requires to process the application.

Complaints Reporting and Publishing Requirements

Consumer credit firms are required to record every complaint (as defined by the FCA) that they receive, including how they resolved it, and keep the record for three years. Firms also have to make complaint reports to the FCA, the level and frequency of which will depend on the particular activities the firm carries out and the number of complaints it receives. Complaints data is published by the FCA. Firms reporting over 500 complaints in a six-month reporting period are also required to publish this data on their websites.

Conduct of Business Requirements

In its role as the regulator of the consumer credit regime in the United Kingdom, the FCA maintains the rules and guidance in the specialist sector-specific sourcebook in the FCA Handbook for consumer credit firms (the "**CONC**"), which sets out the conduct of business requirements applicable to firms carrying on consumer credit activities. Many of these provisions carry forward provisions which were contained previously in CCA legislation and OFT guidance which have now been repealed.

Chapter 2 of the CONC contains general rules and guidance to guide the conduct of a firm in relation to the regulated consumer credit business which it conducts. Chapter 2 also contains guidance on behavior which is likely to contravene the relevant business standards. For example, a firm must pay due regard to the interests of its customers and treat them fairly and a firm is unlikely to be doing so if it targets customers with products which are unsuitable for them (whether by virtue of their indebtedness, poor credit history, age, health, disability or any other reason) or if it does not allow customers who are unable to make payments a reasonable time and opportunity to meet repayments.

Chapter 3 of the CONC contains the rules and guidance on financial promotions and communications with customers. The over-arching rule of Chapter 3 is that all financial promotions that are made in respect of a credit-related regulated activity are clear, fair and not misleading. To comply with the general rule, firms must, for example, use plain and intelligible language, ensure that the financial promotion is easily legible and ensure that the name of the person making the communication is specified on the financial promotion. In particular, the content of the financial promotion must be accurate, should not emphasize any potential benefits of a product or service without also giving a fair and prominent indication of any relevant risks, and must be presented in a way that is likely to be understood by the average member of the group to whom it is directed. Chapter 3 includes provisions that were previously contained in the Consumer Credit Advertising Regulations and OFT Guidance. Importantly for a consumer credit firm, this includes the definition of the representative APR, when the representative APR or a representative example is required to be shown and the associated prominence requirements. It also sets out expressions which should only be used in certain circumstances, such as "interest free" or "pre-approved."

Chapter 3 also provides some examples of practices that are likely to contravene the over-arching rule, including stating or implying that the firm is a lender where this is not the case, misleading a consumer as to the availability of a particular credit product, concealing or misrepresenting the identity or name of the firm or using false testimonials, endorsements, or case studies.

Chapter 4 of the CONC sets out rules on pre-contractual disclosure, including an obligation to provide adequate explanations of the main features of a credit agreement and pre-contractual information. In addition, Chapter 4 provides examples of unfair business practices in relation to consumer credit lending.

Chapter 5 of the CONC sets out the standards with which a consumer credit firm must comply in order to ensure that it lends in a responsible manner. This includes an obligation to carry out a proportionate pre-contract creditworthiness assessment of the customer to ensure that any lending is affordable for the customer.

Chapter 6 of the CONC contains various post-contractual requirements relating to creditworthiness assessments during the agreement (for example, prior to a significant increase in the amount of credit being provided), appropriation of payments and assignment of rights. Chapter 6 also sets out various requirements in relation to credit limit increases and interest rate variations. For example, it provides that firms must not increase a customer's credit limit on a credit card or store card where a customer is at risk of financial difficulties, that the customer has the right to reject a credit limit increase, and that firms must not increase the interest rate under a credit agreement unless there is a valid reason for doing so.

Chapter 7 of the CONC deals with arrears, default and recovery. It provides rules that consumer credit firms must comply with regarding the treatment of customers in default and arrears, the provision of information on the status of debts, pursuing and recovering payments, and the application of interest and charges. Chapter 7 also contains specific rules about how firms should deal with "vulnerable customers." Vulnerable customers are those with disabilities, impaired mental capacity or whose ability to cope may be affected by a change of circumstances, such as suffering from bereavement or being seriously ill, making them more susceptible to detriment. Chapter 7.2 stipulates that a firm must have clear, effective and appropriate policies and procedures for the fair and appropriate treatment of customers, who the firm understands or reasonably suspects to be particularly vulnerable.

Serious or systemic failure to adhere to the standards in the CONC would be likely to result in enforcement action being taken by the FCA.

Payment Protection Insurance

Following the conclusion of the 2011 judicial review into payment protection insurance ("**PPI**"), many financial institutions have made significant payments to compensate customers who have claimed that their policies were missold to them. According to the FCA, the amount paid out between January 2011 and December 2015 was £22.5 billion.

The FCA and its predecessor regulatory body, the Financial Services Authority (the "**FSA**"), have also imposed heavy fines on several financial institutions for breaches of relevant rules and Principles relating to the sale of PPI.

In November 2014, the UK Supreme Court ruled in Plevin v Paragon Personal Finance Limited (2014) UKSC 61 ("**Plevin**") that a failure to disclose to a client the amount of a large commission payment on a single premium PPI policy made the relationship between a lender and the borrower unfair under section 140A of the Consumer Credit Act of 1974 (the "**CCA**"). Following this judgment, the FCA published a consultation paper in November 2015 which covered: (i) the introduction of a deadline by which consumers need to make PPI complaints or else lose their right to have them assessed by firms or the Financial Ombudsman Service; (ii) an FCA-led communications campaign designed to inform consumers of the deadline; and (iii) rules and guidance on how firms should handle PPI complaints fairly in the light of the judgment in the Plevin case. The consultation closed on February 26, 2016. The FCA issued a further consultation paper in August 2016 and the FCA is expected to issue a policy statement with final rules and guidance before the end of 2016. The industry anticipates an increase in the number of both PPI claims and of Plevin-based unfair relationship claims that will be brought as a result of this policy statement.

Financial Crime

The FCA has responsibility under the FSMA for taking regulatory action to counter financial crime. Accordingly, the FCA has set out requirements in the SYSC for firms to put in place adequate systems and controls to monitor, detect and prevent financial crime. The FCA's requirements do not prescribe in detail how firms have to do this. Instead, firms are required to take a risk-based approach so firms' systems and controls will vary depending on the risks they face and their appetite for risk. The FCA monitors firms' compliance with its financial crime requirements as part of its supervisory work, and takes enforcement action where necessary.

Supervision and Enforcement

The FCA has wide powers to supervise, and intervene in, the affairs of a regulated consumer credit firm. It can, for instance, require firms to provide it with particular information or documents, formally investigate a firm or undertake sector-wide thematic reviews to address risks across, for example, a range of firms or a particular market sector.

The FCA's supervisory approach is built around three pillars. Pillar 1 is Proactive Firm Supervision (also referred to as the Firm Systematic Framework) which is designed to be a forward-looking assessment of an individual firm's conduct risk. Pillar 2 is Event-Driven Work where the FCA reacts to what is actually happening at a specific firm. Pillar 3 relates to Products and Issues, and it is under this pillar that the FCA carries out thematic reviews and market studies across a particular sector or sectors. These thematic reviews are becoming more common.

The FCA undertakes monitoring of authorized firms and may ask to perform an on-site visit to ensure that the business of such firms is compliant with all of the applicable requirements. Previously, when the OFT was in charge of consumer credit regulation, its resources tended to be targeted at those whom it considered the most likely to cause harm to consumers, and often its enforcement actions were taken in response to a large volume of consumer complaints being made to regulatory or consumer advice agencies.

The FCA is likely to continue with a similar targeted and risk-based approach, but it is also likely to be more proactive in pursuing possible regulatory failures and poor practices, for example by initiating its own investigations. This is due, in part, to the fact that the FCA has greater resources than were available to the OFT. Where consumer detriment is found, the FCA will use its powers of intervention, which might include taking enforcement action or securing redress for consumers.

Consistent with the FCA's approach to its supervision of other financial services sectors, the FCA's supervision of the new consumer credit regime is risk-based and proactive. Firms are categorized upon full authorization according to the risk-rating which will determine the level of oversight and engagement the FCA's supervisory team will exercise in respect of the firm. We have been assigned an indicative prudential classification of P3 and an indicative conduct classification of C4. The four risk categories broadly reflect a firm's size and customer numbers, and the corresponding level of risk. Firms within the two highest risk categories will receive more intensive supervision and each will have a named supervisor at the FCA. Firms within the lower two categories, including us, will receive less intense supervisory attention and will be supervised by flexible teams.

From April 1, 2014, the FCA has been able to use the full range of its enforcement and investigatory powers in relation to consumer credit firms to enforce both its own rules and the provisions of the previous regime contained in the CCA which have been carried forward. The FCA cannot apply its new enforcement powers retrospectively. The FCA may use its investigatory powers to look at past behavior, although, if it does consider it appropriate to impose sanctions, it is only able to apply the sanctions that were in force at the time of the behavior in question.

The powers the FCA has under the FSMA are significantly greater than those which were previously available to the OFT. The FCA's investigatory powers allow the FCA to require persons to answer questions and provide documents or information and to apply for warrants to enter and search premises. The FCA also has the power to bring civil, criminal and disciplinary proceedings. These powers enable the FCA to:

- withdraw authorizations and approvals;
- stop individuals from working in the regulated financial services sector or carrying out specific regulated activities;
- suspend firms from carrying out regulated activities for up to twelve months;
- suspend individuals from carrying out specific regulated activities for up to two years;
- publicly censure firms and individuals;
- impose financial penalties;
- seek injunctions;
- apply to court to freeze a firm's or an individual's assets;
- seek restitution orders; and
- bring criminal proceedings against regulated firms and individuals.

The FCA also has the power to use temporary product intervention rules ("**TPIRs**") prohibiting authorized persons from taking a number of actions, including entering into specified contracts with any person or with a specified person. TPIRs are intended to offer protection to consumers in the short term while either the FCA or the industry develops more permanent solutions and, in any event, are limited to a maximum duration of twelve months. The FCA has stated that it will consider making TPIRs where it identifies a risk of consumer detriment arising from a product or practice and will make rules if it deems prompt action is necessary to reduce or prevent that detriment.

Consumer Credit Act 1974

Pre-Contract Disclosure, Documentary and Drafting Requirements

The retained provisions of the CCA as amended, supplemented by secondary legislation and the requirements in the CONC control the details of regulated credit agreements from inception through to enforcement, including pre-contract disclosure obligations, the form and content of regulated credit agreements and the rights of borrowers to receive certain notices and statements.

For agreements entered into before April 6, 2007, where such agreements are improperly executed, they may be entirely unenforceable in circumstances where the credit agreements have failed to comply with certain requirements of the CCA as to provision of information, form and content, signing and provision of copies including cancellation notices.

For agreements made on or after April 6, 2007, if these requirements are not complied with, the agreement will only be enforceable with a court order. In exercising its discretion whether to make such an order, the court will take into account any prejudice suffered by the customer and the degree of any culpability of the lender. The court has the discretion, if it appears just to do so, to amend the credit agreement, impose conditions upon its performance or make a time order (for example, give extra time for arrears to be cleared). Where the court is able to exercise its discretion, it will do so on a case-by-case basis and it is therefore difficult to predict the likelihood of court orders being obtained.

In addition, ongoing servicing requirements must be complied with. A credit agreement will be unenforceable against the customer for any period when the lender fails to comply with requirements as to provision of a copy of the agreement, periodic statements, arrears notices or notices of default sums. Such unenforceability may be cured by the lender complying with such requirements; however, the lender may be prohibited from enforcing the agreement during or relation to the period of non-compliance. In addition, the customer is not liable to pay interest or default fees for any period when the lender fails to comply with requirements relating to arrears notices or annual statements relating to fixed sum loans and interest on default fees is restricted to nil until the 29th day after the day on which a notice of default fees is given, after which time the interest is restricted to simple interest (i.e., interest may only be calculated on the principal amount of the default fee).

Unfair Relationships

Under sections 140A-C of the CCA, the court has power to determine that the relationship between lender and customer arising out of a credit agreement, whether alone or with any related agreement, is unfair to the customer. If the court makes such a determination, then it may make an order, among other things, requiring the lender or any assignee to repay any sum paid by the customer. There is no statutory definition of what constitutes an unfair relationship. Instead, in deciding whether to make the determination, the court is required to have regard to all matters it thinks relevant, including the manner of enforcement of the lender’s rights and the lender’s conduct before and after making the credit agreement, and may make the determination even after the relationship has ended or if the agreement has been assigned to another lender. Once the customer alleges that an unfair relationship exists, then the burden of proof is on the lender to prove the contrary. Recent court decisions have generally interpreted “unfair relationship” in a way favorable to customers. For further information, see “*Payment Protection Insurance*” above regarding the recent UK Supreme Court decision in Plevin.

Liability for Misrepresentation and Breach of Contract

Transactions involving the use of a credit or store card or under a restricted use installment credit agreement may constitute transactions under a debtor-creditor-supplier agreement for the purposes of the creditor’s liability under section 75 of the CCA. A debtor-creditor-supplier agreement includes an agreement by which the creditor advances funds to finance the debtor’s purchase of goods or services from a supplier with whom the creditor has a pre-existing arrangement.

Section 75 of the CCA provides that, if a supplier breaches a contract between the supplier and a debtor in a transaction under certain debtor-creditor-supplier agreements, or if the supplier makes a misrepresentation about the contract, the creditor may also be liable to the debtor for the breach or misrepresentation. An example of a supplier's breach of contract would include the supplier selling the debtor merchandise that is defective or unsuitable for its purpose. However, the creditor will not be liable under section 75 of the CCA where the cash price of the item or service supplied underlying the claim is £100 or less, or greater than £30,000. Section 75(2) provides the creditor with a statutory right to an indemnity from the supplier.

Unfair Terms in Consumer Contracts Regulations 1999

The Unfair Terms in Consumer Contracts Regulations 1999, as amended (the "**UTCCR**") apply to business-to-consumer contracts made on or after July 1, 1995 and prior to October 1, 2015. The UTCCR could affect all or almost all types of credit products. For business-to-consumer contracts entered into with effect from October 1, 2015, the CRA 2015 applies.

The UTCCR provide that a consumer may challenge a standard term in an agreement on the basis that it is "unfair" within the UTCCR and therefore not binding on the consumer, although the contract itself will continue to bind the parties if it is capable of continuing in existence without the unfair term.

The UTCCR will not generally affect terms which define the main subject matter of the contract, such as the borrower's obligation to repay the principal, provided that these terms are written in plain and intelligible language and are drawn adequately to the consumer's attention. The UTCCR may affect terms that are not considered to be terms which define the main subject matter of the contract, such as the lender's power 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.

Consumer Rights Act 2015

The CRA 2015 consolidated much of the existing consumer rights law in the United Kingdom. Among other things, it repealed the UTCCR and effectively merged the consumer protection rules under the UTCCR and the Unfair Contract Terms Act 1977. It introduced a new regime for dealing with unfair contractual terms with respect to contracts entered into on or after October 1, 2015. The UTCCR will continue to apply to contracts entered into prior to October 1, 2015 as described above.

Under Part 2 of the CRA 2015 an unfair term in a consumer contract (a contract between a trader and a consumer) is not binding on a consumer (a term which has been revised to mean an individual acting for purposes that are wholly or mainly outside that individual's trade, business, craft or profession). In an additional change from the old regime, an unfair consumer notice is also not binding on a consumer, although a consumer may rely on the term or notice if the consumer chooses to do so.

A term is unfair where, contrary to the requirement of good faith, it causes significant imbalance in the parties' rights and obligations under the contract to the detriment of the consumer. In determining whether a term is fair it is necessary to: (i) take into account the nature of the subject matter of the contract; (ii) refer to all the circumstances existing when the term was agreed; and (iii) refer to all of the other terms of the contract or any other contract on which it depends. The CRA 2015 also applies substantially the same test of fairness to consumer notices and generally refers to term and notices interchangeably.

Where a term of a consumer contract is "unfair," it will not bind the consumer. However, the remainder of the contract will, so far as practicable, continue to have effect in every other respect. Where a term in a consumer contract is susceptible of multiple different meanings, the meaning most favorable to the consumer will prevail. In a shift from the old regime, under the CRA 2015 it is the duty of the court to consider the fairness of any given term. This can be done even where neither of the parties to proceedings has explicitly raised the issue of fairness.

Financial Ombudsman Service

The Financial Ombudsman Service (the "**FOS**") acts as an independent adjudicator of consumer complaints made to it. Consumers have the right to ask for a complaint to be referred to the FOS when they are unhappy with the way in which the complaint has been resolved by the regulated firm. The FOS and the FCA have entered into a memorandum of understanding which sets out how they will cooperate with each other in the exercise of their respective functions.

The maximum level of money award by the FOS is £150,000 for complaints received by the FOS on or after January 1, 2012. The FOS may also make directions awards, which direct the business to take such steps as the

FOS considers just and appropriate. Although the FOS takes account of relevant regulation and legislation, its guiding principle is to resolve cases on the basis of what is fair and reasonable. The decisions made by the FOS are binding on regulated firms.

Financial Services Compensation Scheme

The Financial Services Compensation Scheme (the "**FSCS**") is the United Kingdom's statutory compensation scheme for customers of financial services firms. It can pay compensation to customers if a firm is unable, or is likely to be unable, to pay claims against it. At the moment there are no proposals to extend FSCS cover to consumer credit activities. The FCA is expected to review this when all consumer credit firms will be fully authorized.

Other Relevant UK Legislation and Regulation

Payment Services Regulations 2009

Under the Payment Services Regulations 2009 (the "**PSRs**"), the FCA is responsible for regulating payment services in the United Kingdom. NewDay Ltd is an "Authorized Payment Institution" subject to the PSRs.

The PSRs establish an authorization regime, requiring payment service providers to be either authorized or registered with the FCA. The PSRs also contain certain rules about providing payment services, including the provision of credit cards, with which payment service providers must comply, including in relation to consent for payment transactions, unauthorized or incorrectly executed transactions, liability for unauthorized payment transactions, refunds, execution of payment transactions, execution time, value dating, information to be provided to payment service users and liability of payment services providers if things go wrong.

The Financial Services (Banking Reform) Act 2013 required the FCA to establish a body corporate to regulate payment systems (the "**Payment Systems Regulator**"). The Payment Systems Regulator was established on April 1, 2014 and became fully operational on April 1, 2015. The Payment Systems Regulator has a range of investigative and enforcement powers that it may use against participants in a regulated payment system.

Financial Services (Distance Marketing) Regulations 2004

The Financial Services (Distance Marketing) Regulations 2004 govern the conditions on the sale of retail financial services products, such as credit cards, where the products are sold over the internet, by telephone or by SMS within the United Kingdom or the rest of the European Economic Area. The Regulations restrict the use of "cold calling" and unsolicited commercial e-mails for the promotion of financial services, impose an obligation to provide certain information before concluding a contract, and require a "cooling off" period of 14 calendar days in which consumers may withdraw from the contract without incurring penalties and without giving reason. There are also additional pre-contract information requirements.

UK Money Laundering Regulations 2007

The UK Money Laundering Regulations 2007 require firms, including firms carrying on consumer credit activities and authorized payment institutions such as NewDay Cards Ltd and NewDay Ltd, to verify the identity and address of customers opening accounts with them and to keep records to help prevent money laundering and fraud. Guidance in respect of firms' anti-money laundering and counter-terrorist financing obligations is produced by the Joint Money Laundering Steering Group.

The UK money laundering regime is subject to change as Member States must implement the Fourth Money Laundering Directive by June 26, 2017.

Data Protection Act 1998

As a consumer credit business, our business involves the collection, storage and processing of personal and sensitive personal data regarding NewDay Ltd's customers, prospective customers and NewDay Cards Ltd's employees. Accordingly, we must comply with the requirements established by the Data Protection Act 1998 (the "**DPA**"), along with related legislation, regulation and guidance.

The Information Commissioner's Office (the "**ICO**") is an independent governmental authority responsible for maintaining, upholding and promoting the best business practices and legislative requirements for processing personal data and safeguarding the information rights of individuals and their rights to access their personal data. The ICO is empowered to issue guidance to firms, impose requirements through enforcement notices, issue monetary fines and prosecute criminal offences under the DPA.

Bribery Act 2010

The Bribery Act 2010 covers offenses relating to bribing another person, being bribed and bribing foreign public officials. It also introduces an offence for commercial organizations of failing to prevent bribery. The Ministry of Justice has published guidance about procedures which commercial organizations can put into place to help prevent against persons associated with them engaging in such activity.

The Consumer Protection from Unfair Trading Regulations 2008

The Consumer Protection from Unfair Trading Regulations 2008 (the "**CPR**") implements the EU Unfair Practices Directive and prohibits certain practices which are deemed "unfair" within the terms of the CPR. Such practices include misleading actions or omissions, aggressive sales tactics and failures to comply with the requirements of professional diligence. In addition, the CPR lists 31 specific practices which are always considered to be "unfair." The Consumer Protection (Amendment) Regulations 2014 amended the CPR with effect from October 1, 2014 so as to give consumers a direct civil right of action for certain breaches of the CPR, including a right to unwind agreements.

Upcoming UK Regulation

The FCA has recently issued a number of changes to its consumer credit rules and guidance, including Policy Statement 15/23 (focusing on understanding by consumers of their rights) and Policy Statement 16/15 (looking at features of the consumer credit market affecting competition, in particular around difficulties of comparing different products). The FCA is also consulting on payment service activities under Consultation Paper 16/7 (focusing on FCA oversight of payment accounts and disclosures of costs and fees).

The EU General Data Protection Regulation ("**GDPR**") is expected to be directly applicable in the United Kingdom from May 2018. GDPR will bring about material changes to the way data processes are regulated and will affect marketing processes, particularly with respect to requirements relating to consent to the use of personal data. GDPR will also expand the territorial reach of data protection legislation, beyond the borders of the European Union and will require data controllers to map their data processes, ensuring demonstrable compliance with the provisions of the regulation. GDPR will also bring about more onerous breach reporting obligations and tougher penalties for compliance failures. As a result of the United Kingdom's vote to leave the European Union, the future applicability of the GDPR is uncertain. See "*—Referendum on the United Kingdom's EU Membership*."

EU Legislation

Payment Services Directive

The Payment Services Directive (the "**PSD**") is part of the European Union's development of the Single European Payments Area which is intended to harmonize and remove legal barriers for payments throughout the European Union. The UK Government implemented the PSD on November 1, 2009 through the Payment Services Regulations 2009. See "*—Other Relevant UK Legislation and Regulation—Payment Services Regulations 2009*."

Pursuant to the PSD, the Commission reviewed the implementation and impact of the PSD and in July 2013 issued a proposal to amend and restate the existing PSD, with a second PSD ("**PSD2**").

PSD2 aims to update the current framework on payment services, extending its scope to payment service providers that were previously unregulated, and to improve the transparency and security of payment services. It extends the provisions relating to transparency and information requirements to all currencies, not solely EU currencies, as at present. It also amends the conduct of business rules relating to charges and refunds to improve harmonization across the EU.

PSD2 came into force on January 12, 2016 and Member States must transpose it into national law by January 13, 2018.

Multilateral Interchange Fees Regulation

In line with recent European Court of Justice decisions in respect of card schemes and multilateral interchange fees ("**MIFs**") in June 2013, the European Commission published its proposal for a Regulation on interchange fees for consumer credit card or debit card based payment transactions (the "**MIFs Regulation**") with the aim of stipulating technical and business requirements for payment card transactions within the EU. The MIFs Regulation was adopted on April 29, 2015 and was published in the Official Journal on May 19, 2015. The majority of provisions came into effect on June 9, 2016.

The MIFs Regulation introduces (i) maximum interchange fees for consumer debit and credit cards; (ii) rules that allow retailers to choose which cards to accept; and (iii) new transparency rules for all transactions which are intended to remove major obstacles to technological innovation.

The MIFs Regulation provides for a transitional two-year period, at the end of which all cross-border and domestic credit card and debit card transactions shall be subject to an interchange fee cap (specified therein), which will also apply in respect of other agreed remuneration having equivalent object or effect. The MIFs Regulation also includes a strongly worded anti-circumvention provision, whereby any net compensation received by an issuing bank from a payment card scheme in relation to payment transactions or related activities will be treated as part of the interchange fee. Therefore, it is possible that other payments unrelated to MIFs could be caught by these provisions. Restrictions in licensing agreements for issuing or acquiring payment card transactions are also prohibited.

The new rules do not apply to so-called three-party card schemes in circumstances where the card is both issued and processed within the same scheme. Commercial cards are also exempt from the new rules.

Referendum on the United Kingdom's EU Membership

On June 23, 2016, the United Kingdom voted by referendum to leave the EU, an event commonly referred to as "Brexit." The process for the United Kingdom's departure is expected to take several years and at present, the nature of the future relationship of the United Kingdom with the remaining EU member states is uncertain. Currently, the United Kingdom remains a member of the European Union and so is subject to EU legislation. The FCA has also stated that it expects UK firms to continue to implement and comply with EU financial services regulation while the UK remains a member of the EU. However, the future regulatory framework under which we will operate is unclear and, once the terms of Brexit are finalized, our regulatory obligations may change. See "*Risk Factors—Risks Relating to Our Business—The results of the United Kingdom's referendum on withdrawal from the European Union may have a negative effect on global economic conditions, financial markets and demand for our products and services, which could materially affect our business, results of operations and financial condition*."

Management

Board of Directors of the Issuer

The Issuer is a public limited company incorporated under the laws of England and Wales and was formed for the purpose of facilitating the offering of the Notes. The Issuer is indirectly owned by funds advised by the Sponsors.

The following table sets forth the names, ages and titles of the members of the board of directors of the Issuer as of the date of this Offering Memorandum. The business address of each Director is 5th Floor, 6 St. Andrew Street, London EC4A 3AE, United Kingdom.

Name	Age	Position
Rory Neeson	36	Director
Arron Wu	31	Director

Rory Neeson was appointed in November 2016. Rory is a Senior Principal at Cinven. Prior to joining Cinven, Rory spent five years at Bain & Company in London, Madrid and Stockholm where he worked on projects across a variety of sectors including financial services, retail, industrials and publishing. Rory holds an MA in Economics from Cambridge University. Rory is an experienced investor in the financial services industry, having been involved in the acquisition and management of Guardian Financial Services (PRA/FCA regulated) and Viridium Group (BaFin regulated). Rory sat on the board of Guardian Financial Services and is currently a member of the board for Viridium Group. Rory also has significant knowledge and understanding of the financial services industry having done due diligence on a number of businesses in recent years.

Arron Wu was appointed in November 2016. Arron is an Investment Director at CVC and a member of the CVC Financial Services Group. Prior to joining CVC, Arron worked at Oliver Wyman where he focused on financial services opportunities in Asia, Europe and the US for over three years. Arron holds a BSc Degree in Economics from University College London. Arron is an experienced investor in the financial services space, having led and been responsible for investments in Brit Insurance (a leading Lloyd's insurance and reinsurance company), Skrill (the second largest provider of online payment solutions in Europe) and Domestic and General (the leading provider of extended warranty insurance in Europe), which are all PRA/FCA regulated businesses. Arron also has significant knowledge and understanding of the UK credit card space having done due diligence on a number of businesses in recent years.

The Issuer is not currently aware of any actual or potential conflicts of interest between any duties owed to the Issuer by the directors of the Issuer and their respective private interests and/or duties.

Board of Directors of Nemean Bidco Limited

Nemean Bidco Limited is a private limited company organized under the laws of Jersey. Nemean Bidco was incorporated for the purposes of the Transactions and entered into the Acquisition Agreement to acquire the Target. The Company is not expected to engage in any activities other than those related to its formation and the consummation of the Transactions.

The following table sets forth the names, ages and titles of the members of the board of directors of Nemean Bidco Limited, as of the date of this Offering Memorandum. The business address of each director is 1 Waverley Place, Union Street, St Helier, Jersey JE1 1SG.

Name	Age	Position
Grant Collins	42	Director
James Culshaw	37	Director
Geraldine O'Rourke	52	Director

Grant Collins was appointed in January 2017. Grant joined the Aztec Group in 2016 and is responsible for the corporate service team in Jersey. Grant trained as a chartered accountant with PricewaterhouseCoopers in Jersey, commencing in 1995, and specialized in the audit of trust companies and special purpose vehicles, including employee benefit trusts. Grant was formerly Head of Shareholder Solutions for Capita, has run a "private equity" style family office, and was Head of Risk and Compliance for international Barclays locations. Grant is a fellow member of the Institute of Chartered Accountants in England and Wales (ICAEW). He also holds a Bachelor of Arts in Accounting and Finance degree from Plymouth University.

James Culshaw was appointed in October 2016. James is a Senior Manager in CVC's Corporate Office Jersey, which he joined in 2013 after five years at Saltgate Limited (a third party fund administration service provider) in Jersey where he headed up a team providing administration and accounting services to CVC funds and companies. Prior to that, James spent three years at Mourant & Co., a leading third party fund administrator. James is an associate of the Institute of Chartered Secretaries and Administrators and holds a BA Joint Honours Degree in French and Hispanic studies from the University of Nottingham.

Geraldine O'Rourke was appointed in January 2017. Geraldine is a director at Aztec Group, a European- based fund and corporate services provider, where she is responsible for the delivery of corporate services in Jersey. Geraldine trained with Coopers & Lybrand in Ireland before moving to Jersey and specializing in the audit of financial services clients. She served as a director of Abacus Financial Services Group and, following the sale of the business to RBC, as a director of RBC Channel Islands. A Fellow of the Institute of Chartered Accountants in Ireland, Geraldine joined Aztec in 2015.

Board of Directors of Nemean Holdco Limited

The commercial aspects of our UK subsidiaries are currently managed by the board of directors of NewDay Group Limited, a wholly owned subsidiary of NewDay Group Holdings S.à r.l., the Luxembourg-based parent company. The Managers of NewDay Group Holdings S.à r.l. are responsible for the matters relating to NewDay Group Holdings S.à r.l.

Upon completion of the Acquisition, a new board of directors will be installed at the level of Nemean Holdco Limited (the "**Nemean Group Board**"). The Nemean Group Board will be responsible for oversight of the Group and management of our UK subsidiaries. The Managers of the Target and the directors of the Company are responsible for matters relating to the Target and the Company, respectively.

The following table sets forth the names, ages and titles of the proposed members of the Board of Directors of Nemean Holdco Limited, as of the date of this Offering Memorandum. The business address of each Director is 5th Floor, 6 St. Andrews Street, London EC4A 3AE, United Kingdom.

Name	Age	Position
Sir Malcolm Williamson	77	Chairman and Independent Non-Executive Director
James Corcoran	62	Chief Executive Officer and Executive Director
Paul Sheriff	47	Chief Financial Officer and Executive Director
Alison Reed	59	Senior Independent Director, Chairman of the Board Audit Committee and the Board Risk Committee and Independent Senior Non-Executive Director
Rupert Keeley	60	Chairman of the Board Nomination and Remuneration Committee and Independent Non-Executive Director
Caspar Berendsen	41	Non-Executive Director
Maxim Crewe	36	Non-Executive Director
Robin "Pev" Hooper	43	Non-Executive Director
Rory Neeson	36	Non-Executive Director
Peter Rutland	37	Non-Executive Director
Arron Wu	31	Non-Executive Director

The following is biographical information for each member of the Board of Directors of Nemean Holdco Limited who does not serve on the Board of Directors of the Issuer.

Sir Malcolm Williamson was appointed in November 2011. Sir Malcolm is the former Group Chief Executive of Standard Chartered Bank and President and CEO of Visa International. Knighted in 2007, Sir Malcolm was Chairman of Signet Jewelers, Clydesdale Bank/National Australia Group Europe and a Non-Executive Director of National Australia Bank until 2012. He also previously served as Chairman of CDC Group, Friends Life Group and Britannic Group and Deputy Chairman of Resolution. He has been a Non-Executive Director of JP Morgan Cazenove Holdings, G4S and the National Grid Group. He was also a member of the Board of Trustees for the International Business Leaders Forum. Current external appointments include: Senior Independent Director at Aviva; Chairman of Cass Business School's Strategy and Development Board; the Governing Council of the Centre for the Study of Financial Innovation; and the Board of Trustees for Youth Business International.

James Corcoran joined NewDay in January 2009. James Corcoran has over 30 years of global financial services experience with large multi-national companies, such as American Express, Citibank, HBOS and IBM. James began his career in sales and marketing, moving into general management where he has held various senior executive positions over the last 20 years. He has run credit card businesses for First USA/Bank One and Amex and at HBOS his final role was CEO of Distribution, Retail and Insurance Division. Prior to that, he was Head of their Retail Product business units. James joined NewDay as CEO in January 2009 from Washington Mutual in Seattle, where he was President of the Retail Banking Division.

Paul Sheriff joined NewDay in January 2016. Paul has over 20 years of experience in financial services organizations spanning banking, asset management and insurance. Paul joined from Legatum, a private investment firm based in Dubai where he was CFO/COO for three years, having previously been CFO/COO of Record plc, a main market listed asset management business. Prior to this he was Group Finance Director at Arbuthnot Banking Group plc, a listed banking group, and Commercial Finance Director of the Prudential's UK and European Business. Earlier in his career he spent five years in private equity and qualified as a Chartered Accountant with Arthur Andersen. He is a member of the Institute of Chartered Accountants in England and Wales.

Alison Reed was appointed in October 2012. Alison is a Chartered Accountant with over 35 years' commercial experience across retail and financial services. Alison was Chief Financial Officer at Marks and Spencer plc and Group Finance Director at Standard Life plc (including Standard Life Assurance Company). Alison was a Non-Executive Director at HSBC Bank plc for nine years. Current external appointments include: Non-Executive Director and Deputy Chairman of British Airways plc; Non-Executive Director and Chair of the Board Audit Committee at Darty plc and DRS (Data and Research Services) plc; a trustee of Whizz Kidz, the working name of The Movement for Non-Mobile Children charity; and a member of the Board of Advisers of Exeter University Business School.

Rupert Keeley was appointed in July 2014. Rupert has more than 30 years of banking and payments experience and was formerly Visa Inc.'s Group Executive and President of the Asia Pacific and CEMEA regions and a Section 16 Officer of the company. In his 11-year career with Visa, he held a number of management roles including President of Asia Pacific and Global Head of Strategy and Corporate Development. Prior to joining Visa in 1999, Rupert held senior management positions with Standard Chartered plc based in London, Singapore and the Middle East. Current external appointments include: General Manager, EMEA, for PayPal's businesses; a Senior Vice President of eBay Inc.; and Chief Executive Officer of the PayPal Europe bank.

Caspar Berendsen will be appointed upon completion of the Acquisition. Caspar is a Partner at Cinven and leads the Financial Services sector team and the Benelux regional team. Prior to joining Cinven, Caspar worked at J.P. Morgan in London advising Dutch and Belgian clients across a variety of sectors. Caspar holds an Ir degree in Mining and Petroleum Engineering from the Technical University Delft, the Netherlands and graduated from the Erasmus University, Rotterdam with a Drs in Business Administration. Caspar has led all Cinven investment in financial services investing, and has extensive experience of investing across various financial services industries. He has led and been responsible for investments in Guardian Financial Services (PRA/FCA regulated), Viridium Group (BaFin regulated), ERGO Italia (IVASS regulated), Avolon, Premium Credit Limited (FCA regulated) and Partnership Assurance PLC (PRA/FCA regulated). Caspar has also been a member of the board and risk and audit committees for Partnership Assurance PLC, Avolon, Guardian Financial Services, Viridium Group and ERGO Italia.

Maxim Crewe will be appointed upon completion of the Acquisition. Maxim is a Partner at Cinven. Previously he worked at Citigroup where he was involved in corporate finance within the European Retail and Consumer Group. He holds an MA in Politics, Philosophy and Economics from Oxford University. Maxim is an experienced investor in the financial services industry in the United Kingdom, having been involved in the acquisition and management of Partnership Assurance PLC (PRA/FCA regulated), Avolon, Guardian Financial Services (PRA/FCA regulated), and Premium Credit Limited (FCA regulated). Maxim sat on the board of a number of these portfolio companies and he is currently a member of the board and risk and audit committees for Premium Credit Limited. Maxim also has significant knowledge and understanding of the financial services industry having done due diligence on a number of businesses in the last ten years and through the active role he played in managing each of these investments.

Pev Hooper will be appointed upon completion of the Acquisition. Pev is a Partner at CVC and currently sits on the boards of Domestic & General, the RAC and SkyBet. He was also responsible for CVC's prior investments in the AA, Saga, Merlin Entertainments and Virgin Active, and has sat on the board of these and other CVC portfolio companies. He joined CVC in 2003 after working in mergers and acquisitions at Citigroup and Schroders. He holds an MA degree from Oxford University. Pev brings a range of UK consumer financial services experience from his time on the boards of FCA/PRA regulated businesses such as D&G (a leading provider of extended warranty insurance in Europe), Saga (a leading motor and home insurance provider for the over 50s), the RAC and the AA (both leading roadside recovery providers and insurance brokers).

Peter Rutland will be appointed upon completion of the Acquisition. Peter is a Partner at CVC and is Global Co-Head of CVC's Financial Services Group. Prior to joining CVC in 2007, he worked for Advent International since 2002. Prior to working at Advent, Peter worked for Goldman Sachs in the Investment Banking Division. Peter holds an MA Degree from the University of Cambridge and an MBA from INSEAD. Peter has led or been responsible for CVC's investments in: Brit Insurance (a leading Lloyd's insurance and reinsurance company), Avolon (a global aircraft leasing business headquartered in Ireland, an investment made in partnership with Cinven), Skrill (a leading provider of alternative online payment solutions in Europe) and Domestic and General (a leading provider of extended warranty services and insurance in Europe). A number of these portfolio companies are also PRA/FCA regulated.

Executive Team

The following table sets forth the names, ages and positions of the members of the Executive Team of the Target Group who are currently responsible for overseeing key support functions, as of the date of this Offering Memorandum.

Name	Age	Position
James Corcoran	61	Chief Executive Officer and Executive Director
Paul Sheriff	47	Chief Financial Officer and Executive Director
Ian Corfield	45	Chief Commercial Officer
Sanjay Sharma	50	Chief Operating Officer
Mark Eyre	47	Chief Risk Officer
Damaris Anderson-Supple	51	Chief People Officer
Stephen Rowland	43	General Counsel

The following is biographical information for each member of our senior management team who does not serve on the Board of Directors of the Issuer or NewDay Group Ltd.

Ian Corfield joined NewDay in 2014. Ian joined after six years at the Commonwealth Bank of Australia, where he was CEO and a Board Director of its majority owned Aussie Home Loans subsidiary, having previously been CEO of the Retail and then Business Bank at Bankwest. Prior to this, Ian also worked for HBOS in the United Kingdom and Ireland across a range of roles including three years as Managing Director of the HBOS Credit Cards and Personal Loans business. With over 15 years' experience in financial services across three different countries, Ian has extensive expertise in credit risk, product design, and distribution. Ian's early career included time as a management consultant and political adviser.

Sanjay Sharma joined NewDay in May 2013. Sanjay has more than 24 years' experience in senior operational roles in international businesses working in India, the Philippines, London and Austria. He joined from Bawag PSK in Vienna where he was Chief Operating Officer and a Member of the Management Board where he helped lead the bank's transformation agenda. Previously he was Chief Operating Officer at Barclays Corporate Bank where he focused on transformation of operating model, maintaining the commitment to customer service and building the senior and middle management team. He started his career at Indian technology, engineering, construction and manufacturing company Larsen & Toubro and has also worked for TEMIC Semiconductors and IBM.

Mark Eyre joined NewDay in 2014. Mark joined from Deloitte, where he was a Director in the Risk and Regulation practice providing advisory support to financial services firms regarding risk management and regulation. He started his career with Barclays Bank in 1990 where he worked for 17 years in a wide variety of roles including customer lending, group-wide change program, strategy formulation and concluded as a senior executive within the Group Risk function. Mark then joined RSA, one of the world's leading multinational general insurance groups, where he worked in the group head office on risk and capital management, risk appetite and preparation for Solvency II.

Damaris Anderson-Supple joined NewDay in 2013. Damaris joined to lead the People Team at NewDay from Hill and Knowlton Strategies UK, where she was Chief Operating Officer and where talent strategy was a key priority. Damaris has over 20 years of experience in senior leadership roles at Sanofi, Bristol Myers Squibb and Merck. She has strong commercial experience in strategic and general management roles, but has focused latterly on driving a high performance culture through developing people.

Stephen Rowland joined NewDay in 2011. Stephen joined from Santander UK, where he was Legal & Compliance Director for the UK Cards business for two years. Prior to that Stephen was with GE for four years split between the GE Money UK (Unsecured Lending) business where he led the Legal team and the GE Consumer Finance EMEA business where he was Senior Legal Counsel supporting a number of full-service bank acquisitions in emerging markets including Russia and Turkey.

Committees of the Nemean Group Board

Management Committee

While the Board, among other things, directs our strategy, a Management Committee, comprising those individuals who are described as members of the Executive Team named herein, is in charge of running our day-to-day business. The Management Committee is chaired by our CEO.

Board Audit Committee

Upon completion of the Acquisition, the Board Audit Committee will be chaired by Alison Reed and will also include Rory Neeson and Arron Wu. Appointments to the Board Audit Committee are made by the Board upon recommendation of the Board Remuneration and Nomination Committee in consultation with the chairman of the Board Audit Committee.

The responsibilities of the Board Audit Committee include, among other things: (i) to monitor the integrity of our Financial Statements, review significant financial reporting issues and assess the judgments made; (ii) to review the financial reports for publication and to ensure compliance with accounting policies and standards; (iii) to review our internal financial control and risk management systems and to review risk exposures and steps taken to monitor and mitigate them; (iv) to monitor and review the effectiveness of the internal audit function; (v) to make recommendations to the Board in relation to the appointment, remuneration and terms of engagement of the external auditor; (vi) to review and monitor the external auditor's independence, objectivity and effectiveness, taking into consideration relevant UK professional and regulatory requirements; (vii) to develop and implement an approach on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm; (viii) to report the outcome of meetings to the Board, identifying any matters in respect of which it considers that action or improvement is needed, and making recommendations as to the steps to be taken; (ix) to monitor management's response to the findings and recommendations of internal and external audit; (x) to review our compliance with legal and regulatory requirements; and (xi) to monitor, and challenge where appropriate, the whistleblowing arrangements as set out in the whistleblowing policy.

Board Risk Committee

Upon completion of the Acquisition, the Board Risk Committee will be chaired by Alison Reed and will also include Caspar Berendsen and Peter Rutland. Appointments to the Board Risk Committee are made by the Board upon recommendation of the Board Remuneration and Nomination Committee in consultation with the chairman of the Board Risk Committee.

The responsibilities of the Board Risk Committee include: (i) to oversee the Risk Management Frameworks and challenge our processes and methodologies used for identifying, measuring, managing, monitoring and reporting all key risks facing the business; (ii) to recommend to the Board how to improve our Risk Management Frameworks including the monitoring of risk exposures, risk appetite, capital and liquidity, and any significant risk issues; (iii) to monitor the effectiveness of our Conduct Risk Management Framework, procedures to reduce financial crime, conduct risk oversight and findings from key business committees; (iv) to review the effectiveness and resources of the Enterprise Risk Function; (v) to review, monitor and report to the Board our interactions with regulators and the effectiveness of regulatory reporting and action on any significant regulatory issues; (vi) to review and monitor the implementation of risk or compliance-related policies, their suitability in terms of compliance, and the necessary actions taken as a result of policy breaches; and (vii) to oversee, review, report and make associated recommendations to the Board on risk appetite, risk management culture, training and competence throughout our Group.

Board Remuneration and Nomination Committee

Upon completion of the Acquisition, the Board Remuneration and Nomination Committee will be chaired by Rupert Keeley and will also include Sir Malcolm Williamson, Caspar Berendsen, Peter Rutland and James Corcoran, except with regard to his own compensation arrangements. Appointments to the Board Remuneration and Nomination Committee are made by the Board in consultation with the chairman of the Board Remuneration and Nomination Committee. Appointments to the Board Remuneration and Nomination Committee are made by the Board.

The responsibilities of the Board Remuneration and Nomination Committee include, among other things: (i) to evaluate the Board, Executive Directors and other senior management's effectiveness; (ii) to appoint and revocate key executives and members of the Board and the Boards of our subsidiary companies NewDay Limited and NewDay Cards Limited; and (iii) to oversee, review and report on the direction of staff and Executive Directors' remuneration and compensation and recommend an appropriate remuneration policy to the Board.

Compensation of Directors

During the year ended December 31, 2015, the aggregate remuneration (including benefits in kind and pension but excluding any distributions received from the Target Group as a result of direct holdings) earned by the executive and non-executive directors of NewDay Group Limited was £1,439,491. Additionally, certain directors participated in a management incentive compensation plan.

Management Incentive Scheme

We expect to put in place a management incentive plan for the benefit of certain members of our senior management on or after the Completion Date.

Principal Shareholders

The Issuer is wholly owned by UK Holdco, which, in turn, is wholly owned by the Company. The Company is indirectly wholly owned by Topco, which, in turn, is owned by the Cinven Funds, the CVC Funds and certain members of management of the Target. Upon completion of the Transactions, the Target will become the direct, wholly-owned subsidiary of the Company and the Cinven Funds and the CVC Funds will indirectly (through wholly or majority-owned intermediate holding companies) own approximately 90% of our share capital and certain members of management of the Target will indirectly own our remaining share capital, equal to approximately 10% of our total share capital. For further information, see "*Summary Corporate and Financing Structure*."

Cinven

Cinven is a leading private equity provider for large European buyouts, having led transactions totaling in excess of €70 billion. Since 1996, Cinven has completed more than 50 buyouts with an enterprise value per transaction of more than €500 million in ten countries across Europe. Cinven focuses on the following six sectors across Europe: business services, consumer, financial services, healthcare, industrials and technology, media and telecommunications (TMT), and has offices in Guernsey, London, Frankfurt, Paris, Madrid, Milan, Luxembourg, New York and Hong Kong.

Cinven has a long and differentiated track record of investing in the financial services sector, including in highly regulated assets, where its track record includes the acquisitions of Premium Credit Limited, Partnership Assurance and Guardian Financial Services in the United Kingdom, Ark Life and Avolon in Ireland, Heidelberger Leben (now renamed Viridum Group) in Germany, Skandia in Germany and Austria and Ergo Italia and Old Mutual Wealth in Italy.

CVC

CVC is a leading international private equity and advisory firm. Founded in 1981, CVC today has a network of 24 offices on four continents. To date, CVC has secured commitments of over US$80 billion in funds and has completed over 300 investments in a wide range of industries and countries across the world, with an aggregate enterprise value of approximately US$250 billion. CVC Funds currently have investments in more than 50 companies worldwide, which generate over US$100 billion in revenues and employ approximately 350,000 people. CVC's local knowledge, relevant sector expertise and extensive contacts underpin a 35 year proven track record of investment success.

CVC's financial services team has invested over €2 billion of equity capital in the financial services sector since the team's inception in 2008, including its historic and current portfolio companies, Skrill, Domestic & General and Brit Insurance in the United Kingdom, Avolon in Ireland, Cunningham Lindsey in the United States, Cerved in Italy, Sun Hung Kai in China and Rizal Commercial Banking Corporation and SPi Global in the Philippines.

Related Party Transactions

We enter into transactions with our shareholders and other entities owned by, or affiliated with, our direct and indirect shareholders in the ordinary course of business. The following discussion is a brief summary of certain material arrangements, agreements and transactions we have with related parties.

We believe that all transactions with subsidiaries are negotiated and executed on an arm's-length basis and that the terms of these transactions are comparable to those currently contracted with unrelated third-party suppliers and service providers.

Shareholders' Agreement

Prior to the Completion Date, Crossgar Acquisition Limited, a holding company formed by the Cinven Funds under the laws of Guernsey, Nemean Holdings Jersey Limited, a holding company formed by the CVC Funds under the laws of Jersey, Nemean Topco Limited ("**Topco**"), Nemean Midco Limited ("**Midco**"), the Company, UK Holdco and certain members of management of the Target will enter into an agreement to record certain arrangements with respect to the administration of Holdco and its subsidiaries (the "**Shareholders' Agreement**").

Board Composition

Under the Shareholders' Agreement, Cinven and CVC are each entitled from time to time to appoint to and remove from the board of UK Holdco (and any committee thereof) up to three non-executive directors. On the Completion Date, Cinven and CVC will each appoint three directors to the board of directors of UK Holdco (the "**Board**"), as initial investor directors (the "**Cinven Investor Directors**" and the "**CVC Investor Directors**," respectively).

Cinven and CVC are also entitled to appoint and/or remove directors from the board of directors of Topco or any of its subsidiary undertakings. Cinven and CVC acknowledge their intention for the CEO and the CFO of the Group from time to time to be appointed to the Board.

Board and Shareholders' Approval

The articles of association of Topco (the "**Articles**") stipulate that any meeting of the Board will require the presence of at least one Cinven Investor Director and one CVC Investor Director to be quorate. Decisions at a meeting of the Board will be taken by a majority of votes of participating directors, provided that all Cinven Investor Directors who vote on any resolution shall collectively have three votes and all CVC Investor Directors who vote on any resolution shall collectively have three votes.

Certain actions are subject to veto rights by Cinven and CVC, such as the issuance of shares, declaration of dividends and changes to the nature of the business of the Group.

Other Provisions

The Shareholders' Agreement requires UK Holdco to provide the Cinven Investor Directors and CVC Investor Directors with certain information, including annual budgets and financial accounts. The Articles and Shareholders' Agreement also include a number of other customary provisions, including restrictions on transfers and confidentiality obligations.

Acquisition of Notes

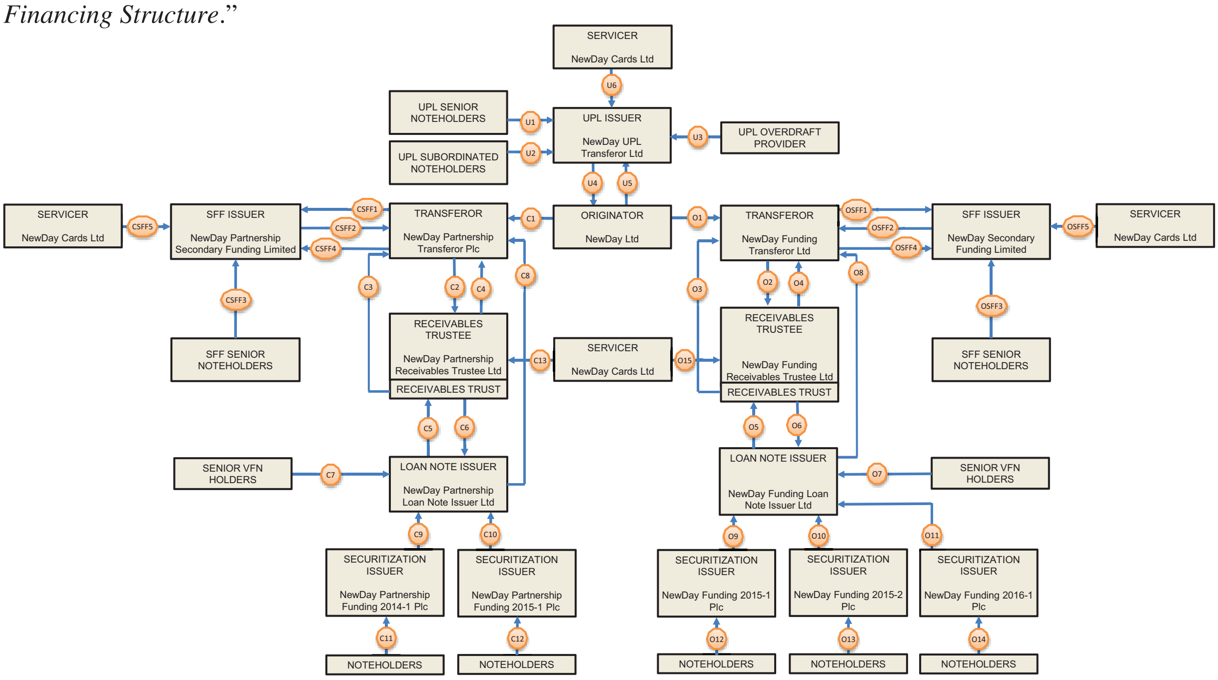
Certain of the CVC Funds and/or other investors arranged by and designated by CVC and its affiliates have placed purchase orders for and have been allocated Notes at a purchase price per Note equal to the issue prices set forth on the cover page of this offering memorandum, subject to a rebate of the Initial Purchasers' discount in respect of the Notes purchased by such CVC entities upon release of the applicable proceeds from the Escrow Account at the Completion Date.

Description of Certain Financing Arrangements

The Securitization Facilities

The following is a summary of the material terms of five existing securitization structures in respect of the credit card, store card, installment credit and unsecured personal loan receivables of the Target Group. The following summary does not purport to describe all of the terms and conditions of such financing arrangements and is therefore qualified in its entirety by reference to the actual agreements effecting such arrangements.

The diagram below provides a simplified overview of the Target Group's existing securitization structures. For further information with respect to our corporate and financing structure, see "*Summary Corporate and Financing Structure*."



Key	
Terms defined herein have the definitions set forth under this "*The Securitization Facilities*" section.	
Prefixed with 'C'	Relating to the Co-Brands Portfolio
Prefixed with 'O'	Relating to the Own-Brands Portfolio
Prefixed with 'U'	Relating to the UPL Portfolio
C1, O1	NDL holds all of its rights, title and interest in and to the Card Portfolios on trust for the Transferor
C2, O2	The Transferor assigns its beneficial interest in receivables to the Receivables Trustee
C3, O3 / C4, O4	The Transferor retains a beneficial interest in the Receivables Trust (the "**Transferor Interest**") and receives cash consideration from the Receivables Trustee
C5, O5 / C6, O6	The Loan Note Issuer provides cash consideration to acquire a beneficial interest in the Receivables Trust (the "**Investor Interest**")
C7, O7	The Loan Note Issuer issues a senior variable funding loan note to third party finance providers (the "**Senior VFN**")
C8, O8	The Loan Note Issuer issues a variable funding loan note to the Transferor (the "**Originator VFN**")
C9, C10, O9, O10, O11	The Loan Note Issuer issues floating rate notes to each Securitization Issuer (the "**Issuer Loan Notes**")
C11, C12, O12, O13, O14	The Securitization Issuer issues publicly listed notes to third-party investors (the "**Securitization Notes**" and each series being a "**Term Debt Series**")
C13, O15	NCL is contracted to provide servicing for the Receivables Trustee in connection with the receivables assigned to the Receivables Trust
CSFF1, OSFF1	The Transferor assigns its beneficial interest in receivables to the SFF Issuer
CSFF2, OSFF2	The Transferor receives cash consideration from the SFF Issuer
CSFF3, OSFF3	The SFF Issuer issues senior variable funding notes to the SFF Senior Noteholders (the "**SFF Senior Notes**")
CSFF4, OSFF4	The SFF Issuer issues subordinated variable funding notes to the Transferor (the "**SFF Subordinated Notes**")
CSFF5, OSFF5	NCL is contracted to provide servicing for the SFF Issuer in connection with the receivables assigned to the SFF Issuer
U1	The UPL Issuer issues senior variable funding notes to the UPL Senior Noteholder (the "**UPL Senior Notes**")
U2	The UPL Issuer issues subordinated variable funding notes to the Target (the "**UPL Subordinated Notes**")
U3	The UPL Issuer draws down funds as necessary under an overdraft facility (the "**UPL Overdraft**")
U4	The UPL Issuer makes payments to NDL, which NDL applies in funding the origination of receivables which, on origination, form part of the UPL Portfolio
U5	NDL holds all of its rights, title and interest in and to the UPL Portfolio on trust for the UPL Issuer
U6	NCL is contracted to provide servicing for the UPL Issuer in connection with the receivables held on trust for the UPL Issuer

Overview of the Securitization Facilities

The Target Group entered into a series of agreements to establish two master trust securitization facilities, one in respect of the majority of its portfolio of co-brands credit card, store card and installment credit receivables (the "**Co-Brands Portfolio**") (the "**Co-Brands Master Trust Facility**") and one in respect of the majority of its portfolio of own-brands credit card receivables (the "**Own-Brands Portfolio**" and, together with the Co-Brands Portfolio, the "**Card Portfolios**") (the "**Own-Brands Master Trust Facility**" and, together with the Co-Brands Master Trust Facility, the "**Master Trust Facilities**"). The Co-Brands Master Trust Facility was established in December 2014 and the Own-Brands Master Trust Facility was established in June 2015.

The Target Group also entered into a series of agreements to establish two secondary funding facilities, one in respect of the remaining accounts within the Own-Brands Portfolio (the "**Own-Brands Secondary Funding Facility**") and one in respect of the remaining accounts within the Co-Brands Portfolio (the "**Co-Brands Secondary Funding Facility**" and, together with the Own-Brands Secondary Funding Facility, the "**Secondary Funding Facilities**" and, together with the Master Trust Facilities, the "**Card Securitization Facilities**"). The Own-Brands Secondary Funding Facility was established in June 2015 and the Co-Brands Secondary Funding Facility was established in October 2016.

In December 2016, the Target Group also entered into a series of agreements to establish a funding facility in respect of its portfolio of unsecured personal loan receivables (the "**UPL Portfolio**" and, together with the Card Portfolios, the "**Portfolios**") (the "**UPL Funding Facility**" and, together with the Card Securitization Facilities, the "**Securitization Facilities**").

The purpose of the Securitization Facilities is to fund the Portfolios. All of the Target Group's credit card, store card, installment credit and unsecured personal loan receivables are presently funded through one of the Securitization Facilities.

Each Master Trust Facility features multiple private and multiple public debt issuances, in each case both to Target Group companies and special purpose vehicles and to third party investors. Each Secondary Funding Facility and the UPL Funding Facility feature debt issuances to both a third-party investor and to a member of the Target Group. The UPL Funding Facility also features an overdraft agreement. In the case of each structure, this debt ultimately funds the acquisition, by a special purpose vehicle, of the right to receive payments from customers in respect of certain accounts (in the case of the Card Securitization Facilities) or unsecured personal loan (in the case of the UPL Funding Facility). Such payments are also the principal ultimate source of repayment of each debt issuance.

Each issuance under the Securitization Facilities has a scheduled maturity date (which may be extended, in the case of the Card Securitization Facilities, by up to twelve months) and each facility is revolving, such that, subject to certain conditions, certain amounts may be applied to fund the acquisition by the special purpose vehicle of further rights to receive repayments in respect of customer accounts or unsecured personal loans (as applicable).

Target Group companies retain an interest in each structure in the form of, in the case of the Master Trust Facilities, the Originator VFN and the Transferor Interest (each as defined below) and, in the case of the Secondary Funding Facilities and the UPL Funding Facility, subordinated notes issued by the relevant special purpose vehicle to a Target Group company.

General Overview of the Master Trust Facilities

The Master Trust Facilities are, structurally, very similar, such that it is convenient to consider them together. Therefore, unless otherwise indicated, the entities, concepts and relationships described in this section exist in, apply to and should be read as referring to both Master Trust Facilities.

Pursuant to each Master Trust Facility, the Transferor assigns its beneficial interest in the receivables arising on certain designated accounts in the Co-Brands Portfolio or Own-Brands Portfolio (the "**Designated Accounts**") to a Jersey-incorporated special purpose entity (the "**Receivables Trustee**"). The Receivables Trustee's purchase of the beneficial interest in such receivables is ultimately funded by a series of public and private debt issuances, each ultimately secured by a notional undivided interest in the pool of assigned receivables. To date, a number of such issuances have been made under each Master Trust Facility (both at the time of its establishment and subsequently).

NewDay Cards Ltd ("**NCL**") (acting in its capacity as the "**Servicer**") provides (or procures the provision through sub-servicing arrangements of) certain collection, administration and reporting services in relation to the assigned receivables and certain cash management and bank account operation services.

The cash flows generated by the assigned receivables (the "**Collections**") are initially collected from customers into one or more bank accounts held by or on behalf of NewDay Ltd ("**NDL**") (the "**Primary Collection Account**"). Amounts standing to the credit of the Primary Collection Account are transferred into an account held by the Transferor (the "**Transferor Collection Account**"). In turn, amounts standing to the credit of the Transferor Collection Account which represent Collections are (to the extent required to fund certain senior-ranking payments under the Master Trust Facility) transferred into an account held by the Receivables Trustee (the "**Receivables Trustee Collection Account**") and applied pursuant to a priority of payments waterfall on a monthly basis. Any surplus Collections are, to the extent they represent excess finance charge collections (i.e., in simple terms, profit), ultimately retained by the Transferor as deferred consideration (see "*—Priorities of Payments*" below).

This deferred consideration is applied in accordance with the Transferor's own priority of payments waterfall to meet certain obligations of the Transferor and, ultimately, make payments of principal and interest in respect of subordinated notes held by the Target and fund future growth in receivables.

The amount of Collections received in each monthly period and, consequently, the cash which flows through each priority of payments waterfall is affected by**,** among other factors, the charge-off and recovery rates in respect of receivables relating to the Designated Accounts during such monthly period.

Assignment of Receivables Arising on Designated Accounts

In accordance with the terms and conditions of a receivables securitization deed (the "**Receivables Securitization Deed**"), on the closing date of each Master Trust Facility the Transferor assigned its beneficial interest in receivables then in existence and arising on Designated Accounts to the Receivables Trustee, to be held on trust. Receivables generated on Designated Accounts following that date, and receivables on Designated Accounts created after that date, are automatically held on trust by NDL for the Transferor and assigned by the Transferor to the Receivables Trustee, in each case without the need for any further steps to be taken (subject to compliance with certain specified parameters, such as a maximum number of Designated Accounts that can be added within a specified period). In consideration for this assignment, the Transferor receives a beneficial interest in the Receivables Trust (the "**Transferor Interest**") and cash consideration from the Receivables Trustee. From the date of that assignment, those receivables which are identified as being eligible to back the debt raised under the Master Trust Facility (as to which, see below) form part of the "**Receivables Trust**."

At present, Designated Accounts are, in the case of the Co-Brands Portfolio, all accounts within that portfolio which are not SFF Designated Accounts (as defined below) and, in the case of the Own-Brands Portfolio, all accounts within that Portfolio which are not SFF Designated Accounts.

While each assignment of receivables is made without recourse (in terms of credit risk) to the Transferor, the Transferor remains liable to the Receivables Trustee for all representations, warranties, covenants and deemed collection obligations made or entered into by it in connection with the Master Trust Facility, and no such assignment constitutes an assumption by the Receivables Trustee of any obligation or liability of the Transferor.

In addition to making certain customary representations with respect to itself (see "*—Representations, Warranties and Covenants*" below), the Transferor makes various representations with respect to the assigned receivables, including, in particular, that any receivables identified as being eligible to back the debt raised under the Master Trust Facility are indeed eligible and that the Transferor has good title to such receivables. The eligibility of any receivable is determined by reference to certain specified criteria, including in respect of the origination process, the enforceability of the underlying contract against the customer, the Transferor's title to such receivable and the validity of the assignment to the Receivables Trustee.

If any representation in relation to some or all of the receivables arising on a Designated Account proves to have been incorrect when made (such that those receivables are ineligible to back the debt raised under the Master Trust Facility), the Transferor is treated as having received the outstanding face value of such receivable and is obliged to pay that amount into the Receivables Trustee Collection Account. The payment by the Transferor of the amount due in respect of any such deemed Collection remedies any breach of representation by the Transferor in respect of that receivable or Designated Account, and neither the Receivables Trustee nor any other person has any other right or remedy in respect of such breach of representation.

Servicing of the Assigned Receivables

Pursuant to and in accordance with the terms of a receivables trust deed and servicing agreement (the "**RTDSA**"), NCL is appointed as initial Servicer to provide certain services in relation to the assigned receivables, which include, among other things, making distributions, performing calculations and reporting. In consideration for providing such services, the Servicer is entitled to receive a fee payable on a monthly basis in accordance with the appropriate priority of payments waterfalls.

As Servicer, NCL has agreed to indemnify and hold harmless the Receivables Trust and the Receivables Trustee and its agents for and against any reasonable loss, liability, expense, damage or injury suffered or sustained by reason of any fraud, willful misconduct or grossly negligent acts or omissions of NCL in its capacity as Servicer.

The appointment of NCL may be terminated upon or following (subject in certain cases to specified grace periods, thresholds and qualifications) NCL's failure to advise or notify the Receivables Trustee to make any required drawing, withdrawal or payment pursuant to the Master Trust Facility documentation, NCL's failure to perform covenants detailed in the Master Trust Facility documentation, any breach of warranty, representation or certification by NCL under the RTDSA, the insolvency of NCL and any unpermitted sub-delegation by NCL of its duties under the Master Trust Facility documents. The Receivables Trustee must, as promptly as possible after the termination of NCL as Servicer, appoint a successor Servicer, which must satisfy certain specified criteria.

Pursuant to arrangements common to all Card Securitization Facilities, NCL delegates certain of its functions to third parties (see "*—Sub-Servicing Arrangements*" below).

Characteristics of Debt Issued under the Master Trust Facilities

As noted above, the Transferor receives consideration in respect of the assignment of the assigned receivables in the form of the Transferor Interest and cash from the Receivables Trustee. Over the life of the Master Trust Facility, the Transferor Interest fluctuates as a result of fluctuations in the outstanding amount of receivables in the Designated Accounts, fluctuations in the Loan Note Issuer's Investor Interest (as defined below) (as the Investor Interest is increased by new contributions funded by the issue of new series of debt, or reduced by the repayment of such series from cash distributions from the Receivables Trust) and any losses in respect of the receivables which are allocated to the Transferor Interest (all losses arising by reason of fraud, action by NDL or NCL (including Servicer error) or a customer's return of merchandise ("**Dilution Losses**") are allocated to the Transferor Interest in priority to the Investor Interest, and credit losses are allocated to the Transferor Interest and the Investor Interest on a pro rata basis). In its capacity as holder of the Transferor Interest, the Transferor acts as the "**Transferor Beneficiary**."

The Receivables Trustee funds the cash consideration payable to the Transferor using collections arising on the receivables assigned to it and funds received from the other beneficiary of the Receivables Trust (the "**Loan Note Issuer**"), a special purpose entity incorporated in England and Wales, as a contribution for the Loan Note Issuer's beneficial interest in the Receivables Trust (the "**Investor Interest**"). In its capacity as holder of that beneficial interest, the Loan Note Issuer acts as the "**Investor Beneficiary**."

The Loan Note Issuer in turn funds its contribution to the Receivables Trust through the proceeds of the issue of loan notes (each such loan note or series of loan notes, together with the related notional interest in the Receivables Trust and any related Securitization Notes (as defined below) being a "**Series**"). To date, such loan notes comprise a senior variable funding loan note to certain third-party finance providers (the "**Senior VFN**"), a variable funding loan note to the Transferor (the "**Originator VFN**") and floating rate loan notes to the Securitization Issuers (currently two Securitization Issuers exist under the Co-Brands Master Trust Facility and three exist under the Own-Brands Master Trust Facility) (the "**Issuer Loan Notes**").

Senior VFN

The Senior VFN comprises a single loan note with a variable principal amount, issued by the Loan Note Issuer to various banks and conduit financing entities on a "take-and-hold" basis (i.e., with the expectation that these entities will not syndicate or transfer their respective holdings). The maximum aggregate principal amount of the Senior VFN is, in respect of the Co-Brands Series 2014 Senior VFN (issued on December 18, 2014 upon the establishment Co-Brands Master Trust Facility), £175.0 million and, in respect of the Own-Brands Series 2015 Senior VFN (issued on June 24, 2015 upon the establishment of the Own-Brands Master Trust Facility), £300.0 million.

Under the terms of the Senior VFN, holders are (subject to a maximum advance rate, the fulfilment of certain conditions (including the non-occurrence of an event of default, pay out event or draw-stop trigger) and the maximum aggregate principal amount referred to above) required to subscribe further amounts (thereby increasing the outstanding principal amount of the Senior VFN) in order to fund further contributions to the Receivables Trust by the Loan Note Issuer (as and when such contributions are required). Conversely, where the value of the receivables assigned to the Receivables Trust contracts, the Loan Note Issuer may (in certain circumstances) be required to repay all or part of the principal amount of the Senior VFN.

The scheduled redemption date of the Senior VFN is, under the Own-Brands Master Trust Facility, July 16, 2018 and, under the Co-Brands Master Trust Facility, December 15, 2017. The scheduled redemption date of the Senior VFN is deferrable, subject to certain restrictions, by up to twelve months at the election of NCL (in which case the interest rate increases by one per cent. per annum).

The Senior VFN is listed on the Exchange.

Originator VFN

The Originator VFN comprises a single loan note with a variable principal amount, issued by the Loan Note Issuer to the Transferor on a "take-and-hold" basis. The initial principal amount of the Originator VFN was, in the case of the 2014 Originator VFN (issued on December 18, 2014 upon the establishment of the Co-Brands Master Trust Facility), £83,349,817.17 and, in the case of the 2015 Originator VFN (issued on June 24, 2015 upon the establishment of the Own-Brands Master Trust Facility), £63,093,225.56. The outstanding principal amount of the Originator VFN fluctuates each month depending upon (i) the aggregate amount of credit support which the Originator VFN is required to provide in respect of each other Series (as described below) and (ii) in the case of the excess amount of the Originator VFN (as described below), the outstanding amount of receivables in the Master Trust Facility, the size of the Transferor Interest and the size of the other Series in issue (particularly the Senior VFN). As is the case with the Senior VFN, the Originator VFN contemplates further subscriptions. However, such additional funding is, by contrast, on an uncommitted basis.

The Originator VFN serves two principal functions.

The first function of the Originator VFN is to provide a form of credit support to the Master Trust Facility by absorbing losses in relation to the underlying receivables in priority to each Term Debt Series (as defined below) and the Senior VFN. The Originator VFN contains notional subordinated elements which each provide credit support for one other specified Series in the Master Trust Facility. Any issue of a new Series requires the creation of a new notional subordinated element of the Originator VFN relating to that Series. Any amount of the Originator VFN above the aggregate of those amounts constitutes an "excess amount" (which varies from time to time).

The Originator VFN functions by, in the case of the excess amount, (i) absorbing Dilution Losses (via the corresponding notional amount of the Investor Interest) after the Transferor Interest but before the notional amount of the Investor Interest corresponding to other Series and (ii) absorbing credit losses (via the corresponding notional amount of the Investor Interest) on a *pro rata* basis with the notional amount of the Investor Interest corresponding to other Series. Each subordinated amount of the Originator VFN (i) absorbs Dilution Losses (via the corresponding notional amount of the Investor Interest) after the Transferor Interest and the excess portion referred to above, but before the notional amount of the Investor Interest corresponding to other Series in the Master Trust Facility, and (ii) absorbs credit losses (via the corresponding notional amount of the Investor Interest) before the notional amount of the Investor Interest corresponding to other Series in the Master Trust Facility (as credit losses allocated to such supported Series can essentially be reallocated to the relevant subordinated portion of the Originator VFN).

The second function of the Originator VFN is to constitute the Target Group's required risk retention for the purposes of the Capital Requirements Regulation, the Alternative Investment Fund Managers Regulation and the Solvency II Delegated Regulation.

The scheduled redemption date of the Originator VFN is, in the case of the Own-Brands Master Trust Facility, July 15, 2024 and, in the case of the Co-Brands Master Trust Facility, December 15, 2023. The scheduled maturity date of the Originator VFN can be extended by agreement between the Loan Note Issuer and the Transferor, in order to ensure that the scheduled redemption date of the Originator VFN always falls after that of any other Series.

The Originator VFN is not rated or listed.

Term Debt Series

Each Securitization Issuer funds its acquisition of the Issuer Loan Notes through a public debt issuance of notes ("**Securitization Notes**") to third party investors (the Series relating to each such issuance being a "**Term Debt Series**"). To date, there have been five Term Debt Series issued from the Master Trust Facilities. Each Term Debt Series comprises six classes of Securitization Notes (labelled classes A to F) and is listed on the Main Market of the London Stock Exchange.

Each Term Debt Series is non-amortizing, although there is a period of up to twelve months (which may be shortened at the election of NCL to as little as one month, if the availability of refinancing or the payment rate on the Designated Accounts allows) prior to the scheduled redemption date of each Series during which collections allocated to that Series (or the proceeds of any refinancing) must be accumulated within the Receivables Trust for the benefit of that series in order to fund such redemption.
The scheduled redemption date of each Term Debt Series is deferrable, subject to certain restrictions, by up to twelve months at the election of NCL (in which case the start of the accumulation period referred to above is deferred by a corresponding period and the interest rate of each class of Securitization Notes increases by the lesser of (i) the initial margin over LIBOR and (ii) 1% per annum).

Security

Each Securitization Issuer grants security in respect of payment due under the Securitization Notes it issues (and in respect of certain other obligations under the documents to which it is a party). Specifically, it grants an assignment by way of first fixed security of its rights, title, interest and benefit in (i) the documents to which it is a party; (ii) any sums received or recoverable thereunder; (iii) the Issuer Loan Notes held by it; and (iv) all bank accounts in its name. A further security interest is granted by way of a floating charge over all of the Securitization Issuer's assets and undertaking, to the extent that the same is not otherwise effectively encumbered. Such security (the "**Securitization Issuer Security**") is granted in favor of a note trustee (the "**Securitization Note Trustee**") appointed in respect of the relevant series of Securitization Notes. The Securitization Issuer Security is enforceable by the Securitization Note Trustee, or, in certain circumstances, directly by the holders of the Securitization Notes, in each case at any time after the Securitization Notes become due and payable (for example, on an event of default).

The obligations of the Loan Note Issuer under the loan notes are secured (and enforceable) on similar terms, although the Loan Note Issuer grants such security in favor of a security trustee which holds that security on trust for, among others, the holder of each loan note issued in respect of that Series (which, in the case of the Term Debt Series, will be the relevant Securitization Issuer).

Priorities of Payments

The Receivables Trustee applies Collections in respect of the Designated Accounts in accordance with specified priorities of payments and allocates such Collections between the Transferor Beneficiary and the Investor Beneficiary in accordance with their respective trust interests, with their respective entitlement to Collections received within any given monthly collection period being determined by, among other things, the size of their respective trust interests and, in the case of Collections which are deemed to represent principal repayments by customers, whether the Securitization Notes and/or Issuer Loan Notes issued in respect of any Series are amortizing or accumulating funds for their repayment. The payment of the Receivables Trustee's fees and expenses, and those of the Servicer and certain other agents and administrative parties are paid at a senior level in the Receivables Trustee's priorities of payments (although the precise manner in which they are each paid varies). Collections allocated to the Investor Beneficiary are allocated to each Series and used to fund payments in accordance with the priorities of payments specified in respect of the relevant Series, including payments due on each Loan Note issued in respect of that Series, on each monthly payment date.

In respect of each Term Debt Series, on each monthly payment date, the relevant Securitization Issuer will apply sums available to it (comprising payments received from the Loan Note Issuer in respect of the Issuer Loan Notes held by it) in the following order of priority:

- first, to pay the remuneration and expenses of the Securitization Note Trustee;
- second, to pay amounts due to the registrar, the agents, the account bank and the corporate services providers which, in each case, provide certain services to the Securitization Issuer;

- third, to retain a nominal amount as profit (the "**Securitization Issuer Profit**");
- fourth, to pay amounts due and unpaid in respect of the Securitization Notes (in sequential order of seniority of the Securitization Notes, and with priority first to interest and secondly to any principal amount due);
- fifth, to pay any sums due to meet its liabilities to any tax authority, to the extent not payable from the Securitization Issuer Profit;
- sixth, to pay any other sums due to the noteholders or third parties under certain transaction documents or arising in the course of the Securitization Issuer's business; and,
- seventh, to pay the Loan Note Issuer a deferred subscription price in respect of the Issuer Loan Notes.

The Loan Note Issuer in turn applies the deferred subscription price it receives from the Securitization Issuer in accordance with its own relevant priority of payments, the final item of which requires the payment to the Receivables Trustee of any remaining sums as excess spread. The Receivables Trustee in turn applies such excess spread in accordance with its relevant priority of payments, which provides, ultimately, for any remaining amounts to be paid to the Transferor as deferred consideration in respect of the assignment of receivables arising on Designated Accounts.

This deferred consideration is applied in accordance with the Transferor's own priority of payments waterfall to meet certain obligations of the Transferor and, ultimately, make payments of principal and interest in respect of subordinated notes held by the Target and fund future growth in receivables.

Hedging

The Master Trust Facilities allow for the establishment of hedging arrangements to mitigate interest rate and/or cross-currency hedging risk. Such hedging can be inserted in respect of any Series, provided that a rating confirmation is given in respect of that Series. As of the date of this document, no such hedging has been put in place.

Key Trigger Events

The Master Trust Facilities contain certain pay out events which trigger rapid amortization, requiring the repayment of all outstanding debt of a particular Term Debt Series or the Senior VFN (or, in some cases, all outstanding debt of the Master Trust Facility) on an accelerated basis. Upon the occurrence of such an event, the revolving period ends (either in respect of the relevant Series or in respect of all Series) and certain Collections which would otherwise be allocable to the Investor Interest and available for re-investment in the acquisition of receivables are instead ultimately applied in repayment of principal amounts outstanding on the Securitization Notes.

These pay out events include, among others and subject in certain cases to specified grace periods, thresholds and qualifications:

- insolvency of the Transferor or NDL;
- inability of the Transferor to transfer receivables to the Receivables Trust in accordance with the Receivables Securitization Deed;
- non-payment by the Transferor of amounts due;
- breach of covenant by the Transferor;
- misrepresentation or breach of warranty by the Transferor;
- default by the Servicer;
- the Investor Beneficiary's interest in the Receivables Trust not being reduced to zero on the scheduled redemption date of the Senior VFN Series or a Term Debt Series;
- the Transferor or NDL either ceasing to be tax resident in the United Kingdom or ceasing to be liable for UK corporation tax;
- adverse tax consequences for the Receivables Trustee due to a change in law, for the Loan Note Issuer due to withholding tax or for the Transferor or NDL due to an assertion by a tax authority; and
- breach of Portfolio performance triggers (such portfolio performance triggers including, in summary, the net portfolio yield (i.e. the portfolio yield minus the average expense rate, including charge-offs net of

recoveries) falling below zero for three consecutive months, the aggregate of the Transferor Interest and the excess amount of the Originator VFN (i.e. the amount of the Originator VFN which is not used as credit support for the other Series) falling below a certain level or the sum of assigned receivables arising on Designated Accounts and cash available to purchase receivables falling below the aggregate outstanding debt under all Series, other than the excess amount of the Originator VFN).

Enforcement of security against a Securitization Issuer or Loan Note Issuer by or on behalf of the holders of the Securitization Notes or Issuer Loan Notes (as applicable) issued by it is not in itself a pay out event, but the circumstances ultimately giving rise to such enforcement may equally constitute a pay out event.

In addition, various documents entered into in connection with the Master Trust Facilities contain change of control provisions in respect of NDL, the Transferors, NCL and the Target. In summary, these provide remedies to various counterparties if any entity not on a list of "Permitted Persons" acquires control of any of the above companies, or if the relevant counterparty is unable to complete its "know your client" and anti-money laundering procedures in respect of any entity (whether or not on that list) which acquires control of any such company (each, a "**Change of Control Trigger**"). Each list of "Permitted Persons" includes CVC, Cinven and their respective affiliates and each list is otherwise similar, but not identical, to the other lists.

Under the terms of the Senior VFN, upon the occurrence of a Change of Control Trigger, each Senior VFN holder is entitled to exercise a put option, requiring the Transferor to purchase its Senior VFN holding and commitment at par or require that its Senior VFN holding be rapidly amortized (i.e., repaid ahead of its scheduled maturity from available cashflow).

Under the terms of the note purchase agreement entered into with Royal Bank of Canada ("**RBC**") in respect of the senior classes of Series 2015-1 Securitization Notes issued under the Own-Brands Master Trust, RBC may, upon the occurrence of a Change of Control Trigger, require the Transferor to assist in locating a third party to purchase RBC's holding at par or, failing that, require the Transferor to provide 10% of additional credit enhancement in favor of such Securitization Notes.

Under the terms of the note purchase agreement entered into with Lloyds Bank plc ("**Lloyds**") in respect of the senior classes of Series 2015-2 Securitization Notes issued under the Own-Brands Master Trust, Lloyds may, upon the occurrence of a Change of Control Trigger, require the Transferor to assist in locating a third party to purchase Lloyds' holding at par or, failing that, to require the Transferor to itself purchase Lloyds' holding at par.

Under the terms of the sub-servicing arrangements to which Lloyds is a party, Lloyds is entitled to terminate the sub-servicing arrangements upon the occurrence of a Change of Control Trigger. See "*—Sub-Servicing Arrangements*."

Representations, Warranties and Covenants

Pursuant to the terms of the Master Trust Facilities, NDL, the Transferor, each Securitization Issuer, the Loan Note Issuer and the Receivables Trustee have made various representations and warranties. These relate to, among other things, each entity's organization, capacity, authority and due authorisation, enforceability of the transaction documents, compliance with applicable laws, non-conflict with other agreements, consents and regulatory permissions, pending or threatened litigation, tax residency and the eligibility and effective assignment of the receivables.

The documentation also sets forth various positive and negative covenants which NDL, the Transferor, each Securitization Issuer, the Loan Note Issuer and the Receivables Trustee must perform. These include covenants in relation to identification of accounts to be excluded from the securitization, perfection of title to the assigned receivables, proper application of payments received, notification to the Receivables Trustee of any encumbrances on the assigned receivables, compliance with obligations under the underlying agreements in relation to Designated Accounts, insolvency, disposal of assigned receivables, amendments to underlying agreements and credit guidelines and provision of information.

Secondary Funding Facilities

In addition to the Master Trust Facilities, the Card Portfolios are funded by two Secondary Funding Facilities (sometimes referred to as "warehouse facilities"). Under the Secondary Funding Facilities, receivables arising on certain accounts (and all accounts within certain product lines) within the Card Portfolios ("**SFF Designated Accounts**") are designated as being funded through one of the Secondary Funding Facilities rather than one of the Master Trust Facilities.

As with the two Master Trust Facilities, the two Secondary Funding Facilities are structurally similar, such that it is convenient to consider them together.

In connection with each Secondary Funding Facility (and similarly to the Master Trust Facilities) and pursuant to a receivables securitization deed, the Transferor assigns its beneficial interest in receivables to a special purpose entity incorporated in England and Wales (the "**SFF Issuer**"), and the Transferor receives cash consideration from the SFF Issuer in respect of the beneficial interest in those receivables. Such cash consideration is funded by the SFF Issuer using funds received from the issuance of, and drawings under, variable funding notes (the "**SFF VFNs**").

The SFF VFNs each comprise senior notes (the "**SFF Senior Notes**") and subordinated notes (the "**SFF Subordinated Notes**"). The SFF Senior Notes were issued in an aggregate committed amount of £150.0 million (in the case of the Own-Brands SFF Senior Notes) or £100.0 million (in the case of the Co-Brands SFF Senior Notes), in each case to banks and conduit financing entities (the "**SFF Senior Noteholders**"). The function and features of the SFF Senior Notes are similar to those of the Senior VFNs under the Master Trust Facilities.

The SFF Subordinated Notes comprise senior subordinated notes and junior subordinated notes, each of which is purchased by the Transferor. The function and features of the SFF Subordinated Notes are similar to those of the Originator VFNs.

Generally speaking, the mechanics of the Secondary Funding Facilities are less complex than the Master Trust Facilities.

Pursuant to and in accordance with a servicing and cash management agreement (the "**SFF SCMA**"), NCL is appointed as initial servicer. The terms of the SFF SCMA governing NCL's appointment are materially similar to those under which it is appointed Servicer in respect of the Master Trust Facilities. Pursuant to arrangements common to all Card Securitization Facilities, NCL delegates certain of its functions to third parties. See "*—Sub-Servicing Arrangements*."

The Secondary Funding Facilities include certain events of default, drawstops and early amortization events, which are (broadly) equivalent to those featuring in the Master Trust Facilities. These include, among others and subject in certain cases to specified grace periods, thresholds and qualifications, the insolvency of the Transferor or NDL, the obligations of the Transferor or the SFF Issuer ceasing to be lawful, legal, valid, binding or enforceable, non-payment by the SFF Issuer of amounts due under the relevant documents, non-compliance by the Transferor or the SFF Issuer with its obligations, misrepresentation or breach of warranty by the Transferor or the SFF Issuer, default by NCL as servicer, cessation of the SFF Issuer's business, rescission or repudiation of relevant documents by the Transferor or the SFF Issuer, threat or commencement of litigation or regulatory proceedings in relation to certain documents relating to the Secondary Funding Facilities, NDL ceasing to hold legal title to the SFF Designated Accounts, any payment system through which such accounts are operated terminating the ability of customers to use their cards, certain tax events affecting the SFF Issuer or the Transferor and failure of the Card Portfolio to achieve required performance levels (including an average excess spread in any three consecutive monthly periods of at least zero. This trigger is conceptually similar to the net portfolio yield test featuring in the Master Trust Structures, and measures (in summary) the aggregate amount of interest and fees debited to the SFF Designated Accounts, plus associated interchange and other relevant income (net of applicable tax), less the aggregate of unrecovered defaults on receivables assigned to the Secondary Funding Facility, senior expenses and senior finance costs).

The scheduled amortization date of the SFF Senior Notes under the Own-Brands Secondary Funding Facility is July 16, 2018. On this date (which is deferrable, subject to certain restrictions, by up to twelve months at the election of NCL (in which case the interest rate increases by 1% per annum for the period of the extension)), the revolving period ends and new receivables cease to be assigned to the SFF Issuer. The SFF Senior Notes and the SFF Subordinated Notes under the Own-Brands Secondary Funding Facility must be repaid in full by July 17, 2023 (such date not being deferrable).

The scheduled amortization date of the SFF Senior Notes under the Co-Brands Secondary Funding Facility is September 17, 2018. On this date (which is deferrable, subject to certain restrictions, by up to twelve months at the election of NCL (in which case the interest rate increases by 1% per annum)), the revolving period ends and new receivables cease to be assigned to the SFF Issuer. The SFF Senior Notes and the SFF Subordinated Notes under the Co-Brands Secondary Funding Facility must be repaid in full by September 16, 2019 or, if certain terms and conditions are satisfied and such SFF Senior Notes and SFF Subordinated Notes are (as is intended) redeemed and replaced by new SFF Senior Notes and SFF Subordinated Notes, September 15, 2023 (such date not being deferrable).

The SFF Senior Notes are listed on the Cayman Islands Stock Exchange, but are not rated.

The SFF Subordinated Notes are not listed or rated.

UPL Funding Facility

In December 2016, the Target Group established the UPL Funding Facility to fund the UPL Portfolio.

In connection with that facility, a special purpose entity incorporated in England and Wales (the "**UPL Issuer**") applies funds received from drawings under an overdraft facility (the "**UPL Overdraft**") and the issuance of, and drawings under, variable funding notes (the "**UPL VFNs**") to make payments to NDL, which NDL applies in funding the origination of unsecured personal loan receivables. Pursuant to a declaration of trust, NDL in turn holds all of its right, title and interest in and to such receivables on trust for the UPL Issuer.

The UPL VFNs comprise senior notes (the "**UPL Senior Notes**") and subordinated notes (the "**UPL Subordinated Notes**"), the functions and features of which are similar to those of the SFF Senior Notes and SFF Subordinated Notes issued in connection with the Secondary Funding Facilities. The UPL Senior Notes were issued to a bank (the "**UPL Senior Noteholder**") in an aggregate committed amount of £60.0 million. The UPL Subordinated Notes comprise senior subordinated notes and junior subordinated notes, each of which were purchased by the Target (the "**UPL Subordinated Noteholder**").

The UPL Overdraft was entered into with a bank and is subject to a limit of £1.0 million.

Pursuant to and in accordance with a servicing and cash management agreement (the "**UPL SCMA**"), NCL is appointed as initial servicer of the UPL Portfolio. The terms of the UPL SCMA governing NCL's appointment are materially similar to those under which NCL is appointed servicer in respect of the Secondary Funding Facilities.

The UPL Funding Facility includes certain events of default, drawstops and early amortization events, which are (broadly) equivalent to those featuring in the Secondary Funding Facilities. Notably, however, the UPL Funding Facility does not contain an equivalent to the average excess spread trigger present in the Secondary Funding Facilities. Equally, the UPL Funding Facility does feature certain events of default relating to the insolvency of the Target and an early amortization event relating to the default rate of the securitized receivables which are, in each case, not present in the Secondary Funding Facilities.

The scheduled amortization date of the UPL VFNs is February 20, 2018. On this date (which is deferrable, subject to agreement by NDL, NCL (or its successor as servicer), the UPL Senior Noteholder and the UPL Subordinated Noteholder), the revolving period ends and the UPL Issuer may not make any further drawings on the UPL Senior Notes or the UPL Subordinated Notes. The UPL Senior Notes and the UPL Subordinated Notes must be repaid in full by the earlier of February 20, 2067 and the 20th day of the month falling 73 months from the scheduled amortization date (as extended as described above).

The UPL Overdraft has no scheduled amortization or cancellation date, but is subject to review on May 31, 2017 and is, in any event, repayable on demand by the UPL Overdraft provider.

The UPL Senior Notes are listed on the Cayman Islands Stock Exchange, but are not rated.

The UPL Subordinated Notes are not listed or rated.

Sub-Servicing Arrangements

As set out above, NCL acts as servicer in respect of all Securitization Facilities.

Pursuant to sub-contracting arrangements common to all Card Securitization Facilities (but not the UPL Funding Facility, in respect of which no equivalent arrangements exist), NCL sub-contracts certain information technology and other back-office services to First Data Global Services Limited and certain cash management and settlement services (relating principally to cash received from customers, payable to the MasterCard system and (in the case of the Co-Brands Portfolio) payable to retail partners) pursuant to agreements with (in the case of the Co-Brands Portfolio) Santander or (in the case of the Own-Brands Portfolio) Lloyds.

Under the terms of the sub-servicing agreements governing the cash management and settlement arrangements, each of Santander or Lloyds (as appropriate) agrees to meet NDL's daily settlement obligations to MasterCard (and, in the case of in-store expenditure relating to the Co-Brands Portfolio, to the relevant retail partners) in respect of the relevant Card Portfolio (in exchange for a reimbursement undertaking from the relevant Transferor, as outlined below). Santander or Lloyds (as appropriate) also agrees to receive collections in respect of the relevant Card Portfolio and transfer them to the Transferor on a gross basis until the Transferor has received sufficient funds in each collection period to fund the amounts due to third parties under the financing arrangements for such Card Portfolio on each monthly distribution date. Only then is the sub-servicer permitted to reimburse itself from the collections received for settlement payments it has made. However, if the sub-servicer is unable to reimburse itself in full in respect of these settlement payments, the Transferor is required to reimburse the sub-servicer from its own funds (to the extent it has such funds, or can obtain them by procuring a drawing on the Senior VFN in either Master Trust Facility or the SFF Senior Notes in either Secondary Funding Facility). Moreover, in the case of the Own-Brands Portfolio, certain of these amounts are guaranteed to Lloyds by the Target.

Each of Santander (in the case of the Co-Brands Portfolio) and Lloyds (in the case of the Own-Brands Portfolio), in addition to its obligation to meet NDL's settlement obligations in respect of the relevant Card Portfolio, has provided an undertaking or guarantee directly to MasterCard in order to minimize the need for NDL to provide credit support to MasterCard for its settlement obligations (such undertaking or guarantee being issued on the basis that any payments made thereunder will be reimbursed by the relevant Transferor (or, in the case of the Own-Brands Portfolio, the Target)).

Each Transferor has provided security over substantially all of the assets beneficially owned by it in order to secure its obligations to, among others, Lloyds or Santander, respectively. However, although each Transferor is liable to reimburse Lloyds or Santander (as appropriate) for payments made to meet NDL's settlement obligations (and pay any associated finance charges) in respect of the relevant Card Portfolio, NCL is responsible for paying Lloyds and Santander's sub-servicing fees.

The Lloyds sub-servicing arrangements (but not the Santander sub-servicing arrangements) contain a Change of Control Trigger (as described in "*—Key Trigger Events*").

Revolving Credit Facility

We expect to enter into a revolving credit facility on or prior to the Completion Date with, among others, Citigroup Global Markets Limited, Credit Suisse AG, London Branch, HSBC Bank plc and The Royal Bank of Scotland plc as mandated lead arrangers. The Revolving Credit Facility will have a total commitment of £30.0 million and will mature five years and nine months after the Issue Date. Borrowings under the Revolving Credit Facility will be available to fund our general corporate purposes and working capital requirements and may be drawn in pounds sterling, euros or US dollars.

Repayments and Prepayments

Repayments of loans drawn under the Revolving Credit Facility and related interest payments will be due and payable at the end of the interest period for each loan. The applicable interest period is selected in the relevant utilization request and will either be one, two, three or six months. There is no clean down requirement.

Additionally, if there (i) is a change of control or (ii) it becomes unlawful in any jurisdiction for a lender to perform its obligations under the Revolving Credit Facility, each lender under the Revolving Credit Facility will have the right to cancel its commitments and declare all outstanding amounts owed to it immediately due and payable.

Interest

Loans under the Revolving Credit Facility will bear interest at a rate equal to the aggregate of LIBOR or EURIBOR (as applicable) and an initial margin of 3.50% per annum. A margin ratchet will apply with effect from the first anniversary of the Completion Date which is set against net total leverage.

Additional Facilities

The Revolving Credit Facility Agreement contemplates the incurrence of additional uncommitted revolving facilities in a maximum amount not to exceed (after taking account of the commitments under the Revolving

Credit Facility) the amount able to be incurred under clause (1) of the second paragraph of the covenant described under "*Description of the Notes—Certain Covenants—Limitation on Indebtedness*," whether as a new facility and/or as an additional tranche of any existing facility and/or by increasing the commitments under an existing facility. Such additional facilities may be secured or unsecured and may rank either (i) *pari passu* with the Revolving Credit Facility and be prepaid on a pro rata basis (including with respect to mandatory prepayments) or (ii) subordinated to the Revolving Credit Facility. The lenders of any such additional facilities may not have the benefit of guarantees from any member of the Group that is not an Obligor or security over assets other than the then-existing Transaction Security (as defined in the Revolving Credit Facility), except where the same security (to the extent permitted by law) is granted in respect of the other facilities under the Revolving Credit Facility.

The availability, maturity, pricing and other terms of any additional facility will be those agreed between the Issuer and the relevant lenders of that additional facility, provided that no additional facility may have a maturity date that is earlier than the maturity date of the Revolving Credit Facility.

Guarantees and Security

The Revolving Credit Facility will be (subject to certain Agreed Security Principles set forth in the Revolving Credit Facility Agreement) guaranteed by the Guarantors and secured on a *pari passu* basis by the same collateral that secures the Notes as further described in the section entitled "*Description of the Notes—Security*."

The Revolving Credit Facility Agreement requires that (subject to Agreed Security Principles) each subsidiary of the Company that is, or becomes, a Material Company (which definition includes, among other things, any member of the Group that has earnings before interest, tax, depreciation and amortization representing more than 5% of Consolidated EBITDA or certain members of the Group that are the direct holding companies of borrowers or guarantors) following the Completion Date will be required to become a guarantor under the Revolving Credit Facility Agreement.

Furthermore, if on the last day of each financial year (commencing with the first complete financial year after the Closing Date) of the Company, and, subject to the Agreed Security Principles, the guarantors represent less than 80% of the Consolidated EBITDA (subject to certain exceptions) (the "**Guarantor Coverage Test**"), within 90 days of delivery of the annual financial statements for the relevant financial year, such other subsidiaries of the Company (subject to Agreed Security Principles and certain other exceptions) are required to become guarantors until the Guarantor Coverage Test is satisfied (to be calculated as if such additional guarantors had been guarantors on the last day of the relevant financial year).

Agreed Security Principles

The Agreed Security Principles will provide that the grant of any security by any member of the Group shall be subject to any prior-ranking security granted prior to the date of Revolving Credit Facility in connection with any Securitization Arrangement (as defined below).

In relation to a member of the Group which is not in existence on the date of the Revolving Credit Facility, no guarantees or security will be required to be granted by or over that entity, to the extent that:

(a) the relevant entity is a Securitization SPE (as defined in the Indenture); and/or

(b) giving such guarantee or Security (i) would be prohibited by the terms of any Securitization Arrangement, provided that the relevant member of the Group has used all reasonable endeavours to overcome such prohibition; or (ii) could reasonably be expected to be adverse (in any non-immaterial respect) to the regulatory status or permissions of the relevant member of the Group or to the pricing, terms or availability of any Securitization Arrangement (including the ability to obtain an appropriate rating in connection with such Securitization Arrangement), provided that, in each case, the benefit to the Group that would result from the relevant Securitization Arrangement would not be disproportionately low when compared to the detriment to the Secured Parties in not having the benefit of the relevant guarantee or security (having regard to the extent of the obligations that could be guaranteed or secured by such guarantee or security).

For the above purpose "Securitization Arrangement" means an asset-backed financing arrangement pursuant to which one or more members of the Group (and/or special purpose vehicles established for the purpose of such arrangement) finances receivables, assets or loans originated or acquired by the Group pursuant to (i) the issuance of notes, securities or other instruments acknowledging indebtedness; and/or (ii) the incurrence of indebtedness pursuant to term, revolving and/or overdraft facilities (and/or any derivative or other arrangements designed to achieve a similar economic effect), whereby in each case the recourse of the creditors of such indebtedness (or the counterparties to such derivative or other arrangements) is primarily limited to (A) (directly or indirectly) the receivables, assets or loans which are financed thereby; and/or (B) the person which has directly or indirectly incurred such indebtedness (or entered into such arrangements) and/or the shares or similar equity interests issued by such person, to the extent security over such assets is created and continues to exist as part of the arrangement.

Representations and Warranties

The Revolving Credit Facility 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, among others: (i) status and incorporation; (ii) binding obligations; (iii) non-conflict with constitutional documents, laws or other obligations; (iv) power and authority; (v) validity and admissibility in evidence; (vi) governing law and enforcement; (vii) accuracy of most recent financial statements delivered; (viii) *pari passu* ranking; (ix) good title to assets; (x) legal and beneficial ownership; and (xi) sanctions and anti-money laundering.

Covenants

The Revolving Credit Facility Agreement contains certain of the same incurrence covenants and related definitions (with certain adjustments) that apply to the Notes, including with respect to restricted payments. In addition, the Revolving Credit Facility also contains certain 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.

Affirmative Covenants

The affirmative covenants include, among others: (i) providing certain financial information, including annual audited and quarterly financial statements and compliance certificates; (ii) authorizations, (iii) compliance with laws; (iv) payment of taxes; (v) maintenance of material assets; (vi) maintenance of intellectual property and insurance; (vii) funding of pension schemes; (viii) Guarantor Coverage Test; (ix) granting of additional guarantees and security in prescribed circumstances and (x) further assurance provisions. In addition, the Company must procure that certain actions are taken following the Completion Date, including (a) within one business day of the Completion Date, the granting (subject to agreed security principles) of security over the shares and PECs of the Target and any shareholder loans made to the Target and (b) the granting (subject to agreed security principles) of security over certain assets of the Target within 90 days after (and excluding) the Completion Date.

Negative Covenants

The negative covenants include restrictions with respect to: (i) changing the centre of main interest of a borrower or guarantor and (ii) the Company, the Issuer, UK Holdco and UK Holdco 2 trading, owning assets or incurring liabilities, except for certain permitted holding company activities. Otherwise, the negative covenants in the Revolving Credit Facility are substantially the same as the negative covenants in the Indenture.

Financial Covenant

There are no maintenance financial covenants under the Revolving Credit Facility.

Events of Default

The Revolving Credit Facility provides for some of the same events of default (including in relation to insolvency), with certain adjustments, as the Indenture governing the Notes. In addition, the Revolving Credit Facility will contain certain standard events of default, the occurrence of which would allow a majority of the lenders to cancel their commitments, accelerate all outstanding loans, accrued interest and other amounts and declare them immediately due and payable and to enforce the lenders' rights under the Revolving Credit Facility and certain other related documents. These events of default include, among other events and subject in certain cases to materiality, grace periods, thresholds and/or other qualifications:

- non-payment of amounts due under the applicable finance documents;
- failure to satisfy covenants, undertakings and other obligations under the applicable finance documents;

- inaccuracy of a representation or statement when made or deemed to be made;
- cross-acceleration to the Notes and certain refinancing indebtedness;
- cross-acceleration to certain securitization arrangements entered into by NewDay Funding Loan Note Issuer Ltd, NewDay Partnership Loan Note Issuer Ltd, NewDay Secondary Funding Limited and NewDay Partnership Secondary Funding Limited;
- unlawfulness of any member of the group to perform its obligations under the Intercreditor Agreement (as defined below);
- any security interest ceases to be effective;
- material obligations of members of the Group under the applicable finance documents are not or cease to be legal, valid, binding and enforceable;
- failure of any party (other than a secured party) to comply with its obligations under the Intercreditor Agreement (as defined below);
- cessation of business;
- expropriation, seizure, nationalization or other similar intervention or restriction in relation to an obligor or any of its assets; and
- repudiation or rescission of any applicable finance document or any security interest.

Governing law

The Revolving Credit Facility will be governed by English law.

Intercreditor Agreement

To establish the relative rights of certain of our creditors under our financing arrangements, the Issuer, the Company, the Guarantors, and any obligor in respect of the Revolving Credit Facility, any Other Credit Facility Debt, any Future *Pari Passu* Debt and any Future Senior Subordinated Debt (each as defined below) (collectively, the "**Obligors**") the lenders under the Revolving Credit Facility, HSBC Bank plc as agent for the Revolving Credit Facility (the "**Senior Agent**"), HSBC Corporate Trustee Company (UK) Limited as security agent for the Revolving Credit Facility and the Notes and certain hedging arrangements (the "**Security Agent**"), and the Trustee, among others, entered into an intercreditor agreement (the "**Intercreditor Agreement**"), to govern the relationships and relative priorities among: (i) the lenders under the Revolving Credit Facility and any other credit facility which is permitted under the terms of the Revolving Credit Facility, certain other credit facilities and the Notes to share in the Security on a super senior basis; (ii) the holders of senior secured notes that we may issue, including the Notes, and those party to any indentures or other documents governing such senior secured notes; (iii) the lenders or other creditors under any other loan, credit or debt facility, notes, indentures or other debt instrument which are permitted under the terms of the Revolving Credit Facility, certain other credit facilities and the Notes to share in the Security on a *pari passu* basis; (iv) the hedge counterparties to our hedging arrangements (each a "**Hedging Bank**"); (v) the lenders or other creditors under any loan, credit or debt facility, notes, indentures or other debt instrument which are permitted under the terms of the Revolving Credit Facility, certain other credit facilities and the Notes to share in the Security on a subordinated basis; and (vi) the creditors of certain subordinated shareholder debt and certain intragroup debt. The lenders, holders, hedge counterparties and other creditors referred to in (i) to (iv) above being the "**Priority Creditors**" and the indebtedness owing to those Priority Creditors under the documents referred to in (i) to (iv) above, being the "**Priority Debt**," and the lenders, holders, hedge counterparties and other creditors referred to in (ii) to (v) (inclusive) (in the case of (iv), only to the extent such hedging arrangements (x) do not constitute Super Senior Hedging Liabilities (as defined below) or, (y) following the full and final discharge of all Super Senior Lending Liabilities (as defined below), are being taken into account for the purpose of determining the relevant creditor instructing group (as detailed in "**Security Enforcement**" below)) being the "**Senior Secured Creditors**," and the indebtedness owing to those Senior Secured Creditors being the "**Senior Secured Debt**."

General

By accepting a Note, the holder thereof will be deemed to have agreed to, and accepted the terms and conditions of, the Intercreditor Agreement. The following description is a summary of certain provisions, among others, contained in the Intercreditor Agreement that relate to the rights and obligations of the holders of the Notes and the other creditors party thereto. It does not restate the Intercreditor Agreement in its entirety nor does it describe provisions relating to all classes of debt. As such, you are urged to read the Intercreditor Agreement because it, and not the discussion that follows, defines certain rights of the holders of the Notes and certain other creditors. In this discussion, capitalized terms have the meaning given to them in the Intercreditor Agreement unless the contrary is otherwise stated or the context otherwise requires.

Ranking and Priority

The Intercreditor Agreement provides that our liabilities under our indebtedness shall rank in right and priority of payment in the following order:

- *first*, liabilities under and in respect of (i) the Revolving Credit Facility (the "**RCF Liabilities**"); (ii) any other super senior credit facility (the "**Other Credit Facility Liabilities**" or the "**Other Credit Facility Debt**" and together with the RCF Liabilities, the "**Super Senior Lending Liabilities**"); (iii) our senior secured notes (including the Notes) (the "**Senior Secured Notes Liabilities**" or the "**Senior Secured Notes**"); (iv) any *pari passu* loan, credit or debt facility, notes, indentures or other debt instrument (the "**Future *Pari Passu* Liabilities**" or the "**Future *Pari Passu* Debt**"); (v) interest rate and exchange rate hedging arrangements (the "**Hedging Liabilities**"); and (vi) amounts owing to the Trustee (the "**Trustee Liabilities**"), *pari passu* without any preference among them (collectively, the "**Priority Liabilities**");
- *second*, liabilities under and in respect of any senior subordinated loan, credit or debt facility, notes, indentures or other debt instrument, including any guarantee provided by the Group, a member of the Group with respect to any notes of an issuer that is not a member of the Group and the proceeds of which are down-streamed to a member of the Group ("**Future Senior Subordinated Liabilities**" or "**Future Senior Subordinated Debt**" and together with the Priority Liabilities, the "**Secured Debt**");
- *third*, liabilities under and in respect of certain intragroup debt (the "**Intra-Group Liabilities**"); and
- *fourth*, liabilities under and in respect of certain shareholder debt (the "**Shareholder Liabilities**").

The Intercreditor Agreement permits any obligor party to a hedging agreement and the relevant hedge counterparty to agree that any amount of the Hedging Liabilities incurred under that hedging agreement will be treated on a super senior basis upon the distribution of proceeds arising from the enforcement of any Transaction Security (the "**Super Senior Hedging Liabilities**" and together with the Super Senior Lending Liabilities, the "**Super Senior Liabilities**").

The Intercreditor Agreement provides that all security created pursuant to the terms of the Revolving Credit Facility, any other super senior credit facility document, any senior secured finance document, any hedging document and any *pari passu* debt document (together, the "**Transaction Security**") will rank and secure:

- *first*, the Priority Liabilities *pari passu* and without any preference between them, irrespective of (i) the order of execution, creation, registration, notice, enforcement or otherwise; (ii) the date on which any of those Priority Liabilities arose; (iii) whether a senior finance party, other credit facility lender, hedge counterparty or *pari passu* creditor is obliged to advance any Revolving Credit Facility debt, other credit facility debt, high yield senior secured debt, any *pari passu* debt or pay any hedging debt; or (iv) any fluctuation in the amount, or any intermediate discharge in whole or in part, of any Revolving Credit Facility debt, other credit facility debt, senior secured debt, hedging debt or *pari passu* debt; and
- *second*, the Future Senior Subordinated Liabilities *pari passu* and without any preference between them, but only to the extent that the Transaction Security is expressed to secure those liabilities.

The Intra-Group Liabilities and the Shareholder Liabilities are and will remain unguaranteed and unsecured.

Permitted Payments

The Intercreditor Agreement provides that prior to an Acceleration Event (as defined below), the members of our Group, as applicable, may make payments in relation to the Super Senior Lending Liabilities, the Senior Secured Notes Liabilities and any Future *Pari Passu* Liabilities, in each case in accordance with their respective governing documents and subject to, in the case of payments of Future *Pari Passu* Liabilities, any restrictions contained in the documents governing the Super Senior Lending Liabilities and the Senior Secured Notes Liabilities. Following the occurrence of an acceleration event with respect to the Super Senior Lending Liabilities, the Senior Secured Notes Liabilities, the Future Pari Passu Liabilities or the Future Senior Subordinated Liabilities (an "**Acceleration Event**"), no debtor or any member of the Group may, subject to certain exceptions, make any payment in respect of Super Senior Lending Liabilities, Senior Secured Notes

Liabilities or Future *Pari Passu* Liabilities except from enforcement proceeds or recoveries distributed in accordance with the payment waterfall described in "Application of Amounts Recovered" below. The restriction in the foregoing sentence shall not apply where: (a) in relation to any Other Credit Facility Debt, Future *Pari Passu* Debt or Future Senior Subordinated Debt, the aggregate principal amount of the relevant facility under which the Acceleration Event has occurred is less than £30 million or (b) provided that the Majority Super Senior Creditors (as defined below) constitute the relevant creditor instructing group (as described in "*Security Enforcement*" below), the Majority Super Senior Creditors give notice to the Security Agent that such restriction shall cease to apply.

Prior to an Acceleration Event members of our Group may make payments in respect of the Hedging Liabilities, as agreed under the governing documents of those arrangements, so long as certain defaults have not occurred and those payments are not otherwise prohibited by the Intercreditor Agreement. Following the occurrence of an Acceleration Event (as defined above) no debtor or any member of the Group may, subject to certain exceptions, make any payment in respect of Hedging Liabilities except from enforcement proceeds or recoveries distributed in accordance with the payment waterfall described in "*Application of Amounts Recovered*" below. The restriction in the foregoing sentence shall not apply where, provided that the Majority Super Senior Creditors (as defined below) constitute the relevant creditor instructing group (as described in "*Security Enforcement*" below), the Majority Super Senior Creditors give notice to the Security Agent that such restriction shall cease to apply.

Members of our Group may make payments in respect of certain Intra-Group Liabilities, as agreed under the governing documents of the relevant Intra-Group Liabilities, so long as certain defaults have not occurred and those payments are not otherwise prohibited by the Intercreditor Agreement.

Members of our Group may make payments in respect of certain Shareholder Liabilities, as agreed under the governing documents of the relevant Shareholder Liabilities, so long as: (i) the payment is not prohibited by the terms of any document governing the Super Senior Lending Liabilities, the Senior Secured Notes Liabilities, the Future *Pari Passu* Liabilities or the Future Senior Subordinated Liabilities; (ii) the relevant creditor instructing group at that time has given written consent to the payment being made; or (iii) the payment is not otherwise prohibited by the Intercreditor Agreement.

Prior to the discharge of all Senior Secured Debt, neither the Issuer nor any debtor may make payments in respect of the Future Senior Subordinated Debt Liabilities without the consent of the Majority Super Senior Secured Creditors (as defined below) and Majority Senior Secured Creditors (as defined below) except for the following:

(1) if:

  (a) the payment is:

    (i) any of the principal or capitalized interest of the Future Senior Subordinated Liabilities which is either (1) not prohibited from being paid by the Revolving Credit Facility or any other super senior credit facility, the Indenture or any Future *Pari Passu* Debt finance document or (2) is paid on or after the final maturity of the Future Senior Subordinated Liabilities; or

    (ii) any other amount which is not an amount of principal or capitalized interest and default interest on the Future Senior Subordinated Liabilities accrued due and payable in cash in accordance with the terms of the relevant debt documents for the Future Senior Subordinated Debt, additional amounts payable as a result of the tax gross up provisions relating to the Future Senior Subordinated Debt Liabilities or amounts in respect of currency indemnities in the relevant debt documents for the Future Senior Subordinated Debt;

  (b) no notice delivered pursuant to the terms of the Intercreditor Agreement blocking payments in respect of the Future Senior Subordinated Debt Liabilities (a "**Payment Blockage Notice**") is outstanding; and

  (c) no payment default under the Revolving Credit Facility and no payment default of £100,000 or more in respect of the Senior Secured Notes Liabilities or Future *Pari Passu* Liabilities is continuing (a "**Senior Payment Default**");

  provided that no payment of principal may be made in respect of any proceeds loan pursuant to which amounts are owed to an issuer of notes that is not a member of the Group, unless such payment is made to facilitate the making of a payment by such notes issuer of an amount of such notes that was previously down-streamed to a member of the Group, or

(2) costs, commissions, taxes, consent fees and expenses incurred in respect of (or reasonably incidental to) the Future Senior Subordinated Debt documents (including in relation to any reporting or listing requirements under the Future Senior Subordinated debt documents);

(3) costs, commissions, taxes, premiums and any expenses incurred in respect of (or reasonably incidental to) any refinancing of the Future Senior Subordinated Debt in compliance with the Intercreditor Agreement, the Revolving Credit Facility, the Indenture and any Future *Pari Passu* Debt document; or

(4) in respect of any Future Senior Subordinated Debt issued in the form of notes, certain customary costs and expenses payable to the Future Senior Subordinated Representative.

Prior to the discharge of all the Senior Secured Debt, if a Senior Payment Default has occurred and is continuing, all payments in respect of the Future Senior Subordinated Debt Liabilities (other than certain very limited exceptions) are suspended.

Prior to the discharge of all the Senior Secured Debt, if an event of default (other than a Senior Payment Default) under the finance documents in respect of the Senior Secured Debt (a "**Senior Default**") has occurred and is continuing and the Future Senior Subordinated Representative (as defined below) has received a Payment Blockage Notice from either the Senior Agent or the Trustee or the representative of the Future *Pari Passu* Debt representing Future *Pari Passu* Debt (as the case may be) (the "**Relevant Representative**") within 60 days of the date such Relevant Representative receives notice in writing of the occurrence of such Senior Default, confirming that it is a Senior Default and specifying the relevant Senior Default; all payments in respect of the Future Senior Subordinated Liabilities (other than those consented to by the Majority Super Senior Creditors (as defined below) and Majority Senior Secured Creditors (as defined below) and certain specified exceptions) are suspended until the earliest of:

(i) the date on which there is a waiver, remedy or cure of such Senior Default in accordance with the relevant finance documents;

(ii) the date on which a default under the Future Senior Subordinated Debt occurs for failure to pay principal at the original scheduled maturity of the Future Senior Subordinated Debt;

(iii) 179 days after the receipt by the Future Senior Subordinated Representative of the Payment Blockage Notice;

(iv) the repayment and discharge of all obligations in respect of the Senior Secured Debt;

(v) the date on which the Relevant Representative which issued the Payment Blockage Notice (and, if at such time an event of default is continuing in relation to the Senior Secured Debt (other than the Senior Secured Debt in respect of which the notice was given), the Relevant Representative(s) in respect of that other Senior Secured Debt) notify/ies the Future Senior Subordinated Debt Representative that the Payment Blockage Notice is cancelled;

(vi) the date on which the Security Agent or Future Senior Subordinated Representative takes any Enforcement Action against a member of the Group which it is permitted to take in accordance with the Intercreditor Agreement;

(vii) the date on which the relevant event of default is no longer continuing and if the Senior Secured Debt has been accelerated such acceleration has been rescinded (and if such acceleration consisted solely of declaring the relevant debt payable on demand such rescission can be effected by the relevant majority creditors in respect of the relevant debt); or

(viii) if a Standstill Period (as defined below) is in effect at any time after delivery, of a Payment Blockage Notice, the date on which the Standstill Period expires.

No Payment Blockage Notice may be served by a Relevant Representative unless 360 days have elapsed since the immediately prior Payment Blockage Notice. No Payment Blockage Notice may be served in respect of a Senior Default more than 60 days after the date that the Relevant Representative received notice of that Senior Default.

If a Payment Blockage Notice ceases to be outstanding or the relevant Senior Default or Senior 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 Future Senior Subordinated Debt and if it does so promptly any event of default under the Future Senior Subordinated Debt caused by such delayed payment shall be waived and any notice commencing a Standstill Period which may has been issued as a result of such non-payment shall be waived. A Senior Payment Default is remedied by the payment of all amounts then due.

Hedging

Pursuant to the Intercreditor Agreement, persons entering into any hedging transaction with any obligor will be entitled to share in the Transaction Security provided that they are have acceded to the Intercreditor Agreement as a hedge counterparty.

Non-security Enforcement

No creditor of Shareholder Liabilities shall take any enforcement action until after the date on which all Priority Liabilities and Future Senior Subordinated Liabilities have been fully discharged and there is no obligation to provide further financial accommodation to any obligor (the "**Final Discharge Date**") unless it is following the occurrence of an insolvency event in relation to any obligor or a third party security provider and such enforcement action is permitted by the Intercreditor Agreement.

No creditor of Intra-Group Liabilities shall take any enforcement action (other than rights of set off to enable permitted intra-group payments) prior to the Final Discharge Date unless it is following the occurrence of an insolvency event in relation to any obligor or a third party security provider and such enforcement action is permitted by the Intercreditor Agreement.

With respect to Hedging Liabilities, the Intercreditor Agreement provides that a hedge counterparty may, to the extent is able to under the relevant hedging agreement, terminate, reduce or close-out hedging prior to its stated maturity if any of the following has occurred: (i) any of the Secured Debt (other than the Hedging Liabilities and the Trustee Liabilities) has been accelerated or the Transaction Security has been enforced; (ii) an illegality, tax event, tax event upon merger or force majeure event; (iii) occurrence of an insolvency event that is continuing in relation to any obligor that is party to a hedging agreement; (iv) a certain majority of other creditors of the Priority Liabilities (other than the Hedging Liabilities) give their prior written consent; (v) if the hedge counterparty and the relevant obligor agree and no default is continuing under any document governing the Secured Debt (other than the Hedging Liabilities); (vi) there is an interest rate or exchange rate hedge excess; (vii) if the hedge counterparties cease to be secured under the Transaction Security without their consent; or (viii) a payment default has been continuing under the relevant hedging agreement for more than 20 days.

Security Enforcement

The Intercreditor Agreement provides that the Security Agent may refrain from enforcing the Transaction Security unless the Security Agent receives enforcement instructions from the relevant creditor instructing group. Any instructions provided by a relevant creditor instructing group must be in accordance with the security enforcement principles provided in the Intercreditor Agreement.

Instructions in relation to the enforcement of the Transaction Security may be delivered to the Security Agent by any of (i) the creditors representing in aggregate more than 66 2/3% of the aggregate super senior credit participations of the creditors of the Super Senior Liabilities (the "**Majority Super Senior Creditors**"), or (ii) the creditors representing at least 50% of (A) the aggregate senior secured credit participations of the creditors of the Senior Secured Notes Liabilities and the Future *Pari Passu* Liabilities and (B) the aggregate senior secured credit participations of the creditors of the Hedging Liabilities that are not Super Senior Hedging Liabilities (the "**Majority Senior Secured Creditors**"). If the Majority Super Senior Creditors or the Majority Senior Secured Creditors wish to instruct the Security Agent to commence enforcement of any Transaction Security, the creditor representative(s) (each a "**Creditor Representative**") of the relevant creditor instructing group shall notify the Security Agent and the creditor representative of each other creditor of the Priority Liabilities.

Following delivery of proposed enforcement instructions, the Creditor Representatives of the Majority Super Senior Creditors and the Majority Senior Secured Creditors will consult with each other in good faith as to the manner of enforcement for a period of 15 days with a view to coordinating the instructions to be given by the relevant creditor instructing group and agreeing the strategy for enforcement unless: (i) the Majority Super Senior Creditors and the Majority Senior Secured Creditors otherwise agree; (ii) there is an absence of conflicting enforcement instructions; (iii) an insolvency event has occurred in relation to any debtor or other member of the Group or Nemean Midco Limited ("**Midco**") and the Transaction Security has become enforceable as a result; or (iv) one of the relevant Creditor Representatives determines in good faith that no consultation period or, as the case may be, a shorter consultation period is necessary in order to avoid impairing the value which would be realized on enforcement of the Transaction Security to an extent that would prevent the discharge of the Super Senior Liabilities in full (the "**Consultation Period**"). In circumstances where (iv) applies, any instructions delivered by a Creditor Representative must be limited to those necessary to protect or preserve the interests of the relevant creditor instructing group on behalf of which it acts as a Creditor Representative and the Security Agent will act in accordance with the instructions first received.

After the expiry of the Consultation Period:

- If the Majority Super Senior Creditors and/or the Majority Senior Secured Creditors have agreed on an enforcement strategy, the Security Agent shall be instructed to implement the same.
- If the Security Agent has received conflicting security enforcement instructions, the Security Agent, subject to certain exceptions, will act on the instructions of the Majority Senior Secured Creditors provided that those instructions are in accordance with the security enforcement principles.
- If the Security Agent is required to act on the instructions of the Majority Senior Secured Creditors and either (i) enforcement has not commenced within 3 months of the end of the Consultation Period; (ii) the Super Senior Liabilities have not been irrevocably repaid in full in cash within 6 months of the end of the Consultation Period; or (iii) at any time (whether before or after the expiry of the Consultation Period) an insolvency event has occurred in relation to any debtor or other member of the Group or Midco and the Security Agent has not commenced enforcement of the Transaction Security, then the Security Agent shall act on the enforcement instructions of the Majority Super Senior Creditors provided that such instructions are consistent with the security enforcement principles.

If the Majority Super Senior Creditors or Majority Senior Secured Creditors (acting reasonably) consider at any time that the Security Agent is enforcing the Transaction Security in a manner which is not consistent with the security enforcement principles, the Creditor Representatives of the other Super Senior Creditors and Senior Secured Creditors shall consult with the Security Agent for a period of 10 days (or such lesser period as the relevant Creditor Representatives may agree) with a view to agreeing the manner of enforcement, provided that the Creditor Representatives are not obliged to consult in this circumstance more than once in relation to each enforcement.

Restrictions on Enforcement by the Future Senior Subordinated Debt; Standstill

Prior to the discharge of all the Senior Secured Debt, neither the creditors of any Future Senior Subordinated Debt (the "**Future Senior Subordinated Creditors**") nor the creditor representative of the Future Senior Subordinated Creditors (the "**Future Senior Subordinated Debt Representative**") may take enforcement action with respect to the Future Senior Subordinated Debt (including any action against the Issuer or the guarantors of the Future Senior Subordinated Debt (if any)) or direct the Security Agent to enforce or otherwise require the enforcement of any relevant Transaction Security document without the prior consent of or as required by the relevant creditor instructing group (as detailed in "*—Security Enforcement*" above), except if (1) an event of default has occurred under the Future Senior Subordinated Debt resulting from failure to pay principal at its original scheduled maturity or (2):

(a) an event of default under the debt documents for the Future Senior Subordinated Debt is continuing;

(b) the Senior Agent, the Trustee and the other representatives of the Senior Secured Debt have received notice of the specified event of default from the Future Senior Subordinated Debt Representative;

(c) a Standstill Period (as defined below) has expired; and

(d) the relevant event of default is continuing at the end of the Standstill Period,

provided that in the case of (2) only, no such action may be taken if the Security Agent is acting in accordance with the instructions of the relevant creditor instructing group (as detailed in "*—Security Enforcement*" above) to take steps for enforcement and such action might reasonably likely adversely affect such enforcement.

A "**Standstill Period**" shall mean the period starting on the date that the Future Senior Subordinated Debt Representative serves an enforcement notice on the Senior Agent, the Trustee and the Future Senior Subordinated Debt Representative and the representative of any Future *Pari Passu* Debt until the earliest of:

(a) 179 days after such date;

(b) the date on which the Senior Secured Creditors take enforcement action (including the enforcement of any Transaction Security permitted to be enforced under the terms of the Intercreditor Agreement), provided that the Future Senior Subordinated Debt Representative and holders of Future Senior Subordinated Debt may only take the same enforcement action against the same entity as is taken by the Senior Secured Creditors and may not take any other action against any other member of the Group or Midco (or any substitute entity (if any));

(c) the date on which an insolvency event occurs in respect of any debtor owing Future Senior Subordinated Liabilities against whom enforcement action is to be taken;

(d) the date on which a default under the Future Senior Subordinated Debt occurs for failure to pay principal at the original scheduled maturity of the Future Senior Subordinated Debt; and

(e) the expiration of any other Standstill Period which was outstanding at the date that the current Standstill Period commenced (other than as a result of a cure, waiver or permitted remedy thereof).

If an Event of Default ceases to be continuing then (provided the relevant parties are made aware of such fact) any relevant enforcement process (including any requirement of consultation relating to enforcement) relying solely on that Event of Default shall cease to continue.

Security Enforcement Principles

- The Intercreditor Agreement includes security enforcement principles with the aim of maximizing, so far as is consistent with prompt and expeditious realization of value from enforcement of the Transaction Security, the recovery by the creditors of the Priority Liabilities and (to the extent the Transaction Security is expressed to secure the same) the Future Senior Subordinated Liabilities (the "**Security Enforcement Objective**").
- The Transaction Security will be enforced and other action as to enforcement will be taken such that either:
  - all proceeds of enforcement are received by the Security Agent in cash for application in accordance with the order of application set forth below under "*—Application of Amounts Recovered*"; or
  - 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 order of application set forth below under "*—Application of Amounts Recovered*," the Super Senior Liabilities are repaid and discharged in full (unless the Majority Super Senior Creditors agree otherwise).
- Enforcement must be prompt and expeditious and, subject to the terms of the Intercreditor Agreement, the time frame for the realization of value from the enforcement of the Transaction Security will be determined by the relevant creditor instructing group provided that it is consistent with the Security Enforcement Objective.
- Where proposed enforcement of Transaction Security is:
  - over assets other than shares in a member of the Group, where the aggregate book value of such assets exceeds £5 million (or its equivalent); or
  - over some or all of the shares in a member of the Group over which Transaction Security exists,

the Security Agent shall (unless it is incompatible with enforcement proceedings in a relevant jurisdiction) appoint an opinion from a reputable internationally-recognized investment bank or international accounting firm or other reputable and independent professional services firm which is regularly engaged in providing valuations of businesses or assets similar or comparable to those charged under the Transaction Security to be enforced to opine as expert: (1) on the optimal method of enforcing the Transaction Security so as to achieve the Security Enforcement Objective; and (2) that the proceeds received from any such enforcement represent fair value from a financial point of view after taking into account all relevant circumstances. Such opinion will be conclusive evidence that the Security Enforcement Objective has been met.

The security enforcement principals may be amended, varied or waived with the prior written consent of the Majority Super Senior Creditors (as defined above), the Senior Secured Notes Required Holders (as defined below), the Future *Pari Passu* Debt Required Holders (as defined below) and, to the extent such amendment, variation or waiver (i) imposes new obligations on a debtor, Intra-Group Lender (as defined below), Shareholder Lender (as defined below) or third-party security provider or (ii) is adverse to a debtor, Intra-Group Lender, Shareholder Lender, third-party security provider or the Company, with the prior written consent of the Company.

Turnover

The Intercreditor Agreement provides that if any Primary Creditor (as defined below) receives or recovers the proceeds of any enforcement of any Transaction Security and in addition if any creditor of Future Senior Subordinated Debt receives or recovers any payment or distribution not permitted under the Intercreditor Agreement or applied other than in accordance with the "*—Application of Amounts Recovered*" described below that it shall (subject to certain prior actual knowledge qualifications in the case of the notes trustees):

- in relation to receipts or recoveries not received or recovered by way of set-off, (i) hold that amount on trust for the Security Agent and separate from other assets, property or funds and promptly pay that amount or an amount equal to 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 owed to such creditor 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.

Application of Amounts Recovered

Subject to the rights of creditors mandatorily preferred by law applying to companies generally, proceeds of enforcement, all recoveries by the Security Agent or all other amounts paid to the Security Agent pursuant to the Intercreditor Agreement shall be applied in the following order of application:

- first, in or towards payment of (i) *pari passu* and *pro rata* any sum owing to the Security Agent, any receiver, any delegate and the Trustee and then (ii) *pari passu* and *pro rata* any costs and expenses owing to each Creditor Representative and any receiver, attorney or agent appointed by such Creditor Representative, on a *pro rata* basis as between themselves;
- second*, pari passu* and *pro rata i*n or towards payment of all costs and expenses incurred by or on behalf of creditors of the Super Senior Liabilities in connection with the realisation or enforcement of the Transaction Security or any action taken at the request of the Security Agent, on a *pro rata* basis as between themselves;
- third, *pari passu* and *pro rata* in or towards payment of the Super Senior Liabilities, on a *pro rata* basis as between themselves;
- fourth, *pari passu* and *pro rata* in or towards payment of all costs and expenses incurred by or on behalf of creditors of the Senior Secured Notes Liabilities and the Future *Pari Passu* Liabilities in connection with the realisation or enforcement of the Transaction Security or any action taken at the request of the Security Agent, on a *pro rata* basis as between themselves;
- fifth, *pari passu* and *pro* rata in or towards payment of the Senior Secured Notes Liabilities, the Future *Pari Passu* Liabilities and any Hedging Liabilities that are not Super Senior Hedging Liabilities, on a *pro rata* basis as between themselves;
- sixth, *pari passu* and *pro rata* in or towards payment of all costs and expenses incurred by or on behalf of creditors of the Future Senior Subordinated Liabilities in connection with the realisation or enforcement of the Transaction Security or any action taken at the request of the Security Agent, on a *pro rata* basis as between themselves;
- seventh, *pari passu* and *pro rata* in or towards payment of the Future Senior Subordinated Liabilities, on a *pro rata* basis as between themselves; and
- eight, after the Final Discharge Date, in payment of the surplus (if any) to the relevant obligor or other person entitled to it.

Non-Distressed Disposal

In circumstances where a disposal or certain other specified transactions are not being effected pursuant to a Distress Event (as defined below) (a disposal effected pursuant to a Distress Event being a "**Distressed Disposal**") and are otherwise permitted by the terms of the Indenture and the debt documents for the Future *Pari Passu* Debt and the Future Senior Subordinated Debt and the finance documents for the Revolving Credit Facility, the Intercreditor Agreement will provide that the Security Agent is authorized (i) to release the Transaction Security or any other claim in respect of the liabilities secured by the Transaction Security; (ii) if the relevant asset consists of shares in the capital of an Obligor, to release the Transaction Security or any other claim in respect of the liabilities secured by the Transaction Security over the assets of that Obligor and the shares in and assets of any of its subsidiaries and (iii) execute and deliver or enter into any release of the Transaction Security or any claim described in paragraphs (i) and (ii) and issue any certificates of non crystallisation of any floating charge or any consent to dealing that may, in the discretion of the Security Agent, be considered necessary or desirable.

Distressed Disposal

Where a Distressed Disposal of an asset is being effected, the Intercreditor Agreement will provide that the Security Agent is authorized: (i) to release the Transaction Security, or any other claim over that asset; (ii) if the asset which is disposed of consists of shares in the capital of an Obligor, to release (a) that Obligor and any subsidiary of that Obligor from all or any part of its liabilities to the Senior Secured Creditors or Future Senior Subordinated Creditors or others or otherwise in connection with the Transactions ("**Primary Liabilities**") or other liabilities it may have to a creditor of Shareholder Liabilities (a "**Shareholder Lender**"), a creditor of Intra-Group Liabilities (an "**Intra-group Lender**") or other Obligors ("**Other Liabilities**"); (b) any Transaction Security granted by that Obligor or any subsidiary of that Obligor over any of its assets; and (c) any other claim of a Shareholder Lender, Intragroup Lender, or another Obligor over that Obligor's assets or over the assets of any subsidiary of that Obligor; (iii) if the asset which is disposed of consists of shares in the capital of any holding company of an Obligor, to release (a) that holding company and any subsidiary of that holding company from all or any part of its Primary Liabilities and Other Liabilities; (b) any Transaction Security granted by any subsidiary of that holding company over any of its assets; and (c) any other claim of a Shareholder Lender, Intragroup Lender or another Obligor over the assets of any subsidiary of that holding company; and (iv) if the asset which is disposed of consists of shares in the capital of an Obligor or a holding company of an Obligor, to provide, for (1) the transfer of liabilities to another Obligor and/or (2) at the discretion of the Security Agent (provided that it is acting in accordance with the Security Enforcement Principles) the disposal, to third parties, of creditor's claims against that Obligor or holding company (which may include claims against the Issuer).

If a Distressed Disposal is being effected such that the claims of the holders of the Future Senior Subordinated Debt against the Issuer, any guarantees in respect of the Future Senior Subordinated Debt and/or Transaction Security securing the Future Senior Subordinated Debt will be released, it is a condition to the release that either:

(i) the Future Senior Subordinated Representative has approved the release on the instructions of the Future Senior Subordinated Debt Required Holders (as defined below); or

(ii) each of the following conditions are satisfied:

  (A) the proceeds of such sale or disposal are in cash (or substantially in cash);

  (B) all present or future obligations owed to the secured parties under the Senior Secured Debt documents by a member of the Group all of whose shares pledged under the Transaction Security are sold or disposed of pursuant to such enforcement action, are unconditionally released and discharged or sold or disposed of concurrently with such sale (and 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; and

  (C) such sale or disposal (including any sale or disposal of any claim) is made:

    (I) pursuant to a public auction; or

    (II) where an internationally recognized investment bank or an internationally recognized firm of accountants 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, provided that the liability of such investment bank or internationally recognized firm of accountants in giving such opinion may be limited to the amount of its fees in respect of such engagement.

Application of Proceeds of a Distressed Disposal

The net proceeds of a Distressed Disposal (and the net proceeds of any disposal of liabilities) shall be paid to the Security Agent (as the case may be) for application in accordance with the provisions set forth under "*—Application of Amounts Recovered*" above as if those proceeds were the proceeds of an enforcement of the Transaction Security and, to the extent that any disposal of liabilities has occurred, as if the disposal of liabilities had not occurred.

Option to Purchase

Following:

(a) any notice that the Transaction Security has become enforceable; or

(b) either (i) an acceleration of the Revolving Credit Facility, the Senior Secured Notes, the Future *Pari Passu* Debt or the Future Senior Subordinated Debt, or (ii) the enforcement of any Transaction Security (a "**Distress Event**"), the holders of the Senior Secured Notes and Future *Pari Passu* Debt shall have an option to purchase all (but not part) of the commitments of the Lenders under the Revolving Credit Facility (or their affiliates) and all their exposures in respect of any Hedging Agreement at par plus accrued interest and all other amounts owing under the Revolving Credit Facility and Hedging Agreements, with such purchase to occur all at the same time.

Following a Distress Event, the holders of the Future Senior Subordinated Debt shall have an option to purchase all (but not part) of the Senior Secured Debt at par plus accrued interest and all other amounts owing in respect of such Senior Secured Debt, with such purchase to occur all at the same time.

Voting and Amendments

Voting in respect of the Revolving Credit Facility, the Senior Secured Notes and/or Future *Pari Passu* Debt will be in accordance with the relevant documents.

Except (i) for amendments of a minor, technical or administrative nature which may be effected by the Security Agent (ii) amendments and waivers to the security enforcement principles, which may be effected as described above in "*Security Enforcement Principles*," and subject to the paragraph below, amendments to or waivers and consents under the Intercreditor Agreement shall require the written agreement of:

(a) the Majority Super Senior Creditors (as defined above);

(b) the Senior Secured Notes Required Holders and the Future *Pari Passu* Debt Required Holders (as defined below);

(c) the Future Senior Subordinated Creditors whose aggregate senior subordinated secured credit participations represent more than 50% of the aggregate senior subordinated secured credit participations of all such creditors;

(d) the Security Agent; and

(e) the Company;

provided that to the extent an amendment, waiver or consent only affects one class of secured party, and such amendment, waiver or consent could not reasonably be expected to materially and adversely affect the interests of the other classes of secured party, only written agreement from the affected class shall be required. Notwithstanding the paragraph immediately above, an amendment or waiver relating to provisions dealing with (i) ranking and priority, (ii) turnover of Receipts, (iii) redistribution, (iv) enforcement of Transaction Security, (v) disposal proceeds, (vi) application of proceeds, (vii) amendments, and (viii) certain provisions relating to the instructions to and exercise of discretion by the Security Agent or the order of priority or subordination under the Intercreditor Agreement, shall not be made without the written consent of each of:

(a) the lenders under the Revolving Credit Facility and the lenders under any other super senior credit facility;

(b) the Trustee;

(c) the representative of the holders of Future *Pari Passu* Debt;

(d) each Hedging Bank (to the extent that the amendment or waiver would adversely affect such Hedging Bank);

(e) the Future Senior Subordinated Representative; and

(f) the Company.

Prior to the discharge of all the Senior Secured Debt, the Future Senior Subordinated Representative may not without the consent of the Majority Super Senior Creditors and Majority Senior Secured Creditors amend or waive the terms of the debt documents of the Future Senior Subordinated Debt to the extent that it would result in them being inconsistent with the agreed major terms for such Future Senior Subordinated Debt.

Definitions

The Intercreditor Agreement shall provide that:

(a) "**Future Senior Subordinated Debt Required Holders**" means, in respect of any direction, approval, consent or waiver, the holders of Future Senior Subordinated Debt holding in aggregate a principal amount of Future Senior Subordinated Debt which is not less than the principal amount of Future Senior

Subordinated Debt required to vote in favor of such direction, consent or waiver under the terms of the relevant documents or, if the required amount is not specified, the holders holding at least the majority of the principal amount of the then outstanding Future Senior Subordinated Debt;

(b) "**Future Pari Passu Debt Required Holders**" means, in respect of any direction, approval, consent or waiver, the *Pari Passu* Creditors holding in aggregate a principal amount of Future *Pari Passu* Debt which is not less than the principal amount of Future *Pari Passu* Debt required to vote in favor of such direction, consent or waiver under the terms of the relevant documents or, if the required amount is not specified, the holders holding at least the majority of the principal amount of the then outstanding Future *Pari Passu* Debt;

(c) "**Primary Creditors**" means the creditors with respect to Super Senior Liabilities, the creditors with respect to Senior Secured Notes Liabilities, the creditors with respect to Future *Pari Passu* Liabilities and the Future Senior Subordinated Creditors;

(d) "**Senior Secured Notes Required Holders**" means, in respect of any direction, approval, consent or waiver, the holders of the Senior Secured Notes holding in aggregate a principal amount of Senior Secured Notes which is not less than the principal amount of Senior Secured Notes required to vote in favor of such direction, consent or waiver under the terms of the Senior Secured Notes Indenture or, if the required amount is not specified, the holders holding at least the majority of the principal amount of the then outstanding Senior Secured Notes (as applicable);

(e) "**Transaction Security**" means the security created or expressed to be created in favour of the Security Agent under or pursuant to the Transaction Security Documents; and

(f) "**Transaction Security Documents**" means: (i) as defined (or equivalent term) in the Revolving Credit Facility, any other super senior credit facility and/or a document governing any Future *Pari Passu* Debt; (ii) any other document entered into at any time by any member of the Group or Midco (or any substitute entity (if any)) creating any security in favour of any of the secured parties as security for any of the secured obligations; and (iii) any security granted under any covenant for further assurance in any of the documents set out in paragraphs (i) and (ii) above, which in each case, to the extent legally possible and subject to the Agreed Security Principles, is created in favour of (A) the Security Agent as trustee for the relevant secured parties in respect of their liabilities; or (B) in the case of any jurisdiction in which effective security cannot be granted in favour of the Security Agent as trustee for the secured parties, the relevant Secured Parties in respect of their Liabilities or the Security Agent under a parallel debt structure for the benefit of the relevant Secured Parties.

Governing Law

The Intercreditor Agreement is governed by English law.

Proceeds Loans

On the Completion Date, the Issuer will lend, pursuant to a Fixed Rate Notes proceeds loan (the "**Initial Fixed Rate Notes Proceeds Loan**") and a Floating Rate Notes proceeds loan (the "**Initial Floating Rate Notes Proceeds Loan**" and, together with the Initial Fixed Rate Notes Proceeds Loan, the "**Initial Proceeds Loans**"), the entire gross proceeds of each offering of the Notes to UK Holdco 2 who will in turn lend the full amount lent to it pursuant to the Initial Proceeds Loans (such amount in respect of the Initial Fixed Rate Notes Proceeds Loan, the "**Additional Fixed Rate Notes Proceeds Loan**" and in respect of the Initial Floating Rate Notes Proceeds Loan, the "**Additional Floating Rate Notes Proceeds Loan**" and, together with the Additional Fixed Rate Notes Proceeds Loan, the "**Additional Proceeds Loans**" and, together with the Initial Proceeds Loans, the "**Proceeds Loans**") to the Company which will then apply proceeds of the Additional Proceeds Loans to pay a portion of the consideration for the Acquisition and other amounts due in connection with the Transactions.

The Proceeds Loans will be denominated in pounds sterling. The Initial Proceeds Loans will be in an aggregate principal amount equal to the gross proceeds of each offering of the Notes. Each Proceeds Loan will bear interest at a rate at least equal to the interest rate of the applicable Notes. Interest on the Proceeds Loans will be payable semi-annually or quarterly, as applicable, in arrear on or prior to the corresponding dates for the payment of interest on the applicable Notes.

The agreements governing each of the Proceeds Loans (each a "**Proceeds Loan Agreement**") will provide that the borrowers thereunder will pay the Issuer or UK Holdco 2, as applicable, interest and principal due and payable on the applicable Notes and any Applicable Premium, Additional Amounts and other amounts due thereunder.

The maturity date of the Proceeds Loans will be the same as the maturity date of the applicable Notes and, except as otherwise required by law, all payments under the applicable Proceeds Loans Agreements will be made without deduction or withholding for, or on account of, any applicable tax. In the event that any of UK Holdco 2 or the Company is required to make any such deduction or withholding in respect of a payment, it shall gross-up such payment to the Issuer or UK Holdco 2, as applicable, to ensure that the Issuer or UK Holdco 2, as applicable, receives and retains a net payment equal to the payment which it would have received had no such deduction or withholding been made.

An assignment of (or, to the extent not validly assigned, a fixed charge over) the Issuer's and UK Holdco 2's rights under the applicable Proceeds Loan Agreement will be granted in favor of the Security Agent as part of the Collateral, as described below under "*Description of the Notes—Security*."

The Proceeds Loans will provide that the borrowers thereunder will make all payments pursuant thereto on a timely basis in order to ensure that the Issuer can satisfy its payment obligations under the Notes and the Indenture, taking into account the administrative and timing requirements under the Indenture with respect to amounts payable on the Notes. The Indenture will contain restrictions on the ability of the Issuer, UK Holdco 2 and the Company to amend the terms of the Proceeds Loans, including with respect to the scheduled maturity date and the rate of interest payable.

Intercompany Loan Agreement

General

In order to on-lend part of the Equity Contribution provided by the Equity Investors, the Company as borrower and Midco as lender have entered into a loan agreement to govern the terms of their intra-group lending arrangements (the "**Intercompany Loan Agreement**").

The Intercompany Loan Agreement provides that the agreement and the liabilities thereunder are subject to the terms of the Intercreditor Agreement. See "*—Intercreditor Agreement*."

Permitted payments

Subject to the terms of the Intercreditor Agreement, no payment of principal, interest or any other amount may be made and no right of set off may be exercised in respect of the liabilities under the Intercompany Loan Agreement. The Intercreditor Agreement provides that members of the Group may make payments in respect of certain intra-group liabilities so long as certain defaults have not occurred and those payments are not otherwise prohibited by the Intercreditor Agreement.

Repayment

Subject to limited exceptions, the liabilities under the Intercompany Loan Agreement can only be repaid on the latter of the date falling 15 years after the date of the agreement and the date that is six months following the date on which all amounts to be repaid and/or paid under the Revolving Credit Facility Agreement, the Indenture and any permitted indebtedness have been repaid and paid in full.

Security and guarantees

The liabilities of the Company to Midco under the Intercompany Loan Agreement are unguaranteed and unsecured.

Subordinated liabilities

The Intercompany Loan Agreement provides that the liabilities of the Company to Midco are postponed and subordinated to all other present and future obligations of the Company, whether secured or unsecured.

Amendments

The Intercompany Loan Agreement can only be amended if the amendment is in writing and signed by or on behalf of the agent for the Revolving Credit Facility. There are limited circumstances where the agent will agree to an amendment.

Governing law

The Intercompany Loan Agreement is governed by English law.

Description of the Notes

You will find definitions of certain capitalized terms used in this "*Description of the Notes*" under the heading "*Certain Definitions*." For purposes of this "*Description of the Notes*," references to the "*Issuer*" refer only to Nemean Bondco plc, references to the "*Company*" refer only to Nemean Bidco Limited and not to any of its Subsidiaries and references to the "*Group*" refer to the Company and its Subsidiaries on a consolidated basis.

The Issuer will issue £275.0 million aggregate principal amount of 7⅜% Senior Secured Notes due 2024 (the "*Fixed Rate Notes*") and £150.0 million in aggregate principal amount of Senior Secured Floating Rate Notes due 2023 (the "*Floating Rate Notes*" and, together with the Fixed Rate Notes, the "*Notes*") under an indenture (the "*Indenture*"), between, *inter alios*, the Issuer, the Guarantors, Deutsche Trustee Company Limited, as trustee (the "*Trustee*"), HSBC Corporate Trustee Company (UK) Limited, as security agent (the "*Security Agent*") and Deutsche Bank AG, London Branch, as paying agent, in a private transaction that is not subject to the registration requirements of the Securities Act. The Indenture will not be qualified under nor will it incorporate, or be subject to, any of the provisions of the U.S. Trust Indenture Act of 1939, as amended (the "*TIA*"). The Indenture will not contain any provision corresponding or similar to certain provisions of the TIA that would otherwise apply if the Indenture were so qualified.

The proceeds of this offering of the Notes sold on the Issue Date will be onlent by the Issuer indirectly to the Company and, together with the Equity Contribution, used to fund the purchase price for the Acquisition and to pay costs and expenses incurred in connection with the Transactions as set forth in this Offering Memorandum under the caption "*Use of Proceeds.*" This offering of the Notes will be consummated on January 25, 2017, which date will be prior to the consummation of the Acquisition. Pending consummation of the Acquisition and the satisfaction of certain other conditions as described below, the Issuer will instruct the Initial Purchasers to deposit the gross proceeds of this offering of the Notes into an escrow account (the "*Escrow Account*") pursuant to the terms of an escrow agreement (the "*Escrow Agreement*"), dated as of the Issue Date among the Issuer, the Trustee and Deutsche Bank AG, London Branch, as escrow agent (the "*Escrow Agent*"). The Escrow Agreement, including the conditions to the release of the Escrowed Funds (as defined below), is more fully described below under "*—Escrow of Proceeds; Special Mandatory Redemption.*" In the event the conditions to the release of the Escrowed Funds have not occurred on or before May 31, 2017 (the "*Escrow Longstop Date*"), or upon the occurrence of certain other events, the Notes will be redeemed at a price equal to 100.0% of the initial issue price of the Notes *plus* accrued and unpaid interest and Additional Amounts, if any, from the Issue Date, or if applicable, from the most recent date on which interest with respect to such series of Notes was paid or provided for, to but not including, the Special Mandatory Redemption Date (as defined below). See "*—Escrow of Proceeds; Special Mandatory Redemption.*"

Upon the initial issuance of the Notes, the Notes will only be obligations of the Issuer and will be guaranteed on a senior secured basis by the Company, Nemean Holdco Limited ("*UK Holdco*") and Nemean Holdco 2 Limited ("*UK Holdco 2*") (collectively, the "*Initial Guarantors*") and, within 90 days following the Completion Date, by NewDay Group Holdings S.à r.l. (the "*Target*"), NewDay Holdings Ltd, NewDay Group Ltd and all subsidiaries of the Target other than NewDay Ltd, a regulated entity and originator of the consumer finance receivables, including those financed through our Existing Securitization Financings (as defined herein), NewDay Partnership Transferor plc and NewDay Funding Transferor Ltd, as both entities are prohibited from providing guarantees, NewDay UPL Transferor Ltd and certain dormant subsidiaries (the "*Post-Completion Date Guarantors*"). Prior to the Completion Date, the Group will not control the Target or any of its Subsidiaries, and none of the Target or any of its Subsidiaries will be subject to the covenants described in this Description of the Notes. As such, we cannot assure you that, prior to the Completion Date, the Target and its Subsidiaries will not engage in activities that would otherwise have been prohibited by the Indenture had those covenants been applicable to such entities after the Issue Date and prior to the Completion Date.

The Indenture will be unlimited in aggregate principal amount, of which £425.0 million aggregate principal amount of Notes will be issued in this offering of the Notes. We may, subject to applicable law, issue an unlimited principal amount of additional Fixed Rate Notes (the "*Additional Fixed Rate Notes*") or additional Floating Rate Notes (the "*Additional Floating Rate Notes*" and, together with the Additional Fixed Rate Notes, the "*Additional Notes*"). The Notes of either series and any Additional Notes of such series subsequently issued under the Indenture will be treated as a single class for all purposes under the Indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase, except as otherwise provided in the Indenture. We will only be permitted to issue Additional Notes in compliance with the covenants contained in the Indenture, including the covenants restricting the Incurrence of Indebtedness and the Incurrence of Liens (as described below under "*—Certain Covenants—Limitation on Indebtedness*" and "*—Certain Covenants—Limitation on Liens*"). Unless the context otherwise requires, in this "*Description of the Notes*," references to the "*Notes*" include the Notes and any Additional Notes that are actually issued under the Indenture.

The Indenture will be subject to the terms of the Intercreditor Agreement and any Additional Intercreditor Agreements (as defined herein). The terms of the Intercreditor Agreement are important to understanding the terms and ranking of the Liens on the Collateral securing the Notes. Please see "*Description of Certain Financing Arrangements—Intercreditor Agreement*" for a description of the material terms of the Intercreditor Agreement.

The following description is a summary of the material provisions of the Indenture and the Notes and refers to the Intercreditor Agreement, the Security Documents and the Escrow Agreement. This description does not restate those agreements in their entirety. We urge you to read the Indenture, the Notes and the Security Documents because they, and not this description, define your rights as holders of the Notes. Copies of the Indenture, the form of Notes, the Intercreditor Agreement, the Security Documents and the Escrow Agreement are available from us as set forth under "*Where You Can Find More Information.*"

The registered Holder of a Note will be treated as the owner of it for all purposes. Generally, only registered Holders will have rights under the Indenture, including, without limitation, with respect to enforcement and the pursuit of other remedies. The Notes have not been, and will not be, registered under the Securities Act and are subject to certain transfer restrictions.

General

The Notes

As of the Issue Date and prior to the Completion Date, the Notes will be senior secured Indebtedness of the Issuer secured only by the Escrow Agreement (as defined above) and all deposits therein and will be guaranteed by the Initial Guarantors. From and after the Completion Date, the Notes will:

- be general senior obligations of the Issuer;
- be secured by the Collateral on a first-priority basis along with the obligations under the Revolving Credit Facility Agreement and certain priority Hedging Obligations (*provided* that the proceeds from any recovery from the enforcement of any security interest will be applied to satisfy the obligations under the Revolving Credit Facility Agreement, certain priority Hedging Obligations and certain future Indebtedness permitted under the Indenture, if any, before being applied to satisfy obligations to holders under the Notes and the Indenture);
- be effectively subordinated to any existing and future obligations (including obligations to trade creditors) of the Company and its Subsidiaries that are secured by property or assets that do not secure the Notes, to the extent of the value of the property and assets securing such obligations;
- rank *pari passu* in right of payment with all existing and future Indebtedness of the Issuer that is not subordinated in right of payment to the Notes;
- rank senior in right of payment to all existing and future Indebtedness of the Issuer that is subordinated in right of payment to the Notes, if any;
- be guaranteed by the Guarantors; and
- be structurally subordinated to any existing and future obligations (including obligations to trade creditors and pursuant to the Existing Securitization Financing) of the Company's Subsidiaries that are not Guarantors.

The Notes Guarantees

The Notes will be guaranteed by the Guarantors. The Initial Guarantors will guarantee the Notes from the Issue Date and, within 90 days following the Completion Date and subject to the terms hereof, the Post-Completion Guarantors will guarantee the Notes. In addition, if required by the covenant described under "*—Certain Covenants—Additional Guarantees*," certain other Restricted Subsidiaries may provide a Notes Guarantee (as defined below) in the future.

The Notes Guarantee of each Guarantor will:

- be a general senior obligation of that Guarantor;
- be secured by the Collateral held by that Guarantor on a first-priority basis along with its obligations under the Revolving Credit Facility Agreement and certain priority Hedging Obligations (*provided* that the proceeds from any recovery from the enforcement of any security interest will be applied to satisfy the

obligations under the Revolving Credit Facility Agreement, certain priority Hedging Obligations and certain future Indebtedness permitted under the Indenture, if any, before being applied to satisfy obligations to holders under the Notes and the Indenture);

- be effectively subordinated to any existing and future Indebtedness (including obligations to trade creditors) of such Guarantor that are secured by property or assets that do not secure such Notes Guarantee, to the extent of the value of the property and assets securing such obligations;
- rank *pari passu* in right of payment with all existing and future Indebtedness of such Guarantor that is not subordinated in right of payment to such Notes Guarantee;
- rank senior in right of payment to all existing and future Indebtedness of such Guarantor that is subordinated in right of payment to such Notes Guarantee; and
- be structurally subordinated to any existing and future obligations (including obligations to trade creditors and pursuant to the Existing Securitization Financing) of the Guarantor's Subsidiaries that are not Guarantors.

Not all of the Company's existing and future subsidiaries are required to guarantee the Notes and not all of the Company's Subsidiaries will guarantee the Notes. For example, each of NewDay Partnership Transferor plc and NewDay Funding Transferor Ltd are prohibited under the terms of the Existing Securitization Financing from guaranteeing the Notes and NewDay Ltd and NewDay UPL Transferor Ltd will not be guarantors. In the event of a bankruptcy, liquidation or reorganization of any of these non-guarantor Subsidiaries, the non-guarantor Subsidiaries will pay the holders of their debt and their trade creditors before they will be able to distribute any of their assets to meet the obligations of the Issuer. The Notes and the Notes Guarantees will be effectively subordinated to all Indebtedness and other liabilities and commitments, trade payables and lease obligations of the Company's Subsidiaries that are not Guarantors. Any right of the Company to receive assets of any of such Subsidiaries upon such Subsidiary's liquidation or reorganization (and the consequent right of the Holders of the Notes to participate in those assets) will be effectively subordinated to the claims of that Subsidiary's creditors.

The obligations of a Guarantor under its Notes Guarantee will be limited as necessary to prevent the relevant Notes Guarantee from constituting a fraudulent conveyance or unlawful financial assistance under applicable law, or otherwise to reflect limitations under applicable law. By virtue of these limitations, a Guarantor's obligation under its Notes Guarantee could be significantly less than amounts payable with respect to the Notes, or a Guarantor may have effectively no obligation under its Notes Guarantee. See "*Risk Factors—Risks Relating to the Notes and Our Structure—Each Notes 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 "*Risk Factors—Risks Relating to the Notes and Our Structure—The insolvency laws of England and Wales, Jersey, Luxembourg 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 validity and enforceability of the Notes Guarantees and the liability of each Guarantor will be subject to the limitations described in "*Limitations on Validity and Enforceability of Guarantees and Security and Certain Insolvency Law Considerations.*"

In addition, there are certain circumstances where the Notes Guarantees may not be granted pursuant to the Agreed Security Principles. See "*Risk Factors—Risks Related to the Notes and Our Structure—There are circumstances other than repayment or discharge of the Notes under which the Collateral securing the Notes and the Notes Guarantees will be released automatically and under which the Notes Guarantees may not be granted or will be released automatically, without your consent or the consent of the Trustee*" and "*Description of Certain Financing Arrangements—Revolving Credit Facility—Agreed Security Principles*."

Although the Indenture will contain limitations on the amount of additional Indebtedness that the Company and its Restricted Subsidiaries may incur, the amount of such additional Indebtedness could be substantial.

The Company is a holding company whose only significant assets will be the Capital Stock of its Subsidiaries. The Company's operations are conducted through its Subsidiaries and, therefore, the Company primarily depends on the cash flow of its Subsidiaries to meet its obligations. The Issuer is a special purpose finance vehicle, and its only significant assets will be, after giving effect to the Transactions, the Initial Proceeds Loans (as defined below) in respect of the proceeds from the sale of the Notes.

As of September 30, 2016, after adjusting for the *pro forma* effects of the Transactions, the Company would have had no outstanding Indebtedness other than its obligations under the Notes. As of September 30, 2016, after adjusting for the *pro forma* effects of the Transactions and the Bond Sales, the Company and its Subsidiaries would have had total consolidated financial liabilities of £1,946.2 million.

As of the Completion Date, the Issuer and the Company's other Subsidiaries will be "Restricted Subsidiaries" for the purposes of the Indenture. However, under the circumstances described below under "*—Certain Definitions—Unrestricted Subsidiary*," we will be permitted to designate certain of our Subsidiaries as "Unrestricted Subsidiaries." Our Unrestricted Subsidiaries will not be subject to any of the restrictive covenants in the Indenture and will not guarantee the Notes.

Principal, Maturity and Interest

On the Issue Date, the Issuer will issue £275.0 million in aggregate principal amount of Fixed Rate Notes and £150.0 million in aggregate principal amount of Floating Rate Notes in this offering of the Notes. The Floating Rate Notes will mature on February 1, 2023 and the Fixed Rate Notes will mature on February 1, 2024. The Notes will be issued in minimum denominations of £100,000 and in integral multiples of £1,000 in excess thereof.

Fixed Rate Notes

Interest on the Fixed Rate Notes will accrue at the rate of 7.375% per annum. Interest on the Fixed Rate Notes will be payable in cash semi-annually in arrear on February 1 and August 1, commencing on August 1, 2017. The Issuer will make each interest payment to the Holders of record of the Fixed Rate Notes on the immediately preceding January 15 and July 15. If a particular interest payment date is not a Business Day, then the payment date will move to the next Business Day at the place at which such payment is to be made.

Interest on the Fixed Rate Notes will accrue from the date of original issuance or, if interest has already been paid, from the date it was most recently paid. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months. Interest on overdue principal and interest on the Fixed Rate Notes, including Additional Amounts (as defined below), if any, will accrue at a rate that is 1.0% higher than the interest rate on the Fixed Rate Notes. In no event will the rate of interest on the Fixed Rate Notes be higher than the maximum rate permitted by applicable law.

Floating Rate Notes

The Floating Rate Notes will bear interest at a rate per annum (the "*Applicable Rate*"), reset quarterly, equal to three-month GBP LIBOR (subject to a zero floor) *plus* 6.50%, as determined by an agent appointed by the Issuer to calculate GBP LIBOR for the purposes of the Indenture (the "*Calculation Agent*"), which shall initially be Deutsche Bank AG, London Branch.

Interest on the Floating Rate Notes will be payable in cash quarterly in arrear on February 1, May 1, August 1 and November 1 of each year, beginning on May 1, 2017. If a particular interest payment date is not a Business Day, then the payment date will move to the next Business Day at the place at which such payment is to be made. Therefore the Interest Period will be one or more days longer. The Issuer will pay interest to the Holders of record of the Floating Rate Notes on the January 15, April 15, July 15 and October 15 immediately preceding the applicable interest payment date, as the case may be. The Floating Rate Notes will accrue interest from the Issue Date or, if interest has already been paid, from the date it was most recently paid. Interest on overdue principal and interest on the Floating Rate Notes, including Additional Amounts (as defined below), if any, will accrue at a rate that is 1.0% higher than the interest rate on the Floating Rate Notes.

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

All percentages resulting from any of the above calculations will be rounded, if necessary, to the nearest one hundred thousandth of a percentage point, with five one-millionths of a percentage point being rounded upwards (e.g., 4.876545% (or 0.04876545) being rounded to 4.87655% (or 0.0487655)). All pounds sterling amounts used in or resulting from such calculations will be rounded to the nearest pounds sterling pence (with one-half pounds sterling pence being rounded upwards). The determination of the Applicable Rate and the Interest Amount by the Calculation Agent shall, in the absence of wilful default, bad faith or manifest error, be binding on all parties.

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

The Calculation Agent will, upon written request of the Holders of any Floating Rate Note, provide the interest rate then in effect with respect to the Floating Rate Notes.

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

"*Agent Bank*" means a financial institution selected in good faith by the Issuer to complete its assigned responsibilities as described in the definition of "*GBP LIBOR*."

"*Determination Date*" with respect to an Interest Period, will be the day that is the first day of such Interest Period.

"*GBP LIBOR*" with respect to an Interest Period, will be the rate (expressed as a percentage per annum) for deposits in pounds sterling for a three-month period beginning on (and including) the Determination Date that appears on Reuters Page LIBOR01 as of 11:00 a.m. London time, on the Determination Date. If Reuters Page LIBOR01 does not include such a rate or is unavailable on a Determination Date, the Agent Bank will request the principal London office of each of four major banks in the London interbank market, as selected by the Agent Bank, to provide such bank's offered quotation (expressed as a percentage per annum) as of approximately 11:00 a.m., London time, on such Determination Date, to prime banks in the London interbank market for deposits in a Representative Amount in pounds sterling for a three-month period beginning on (and including) the Determination Date. If at least two such offered quotations are so provided, the rate for the Interest Period will be the arithmetic mean of such quotations. If fewer than two such quotations are so provided, the rate for the Interest Period will be the arithmetic mean of such rates quoted by major banks in London, selected by the Agent Bank, at approximately 11:00 a.m., London time, on the Determination Date for loans in pounds sterling to leading European banks for a three-month period beginning on (and including) the Determination Date and in a Representative Amount.

"*Interest Period*" means the period commencing on and including an interest payment date and ending on but excluding the next succeeding interest payment date, with the exception that the first Interest Period shall commence on and include the Issue Date and end on and exclude May 1, 2017.

"*Representative Amount*" means the greater of (a) £1.0 million and (b) an amount that is representative for a single transaction in the relevant market at the relevant time.

"*Reuters Page LIBOR01*" means the display page so designated on Reuters (or such other page as may replace that page on that service, or such other service as may be nominated as the information vendor).

Methods of Receiving Payments on the Notes

Principal, interest and premium and Additional Amounts, if any, on the Global Notes (as defined below) will be made by one or more Paying Agents by wire transfer of immediately available funds to the account specified by the registered Holder thereof (being the common depositary or its nominee for Euroclear and Clearstream).

Principal, interest and premium, and Additional Amounts, if any, on any certificated securities ("*Definitive Registered Notes*") will be payable at the specified office or agency of one or more Paying Agents maintained for such purposes in the City of London. In addition, interest on the Definitive Registered Notes may be paid, at the option of the Issuer, by check mailed to the address of the Holder entitled thereto as shown on the register of Holders of Notes for the Definitive Registered Notes. See "*—Paying Agent and Registrar for the Notes*" below.

The rights of Holders to receive the payments of interest on such Notes are subject to applicable procedures of Euroclear and Clearstream. If the due date for any payment in respect of any Notes is not a Business Day at the place at which such payment is due to be paid, the Holder thereof will not be entitled to payment of the amount due until the next succeeding Business Day at such place, and will not be entitled to any further interest or other payment as a result of any such delay.

Escrow of Proceeds; Special Mandatory Redemption

Concurrently with the closing of this offering of the Notes on the Issue Date, the Issuer will enter into the Escrow Agreement with the Trustee and the Escrow Agent, pursuant to which the Issuer will instruct the Initial Purchasers to deposit with the Escrow Agent an amount in cash equal to the gross proceeds of this offering of the Notes sold on the Issue Date into the Escrow Account. The initial funds deposited in the Escrow Account, and all other funds, securities, interest, dividends, and other distributions and other property and payments thereon credited to the Escrow Account (*less* any property and/or funds paid in accordance with the Escrow Agreement), are referred to, collectively, as the "*Escrowed Funds.*" The Escrow Account will be in the name of the Issuer in which the Escrow Agent will receive into its custody the Escrowed Funds. The Escrow Account will be charged on a first-priority basis in favor of the Trustee on behalf of the holders of the Notes pursuant to an escrow charge dated the Issue Date between the Issuer and the Escrow Agent (the "*Escrow Charge*").

Escrow Release

The Issuer will only be entitled to direct the Escrow Agent to release the Escrowed Funds in accordance with the terms of the Escrow Agreement. Pursuant to the Escrow Agreement, the Escrowed Funds will be released (the "*Release*") to, or at the order of, the Issuer (the date of such release being referred to as the "*Escrow Release Date*") upon delivery by the Issuer to the Escrow Agent and the Trustee of an Officer's Certificate addressed to the Escrow Agent and the Trustee prior to the Escrow Longstop Date, upon which both the Escrow Agent and the Trustee shall rely, without further investigation, certifying that the following conditions have been met or will be satisfied:

(i) the Equity Contribution has been made, and the Acquisition will be completed promptly following the release of the Escrowed Funds in accordance with the terms of the Acquisition Agreement, except for any changes, waivers or other modifications that will not, individually or when taken as a whole, have a materially adverse effect on the Holders of the Notes;

(ii) immediately after consummation of the Acquisition, the Company will own, directly or indirectly, all of the issued and outstanding Capital Stock of the Target; and

(iii) the security documents, legal opinions, certificates and other documents substantially in the form as those attached as appendices to the Escrow Agreement (or in the form as agreed between the Issuer and the Initial Purchasers following the date hereof) will be delivered in accordance with the terms of the Escrow Agreement.

Special Mandatory Redemption

In the event that (a) the Completion Date does not take place on or prior to the Escrow Longstop Date, (b) the Issuer certifies to the Trustee and the Escrow Agent that the Acquisition Agreement has been terminated, or that, in the reasonable judgment of the Issuer, the Acquisition will not be consummated by the Escrow Longstop Date, or (c) the Initial Investors cease to beneficially own and control a majority of the issued and outstanding Capital Stock of the Issuer on or prior to the Escrow Longstop Date (each such event being a "*Mandatory Redemption Event*"), the Issuer will redeem all of the Notes (the "*Special Mandatory Redemption*") at a price equal to 100.0% of the initial issue price of the Notes *plus* accrued and unpaid interest and Additional Amounts, if any, from the Issue Date, or, if applicable, from the most recent date to which interest has been paid or provided for, to, but not including, the Special Mandatory Redemption Date (the "*Special Mandatory Redemption Price*").

Notice of the occurrence of a Mandatory Redemption Event will be given by the Issuer within three Business Days following the occurrence of a Mandatory Redemption Event, to the Trustee (with an instruction to the Trustee to deliver the same to each Holder of the Notes) and the Escrow Agent. Within three Business Days after the Issuer sends such notice of a Mandatory Redemption Event, the Issuer will perform the Special Mandatory Redemption (the date of such redemption, the "*Special Mandatory Redemption Date*").

Receipt by the Trustee of either an Officer's Certificate for the Release or a notice of Special Mandatory Redemption (*provided* that funds sufficient to pay the Special Mandatory Redemption Price are in the Escrow Account) shall constitute deemed consent by the Trustee for the release of the Escrowed Funds from the Escrow Charge.

On the Business Day prior to the Special Mandatory Redemption Date, the Escrow Agent shall apply funds standing to the credit of the Escrow Account to make a transfer from the Escrow Account to the Paying Agent for payment to each Holder of the Special Mandatory Redemption Price for such Holder's Notes and, concurrently with the payment to such Holders, deliver the excess Escrowed Funds (if any) after payment of any fees and expenses of the Escrow Agent and Trustee to the Issuer.

In the event that the Special Mandatory Redemption Price payable upon such Special Mandatory Redemption exceeds the amount of the Escrowed Funds, one or more of the Initial Investors will be required to fund the accrued and unpaid interest, and Additional Amounts, if any, owing to the Holders of the Notes, pursuant to an agreement between the Issuer and the Initial Investors. See "*Risk Factors—Risks Relating to the Notes—If the conditions in the Escrow Agreement are not satisfied, we will be required to redeem the Notes, which means that you may not obtain the return you expect on the Notes.*"

No provisions of the Escrow Agreement (including those relating to the release of the Escrowed Funds) may be waived or modified in any manner materially adverse to the Holders without the written consent of the Holders of a majority in principal amount of the Notes outstanding; *provided* that no such amendment, waiver or modification shall reduce the Special Mandatory Redemption Price without the written consent of each affected Holder.

If at the time of such Special Mandatory Redemption, the Notes are listed on the Official List of the Channel Islands Securities Exchange (the "*Exchange*") and the rules of the Exchange so require, the Issuer will notify the Exchange that the Special Mandatory Redemption has occurred and any relevant details relating to such Special Mandatory Redemption.

Activities Prior to the Release

Prior to the Completion Date, the Issuer's and the Initial Guarantors' primary activities will be restricted to issuing the Notes, amending their by-laws and their governance structure, issuing Capital Stock to, receiving capital contributions from and entering into shareholder loans with any parent company, entering into the Revolving Credit Facility Agreement (and any other agreements relating thereto) and borrowing and giving any notices thereunder, entering into the Intercreditor Agreement, entering into the Escrow Agreement, entering into the Proceeds Loans, entering into an escrow agreement with the seller and the escrow agent as contemplated in the Acquisition Agreement, entering into other agreements in connection with the Transactions as described in this Offering Memorandum, performing its respective obligations in respect of the Notes or the Notes Guarantees, as applicable under the Indenture, the Escrow Agreement (and any other agreements related thereto), and the purchase agreement with the Initial Purchasers, activities related to listing the Notes on the Official List of the Exchange, contributing, advancing or otherwise transferring the proceeds of the Notes, directly or indirectly, to the Company or Restricted Subsidiaries thereof to consummate the Acquisition, consummating the Release, in case of the Initial Guarantors, performing rights and obligations under the Acquisition Agreement, consummating the Acquisition (releasing funds from the Escrow Account, paying the purchase price, giving notices and delivering closing documents) and conducting such other activities as are necessary, advisable or appropriate to carry out the activities described above or related to the Acquisition. Prior to the Completion Date, the Company and its Restricted Subsidiaries will not own, hold or otherwise have any interest in any material assets other than the Escrow Account, the Escrowed Funds, cash and Cash Equivalents.

Prior to the Completion Date, the Issuer and the Initial Guarantors shall not: (i) make any Restricted Payment, except Investments deemed to exist by virtue of the Escrow Agreement; (ii) Incur any Indebtedness except (A) the Notes, (B) in the case of the Company, shareholder loans, (C) Indebtedness that is not secured by a Lien on any assets, property or Capital Stock owned by the Issuer or an Initial Guarantor, as applicable, the proceeds of which Indebtedness are used solely, with respect to Indebtedness Incurred by the Issuer for deposit with the Escrow Agent in an amount not to exceed the amount necessary, together with net proceeds of the issuance of the Notes, to enable the Issuer to make deposits of funds sufficient to pay interest with respect to the Notes up to, but not including, the latest possible Special Mandatory Redemption Date based on the then applicable Escrow Longstop Date, and (D) Indebtedness Incurred by the Initial Guarantors, to consummate the Acquisition and the Transactions; (iii) Incur any Liens except in favor of the Trustee on behalf of the Holders of the Notes or in favor of the lenders under the Revolving Credit Facility Agreement to the extent permitted by the covenant below under the caption "*—Certain Covenants—Limitation on Liens*" or the Security Agent under the Intercreditor Agreement; (iv) enter into any merger, consolidation or sale of all or substantially all of its assets; (v) make any Asset Disposition, except the release of the amounts in the Escrow Account in accordance with the terms of the Escrow Agreement; or (vi) engage in any transaction with its Affiliates; except, in the case of each of the foregoing, (A) to the extent permitted by and made in accordance with the first paragraph of this "*Activities Prior to the Release*," or (B) in the ordinary course of business or necessary or advisable in connection with or to effectuate the Acquisition and the other Transactions substantially in accordance with the description of the Transactions set forth in this Offering Memorandum, together with such amendments, modifications and waivers to such activities, transactions and agreements that are not, in the aggregate, materially adverse to the Holders.

Paying Agent and Registrar for the Notes

The Issuer will maintain one or more Paying Agents for the Notes in the City of London (including the initial Paying Agent). The initial Paying Agent will be Deutsche Bank AG, London Branch (the "*Paying Agent*").

The Issuer will also maintain a registrar (the "*Registrar*") and a transfer agent (the "*Transfer Agent*"). The initial Registrar and the initial Transfer Agent will be Deutsche Bank Luxembourg S.A. The Registrar will maintain a register reflecting ownership of the Notes outstanding from time to time, if any, and, together with the Transfer Agent, will facilitate transfers of the Notes on behalf of the Issuer.

The Issuer may change any Paying Agent, Registrar or Transfer Agent without prior notice to the Holders of such Notes. However, for so long as Notes are listed on the Official List of the Exchange and if and to the extent the rules of the Exchange so require, the Issuer will notify the Exchange of any change of Paying Agent, Registrar or Transfer Agent. The Company or any of its Subsidiaries may act as Paying Agent or Registrar in respect of the Notes.

Transfer and Exchange

The Notes will be initially issued in the form of multiple registered notes in global form without interest coupons, as follows:

- 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
- 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 interests in the Book-Entry Interests and transfers thereof will be subject to the restrictions on transfer and certification requirements summarized below and described more fully under "*Notice to Investors.*" In addition, transfers of Book-Entry Interests between participants in Euroclear 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*") only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S under the Securities Act.

No Book-Entry Interest in any Global Note representing the Fixed Rate Notes (the "*Global Fixed Rate Notes*") and no Definitive Registered Note issued in exchange for a Book-Entry Interest in the Global Fixed Rate Notes (the "*Definitive Registered Fixed Rate Notes*") may be transferred or exchanged for any Book-Entry Interest in any Global Note representing the Floating Rate Notes (the "*Global Floating Rate Notes*") or any Definitive Registered Note issued in exchange for a Book-Entry Interest in the Global Floating Rate Notes (the "*Definitive Registered Floating Rate Notes*"), and no Book-Entry Interest in the Global Floating Rate Notes and no Definitive Registered Floating Rate Note may be transferred or exchanged for any Book-Entry Interest in any Global Fixed Rate Note or any Definitive Registered Fixed Rate Note.

Subject to the foregoing, Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of 144A Book-Entry Interests only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under "*Notice to Investors*" and in accordance with any applicable securities law of any other jurisdiction.

If Definitive Registered Notes are issued, they will be issued only in minimum denominations of £100,000 in principal amount and integral multiples of £1,000 in excess thereof, upon receipt by the Registrar of instructions relating thereto and any certificates, opinions and other documentation required by the Indenture. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, as applicable, from the participant which owns the relevant Book-Entry Interests. Definitive Registered Notes issued in exchange for a

Book-Entry Interest will, except as set forth in the Indenture or as otherwise determined by the Issuer in compliance with applicable law, be subject to, and will have a legend with respect to, the restrictions on transfer summarized below and described more fully under "*Notice to Investors.*"

Subject to the restrictions on transfer referred to above, Notes issued as Definitive Registered Notes may be transferred or exchanged, in whole or in part, in minimum denominations of £100,000 in principal amount and integral multiples of £1,000 in excess thereof. In connection with any such transfer or exchange, the Indenture will require the transferring or exchanging Holder, among other things, to 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 or exchange.

Notwithstanding the foregoing, the Registrar and the Transfer Agent are not required to register the transfer or exchange of any Notes:

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

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

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

(4) which the Holder has tendered (and not withdrawn) for repurchase in connection with a Change of Control Offer or an Asset Disposition Offer.

The Issuer, the Trustee, the Paying Agents, the Transfer Agent and the Registrar will be entitled to treat the registered Holder of a Note as the owner thereof for all purposes.

The Proceeds Loans

On the Completion Date, the Issuer will lend, pursuant to a Fixed Rate Notes proceeds loan (the "*Initial Fixed Rate Notes Proceeds Loan*") and a Floating Rate Notes proceeds loan (the "*Initial Floating Rate Notes Proceeds Loan*" and, together with the Initial Fixed Rate Notes Proceeds Loan, the "*Initial Proceeds Loans*"), the entire gross proceeds of each offering of the Notes to UK Holdco 2 who will in turn lend the full amount lent to it pursuant to the Initial Proceeds Loans (such amount in respect of the Initial Fixed Rate Notes Proceeds Loan, the "*Additional Fixed Rate Notes Proceeds Loan*" and in respect of the Initial Floating Rate Notes Proceeds Loan, the "*Additional Floating Rate Notes Proceeds Loan*" and, together with the Additional Fixed Rate Notes Proceeds Loan, the "*Additional Proceeds Loans*" and, together with the Initial Proceeds Loans, the "*Proceeds Loans*") to the Company which will then apply proceeds of the Additional Proceeds Loans to pay a portion of the consideration for the Acquisition and other amounts due in connection with the Transactions.

The Proceeds Loans will be denominated in pounds sterling. The Initial Proceeds Loans will be in an aggregate principal amount equal to the gross proceeds of each offering of the Notes. Each Proceeds Loan will bear interest at a rate at least equal to the interest rate of the applicable Notes. Interest on the Proceeds Loans will be payable semi-annually or quarterly, as applicable, in arrear on or prior to the corresponding dates for the payment of interest on the applicable Notes.

The agreements governing each of the Proceeds Loans (each a "*Proceeds Loan Agreement*") will provide that the borrowers thereunder will pay the Issuer or UK Holdco 2, as applicable, interest and principal due and payable on the applicable Notes and any Applicable Premium, Additional Amounts and other amounts due thereunder. The maturity date of the Proceeds Loans will be the same as the maturity date of the applicable Notes and, except as otherwise required by law, all payments under the applicable Proceeds Loans Agreements will be made without deduction or withholding for, or on account of, any applicable tax. In the event that any of UK Holdco 2 or the Company is required to make any such deduction or withholding in respect of a payment, it shall gross-up such payment to the Issuer or UK Holdco 2, as applicable, to ensure that the Issuer or UK Holdco 2, as applicable, receives and retains a net payment equal to the payment which it would have received had no such deduction or withholding been made.

An assignment of (or, to the extent not validly assigned, a fixed charge over) the Issuer's and UK Holdco 2's rights under the applicable Proceeds Loan Agreement will be granted in favor of the Security Agent as part of the Collateral, as described below under "—*Security*."

The Proceeds Loans will provide that the borrowers thereunder will make all payments pursuant thereto on a timely basis in order to ensure that the Issuer can satisfy its payment obligations under the Notes and the Indenture, taking into account the administrative and timing requirements under the Indenture with respect to amounts payable on the Notes. The Indenture will contain restrictions on the ability of the Issuer, UK Holdco 2 or the Company to amend the terms of the Proceeds Loans, including with respect to the scheduled maturity date and the rate of interest payable thereunder.

Notes Guarantees

General

The obligations of the Issuer pursuant to the Notes, including any payment obligation resulting from a Change of Control, will be guaranteed on a senior secured basis by the Guarantors (the "*Notes Guarantees*"). As of the Issue Date, the Notes will only be guaranteed by the Initial Guarantors (which will include the Company, UK Holdco and UK Holdco 2), but, within 90 days following the Completion Date, the Post-Completion Guarantors will guarantee the Notes (which will include the Target, NewDay Holdings Ltd, NewDay Group Ltd and all subsidiaries of the Target other than NewDay Ltd, NewDay Partnership Transferor plc, NewDay Funding Transferor Ltd, NewDay UPL Transferor Ltd and certain dormant subsidiaries).

Each Notes Guarantee will be limited to the maximum amount that would not render the Guarantor's obligations subject to avoidance under applicable fraudulent conveyance provisions of the United States Bankruptcy Code or any comparable provision of foreign or state law to comply with corporate benefit, financial assistance and other laws. By virtue of this limitation, a Guarantor's obligation under its Notes Guarantee could be significantly less than amounts payable with respect to the Notes, or a Guarantor may have effectively no obligation under its Notes Guarantee. See "*Risk Factors—Risks Relating to the Notes and Our Structure—Each Notes 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 "*Risk Factors—Risks Relating to the Notes and Our Structure—The insolvency laws of England and Wales, Jersey, Luxembourg 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.*"

All or substantially all of the operations of the Company will be conducted through its Restricted Subsidiaries. Claims of creditors of non-Guarantor Restricted Subsidiaries, 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 Subsidiaries of non-Guarantor Restricted Subsidiaries (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 Guarantor, including Holders of the Notes. The Notes and each Notes Guarantee therefore will be structurally subordinated to creditors (including trade creditors) and preferred stockholders (if any) of Restricted Subsidiaries of the Company (other than the Guarantors) and minority stockholders of Subsidiaries of non-Guarantor Restricted Subsidiaries (if any). For the twelve-month period ended September 30, 2016, the Post-Completion Date Guarantors represented 83.5% of the Target Group's Adjusted EBITDA. As of September 30, 2016, the Post-Completion Date Guarantors represented 84.3% of the Target Group's net assets.

Although the Indenture will limit the Incurrence of Indebtedness and issue of Preferred Stock of Restricted Subsidiaries, the limitation is subject to a number of significant exceptions. Moreover, the Indenture will not impose any limitation on the Incurrence by Restricted Subsidiaries of liabilities that are not considered Indebtedness (including Qualified Securitization Financing), Disqualified Stock or Preferred Stock under the Indenture. See "*—Certain Covenants—Limitation on Indebtedness.*"

In addition, as described below under "*—Certain Covenants—Additional Guarantees*" and subject to the Intercreditor Agreement, each Restricted Subsidiary that guarantees the Revolving Credit Facility Agreement or certain other indebtedness shall also enter into a supplemental indenture as a Guarantor of the Notes and accede to the Intercreditor Agreement.

Notes Guarantees Release

The Notes Guarantee of a Guarantor will terminate and be released:

(1) other than the Notes Guarantee of the Company or of any Restricted Subsidiary that is a parent entity of the Issuer, upon a sale or other disposition (including by way of consolidation or merger) of any

Capital Stock of the relevant Guarantor (whether by direct sale or sale of a holding company as a result of which such Guarantor would no longer be a Restricted Subsidiary), or the sale or disposition of all or substantially all the assets of the Guarantor (other than to the Company or a Restricted Subsidiary), otherwise permitted by the Indenture;

(2) other than the Notes Guarantee of the Company or of any Restricted Subsidiary that is a parent entity of the Issuer, upon the designation in accordance with the Indenture of the Guarantor as an Unrestricted Subsidiary;

(3) upon legal defeasance, covenant defeasance or satisfaction and discharge of the Notes in accordance with the Indenture, as provided in "*—Defeasance*" and "*—Satisfaction and Discharge*;"

(4) as described under "*—Amendments and Waivers*;"

(5) in accordance with an enforcement action pursuant to the Intercreditor Agreement or any Additional Intercreditor Agreement;

(6) as described in the third paragraph of the covenant described below under "*—Certain Covenants—Additional Guarantees*;"

(7) other than the Notes Guarantee of the Company, a Significant Subsidiary or any Restricted Subsidiary that is a parent entity of the Issuer and so long as no Event of Default has occurred and is continuing or would be caused thereby, to the extent that such Guarantor is released from its guarantee of the Revolving Credit Facility Agreement or from such other guarantee that gave rise to the requirement to guarantee the Notes under the covenant described below under the caption "*—Certain Covenants—Additional Guarantees*;" *provided* that no other Indebtedness is at that time guaranteed by the relevant Guarantor that would give rise to a requirement to guarantee payment of the Notes pursuant to the same covenant (it being understood that a release subject to contingent reinstatement is still a release); or

(8) as a result of a transaction permitted by "*—Certain Covenants—Merger and Consolidation.*"

Upon the Issuer's request, the Trustee shall 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 Notes 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 without the consent of the Holders or any other action or consent on the part of the Trustee. Neither the Trustee nor the Issuer will be required to make a notation on the Notes to reflect any such release, termination or discharge.

Security

General

Prior to the Completion Date, the Notes and the Notes Guarantees will be senior secured Indebtedness of the Issuer and the Initial Guarantors, as applicable, secured only by the Escrow Agreement (as defined below) and the Escrowed Funds (together, the "*Issue Date Collateral*").

On or prior to the Completion Date, the Notes and the Notes Guarantees will (subject to the Agreed Security Principles (as defined in the Revolving Credit Facility Agreement)) also be secured by first priority fixed and floating security interests in:

(1) the entire issued share capital of the Company and any shareholder loans made to the Company;

(2) the entire issued share capital of UK Holdco, UK Holdco 2 and the Issuer;

(3) receivables owed to the Issuer in respect of any proceeds loan pursuant to which the proceeds of this offering of the Notes are on-lent;

(4) receivables owed to UK Holdco 2 in respect of any proceeds loan pursuant to which the proceeds of this offering of the Notes are on-lent; and

(5) all or substantially all of the assets of the Company, the Issuer, UK Holdco and UK Holdco 2.

Within one (1) Business Day the Completion Date, the Notes and the Note Guarantees will (subject to the Agreed Security Principles) also be secured by a first-ranking pledge over the entire issued share capital and preferred equity certificates of the Target and any shareholder loans made to the Target (together, the "*Completion Date Collateral*").

Within 90 days following the Completion Date, the Notes and the Note Guarantees will (subject to the Agreed Security Principles) also be secured by first-ranking security over:

(1) (a) the entire issued share capital of the Target's wholly-owned subsidiaries (other than NewDay UPL Transferor Ltd), (b) any shareholder loans to the Target's wholly-owned subsidiaries pursuant to which any proceeds of the Notes are on-lent (c) any subordinated notes held by the Target issued by NewDay Partnership Transferor plc or NewDay Funding Transferor Ltd and (d) certain bank accounts of the Target; and

(2) all or substantially all assets of those entities that, following the Completion Date, will become wholly-owned subsidiaries of the Company or UK Holdco 2, excluding any dormant subsidiaries,

(together, the "*Post-Completion Date Collateral*" and, together with the Issue Date Collateral and the Completion Date Collateral, the "*Collateral*").

The Collateral will also include any additional security interest that may in the future be granted to secure obligations under the Notes and the Notes Guarantees. We do not, however, expect any of the Securitization Assets, or any other assets of any Securitization SPE, to form part of the Collateral.

Each holder of the Notes, by accepting a Note, shall be deemed (1) to have authorized the Trustee to enter into the Intercreditor Agreement and the Security Agent to enter into the Security Documents and the Intercreditor Agreement and (2) to be bound thereby. Each holder of Notes, by accepting a Note, appoints the Trustee or the Security Agent, as the case may be, as its agent under the Security Documents or the Intercreditor Agreement, and authorizes each to act as such.

Under the Indenture, the Company and the Restricted Subsidiaries will be permitted to incur certain additional Indebtedness in the future that may share in the Collateral, including additional Permitted Collateral Liens securing Indebtedness on a *pari passu* basis with the Notes, including Indebtedness under the Revolving Credit Facility Agreement and certain priority Hedging Obligations (*provided* that the proceeds from any recovery from the enforcement of any security interest will be applied to satisfy the obligations under the Revolving Credit Facility Agreement, certain priority Hedging Obligations and certain future Indebtedness permitted under the Indenture (subject to the Intercreditor Agreement and any Additional Intercreditor Agreement), if any, before being applied to satisfy obligations to holders under the Notes and the Indenture). The amount of such Permitted Collateral Liens will be limited by the covenants described under the captions "*—Certain Covenants—Limitation on Liens*" and "*—Certain Covenants—Limitation on Indebtedness*." Under certain circumstances, the amount of such additional Indebtedness secured by Permitted Collateral Liens could be significant.

Subject to certain conditions, including compliance with the covenants described under "*—Certain Covenants—Impairment of Security Interest*" and "*—Certain Covenants—Limitation on Liens*," the Company and its Restricted Subsidiaries will be permitted to grant security over the Collateral in connection with future issuances of Indebtedness or Indebtedness of the Restricted Subsidiaries, including Additional Notes, as permitted under the Indenture and the Intercreditor Agreement. See "*Risk Factors—Risks Relating to the Notes and Our Structure—The proceeds from the enforcement of the Collateral may not be sufficient to satisfy the obligations under the Notes.*"

The Collateral will be subject to security interests pursuant to the Security Documents to the Security Agent on behalf of the Holders of the Notes and holders of the other secured obligations that are secured by the Collateral. Any other security interests that may in the future be granted to secure obligations under the Notes, any Notes Guarantees and the Indenture would also constitute "Collateral."

Subject to the terms of the Indenture, the Security Documents and the Intercreditor Agreement, the Company and the Guarantors, as the case may be, will be entitled to exercise any and all voting rights and to receive and retain any and all cash dividends, stock dividends, liquidating dividends, non-cash dividends, shares of stock resulting from stock splits or reclassifications, rights issue, warrants, options and other distributions (whether similar or dissimilar to the foregoing) in respect of the shares that are part of the Collateral until the occurrence of certain events described herein.

The Liens on the Collateral will be limited pursuant to the Agreed Security Principles, including as necessary to recognize certain 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. For a brief description of such limitations, see "*Limitations on Validity and Enforceability of Guarantees and Security and Certain Insolvency Law Considerations.*" In addition, there are certain circumstances where the Notes may not be secured by the Collateral pursuant to the Agreed Security Principles. See "*Risk Factors—Risks Related to the Notes and Our Structure—Certain Collateral will not initially secure the Notes*" and "*Description of Certain Financing Arrangements—Revolving Credit Facility—Agreed Security Principles*."

The proceeds from the enforcement of the Collateral may not be sufficient to satisfy the obligations owed to the Holders of the Notes.

No appraisals of the Collateral have been made in connection with this offering of the 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. See "*Risk Factors—Risks Related to our Indebtedness and the Notes—The proceeds from the enforcement of the Collateral may not be sufficient to satisfy the obligations under the Notes.*"

Security Documents

Under the Security Documents, security will be granted over the Collateral to secure the payment when due of the Issuer's payment obligations under the Notes and the Indenture, and each Guarantor's payment obligations under its Notes Guarantee and the Indenture. The Security Documents 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 will act in its own name, but for the benefit of the secured parties (including itself, the Trustee and the Holders of Notes from time to time).

The Indenture and the Intercreditor Agreement will provide that, to the extent permitted by applicable law, only the Security Agent will have the right to enforce the Security Documents on behalf of the Trustee and the Holders of the Notes. As a consequence of such contractual provisions, Holders of the Notes will not be entitled to take enforcement action in respect of the Collateral securing the Notes, except through the Trustee under the Indenture, who will (subject to the provisions of the Indenture) provide instructions to the Security Agent. Under the Intercreditor Agreement, the Security Agent will also act on behalf of lenders under the Revolving Credit Facility Agreement and the counterparties under certain Hedging Obligations in relation to the Security Interest in favor of such parties. If circumstances were to arise entitling the Security Agent to exercise its right to enforce the pledges over Capital Stock of the Issuer, the Company or any Subsidiary Guarantor, such enforcement action could constitute a change of control under certain of the contractual arrangements relating to the Securitization Financings, the occurrence of which could trigger the amortization of certain notes issued pursuant to the Securitization Financings and/or certain other adverse consequences. In addition, any such enforcement action that would result in a change of control may require the prior approval of the Financial Conduct Authority of the United Kingdom. See "*Description of Certain Financing Arrangements—The Securitization Facilities—Key trigger events*" and "*Risk Factors—Risks Relating to the Notes and Our Structure—The security interests in the Collateral will be granted to the Security Agent rather than directly to the holders of the Notes*" and "*Risk Factors—Risks Relating to the Notes and Our Structure—Certain Collateral will not initially secure the Notes*".

The Indenture will provide that, subject to the terms thereof and of the Intercreditor Agreement and the Security Documents, the Notes and the Indenture, as applicable, will be secured prior to the Completion Date by Security Interests in the Issue Date Collateral and within one (1) Business Day of the Completion Date, by additional Security Interests in the Completion Date Collateral and, within 90 days following the Completion Date, the Post-Completion Date Collateral until all obligations under the Notes and the Indenture have been discharged. However, the Security Interests with respect to the Notes and the Indenture may be released under certain circumstances as provided under "*—Security—Release of Liens.*" See "*Risk Factors—Risks Relating to the Notes and Our Structure—There are circumstances other than repayment or discharge of the Notes under which the Collateral securing the Notes and the Notes Guarantees will be released automatically and under which the Notes Guarantees may not be granted or will be released automatically, without your consent or the consent of the Trustee.*"

The Security Documents will be governed by English law, Jersey law and Luxembourg law, as applicable, and provide that the rights with respect to the Notes and the Indenture must be exercised by the Security Agent and in respect of the entire outstanding amount of the Notes.

In the event that the Issuer, the Company or the Company's 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 to be successful, the Holders may not be able to recover any amounts under the Security Documents. See "*Risk Factors—Risks Relating to the Notes and Our Structure.*"

Enforcement of Security Interest

The Indenture and the Intercreditor Agreement will 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 Security Agent on behalf of the lenders under the Revolving Credit Facility Agreement. These limitations are described under "*Description of Certain Financing Arrangements—Intercreditor Agreement*." The ability to enforce may also be restricted to similar arrangements in relation to future indebtedness that is secured on the Collateral in compliance with the Indenture and the Intercreditor Agreement.

The creditors under the Revolving Credit Facility Agreement, the counterparties to certain Hedging Obligations and the Trustee have, and, by accepting a Note, each Holder of Notes will be deemed to have appointed the Security Agent to act as its agent under the Intercreditor Agreement and the security documents securing such Indebtedness, including the Security Documents. The creditors under the Revolving Credit Facility Agreement, the counterparties to certain Hedging Obligations and the Trustee have, and, by accepting a Note, each Holder of Notes will be deemed to have, authorized the Security Agent to (i) perform the duties and exercise the rights, powers and discretions that are specifically given to it under the Intercreditor Agreement and the security documents securing such Indebtedness, including the Security Documents, together with any other incidental rights, power and discretions; and (ii) execute each Security Document, waiver, modification, amendment, renewal or replacement expressed to be executed by the Security Agent on its behalf.

Release of Liens

The Issuer, the Guarantors and any provider of Collateral will be entitled to release the Liens over the property and other assets constituting Collateral under any one or more of the following circumstances:

(1) in connection with any sale, assignment, transfer, conveyance or other disposition of such property or assets to a Person that is not the Company or a Restricted Subsidiary (but excluding any transaction subject to "*—Certain Covenants—Merger and Consolidation*" and excluding the Capital Stock of the Company), if such sale or other disposition does not violate the covenant described under "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*" or is otherwise permitted in accordance with the Indenture;

(2) in the case of a Guarantor that is released from its Notes Guarantee pursuant to the terms of the Indenture, the release of the property and assets, and Capital Stock, of such Guarantor;

(3) as described under "*—Amendments and Waivers*" and "*—Certain Covenants—Limitation on Liens*;"

(4) upon payment in full of principal, interest and all other obligations on the Notes or legal defeasance, covenant defeasance or satisfaction and discharge of the Notes, as provided in "*—Defeasance*" and "*—Satisfaction and Discharge*";

(5) automatically without any action by the Trustee or Security Agent, if the Lien granted in favor of the Revolving Credit Facility Agreement or such other Indebtedness that gave rise to the obligation to grant the Lien over such Collateral is released (other than pursuant to the repayment and discharge thereof and there is no other Indebtedness secured by a Lien on such property and assets that would result in the requirement for the Notes and/or the Notes Guarantees to be secured on such property or assets pursuant to the covenant described under the caption "*—Certain Covenants—Limitation on Liens*");

(6) as provided for under the Intercreditor Agreement, including in accordance with certain enforcement actions taken by the creditors under certain of our secured Indebtedness in accordance with the Intercreditor Agreement or any Additional Intercreditor Agreement;

(7) if the Company designates any Restricted Subsidiary to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Indenture, the release of the property and assets, and Capital Stock, of such Unrestricted Subsidiary; or

(8) to the extent permitted in accordance with the covenant described under "*—Certain Covenants—Impairment of Security Interest.*"

The Security Agent and the Trustee (but only if required) will take all action reasonably requested by the Issuer to effectuate any release of Collateral securing the Notes and the Notes Guarantees, in accordance with the provisions of the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement and the relevant Security Document. 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

Fixed Rate Notes

Except as described below and except as described under "*—Redemption for Taxation Reasons*," and "*—Escrow of Proceeds; Special Mandatory Redemption—Special Mandatory Redemption*," the Fixed Rate Notes are not redeemable until February 1, 2020. On and after February 1, 2020 the Issuer may redeem all or, from time to time, part of the Fixed Rate Notes upon not less than 10 nor more than 60 days' notice, at the following redemption prices (expressed as a percentage of principal amount) *plus* accrued and unpaid interest and Additional Amounts (as defined below), 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 February 1 of the years indicated below:

Year	Redemption Price
2020	103.688%
2021	101.844%
2022 and thereafter	100.000%

Prior to February 1, 2020, the Issuer may on any one or more occasions redeem up to 40% of the original principal amount of the Fixed Rate Notes issued under the Indenture (including the original principal amount of any Additional Fixed Rate Notes), upon not less than 10 nor more than 60 days' notice, with funds in an aggregate amount not exceeding the Net Cash Proceeds of one or more Equity Offerings at a redemption price of 107.375% of the principal amount of the Notes so redeemed, *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 50% of the original principal amount of the Fixed Rate Notes (including the original principal amount of any Additional Fixed Rate Notes) issued under the Indenture remain outstanding immediately after each such redemption; and

(2) the redemption occurs within 180 days after the closing of such Equity Offering.

At any time prior to February 1, 2020, the Issuer may on any one or more occasions redeem during each twelve-month period up to 10% of the aggregate principal amount of the Fixed Rate Notes outstanding (including the original principal amount of any Additional Fixed Rate Notes), upon not less than 10 nor more than 60 days' notice, at a redemption price of 103% of the principal amount of the Fixed Rate Notes so redeemed, *plus* accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date, subject to the rights of holders on the relevant record date to receive interest due on the relevant interest payment date.

In addition, prior to February 1, 2020, the Issuer may redeem all or, from time to time, part of the Fixed Rate Notes upon not less than 10 nor more than 60 days' notice at a redemption price equal to 100% of the principal amount of the Fixed Rate Notes, *plus* the Applicable Premium *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).

Floating Rate Notes

Except as described below and except as described under "*—Redemption for Taxation Reasons*," and "*—Escrow of Proceeds: Special Mandatory Redemption—Special Mandatory Redemption*," the Floating Rate Notes are not redeemable until February 1, 2018. On and after February 1, 2018 the Issuer may redeem all or, from time to time, part of the Floating Rate Notes upon not less than 10 nor more than 60 days' notice, 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 February 1 of the years indicated below:

Year	Redemption Price
2018	101.000%
2019 and thereafter	100.000%

In addition, prior to February 1, 2018, the Issuer may redeem all or, from time to time, part of the Floating Rate Notes upon not less than 10 nor more than 60 days' notice at a redemption price equal to 100% of the principal amount of the Floating Rate Notes, *plus* the Applicable Premium *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).

General

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

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

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

Unless the Issuer defaults in the payment of the redemption price, interest will cease to accrue on the Notes or portions thereof called for redemption on the applicable redemption date. If the optional redemption date is on or after an interest record date and on or before the related interest payment date, the accrued and unpaid interest will be paid to the Person in whose name the Note is registered at the close of business on such record date, and no additional interest will be payable to Holders whose Notes will be subject to redemption by the Issuer.

Post-Tender Redemption

In connection with any tender offer for the Fixed Rate Notes or the Floating Rate Notes at a price no less than the open market trading price of the applicable Notes on the date such tender offer commences (as determined in good faith by the Issuer), *plus* accrued and unpaid interest thereon to, but excluding the applicable tender settlement date, if Holders of Notes of not less than 90% in aggregate principal amount of the applicable outstanding Notes validly tendered and do not withdraw such Notes in such tender offer and the Issuer, or any third party making such a tender offer in lieu of the Issuer, purchases all of the Notes validly tendered and not withdrawn by such Holders, the Issuer or such third party will have the right upon not less than 10 nor more than 60 days' prior notice, given not more than 30 days following such tender offer expiration date, to redeem the applicable Notes that remain outstanding in whole, but not in part, following such purchase, at a price equal to the price offered to each other Holder of Notes in such tender offer, *plus*, to the extent not included in the tender offer payment, accrued and unpaid interest, if any, thereon, to, but excluding such redemption date.

Mandatory Redemption

Other than a Special Mandatory Redemption, the Issuer is not required to make mandatory redemption payments or sinking fund payments with respect to the Notes.

Selection and Notice

If less than all of any series of Notes is to be redeemed at any time, the Paying Agent or the Registrar will select Notes for redemption in compliance with the requirements of the principal securities exchange, if any, on which the Notes are listed, and in compliance with the requirements of Euroclear or Clearstream, or if the Notes are not so listed or such exchange prescribes no method of selection and the Notes are not held through Euroclear or Clearstream, or Euroclear or Clearstream prescribes no method of selection, based upon a method that most nearly approximates a *pro rata* selection as the Paying Agent or the Registrar deems fair and appropriate unless otherwise required by law or applicable stock exchange requirements; *provided*, *however*, that no Note of £100,000 in aggregate principal amount or less shall be redeemed in part and only Notes in integral multiples of £1,000 will be redeemed. Neither, the Paying Agent, the Registrar nor the Trustee will be liable for any selections made in accordance with this paragraph.

For so long as the Notes are listed on the Official List of the Exchange and the rules of the Exchange so require, the Issuer shall publish any notice of redemption as required by the Exchange, not less than 10 nor more than 60 days prior to the redemption date, and mail such notice to Holders by first-class mail, postage prepaid, at their respective addresses as they appear on the registration books of the Registrar.

If any Note is to be redeemed in part only, the notice of redemption that relates to that Note shall state the portion of the principal amount thereof to be redeemed. In the case of a Definitive Registered Note, a new Definitive Registered Note in principal amount equal to the unredeemed portion of any Definitive Registered Note redeemed in part will be issued in the name of the Holder thereof upon cancellation of the original Definitive Registered Note. In the case of a Global Note, an appropriate notation will be made on such Global Note to decrease the principal amount thereof to an amount equal to the unredeemed portion thereof. Subject to the terms of the applicable redemption notice, Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Notes or portions of Notes called for redemption.

Any redemption of the Notes (including with the proceeds from an Equity Offering) may, in the Issuer's discretion, be subject to one or more conditions precedent. In addition, if such redemption or notice is subject to the satisfaction of one or more conditions precedent, such notice may 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 (*provided, however*, that in any case such redemption date shall be no more than 60 days from the date on which such notice is first given), or such redemption may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied by the redemption date, or by the redemption date so delayed. Notwithstanding anything else in the Indenture or the Notes to the contrary, 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 Notes or a satisfaction and discharge of the Indenture.

Redemption for Taxation Reasons

The Issuer may redeem a series of the Notes in whole, but not in part, at any time upon giving not less than 10 nor more than 60 days' prior notice to the Holders of the relevant series of Notes (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 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 administrative 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 date on which any amount would be payable in respect of the Notes or any Notes Guarantee would be, required to pay Additional Amounts with respect to such series of Notes 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, and, in the case of a Guarantor, only if the payment giving rise to such requirement cannot be made by the Company or another Guarantor who can make such payment without the obligation to pay Additional Amounts, where this would be reasonable). Such Change in Tax Law must be officially 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).

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 were a payment then due. Prior to the publication or mailing of any notice of redemption of Notes pursuant to the foregoing, the Issuer will deliver to the Trustee (a) an Officer's Certificate stating that it is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to its right so to redeem have been satisfied and that it cannot avoid its obligation to pay Additional Amounts by taking reasonable measures available to it (in the case of a Guarantor, only if the payment giving rise to such requirement cannot be made, where reasonable to do so, by the Company or another Guarantor who can make such payment without the obligation to pay Additional Amounts) and (b) a written 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, in each case, any successor entity) (each, a "*Payor*") in respect of the Notes or with respect to any Notes Guarantee, as applicable, will be made free and clear of and without withholding or deduction for, or on account of, any Taxes unless the withholding or deduction of such Taxes is then required by law. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of:

(1) any jurisdiction from or through which payment on any such Note or Notes Guarantee is made or any political subdivision or governmental authority thereof or therein having the power to tax (including the jurisdiction of any Paying Agent); 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 to be made from any payments made by or on behalf of the Payor or the Paying Agent with respect to any Note or any Notes Guarantee, 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 by a Holder in respect of such payments, after such withholding or deduction (including any such withholding or deduction from such Additional Amounts), will not be less than the amounts which would have been received by such Holder in respect of such payments on any such Note or Notes Guarantee in the absence of such withholding or deduction; *provided, however*, that no such Additional Amounts will be payable for or on account of:

(1) any Taxes that would not have been so imposed but for the existence of any present or former connection between the relevant Holder or beneficial owner, as applicable (or between a fiduciary, settlor, beneficiary, member, partner or shareholder of, or possessor of power over the relevant Holder or beneficial owner, if the relevant Holder or beneficial owner is an estate, nominee, trust, partnership, limited liability company or corporation) and the Relevant Taxing Jurisdiction (including, without limitation, being resident for tax purposes, or being a citizen or resident or national of, or carrying on a business or maintaining a permanent establishment in, or being physically present in, the Relevant Taxing Jurisdiction) but excluding, in each case, any connection arising solely from the acquisition, ownership or holding of such Note or Notes Guarantee or the receipt of any payment or the exercise or enforcement of rights under such Note, the Indenture or a Notes Guarantee;

(2) any Taxes that are imposed or withheld by reason of the failure by the Holder or the beneficial owner, as applicable of the Note to comply with a reasonable written request of the Payor addressed to the Holder, after reasonable notice (at least 60 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 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 that are imposed as a result of the presentation of the Note for payment (where Notes are in the form of Definitive Registered Notes and presentation is required) more than 30 days after the relevant payment is first made available for payment to the Holder (except to the extent that the Holder would have been entitled to Additional Amounts had the Note been presented on the last day of such 30 day period);

(4) any Taxes that are payable otherwise than by deduction or withholding from a payment in respect of the Notes or with respect to any Notes Guarantee;

(5) any estate, inheritance, gift, sales, transfer, personal property or similar Taxes; or

(6) any combination of the items (1) through (5) above.

In addition, no Additional Amounts shall be paid with respect to a Holder who is a fiduciary or a partnership or any person other than the beneficial owner of the Notes, to the extent that the beneficiary or settler with respect to such fiduciary, the member of such partnership or the beneficial owner would not have been entitled to Additional Amounts had such beneficiary, settler, member or beneficial owner held such Notes directly.

Notwithstanding anything to the contrary herein, the Issuer and each Guarantor shall be permitted to withhold or deduct any amounts required by Sections 1471 to 1474 ("*FATCA*") of the U.S. Internal Revenue Code of 1986, any treaty, law, regulation or other official guidance implementing FATCA, or any agreement (or related guidance) between the Issuer, a Guarantor, a paying agent or any other person and the United States, any other jurisdiction, or any authority of any of the foregoing, in each case, implementing FATCA and none of the Issuer, a Guarantor, any Paying Agent or any other person shall be required to pay any additional amounts with respect to any FATCA withholding or deduction imposed on or with respect to any Note.

The Payor will (i) make any required withholding or deduction and (ii) remit the full amount deducted or withheld to the relevant Tax authority in accordance with applicable law. The Payor will provide certified copies of tax receipts evidencing the payment of any Taxes so deducted or withheld from each Tax authority 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 Paying Agent.

If any Payor is obligated to pay Additional Amounts under or with respect to any payment made on any Note or any Notes 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 on the relevant payment date (unless such obligation to pay Additional Amounts arises less than 45 days prior to the relevant payment date, in which case the Payor may deliver such Officer's Certificate as promptly as practicable thereafter). The Trustee shall be entitled to rely solely on such Officer's Certificate as conclusive proof that such payments are necessary.

Wherever in the Indenture, the Notes or this "*Description of the Notes*" there is mentioned, in any context:

(1) the payment of principal;

(2) interest; or

(3) any other amount payable on or with respect to any of the Notes or any Notes 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 applicable 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 (or, in the case of enforcement, any jurisdiction) from the execution, delivery, registration, enforcement of, or receipt of payments with respect to any Notes, any Notes Guarantee, the Indenture, or any other document or instrument in relation thereto (other than in each case, in connection with a transfer after the initial sale by the Initial Purchasers of the Notes).

The foregoing obligations will survive any termination, defeasance or discharge of the Indenture, any transfer by a Holder or beneficial owner, and will apply *mutatis mutandis* to any jurisdiction in which any successor to a Payor is incorporated or organized, engaged in business for tax purposes or otherwise resident for tax purposes, or any jurisdiction from or through which any payment under, or with respect to the Notes (or any Notes Guarantee) is made by or on behalf of such Payor, or any political subdivision or taxing authority or agency thereof or therein.

Change of Control

If a Change of Control occurs, subject to the terms 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; *provided* that Notes of £100,000 or less may only be redeemed in whole and not in part) of such Holder's Notes at a purchase price in cash equal to 101% of the principal amount of the Notes repurchased, *plus* accrued and unpaid interest and Additional Amounts, if any, to the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided, however*, that the Issuer shall not be obligated to repurchase Notes as described under this heading "*—Change of Control*," in the event and to the extent that it has unconditionally exercised its right to redeem all of the Notes of such series and given notice of redemption as described under "*—Optional Redemption*" and that all conditions to such redemption have been satisfied or waived.

Unless the Issuer has unconditionally exercised its right to redeem all the Notes and given notice of redemption as described under "*—Optional Redemption*" and all conditions to such redemption have been satisfied or waived, no later than the date that is 60 days after any Change of Control, the Issuer will mail a notice (the "*Change of Control Offer*") to each Holder of any such Notes, with a copy to the Trustee:

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

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

(3) stating that any Note accepted for payment pursuant to the Change of Control Offer will cease to accrue interest on the Change of Control Payment Date unless the Change of Control Payment is not paid, and that any Notes or part thereof not tendered will continue to accrue interest;

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

(5) describing the procedures determined by the Issuer, consistent with the Indenture, that a Holder must follow in order to have its Notes repurchased (including that Holders will be entitled to withdraw their election if the Paying Agent receives, not later than the close of business on the second Business Day preceding the Change of Control Payment Date, a facsimile transmission or letter setting forth the name of the Holder, the principal amount of Notes delivered for purchase, and a statement that such Holder is withdrawing his election to have such Notes purchased); 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 Notes or portion thereof properly tendered pursuant to the Change of Control Offer;

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

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

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

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

If any Definitive Registered Notes have been issued, the Paying Agent will promptly mail to each Holder of Definitive Registered Notes so tendered the Change of Control Payment for such Notes, and the Trustee (or an authenticating agent) will, at the cost of the Issuer, promptly authenticate and mail (or cause to be transferred by book-entry) to each Holder of Definitive Registered Notes a new Definitive Registered Note equal in principal amount to the unpurchased portion of the Notes surrendered, if any; *provided* that each such new Note will be in a principal amount that is at least £100,000 and integral multiples of £1,000 in excess thereof.

For so long as the Notes are listed on the Official List of the Exchange and the rules of such exchange so require, the Issuer will publish notices relating to the Change of Control Offer to the extent and in the manner permitted by such rules.

If Holders of not less than 90% in aggregate principal amount of the outstanding Notes validly tender and do not withdraw such Notes in a Change of Control Offer and the Issuer, or any third party making a Change of Control Offer in lieu of the Issuer as described below, purchases all of the Notes validly tendered and not withdrawn by such Holders, the Issuer or such third party will have the right, upon not less than 10 nor more than 60 days' prior notice, given not more than 10 days following such purchase pursuant to such Change of Control Offer, to redeem all Notes that remain outstanding following such purchase at a price in cash equal to 101% of the principal amount thereof *plus* accrued and unpaid interest to but excluding the date of such redemption (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date).

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

The Issuer will not be required to make a Change of Control Offer upon a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Issuer and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer. Notwithstanding anything to the contrary contained herein, a Change of Control Offer may be made in advance of a Change of Control, conditioned upon the consummation of such Change of Control, if a definitive agreement is in place providing for the Change of Control at the time the Change of Control Offer is made.

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

The Issuer's ability to repurchase Notes issued by it pursuant to a Change of Control Offer may be limited by a number of factors. The occurrence of certain of the events that constitute a Change of Control could require a mandatory prepayment of certain Indebtedness under the Existing Securitization Financings and/or trigger certain other adverse consequences. In addition, certain events that may constitute a change of control under the Existing Securitization Financing and the Revolving Credit Facility Agreement and require a mandatory prepayment of Indebtedness under such agreements may not constitute a Change of Control under the Indenture. Future Indebtedness of the Company or its Subsidiaries may also contain prohibitions of certain events that would constitute a Change of Control or require such Indebtedness to be repaid or repurchased upon a Change of Control. Moreover, the exercise by the Holders of their right to require the Issuer to repurchase the Notes could cause a default under, or require a repayment or 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. See "*Risk Factors—Risks Relating to the Notes and Our Structure—The Issuer is a special purpose finance subsidiary of the Company with no business operations and will depend on cash from UK Holdco 2, the Company and its direct and indirect subsidiaries to be able to make payments on the Notes*."

The definition of "Change of Control" includes a disposition, in one or a series of related transactions, of all or substantially all of the property and assets of the Company 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 property and assets of the Company and its Restricted Subsidiaries taken as a whole. As a result, it may be unclear as to whether a Change of Control has occurred and whether a Holder may require the Issuer to make an offer to repurchase the Notes as described above.

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

Certain Covenants

Limitation on Indebtedness

The Company 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 Corporate Debt Coverage Ratio for the Company and its Restricted Subsidiaries would have been at least 2.0 to 1.0; and

(2) if the Indebtedness to be incurred is Senior Secured Indebtedness, the Consolidated Senior Secured Net Leverage Ratio for the Company and its Restricted Subsidiaries would have been less than 4.0 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 Guarantor 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) the greater of (x) £45.0 million and (y) 2.5% of Total Assets, *plus* (ii) in the case of any refinancing of any Indebtedness permitted under this clause (1) or any portion thereof, the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses Incurred in connection with such refinancing;

(2)

  (a) Guarantees by the Company or any Restricted Subsidiary of Indebtedness of the Company or any Restricted Subsidiary, 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 or *pari passu* with the Notes or a Notes Guarantee, then the guarantee must be subordinated to or *pari passu* with the Notes or such Notes Guarantee to the same extent as the Indebtedness being guaranteed; and

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

(3) Indebtedness of the Company owing to and held by any Restricted Subsidiary or Indebtedness of a Restricted Subsidiary owing to and held by the Company or any Restricted Subsidiary; *provided*, *however*, that:

  (a) if the Issuer or a Guarantor is the obligor on any such Indebtedness and the obligee is not the Issuer or a Guarantor, such Indebtedness is unsecured and, if the aggregate principal amount of such Indebtedness of the Issuer or such Guarantor exceeds £3.0 million (the Company 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), it is to the extent legally permitted expressly subordinated to the prior payment in full in cash of all obligations with respect to the Notes, in the case of the Issuer, or the applicable Notes 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 Company or a Restricted Subsidiary and any sale or other transfer of any such Indebtedness to a Person other than the

Company or a Restricted Subsidiary shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (3) by the Company or such Restricted Subsidiary, as the case may be;

(4)

(a) Indebtedness represented by the Notes (other than any Additional Notes) and the related Notes Guarantees Incurred on the Issue Date and any "parallel debt" obligations under the Intercreditor Agreement, any Additional Intercreditor Agreement or the Security Documents;

(b) any Indebtedness (other than Indebtedness incurred under the Revolving Credit Facility Agreement and Indebtedness described in clause (3) of this paragraph) of the Company and its Restricted Subsidiaries outstanding on the Issue Date and any other Indebtedness of the Target Group outstanding on the Completion Date after giving *pro forma* effect to the Transactions (as described under "*Use of Proceeds*" in this Offering Memorandum);

(c) Refinancing Indebtedness Incurred in respect of any Indebtedness described in clauses (4)(a), (4)(b), (4)(c) and (5) of this paragraph or Incurred pursuant to the first paragraph of this covenant; and

(d) Management Advances;

(5) Indebtedness (a) incurred by the Issuer or any Guarantor and used to finance an acquisition of assets and assumption of related liabilities (if any) or (b) of any Person outstanding on the date on which such Person becomes a Restricted Subsidiary or is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) the Company or any of its Restricted Subsidiaries; *provided*, *however*, with respect to this clause (5) if, at the time of the acquisition or other transaction pursuant to which such Indebtedness was deemed to be incurred, (x) the Company would have been able to incur £1.00 of additional Indebtedness pursuant to the Fixed Charge Corporate Debt Coverage Ratio test in the first paragraph of this covenant after giving *pro forma* effect to the incurrence of such Indebtedness pursuant to this clause (5), or (y) the Fixed Charge Corporate Debt Coverage Ratio of the Company would not be less than it was immediately prior to giving *pro forma* effect to the incurrence of such Indebtedness; *provided* that the only obligors with respect to such Indebtedness shall be those Persons who were obligors of such Indebtedness prior to such acquisition, merger or consolidation;

(6) Indebtedness under Currency Agreements, Interest Rate Agreements and Commodity Hedging Agreements not for speculative purposes (as determined in good faith by the Board of Directors or a member of Senior Management of the Company);

(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 outstanding the greater of (x) £20.0 million and (y) 1.25% of Total Assets; *provided* that the Indebtedness exists on the date of such purchase, lease, rental or improvement or is created within 180 days thereafter;

(8) Indebtedness in respect of (a) workers' compensation claims, self-insurance obligations, performance, indemnity, surety, judgment, appeal, advance payment, customs, VAT or other tax (including interest and penalties with respect thereto) or other guarantees or other similar bonds, instruments or obligations and completion guarantees and warranties provided by the Company or a Restricted Subsidiary or relating to liabilities, obligations 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 Business Days following such drawing, (c) the financing of insurance premiums in the ordinary course of business, (d) guarantees to service providers and credit, store and charge card counterparties in the ordinary course of business, and (e) any customary cash management, cash pooling or netting or setting off arrangements in the ordinary course of business;

(9) 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 the maximum liability of the Company and its Restricted Subsidiaries in respect of all such Indebtedness shall at no time exceed the gross proceeds, including the fair market value of non-cash proceeds (measured at the time received and without giving effect to any subsequent changes in value), actually received by the Company and its Restricted Subsidiaries in connection with such disposition;

(10)

(a) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; *provided*, *however*, that such Indebtedness is extinguished within 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 Business Days to banks and other financial institutions Incurred in the ordinary course of business of the Company and its Restricted Subsidiaries with such banks or financial institutions that arises in connection with ordinary banking arrangements to manage cash balances of the Company 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 of the Issuer or any Guarantor (other than Senior Secured Indebtedness unless such Disqualified Stock was issued in compliance with the Consolidated Senior Secured Net Leverage Ratio pursuant to the first paragraph above) issuable upon the conversion or exchange of shares of Disqualified Stock issued in accordance with the first paragraph above, and any Refinancing Indebtedness with respect thereto; *provided* that any such Indebtedness issuable upon the conversion or exchange of shares of Disqualified Stock and any Refinancing Indebtedness with respect thereto shall not exceed the principal component of all obligations, or liquidation preference with respect to, such Disqualified Stock;

(12) Indebtedness incurred by the Company or any Restricted Subsidiary in an aggregate outstanding principal amount which, when taken together with any Refinancing Indebtedness in respect thereof and the principal amount of all other Indebtedness Incurred pursuant to this clause (12) and then outstanding, will not exceed the greater of (x) £25.0 million and (y) 1.5% of Total Assets; *provided* that the aggregate principal amount of such Indebtedness that may be incurred pursuant to this clause (12) by Restricted Subsidiaries that are not the Issuer or a Guarantor shall not exceed the greater of (x) £10.0 million and (y) 0.5% of Total Assets; *provided*, *further*, that any Indebtedness deemed incurred pursuant to this clause (12) shall cease to be deemed incurred or outstanding for purposes of this clause (12) but shall be deemed incurred for the purposes of the first paragraph of this covenant from and after the first date on which such Indebtedness could have been under the first paragraph of this covenant without reliance on this clause (12);

(13) Indebtedness of the Company or any Restricted Subsidiary in an aggregate outstanding principal amount which, when taken together with any Refinancing Indebtedness in respect thereof and the principal amount of all other Indebtedness Incurred pursuant to this clause (13) and then outstanding, will not exceed 100% of the Net Cash Proceeds received by the Company as Designated Contribution (and not used as Excluded Contributions); *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 below under "—*Limitation on Restricted Payments*" to the extent the Company and its Restricted Subsidiaries Incur Indebtedness in reliance thereon and (ii) any Net Cash Proceeds that are so received or contributed shall be excluded for purposes of Incurring Indebtedness pursuant to this clause (13) to the extent the Company or any of its Restricted Subsidiaries makes a Restricted Payment under the first paragraph and clauses (1), (6) and (10) of the third paragraph of the covenant described under "—*Limitation on Restricted Payments*" in reliance thereon; and

(14) Indebtedness in connection with Investments in Associates, 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 (14) and then outstanding, will not exceed at any time outstanding the greater of (x) £10.0 million and (y) 0.5% of Total Assets.

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

(1) in the event that Indebtedness meets the criteria of more than one of the types of Indebtedness described in the first and second paragraphs of this covenant, the Company, in its sole discretion, will classify, and may from time to time reclassify, all or a portion of such item of Indebtedness in more than one of the clauses of the first or second paragraphs of this covenant for which such Indebtedness meets the criteria;

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

(3) if obligations in respect of letters of credit, bankers' acceptances or other similar instruments are Incurred pursuant to any Credit Facility and are being treated as Incurred pursuant to clause (1), (5), (7), (12) or (13) of the second paragraph above or the first paragraph above and the letters of credit, bankers' acceptances or other similar instruments relate to other Indebtedness, then such other Indebtedness shall not be included;

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

(5) 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, for the avoidance of doubt certain types of obligations (for example Qualified Securitization Financings) may not quality as Indebtedness as such obligations are excluded from the definition of Indebtedness;

(6) 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; and

(7) 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 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 Company shall be in Default of this covenant).

For purposes of determining compliance with any pound sterling-denominated restriction on the Incurrence of Indebtedness, the Sterling Equivalent of the principal amount of Indebtedness denominated in another currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term Indebtedness, or first committed or first Incurred (whichever yields the lower Sterling Equivalent); *provided* that (a) if such Indebtedness is Incurred to refinance other Indebtedness denominated in a currency other than pounds sterling, and such refinancing would cause the applicable pounds sterling-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such pounds sterling-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such refinancing Indebtedness does not exceed the amount set forth in clause (2) of the definition of "Refinancing Indebtedness"; (b) the Sterling Equivalent of the principal amount of any such Indebtedness outstanding on the Completion Date shall be calculated based on the relevant currency exchange rate in effect on the Completion Date; and (c) if any such Indebtedness that is denominated in a different currency is subject to a Currency Agreement (with respect to pounds sterling) covering principal amounts payable on such Indebtedness, the amount of such Indebtedness expressed in pounds sterling 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 Company or a Restricted Subsidiary may Incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rate of currencies. The principal amount of any Indebtedness Incurred to refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such Refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

No Layering of Indebtedness

The Company will not, and will not permit any of its Restricted Subsidiaries to, Incur any Indebtedness (including Permitted Debt) that is contractually subordinated in right of payment to any other Indebtedness of the Issuer or any Guarantor unless such Indebtedness is also contractually subordinated in right of payment to the Notes and the applicable Notes 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 Company will not, and will not permit any of its Restricted Subsidiaries, directly or indirectly, to:

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

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

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

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

(3) make any principal payment on, or 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 Company or such Restricted Subsidiary makes such Restricted Payment:

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

(b) the Company is not able to Incur an additional £1.00 of Indebtedness pursuant to the Fixed Charge Corporate Debt Coverage Ratio test in 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 Completion Date (and not returned or rescinded) (including Permitted Payments permitted below by clauses (5), (10), and (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 Completion Date (assuming the Transactions were completed on such date) to the end of the most recent fiscal quarter ending prior to the date of such Restricted Payment for which internal consolidated financial statements of the Company are available (or, in the case such Consolidated Net Income is a deficit, *minus* 100% of such deficit);

  (ii) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities, received by the Company from the issue or sale of its Capital Stock (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding subsequent to the Completion Date or otherwise contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Company subsequent to the Issue Date (other than (v) Subordinated Shareholder Funding or Capital Stock in each case sold to a Subsidiary of the Company, (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 Company or any Subsidiary of the Company 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), (6) or (15) of the second succeeding paragraph, (y) Designated Contributions, Parent Debt Contributions or Excluded Amounts and (z) Net Cash Proceeds used to Incur Indebtedness pursuant to clause (13) of the covenant described under "*—Limitation on Indebtedness*");

  (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 Company or any Restricted Subsidiary from the issuance or sale (other than to the Company or a Restricted Subsidiary or an employee stock ownership plan or trust established by the Company or any Subsidiary of the Company for the benefit of its employees to the extent funded by the Company or any Restricted Subsidiary) by the Company or any Restricted Subsidiary subsequent to the Issue Date of any Indebtedness that has been converted into or exchanged for Capital Stock of the Company (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding (*plus* the amount of any cash, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities received by the Company or any Restricted Subsidiary upon such conversion or exchange) but excluding (w) Disqualified Stock or Indebtedness issued or sold to a Subsidiary of the Company, (x) Net Cash Proceeds to the extent that any Restricted Payment has been made from such proceeds in reliance on clauses (1), (6) or (15) of the second succeeding paragraph, (y) Designated Contributions, Parent Debt Contributions or Excluded Amounts and (z) 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 distributed or paid by the Company or any Restricted Subsidiary upon such conversion or exchange;

  (iv) 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 Company or any Restricted Subsidiary (other than to the Company or a Restricted Subsidiary or an employee stock ownership plan or trust established by the Company or any Subsidiary of the Company for the benefit of its employees to the extent funded by the Company or any Restricted Subsidiary) from the disposition of any

Unrestricted Subsidiary, excluding the amount of any Investment in such Unrestricted Subsidiary that constituted a Permitted Investment made pursuant to clauses (10) or (12) of the definition of "Permitted Investment," or the disposition or repayment of any Investment constituting a Restricted Payment made after the Issue Date;

(v) in the case of the designation of an Unrestricted Subsidiary as a Restricted Subsidiary or all of the assets of such Unrestricted Subsidiary are transferred to the Company or a Restricted Subsidiary, or the Unrestricted Subsidiary is merged or consolidated into the Company or a Restricted Subsidiary, 100% of such amount received in cash and the fair market value of any property or marketable securities received by the Company 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 clauses (10) or (12) of the definition of "Permitted Investment"; and

(vi) 100% of any dividends or distributions received by the Company or a Restricted Subsidiary after the Issue Date from an Unrestricted Subsidiary, to the extent that such dividends or distributions were not otherwise included in the Consolidated Net Income of the Company for such purpose, excluding the amount of any Investment in such Unrestricted Subsidiary that constituted a Permitted Investment made pursuant to clauses (10) or (12) of the definition of "Permitted Investment";

provided, *however*, that no amount will be included in Consolidated Net Income for purposes of the preceding sub-clause (i) to the extent that it is (at the Company's option) included in the foregoing sub-clauses (iv), (v) or (vi); *provided*, *further,* that any amounts (such amounts, the "*Excluded Amounts*") that would otherwise be included in the calculation of the amount available for Restricted Payments pursuant to the preceding clause (c) will be excluded to the extent (1) such amounts result from the receipt of net cash proceeds or property or marketable securities received in contemplation of, or in connection with, an event that would otherwise constitute a Change of Control pursuant to the definition thereof, (2) the purpose of, or the effect of, the receipt of such net cash proceeds or property or assets or marketable securities was to reduce the Consolidated Net Leverage Ratio so that there would be an occurrence of a Specified Change of Control Event that would not have been achieved without the receipt of such net cash proceeds or property or assets or marketable securities and (3) no Change of Control Offer is made in connection with such Change of Control in accordance with the requirements of the Indenture.

The fair market value of property or assets other than cash covered by the preceding paragraph shall be the fair market value thereof as determined in good faith by an Officer of the Company, or, if such fair market value exceeds £20.0 million, by the Board of Directors of the Company.

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 (other than to a Subsidiary of the Company) of, Capital Stock of the Company (other than Disqualified Stock or Designated Preference Shares), Subordinated Shareholder Funding or a substantially concurrent contribution to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through a Designated Contribution, a Parent Debt Contribution or Excluded Amounts) of the Company; *provided*, *however*, that to the extent so applied, the Net Cash Proceeds, or fair market value (as determined in accordance with the preceding sentence) of property or assets or of marketable securities, from such sale of Capital Stock or Subordinated Shareholder Funding or such contribution will be excluded from clause (15) of this paragraph and will not be considered Designated Contributions or a Parent Debt Contribution or Excluded Amounts or Net Cash Proceeds from an Equity Offering for the purposes of the provisions described under "*—Optional Redemption*";

(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*";

(3) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Disqualified Stock of the Company or Preferred Stock of a Restricted Subsidiary made by exchange for or out of the proceeds of the substantially concurrent sale of Disqualified Stock of the Company or Preferred Stock

of a Restricted Subsidiary that, in each case, is permitted to be Incurred pursuant to the covenant described under "*—Limitation on Indebtedness*" and that, in each case, constitutes Refinancing Indebtedness;

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

(a) (i) from Net Available Cash to the extent permitted under "*—Limitation on Sales of Assets and Subsidiary Stock*," but only if the Company shall have first complied with the terms described under "*—Limitation on Sales of Assets and Subsidiary Stock*" and purchased all Notes tendered pursuant to any offer to repurchase all the Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness and (ii) at a purchase price not greater than 100% of the principal amount of such Subordinated Indebtedness *plus* accrued and unpaid interest;

(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 Company shall have first complied with the terms described under "*—Change of Control*" and purchased all Notes tendered pursuant to the offer to repurchase all the Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness and (ii) at a purchase price not greater than 101% of the principal amount of such Subordinated Indebtedness *plus* accrued and unpaid interest; or

(c) consisting of Acquired Indebtedness (other than Indebtedness Incurred (i) to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was otherwise acquired by the Company or a Restricted Subsidiary or (ii) otherwise in connection with or contemplation of such transaction or series of transactions) 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 60 days after the date of declaration if at such date of declaration such dividend 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 Company, any Restricted Subsidiary or any Parent (including any options, warrants or other rights in respect thereof) and loans, advances, dividends or distributions by the Company to any Parent to permit any Parent to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of the Company, 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 Company, any Restricted Subsidiary or any Parent (including any options, warrants or other rights in respect thereof), in each case from Management Investors; *provided* that such payments, loans, advances, dividends or distributions do not exceed an amount (net of repayments of any such loans or advances) equal to (x) £7.5 million, *plus* £2.5 million *multiplied by* the number of calendar years that have commenced since the Issue Date per calendar year, *plus* (y) the Net Cash Proceeds received by the Company or its Restricted Subsidiaries since the Issue Date (including through receipt of proceeds from the issuance or sale of its Capital Stock or Subordinated Shareholder Funding to a Parent) from, or as a contribution to the equity (in each case under this clause (6), other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Company from, the issuance or sale to Management Investors of Capital Stock (including any options, warrants or other rights in respect thereof) *plus* (z) the Net Cash Proceeds of key man life insurance policies, to the extent such Net Cash Proceeds in (y) and (z) are not included in any calculation under clause (5)(c)(ii) of the first paragraph describing this covenant and are not Designated Contributions, a Parent Debt Contribution or Excluded Amounts; *provided further* that cancellation of Indebtedness owing to the Company or any Restricted Subsidiary from members of management, directors, employees or consultants of the Company, or any Parent or Restricted Subsidiaries in connection with a repurchase of Capital Stock of the Company or any Parent will not be deemed to constitute a Restricted Payment for purposes of this covenant or any other provision of the Indenture;

(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 Company 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 disclosed in this Offering Memorandum or (ii) to the extent specified in clauses (2), (3), (5), (7), (11) and (13) of the second paragraph under "*—Limitation on Affiliate Transactions*;"

(10) so long as no Default or Event of Default has occurred and is continuing (or would result therefrom), the declaration and payment by the Company of, or loans, advances, dividends or distributions to any Parent to pay, dividends on the common stock or common equity interests of the Company or any Parent following a Public Offering of such common stock or common equity interests, in an amount not to exceed in any fiscal year the greater of (a) 6% of the Net Cash Proceeds received by the Company from such Public Offering or contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Designated Contribution, a Parent Debt Contribution or Excluded Amounts) of the Company or contributed as Subordinated Shareholder Funding to the Company and (b) following the Initial Public Offering, an amount equal to the greater of (i) the greater of (A) 5% of the Market Capitalization and (B) 5% of the IPO Market Capitalization, *provided* that in the case of this sub-clause (i) after giving *pro forma* effect to such loans, advances, dividends or distributions, the Consolidated Net Leverage Ratio shall be equal to or less than 3.75 to 1.0; and (ii) the greater of (A) 7% of the Market Capitalization and (B) 7% of the IPO Market Capitalization, *provided* that in the case of this sub-clause (ii) after giving *pro forma* effect to such loans, advances, dividends and distributions, the Consolidated Net Leverage Ratio shall be equal to or less than 3.50 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 (x) £30.0 million and (y) 1.75% of Total Assets;

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

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

(14) (a) any payments made in connection with a Qualified Securitization Financing and (b) any Restricted Payments made pursuant to or in connection with the Transactions;

(15) (a) the declaration and payment of dividends to holders of any class or series of Designated Preference Shares of the Company issued after the Issue Date; and (b) 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 sub-clauses (a) and (b), the amount of all dividends declared or paid pursuant to this clause (15) shall not exceed the Net Cash Proceeds received by the Company or the aggregate amount contributed in cash to the equity (other than through the issuance of Disqualified Stock or a Designated Contribution or a Parent Debt Contribution or Excluded Amounts or, in the case of Designated Preference Shares by such Parent or Affiliate, the issuance of Designated Preference Shares) of the Company or contributed as Subordinated Shareholder Funding to the Company, 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 dividend, distribution, loan or other payment to any Parent; *provided* that, on the date of any such dividend, distribution, loan or other payment, the Consolidated Net Leverage Ratio for the Company and its Restricted Subsidiaries does not exceed 3.0 to 1.0 on a *pro forma* basis after giving effect thereto;

(18) advances or loans to (a) any future, present or former officer, director, employee or consultant of the Company or a Restricted Subsidiary to pay for the purchase or other acquisition for value of Capital Stock of the Company 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 Company or any Parent (other than Disqualified Stock or Designated Preference Shares); *provided*, *however*, that the total aggregate amount of Restricted Payments made under this clause (18) does not exceed £7.5 million at any time outstanding; and

(19) dividends or other distributions in amounts required and used for a direct or indirect parent of the Company to pay interest on Indebtedness the proceeds of which have been contributed as a Parent Debt Contribution to the Company or any of its Restricted Subsidiaries and that has been guaranteed by, or is otherwise considered Indebtedness of, the Company or any of its Restricted Subsidiaries incurred in accordance with the covenant described under "*—Limitation on Indebtedness*"; *provided* that any amounts payable as interest on any proceeds loan or other Indebtedness of the Company or any Restricted Subsidiary pursuant to which the Parent Debt Contribution was made.

The amount of all Restricted Payments (other than cash) shall be the fair market value on the date of such Restricted Payment of the asset(s) or securities proposed to be paid, transferred or issued by the Company or such Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment. The fair market value of any cash Restricted Payment shall be its face amount, and the fair market value of any non-cash Restricted Payment shall be determined conclusively by the Board of Directors of the Company acting in good faith.

Limitation on Liens

The Issuer and the Company will not, and the Company 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 obligations under the Notes and the Indenture are directly secured equally and ratably with, or prior to, in the case of Liens with respect to Subordinated Indebtedness, the Indebtedness secured by such Initial Lien for so long as such Indebtedness is so secured and (b) in the case of any property or asset that constitutes Collateral, such Lien is a Permitted Collateral Lien.

Any such Lien created in favor of the Notes 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 Company will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any consensual encumbrance or consensual restriction on the ability of (a) the obligors thereunder to make payments on the applicable Proceeds Loans, and (b) any Restricted Subsidiary to:

(A) pay dividends or make any other distributions in cash or otherwise on its Capital Stock or pay any Indebtedness or other obligations owed to the Company or any Restricted Subsidiary, or with respect to any other interest or participation in, or measured by, its profits, or pay any Indebtedness owed to the Company or any other Restricted Subsidiary;

(B) make any loans or advances to the Company or any Restricted Subsidiary; or

(C) sell, lease or transfer any of its property or assets to the Company or any Restricted Subsidiary, *provided* that (x) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock and (y) the subordination of (including the application of any standstill requirements to) loans or advances made to the Company or any Restricted Subsidiary to other Indebtedness Incurred by the Company or any Restricted Subsidiary shall not be deemed to constitute such an encumbrance or restriction.

The provisions of the preceding paragraph will not prohibit:

(1) any encumbrance or restriction pursuant to (a) any Credit Facility or (b) any other agreement or instrument, in each case described in (a) or (b), in effect at or entered into on the Completion Date;

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

(3) any encumbrance or restriction pursuant to an agreement or instrument effecting a refinancing of Indebtedness Incurred pursuant to, or that otherwise refinances, an agreement or instrument referred to in clause (1) or (2) of this paragraph or this clause (3) (an "*Initial Agreement*") or contained in any amendment, supplement or other modification to an agreement referred to in clause (1) or (2) of this paragraph or this clause (3); *provided*, *however*, that the encumbrances and restrictions with respect to such Restricted Subsidiary contained in any such agreement or instrument are no less favorable in any material respect to the Holders taken as a whole than the encumbrances and restrictions contained in the Initial Agreement or Initial Agreements to which such refinancing or amendment, supplement or other modification relates (as determined in good faith by the Board of Directors or a member of Senior Management of the Company);

(4) any encumbrance or restriction:

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

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

(5) any encumbrance or restriction pursuant to Purchase Money Obligations and Capitalized Lease Obligations permitted under the Indenture, in each case, that impose encumbrances or restrictions on the property so acquired in the nature of sub-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;

(9) any encumbrance or restriction on cash or other deposits or net worth imposed by customers under agreements entered into in the ordinary course of business;

(10) any encumbrance or restriction pursuant to Currency Agreements, Interest Rate Agreements or Commodity Hedging Agreements;

(11) any encumbrance or restriction arising pursuant to an agreement or instrument relating to any Indebtedness permitted to be Incurred subsequent to the Issue Date pursuant to the provisions of the covenant described under "*—Limitation on Indebtedness*" if the encumbrances and restrictions contained in any such agreement or instrument taken as a whole are not materially less favorable to the Holders of the Notes as is customary in comparable financings (as determined in good faith by the Board of Directors or a member of Senior Management of the Company);

(12) any encumbrance or restriction effected in connection with a Qualified Securitization Financing that, in the good faith determination of the Board of Directors or a member of Senior Management of the Company, is necessary or advisable to effect such Qualified Securitization 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 Company will not, and will not permit any Restricted Subsidiary to, consummate any Asset Disposition unless:

(1) the consideration the Company or such Restricted Subsidiary receives for such Asset Disposition is not less than the fair market value of the Capital Stock, property or other assets subject to such Asset Disposition (as determined by the Company's Board of Directors); and

(2) at least 75% of the consideration the Company 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 recorded on the Company's or such Restricted Subsidiary's 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 or Indebtedness owed to the Company or any Restricted Subsidiary), as a result of which neither the Company nor any of the Restricted Subsidiaries remains obligated in respect of such liabilities or (y) Indebtedness of a Restricted Subsidiary (other than Subordinated Indebtedness and Indebtedness owed to the Issuer or any Restricted Subsidiary) that is no longer a Restricted Subsidiary as a result of such Asset Disposition, if the Company and each other Restricted Subsidiary is 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 clauses (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 Company 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 Company 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 (x) £10.0 million and (y) 0.5% 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 sub-clauses (a) through (g) of this clause (2).

If the Company or any Restricted Subsidiary consummates an Asset Disposition, the Net Cash Proceeds 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 Cash Proceeds, may be used by the Company 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*"; *provided*, *however*, that, in connection with any prepayment, repayment, purchase or redemption of Indebtedness pursuant to this clause (1), the Company or such Restricted Subsidiary will retire such Indebtedness and will cause the related commitment (if any) to be permanently reduced in an amount equal to the principal amount so prepaid, repaid, purchase or redeemed; (ii) unless included in the preceding clause (1)(i), prepay, repay, purchase or redeem Notes or Indebtedness that is secured by a Lien on the Collateral that is not subordinated in right of payment to the Notes at a price of no more than 100% of the principal amount of the Notes or such applicable Indebtedness, *plus* accrued and unpaid interest 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 Company or any Restricted Subsidiary); *provided* that the Company or Restricted Subsidiary shall prepay, repay, purchase or redeem Indebtedness (other than the Notes) pursuant to sub-clause (ii) or (iii) only if the Issuer makes (at such time or in compliance with this covenant) an offer to Holders to purchase their Notes in accordance with the provisions set forth below for an Asset Disposition Offer for an aggregate principal amount of Notes equal to the proportion that (x) the total aggregate principal amount of Notes outstanding bears to (y) the sum total aggregate principal amount of the Notes outstanding *plus* the total aggregate principal amount outstanding of such Indebtedness (other than the Notes);

(2) (i) purchase Notes pursuant to an offer to all Holders of the Notes at a purchase price in cash equal to at least 100% of the principal amount thereof, *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 the relevant record date to receive interest due on the relevant interest payment date) or (ii) redeem the Notes pursuant to the redemption provisions of the Indenture;

(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 Cash Proceeds 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 Cash Proceeds from the date of such commitment until the earlier of (x) the date on which such investment is consummated, (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 Company shall pledge or shall cause the applicable Restricted Subsidiary to pledge any acquired Capital Stock or assets referred to in this covenant in favor of the Notes on a first-ranking basis.

The amount of such Net Cash Proceeds not so used as set forth in this paragraph constitutes "Excess Proceeds." Pending the final application of any such Net Cash Proceeds, the Company may temporarily reduce revolving credit borrowings or otherwise invest such Net Cash Proceeds in any manner that is not prohibited by the terms of the Indenture.

On the 366th day after an Asset Disposition, or at such earlier time if the Issuer elects, if the aggregate amount of Excess Proceeds exceeds £25.0 million, the Issuer will be required within ten (10) Business Days thereof to make an offer ("*Asset Disposition Offer*") to all Holders and, to the extent the Issuer elects, to all holders of other outstanding Pari Passu Indebtedness, to purchase the maximum principal amount of Notes and any such Pari

Passu Indebtedness to which the Asset Disposition Offer applies that may be purchased out of the Excess Proceeds, at an offer price in respect of the Notes in an amount equal to (and, in the case of any Pari Passu Indebtedness, an offer price of no more than) 100% of the principal amount of the Notes and 100% of the principal amount of Pari Passu Indebtedness, in each case, *plus* accrued and unpaid interest thereon and Additional Amounts, if any, to, but not including, the date of purchase, in accordance with the procedures set forth in the Indenture or the agreements governing the Pari Passu Indebtedness, as applicable, in minimum denominations of £100,000 and in integral multiples of £1,000 in excess thereof; *provided*, *however* that the Issuer, the Company or a Restricted Subsidiary, as the case may be, may make an Asset Disposition Offer prior to the 365 day period.

To the extent that the aggregate amount of Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to an Asset Disposition Offer is less than the Excess Proceeds, the Company or the relevant Restricted Subsidiary may use any remaining Excess Proceeds for general corporate purposes, subject to other covenants contained in the Indenture. If the aggregate principal amount of the Notes surrendered in any Asset Disposition Offer by Holders and other Pari Passu Indebtedness surrendered by holders or lenders, collectively, exceeds the amount of Excess Proceeds, the Excess Proceeds shall be allocated among the Notes and Pari Passu Indebtedness to be purchased on a pro rata basis on the basis of the aggregate principal amount of tendered Notes and Pari Passu Indebtedness. For the purposes of calculating the principal amount of any such Indebtedness not denominated in pounds sterling, such Indebtedness shall be calculated by converting any such principal amounts into their Sterling Equivalent determined as of a date selected by the Company or the relevant Restricted Subsidiary that is within the Asset Disposition Offer Period (as defined below). Upon completion of any Asset Disposition Offer, the amount of Excess Proceeds shall be reset at zero.

To the extent that any portion of Net Available Cash payable in respect of the Notes is denominated in a currency other than the currency in which the relevant Notes are denominated, the amount thereof payable in respect of such Notes shall not exceed the net amount of funds in the currency in which such Notes are denominated that is actually received by the Company or the relevant Restricted Subsidiary upon converting such portion of the Net Available Cash into such currency.

The Asset Disposition Offer, in so far as it relates to the Notes, will remain open for a period of not less than 20 Business Days following its commencement (the "*Asset Disposition Offer Period*"). No later than five (5) Business Days after the termination of the Asset Disposition Offer Period (the "*Asset Disposition Purchase Date*"), the Issuer will purchase the principal amount of Notes and, to the extent it elects, Pari Passu Indebtedness required to be purchased by it pursuant to this covenant (the "*Asset Disposition Offer Amount*") or, if less than the Asset Disposition Offer Amount has been so validly tendered, all Notes and Pari Passu Indebtedness validly tendered in response to the Asset Disposition Offer.

On or before the Asset Disposition Purchase Date, the Issuer will, to the extent lawful, accept for payment, on a pro rata basis to the extent necessary, the Asset Disposition Offer Amount of Notes and Pari Passu Indebtedness or portions of Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to the Asset Disposition Offer, or if less than the Asset Disposition Offer Amount has been validly tendered and not properly withdrawn, all Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn and in minimum denominations of £100,000 and in integral multiples of £1,000 in excess thereof. The Issuer will deliver to the Trustee an Officer's Certificate stating that such Notes or portions thereof were accepted for payment by the Issuer in accordance with the terms of this covenant. The Issuer or the Paying Agent, as the case may be, will promptly (but in any case not later than five (5) Business Days after termination of the Asset Disposition Offer Period) mail or deliver to each tendering Holder an amount equal to the purchase price of the Notes so validly tendered and not properly withdrawn by such Holder, and accepted by the Issuer for purchase, and the Issuer will promptly issue a new Note (or amend the applicable Global Note), and the Trustee (or an authenticating agent), upon delivery of an Officer's Certificate from the Issuer, will authenticate and mail or deliver (or cause to be transferred by book entry) such new Note to such Holder, in a principal amount equal to any unpurchased portion of the Note surrendered; *provided* that each such new Note will be in a principal amount with a minimum denomination of £100,000. Any 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 Notes pursuant to the Indenture. To the extent that the provisions of any securities laws or regulations conflict with provisions of this covenant, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue of such compliance.

Limitation on Affiliate Transactions

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, enter into or conduct any transaction or series of related transactions (including the purchase, sale, lease or exchange of any property or the rendering of any service) with any Affiliate of the Company (any such transaction or series of related transactions being an "*Affiliate Transaction*") involving aggregate value in excess of £5.0 million unless:

(1) the terms of such Affiliate Transaction taken as a whole are not materially less favorable to the Company or such Restricted Subsidiary, as the case may be, than those that could be obtained in a comparable transaction at the time of such transaction or the execution of the agreement providing for such transaction on an arm's-length basis with a Person who is not such an Affiliate; and

(2) in the event such Affiliate Transaction involves an aggregate value in excess of £20.0 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 Company resolving that such transaction complies with clause (1) above.

The provisions of the preceding paragraph will not apply to:

(1) any Restricted Payment permitted to be made pursuant to the covenant described under "*—Limitation on Restricted Payments*," any Permitted Payments (other than pursuant to clause (9)(b)(ii) of the third paragraph of the covenant described under "*—Limitation on Restricted Payments*") or any Permitted Investment (other than Permitted Investments as defined in paragraphs (1)(b), (2), (10), (12), (15) and (16) of the definition thereof);

(2) any issuance or sale of Capital Stock, options, other equity-related interests or other securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, or entering into, or maintenance of, any employment, consulting, collective bargaining or benefit plan, program, agreement or arrangement, related trust or other similar agreement and other compensation arrangements, options, warrants or other rights to purchase Capital Stock of the Company, any Restricted Subsidiary or any Parent, restricted stock plans, long-term incentive plans, stock appreciation rights plans, participation plans or similar employee benefits or consultants' plans (including valuation, health, insurance, deferred compensation, severance, retirement, savings or similar plans, programs or arrangements) or indemnities provided on behalf of officers, employees, directors or consultants approved by the Board of Directors of the Company, in each case in the ordinary course of business;

(3) any Management Advances and any waiver or transaction with respect thereto;

(4) any transaction between or among any combination of the Company, any Restricted Subsidiary (or an entity that becomes a Restricted Subsidiary as a result of such transaction) and any Securitization SPE;

(5) the payment of reasonable fees and reimbursement of expenses to, and customary indemnities and employee benefit and pension expenses provided on behalf of, directors, officers, consultants or employees of the Company, any Restricted Subsidiary or any Parent (whether directly or indirectly and including through any Person owned or controlled by any of such directors, officers or employees);

(6) (a) the Transactions, (b) the entry into and performance of obligations of the Company 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 Completion 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 (c) 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 or payment pursuant to which the Issuer, the Company and its Restricted Subsidiaries and other Persons with which the Issuer or any of its Restricted Subsidiaries is required or permitted to file a consolidated or combined 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; *provided* that payments under such Tax Sharing Agreement or arrangement shall not exceed, and shall not be duplicative of, the amounts described under clause (7) of the definition of the term "Parent Expenses" and the related tax liabilities of the Company and its Restricted Subsidiaries which are relieved thereby;

(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 Company or the relevant Restricted Subsidiary in the reasonable determination of the Board of Directors or an officer of the Company 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 Company or any Restricted Subsidiary and any Affiliate (other than an Unrestricted Subsidiary) of the Company or an Associate or similar entity that would constitute an Affiliate Transaction solely because the Company or a Restricted Subsidiary owns an equity interest in or otherwise controls such Affiliate, Associate or similar entity;

(10) (a) issuances or sales of Capital Stock (other than Disqualified Stock or Designated Preference Shares) of the Company or options, warrants or other rights to acquire such Capital Stock or Subordinated Shareholder Funding; *provided* that the interest rate and other financial terms of such Subordinated Shareholder Funding are approved by a majority of the members of the Board of Directors of the Company in their reasonable determination and (b) any amendment, waiver or other transaction with respect to any Subordinated Shareholder Funding in compliance with the other provisions of the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement, as applicable;

(11) (a) payments by the Company or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent) of annual management, consulting, monitoring or advisory fees and related expenses in an aggregate amount not to exceed £2.5 million per year and (b) customary payments by the Company or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent) for financial advisory, financing, underwriting or placement services or in respect of other investment banking activities, including in connection with 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 Company in good faith;

(12) any transactions which the Company or a Restricted Subsidiary delivers to the Trustee a written opinion from an Independent Financial Advisor stating that such transaction is (a) fair to the Company or such Restricted Subsidiary from a financial point of view or (b) on terms not less favorable that 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) investments by any of the Permitted Holders in securities of any of the Company's Restricted Subsidiaries (and the payment of reasonable out of pocket expenses of any Permitted Holder in connection therewith) so long as (a) the investment complies with clause (1) of the preceding paragraph, (b) the investment is being offered generally to other investors on the same or more favorable terms and (c) the investment constitutes less than 5% of the proposed issue amount of such class of securities;

(14) pledges of Capital Stock of Unrestricted Subsidiaries; and

(15) any transaction effected as part of a Qualified Securitization Financing.

Limitation on Issuer Activities

Notwithstanding anything contained in the Indenture, the Issuer shall not engage in any business activity or undertake any other activity, except any activity (1) related to the offering, sale, issuance and servicing, listing, purchase, redemption, amendment, exchange, refinancing, incurring or retirement of the Notes, the incurrence of Indebtedness represented by the Notes (including any Additional Notes), other Indebtedness of the Issuer permitted under the Indenture or rights or obligations in connection with any Qualified Securitization Financing, lending or otherwise advancing the proceeds thereof (including pursuant to the Proceeds Loans) and any other activities in connection therewith or complementary or useful thereto (including in connection with the Transactions); (2) undertaken with the purpose of, and directly related to, fulfilling any other obligations under any financing of the Issuer (including, without limitation, the Notes) permitted under the Indenture (including for the avoidance of doubt, any repurchase or purchase, repayment, redemption or prepayment of such Indebtedness or entering into and termination of Hedging Obligations permitted under the Indenture); (3) undertaken with the purpose of, and directly related to, fulfilling the obligations of the Issuer under any Security Document to which it is a party or any other document relating to the Notes (including Additional Notes) or the making of Restricted Payments in accordance with the covenant described under the caption "—*Limitation on Restricted Payments*"; (4) related to the granting of Permitted Liens and Permitted Collateral Liens over its assets to secure the

Indebtedness of any Restricted Subsidiary if the grant of such Liens were otherwise permitted by the Indenture; (5) related or reasonably incidental to the establishment and/or maintenance of the Issuer's corporate existence; (6) related to investing amounts received by the Issuer in such manner not otherwise prohibited by the Indenture; (7) involving the provision of administrative services; (8) related to any purchase agreement, and/or any other document (including the Intercreditor Agreement) entered into in connection with the issuance of the Notes or any other Indebtedness permitted under the Indenture; (9) reasonably related to the foregoing; and (10) not specifically enumerated above that is *de minimis* in nature.

Limitations on Amendments of the Initial Proceeds Loans; Payment of the Initial Proceeds Loans

Neither UK Holdco 2 nor the Issuer will (1) change the Stated Maturity of the principal of, or any installment of interest on, the Initial Proceeds Loans; (2) reduce the rate of interest on the Initial Proceeds Loans; (3) change the currency for payment of any amount under the Initial Proceeds Loans; (4) prepay or otherwise reduce or permit the prepayment or reduction of the Initial Proceeds Loans (save to facilitate a corresponding payment or repurchase of principal on the relevant series of Notes); (5) assign or novate the Initial Proceeds Loans or any rights or obligations under the Proceeds Loans Agreements (other than to secure the Notes and the Notes Guarantee or other Permitted Collateral Lien or in connection with a transaction that is subject to the covenants described under the caption "*—Merger and Consolidation*" and is completed in compliance therewith); or (6) amend, modify or alter the Initial Proceeds Loans and/or Proceeds Loans Agreements in any manner adverse to the holders of the Notes in any material respect. Notwithstanding the foregoing, the Initial Proceeds Loans may be prepaid or reduced to facilitate or otherwise accommodate or reflect a repayment, redemption or repurchase of outstanding Notes. UK Holdco 2 shall make payments under and in accordance with the Proceeds Loans and the Issuer shall accept such payments.

Reports

So long as any Notes are outstanding, the Issuer will furnish to the Trustee the following reports:

(1) within 120 days after the end of the Company's fiscal year beginning with the fiscal year ended December 31, 2016, annual reports containing (or, in the case of the year ended December 31, 2016, 150 days): (a) information with a level and type of detail that is substantially comparable in all material respects to information in the sections entitled "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and "*Business*" in this Offering Memorandum; (b) unaudited *pro forma* income statement and balance sheet information of the Company (or for any period beginning prior to the formation of the Company, for any predecessor entity), together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year as to which such annual report relates (unless such *pro forma* information has been provided in a previous report pursuant to clause (2) or (3) below); *provided* that such *pro forma* financial information will be provided only to the extent available without unreasonable expense, in which case the Company will provide, in the case of a material acquisition, acquired Company financials; (c) the audited consolidated balance sheet of the Company as at the end of the most recent two fiscal years (or for any date prior to the formation of the Company, for any predecessor entity) and audited consolidated income statements and statements of cash flow of the Company for the most recent two fiscal years (or for any period beginning prior to the formation of the Company, for any predecessor entity), 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; (d) a description of the management and shareholders of the Company, all material affiliate transactions and a description of all material debt instruments; (e) a description of material risk factors and material subsequent events; and (f) Consolidated EBITDA; *provided* that the information described in clauses (d), (e) and (f) may be provided in the footnotes to the audited financial statements;

(2) within 60 days (or, in the case of the fiscal quarters ending on or prior to June 30, 2017, 90 days) following the end of each of the first three fiscal quarters in each fiscal year of the Company, beginning with the quarter ended March 31, 2017, quarterly financial statements containing the following information: (a) the Company's unaudited condensed consolidated balance sheet as at the end of such quarter (or for any date prior to the formation of the Company, for any predecessor entity) 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 (or for any period beginning prior to the formation of the Company, for any predecessor entity), together with condensed footnote disclosure; (b) unaudited *pro forma* income statement and balance sheet

information of the Company (or for any period beginning prior to the formation of the Company, for any predecessor entity), together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year as to which such quarterly report relates; *provided* that such *pro forma* financial information will be provided only to the extent available without unreasonable expense, in which case the Company will provide, in the case of a material acquisition, acquired Company financials; (c) an operating and financial review of the unaudited financial statements, including a discussion of the consolidated financial condition, results of operations, Consolidated EBITDA and material changes in liquidity and capital resources of the Company; (d) a discussion of material changes in material debt instruments since the most recent report; and (e) material subsequent events and any material changes to the risk factors disclosed in the most recent annual report; *provided* that the information described in clauses (d) and (e) may be provided in the footnotes to the unaudited financial statements; and

(3) promptly after the occurrence of a material event that the Company announces publicly or any acquisition, disposition or restructuring, merger or similar transaction that is material to the Company and the Restricted Subsidiaries, taken as a whole, or a senior executive officer or director changes at the Company or the Issuer or a change in auditors of the Company or the Issuer, a report containing a description of such event.

In addition, to the extent not satisfied by the foregoing, the Issuer shall furnish to the Holders and to prospective investors, upon the request of such parties, any information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act for so long as the Notes are not freely transferable under the Exchange Act by persons who are not “affiliates” under the Securities Act.

The Issuer shall also make available to Holders and prospective holders of the Notes copies of all reports furnished to the Trustee on the Issuer’s website and if and so long as the Notes are listed on the Official List of the Exchange and to the extent that the rules and regulations of the Exchange so require, copies of such reports furnished to the Trustee will also be made available at the specified office of the listing agent in London, 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. No report need include separate financial statements for any Subsidiaries of the Company or any disclosure with respect to the results of operations or any other financial or statistical disclosure not of a type included in this Offering Memorandum. In addition, the reports set forth above will not be required to contain any reconciliation to US GAAP.

For purposes of this covenant, an acquisition or disposition shall be deemed to be material if the entity or business acquired or disposed of represents greater than 20% of the Company’s (a) total revenue or Consolidated EBITDA for the most recent four quarters for which annual or quarterly financial reports have been delivered to the Trustee or (b) consolidated assets as of the last day of the most recent quarter for which annual or quarterly financial reports have been delivered to the Trustee.

At any time that any of the Company’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 Company, 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 Company and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Company.

In the event that (i) the Company 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 Company elects to provide to the Trustee reports which, if filed with the SEC, would satisfy (in the good faith judgment of the Company) the reporting requirements of Section 13(a) or 15(d) of the Exchange Act (other than the provision of US 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) of the Exchange Act. The Company may comply with any requirement to provide reports or financial statements required by this covenant by providing any report or financial statement of a direct or indirect Parent of the Company so long as the Company is Wholly-Owned Subsidiary of such Parent and such Parent provides a Guarantee of the Notes. 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 Company

The Company 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 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 (a) the Company is the surviving Person or (b) 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 (including, for the avoidance of doubt, the United Kingdom), or the United States of America, Jersey, Guernsey, the Isle of Man, the British Virgin Islands, the Cayman Islands, any state of the United States or the District of Columbia, Canada or any province of Canada, Norway or Switzerland and the Successor Company (if not the Company) will expressly assume, (i) by supplemental indenture, executed and delivered to the Trustee, in form reasonably satisfactory to the Trustee, all the obligations of the Company under the Guarantees and the Indenture and (ii) all obligations of the Company 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 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 Corporate Debt Coverage Ratio (of the Company or the Successor Company, as the case may be, immediately preceding the date on which the transaction is completed) would not be less than it was immediately prior to giving effect to such transaction; and

(4) the Company shall have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each to the effect that such consolidation, merger or transfer and such supplemental indenture (if any) comply with the Indenture and 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.

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 Company, which properties and assets, if held by the Company instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Company on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Company.

The Successor Company will succeed to, and be substituted for, and may exercise every right and power of, the Company under the Indenture but in the case of a lease of all or substantially all its assets, the predecessor Person will not be released from its obligations under the Indenture or the Notes.

There is no precise established definition of the phrase "substantially all" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a Person.

The foregoing provisions (other than the requirements of clause (2) of the first paragraph of this "*—Merger and Consolidation—The Company*" covenant) shall not apply the creation of a new subsidiary as a Restricted Subsidiary.

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 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 (a) the Issuer is the surviving Person or (b) the resulting, surviving or transferee Person (the "*Successor Issuer*") will be a Person organized and existing under the laws of any member state of the European Union (including, for the avoidance of doubt, the United Kingdom), or the United States of America, Jersey, Guernsey, the Isle of Man, the British Virgin Islands, the Cayman Islands, any state of the United States or the District of Columbia, Canada or any province of Canada, Norway or Switzerland and the Successor Issuer (if not the Issuer) will expressly assume, (i) by supplemental indenture, executed and delivered to the Trustee, in form reasonably satisfactory to the Trustee, all the obligations of the Issuer under the Notes and the Indenture and (ii) 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 Issuer or any Subsidiary of the Successor Issuer as a result of such transaction as having been Incurred by the Successor Issuer or such Subsidiary at the time of such transaction), no Default or Event of Default shall have occurred and be continuing;

(3) immediately after giving effect to such transaction, either (a) the Successor Issuer 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 Corporate Debt Coverage Ratio 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) comply with the Indenture and an Opinion of Counsel to the effect that such supplemental indenture (if any) has been duly authorized, executed and delivered and is a legal, valid and binding agreement enforceable against the Successor Issuer (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.

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 Issuer will succeed to, and be substituted for, and may exercise every right and power of, the Issuer under the Indenture but in the case of a lease of all or substantially all its assets, the predecessor Person will not be released from its obligations under the Indenture or the Notes.

There is no precise established definition of the phrase "substantially all" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a Person.

The foregoing provisions (other than the requirements of clause (2) of the first paragraph of this "*—Merger and Consolidation—The Issuer*" covenant) shall not apply to the creation of a new subsidiary as a Restricted Subsidiary of the Issuer.

The Subsidiary Guarantors

No Subsidiary Guarantor (other than a Subsidiary Guarantor whose Notes Guarantee is to be released in accordance with the terms of the Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement substantially concurrently with such consolidation, merger, sale, assignment, conveyance, transfer, lease or other disposition) may:

(1) consolidate with or merge with or into any Person (whether or not such Subsidiary 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 Company or any Restricted Subsidiary that is a Subsidiary Guarantor or becomes a Subsidiary Guarantor substantially concurrently with such consolidation, merger, sale, assignment, conveyance, transfer, lease or other disposition;

(b) (1) either (x) the Subsidiary Guarantor is the continuing Person or (y) the resulting, surviving or transferee Person expressly assumes all of the obligations of the Subsidiary Guarantor under its Notes Guarantee, the Security Documents (if applicable) and the Indenture (pursuant to a supplemental indenture, accession agreement and appropriate security documents executed and delivered in a form reasonably satisfactory to the Trustee and the Security Agent); and (2) immediately after giving effect to the transaction, no Default or Event of Default shall have occurred and is continuing; or

(c) the transaction constitutes a sale or other disposition (including by way of consolidation or merger) of a Subsidiary Guarantor or the sale or disposition of all or substantially all the assets of a Subsidiary Guarantor (in each case other than to the Company or a Restricted Subsidiary) otherwise permitted by the Indenture,

General

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 the Issuer or 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 the Issuer or a Guarantor; (ii) any Subsidiary Guarantor from merging or liquidating into or transferring all or part of its properties and assets to the Company, the Issuer or another Guarantor; (iii) any consolidation or merger of the Issuer into any Guarantor; *provided* that, if the Issuer is not the surviving entity of such merger or consolidation, the relevant Guarantor will assume the obligations of the Issuer under the Notes, the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents and clauses (1) and (4) under the heading "*—The Issuer*" shall apply to such transaction; and (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 "*—The Company*" or clause (3) under the heading "*—The Subsidiary Guarantors*," as the case may be, shall apply to any such transaction.

Impairment of Security Interest

A security provider shall not, and the Company 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 for the benefit of the Trustee and the Holders, and a security provider shall not, and the Company shall not, and shall not permit any Restricted Subsidiary to, grant to any Person other than the Security Agent, for the benefit of the Trustee and the Holders and the other beneficiaries described in the Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement, any interest whatsoever in any of the Collateral, except that (i) the Company and its Restricted Subsidiaries may Incur Permitted Collateral Liens, (ii) the Company and its Restricted Subsidiaries may undertake a Permitted Reorganization, (iii) the Collateral may be discharged and released in accordance with the Indenture, the applicable Security Documents or the Intercreditor Agreement or any Additional Intercreditor Agreement, (iv) the applicable Security Documents may be amended from time to time (a) to cure any ambiguity, mistake, omission, defect, error or inconsistency therein, (b) to comply with the terms of the Intercreditor Agreement or any Additional Intercreditor Agreement, (c) to add Collateral, (d) to evidence the succession of another Person to the Issuer, the Company or any security provider and the assumption of such successor of the obligations under the Indenture, the Notes, the Intercreditor Agreement and/or the Security Documents, in each case, including in accordance with the terms under "*—Merger and Consolidation*," (e) to evidence and provide for the acceptance of the appointment of a successor Trustee or Security Agent and (f) in any manner that does not adversely affect holders of the Notes in any material respect; *provided*, *however*, that in each case of sub-clause (a) through (d) above, except with respect to any discharge or release in accordance with the Indenture, or the Intercreditor Agreement or any Additional Intercreditor Agreement, 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 relevant Person and its Subsidiaries, taken as a whole, or to the extent the action relates to a Security Interest on the assets of a security provider, the relevant security provider and its Subsidiaries taken as a whole, 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, 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, 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, that such Lien or Liens were not otherwise subject to immediately prior to such amendment, extension, renewal, restatement, supplement, release, modification or replacement. In the event that the Company, the Issuer or any Restricted Subsidiary complies with the requirements of this covenant, the Trustee and the Security Agent shall (subject to customary protections and indemnifications and 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.

Additional Guarantees

Notwithstanding anything to the contrary in this covenant, no Restricted Subsidiary shall Guarantee the Indebtedness (including under the Revolving Credit Facility Agreement) of the Issuer or a Guarantor unless such Restricted Subsidiary is (a) the Issuer or (b) becomes a Guarantor on the date on which the Notes Guarantee is Incurred and, if applicable, executes and delivers to the Trustee a supplemental indenture in the form attached to the Indenture pursuant to which such Restricted Subsidiary will provide a Notes Guarantee, which Notes Guarantee will be senior to or *pari passu* with such Restricted Subsidiary's Guarantee of such other Indebtedness; *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 Notes Guarantee may reasonably be expected to 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 (including with respect to any Taxes) to the extent such cost, expense, liability or obligation are disproportionate to the benefit obtained by the Holders with respect to the receipt of the guarantee (as determined in good faith by the Issuer); *provided* that this clause (3) shall not be applicable to reasonable out of pocket expenses;

provided, that the Company will procure that the relevant Restricted Subsidiary becomes a Guarantor at such time as such restriction would no longer apply to the providing of the Note Guarantee or no longer would prohibit such Restricted Subsidiary from becoming a Guarantor (or prevent the Company from causing such Restricted Subsidiary to become a Guarantor).

At the option of the Company, any Guarantee may contain limitations on Guarantor liability in accordance with the Agreed Security Principles, including 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 Notes Guarantees granted pursuant to this provision shall be released as set forth under "*—Notes Guarantees Release*." A Notes 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 Completion Date and which could not have been Incurred in compliance with the Indenture as at the date of such release if such Guarantor were not designated as a Guarantor as at that date. 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 Notes Guarantee in accordance with these provisions, subject to customary protections and indemnifications.

The validity and enforceability of the Notes Guarantees and the Security Interests and the liability of each Guarantor will be subject to the limitations as described and set out in "*Risk Factors—Risks Relating to the Notes and Our Structure—Each Notes 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.*"

Maintenance of Listing

The Company and the Issuer will use their commercially reasonable efforts to obtain and maintain the listing of the Notes on the Exchange for so long as the Notes are outstanding; *provided* that if the Issuer is unable to obtain admission to listing of the Notes on the Exchange or if at any time the Issuer determines that it will not maintain such listing, it will use its commercially reasonable efforts to obtain and maintain a listing of such Notes on another "recognised stock exchange" as defined in Section 1005 of the Income Tax Act of 2007 of the United Kingdom (in which case, references in this covenant to the Exchange will be deemed to refer to such other "recognised stock exchange"). In no event will this covenant require the Issuer to obtain or maintain the listing of the Notes on any exchange that requires financial reporting for any fiscal period in addition to the fiscal periods required by the caption "*—Reports*."

Completion Date Collateral, Post-Completion Date Guarantors and Post-Completion Date Collateral

Completion Date Collateral

The Company will cause the relevant security providers to ensure that a Lien over the Completion Date Collateral is granted to the Security Agent on behalf of, and for the benefit of the Holders pursuant to the Security Documents, creating a valid and effective Lien over such Completion Date Collateral within one (1) Business Day of the Completion Date.

Post-Completion Date Guarantors

The Company will cause the Post-Completion Date Guarantors to become Guarantors by executing and delivering to the Trustee a supplemental indenture pursuant to which the Post-Completion Date Guarantors will provide a Guarantee within 90 days following the Completion Date; *provided* that the Guarantees provided by the Post-Completion Date Guarantors will be limited as set forth in the Indenture.

The Company will cause the relevant Post-Completion Date Guarantors to ensure that a Lien over the Post-Completion Date Collateral is granted to the Security Agent on behalf of, and for the benefit of the Holders pursuant to the Security Documents, creating a valid and effective Lien over such Post-Completion Date Collateral on the date such Post-Completion Date Guarantor accedes to the Indenture and becomes a Guarantor.

Further Assurances

The Company will, and will procure that each of its Subsidiaries will, at its own expense, execute and do all such acts and things and provide such assurances as the Security Agent may reasonably require (1) for registering any Security Documents in any required register and for perfecting or protecting the security intended to be afforded by such Security Documents; and (2) if such Security Documents have become enforceable, for facilitating the realization of all or any part of the assets which are subject to such Security Documents and for facilitating the exercise of all powers, authorities and discretions vested in the Security Agent or in any receiver of all or any part of those assets. The Company will, and will procure that each of its Subsidiaries will, execute all transfers, conveyances, assignments and releases of that property whether to the Security Agent or to its nominees and give all notices, orders and directions which the Security Agent may reasonably request.

Suspension of Covenants on Achievement of Investment Grade Status

If on any date following the Completion Date, the Notes have achieved Investment Grade Status and no Default or Event of Default has occurred and is continuing (a "*Suspension Event*"), then, beginning on that day and continuing until such time, if any, at which the Notes cease to have Investment Grade Status (the "*Reversion Date*"), the provisions of the Indenture summarized under the following captions will not apply to the Notes:

(1) "*—Limitation on Indebtedness*";

(2) "*—Limitation on Restricted Payments*";

(3) "*—Limitation on Restrictions on Distributions from Restricted Subsidiaries*";

(4) "*—Limitation on Affiliate Transactions*";

(5) *“—Limitation on Sales of Assets and Subsidiary Stock*”;

(6) *“—Additional Guarantees*”; and

(7) the provisions of clause (3) of the first paragraph of the covenant described under “*—Merger and Consolidation—The Company*” and of clause (3) of the first paragraph of the covenant described under “*—Merger and Consolidation—The Issuer”*;

and, in each case, any related default provision of the Indenture will cease to be effective and will not be applicable to the Company and its Restricted Subsidiaries.

Such covenants and any related default provisions will again apply according to their terms from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Company properly taken during the continuance of the Suspension Event, and no action taken prior to the Reversion Date will constitute a Default or Event of Default. The “*—Limitation on Restricted Payments*” covenant will be interpreted as if it has been in effect since the date of the Indenture but not during the continuance of the Suspension Event. On the Reversion Date, all Indebtedness Incurred during the continuance of the Suspension Event will be deemed to have been outstanding on the Completion Date, so that it is classified as permitted under clause (4)(b) of the second paragraph of the covenant described under “*—Limitation on Indebtedness*.” In addition, the Indenture will also permit, without causing a Default or Event of Default, the Company or any of the Restricted Subsidiaries to honor any contractual commitments or take actions in the future after any date on which the Notes cease to have an Investment Grade Status as long as the contractual commitments were entered into during the Suspension Event and not in anticipation of the Notes no longer having an Investment Grade Status. The Issuer shall notify the Trustee that the conditions set forth in the first paragraph under this caption has been satisfied; *provided* that, no such notification shall be a condition for the suspension of the covenants described under this caption to be effective. The Trustee shall be under no obligation to notify the Holders that the conditions set forth in the first paragraph have been satisfied. There can be no assurance that the Notes will ever achieve or maintain an Investment Grade Status.

Financial Calculations for Limited Condition Acquisitions

When calculating the availability under any basket or ratio under the Indenture, in each case in connection with a Limited Condition Acquisition, the date of determination of such basket or ratio and of any Default or Event of Default shall, at the option of the Company, be the date the definitive agreements for such Limited Condition Acquisition are entered into, and such baskets or ratios shall be calculated with such *pro forma* adjustments as are appropriate and consistent with the *pro forma* provisions set forth in the definition of Fixed Charge Corporate Debt Coverage Ratio after giving effect to such Limited Condition Acquisition and the other transactions to be entered into in connection therewith (including any Incurrence of Indebtedness and the use of proceeds thereof) as if they occurred at the beginning of the applicable period for purposes of determining the ability to consummate any such Limited Condition Acquisition (and not for purposes of any subsequent availability of any basket or ratio), and, for the avoidance of doubt, (1) if any of such baskets or ratios are exceeded as a result of fluctuations in such basket or ratio (including due to fluctuations in the Consolidated EBITDA of the Company or the target company) subsequent to such date of determination and at or prior to the consummation of the relevant Limited Condition Acquisition, such baskets or ratios will not be deemed to have been exceeded as a result of such fluctuations solely for purposes of determining whether the Limited Condition Acquisition is permitted hereunder and (2) such baskets or ratios shall not be tested at the time of consummation of such Limited Condition Acquisition or related transactions; *provided*, *further*, that if the Company elects to have such determinations occur at the time of entry into such definitive agreement, any such transactions (including any Incurrence of Indebtedness and the use of proceeds therefrom) shall be deemed to have occurred on the date the definitive agreements are entered and outstanding thereafter for purposes of calculating any baskets or ratios under the Indenture after the date of such agreement and before the consummation of such Limited Condition Acquisition.

Events of Default

Each of the following is an “Event of Default” under the Indenture:

(1) default in any payment of interest on any Note issued under the Indenture when due and payable, continued for 30 days;

(2) default in the payment of the principal amount of or premium, if any, on any Note issued under the Indenture when due at its Stated Maturity, upon optional redemption, upon required repurchase, upon declaration or otherwise;

(3) failure by the Company or any of its Restricted Subsidiaries to comply for 60 days after notice by the Trustee or the Holders of at least 30% in principal amount of the outstanding Notes with its other agreements contained in the Indenture;

(4) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Company or any of its Restricted Subsidiaries (or the payment of which Indebtedness is Guaranteed by the Company or any of its Restricted Subsidiaries) other than Indebtedness owed to the Company or a Restricted Subsidiary whether such Indebtedness or Guarantee now exists, or is created after the 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 £25.0 million or more;

(5) certain events of bankruptcy, insolvency or court protection of the Company, the Issuer or a Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Company and its Restricted Subsidiaries), would constitute a Significant Subsidiary (the "*bankruptcy provisions*");

(6) failure by the Company, the Issuer or any Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Company and its Restricted Subsidiaries), would constitute a Significant Subsidiary to pay final judgments aggregating in excess of £25.0 million (exclusive of any amounts that a solvent insurance company has acknowledged liability for), which judgments are not paid, discharged or stayed for a period of 60 days after the judgment becomes final (the "*judgment default provision*");

(7) any security interest under the Security Documents shall, at any time, cease to be in full force and effect (other than in accordance with the terms of the relevant Security Document, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Indenture) with respect to Collateral having a fair market value in excess of £10.0 million for any reason other than the satisfaction in full of all obligations under the Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement or the release of any such security interest in accordance with the terms of the Indenture or the Security Documents or any such security interest created thereunder shall be declared invalid or unenforceable or the Company, 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 Notes Guarantee of a Significant Subsidiary ceases to be in full force and effect (other than in accordance with the terms of such Notes Guarantee or the Indenture) or is declared invalid or unenforceable in a judicial proceeding or any Guarantor denies or disaffirms in writing its obligations under its Notes Guarantee and any such Default continues for 10 days.

If an Event of Default (other than an Event of Default described in clause (5) above) occurs and is continuing, the Trustee by notice to the Issuer or the Holders of at least 30% in principal amount of the outstanding Notes under the Indenture by written notice to the Issuer and the Trustee, may, and the Trustee at the request of such Holders shall, declare the principal of, premium, if any, and accrued and unpaid interest on all the Notes under the Indenture to be due and payable. Upon such a declaration, such principal, premium and accrued and unpaid interest will be due and payable immediately. In the event of a declaration of acceleration of the Notes because an Event of Default described in clause (4) under "*—Events of Default*" has occurred and is continuing, the declaration of acceleration of the Notes shall be automatically annulled if the event of default or payment default triggering such Event of Default pursuant to clause (4) shall be remedied or cured, or waived by the holders of the Indebtedness, or the Indebtedness that gave rise to such Event of Default shall have been discharged in full, within 30 days after the declaration of acceleration with respect thereto and if (1) the annulment of the acceleration of the Notes would not conflict with any judgment or decree of a court of competent jurisdiction and (2) all existing Events of Default, except non-payment of principal, premium or interest on the Notes that became due solely because of the acceleration of the Notes, have been cured or waived.

If an Event of Default described in clause (5) above occurs and is continuing, the principal of, premium, if any, and accrued and unpaid interest on all the Notes will become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holders.

Holders of the Notes may not enforce the Indenture or the Notes except as provided in the Indenture and may not enforce the Security Documents except as provided in such Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement.

The Holders of a majority in principal amount of the outstanding Notes under the Indenture may waive all past or existing Defaults or Events of Default (except with respect to non-payment of principal, premium, interest or Additional Amounts, if any) and rescind any such acceleration with respect to such Notes and its consequences if rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Subject to the provisions of the Indenture relating to the duties of the Trustee, if an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any of the Holders unless such Holders have offered to the Trustee indemnity and/or security (including by way of pre-funding) satisfactory to the Trustee against any loss, liability or expense. Except to enforce the right to receive payment of principal or interest when due, no Holder may pursue any remedy with respect to the Indenture or the Notes unless:

(1) such Holder has previously given the Trustee notice that an Event of Default is continuing;

(2) Holders of at least 30% in principal amount of the outstanding Notes have requested the Trustee to pursue the remedy;

(3) such Holders have offered the Trustee security and/or indemnity satisfactory to it against any loss, liability or expense;

(4) the Trustee has not complied with such request within 60 days after the receipt of the request and the offer of such security or indemnity; and

(5) the Holders of a majority in principal amount of the outstanding Notes have not given the Trustee a direction that, in the opinion of the Trustee, is inconsistent with such request within such 60-day period.

Subject to certain restrictions, the Holders of a majority in principal amount of the outstanding Notes are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee.

The Indenture will provide that, in the event an Event of Default has occurred and is continuing, the Trustee will be required in the exercise of its powers to use the degree of care that a prudent person would use in the conduct of its own affairs. The Trustee, however, may refuse to follow any direction that conflicts with law or the Indenture or that the Trustee determines is unduly prejudicial to the rights of any other Holder or that would involve the Trustee in personal liability. Prior to taking any action under the Indenture, the Trustee will be entitled to indemnification and/or security satisfactory to it in its sole discretion against all losses and expenses caused by taking or not taking such action. The Indenture will provide that if a Default occurs and is continuing and the Trustee is informed of such occurrence by the Company, the Trustee must give notice of the Default to the Holders within 60 days after being notified by the Company. Except in the case of a Default in the payment of principal of, or premium, if any, or interest on any Note, the Trustee may withhold notice if and so long as the Trustee determines that withholding notice is in the interests of the Holders. The Company 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 Company 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 Company is taking or proposes to take in respect thereof.

The Indenture will provide that (i) if a Default occurs for a failure to deliver a report or a required certificate in connection with another default (an "*Initial Default*"), then at the time such Initial Default is cured, such Default for a failure to report or deliver a required certificate in connection with the Initial Default will also be cured without any further action and (ii) any Default or Event of Default for the failure to comply with the time periods prescribed in the covenant entitled "*—Certain Covenants—Reports*" or otherwise to deliver any notice or certificate pursuant to any other provision of the Indenture shall be deemed to be cured upon the delivery of any such report required by such covenant or notice or certificate, as applicable, even though such delivery is not within the prescribed period specified in the Indenture.

The Indenture will provide for the Trustee to take action on behalf of the Holders in certain circumstances, but only if the Trustee is indemnified and/or secured to its satisfaction. It may not be possible for the Trustee to take certain actions in relation to the Notes and, accordingly, in such circumstances the Trustee will be unable to take action, notwithstanding the provision of an indemnity to it, and it will be for Holders to take action directly.

Amendments and Waivers

Subject to certain exceptions, the Notes Documents may be amended, supplemented or otherwise modified with the consent of Holders of at least a majority in principal amount of the Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes) and, subject to certain exceptions, any default or compliance with any provisions thereof may be waived with the consent of the Holders of at least a majority in principal amount of the Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes).

If any amendment, supplement or waiver to the Indenture, the Notes, the Notes Guarantees or the Security Documents will only affect the Fixed Rate Notes or the Floating Rate Notes, only the Holders of a majority in aggregate principal amount of the then outstanding Fixed Rate Notes or Floating Rate Notes (and not the consent of the Holders of the majority of all of the Notes), as the case may be, shall be required. Notwithstanding the foregoing and for the avoidance of doubt, it is understood and agreed that (a) any matter described in clause (1), (2), (3), (4), (5) and (6) in the next succeeding paragraph that by its terms applies to the Fixed Rate Notes shall require the consent of 90% of the holders of the Fixed Rate Notes in order for it to be binding on all holders of the Fixed Rate Notes and (b) any matter described in clause (1), (2), (3), (4), (5) and (6) in the next succeeding paragraph that by its terms applies to the Floating Rate Notes shall require the consent of 90% of the holders of the Floating Rate Notes in order for it to be binding on all holders of the Floating Rate Notes.

However, without the consent of Holders holding not less than 90% (or, in the case of clause (8) below, 75%) of the then outstanding principal amount of the Notes affected, an amendment or waiver may not, with respect to any Notes held by a non-consenting Holder:

(1) reduce the principal amount of Notes whose Holders must consent to an amendment, waiver or modification;

(2) reduce the stated rate of or extend the stated time for payment of interest on any Note;

(3) reduce the principal of, or extend the Stated Maturity of, any Note;

(4) reduce the premium payable upon the redemption of any Note or change the time at which any Note may be redeemed, in each case as described under "*—Optional Redemption*";

(5) make any Note payable in money other than that stated in the Note;

(6) impair the right to institute suit for the enforcement of any such payment on or with respect to such Holder's Notes;

(7) make any change in the provision of the Indenture described under "*—Withholding Taxes*" that adversely affects the right of any Holder of such Notes in any material respect or amends the terms of such Notes in a way that would result in a loss of an exemption from any of the Taxes described thereunder or an exemption from any obligation to withhold or deduct Taxes so described thereunder unless the applicable Payor agrees to pay Additional Amounts, if any, in respect thereof;

(8) release any security interests granted for the benefit of the Holders in the Collateral other than in accordance with the terms of the Intercreditor Agreement, any applicable Additional Intercreditor Agreement, the Indenture or the applicable Security Documents;

(9) waive a Default or Event of Default with respect to the non-payment of principal, premium or interest or Additional Amounts, if any, on the Notes (except pursuant to a rescission of acceleration of the Notes by the Holders of at least a majority in aggregate principal amount of such Notes and a waiver of the payment default that resulted from such acceleration);

(10) release any Guarantor from any of its obligations under its Notes Guarantee or the Indenture, except in accordance with the terms of the Indenture and the Intercreditor Agreement;

(11) waive or modify any provision of the Escrow Agreement (including, without limitation, those relating to the release of the Escrowed Funds), to the extent such provisions relate to the Issuer's obligation to redeem such Notes in a Special Mandatory Redemption, that adversely affects the right of any Holder of such Notes in any material respect; or

(12) make any change in the amendment or waiver provisions which require the Holders' consent described in this sentence.

For the avoidance of doubt, no amendment to or deletion of, or actions taken in compliance with, the covenants described under "*—Certain Covenants*," shall be deemed to impair or affect any rights of holders of the Notes to receive payment of principal of, or premium, if any, or interest on, the Notes.

Notwithstanding the foregoing, without the consent of any Holder, a security provider, the Company, the Trustee, the Security Agent and the other parties thereto, as applicable, may amend or supplement any Notes Documents to:

(1) cure any ambiguity, omission, defect, error or inconsistency;

(2) provide for the assumption by a successor Person of the obligations of the Company or any Restricted Subsidiary under any Notes Document;

(3) add to the covenants or provide for a Notes Guarantee for the benefit of the Holders or surrender any right or power conferred upon the Company or any Restricted Subsidiary;

(4) make any change that would provide additional rights or benefits to the Trustee or the Holders or that does not adversely affect the rights or benefits to the Trustee or any of the Holders in any material respect under the Notes Documents;

(5) make such provisions as necessary (as determined in good faith by the Board of Directors or a member of Senior Management of the Company) for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture;

(6) to provide for any Restricted Subsidiary to provide a Notes Guarantee in accordance with the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" or "*—Certain Covenants—Additional Guarantees*," to add Guarantees with respect to the Notes, to add security to or for the benefit of the Notes, or to confirm and evidence the release, termination, discharge or retaking of any Notes Guarantee or Lien (including the Collateral and the Security Documents) or any amendment in respect thereof with respect to or securing the Notes when such release, termination, discharge or retaking or amendment is provided for under the Indenture, the Security Documents, the Intercreditor Agreement or any Additional Intercreditor Agreement;

(7) to conform the text of the Indenture, the Security Documents or the Notes to any provision of this "*Description of the Notes*" to the extent that such provision in this "*Description of the Notes*" was intended to be a verbatim recitation of a provision of the Indenture, the Security Documents or the Notes;

(8) to evidence and provide for the acceptance and appointment under the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement of a successor Trustee or Security Agent pursuant to the requirements thereof or to provide for the accession by the Trustee or Security Agent to any Notes Document; or

(9) as provided under "*—Additional Intercreditor Agreements*" or "*—Certain Covenants—Impairment of Security Interest*."

In formulating its decision on such matters, the Trustee shall be entitled to require and rely absolutely on such evidence as it deems appropriate, including Officer's Certificates and Opinions of Counsel.

The consent of the Holders is not necessary under the Indenture to approve the particular form of any proposed amendment of any Notes Document. It is sufficient if such consent approves the substance of the proposed amendment. A consent to any amendment or waiver under the Indenture by any Holder of Notes given in connection with a tender of such Holder's Notes will not be rendered invalid by such tender.

Additional Intercreditor Agreements

The Indenture will provide that, at the request of the Issuer, in connection with the Incurrence by the Company or its Restricted Subsidiaries of any Indebtedness, the Company, 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 or a restatement, amendment or other modification of the existing Intercreditor Agreement (an "*Additional 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 Notes Guarantees and priority and release of Security Interests; *provided* that (1) such Additional Intercreditor Agreement will not impose any personal obligations on the Trustee or, in the opinion of the Trustee, adversely affect the rights, duties, liabilities, indemnities or immunities of the Trustee under the Indenture or the Intercreditor Agreement and (2) if more than one such intercreditor agreement is outstanding at any one time, the collective terms of such intercreditor agreements must not conflict.

The Indenture also will provide that, at the direction of the Issuer and without the consent of Holders, the Trustee and the Security Agent shall from time to time enter into one or more amendments to any Intercreditor Agreement or any Additional 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 Company or any Restricted Subsidiary that is subject to any such agreement (including with respect to any Intercreditor Agreement or Additional Intercreditor Agreement, the addition of provisions relating to new Indebtedness ranking junior in right of payment to the Notes); (3) add Restricted Subsidiaries to the Intercreditor Agreement or an Additional Intercreditor Agreement; (4) further secure the Notes (including Additional Notes); (5) make provision for equal and ratable pledges of the Collateral to secure Additional Notes; (6) implement any Permitted Collateral Liens; (7) amend the Intercreditor Agreement or any Additional Intercreditor Agreement in accordance with the terms thereof or (8) make any other change to any such agreement that does not adversely affect the Holders in any material respect. The Company and its Restricted Subsidiaries (including the Issuer) shall not otherwise direct the Trustee or the Security Agent to enter into any amendment to any Intercreditor Agreement or an Additional Intercreditor Agreement without the consent of the Holders of the majority in aggregate principal amount of the Notes then outstanding, except as otherwise permitted 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 the Security Agent or, in the opinion of the Trustee or the Security Agent, as applicable, adversely affect their respective rights, duties, liabilities or immunities under the Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement.

The Indenture will also provide that, in relation to any Intercreditor Agreement or Additional Intercreditor Agreement, prior to the taking of any Enforcement Action (as defined in the Intercreditor Agreement) the Trustee shall consent on behalf of the Holders to the payment, repayment, purchase, repurchase, defeasance, acquisition, retirement or redemption of any obligations subordinated to the Notes thereby; *provided*, *however*, that such transaction would comply with the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*."

The Indenture also will provide that each Holder, by accepting a Note, shall be deemed to have agreed to and accepted the terms and conditions of the Intercreditor Agreement or any Additional Intercreditor Agreement (whether then entered into or entered into in the future pursuant to the provisions described herein) and to have directed the Trustee and the Security Agent to enter into any such Additional Intercreditor Agreement. A copy of the Intercreditor Agreement or any Additional Intercreditor Agreement will be made available for inspection during normal business hours on any Business Day upon prior written request at our offices or at the offices of the Listing Sponsor in Jersey.

Acts by Holders

In determining whether the Holders of the required principal amount of the Notes have concurred in any direction, waiver or consent, the Notes owned by the Issuer or by any Person directly or indirectly controlled, or controlled by, or under direct or indirect common control with, the Issuer will be disregarded and deemed not to be outstanding.

Defeasance

The Issuer at any time may terminate all obligations of the Issuer and each Guarantor under the Notes and the Indenture ("*legal defeasance*") and cure all then existing Defaults and Events of Default, except for certain obligations, including those respecting the defeasance trust, the rights, powers, trusts, duties, immunities and indemnities of the Trustee and the obligations of the Issuer in connection therewith and obligations concerning issuing temporary Notes, registration of Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment and money for security payments held in trust. Subject to the foregoing, if the Issuer exercises its legal defeasance option, the Security Documents and the rights of the Trustee and the Holders under the Intercreditor Agreement or any Additional Intercreditor Agreement in effect at such time will terminate (other than with respect to the defeasance trust).

The Issuer at any time may terminate its and the Guarantors' obligations under the covenants described under "*—Certain Covenants*" (other than clauses (1), (2) and (4) 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 the Significant Subsidiaries (other than the Issuer), the judgment default provision, the guarantee provision and the security default provision described under "*—Events of Default*" ("*covenant defeasance*").

The Issuer at its option at any time may exercise its legal defeasance option notwithstanding its prior exercise of its covenant defeasance option. If the Issuer exercises its legal defeasance option, payment of the Notes may not be accelerated because of an Event of Default with respect to such Notes. If the Issuer exercises its covenant defeasance option with respect to the Notes, payment of the Notes may not be accelerated because of an Event of Default specified in clause (3) (other than with respect to clauses (1), (2) and (4) of the covenant described under "*—Certain Covenants—Merger and Consolidation—The Issuer*," and clauses (1), (2) and (4) of the covenant described under "*—Certain Covenants—Merger and Consolidation—The Company*," (4), (5) (other than with respect to the Issuer), (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 pounds sterling or pounds sterling-denominated UK Government Obligations or a combination thereof sufficient (without reinvestment), in the opinion of the Issuer, acting in good faith, for the payment of principal, premium, if any, and interest on the Notes to redemption or maturity, as the case may be, and must comply with certain other conditions, including delivery to the Trustee of:

(1) an Opinion of Counsel in the United States to the effect that Holders and beneficial owners of the relevant Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit and defeasance and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred (and in the case of legal defeasance only, such Opinion of Counsel in the United States must be based on a ruling of the U.S. Internal Revenue Service or change in applicable U.S. federal income tax law occurring after the Issue Date);

(2) an Officer's Certificate stating that the deposit was not made by the Issuer with the intent of defeating, hindering, delaying, defrauding or preferring any creditors of the Issuer and the Guarantors;

(3) an Officer's Certificate and an Opinion of Counsel (which opinion of counsel may be subject to customary assumptions and exclusions), each stating that 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 Investment Company Act; and

(5) the Issuer delivers to the Trustee all other documents or other information that the Trustee may reasonably require in connection with either defeasance option.

Satisfaction and Discharge

The Indenture, and the rights of the Trustee and the Holders under the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents, will be discharged and cease to be of further effect (except as to surviving rights of conversion or transfer or exchange of the Notes, as expressly provided for in the Indenture) as to all outstanding Notes when (1) either (a) all the Notes previously authenticated and delivered (other than certain lost, stolen or destroyed Notes, and certain Notes for which provision for payment was previously made and thereafter the funds have been released to the Issuer) have been delivered to the Paying Agent for cancellation; or (b) all Notes not previously delivered to the Paying Agent for cancellation (i) have become due and payable, (ii) will become due and payable at their Stated Maturity within one year or (iii) are to be called for redemption within one year under arrangements reasonably satisfactory to the Trustee for the giving of notice of redemption by the Paying Agent in the name, and at the expense, of the Issuer; (2) the Issuer has deposited or caused to be deposited with the Trustee (or another entity designated (or appointed (as agent)) by the Trustee for this purpose), money or pounds sterling-denominated UK Government Obligations, or a combination thereof, as applicable, in an amount sufficient to pay and discharge the entire Indebtedness on the Notes not previously delivered to the Paying Agent for cancellation, for principal, premium, if any, and interest to the date of deposit (in the case of Notes that have become due and payable), or to the Stated Maturity or redemption date, as the case may be; (3) the Issuer has paid or caused to be paid all other sums payable under the Indenture; (4) the Issuer has delivered to the Trustee an Officer's Certificate and an Opinion of Counsel each to the effect that all conditions precedent under the "*Satisfaction and Discharge*" section of the Indenture relating to the satisfaction and discharge of the Indenture have been complied with, *provided* that any such counsel may rely on any Officer's Certificate as to matters of fact (including as to compliance with the foregoing clauses (1), (2) and (3)); and (5) the Issuer has delivered irrevocable instructions to the Trustee to apply the deposited money towards the payment of the Notes at maturity or on the redemption date, as the case may be. If requested by the Issuer in writing, the Trustee may distribute any amount deposited in trust to the Holders prior to the Stated Maturity or the redemption date, as the case may be; *provided*, *however*, that the Holders shall have received at least five (5) Business Days' notice from the Issuer of such earlier payment date (which may be included in the notice of redemption).

No Personal Liability of Directors, Officers, Employees and Shareholders

No director, officer, employee, incorporator or shareholder of the Company, or any of their respective Subsidiaries or Affiliates, as such, shall have any liability for any obligations of the Issuer or any Guarantor under the Notes Documents or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. Such waiver may not be effective to waive liabilities under the U.S. federal securities laws and it is the view of the SEC that such a waiver is against public policy.

Concerning the Trustee and Certain Agents

Deutsche Trustee Company Limited is to be appointed as Trustee under the Indenture. The Indenture will provide that, except during the continuance of an Event of Default, the Trustee will perform only such duties as are set forth specifically in the Indenture. During the existence of an Event of Default of which a responsible officer of the Trustee is informed in writing, the Trustee will exercise such of the rights and powers vested in it under the Indenture and use the same degree of care that a prudent Person would use in conducting its own affairs. The permissive rights of the Trustee to take or refrain from taking any action enumerated in the Indenture will not be construed as an obligation or duty.

The Trustee, the Security Agent, the Paying Agent or any other such Agent will be permitted to engage in other transactions with the Issuer, the Company and its Affiliates and Subsidiaries. If the Trustee, the Security Agent or any Agent becomes the Holder, beneficial owner or pledgee of any Notes, it may deal with the Issuer with the same rights it would have if it were not the Trustee, Paying Agent or any other such Agent.

The Indenture will set out the terms under which the Trustee may retire or be removed, and replaced. Such terms will include, among others, (1) that the Trustee may be removed at any time by the Holders of a majority in principal amount of the then outstanding Notes, or may resign at any time by giving written notice to the Issuer and (2) that if the Trustee at any time (a) has or acquires a conflict of interest that is not eliminated, or (b) becomes incapable of acting as Trustee or becomes insolvent or bankrupt, then the Issuer may remove the Trustee, or any Holder who has been a bona fide Holder for not less than six months may petition any court for removal of the Trustee and appointment of a successor Trustee.

Any removal or resignation of the Trustee shall not become effective until the acceptance of appointment by the successor Trustee.

The Indenture will contain provisions for the indemnification of the Trustee for any loss, liability or expenses incurred without gross negligence, wilful misconduct or fraud on its part, arising out of or in connection with the acceptance or administration of the Indenture.

Notices

If and for so long as any of the Notes are listed on the Official List of the Exchange and if and to the extent the rules of the Exchange so require, the Issuer will notify the Exchange of any notice to the Holders of the Notes and, in connection with any redemption, the Issuer will notify the Exchange of any change in the principal amount of the Notes outstanding. In addition, for so long as any Notes are represented by Global Notes, all notices to Holders of the Notes will be delivered by or on behalf of the Issuer to Euroclear and Clearstream.

Each such notice shall be deemed to have been given on the date of such publication or; if published more than once on different dates, on the first date on which publication is made; *provided* that, if notices are mailed, such notice shall be deemed to have been given on the later of such publication and the seventh day after being so mailed. Any notice or communication mailed to a Holder shall be mailed to such Person by first-class mail or other equivalent means and shall be sufficiently given to such Holder if so mailed within the time prescribed.

Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders. If a notice or communication is mailed in the manner provided above, it is duly given, whether or not the addressee receives it.

Prescription

Claims against the Issuer and the Guarantors for the payment of principal, or premium, if any, on the Notes will be prescribed ten years after the applicable due date for payment thereof. Claims against the Issuer and the Guarantors for the payment of interest on the Notes will be prescribed six years after the applicable due date for payment of interest.

Currency Indemnity and Calculation of Pounds Sterling-Denominated Restrictions

Pounds 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 the Notes and the Notes Guarantees, if any, including damages. Any amount received or recovered in a currency other than pounds sterling, whether as a result of, or the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer, 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 pounds sterling amount is less than the pounds sterling amount expressed to be due to the recipient or the Trustee under any Note, the Issuer and the Guarantors will indemnify them against any loss sustained by such recipient or the Trustee as a result. In any event, the Issuer and the Guarantors will indemnify the recipient or the Trustee on a joint and several basis against the cost of making any such purchase. For the purposes of this currency indemnity provision, it will be prima facie evidence of the matter stated therein for the Holder of a Note or the Trustee to certify in a manner reasonably satisfactory to the Issuer (indicating the sources of information used) the loss it incurred in making any such purchase. These indemnities constitute a separate and independent obligation from the Issuer's and the Guarantors' other obligations, will give rise to a separate and independent cause of action, will apply irrespective of any waiver granted by any Holder of a Note or the Trustee (other than a waiver of the indemnities set out herein) and will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or any Notes Guarantee, or to the Trustee.

Except as otherwise specifically set forth herein, for purposes of determining compliance with any pounds sterling-denominated restriction herein, the Sterling Equivalent amount for purposes hereof that is denominated in a non-pounds sterling currency shall be calculated based on the relevant currency exchange rate in effect on the date such non-pounds sterling amount is Incurred or made, as the case may be.

Listing

Application has been made to list the Notes on the Official List of the Exchange and for permission to be granted to deal in the Notes on the Official List of the Exchange. There can be no assurance that the application to list the Notes on the Official List of the Exchange or that permission to deal in the Notes thereon will be granted, and settlement of the Notes is not conditioned on obtaining this listing or permission.

Enforceability of Judgments

Since substantially all the assets of the Issuer and the Guarantors are located outside the United States, any judgment obtained in the United States against the Issuer or the Guarantors, including judgments with respect to the payment of principal, premium, interest, Additional Amounts, if any, and any redemption price and any purchase price with respect to the Notes, may not be collectable within the United States.

Consent to Jurisdiction and Service

In relation to any legal action or proceedings arising out of or in connection with the Indenture and the Notes, the Issuer and the Guarantors will in the Indenture irrevocably submit to the jurisdiction of the federal and state courts in the Borough of Manhattan in the City of New York, County and State of New York, United States. The Indenture will provide that the Issuer and each Guarantor will appoint an agent for service of process in any suit, action or proceeding with respect to the Indenture, the Notes and the Guarantees brought in any U.S. federal or New York state court located in the City of New York.

Governing Law

The Indenture and the Notes, and the rights and duties of the parties thereunder, shall be governed by and construed in accordance with the laws of the State of New York. The Security Documents will be governed by the law of the location of the relevant asset that is part of the Collateral. The Proceeds Loans shall be governed by and construed in accordance with English law.

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 by the Company or a Restricted Subsidiary 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 by the Company of all of the issued and outstanding Capital Stock of the Target.

"*Acquisition Agreement*" means the Sale and Purchase Agreement, dated October 11, 2016, by and among Nemean Bidco Limited and Invicta Eurocard Services L.P. in respect of, among other things, the purchase of all the issued and outstanding shares of the Target.

"*Acquisition Costs*" means all costs, fees and expenses (and taxes thereon) and all capital, stamp, documentary, registration or other taxes incurred by or on behalf of any of the Company, the Issuer or any other member of the Group in connection with the Acquisitions and all related transactions (including without limitation the financing thereof) and the Transactions.

"*Additional Notes Proceeds Loan*" means any loan agreement entered into between the Issuer and one or more Restricted Subsidiaries (or between Restricted Subsidiaries) pursuant to which the Issuer lends (or such Restricted Subsidiary lends or on lends), on terms substantially similar to those contained in the Proceeds Loans (other than with respect to interest and principal), the proceeds of an issuance of Additional Notes to such Restricted Subsidiary, as amended from time to time.

"*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.

"*Agent*" means the Paying Agent, Registrar and the Transfer Agent.

"*Applicable Premium*" means:

(1) with respect to any Fixed Rate Note on any redemption date prior to February 1, 2020, the greater of:

  (a) 1.0% of the principal amount of such Fixed Rate Note; and

  (b) the excess (to the extent positive) of:

    (i) the present value at such redemption date of (x) the redemption price of such Fixed Rate Note at , 2020 (such redemption price (expressed in percentage of principal amount) being set forth in the table appearing under the caption *"—Optional Redemption—Fixed Rate Notes"* (excluding accrued and unpaid interest)), *plus* (y) all required interest payments due on such Fixed Rate Note to and including February 1, 2020 (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

    (ii) the outstanding principal amount of such Fixed Rate Note.

(2) with respect to any Floating Rate Note on any redemption date prior to February 1, 2018, the greater of:

  (a) 1.0% of the principal amount of such Floating Rate Note; and

(b) the excess (to the extent positive) of:

(i) the present value at such redemption date of (x) the redemption price of such Floating Rate Note at February 1, 2018 (such redemption price (expressed in percentage of principal amount) being set forth in the table appearing under the caption "*—Optional Redemption—Floating Rate Notes*" (excluding accrued and unpaid interest)), *plus* (y) all required interest payments due on such Floating Rate Note to and including February 1, 2018 (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 and assuming that the rate of interest on such Floating Rate Notes from the redemption date through February 1, 2018 will equal the rate of interest on such Floating Rate Notes in effect on such redemption date; over

(ii) the outstanding principal amount of such Floating Rate Note.

The calculation of the Applicable Premium shall be performed by the Issuer or on behalf of the Issuer by such Person as the Issuer shall designate. For the avoidance of doubt, calculation of Applicable Premium shall not be an obligation or duty of the Trustee, the Calculation 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 Capital Stock of a Subsidiary (other than directors' qualifying shares), property or other assets (each referred to for the purposes of this definition as a "disposition") by the Company or any of its Restricted Subsidiaries, including any disposition by means of a merger, consolidation or similar transaction. Notwithstanding the preceding provisions of this definition, the following items shall not be deemed to be Asset Dispositions:

(1) a disposition by a Restricted Subsidiary to the Company or by the Company or a Restricted Subsidiary to a Restricted Subsidiary;

(2) a disposition of cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;

(3) a disposition of inventory (including receivables), trading stock, office equipment or other equipment or assets in the ordinary course of business;

(4) (a) 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 Company and its Restricted Subsidiaries, (b) any transfer, termination, unwinding or other disposition of hedging instruments or arrangements not for speculative purposes and (c) sales in connection with retailer purchase rights entered into in the ordinary course of business;

(5) transactions permitted under "*—Certain Covenants—Merger and Consolidation*" or a transaction that constitutes a Change of Control;

(6) an issuance of Capital Stock by a Restricted Subsidiary to the Company or to another Restricted Subsidiary or as part of or pursuant to an equity incentive or compensation plan approved by the Board of Directors of the Company 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 a member of Senior Management of the Company) of less than the greater of (x) £5.0 million and (y) 0.25% of Total Assets;

(8) any Restricted Payment that is permitted to be made, and is made, under the covenant described above under "*—Certain Covenants—Limitation on Restricted Payments*" and the making of any Permitted Payment or Permitted Investment or, solely for purposes of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*," asset sales, the proceeds of which are used to make such Restricted Payments or Permitted Investments;

(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 in the ordinary course of business or in bankruptcy or similar proceedings (other than factoring or similar arrangements) or any sale of assets received by the Company or a Restricted Subsidiary upon the foreclosure of a Lien granted in favor of the Company or any Restricted Subsidiary;

(11) the licensing or sub-licensing 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 or other loans arising in the ordinary course of business, or the conversion or exchange of accounts receivable for notes receivable;

(14) sales or dispositions 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 Company 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 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 have been or are to be outsourced by the Company or any Restricted Subsidiary to such Person; *provided*, *however*, that the Board of Directors of the Company shall certify that in the opinion of the Board of Directors of the Company, the outsourcing transaction will be economically beneficial to the Company 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 £5.0 million;

(19) an issuance or sale by a Restricted Subsidiary of Preferred Stock that is permitted by the covenant described above under "*—Certain Covenants—Limitation on Indebtedness*";

(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 is applied in accordance with the "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*" covenant; and

(21) any disposition with respect to property built, owned or otherwise acquired by the Company or any Restricted Subsidiary pursuant to customary sale and lease-back transactions, asset securitizations and other similar financings permitted by the Indenture.

"*Associate*" means (1) any Person engaged in a Similar Business of which the Company or its Restricted Subsidiaries are the legal and beneficial owners of between 20% and 50% of all outstanding Voting Stock and (2) any joint venture entered into by the Company or any Restricted Subsidiary.

"*Board of Directors*" means (1) with respect to the Company or any corporation, the board of directors or managers, as applicable, of the corporation, or any duly authorized committee thereof; (2) with respect to any partnership, the board of directors or other governing body of the general partner of the partnership or any duly authorized committee thereof; and (3) with respect to any other Person, the board or any duly authorized committee of such Person serving a similar function. Whenever any provision of the Indenture requires any action or determination to be made by, or any approval of, a Board of Directors, such action, determination or approval shall be deemed to have been taken or made if approved by a majority of the directors (excluding employee representatives, if any) on any such Board of Directors (whether or not such action or approval is taken as part of a formal board meeting or as a formal board approval).

"*Business Day*" means each day that is not a Saturday, Sunday or other day on which banking institutions in London, United Kingdom, Jersey or a place of payment under the Indenture are authorized or required by law to close.

"*Calculation Agent*" means a financial institution appointed by the Issuer to calculate the interest rate payable on the Floating Rate Notes in respect of each interest period, which shall initially be Deutsche Bank AG, London Branch.

"*Capital Stock*" of any Person means any and all shares of, rights to purchase, warrants or options for, or other equivalents of or partnership or other interests in (however designated), equity of such Person, including any Preferred Stock, but excluding any debt securities convertible into such equity.

"*Capitalized Lease Obligations*" means an obligation that is required to be classified and accounted for as a 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 governments, a member state of the European Union, Switzerland or Norway 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 or, in each case, any agency or instrumentality of thereof (*provided* that the full faith and credit of such country or such member state is pledged in support thereof), having maturities of not more than two years from the date of acquisition;

(2) certificates of deposit, time deposits, eurodollar time deposits, overnight bank deposits or bankers' acceptances having maturities of not more than one year from the date of acquisition thereof issued 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, Switzerland or Norway or any political subdivision thereof, in each case, having one of the two highest rating categories obtainable from either Moody's or S&P (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of not more than two years from the date of acquisition;

(6) Indebtedness or preferred stock issued by Persons with a rating of "BBB–" or higher from S&P or "Baa3" or higher from Moody's (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of 12 months or less from the date of acquisition;

(7) bills of exchange issued in the United States, Canada, a member state of the European Union, Switzerland, Norway or Japan eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent); and

(8) interests in any investment company, money market or enhanced high yield fund which invests 95% or more of its assets in instruments of the type specified in clauses (1) through (7) above.

"*Change of Control*" means the occurrence of any of the following:

(1) the Company becoming aware (by way of a report or any other filing pursuant to Section 13(d) of the Exchange Act, proxy, vote, written notice or otherwise) that any "person" or "group" of related persons (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act as in effect on the Issue Date),

other than one or more Permitted Holders, is or becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act as in effect on the Issue Date), directly or indirectly, of more than 50% of the total voting power of the Voting Stock of the Company;

(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 Company and its Restricted Subsidiaries taken as a whole to a Person, other than a Restricted Subsidiary or one or more Permitted Holders; and

(3) the first day on which (a) the Company shall fail to directly or indirectly own 100% of the issued and outstanding Voting Stock and Capital Stock of the Issuer or otherwise ceases to control the Issuer (unless the Company otherwise becomes the Issuer in accordance with "*—Certain Covenants—Merger and Consolidation*") and (b) UK Holdco (or any Parent Holdco of UK Holdco, which is the Company or a Restricted Subsidiary of the Company) shall fail to directly or indirectly own 100% of the issued and outstanding Voting Stock and Capital Stock of the Issuer,

provided that, in the case of the preceding clauses (1) or (2), a Change of Control shall not be deemed to have occurred if such a Change of Control is also a Specified Change of Control Event.

"*Clearstream*" means Clearstream Banking, société anonyme, or any successor thereof.

"*Collateral*" means any and all assets from time to time in which a security interest has been or will be granted on the Issue Date or thereafter pursuant to any Security Document to secure the obligations under the Indenture, the Notes and/or any Notes Guarantee.

"*Commodity Hedging Agreements*" means, in respect of a Person, any commodity purchase contract, commodity futures or forward contract, commodities option contract or other similar contract (including commodities derivative agreements or arrangements), to which such Person is a party or a beneficiary.

"*Company"* means Nemean Bidco Limited, and its successors and assigns.

"*Completion Date*" means the date on which the Acquisition will be consummated.

"*Consolidated EBITDA*" for any period means, without duplication, the Consolidated Net Income for such period, *plus* the following to the extent deducted in calculating such Consolidated Net Income:

(1) Non-Securitization Fixed Charges;

(2) Consolidated Income Taxes;

(3) consolidated depreciation expense;

(4) consolidated amortization or impairment expense (excluding amortization of a prepaid cash charge or expense that was paid in a prior period);

(5) any expenses, charges or other costs related to any actual, proposed or contemplated issuance of Capital Stock, listing (actual or proposed) of Capital Stock (including any one-time expense relating to enhanced accounting functions or other transaction costs associated with becoming a public company), Investment, acquisition (including the Acquisition and all Acquisition Costs, as well as 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, Restricted Payment or the Incurrence or registration (actual or proposed) of any Indebtedness (including a refinancing thereof) permitted by the Indenture (whether or not successful) including (i) any such fees, expenses or charges related to the implementation of any Credit Facility or establishment of any Qualified Securitization Financing, and (ii) any amendment, waiver or other modification of the Notes, any Credit Facility, any Qualified Securitization Financing, any other Indebtedness or any offering of Capital Stock, in each case, whether or not consummated, as determined in good faith by the Board of Directors or a member of Senior Management of the Company;

(6) any minority interest expense (whether paid or not) consisting of income attributable to minority equity interests of third parties in such period or any prior period or any net earnings, income or share of profit of any Associates, 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 (including termination 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 Company as special, extraordinary, exceptional, unusual or nonrecurring items (including, without limitation, items associated with PPI and CPP) less other non-cash items of income increasing Consolidated Net Income (excluding any such non-cash item of income to the extent it represents a receipt of cash 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 (to the extent such amounts are not duplicative with any special, extraordinary, exceptional, unusual or nonrecurring item relating to the same event which has not been excluded);

(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 (including the Acquisition) to the extent such expenses were included in computing Consolidated Net Income (to the extent such amounts are not duplicative with any special, extraordinary, exceptional, unusual or nonrecurring item relating to the same event has not been excluded); and

(11) all expenses incurred directly in connection with any early extinguishment of Indebtedness.

"*Consolidated Income Taxes"* means Taxes or other payments, including deferred taxes, based on income or profits of any of the Company and its Restricted Subsidiaries whether or not paid, estimated, accrued or required to be remitted to any governmental authority.

"*Consolidated Interest Expense*" means, for any period (in each case, determined on the basis of IFRS), the consolidated net interest income (expense) of the Company 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 Company and all Preferred Stock of any Restricted Subsidiary, to the extent held by Persons other than the Company or a Subsidiary of the Company, *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 Company;

(6) the consolidated interest expense that was capitalized during such period (but excluding any interest capitalized, accrued, accreted or paid in respect of Subordinated Shareholder Funding); and

(7) interest actually paid by the Company 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, (ii) any expense resulting from the discounting of any Indebtedness in connection with the application of purchase accounting in connection with any acquisition, and (iii) interest with respect to Indebtedness of any Holding Company of such Person appearing upon the balance sheet of such Person solely by reason of push-down accounting under IFRS.

"*Consolidated Net Income*" means, for any period, the net income (loss) of the Company and its Restricted Subsidiaries (subject to the proviso in the definition of Limited Condition Acquisition) determined on a consolidated basis on the basis of IFRS; *provided*, *however*, that there will not be included in such Consolidated Net Income:

(1) subject to the limitations contained in clause (3) below, any net income (loss) of any Person if such Person is not a Restricted Subsidiary, except that the Company's equity in the net income of any such Person for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed by such Person during such period to the Company or a Restricted Subsidiary as a dividend or other distribution or return on investment (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) *provided* that, for the purposes of sub-clause (c)(i) of the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*," such dividend, other distribution or return on investment does not reduce the amount of Investments outstanding under clauses (10) or (12) of the definition of "Permitted Investments";

(2) solely for the purpose of determining the amount available for Restricted Payments under sub-clauses (c)(i) of the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*," any net income (but not loss) of any Restricted Subsidiary (other than a Guarantor) if such Restricted Subsidiary is subject to restrictions on the payment of dividends or the making of distributions by such Restricted Subsidiary to the Company (or any Guarantor that holds the equity interests of such Restricted Subsidiary, as applicable) by operation of the terms of such Restricted Subsidiary's charter or any agreement, instrument, judgment, decree, order, statute or governmental rule or regulation applicable to such Restricted Subsidiary or its shareholders (other than (a) restrictions that have been waived or otherwise released, (b) restrictions pursuant to the Notes or the Indenture, (c) contractual restrictions in effect on the Completion Date with respect to a Restricted Subsidiary 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 Completion Date, and (d) restrictions specified in clause (11) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Restrictions on Distributions from Restricted Subsidiaries*," except that the Company's equity in the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed or that could have been distributed by such Restricted Subsidiary during such period to the Company or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend to another Restricted Subsidiary (other than any 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 Company or any Restricted Subsidiaries (including pursuant to any sale/ leaseback transaction) which is not sold or otherwise disposed of in the ordinary course of business (as determined in good faith by an Officer or the Board of Directors of the Company);

(4) any extraordinary, 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 or any investments), acquisition costs, business optimization, information technology implementation or development costs, 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, 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 and any amortization of deferred financing costs related to any Qualified Securitization Financing;

(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 foreign currency translation or transaction gains or losses in respect of Indebtedness or other obligations of the Company or any Restricted Subsidiary 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 Company or any Restricted Subsidiary owing to the Company 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 or any acquisition of another Person or business or resulting from any reorganization or restructuring involving the Company or any of 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 Net Leverage*" means the sum of the aggregate outstanding Indebtedness of the Company 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 Board of Directors or a member of Senior Management of the Company)) *less* cash, Cash Equivalents and Temporary Cash Investments (in each case other than Restricted Cash) of the Company and its Restricted Subsidiaries, as of the relevant date of calculation on a consolidated basis on the basis of IFRS.

"*Consolidated Net Leverage Ratio*" means, as of any date of determination, the ratio of (x) Consolidated Net 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 Company are available (determined for any fiscal quarter (or portion thereof) ending prior to the Completion Date, on a *pro forma* basis to give effect to the Acquisition as if it had occurred at the beginning of such four-quarter period). In the event that the Company 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 Net Leverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Consolidated Net Leverage Ratio is made (the "*Calculation Date*"), then the Consolidated Net Leverage Ratio will be calculated giving *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of the Company) 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 (other than in connection with making any Restricted Payment pursuant to clauses (10) and (17) of the third paragraph of the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*") 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 Restricted Payments*" 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 Restricted Payments*."

In addition, for purposes of calculating the Consolidated Net Leverage Ratio:

(1) acquisitions and Investments (each, a "*Purchase*") that have been made by the Company 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 Company 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 Company and may include anticipated expense and cost reduction synergies) as if they had occurred on the first day of the reference period; *provided* that, if definitive documentation has been entered into with respect to a Purchase that is part of the transaction causing a calculation to be made hereunder, Consolidated EBITDA for such period will be calculated after giving *pro forma* effect to such Purchase (including anticipated synergies and cost savings) as if such Purchase had occurred on the first day of such period, even if the Purchase has not yet been consummated as of the date of determination;

(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 expense and cost reduction synergies resulting from any such disposal, as determined in good faith by a responsible accounting or financial officer of the Company);

(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 Company 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;

(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 Company's functional currency, that indebtedness for purposes of the calculation of Consolidated Net Leverage shall be treated in accordance with IFRS; and

(7) the reasonably anticipated full run rate effect of expense and cost reduction synergies (as determined in good faith by an Officer of the Company responsible for accounting or financial reporting) projected to result from actions taken by the Company or its Restricted Subsidiaries shall be included as though such synergies had been achieved on the first day of the relevant period, net of the amount of actual benefits realized during such period from such actions; *provided* that such synergies (a) are reasonably identifiable and factually supportable and (b) are not duplicative of any cost savings, reductions or synergies already included for such period.

For the purposes of the definitions of Consolidated EBITDA, Consolidated Income Taxes, Consolidated Interest Expense and Consolidated Net Income calculations will be determined in accordance with the terms set forth above.

"*Consolidated Senior Secured Net Leverage*" means the aggregate outstanding Senior Secured Indebtedness of the Company and its Restricted Subsidiaries (excluding Hedging Obligations) *less* cash, Cash Equivalents and Temporary Cash Investments (in each case other than Restricted Cash) of the Company and its Restricted Subsidiaries, as of the relevant date of calculation on a consolidated basis in accordance with IFRS.

"*Consolidated Senior Secured Net Leverage Ratio*" means, as of any date of determination, the ratio of (x) Consolidated Senior Secured Net 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 Company are available (determined for any fiscal quarter (or portion thereof) ending prior to the Completion Date, or a *pro forma* basis to give effect to the Acquisition, as if it had occurred at the beginning of such four-quarter period), 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 Net Leverage Ratio; *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*" (other than clause (5) of such paragraph) and (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*."

"*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.

"*continuing*" means, with respect to any Default or Event of Default, that such Default or Event of Default has not been cured or waived.

"*CPP*" means credit protection plans.

"*Credit Facility*" means, with respect to the Company or any of its Subsidiaries, one or more debt facilities, arrangements, instruments or indentures (including any commercial paper facilities and/or overdraft facilities but excluding any Qualified Securitization Financing) with banks, institutions or investors providing for revolving credit loans, term loans, 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 one or more other credit or other agreements, indentures, financing agreements or otherwise) and in each case including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including any notes and letters of credit issued pursuant thereto and any Guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other Guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term "Credit Facility" shall include any agreement or instrument (1) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (2) adding Subsidiaries of the Company as additional borrowers or guarantors thereunder, (3) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder or (4) otherwise altering the terms and conditions thereof.

"*Currency Agreement*" means, in respect of a Person, any foreign exchange contract, currency swap agreement, currency futures contract, currency option contract, currency derivative or other similar agreement to which such Person is a party or beneficiary.

"*Default*" means any event which is, or after notice or passage of time or both would be, an Event of Default.

"*Designated Contribution*" means the Net Cash Proceeds or an amount equal to the fair market value of property or assets received by the Company as capital contributions to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or from Parent Debt Contributions or Excluded Amounts) of the Company after the Issue Date or from the issuance or sale (other than to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Company or any Subsidiary of the Company for the benefit of its employees to the extent funded by the Company or any Restricted Subsidiary) of Capital Stock (other than Disqualified Stock or Designated Preference Shares, Parent Debt Contributions or Excluded Amounts) or Subordinated Shareholder Funding of the Company, in each case, to the extent designated as a Designated Contribution on the date of receipt of such Net Cash Proceeds or assets pursuant to an Officer's Certificate of the Company; *provided* that the proceeds from Indebtedness which have been contributed as a Parent Debt Contribution to the Company or any Restricted Subsidiary shall not be a Designated Contribution.

"*Designated Non-Cash Consideration*" means the fair market value (as determined in good faith by the Board of Directors or a member of Senior Management of the Company) of non-cash consideration received by the Company or one of its Restricted Subsidiaries in connection with an Asset Disposition that is so designated as Designated Non-Cash Consideration pursuant to an Officer's Certificate, setting forth the basis of such valuation, *less* the amount of cash, Cash Equivalents or Temporary Cash Investments received in connection with a subsequent payment, redemption, retirement, sale or other disposition of such Designated Non-Cash Consideration. A particular item of Designated Non-Cash Consideration will no longer be considered to be outstanding when and to the extent it has been paid, redeemed or otherwise retired or sold or otherwise disposed of in compliance with the covenant described under "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*."

"*Designated Preference Shares*" means, with respect to the Company or any Parent, Preferred Stock (other than Disqualified Stock) (1) that is issued for cash (other than to the Company or a Subsidiary of the Company or an employee stock ownership plan or trust established by the Company or any such Subsidiary for the benefit of their employees to the extent funded by the Company or such Subsidiary) and (2) that is designated as "Designated Preference Shares" pursuant to an Officer's Certificate of the Company at or prior to the issuance thereof, the Net Cash Proceeds of which are excluded from the calculation set forth in sub-clause (c)(ii) of the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*."

"*Disqualified Stock*" means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable, in each case, at the option of the holder of the Capital Stock), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder of the Capital Stock, in whole or in part, in each case on or prior to the date that is 90 days after the earlier of (1) the Stated Maturity of the Notes or (2) the date on which there are no Notes outstanding. Notwithstanding the preceding sentence, any Capital Stock that would constitute Disqualified Stock solely because the holders of the Capital Stock have the right to require the issuer thereof to repurchase such Capital Stock upon the occurrence of a Change of Control or an Asset Disposition will not constitute Disqualified Stock if the terms of such Capital Stock provide that the issuer thereof may not repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or redemption complies with the covenant described under the caption "*—Certain Covenants—Limitation on Restricted Payments*." For purposes hereof, the amount of Disqualified Stock which does not have a fixed repurchase price shall be calculated in accordance with the terms of such Disqualified Stock as if such Disqualified Stock were purchased on any date on which Indebtedness shall be required to be determined pursuant to the Indenture, and if such price is based upon, or measured by, the fair market value of such Disqualified Stock, such fair market value to be determined as set forth herein. Only the portion of Capital Stock which so matures or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to such date will be deemed to be Disqualified Stock.

"*Equity Contribution*" has the meaning given to such term in "*The Transactions*."

"*Equity Offering*" means (1) a sale of Capital Stock of the Company (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 (2) 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 Designated Contributions, a Parent Debt Contribution or Excluded Amounts) of the Company or any of its Restricted Subsidiaries.

"*Euroclear*" means Euroclear Bank SA/NV or any successor thereof.

"*European Union*" means all members of the European Union as of January 1, 2004.

"*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 any Restricted Payment by the Company or any Restricted Subsidiary in an amount not to exceed the aggregate amount of all Designated Contributions, *less* any amounts of Indebtedness Incurred pursuant to clause (13) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*," in each case as of the date of such determination, which amounts are so designated as an Excluded Contribution pursuant to an Officer's Certificate of the Company on the date of the making thereof and not subsequently undesignated as such.

"*Existing Securitization Financing*" means each Securitization Financing entered into by the Target Group prior to the Completion Date and as amended, restated, modified, renewed or supplemented from time to time thereafter.

"*fair market value*" wherever such term is used in this "*Description of the Notes*" or the Indenture (except in relation to an enforcement action pursuant to the Intercreditor Agreement and except as otherwise specifically provided in this "*Description of the Notes*" or the Indenture), may be conclusively established by means of an Officer's Certificate or a resolution of the Board of Directors of the Company setting out such fair market value as determined by such Officer or such Board of Directors in good faith.

"*Fixed Charge Corporate Debt Coverage Ratio*" means, as of any date of determination with respect to any specified Person, the ratio of (1) 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 (2) the Non-Securitization 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 or issues, repurchases or redeems Disqualified Stock or Preferred Stock subsequent to the commencement of the period for which the Fixed Charge Corporate Debt Coverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Fixed Charge Corporate Debt Coverage Ratio is made (the "*Calculation Date*"), then the Fixed Charge Corporate Debt 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 reductions and 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 Non-Securitization 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 Corporate Debt 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 Corporate Debt 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 reductions and synergies, as if they had occurred on the first day of the four-quarter reference period;

(2) the Consolidated EBITDA 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;

(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 if such Hedging Obligation has a remaining term as at the Calculation Date in excess of 12 months, or, if shorter, at least equal to the remaining term of such Indebtedness); 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 Company to be the rate of interest implicit in such Capitalized Lease Obligation in accordance with IFRS.

"*Gilt Rate*" means, with respect to any redemption date, as selected by the Company, the yield to maturity as of such redemption date of UK Government Obligations 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 (2) business days in London (but not more than five (5) 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 selected in good faith by the Board of Directors or a member of Senior Management of the Company)) most nearly equal to the period from the redemption date to, with respect to the Fixed Rate Notes, February 1, 2020, or, with respect to the Floating Rate Notes, February 1, 2018; *provided*, *however*, that if the period from the redemption date to, with respect to the Fixed Rate Notes, February 1, 2020, or, with respect to the Floating Rate Notes, February 1, 2018, is less than one year, the weekly average yield on actually traded UK Government Obligations denominated in pounds 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 (1) the Company, (2) the Subsidiary Guarantors and (3) any Restricted Subsidiary that Guarantees the Notes.

"*Hedging Obligations*" of any Person means the obligations of such Person pursuant to any Interest Rate Agreement, Currency Agreement or Commodity Hedging Agreement.

"*Holder*" means each Person in whose name the Notes are registered on the Registrar's books, which shall initially be the respective nominee of Euroclear or Clearstream, as applicable.

"*Holding Company*" means, in relation to any Person, any other Person in respect of which it is a Subsidiary.

"*IFRS*" means International Financial Reporting Standards (formerly International Accounting Standards) (IFRS) endorsed from time to time by the European Union (as then constituted, or, at the election of the Company, by the United Kingdom if the United Kingdom is no longer a member of the European Union) or any variation thereof with which the Issuer or its Restricted Subsidiaries are, or may be, required to comply. Except as otherwise set forth in the Indenture, all ratios, baskets and calculations that are based on IFRS contained in the Indenture shall be computed in accordance with IFRS as in effect on the Issue Date; *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; *provided further* that the impact of IFRS 9 Financial Instruments and IFRS 16 Leases and any successor standards thereto may, at the option of the Company, be disregarded with respect to all ratios, baskets and calculations based upon IFRS to be calculated or made, as the case may be, pursuant to the Indenture and (without limitation) any lease, concession or license of property that would be considered an operating lease under IFRS as of the Issue Date and any guarantee given by the Issuer or any Restricted Subsidiary in the ordinary course of business solely in connection with, and in respect of, the obligations of the Issuer or any Restricted Subsidiary under any such operating lease shall be accounted for in accordance with IFRS as in effect on the Issue Date.

"*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 a member of Senior Management of the Company) and (b) the amount of such Indebtedness of such other Persons;

(8) Guarantees by such Person of the principal component of Indebtedness of other Persons to the extent Guaranteed by such Person; and

(9) to the extent not otherwise included in this definition, net obligations of such Person under Currency Agreements, Interest Rate Agreements and Commodity Hedging Agreements (the amount of any such obligations to be equal at any time to the termination value of such agreement or arrangement giving rise to such obligation that would be payable by such Person at such time).

The amount of Indebtedness of any Person at any time in the case of a revolving credit or similar facility shall be the total amounts of funds borrowed and then outstanding. The amount of Indebtedness of any Person at any date shall be determined as set forth above or otherwise provided in the Indenture, and (other than with respect to letters of credit or Guarantees or Indebtedness specified in clause (7) or (8) above) 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.

Notwithstanding the above provisions, in no event shall the following constitute Indebtedness:

(1) Subordinated Shareholder Funding;

(2) 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;

(3) prepayments of deposits received from clients or customers in the ordinary course of business;

(4) obligations under any license, permit or other approval (or Guarantees given in respect of such obligations) Incurred prior to the Completion Date or in the ordinary course of business;

(5) Contingent Obligations Incurred in the ordinary course of business and accrued liabilities Incurred in the ordinary course of business that are not more than 90 days past due;

(6) in connection with the purchase by the Company or any Restricted Subsidiary of any business, any post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such

business after the closing; *provided*, *however*, that, at the time of closing, the amount of any such payment is not determinable and, to the extent such payment thereafter becomes fixed and determined, the amount is paid within 30 days thereafter;

(7) obligations under or in respect of a Qualified Securitization Financing;

(8) 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; or

(9) obligations arising in connection with the payment of any annual insurance premium or software licenses by installments.

"*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 one or more investment funds or limited partnerships advised or managed by (1) Cinven Capital Management (VI) Limited Partnership Incorporated in its capacity as general partner of such investment funds or limited partnerships, acting through its general partner Cinven Capital Management (VI) General Partner Limited, and (2) CVC Capital Partners Advisory Company (Luxembourg) S.à. r.l. and CVC Capital Partners SICAV-FIS S.A. and, in each case (whether individually or as a group), Affiliates (including, without limitation, subsidiaries and investors in those funds and limited partnerships who are investors in such funds or partnerships) and direct and indirect subsidiaries of the foregoing (but excluding, in each case, any portfolio companies in which such funds or limited partnerships hold an investment and excluding CVC Credit Partners Group Holdings Foundation and its direct and indirect subsidiaries).

"*Initial Public Offering*" means an Equity Offering of common stock or other common equity interests of the Company or any Parent or any successor of the Company or any Parent (the "*IPO Entity*") following which there is a Public Market and, as a result of which, the shares of common stock or other common equity interests of the IPO Entity in such offering are listed on an internationally recognized exchange or traded on an internationally recognized market.

"*Intercreditor Agreement*" means the intercreditor agreement dated on or about the Issue Date as amended from time to time, between, among others, Nemean Bidco Limited as the company and an original debtor, Nemean Bondco plc as the senior secured notes issuer, a funding loan lender and an original debtor, Nemean Midco Limited as the original subordinated creditor and Deutsche Trustee Company Limited as senior secured notes trustee.

"*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 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 Company or any Restricted Subsidiary issues, sells or otherwise disposes of any Capital Stock of a Person that is a Restricted Subsidiary such that, after giving effect thereto, such Person is no longer a Restricted Subsidiary, any Investment by the Company or any Restricted Subsidiary in such Person remaining after giving effect thereto will be deemed to be a new Investment 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 Company's equity interest in a Restricted Subsidiary to be designated as an Unrestricted Subsidiary) of the fair market value of the net assets of such Restricted Subsidiary at the time that such Restricted Subsidiary is designated an Unrestricted Subsidiary; 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 a member of Senior Management of the Company.

The amount of any Investment outstanding at any time shall be the original cost of such Investment, reduced (at the Company's option) by any dividend, distribution, interest payment, return of capital, repayment or other amount or value received in respect of such Investment.

"*Investment Grade Securities*" means:

(1) securities issued or directly and fully Guaranteed or insured by the United States or Canadian government or any agency or instrumentality thereof (other than Cash Equivalents);

(2) securities issued or directly and fully guaranteed or insured by a member of the European Union, Switzerland or Norway or any agency or instrumentality thereof (other than Cash Equivalents) 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 or, in each case, any agency or instrumentality thereof;

(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 Rating Organization, but excluding any debt securities or instruments constituting loans or advances among the Company and its Subsidiaries; and

(4) investments in any fund that invests exclusively in investments of the type described in clauses (1), (2) and (3) above which fund may also hold cash and Cash Equivalents pending investment or distribution.

"*Investment Grade Status*" shall occur when all of the Notes receive both of the following:

(1) a rating of "BBB–" or higher from S&P; and

(2) a rating of "Baa3" or higher from Moody's,

or the equivalent of such rating by either such rating organization or, if no rating of Moody's or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Rating Organization.

"*IPO Market Capitalization*" means an amount equal to (1) 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* (2) 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 the first date on which Notes are issued.

"*Issuer*" means Nemean Bondco plc, a public limited company incorporated under the laws of England and Wales, and its successors and assigns.

"*Lien*" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof).

"*Limited Condition Acquisition*" means any acquisition, including by way of merger, amalgamation or consolidation, by the Company or one or more of its Restricted Subsidiaries whose consummation is not conditioned upon the availability of, or on obtaining, third party financing; *provided* that the Consolidated Net Income (and any other financial term derived therefrom), other than for purposes of calculating any ratios in connection with the Limited Condition Acquisition, shall not include any Consolidated Net Income of or attributable to the target company or assets associated with any such Limited Condition Acquisition unless and until the closing of such Limited Condition Acquisition shall have actually occurred.

"*Management Advances*" means loans or advances made to, or Guarantees with respect to loans or advances made to, directors, officers, employees or consultants of any Parent, the Company or any Restricted Subsidiary:

(1) in respect of travel, entertainment or moving related expenses Incurred in the ordinary course of business;

(2) in respect of moving related expenses Incurred in connection with any closing or consolidation of any facility or office; or

(3) (in the case of this clause (3)) not exceeding £5.0 million in the aggregate outstanding at any time.

"*Management Investors*" means (1) members of the management team of the Company or any Restricted Subsidiary investing, or committing to invest, directly or indirectly, in the Company as at the Completion Date and any subsequent members of the management team of the Company or any Restricted Subsidiary who invest directly or indirectly in the Company from time to time and (2) such entity as may hold shares transferred by departing members of the management team of the Company or any Restricted Subsidiary for future redistribution to such management team.

"*Market Capitalization*" means an amount equal to (1) 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* (2) 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.

"*Moody's*" means Moody's Investors Service, Inc. or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"*Nationally Recognized Statistical Rating Organization*" means a nationally recognized statistical rating organization within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the Exchange Act.

"*Net Available Cash*" from an Asset Disposition means cash payments received (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise and net proceeds from the sale or other disposition of any securities received as consideration, but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring person of Indebtedness or other obligations relating to the properties or assets that are the subject of such Asset Disposition or received in any other non-cash form) therefrom, in each case net of:

(1) all legal, accounting, investment banking, title and recording tax expenses, commissions and other fees and expenses Incurred, and all Taxes paid or required to be paid or accrued as a liability under IFRS (after taking into account any available tax credits or deductions and any Tax Sharing Agreements), as a consequence of such Asset Disposition;

(2) all payments made on any Indebtedness which is secured by any assets subject to such Asset Disposition, in accordance with the terms of any Lien upon such assets, or which must by its terms, or in order to obtain a necessary consent to such Asset Disposition, or 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 Company or any of their respective Subsidiaries) in Subsidiaries or joint ventures as a result of such Asset Disposition; and

(4) the deduction of appropriate amounts required to be provided by the seller as a reserve, on the basis of IFRS, against any liabilities associated with the assets disposed of in such Asset Disposition and retained by the Company or any Restricted Subsidiary after such Asset Disposition.

"*Net Cash Proceeds*" means, with respect to any issuance or sale of Capital Stock or Subordinated Shareholder Funding, 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 York Uniform Commercial Code*" means the New York Uniform Commercial Code.

"*Non-Securitization Fixed Charges*" means, with respect to any specified Person for any period, the sum, without duplication, of:

(1) the consolidated interest expense (net of interest income) of such Person and its Subsidiaries which are Restricted Subsidiaries for such period (other than any consolidated interest expense (and interest income) attributable to any Qualified Securitization Financing), whether paid or accrued, including, without limitation, amortization of debt discount (but not debt issuance costs, commissions, fees and expenses), non-cash interest payments (but excluding any non-cash interest expense attributable to the movement in the mark-to-market valuation of Hedging Obligations or other derivative instruments), the interest component of deferred payment obligations, the interest component of all payments associated with Capital Lease Obligations, commissions, discounts and other fees and charges incurred in respect of letter of credit or bankers' acceptance financings (and, for the avoidance of doubt, excluding any of the foregoing with respect to any Qualified Securitization Financing); *plus*

(2) the consolidated interest expense of such Person and its Subsidiaries which are Restricted Subsidiaries that was capitalized during such period (other than any consolidated interest expense attributable to any Qualified Securitization Financing); *plus*

(3) any interest on Indebtedness of another Person that is guaranteed by such Person or one of its Subsidiaries which is a Restricted Subsidiary or secured by a Lien on assets of such Person or one of its Subsidiaries which is a Restricted Subsidiary (other than any interest on Indebtedness attributable to any Qualified Securitization Financing); *plus*

(4) net payments and receipts (if any) pursuant to interest rate Hedging Obligations (excluding amortization of fees) with respect to Indebtedness (other than such payments or receipts attributable to any Qualified Securitization Financing); *plus*

(5) all dividends, whether paid or accrued and whether or not in cash, on any series of Preferred Stock of any Restricted Subsidiary, other than dividends on Capital Stock payable to such person or a Restricted Subsidiary or such person.

Notwithstanding the foregoing, any fees and expenses with respect to the repayment, repurchase, prepayment or redemption of Indebtedness will not be deemed Non-Securitization Fixed Charges.

"*Notes Documents*" means the Notes (including any Additional Notes), the Notes Guarantees, the Indenture, the Security Documents, the Escrow Agreement, the Intercreditor Agreement and any Additional Intercreditor Agreement.

"*Offering Memorandum*" means this offering memorandum in relation to the Notes.

"*Officer*" means, with respect to any Person, (1) any member of the Board of Directors, the Chief Executive Officer, the President, the Chief Financial Officer, any Vice President, the Treasurer or the Secretary (a) of such Person or (b) if such Person is owned or managed by a single entity, of such entity, or (2) any other individual designated as an "Officer" for the purposes of the Indenture by the Board of Directors of such Person.

"*Officer's Certificate*" means, with respect to any Person, a certificate signed by one Officer of such Person.

"*Opinion of Counsel*" means a written opinion from legal counsel reasonably satisfactory to the Trustee. The counsel may be an employee of or counsel to the Company or its Subsidiaries.

"*Parent*" means any Person of which the Company at any time is or becomes a Subsidiary on or after the Completion 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 Company or any of its Restricted Subsidiaries pursuant to which dividends or other distributions may be paid pursuant to clause (19) of the second paragraph under "*—Certain Covenants—Limitation on Restricted Payments*."

"*Parent Expenses*" means:

(1) costs (including all professional fees and expenses) Incurred by any Parent in connection with reporting obligations under or otherwise Incurred in connection with compliance with applicable laws, rules or regulations of any governmental, regulatory or self-regulatory body or stock exchange, the Indenture or

any other agreement or instrument relating to Indebtedness of the Company or any Restricted Subsidiary, including in respect of any reports filed with respect to the Securities Act, Exchange Act or the respective rules and regulations promulgated thereunder;

(2) customary indemnification obligations of any Parent owing to directors, officers, employees or other Persons under its charter or by-laws or pursuant to written agreements with any such Person to the extent relating to the Company and its Subsidiaries;

(3) obligations of any Parent in respect of director and officer insurance (including premiums therefor) to the extent relating to the Company and its Subsidiaries;

(4) fees and expenses payable by any Parent in connection with the Transactions (including all Acquisition Costs);

(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 Company or any of its Restricted Subsidiaries, (b) costs and expenses with respect to the ownership, directly or indirectly, by any Parent, (c) any Taxes (for the avoidance of doubt, excluding any income 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 Company and its Subsidiaries or any Parent or any other Person established for purposes of or in connection with this offering of the Notes or which holds directly or indirectly any Capital Stock or Subordinated Shareholder Funding of the Company, in an amount not to exceed £2.0 million in any fiscal year;

(7) any income taxes of any Parent, to the extent such income taxes are attributable to the income of the Company and its Restricted Subsidiaries and, to the extent of the amount actually received in cash from its Unrestricted Subsidiaries, in amounts required to pay such taxes to the extent attributable to the income of such Unrestricted Subsidiaries; *provided*, *however*, that the amount of such payments in any fiscal year do not exceed the amount that the Company 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 Company and its Subsidiaries; and

(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 Company or a Restricted Subsidiary;

    (b) in a pro-rated amount of such expenses in proportion to the amount of such net proceeds intended to be so received or contributed; or

    (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 Company or the relevant Restricted Subsidiary out of the proceeds of such offering promptly if completed.

"*Parent Holdco*" means any Person (other than a natural person) which legally and beneficially owns more than 50% of the Voting Stock and/or Capital Stock of another Person, either directly or through one or more Subsidiaries.

"*Pari Passu Indebtedness*" means Indebtedness of the Issuer or any Guarantor which does not constitute Subordinated Indebtedness.

"*Paying Agent*" means any Person authorized by the Issuer to pay the principal of (and premium, if any) or interest on any Note on behalf of the Issuer.

"*Permitted Collateral Liens*" means:

(1) Liens on the Collateral that are described in one or more of clauses (2), (3), (4), (5), (6), (8), (9), (11), (12), (13), (14), (18), (20), (21), (23), (24) and (31) of the definition of "Permitted Liens" and that would not materially interfere with the ability of the Security Agent to enforce the Security Interests in the Collateral;

(2) Liens on the Collateral to secure the Notes (other than any Additional Notes) or the related Notes Guarantees;

(3) Liens on the Collateral to secure any Indebtedness (including Additional Notes) that is permitted to be Incurred under (a) clause (1) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*," or (b) clauses (2) (to the extent such Guarantees relate to Indebtedness otherwise permitted to be secured and specified in this definition of Permitted Collateral Lien), (7) (other than with respect to Capitalized Lease Obligations), (12) and (13) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*";

(4) Liens on the Collateral to secure Indebtedness permitted to be Incurred under clause (2) of the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*";

(5) Liens on the Collateral to secure Indebtedness that is permitted to be Incurred under clause (5) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*"; *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 Company would have been able to incur £1.00 of additional Senior Secured Indebtedness pursuant to clause (2) of the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" or (b) the Consolidated Senior Secured Net Leverage Ratio for the Company and its 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;

(6) Liens on the Collateral to secure the Issuer's or a Guarantor's Hedging Obligations permitted to be incurred pursuant to clause (6) of the second paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*"; and

(7) Liens on the Collateral to secure Refinancing Indebtedness in exchange for, or the net proceeds of which are used to renew, refund, refinance, replace or discharge, any Indebtedness secured by a Lien on the Collateral pursuant to the preceding clauses (2) through (6) or this clause (7),

provided that, in the case of each of the preceding clauses (2) through (7), all property and assets (including, without limitation, the Collateral) securing such Indebtedness also secures the Notes and the Notes Guarantees on a senior or pari passu basis (or senior basis if such Indebtedness is subordinated to the Notes or Note Guarantees); *provided further*, that any Indebtedness secured by a Permitted Collateral Lien pursuant to the preceding clauses (3)(a) and (6) (in the case of clause (6), to the extent such Hedging Obligation relates to Interest Rate Agreements or Currency Agreements in respect of Indebtedness that is secured by a Permitted Collateral Lien pursuant to any one of the preceding clauses (2) through (7)) may receive priority as to any proceeds from distressed disposals or enforcement over the Collateral on terms not materially less favorable to the Holders than that accorded to the Revolving Credit Facility Agreement on the Completion Date pursuant to the Intercreditor Agreement and that each of the creditors thereto (or their respective representative) will have entered into the Intercreditor Agreement or any Additional Intercreditor Agreement.

A Lien shall be deemed to rank equally with another Lien notwithstanding (i) any different preference or hardening period applicable thereto, (ii) any other difference in priority so long as an "assignment of ranking" or other sharing arrangement has been entered into by or for the benefit of beneficiaries of each such Lien, or (iii) any difference in validity or enforceability.

For purposes of determining compliance with this definition, (w) a Lien need not be incurred solely by reference to one category of Permitted Collateral Liens described in this definition, but may be incurred under any combination of such categories (including in part under one such category and in part under any other such category), (x) in the event that a Lien (or any portion thereof meets the criteria of one or more of such categories of Permitted Collateral Liens, the Company shall, in its sole discretion, classify or reclassify such Lien (or any portion thereof) in any manner that complies with this definition, (y) the principal amount of Indebtedness secured by a Lien outstanding under any category of Permitted Collateral Liens shall be determined after giving effect to the application of proceeds of any such Indebtedness to refinance any such other Indebtedness, and (z) any Lien securing Indebtedness that was permitted to secure such Indebtedness at the time of the Incurrence of such Indebtedness shall also be permitted to secure any increase in the amount of such Indebtedness in connection with the accrual of interest, the accretion of accreted value, the payment of interest in the form of additional Indebtedness and the payment of dividends on Capital Stock constituting Indebtedness in the form of additional shares of the same class of Capital Stock.

"*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 Company, 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 (including any Persons mentioned in the following sentence) are members in each case together with their Affiliates; *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 beneficial ownership of more than 50% of the total voting power of the Voting Stock of the Company or any of its direct or indirect parent companies held by such group. Any person or group whose acquisition of beneficial ownership constitutes (1) a Change of Control in respect of which a Change of Control Offer is made in accordance with the requirements of the Indenture or (2) a Change of Control which is also a Specified Change of Control Event, will thereafter, together with its Affiliates, constitute an additional Permitted Holder.

"*Permitted Investment*" means (in each case, by the Company or any of its Restricted Subsidiaries):

(1) Investments in (a) a Restricted Subsidiary (including the Capital Stock of a Restricted Subsidiary) or the Company or (b) a Person (including the Capital Stock of any such Person) 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 its assets to, the Company or a Restricted Subsidiary;

(3) Investments in cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;

(4) Investments in receivables owing to the Company or any Restricted Subsidiary created or acquired in the ordinary course of business;

(5) Investments in payroll, travel, 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) (a) Management Advances and (b) any advances or loans not to exceed £5.0 million per calendar year (with any unused amounts in any calendar year being carried over in the two next succeeding calendar years) to 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 (other than Disqualified Stock) of the Company or a Parent of the Company;

(7) Investments in Capital Stock, obligations or securities received in settlement of debts created in the ordinary course of business and owing to the Company or any Restricted Subsidiary, or as a result of foreclosure, perfection or enforcement of any Lien, or in satisfaction of judgments or pursuant to any plan of reorganization or similar arrangement including upon the bankruptcy or insolvency of a debtor;

(8) Investments made as a result of the receipt of non-cash consideration from a sale or other disposition of property or assets, including an Asset Disposition, in each case, that was made in compliance with "*—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*";

(9) Investments in existence on, or made pursuant to legally binding commitments in existence on, the Completion 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 Completion Date or (b) as otherwise permitted under the Indenture;

(10) Investments in Associates or Unrestricted Subsidiaries in an aggregate amount when taken together with all other Investments made pursuant to this clause (10) that are at the time outstanding not to exceed the greater of (x) £10.0 million and (y) 0.5% of Total Assets;

(11) Currency Agreements, Interest Rate Agreements, Commodity Hedging Agreements and related Hedging Obligations, which transactions or obligations are Incurred in compliance with "*—Certain Covenants—Limitation on Indebtedness*";

(12) Investments, taken together with all other Investments made pursuant to this clause (12) and at any time outstanding, in an aggregate amount at the time of such Investment (net of any cash distributions, dividends, payments or other returns in respect of such Investments) not to exceed the greater of (x) £30.0 million and (y) 1.75% 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;

(13) 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*";

(14) any Investment to the extent made using Capital Stock of the Company (other than Disqualified Stock), Subordinated Shareholder Funding or Capital Stock of any Parent as consideration;

(15) 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 (13) of that paragraph);

(16) Guarantees of Indebtedness permitted to be incurred by the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" and (other than with respect to Indebtedness) guarantees, keepwells and similar arrangements in the ordinary course of business;

(17) Investments in loans under the Notes and any Additional Notes;

(18) any Investment in connection with a Qualified Securitization Financing; and

(19) Investments acquired after the Issue Date as a result of the acquisition by the Company or any of its Restricted Subsidiaries of another Person, including by way of a merger, amalgamation or consolidation with or into the Company 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.

"*Permitted Liens*" means, with respect to any Person:

(1) Liens on assets or property of a Restricted Subsidiary that is not the Issuer or a Guarantor securing Indebtedness of any Restricted Subsidiary that is not the Issuer or a Guarantor 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 Company or any Restricted Subsidiary in the ordinary course of its business;

(6) encumbrances, ground leases, easements (including reciprocal easement agreements), survey exceptions, or reservations of, or rights of others for, licenses, rights of way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning, building codes or other restrictions (including minor defects or irregularities in title and similar encumbrances) as to the use of real properties or Liens incidental to the conduct of the business of the Company and its Restricted Subsidiaries or to the ownership of its properties which do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of the Company and its Restricted Subsidiaries;

(7) Liens on assets or property of the Company or any Restricted Subsidiary (other than Collateral) securing Hedging Obligations permitted under the Indenture relating to Indebtedness permitted to be Incurred under the Indenture and which is secured by a Lien on the same assets or property that secures such Indebtedness;

(8) leases, licenses, subleases and sublicenses of assets (including real property and intellectual property rights), in each case entered into in the ordinary course of business;

(9) Liens arising out of judgments, decrees, orders or awards not giving rise to an Event of Default so long as any appropriate legal proceedings which may have been duly initiated for the review of such judgment, decree, order or award have not been finally terminated or the period within which such proceedings may be initiated has not expired;

(10) Liens on assets or property of the Company or any Restricted Subsidiary for the purpose of securing Capitalized Lease Obligations or Purchase Money Obligations, or securing the payment of all or a part of the purchase price of, or securing other Indebtedness Incurred to finance or refinance the acquisition, improvement or construction of, assets or property 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 second paragraph 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 Company or any Restricted Subsidiary other than assets or property acquired, improved, constructed or leased with the proceeds of such Indebtedness and any improvements or accessions to such assets and property;

(11) Liens arising by virtue of any statutory or common law provisions relating to banker's Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a depositary or financial institution;

(12) Liens arising from New York Uniform Commercial Code financing statement filings (or similar filings in other applicable jurisdictions) regarding operating leases entered into by the Company and its Restricted Subsidiaries in the ordinary course of business;

(13) Liens existing on, or provided for or required to be granted under written agreements existing on, the Completion Date;

(14) Liens on property, other assets or shares of stock of a Person at the time such Person becomes a Restricted Subsidiary (or at the time the Company or a Restricted Subsidiary acquires such property, other assets or shares of stock, including any acquisition by means of a merger, consolidation or other business combination transaction with or into the Company or any Restricted Subsidiary); *provided*, 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 the Company or any Restricted Subsidiary that is not the Issuer or a Guarantor securing Indebtedness or other obligations of such Restricted Subsidiary owing to the Company or another Restricted Subsidiary, or Liens in favor of the Issuer or any Guarantor;

(16) Liens securing Refinancing Indebtedness Incurred to refinance Indebtedness that was previously so secured, and permitted to be secured under the Indenture (other than Liens initially incurred pursuant to clause (30) of this definition); *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;

(17) any interest or title of a lessor under any Capitalized Lease Obligation or operating lease;

(18) (a) mortgages, liens, security interests, restrictions, encumbrances or any other matters of record that have been placed by any government, statutory or regulatory authority, developer, landlord or other third party on property over which the Company or any Restricted Subsidiary has easement rights or on any leased property and subordination or similar arrangements relating thereto and (b) any condemnation or eminent domain proceedings affecting any real property;

(19) any encumbrance or restriction (including put and call arrangements) with respect to Capital Stock of, 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 (a) created or arising in connection with any Qualified Securitization Financing; and (b) securing Indebtedness or other obligations of a Securitization SPE in connection with a Qualified Securitization Financing;

(22) Liens on (a) escrowed proceeds for the benefit of the related holders of debt securities or other Indebtedness (or the underwriters or arrangers thereof) or (b) on cash set aside at the time of the incurrence of any Indebtedness or (c) government securities purchased with such cash, in either case of clauses (b) or (c) only, to the extent such cash or government securities prefund the payment of interest on such Indebtedness and are held in an escrow account or similar arrangement to be applied for such purpose;

(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;

(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 (including, without limitation, any such arrangements entered into on a success basis);

(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 any marketable securities portfolio described in clause (8) 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) Liens created for the benefit of or to secure, directly or indirectly, the Notes;

(29) Liens on rights under any proceeds loan that are assigned to the third party creditors of the Indebtedness incurred by the Issuer to finance such proceeds loan and incurred in compliance with the Indenture and securing that Indebtedness;

(30) Other Liens; *provided* that the maximum amount of Indebtedness secured in the aggregate at any one time pursuant to this clause (30) does not exceed the greater of (x) £20.0 million and (y) 1.25% of Total Assets; and

(31) Liens over cash paid into an escrow account (a) pursuant to any purchase price retention arrangement as part of any permitted disposal by the Company or a Restricted Subsidiary on condition that the cash paid into such escrow account in relation to a disposal does not represent more than 15% of the net proceeds of such disposal; (b) to fund an acquisition or pay related fees and expenses pending the closing of such acquisition by the Company or any Restricted Subsidiary; and (c) pursuant to any purchase price retention arrangement or deferred consideration in connection with any acquisition by the Company or any Restricted Subsidiary.

"*Permitted Reorganization*" means any amalgamation, demerger, merger, voluntary liquidation, consolidation, reorganization, winding up or corporate reconstruction involving the Company or any of its Restricted Subsidiaries (a "*Reorganization*") that is made on a solvent basis; *provided* that:

(a) any payments or assets distributed in connection with such Reorganization remain within the Company and its Restricted Subsidiaries; and

(b) 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.

"*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.

"*PPI*" means payment protection insurance.

"*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 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 £100.0 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.

"*Qualified Securitization Financing*" means (1) the Existing Securitization Financings and (2) any Securitization Financing pursuant to which the Company or any of its Restricted Subsidiaries may fund the origination, sell, convey, hold on trust or otherwise transfer to any other Person, or grant a security interest in, or fund, or provide or procure the provision of credit support in connection with, the origination of any Receivable (and related assets and/or security) in any aggregate principal amount equivalent to the fair market value of such accounts receivable (and related assets and/or security) of the Company or any of its Restricted Subsidiaries or any transaction where the Company or any of its Restricted Subsidiaries enter into one or more derivatives to achieve the same economic effect as the foregoing; *provided* that (1) the covenants, events of default and other provisions applicable to such financing shall (taken as a whole) be on an arm's-length commercial terms (as determined in good faith by the Company's Board of Directors or Senior Management) at the time such financing is entered into and may include Standard Securitization Financing Undertakings, (2) the interest rate applicable to the third-party debt raised pursuant to such financing shall be a market interest rate (as determined in good faith by the Company's Board of Directors or Senior Management) at the time such financing is entered into and (3) such financing shall be non-recourse to the Company or any of its Restricted Subsidiaries (other than transferees of such accounts receivable and related assets) except to ownership interests in any Securitization SPE or otherwise to a limited extent customary for such transactions.

"*rating agencies*" means Moody's and S&P or, in the event Moody's or S&P no longer assigns a rating to the Notes, any other "Nationally Recognized Statistical Rating Organization" selected by the Company as a replacement agency.

"*Receivable*" means any and all claims and rights of a person to receive payment arising from the provision of goods, credit or services by such Person to another Person pursuant to which such other Person is obligated to pay for such goods, credit or services.

"*Refinance*" means refinance, refund, replace, renew, repay, modify, restate, defer, substitute, supplement, reissue, resell, extend or increase (including pursuant to any defeasance or discharge mechanism) and the terms "refinances," "refinanced" and "refinancing" as used for any purpose in the Indenture shall have a correlative meaning.

"*Refinancing Indebtedness*" means Indebtedness that is Incurred to refund, refinance, replace, exchange, renew, repay or extend (including pursuant to any defeasance or discharge mechanism) any Indebtedness existing on the date of the Indenture or Incurred in compliance with the Indenture (including Indebtedness of the Company that refinances Indebtedness of any Restricted Subsidiary and Indebtedness of any Restricted Subsidiary that refinances Indebtedness of the Company or another Restricted Subsidiary) including Indebtedness that refinances Refinancing Indebtedness; *provided*, *however*, that:

(1) if the Indebtedness being refinanced constitutes Subordinated Indebtedness, the Refinancing Indebtedness has a final stated maturity at the time such Refinancing Indebtedness is Incurred that is the same as or later than the final stated maturity of the Indebtedness being refinanced or, if shorter, the Stated Maturity of the Notes;

(2) such Refinancing Indebtedness is Incurred in an aggregate principal amount (or if issued with original issue discount, an aggregate issue price) that is equal to or less than the sum of the aggregate principal

amount (or if issued with original issue discount, the aggregate accreted value) then outstanding of the Indebtedness being refinanced (*plus*, without duplication, any additional Indebtedness Incurred to pay interest or premiums required by the instruments governing such existing Indebtedness and costs, expenses and fees Incurred in connection therewith); and

(3) if the Indebtedness being refinanced is expressly subordinated to the Notes, such Refinancing Indebtedness is subordinated to the Notes on terms at least as favorable to the Holders as those contained in the documentation governing the Indebtedness being refinanced,

provided, *further*, that Refinancing Indebtedness shall not include Indebtedness of the Company or a Restricted Subsidiary that refinances Indebtedness of an Unrestricted Subsidiary or Indebtedness of a Restricted Subsidiary that is not a Guarantor that refinances Indebtedness of the Issuer or a Guarantor.

Refinancing Indebtedness in respect of any Credit Facility or any other Indebtedness may be incurred from time to time after the termination, discharge or repayment of any such Credit Facility or other Indebtedness.

"*Related Person*" with respect to any Permitted Holder, means:

(1) any controlling equity holder, majority (or more) owned Subsidiary or partner or 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.

"*Related Taxes*" means 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* that such Taxes are in fact paid) by any Parent by virtue of its:

(1) 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 Company or any of the Company's Subsidiaries);

(2) issuing or holding Subordinated Shareholder Funding;

(3) being a holding company parent, directly or indirectly, of the Company or any of the Company's Subsidiaries;

(4) receiving dividends from or other distributions in respect of the Capital Stock of, directly or indirectly, the Company or any of the Company's Subsidiaries; or

(5) having made any payment with respect to any of the items for which the Company is permitted to make payments to any Parent pursuant to "*—Certain Covenants—Limitation on Restricted Payments*."

"*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 Company's business or in that of the Restricted Subsidiaries as of the Completion Date or any and all other businesses that in the good faith judgment of the Board of Directors or any member of Senior Management of the Company are reasonably 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.

"*Restricted Cash*" means, as of any date of determination, cash in an amount required as of such determination date that is either designated or earmarked for credit balances on loans and advances to customers or that is required to maintain minimum levels of capital and liquidity by the Company and its Subsidiaries pursuant to either covenants or other contractual requirements or restrictions under then-existing funding facilities and/or regulatory capital requirements applicable to the Company or any of its Subsidiaries.

"*Restricted Investment*" means any Investment other than a Permitted Investment.

"*Restricted Subsidiary*" means any Subsidiary of the Company other than an Unrestricted Subsidiary.

"*Revolving Credit Facility Agreement*" means the Revolving Credit Facility Agreement, dated on or prior to the Completion Date, between, among others, Nemean Bidco Limited and the Issuer as original borrowers and original guarantors, Citigroup Global Markets Limited, Credit Suisse AG, London Branch, HSBC Bank plc and The Royal Bank of Scotland plc as mandated lead arrangers and the lenders party thereto from time to time, as such agreement may be amended, supplemented, waived or otherwise modified from time to time or refunded, refinanced, restructured, replaced, renewed, repaid, increased or extended from time to time (whether in whole or in part, whether with the original administrative agent and lenders or other agents and lenders or otherwise, and whether provided under the original Revolving Credit Facility Agreement or other credit agreements or otherwise).

"*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.

"*Securitization Assets*" means any Receivables or any other assets of the Company or any of its Restricted Subsidiaries to be included in a Qualified Securitization Financing ("*Applicable Assets*"), and any assets related thereto, including all collateral securing such Applicable Assets, all contracts and all guarantees or other obligations in respect of such Applicable Assets, proceeds collected on such Applicable Assets and other assets which are customarily transferred or held on trust or in respect of which security interests 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.

"*Securitization Financing*" means any transaction or series of transactions that may be entered into by the Company or any of its Restricted Subsidiaries pursuant to which the Company or any of its Restricted Subsidiaries may (1) fund, or provide or procure the provision of credit support in connection with the origination of Securitization Assets (including any arrangements with counterparties in connection therewith), (2) sell, convey, hold on trust or otherwise transfer Securitization Assets to a Securitization SPE (or enter into one or more derivatives to achieve the same economic effect) or (3) grant a Lien in any Securitization Assets.

"*Securitization Repurchase Obligation*" means any obligation of a seller, transferor, trustee or servicer of Securitization Assets in a Qualified Securitization Financing to repurchase Securitization Assets (or make a cash payment in lieu thereof) 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 being found not to exist, being found to be ineligible for the purpose of such Qualified Securitization Financing or 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, transferor, trustee or servicer.

"*Securitization SPE*" means any Securitization Subsidiary or any other Person formed solely for the purposes of engaging in one or more Qualified Securitization Financings and any activities incidental or related thereto; *provided* that an Officer's Certificate is delivered certifying that neither the Company 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 (and, for the avoidance of doubt, any Standard Securitization Financing Undertaking or committed funding (whether used to pay up any reserve or otherwise) forming part of any Qualified Securitization Financing shall not be treated as such an obligation).

"*Securitization Subsidiary*" means any Restricted Subsidiary of the Company which is (1) party to an Existing Securitization Financing or (2) designated pursuant to an Officer's Certificate of the Company as a Securitization Subsidiary by filing with the Trustee a copy of such Officer's Certificate of the Company giving effect to such designation.

"*Security Interests*" means the Liens on the Collateral.

"*Security Documents*" means the security agreements, pledge agreements, collateral assignments, and any other instrument and document executed and delivered pursuant to the Indenture or otherwise or any of the foregoing, as the same may be amended, supplemented or otherwise modified from time to time, creating the security interests in the Collateral as contemplated by the Indenture.

"*Seller*" means Invicta Eurocard Services L.P.

"*Senior Management*" means the officers, directors, and other members of senior management of the Company or any of its Subsidiaries, who at any date beneficially own or have the right to acquire, directly or indirectly, Capital Stock of the Company or any Parent.

"*Senior Secured Indebtedness*" means, with respect to any Person as of any date of determination, any Indebtedness that is secured by Permitted Collateral Liens pursuant to clauses (2), (3), (4), (5) or (7) of the definition thereof and not contractually subordinated to obligations under the Notes or any Notes Guarantee.

"*Significant Subsidiary*" means any Restricted Subsidiary that meets any of the following conditions:

(1) the Company's and its Restricted Subsidiaries' investments in and advances to the Restricted Subsidiary exceed 10% (or 33% in the case of a Securitization SPE) of the total assets of the Company and its Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year;

(2) the Company's and its Restricted Subsidiaries' proportionate share of the total assets (after intercompany eliminations) of the Restricted Subsidiary exceeds 10% (or 33% in the case of a Securitization SPE) of the total assets of the Company and its Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year; or

(3) the Company's and its Restricted Subsidiaries' proportionate share of the Consolidated EBITDA of the Restricted Subsidiary exceeds 10% (or 33% in the case of a Securitization SPE) of the Consolidated EBITDA of the Company and its Restricted Subsidiaries on a consolidated basis for the most recently completed fiscal year.

"*Similar Business*" means (1) any businesses, services or activities engaged in by the Company or any of its Restricted Subsidiaries or any Associates and (2) 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, including but not limited to any business related to consumer finance, consumer lending and/or retail deposit acceptance.

"*Specified Change of Control Event*" means the occurrence of any event that would constitute a Change of Control pursuant to the definition thereof, *provided* that immediately after the occurrence of such event and giving *pro forma* effect thereto, the Consolidated Net Leverage Ratio of the Company and its Subsidiaries would have been less than 3.25 to 1.0; *provided*, *further,* that when calculating the Consolidated Net Leverage Ratio of the Company for the purposes of this definition, the Company shall be entitled at its option to make such calculations as it would if making calculations of baskets or ratios in connection with a Limited Condition Acquisition, and the date of determination of the Consolidated Net Leverage Ratio of the Company shall, upon such election by the Company, be the date of the definitive agreements in respect of such event with such *pro forma* adjustments as are appropriate and consistent with the *pro forma* provisions set forth in the definition of Fixed Charge Corporate Debt Coverage Ratio after giving effect to such event and the other transactions to be entered into in connection therewith (including any incurrence of Indebtedness and the use of proceeds thereof) as if they occurred at the beginning of the applicable period for purposes of determining the ability for such event to qualify as a Specified Change of Control Event. Notwithstanding the foregoing, only one Specified Change of Control Event shall be permitted under the Indenture after the Completion Date.

"*Standard Securitization Financing Undertakings*" means (1) any Securitization Repurchase Obligation and/or (2) representations, warranties, covenants and/or indemnities made by the Company or any Restricted Subsidiary of the Company which the Company has determined in good faith (taken as a whole) to be on an arm's-length commercial basis for a Securitization Financing, including those relating to the servicing of the assets of a Securitization SPE.

"*Stated Maturity*" means, with respect to any Indebtedness, the date specified in such Indebtedness as the fixed date on which the payment of principal of such Indebtedness 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.

"*Sterling Equivalent*" means, with respect to any monetary amount in a currency other than pounds sterling, at any time of determination thereof by the Company or the Trustee, the amount of pounds sterling obtained by converting such currency other than pounds sterling involved in such computation into pounds sterling at the spot rate for the purchase of pounds sterling with the applicable currency other than pounds sterling as published in The Financial Times in the "Currency Rates" section (or, if The Financial Times is no longer published, or if such information is no longer available in The Financial Times, such source as may be selected in good faith by the Board of Directors or a member of Senior Management of the Company) on the date of such determination.

"*Subordinated Indebtedness*" means, with respect to any person, any Indebtedness (whether outstanding on the Completion Date or thereafter Incurred) which is expressly subordinated in right of payment to the Notes or any Guarantee of the Notes pursuant to a written agreement, including any Subordinated Shareholder Funding.

"*Subordinated Shareholder Funding*" means, collectively, any funds provided to the Company by any Parent, any Affiliate of any Parent or any Permitted Holder or any Affiliate thereof, in exchange for or pursuant to any security, instrument or agreement other than Capital Stock, in each case issued to and held by 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 the date that is six months after the Stated Maturity of the Notes (other than through conversion or exchange of such funding into Capital Stock (other than Disqualified Stock) of the Company or any funding meeting the requirements of this definition) or the making of any such payment prior to the date that is six months after the Stated Maturity of the Notes is restricted by the Intercreditor Agreement, an Additional Intercreditor Agreement or another intercreditor agreement;

(2) does not require, prior to the date that is six months after the Stated Maturity of the Notes, payment of cash interest, cash withholding amounts or other cash gross-ups, or any similar cash amounts or the making of any such payment prior to the date that is six months after the Stated Maturity of the Notes is restricted by the Intercreditor Agreement or an Additional Intercreditor Agreement;

(3) contains no change of control, asset sale or similar provisions and does not accelerate and has no right to declare a default or event of default or take any enforcement action or otherwise require any cash payment, in each case, prior to the date that is six months after the Stated Maturity of the Notes or the payment of any amount as a result of any such action or provision or the exercise of any rights or enforcement action, in each case, prior to the date that is six months after the Stated Maturity of the Notes is restricted by the Intercreditor Agreement or an Additional Intercreditor Agreement;

(4) does not provide for or require any security interest or encumbrance over any asset of the Company or any of its Subsidiaries;

(5) pursuant to its terms or to the Intercreditor Agreement, an Additional Intercreditor Agreement or another intercreditor agreement, is fully subordinated and junior in right of payment to the Notes pursuant to subordination, payment blockage and enforcement limitation terms which are customary in all material respects for similar funding or are no less favorable in any material respect to Holders than those contained in the Intercreditor Agreement as in effect on the Issue Date with respect to the "Shareholder Liabilities" (as defined therein);

(6) is not guaranteed by any Subsidiary of the Company; and

(7) does not (including upon the happening of any event) restrict the payment of amounts due in respect of the Notes, a Notes Guarantee or compliance by the Issuer or any Guarantor with its obligations under the Notes, the Indenture or the Security Documents,

provided, *however*, that if any event or circumstance results in such Indebtedness ceasing to qualify as Subordinated Shareholder Funding, such Indebtedness shall constitute an Incurrence of such Indebtedness by the Company as of the date of such event or circumstance, and any and all Restricted Payments made through the use of the net proceeds from the Incurrence of such Indebtedness since the date of the original Incurrence of such Subordinated Shareholder Funding shall constitute new Restricted Payments that are deemed to have been made after the date of the original Incurrence of such Subordinated Shareholder Funding.

"*Subsidiary*" means, with respect to any Person:

(1) any corporation, association or other business entity (other than a partnership, joint venture, limited liability company or similar entity) of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time of determination owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof;

(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; and

(3) in the case of any Securitization SPE only:

   (a) any corporation, association, partnership, limited liability company or other business entity which is required pursuant to IFRS to be consolidated in the consolidated financial statements of such Person; and

   (b) any subsidiary undertaking of such Person within the meaning of section 1162 of the Companies Act 2006 and any company which would be a subsidiary undertaking of such Person within the meaning of section 1162 of the Companies Act 2006.

"*Subsidiary Guarantors*" means (1) each of (x) at the Issue Date, the Company, Nemean Holdco Limited and Nemean Holdco2 Limited (as Initial Guarantors) and (y) within 90 days following the Completion Date, Target, NewDay Holdings Ltd, NewDay Group Ltd and all of the subsidiaries of the Target other than NewDay Ltd, NewDay Partnership Transferor plc, NewDay Funding Transferor Ltd, NewDay UPL Transferor Ltd and certain dormant subsidiaries and Securitization SPEs (as Post-Completion Guarantors) and (2) any Subsidiary of the Company that provides a Guarantee pursuant to the Indenture.

"*Target*" means NewDay Group Holdings S.à r.l. and any successor in interest thereto.

"*Target Group*" means the Target and its subsidiaries prior to the Acquisition.

"*Tax Sharing Agreement*" means any tax sharing or profit and loss pooling or similar agreement with customary or arm's-length terms entered into with any Parent or Unrestricted Subsidiary, as the same may be amended, supplemented, waived or otherwise modified from time to time in accordance with the terms thereof and of the Indenture, and any arrangements or transactions made between the Company and/or any of its Subsidiaries and any Parent in order to satisfy the obligations arising under any such Tax Sharing Agreement (including, for the avoidance of doubt, distributions for purposes of compensating accounting losses in relation to a profit and loss pooling agreement and/or upstream loans to any Parent to enable a Parent to compensate the Company or such Subsidiary for losses incurred which may need to be compensated by a Parent under any profit and loss pooling agreement).

"*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 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, (iii) Switzerland or Norway, (iv) any country in whose currency funds are being held specifically pending application in the making of an investment or capital expenditure by the Company or a Restricted Subsidiary in that country with such funds or (v) any agency or instrumentality of any such country or member state; or

(b) direct obligations of any country recognized by the United States of America rated at least "A" by S&P or "A-1" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization); or

(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 institution authorized to operate as a bank in any of the countries or member states referred to in sub-clause (1)(a) above; or

(b) any bank or trust company organized under the laws of any such country or member state or any political subdivision thereof,

in each case, having capital and surplus aggregating in excess of £250 million (or the foreign currency equivalent thereof) and whose long-term debt is rated at least "A" by S&P or "A-2" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) or (2) above entered into with a Person meeting the qualifications described in clause (2) above;

(4) Investments in commercial paper, maturing not more than 270 days after the date of acquisition, issued by a Person (other than the Company or any of its Subsidiaries), with a rating at the time as of which any Investment therein is made of "P-2" (or higher) according to Moody's or "A-2" (or higher) according to S&P (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(5) Investments in securities maturing not more than one year after the date of acquisition issued or fully Guaranteed by any state, commonwealth or territory of the United States of America, Canada, any European Union member state or Switzerland, Norway or by any political subdivision or taxing authority of any such state, commonwealth, territory, country or member state, and rated at least "BBB-" by S&P or "Baa3" by Moody's (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody's then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

(6) bills of exchange issued in the United States, Canada, a member state of the European Union, 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 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.

"*Total Assets*" means the consolidated total assets of the Company and its Restricted Subsidiaries as shown on the most recent consolidated balance sheet of the Company prepared on the basis of IFRS on or prior to the date of determination.

"*Transactions*" shall have the meaning assigned to such term in this Offering Memorandum under the caption "*The Transactions*."

"*UK Government Obligations*" means direct obligations of, or obligations guaranteed by, the United Kingdom, and the payment for which the United Kingdom pledges its full faith and credit.

"*Unrestricted Subsidiary*" means:

(1) any Subsidiary of the Company (other than the Issuer or any parent of the Issuer) that at the time of determination is an Unrestricted Subsidiary (as designated by the Board of Directors of the Company in the manner provided below); and

(2) any Subsidiary of an Unrestricted Subsidiary.

The Board of Directors of the Company may designate any Subsidiary of the Company (including any newly acquired or newly formed Subsidiary or a Person becoming a Subsidiary through merger, consolidation or other business combination transaction, or Investment therein) to be an Unrestricted Subsidiary only if:

(1) such Subsidiary or any of its Subsidiaries does not own any Capital Stock or Indebtedness of, or own or hold any Lien on any property of, the Company or any other Subsidiary of the Company which is not a Subsidiary of the Subsidiary to be so designated or otherwise an Unrestricted Subsidiary; and

(2) such designation and the Investment of the Company in such Subsidiary complies with "*—Certain Covenants—Limitation on Restricted Payments*."

Any such designation by the Board of Directors of the Company shall be evidenced to the Trustee by filing with the Trustee a copy of the resolution of the Board of Directors of the Company giving effect to such designation and an Officer's Certificate certifying that such designation complies with the foregoing conditions.

The Board of Directors of the Company may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that immediately after giving effect to such designation (1) no Default or Event of Default would result therefrom and (2)(x) the Company could Incur at least £1.00 of additional Indebtedness under the Fixed Charge Corporate Debt Coverage Ratio test in the first paragraph of the covenant described under "*—Certain Covenants—Limitation on Indebtedness*" or (y) the Fixed Charge Corporate Debt 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 of the Company shall be evidenced to the Trustee by promptly filing with the Trustee a copy of the resolution of the Board of Directors of the Company giving effect to such designation or an Officer's Certificate certifying that such designation complied with the foregoing provisions.

"*US GAAP*" means generally accepted accounting principles in the United States of America as in effect from time to time.

"*Voting Stock*" of a Person means all classes of Capital Stock of such Person then outstanding and normally entitled to vote in the election of directors.

"*Wholly-Owned Subsidiary*" means a Restricted Subsidiary, all of the Capital Stock of which (other than directors' qualifying shares or shares required by any applicable law or regulation to be held by a Person other than the Company or another Wholly-Owned Subsidiary) is owned by the Company or another Wholly-Owned Subsidiary or a Parent of the Company, as the case may be.

Book-Entry, Delivery and Form

General

Each series of Notes sold outside the United States pursuant to Regulation S will initially be represented by one or more global notes in registered form without interest coupons attached (the "**Regulation S Global Notes**"). The Regulation S 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.

Each series of Notes sold within the United States to QIBs pursuant to Rule 144A will initially be represented by one or more global notes in registered form without interest coupons attached (the "**144A Global Notes**" and together with the Regulation S Global Notes, the "**Global Notes**"). The 144A 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 144A Global Notes (the "**144A Book-Entry Interests**") and ownership of interests in the Regulation S Global Notes (the "**Regulation S Book-Entry Interests**," and together with the 144A Book-Entry Interests, the "**Book-Entry Interests**") will be limited to persons that have accounts with Euroclear or Clearstream or persons that hold interests through such participants. Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream and their participants. The Book-Entry Interests in the Global Notes will be issued only in denominations of £100,000 and in integral multiples of £1,000 in excess thereof.

The Book-Entry Interests will not be held in definitive form. Instead, Euroclear and Clearstream will credit on their respective book-entry registration and transfer systems the account of a participant with the interest beneficially owned by such participant. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge Book-Entry Interests. In addition, while the Notes are in global form, holders of Book-Entry Interests will not have the Notes registered in their names, will not receive physical delivery of the Notes in certificated form and will not be considered the registered owners or "holders" of Notes under the Indenture for any purpose.

So long as the Notes are held in global form, Euroclear and Clearstream, as applicable (or their respective nominees), will be considered the sole holders of Global Notes for all purposes under the Indenture. As such, 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 in order to transfer their interests or to exercise any rights of holders under the Indenture.

None of the Issuer, the Trustee, the Paying Agent, the Transfer Agent or the Registrar under the Indenture or any of their respective agents will have any responsibility or be liable for any aspect of the records relating to the Book-Entry Interests.

Redemption of Global Notes

In the event any Global Note, or any portion thereof, is redeemed, Euroclear and Clearstream, as applicable, will distribute the same amount received by it in respect of the Global Note so redeemed to the holders of the Book-Entry Interests in such Global Note from the amount received by it in respect of the redemption of such Global Note. The redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by Euroclear or Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Issuer understands that under existing practices of Euroclear and Clearstream, if fewer than all the Notes are to be redeemed at any time, Euroclear and Clearstream will credit the accounts of participants 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 at maturity may be redeemed.

Payments on Global Notes

The Issuer will make payments of amounts owing in respect of the Global Notes (including principal, premium, if any, interest, and additional amounts, if any) to the principal paying agent. The principal paying agent will, in turn, make such payments to the common depositary for Euroclear and Clearstream, which will distribute such payments to participants in accordance with their respective customary procedures.

Under the terms of the Indenture, the Issuer and the Trustee will treat the registered holder of the Global Notes (i.e., Euroclear or Clearstream or their respective nominees) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Issuer, the Trustee, the Paying Agent, the Transfer Agent or the Registrar or any of their respective agents has or will have any responsibility or liability for:

- any aspects of the records of Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest, for any such payments made by Euroclear, Clearstream or any participant or indirect participant, or for maintaining, supervising or reviewing the records of Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest;
- any other matter relating to the actions and practices of Euroclear, Clearstream or any participant or indirect participant; or
- the common depositary, Euroclear, Clearstream or any participant or indirect participant.

Payments by participants to owners of Book-Entry Interests held through participants are the responsibility of such participants, as is now the case with securities held for the accounts of subscribers registered in "street name."

Currency and Payment for the Global Notes

The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Global Notes, will be paid to holders of interest in such Notes (the "**Euroclear/Clearstream Holders**" and each a "**Euroclear/Clearstream Holder**") through Euroclear or Clearstream in pounds sterling.

Action by Owners of Book-Entry Interests

Euroclear and Clearstream have advised the Issuer that they will take any action permitted to be taken by a holder of Notes only at the direction of one or more participants to whose account the Book-Entry Interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes. Nevertheless, if there is an event of default under the Notes, each of Euroclear and Clearstream reserves the right to exchange the Global Notes for Definitive Registered Notes in certificated form and to distribute such Definitive Registered Notes to their respective participants.

Transfers

Transfers between participants in Euroclear and Clearstream will be affected in accordance with Euroclear and Clearstream rules and will be settled in immediately available funds. If a holder requires physical delivery of Definitive Registered Notes for any reason, including to sell the Notes to persons in states which require physical delivery of such securities or to pledge such securities, such holder must transfer its interest in the Global Notes in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the provisions of the Indenture.

The Global Notes will bear a legend to the effect set forth in "*Notice to Investors*." Book-Entry Interests in the Global Notes will be subject to the restrictions on transfer discussed in "*Notice to Investors*."

Beneficial interests in a Rule 144A Global Note may be transferred to a person who takes delivery in the form of a beneficial interest in the Regulation S Global Note only upon receipt by the Trustee of a written certification (in the form provided in the Indenture) from the transferor to the effect that such transfer is being made in accordance with Regulation S or Rule 144 under the US Securities Act or any other exemption (if available under the US Securities Act).

Subject to the foregoing, and as set forth in "*Notice to Investors*," Book-Entry Interests may be transferred and exchanged as described under "*Description of the Notes—Transfer and Exchange.*" 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 the other Global Note of the same denomination will, upon transfer, cease to be a Book-Entry Interest in the first-mentioned Global Note and become a Book-Entry Interest in the other Global Note, and accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it remains such a Book-Entry Interest.

Definitive Registered Notes may be transferred and exchanged for Book-Entry Interests in a Global Note only as described under "*Description of the Notes—Transfer and Exchange*" and, if required, only if the transferor first delivers to the Trustee a written certificate (in the form provided in the Indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such Notes. See "*Notice to Investors*."

Issuance of Definitive Registered Notes

Under the terms of the Indenture, owners of Book-Entry Interests will receive definitive Notes in registered form (the "**Definitive Registered Notes**"):

- if Euroclear and Clearstream notifies the Issuer that it is unwilling or unable to continue to act as depositary and a successor depositary is not appointed by the Issuer within 120 days; or
- if the owner of a Book-Entry Interest requests such exchange in writing delivered through either Euroclear or Clearstream following an event of default under the indenture.

In such an event, the registrar will issue Definitive Registered Notes, registered in the name or names and issued in any approved denominations, requested by or on behalf of Euroclear or Clearstream, 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 referred to in "*Notice to Investors*," unless that legend is not required by the applicable indenture or applicable law.

To the extent permitted by law, we, the Trustee, the Paying Agent, the Transfer Agent and the Registrar shall be entitled to treat the registered holder of any Global Note as the absolute owner thereof and no person will be liable for treating the registered holder as such. Ownership of the Global Notes will be evidenced through registration from time to time at the registered office of the Issuer, and such registration is a means of evidencing title to the Notes.

We 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 Clearstream.

Information Concerning Euroclear and Clearstream

All Book-Entry Interests will be subject to the operations and procedures of Euroclear and Clearstream. The Issuer provides the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of each settlement system are controlled by that settlement system and may be changed at any time. None the Issuer, the Initial Purchasers, the Trustee, the Paying Agent, the Transfer Agent nor the Registrar is responsible for those operations or procedures.

Euroclear and Clearstream hold securities for participating organizations. They also facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in 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.

As Euroclear and Clearstream can only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledge such interest to persons or entities that do not participate in the Euroclear or Clearstream systems, or otherwise take actions in respect of such interest, may be limited by the lack of a definite certificate for that interest. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such person may be limited. In addition, owners of beneficial interests through the Euroclear or Clearstream systems will receive distributions attributable to the 144A Global Notes only through Euroclear or Clearstream participants.

Global Clearance and Settlement Under the Book-Entry System

The Notes represented by the Global Notes are expected to be listed on the Exchange. 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 are expected to follow the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants in Euroclear or Clearstream, as the case may be, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or modified at any time. None of the Issuer, the Trustee, the Paying Agent, the Transfer Agent or the Registrar will have any responsibility for the performance by Euroclear or Clearstream or their respective participants or indirect participants, of their respective obligations under the rules and procedures governing their operations.

Initial Settlement

Initial settlement for the Notes will be made in pounds sterling. Book-Entry Interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional Eurobonds in registered form. Book-Entry Interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

Secondary Market Trading

The Book-Entry Interests will trade through participants of Euroclear or Clearstream and will settle in same-day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book-Entry Interests where the accounts of both the purchaser and the seller are located to ensure that settlement can be made on the desired value date.

Notice to Investors

The Notes have not been, and will not be, registered under the US Securities Act or any state securities laws and, unless so registered, may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and applicable state securities laws. Accordingly, the Notes offered hereby or are being offered and sold only to QIBs in reliance on Rule 144A under the US Securities Act and outside the United States in offshore transactions in reliance on Regulation S under the US Securities Act.

In addition, until 40 days after the later of the commencement of the offering and the closing date, 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 US Securities Act if such offer or sale is made otherwise than pursuant to Rule 144A.

Each purchaser of Notes, by its acceptance thereof, will be deemed to have acknowledged, represented to and agreed with us and the Initial Purchasers as follows:

(1) It understands and acknowledges that the Notes have not been registered under the US Securities Act or any other applicable securities law, are being offered for resale in transactions not requiring registration under the US Securities Act or any state securities law, including sales pursuant to Rule 144A, and may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the US Securities Act or any other applicable securities law, pursuant to an exemption therefrom or in any transaction not subject thereto and in each case in compliance with the conditions for transfer set forth in paragraph (5) below.

(2) It is not an "affiliate" (as defined in Rule 144 under the US Securities Act) of the Issuer or acting on behalf of the Issuer and it is either:

   (i) a QIB and is aware that any sale of Notes to it will be made in reliance on Rule 144A and the acquisition of Notes will be for its own account or for the account of another QIB; or

   (ii) purchasing the Notes outside the United States in an offshore transaction in accordance with Regulation S.

(3) It acknowledges that neither the Issuer nor the Initial Purchasers, nor any person representing the Issuer or the Initial Purchasers, have made any representation to it with respect to the offering or sale of any Notes, other than the information contained in this Offering Memorandum, which Offering Memorandum has been delivered to it and upon which it is relying in making its investment decision with respect to the Notes. It acknowledges that neither the Initial Purchasers nor any person representing the Initial Purchasers makes any representation or warranty as to the accuracy or completeness of the information contained in this Offering Memorandum. It also acknowledges it has had access to such financial and other information concerning us, the Issuer, the Indenture, the Notes and the security documents as you deemed necessary in connection with your decision to purchase any of the Notes, including an opportunity to ask questions of, and request information from, the Issuer and the Initial Purchasers.

(4) It is purchasing the Notes for its own account, or for one or more investor accounts for which it is acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the US Securities Act or any state securities laws, subject to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and subject to its or their ability to resell such Notes pursuant to Rule 144A, Regulation S or any other exemption from registration available under the US Securities Act.

(5) Each holder of Notes issued in reliance on Rule 144A agrees on its own behalf and on behalf of any investor account for which it is purchasing the Notes, and each subsequent holder of the Notes by its acceptance thereof will be deemed to agree, to offer, sell or otherwise transfer such Notes only (i) to the Issuer, (ii) pursuant to a registration statement that has been declared effective under the US Securities Act, (iii) for so long as the Notes are eligible pursuant to Rule 144A under the US Securities Act, to a person it reasonably believes is a QIB that purchases for its own account or for the account of a QIB to whom notice is given that the transfer is being made in reliance on Rule 144A under the US Securities Act, (iv) pursuant to offers and sales that occur outside the United States in compliance with Regulation S under the US Securities Act, or (v) pursuant to any other available exemption from the registration requirements of the US Securities Act, subject in each of the foregoing cases to any

requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and in 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 pursuant to clause (iv) or (v) to require the delivery of an opinion of counsel, certification and/or other information satisfactory to each of them.

(6) Each purchaser acknowledges that

(i) each note sold pursuant to Rule 144A will contain a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE US SECURITIES ACT OF 1933, AS AMENDED (THE "**US SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. 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, THE REGISTRATION REQUIREMENTS OF THE US SECURITIES ACT. THE HOLDER OF THIS SECURITY BY ITS ACCEPTANCE HEREOF AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR FOR WHICH IT HAS PURCHASED SECURITIES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY ONLY (A) TO THE ISSUER, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE US SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S UNDER THE US SECURITIES ACT OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE US SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND IN COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS AND FURTHER SUBJECT TO THE ISSUER'S AND THE TRUSTEE'S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (I) PURSUANT TO CLAUSE (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM AND (II) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS SECURITY IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

(ii) and each note will contain a legend substantially to the following effect:

BY ITS ACQUISITION OF THIS SECURITY, THE HOLDER HEREOF WILL BE DEEMED TO HAVE REPRESENTED AND WARRANTED THAT (A) NO PORTION OF THE ASSETS USED BY SUCH HOLDER TO ACQUIRE AND HOLD THIS SECURITY OR INTEREST HEREIN 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"), OR AN ENTITY WHOSE UNDERLYING ASSETS ARE CONSIDERED TO INCLUDE "PLAN ASSETS" (PURSUANT TO SECTION 3(42) OF ERISA AND REGULATIONS PROMULGATED UNDER ERISA BY THE US DEPARTMENT OF LABOR) OF SUCH EMPLOYEE BENEFIT PLANS, PLANS, ACCOUNTS OR ARRANGEMENTS AND (B) IF IT IS, OR IS ACTING ON BEHALF OF A GOVERNMENTAL, CHURCH OR NON-US PLAN, OR ANY ENTITY WHOSE UNDERLYING ASSETS ARE DEEMED TO INCLUDE THE ASSETS OF ANY SUCH PLAN SUCH ACQUISITION DOES NOT AND WILL NOT CONSTITUTE OR RESULT IN A NON EXEMPT VIOLATION OF ANY LAWS THAT ARE SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE AND WILL NOT SUBJECT THE ISSUER OR ANY TRANSACTIONS THEREBY TO ANY LAWS, RULES OR REGULATIONS APPLICABLE TO SUCH PLAN AS A RESULT OF THE INVESTMENT IN NOTES BY SUCH PLAN.

(7) It agrees that it will give to each person to whom it transfers the Notes notice of any restrictions on transfer of such Notes.

(8) It rrepresents and warrants that (A) no portion of the assets used by it 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, or an entity whose underlying assets are considered to include "plan assets" (pursuant to Section 3(42) of ERISA and regulations promulgated under ERISA by the US Department of Labor) of such employee benefit plans, plans, accounts or arrangements and (B) if it is, or is acting on behalf of a governmental, church or non-US plan, or any entity whose underlying assets are deemed to include the assets of such plan such acquisition does not and will not constitute or result in a non exempt violation of any laws that are substantially similar to Section 406 of ERISA or Section 4975 of the Code and will not subject the Issuer or any transaction thereby to any laws, rules or regulations applicable to such plan as a result of the investment in Notes by such plan.

(9) It acknowledges that until 40 days after the commencement of the offering, any 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 US Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the US Securities Act.

(10) It acknowledges that the Registrar will not be required to accept for registration of transfer any Notes except upon presentation of evidence satisfactory to us and the Trustee that the restrictions set out therein have been complied with.

(11) It understands that no action has been taken in any jurisdiction (including the United States) by the Issuer or 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, the Company and its subsidiaries 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 out under "*Plan of Distribution*."

It acknowledges that we, the Initial Purchasers and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations, warranties and agreements and agrees that if any of the acknowledgements, representations, warranties and agreements deemed to have been made by its purchase of the Notes is no longer accurate, it will promptly notify the Initial Purchasers. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such investor account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such investor account.

ERISA and Certain Other Considerations

The US Employee Retirement Income Security Act of 1974, as amended, and Section 4975 of the US Internal Revenue Code of 1986, as amended (the "**Code**"), impose certain restrictions on: (i) employee benefit plans (as defined in Section 3(3) of ERISA) that are subject to Part 4, Title I of ERISA; (ii) plans (as defined in Section 4975(e)(1) of the Code) that are subject to Section 4975 of the Code, including individual retirement accounts and Keogh plans; (iii) any entities whose underlying assets could be deemed to include plan assets by reason of a plan's investment in such entities (each of the foregoing, a "**Plan**"); and (iv) persons who have certain specified relationships to a Plan or its assets ("**parties in interest**" under ERISA and "**disqualified persons**" under the Code; collectively, "**Parties in Interest**"). ERISA also imposes certain duties on persons who are fiduciaries of Plans subject to ERISA, and ERISA and Section 4975 of the Code prohibit certain transactions between a Plan and Parties in Interest or Disqualified Persons with respect to such Plan. Violations of these rules may result in the imposition of excise taxes and other penalties and liabilities under ERISA and the Code.

ERISA and Section 4975 of the Code prohibit a broad range of transactions involving plan assets and Parties in Interest, unless a statutory or administrative exemption is available. Parties in Interest that participate in a prohibited transaction may be subject to penalties imposed under ERISA and/or excise taxes imposed pursuant to Section 4975 of the Code, unless a statutory or administrative exemption is available. These prohibited transactions generally are set forth in Section 406 of ERISA and Section 4975 of the Code. Certain employee benefit plans, including governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA), and non-US plans (as described in Section 4(b)(4) of ERISA) are not subject to the prohibited transaction rules of ERISA or the Code but may be subject to similar rules under other applicable laws or documents. Accordingly, assets of such plans may be invested in the Certificates without regard to the prohibited transaction considerations under ERISA and the Code described below, subject to the provisions of other applicable federal, state or non-US law ("**Similar Law**").

The term "**plan assets**" is defined in Section 3(42) of ERISA. The US Department of Labor, the governmental agency primarily responsible for the administration of ERISA, has issued a final regulation (29 C.F.R. Section 2510.3-101), which, together with Section 3(42) of ERISA, set out the standards that will apply for determining what constitutes the assets of a Plan (collectively, the "**Plan Asset Regulation**"). Under the Plan Asset Regulation, if a Plan invests in an "**equity interest**" of an entity that is neither a "publicly-offered security" nor a security issued by an investment company registered under the Investment Company Act, the Plan's assets include both the equity interest and an undivided interest in each of the entity's underlying assets, unless it is established that the entity is an "operating company" or that equity participation in the entity by "benefit plan investors" (which are essentially Plans) is not "**significant**." The Plan Assets Regulation generally defines equity participation in an entity by "**benefit plan investors**" as "**significant**" if 25% or more of the value of any class of equity interest in the entity is held by "benefit plan investors." If the assets of the Issuer were deemed to be plan assets of a Plan, the Issuer, and any other party with discretionary control over such assets, would be subject to certain fiduciary obligations under ERISA and certain transactions that the Issuer might enter into, or may have entered into, in the ordinary course of business might constitute or result in non-exempt prohibited transactions under ERISA or Section 4975 of the Code and might have to be rescinded. Because the characterization of the Notes as debt or equity is an inherently factual question as to which the answer is not entirely clear, the following limitations on purchase holding and transfer of the Notes will apply.

Each initial purchaser of the Notes (or any interest in a Note) and each subsequent transferee will be deemed to have acknowledged, represented and agreed, by its purchase or holding of Notes, that (A) it is not and for so long as it holds Notes will not be: (i) a Plan; or (ii) a governmental, church or non-US plan unless, under this subsection (ii), its purchase and holding of the Notes would not result in a violation of any Similar Law, and (B) it and any person causing it to acquire any of the Notes agrees to indemnify and hold harmless the Issuer, the Trustee, the Paying Agent, the Listing Sponsor and their respective affiliates from any cost, damage or loss incurred by them as a result of it being or being deemed to be a Plan.

ERISA Transfer Restrictions

Each purchaser or transferee of the Notes (or any interest in a Note) will be deemed to have acknowledged, represented and agreed that (a) it is not and is not acting on behalf of: (i) a Plan; or (ii) a governmental, church or non-US plan unless, under this subsection (ii), the purchase and holding of the Note would not violate the applicable provisions of any Similar Law and (b) it will not sell or otherwise transfer any Notes or interest to any person unless the same foregoing representations and warranties apply to that person.

Certain Tax Considerations

Certain UK Taxation Considerations

*The following is a summary of the United Kingdom withholding taxation treatment and of certain other United Kingdom taxation issues at the date hereof in relation to payments of principal and interest in respect of the Notes. It is based on current law and the practice of Her Majesty's Revenue and Customs ("**HMRC**"), which may be subject to change, sometimes with retrospective effect. The comments do not deal with other United Kingdom tax aspects of acquiring, holding or disposing of Notes. The comments relate only to the position of persons who are absolute beneficial owners of the Notes. Prospective holders of the Notes should be aware that the particular terms of issue of any series of Notes as specified in the relevant terms of the Notes may affect the tax treatment of that and other series of Notes. The following is a general guide for information purposes and should be treated with appropriate caution. It is not intended as tax advice and it does not purport to describe all of the tax considerations that may be relevant to a prospective purchaser of Notes. Holders of the Notes who are in any doubt as to their tax position should consult their professional advisers. Holders of the Notes who may be liable to taxation in jurisdictions other than the United Kingdom in respect of their acquisition, holding or disposal of the Notes are particularly advised to consult their professional advisers as to whether they are so liable (and if so under the laws of which jurisdictions), since the following comments relate only to certain United Kingdom taxation aspects of payments in respect of the Notes. In particular, holders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Notes even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom.*

UK Withholding Tax on UK Source Interest

The Notes will constitute "quoted Eurobonds" provided they are and continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007 (the "**ITA**"). Whilst the Notes are and continue to be quoted Eurobonds, payments of interest on the Notes may be made without withholding or deduction for or on account of United Kingdom income tax.

Securities will be "listed on a recognised stock exchange" for this purpose if they are admitted to trading on an exchange designated as a recognised stock exchange by an order made by the Commissioners for HMRC and either they are included in the United Kingdom official list (within the meaning of Part 6 of the Financial Services and Markets Act 2000) or they are officially listed, in accordance with provisions corresponding to those generally applicable in European Economic Area states, in a country outside the United Kingdom in which there is a recognised stock exchange.

The Exchange is a recognised stock exchange for the purposes of section 1005 of the ITA. The Issuer's understanding of current HMRC practice is that securities which are admitted to trading on that Exchange may be regarded as "listed on a recognised stock exchange" for these purposes.

If the Notes are not listed on a "recognised stock exchange" or cease to be so listed, interest will generally be paid by the Issuer under deduction of UK income tax at the basic rate (currently 20%) subject to such relief as may be available following a direction from HMRC pursuant to the provisions of any applicable double taxation treaty (a "**Treaty**"), or to any other exemption which may apply.

Payments by Guarantor

If the Guarantor makes any 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) such payments may be subject to UK withholding tax at the basic rate (currently 20%), subject to such relief as may be available under an applicable Treaty, or to any other exemption which may apply. Where such a Treaty relief is available, and the applicable conditions in the relevant Treaty are satisfied, the holder of the Notes should be entitled to a refund of tax withheld, provided it complies with the applicable formalities relating to such claim within the relevant limitation period. It may, however, not in practice be possible for the holder of the Notes to obtain a direction for the guarantee payments to be made free from withholding tax. Such payments by the Guarantor may not be eligible for any of the other exemptions described above.

Provision of Information

Holders of the Notes who are individuals may wish to note that HMRC has power to obtain information (including, in certain cases, the name and address of the beneficial owner of the interest) from any person in the

United Kingdom who either pays certain amounts in respect of the Notes to, or receives certain amounts in respect of the Notes for the benefit of, an individual. Such information may, in certain circumstances, be exchanged by HMRC with the tax authorities of other jurisdictions.

For the above purposes, "interest" should be taken, for practical purposes, to include payments made by a Guarantor in respect of interest on the Notes. Similar provisions apply to amounts paid on redemption of the Notes if they constitute "deeply discounted securities" as defined in Chapter 8 of Part 4 of the Income Tax (Trading and Other Income) Act 2005.

Other Rules Relating to United Kingdom Withholding Tax

(1) Notes may be issued at an issue price of less than 100% of their principal amount. Any discount element on any such Notes will not generally be subject to any United Kingdom withholding tax pursuant to the provisions mentioned above.

(2) Where Notes are to be, or may fall to be, redeemed at a premium, as opposed to being issued at a discount, then any such element of premium may constitute a payment of interest. Payments of interest are subject to United Kingdom withholding tax as described above.

(3) The references to "interest" above mean "interest" as understood in United Kingdom tax law. The statements above do not take any account of any different definitions of "interest" or principal" which may prevail under any other law or which may be created by the terms and conditions of the Notes or any related documentation. Holders of the Notes should seek their own professional advice as regards the withholding tax treatment of any payment on the Notes which does not constitute "interest" or "principal" as those terms are understood in United Kingdom tax law. Where a payment on a Note does not constitute (or is not treated as) interest for United Kingdom tax purposes, and the payment has a United Kingdom source, it would potentially be subject to United Kingdom withholding tax if, for example, it constitutes (or is treated as) an annual payment or a manufactured payment for United Kingdom tax purposes (which will be determined by, amongst other things, the terms and conditions specified by the final terms of the Note). In such a case, the payment may fall to be made under deduction of United Kingdom tax (the rate of withholding depending on the nature of the payment), subject to such relief as may be available following a direction from HMRC pursuant to the provisions of any Treaty, or to any other exemption which may apply.

(4) The above description of the United Kingdom withholding tax position assumes that there will be no substitution of an issuer and does not consider the tax consequences of any such substitution.

UK Corporation Tax Payers

Holders of the Notes within the charge to United Kingdom corporation tax (including non-resident holders whose Notes are issued, held or acquired for the purposes of a trade carried on in the United Kingdom though a permanent establishment in the United Kingdom) will be subject to tax as income for United Kingdom corporation tax purposes on all profits, gains and losses in respect of the Notes and fluctuations in the value of the Notes (whether attributable to currency fluctuations or otherwise) in accordance with the "loan relationship" rules in Part 5 of the Corporation Tax Act 2009 (as amended from time to time) on a basis broadly in accordance with the treatment in their statutory accounts. Such holders of the Notes will generally be charged in each accounting period by reference to interest and other amounts which, in accordance with generally accepted accounting practice, are recognized in determining their profit or loss for that period.

Other UK Tax Payers

Taxation of Chargeable Gains

The Notes should constitute "qualifying corporate bonds" for the purposes of section 117 of the Taxation of Chargeable Gains Act 1992. If the Notes do not constitute "deeply discounted securities" for the purposes of Chapter 8 of Part 4 of the Income Tax (Trading and Other Income) Act 2005, a disposal of the Notes (including a redemption) by an individual holder of the Notes who is resident in the United Kingdom or who carries on a trade, profession or vocation in the United Kingdom through a branch or agency to which the Notes are attributable, should not give rise to either a chargeable gain or allowable loss for the purposes of the UK taxation of chargeable gains or a charge to UK income tax.

Accrued Income Profits

On a disposal of Notes (if they do not constitute deeply discounted securities) by a holder of Notes who is resident in the United Kingdom or who carries on a trade, profession or vocation in the United Kingdom, any interest which has accrued since the last interest payment date or such amount as HMRC deems just and reasonable may be chargeable to tax as income under the rules of the accrued income scheme as set out in Part 12 of the Income Tax Act 2007.

Stamp Duty and Stamp Duty Reserve Tax

There should be no UK stamp duty or stamp duty reserve tax payable on the issue or transfer of the Notes.

The Proposed Financial Transactions Tax

On February 14, 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a directive for a common financial transactions tax (the "**FTT**") in Belgium, Germany, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**") and Estonia. However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances.

Under the Commission's Proposal the FTT could apply in 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 (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

The FTT proposal remains subject to negotiation between participating Member States. 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 US Federal Income Tax Considerations

The following discussion is a summary of certain US federal income tax consequences of the purchase, ownership and disposition of the Notes by a US holder (defined below), but does not purport to be a complete analysis of all potential tax effects. This summary is based upon the Internal Revenue Code of 1986, as amended, Treasury regulations issued thereunder, and judicial and administrative interpretations thereof, each as in effect and available on the date hereof, and all of which are subject to change, possibly with retroactive effect. No rulings from the Internal Revenue Service ("**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 US 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, US expatriates, insurance companies, dealers in securities or currencies, traders in securities, US holders whose functional currency is not the US 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. This discussion does not address US federal income tax consequences that may be relevant to investors that also own, directly or indirectly, equity in the Issuer. In addition, this discussion is limited to persons who purchase the Notes for cash at original issue and at their "issue price" (i.e., the first price at which a substantial amount of the applicable series of Notes are sold for cash to investors (excluding persons acting in the capacity of underwriters)) and who hold the Notes as capital assets for US federal income tax purposes (generally, property held for investment). This discussion does not address the tax considerations relevant to US holders of the Notes under any state, local, or subsidiary jurisdiction thereof, or non-US tax laws or any other tax laws other than the US federal income tax laws, and it does not address the federal estate and gift tax, the alternative minimum tax or the Medicare tax on net investment income.

For purposes of this discussion, a "**US holder**" is a beneficial owner of a Note that is, for US 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 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 US federal income taxation regardless of its source; or (iv) a trust the income of which is subject to US federal income tax regardless of its source.

If any entity or arrangement treated as a partnership for US 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 purchasing, holding or disposing of Notes in light of their particular circumstances, including the application of the US federal income tax considerations discussed below, as well as the application of US federal estate and gift tax laws, the Medicare tax on net investment income and state, the alternative minimum tax, state, local, non-US or other tax laws.

Characterization of the Notes

The characterization and treatment for US federal income tax purposes of the Notes is an inherently factual question and no single factor is determinative. Although the issue is not entirely clear, we intend, to the extent relevant, to treat the Notes as debt for US federal income tax purposes.

However, no ruling will be obtained from the IRS in this regard, and there can be no assurance that the IRS or the courts would agree with this characterization of the Notes. If the Notes were treated as equity interests in the Issuer, US holders could be subject to consequences that are materially different from what is discussed below. In particular, if the Notes were treated as equity of the Issuer, and the Issuer were treated for US federal income tax purposes as a passive foreign investment company (a "**PFIC**"), US Holders may be subject to materially adverse US federal income tax consequences. It is unclear whether the Issuer will be treated as a PFIC. Prospective US investors should consult their tax advisors regarding the characterization of the Notes, the possibility that the Notes will be classified as equity interests in the Issuer and the consequences of owning an equity interest in an entity treated as a PFIC. The discussion below assumes that the Notes will be treated as debt for US federal income tax purposes.

Payments of Stated Interest

Payments of stated interest on the Notes (including additional amounts paid in respect of non-US withholding taxes and without reduction for non-US tax withheld, if any) generally will be taxable to a US holder as foreign-source ordinary income at the time that such payments are received or accrued, in accordance with such US holder's method of accounting for US federal income tax purposes.

A US holder that uses the cash method of accounting for US federal income tax purposes and that receives a payment of stated interest will be required to include in ordinary income the US dollar value of the foreign currency interest payment (translated at the spot rate of exchange on the date such payment is received) regardless of whether the payment is in fact converted to US dollars. A cash basis US holder will not realize exchange gain or loss on the receipt of the interest income, but may recognize exchange gain or loss upon the actual disposition of the pounds sterling received.

A US holder that uses the accrual method of accounting for US federal income tax purposes will be required to include in income the US dollar value of the amount of interest income in foreign currency that has accrued during an accrual period. The US dollar value of such accrued income will be determined by translating such income at the average spot rate of exchange for the accrual period or, with respect to an accrual period that spans two taxable years, at the average spot rate for the partial period within the US holder's taxable year. A US holder may elect, however, to translate such accrued interest income using the spot rate of exchange on the last day of the accrual period or, with respect to an accrual period that spans two taxable years, using the spot rate of exchange on the last day of the portion of the accrual period within the US holder's taxable year. If the last day of an accrual period is within five business days of the date of receipt of the accrued interest, a US holder may translate such interest at the spot rate on the date of receipt. The above election will apply to other obligations held by the US holder and may not be changed without the consent of the IRS. A US holder that uses the accrual method of accounting for US federal income tax purposes will recognize exchange gain or loss with respect to accrued interest income on the date such interest is received. The amount of exchange gain or loss recognized will equal the difference, if any, between the US dollar value of the foreign currency payment received (translated at the spot rate on the date such payment is received) in respect of such accrual period and the US dollar value of interest income that has accrued during such accrual period (as determined above), regardless of whether the payment is in fact converted to US dollars. Such gain or loss will generally constitute ordinary income or loss and be treated as US source income or as an offset to US source income, respectively.

US holders should consult their own tax advisors regarding how to account for payments of interest in a currency other than the US dollar.

Original Issue Discount

A series of Notes may be treated as issued with original issue discount ("**OID**") if the stated principal amount of such Notes exceeds their issue price by more than a statutorily defined *de minimis* amount (generally, 0.0025 multiplied by the stated principal amount and the number of complete years to maturity from the issue date). The amount of such OID is the excess of the stated principal amount of the notes over their issue price (as defined above). If a series of Notes is issued with more than a *de minimis* amount of OID, a US holder of such Notes generally will be required to include the OID in income (as foreign source ordinary income) for US federal income tax purposes as it accrues (regardless of the US holder's accounting method for US federal income tax purposes), in accordance with a constant yield method based on a compounding of interest, before the receipt of cash payments attributable to this income. Under this method, a US holder of such Notes generally will be required to include in income increasingly greater amounts of OID in successive accrual periods. OID is generally accrued in foreign currency in a manner similar to accruals of interest by accrual method taxpayers discussed above under "—*Payments of stated interest*." US holders should consult their own tax advisors regarding how to account for accruals of OID, including how to account for OID in a currency other than the US dollar.

Sale, Exchange, Redemption, Retirement or Other Taxable Disposition of Notes

Generally, upon the sale, exchange, redemption, retirement or other taxable disposition of a Note, a US holder will recognize taxable gain or loss equal to the difference between the amount realized on the disposition determined in US dollars (less any amount attributable to accrued but unpaid interest, which will be treated as a payment of interest) and such US holder's adjusted basis in the Note. The amount realized on disposition for an amount of foreign currency will generally be the US dollar value of that amount translated at the spot rate on the date payment is received or the Note is disposed of. In the case of a Note that is traded on an established securities market, a cash basis US holder and, if it so elects, an accrual basis US holder will determine the US dollar value of the amount realized by translating such amount at the spot rate of exchange on the settlement date of the disposition. A US holder that is not eligible to, or an accrual basis taxpayer that does not elect to, determine the amount realized using the spot rate on the settlement date, will recognize foreign currency exchange gain or loss to the extent attributable to the difference between the exchange rates on the disposition date and settlement date, and such gain or loss generally will constitute US source ordinary income or loss.

A US holder's adjusted tax basis in a Note generally will equal the US dollar cost of such Note to such US holder increased by any OID the US holder has previously included in income, if any. If a US holder uses foreign currency to purchase a Note, the cost of the Note will be the US dollar value of the foreign currency purchase price, translated at the spot rate on the date of purchase. In the case of a Note that is traded on an established securities market, a cash basis US holder, and, if it so elects, an accrual basis US holder, will determine the US dollar value of the cost of such Note by translating the amount paid at the spot rate of exchange on the settlement date of the purchase.

The special election available to accrual basis US holders in regard to the purchase and sale of Notes traded on an established securities market, which is discussed in the preceding paragraphs, must be applied consistently to all debt instruments from year to year and cannot be changed without the consent of the IRS.

Subject to the discussions of exchange gain or loss above and below, gain or loss recognized upon the sale, exchange, redemption, retirement or other taxable disposition of a Note (i) generally will be US source gain or loss and (ii) generally will be capital gain or loss and will be long-term capital gain or loss if at the time of the sale, exchange, redemption, retirement or other disposition the Note has been held by such US holder for more than one year. Long-term capital gain realized by a non-corporate US holder generally will be subject to taxation at a reduced rate. The deductibility of capital losses is subject to limitation. Prospective purchasers should consult their tax advisors as to the foreign tax credit implications of the sale, exchange, redemption or other taxable disposition of the Notes.

Upon the sale, exchange, redemption, retirement or other taxable disposition of a Note, a US holder may recognize gain or loss that is attributable to fluctuations in currency exchange rates with respect to the principal amount of such Note. For these purposes, the principal amount of a Note is the US holder's purchase price of the Note in foreign currency. Gain or loss attributable to fluctuations in exchange rates with respect to the principal amount of such Note generally will equal the difference between (i) the US dollar value of the principal amount of the Note, determined on the date such payment is received from us for the Note or such Note is disposed of, and (ii) the US dollar value of the principal amount of the Note, determined on the date the US holder acquired such Note (or, in each case, on the settlement date, if the Notes are traded on an established securities market and the holder is either a cash basis US holder or an electing accrual basis US holder). Such gain or loss will be treated as ordinary income or loss and generally will be treated as US source income or loss. The recognition of exchange gain or loss with respect to principal and with respect to accrued and unpaid stated interest and, if any, accrued OID (which will be treated as discussed above under "—*Payments of stated interest*" or "—*Original issue discount*," as applicable) will be limited to the amount of overall gain or loss realized on the disposition of such Note.

US holders should consult their tax own advisors regarding how to account for payments made with respect to the acquisition, sale, exchange, redemption, retirement or other taxable disposition of a Note in a currency other than the US dollar.

Backup Withholding and Information Reporting Requirements

In general, payments of interest and the proceeds from sales or other dispositions (including retirements or redemptions) of Notes held by a US holder may be required to be reported to the IRS unless the US holder is an exempt recipient and, when required, demonstrates this fact. In addition, a US 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 holder's US federal income tax liability and may entitle the holder to a refund, provided that the appropriate information is timely furnished to the IRS.

US holders should consult their tax advisors regarding any tax reporting or filing requirements they may have as a result of the acquisition, ownership or disposition of the Notes. Failure to comply with certain reporting obligations could result in the imposition of substantial penalties.

Luxembourg Tax Considerations

The following is a general description of certain Luxembourg tax considerations relating to the Notes. It specifically contains information on taxes on the income from the Notes withheld at source and provides an indication as to whether the Issuer assumes responsibility for the withholding of taxes at the source. It does not purport to be a complete analysis of all tax considerations relating to the Notes, whether in Luxembourg or elsewhere. Prospective purchasers of the Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of the Notes payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of Luxembourg. The following is based upon the law as in effect on the date of this Offering Memorandum. The information contained within this section is limited to withholding taxation issues, and prospective investors should not apply any information set out below to other areas, including (but not limited to) the legality of transactions involving the Notes.

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 refers to Luxembourg tax law and/or concepts only.

A Notes holder may not become resident, or deemed to be resident, in Luxembourg by reason only of the holding of the Notes, or the execution, performance, delivery and/or enforcement of the Notes.

Withholding Tax

Under Luxembourg general tax laws currently in force, all payments of interest (including accrued but unpaid interest) and principal by the Issuer in the context of the holding, disposal, redemption or repurchase of the Notes, which are not profit sharing, can be made free and clear of any withholding or deduction for or on account of any taxes of whatsoever nature imposed, levied, withheld, or assessed by Luxembourg or any political subdivision or taxing authority thereof or therein, in accordance with the applicable Luxembourg law, subject however to the application as regards Luxembourg resident individuals of the Luxembourg law of December 23, 2005, as amended, which has introduced a 20% withholding tax on interest payments.

Pursuant to the law of December 23, 2005 as amended, Luxembourg resident individuals can opt to self-declare and pay a 20% levy on interest payments made or ascribed by paying agents located outside Luxembourg in a Member State of either the European Union or the European Economic Area.

The 20% withholding tax as described above or the 20% levy are in full discharge of income tax when Luxembourg resident individuals are acting in the context of the management of their private wealth.

Responsibility for the withholding of tax in application of the above-mentioned Luxembourg law of December 23, 2005, as amended, is assumed by the Luxembourg paying agent within the meaning of this law and not by the Issuer.

Limitations on Validity and Enforceability of Guarantees and Security and Certain Insolvency Law Considerations

The following is a summary description of certain limitations on the validity and enforceability of the Notes Guarantees and the security interests for the Notes, and a summary of certain insolvency law considerations in the jurisdiction in which the Issuer and the Guarantors are incorporated. The description is only a summary and does not purport to be complete or to discuss all of the limitations or considerations that may affect the validity and enforceability of the Notes, the Notes Guarantees and the security interests. As such, prospective investors in the Notes should consult their own legal advisors with respect to such limitations and considerations.

European Union

The Issuer and certain of the Guarantors are organized under the laws of an EU member state. Pursuant to Council Regulation (EC) No. 1346/2000 on insolvency proceedings (the "**EU Insolvency Regulation**") (which will be replaced by the recast Regulation (EU) No 2015/848 of May 20, 2015 in respect of insolvency proceedings commenced after June 26, 2017 (and subject to certain exceptions)), the court that shall have jurisdiction to open insolvency proceedings in relation to a company is the court of the EU 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 EU member state may have differing and even conflicting views.

The term "center of main interests" is not a static concept and may change from time to time. Although there is a rebuttable presumption under Article 3(1) of the EU Insolvency Regulation that any such company has its "center of main interests" in the EU 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." In that respect, the courts have taken into consideration a number of factors in determining the center of main interests of a company, including where board meetings are held, the location where the company conducts the majority of its business and the location where the large majority of the company's creditors are established may all be relevant in the determination of the place where the company has its "center of main interests."

If the center of main interests of a company at the time an insolvency application is made is 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. Insolvency proceedings opened in one EU member state under the EU Insolvency Regulation are to be recognized in the other EU member state (other than Denmark), although "secondary proceedings" may be opened in another EU member state after the main proceedings have been commenced. If the "center of main interests" of a debtor is in one EU member state (other than Denmark), under Article 3(2) of the EU Insolvency Regulation, the courts of another EU member state (other than Denmark) have jurisdiction to open "secondary proceedings" only in the event that such debtor has an "establishment" in the territory of such other EU member state. The effects of those secondary proceedings are restricted to the assets of the debtor situated in the territory of such other EU member state. If the company does not have an establishment in any other EU member state, no court of any other EU member state has jurisdiction to open secondary proceedings in respect of such company under the EU Insolvency Regulation. "Territorial proceedings" may also be commenced prior to the opening of main insolvency proceedings, if the debtor has an establishment in the territory of a different EU member state from that in which the debtor's "center of main interests" is situated. As with secondary proceedings, the effects of territorial proceedings are restricted to the assets situated in the EU member-state in which such proceedings are opened.

In the event that any one or more of the Issuer or the Guarantors experience financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings. Applicable insolvency laws may affect the enforceability of the obligations and the security of the Issuer and the Guarantors.

Where main proceedings have been opened in the Member State in which the company has its center of main interests, any proceedings opened subsequently in another Member State in which the company has an establishment (secondary proceedings) are limited to "winding-up proceedings" listed in Annex B of the EU Insolvency Regulation. The effects of those territorial proceedings are restricted to the assets of the debtor situated in the territory of such other Member State. Where main proceedings in the Member State in which the company has its center of main interests have not yet been opened, territorial insolvency proceedings can only be opened in another Member State where the company has an establishment where either: (a) insolvency proceedings cannot be opened in the Member State in which the company's center of main interests is situated under that Member State's law; or (b) the territorial insolvency proceedings are opened at the request of a creditor that is domiciled, habitually resident or has its registered office in the other Member State or whose claim arises from the operation of the establishment. Irrespective of whether the insolvency proceedings are main or secondary insolvency proceedings, such proceedings will always, subject to certain exemptions, be governed by the *lex fori concursus* (i.e., the local insolvency law of the court that has assumed jurisdiction for the insolvency proceedings of the debtor).

The courts of all Member States (other than Denmark) must recognize the judgment of the court opening main proceedings that will be given the same effect in the other Member States so long as no secondary proceedings have been opened there. The liquidator appointed by a court in a Member State that has jurisdiction to open main proceedings (because the company's center of main interests is there) may exercise the powers conferred on him by the law of that Member State in another Member State (such as to remove assets of the company from that other Member State), subject to certain limitations, so long as no insolvency proceedings have been opened in that other Member State or any preservation measure taken to the contrary further to a request to open insolvency proceedings in that other Member State where the company has assets.

England and Wales

The Issuer and certain of the Guarantors are companies incorporated under the laws of England and Wales (the "**Obligors**"). Therefore, any insolvency proceedings by or against the Obligors would likely be based on English insolvency laws. However, pursuant to the EU Insolvency Regulation, where a company incorporated under English law has its "center of main interests" in a member state of the European Union other than England and Wales, then the main insolvency proceedings for that company may be opened in the Member State in which its center of main interest is located and be subject to the laws of that Member State. For further information, see "—*European Union*." Similarly, the Cross-Border Insolvency Regulations 2006, which implement the UNCITRAL Model Law on Cross-Border Insolvency in Great Britain, provide that a foreign (i.e., non-European) court may have jurisdiction where any English company has a center of its main interests in such foreign jurisdiction, or where it has an "establishment" (being a place of operations in such foreign jurisdiction, where it carries out non-transitory economic activities with human means and assets or services).

English insolvency law is different from the laws of the United States and other jurisdictions with which investors may be familiar. In the event that the Issuer or a Guarantor experiences financial difficulty, it is not possible to predict with certainty the outcome of insolvency or similar proceedings.

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 or 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 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 "**Insolvency Act**"), a company is insolvent if it is unable to pay its debts. A company is unable to pay its debts if it is insolvent on a "cash flow" basis (unable to pay its debts as they fall due), if it is insolvent on a "balance sheet" basis (the value of the company's assets is less than the amount of its liabilities, taking into account its contingent and prospective liabilities), if it fails to satisfy a creditor's statutory demand for a debt exceeding £750 or if it fails to satisfy in full a judgment debt (or similar court order).

The Guarantor's obligations under the Notes are secured by security interests over the Security. English insolvency laws and other limitations could limit the enforceability of a Notes Guarantee against the Guarantor and the enforceability of security interests over the Security.

The following is a brief description of certain aspects of English insolvency law relating to certain limitations on the UK guarantee and the security interests over the Security. The application of these laws could adversely affect investors, their ability to enforce their rights under the UK guarantee and/or the Security securing the Notes and the UK guarantee and therefore may limit the amounts that investors may receive in an insolvency of the Guarantor.

Fixed and Floating Charges

Fixed charge security has a number of advantages over floating charge security, save as provided under the Financial Collateral Arrangements (No. 2) Regulations 2003 (the "**Financial Collateral Arrangements Regulations**"): (a) 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 charging company's business while in administration) in priority to the claims of the floating charge holder; (b) a fixed charge over assets, even if created after the date of a floating charge over the assets, will rank prior to the floating charge over some charged assets; (c) general costs and expenses (including the officeholder'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; (d) until the floating charge security crystallizes, a company is entitled to deal with assets that are subject to floating charge security in the ordinary course of its business, meaning that such assets can be effectively disposed of by the charging company so as to give a third party good title to the assets free of the floating charge; (e) floating charge security is subject to certain challenges under English insolvency law (for further information, see "*—Grant of Floating Charge*"); and (f) 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 security financial collateral arrangement, to the claims of unsecured creditors in respect of a ring-fenced amount of the proceeds (for further information, see "*—Moratoria and Other Considerations*").

Under English law there is a possibility that a court could recharacterize 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 is 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.

Moratoria and Other Considerations

Under English insolvency law, English courts are empowered to order the appointment of an administrator in respect of an English company in certain circumstances. An administration order can be made if the court is satisfied that the relevant company is or is likely to become "unable to pay its debts" and that the administration order is reasonably likely to achieve the purpose of administration.

An administrator can also be appointed out of court by a company, its directors or the holder of a qualifying floating charge and different procedures apply according to the identity of the appointer. The purpose of an administration is comprised of three objectives that must be looked at successively: rescuing a company as a going concern or, if that is not reasonably practicable, achieving a better result for a company's creditors as a whole than if a company went into immediate liquidation or, if neither of those objectives is reasonably practicable, and the interests of the creditors as a whole are not unnecessarily harmed thereby realizing property to make a distribution to secured or preferential creditors. During the administration, in general no proceedings or other legal process may be commenced or continued against such company, or security enforced over such company's property, except with permission of the court or the consent of the administrator. This moratorium does not, however, apply to a "security financial collateral arrangement" (such as a charge over cash or financial instruments such as shares, bonds or tradable capital market debt instruments) under the Financial Collateral Arrangements Regulations. During the administration of a company, a creditor would not be able to enforce any security interest (other than valid security financial collateral arrangements), including in respect of a guarantee granted by it (although a demand for payment could be made under such guarantee) without the consent of the administrator or the permission of the court. In addition, a secured creditor cannot appoint an administrative receiver while an administrator is in office although, in certain circumstances (principally where one of the exceptions to the general prohibition on the appointment of an administrative receiver applies as set out in the Insolvency Act, or pursuant to a debenture dated earlier than September 15, 2003), the holder of a floating charge can block the appointment of an administrator where it can appoint an administrative receiver.

In order to empower the Security Agent to appoint an administrative receiver or an administrator to the company out of court, the floating charge granted by the relevant Obligor must constitute a "qualifying floating charge" for the purposes of English insolvency law and, in the case of the ability to appoint an administrative receiver, the qualifying floating charge must, unless the security document pre-dates September 15, 2003, fall within one of the exceptions in the Insolvency Act as amended by the Enterprise Act 2002 to the prohibition on the appointment of administrative receivers. In order to constitute a qualifying floating charge, the floating charge must be created by an instrument which (a) states that the relevant statutory provision applies to it; (b) purports to empower the holder to appoint an administrator of the company or (c) purports to empower the holder to appoint an administrative receiver within the meaning given by Section 29(2) of the Insolvency Act. The Security Agent will be the holder of a qualifying floating charge if such floating charge security, together (if necessary) with other forms of security, relates to the whole or substantially the whole of the property of the relevant English company and at least one such security interest is a qualifying floating charge. The most relevant exception to the prohibition on the appointment of an administrative receiver is the exception relating to "capital market arrangements" (as defined in the Insolvency Act), which may apply if the issue of the Notes creates a debt of at least £50.0 million for the relevant company under the arrangement and the arrangement involves the issue of a "capital markets investment" (which is defined in the Insolvency Act, and is generally a rated, listed or traded debt instrument).

If an administrative receiver has been appointed, an administrator can only be appointed by the court (and not by the company, its directors or the holder of a qualifying charge using the out of court procedure) and then only if the person who appointed the administrative receiver consents or the court considers that the security pursuant to which the administrative receiver was appointed is invalid. If an administrator is appointed, any administrative receiver will vacate office, and any receiver of part of the company's property must resign if required to do so by the administrator.

A moratorium is also available pursuant to Schedule A1 to the Insolvency Act for "small companies" that are proposing a company voluntary arrangement with creditors, which can be for a period of up to 28 days, with the option for creditors to extend this protection for up to a further two months (although the Secretary of State for Trade and Industry may, by order, extend or reduce the duration of either period). Small companies are those which meet eligibility criteria as regards the number of employees, turnover and balance sheet total as set out in section 382 of the Companies Act 2006. The position as to whether or not a company is a "small company" may change from financial period to financial period, depending on its financial position and average number of employees during that particular period. The Secretary of State for Trade and Industry may, by regulations, also modify the qualifications for eligibility of a company for a moratorium and may also modify the present definition of a "small company." Accordingly, the Obligors may, at any given time, come within the ambit of the "small companies" provisions, such that the Obligors may (subject to the exemptions referred to below) be eligible to seek a moratorium, in advance of a company voluntary arrangement. This moratorium is not available to companies which have entered into certain capital market arrangements (whereby the company has incurred or is expected to incur a debt of at least £10 million and the arrangement involves the issue of a capital market investment) as detailed in Schedule A1 to the Insolvency Act 1986. The definitions of "capital market arrangement" and "capital market investment" are broad and are such that, in general terms, any company which is a party to an arrangement which involves at least £10 million of debt, the granting of security to a trustee, and the issue of a rated, listed or traded debt instrument, is excluded from being eligible for a moratorium. The Secretary of State for Trade and Industry may modify the criteria by reference to which a company otherwise eligible for a moratorium is excluded from being so eligible. Further, a company voluntary arrangement itself cannot bind secured creditors without their permission. However, if the small companies' moratorium were to apply to any of the Obligors, its effects would include prohibitions on enforcement of security that are similar to those that arise upon an administration moratorium. Therefore, to the extent the small companies' moratorium applies, there would be a moratorium on legal proceedings and execution or other legal process being commenced or continued and the levy of distress, against the company or its property (except with the permission of the court). No other steps may be taken to enforce any security over the company's property except with the permission of the court. The company may dispose of charged property if the holder of the security consents or the court gives permission. Further, the company may not make any payment or disposal of its own property unless there are reasonable grounds for believing that the disposal will benefit the company and the payment or disposal is approved by the committee (if established) or, where there is no such committee, by the nominee of the company voluntary arrangement.

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-fencing applies to 50% of the first £10,000 of floating charge realizations and 20% of the remainder over £10,000, with a maximum aggregate cap of £600,000. The obligation on such insolvency officeholder to set aside the prescribed part for unsecured parties does not apply if the net floating charge realizations are less than £10,000 and the officeholder is of the view that the costs of making a distribution to unsecured parties would be disproportionate to the benefits. The prescribed part will apply to all floating charges created on or after September 15, 2003 regardless of whether they fall within one of the exceptions or not.

Filings

The prescribed particulars in respect of a security document under which an English company purports to create security, together with a certified copy of the security document, should be delivered to the Registrar of Companies within 21 days after the date of the security document in accordance with Chapter A1 of Part 25 of the Companies Act 2006 (the "CA06"). Failing this, the security created by the security document will (subject as mentioned in the above Chapter) be void against a liquidator or administrator and any creditor of the charging company. The application of the above Chapter to a security interest is subject to the application of the Financial Collateral Regulations. In addition, the following categories of charge are not registrable under the above Chapter (as set out in section 859A(6) of the CA06): (i) a charge in favor of a landlord on a cash deposit given as a security in connection with the lease of land; (ii) a charge created by a member of Lloyd's (within the meaning of the Lloyd's Act 1982) to secure its obligations in connection with its underwriting business at Lloyd's; and (iii) a charge excluded from the application of section 859A of the CA06 by or under any other Act (such as charges that are exempted from registration under the Banking Act 2009). Registration may also determine the order of priority of registrable security interests and may provide notice of a pre- existing security interest for the purpose of priorities.

Corporate Authorizations and Maintenance of Capital

The legality, validity and enforceability of the obligations of an Obligor under the Notes, the Notes Guarantees and the Security are subject to matters affecting companies generally, including that: (i) its entry into and performance of such obligations: (A) are not prohibited by its constitutional documents (or contracts to which it is party); and (B) have been duly authorized and do not breach or result in inconsistency with applicable laws or regulations; and (ii) the documents evidencing such obligations have been duly executed and delivered in accordance with all applicable procedures and laws. In addition, the granting of upstream (or cross-stream) guarantees or security by an English company could be subject to challenge if it results in a reduction in that company's net assets as properly recorded in its books or, to the extent that it does, the company does not have sufficient distributable reserves to cover that reduction.

Enforcement

Enforcement of security and guarantees may be affected by general legal and equitable principles regarding the legality, validity and enforceability of contractual provisions and contractual obligations and liabilities (including guarantees and security).

Assignments

Any assignment of a debt or other chose in action, including by way of security, can only take effect as a legal assignment under section 136 of the Law of Property Act 1925 if it meets the requirements of that provision, which are: (i) the assignment must be in writing; (ii) the assignment must be absolute and not purporting to be by way of charge only; and (iii) notice of the assignment must be given to the underlying obligor. If any of these requirements is not satisfied, the assignment may still constitute a valid equitable assignment. Equitable assignments, including by way of security, are subject to certain limitations, including, without limitation: (i) where an equitable interest is followed by a legal interest, the subsequent legal interest will take priority if the holder acquired it for value without notice of the equitable interest; and (ii) the priority of dealings in most equitable interests is determined by the time at which notice of such interest is given to the underlying obligor or to the person in control of that equitable interest. The first to give notice will take priority, if that person does not have actual or constructive notice of the prior interest and has given consideration for his or her interest.

Share Mortgages

A mortgage of shares can only take effect as a legal mortgage if the relevant transfers of shares are registered, although it may still give rise to a valid equitable security interest.

PSC Regime

Pursuant to the new Part 21A of the CA06 (and related Schedules 1A and 1B to the CA06), from April 6, 2016 certain UK incorporated companies, *societates europaeae* and limited liability partnerships (for the purposes of this paragraph, each a relevant company) must keep a register of certain registrable individuals and legal entities that have significant control over them. Failure of such registrable individuals or legal entities or other persons specified in Part 21A of (and Schedule 1B to) the CA06 (for the purposes of this paragraph, each a notifying party) to comply with the requirements of that Part may give relevant companies the right to issue a restrictions notice to such notifying party for the purposes of Schedule 1B to the CA06. Subject to certain exceptions, the effect of a restrictions notice is that in respect of any relevant interest in the relevant company (as defined in Schedule 1B to the CA06, for example, a share in the relevant company): (A) any transfer of (or agreement to transfer) the interest is void; (B) no rights are exercisable in respect of the interest; (C) no shares may be issued in right of the interest or in pursuance of an offer made to the interest-holder; and (D) except in a liquidation, no payment may be made of sums due from the relevant company in respect of the interest, whether in respect of capital or otherwise. Such restrictions could adversely affect the validity of the security interests over the security and the ability of the Security Agent to enforce its rights under the English security documents.

Application of Proceeds

The enforceability of a provision in a security document that relates to the application of proceeds will be subject to any obligations mandatorily preferred by applicable law.

Ranking

The description given by the parties to the ranking of security interests is not determinative of the ranking of those security interests.

Liquidation/Winding-up

Liquidation is a company dissolution procedure under which the assets of the company are realized and distributed by the liquidator to creditors in the statutory order of priority prescribed by the Insolvency Act. At the end of the liquidation process the company will be dissolved. In the case of a liquidation commenced by way of a court order, no proceedings or other actions may be commenced or continued against the company except by leave of the court and subject to such terms as the court may impose (although security enforcement is not affected). In proceedings where the company or its directors has resolved to place the company into liquidation, the liquidator (or creditor or shareholder) can apply to the court for an order that no proceedings or other actions may be commenced or continued against the company.

Under English insolvency law, a liquidator has the power to disclaim any onerous property, which is any unprofitable contract and any other property of the company that cannot be sold, readily sold or may give rise to a liability to pay money or perform any other onerous act. A contract may be unprofitable if it gives rise to prospective liabilities and imposes continuing financial obligations on the company that may be detrimental to creditors. However, this power does not apply to a contract all the obligations under which have been performed nor can it be used to disturb accrued rights and liabilities.

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. Therefore, if during the specified period an administrator or liquidator is appointed to an English company, the administrator or liquidator may challenge the validity of the security or guarantee given by such company. The Issuer cannot be certain that, in the event of the onset of a UK Subsidiary's insolvency that is within any of the requisite time periods set forth below, the grant of any security or guarantee will 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, depends on the insolvency procedure in question. In administration the onset of insolvency is the date on which (a) the court application for an administration order is issued, (b) the notice of intention to appoint an administrator is filed at court, or (c) otherwise, the date on which the appointment of an administrator takes effect. In a compulsory liquidation the onset of insolvency is the date 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 as for the initial administration.

Transaction at an Undervalue

Under English insolvency law (pursuant to section 238 of the Insolvency Act), a liquidator or administrator of a company could apply to the court for an order to set aside a security interest (in certain cases) 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 transaction constitutes a gift or is made on terms that provide that the company receives no consideration or if the company receives consideration of significantly less value, in money or in 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). A court will not 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 granted or guarantees although there is protection for a third party that benefits from the transaction and has acted in good faith and for value). 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 UK Insolvency Act), in which case there is a presumption that the company was unable to pay its debts and the connected person must demonstrate that the company was not unable to pay its debts at the time of the transaction.

Preference

Under English insolvency law (pursuant to section 239 of the Insolvency Act), 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 such security interest or such guarantee constituted a preference. The grant of a security interest or guarantee is a preference if it has the effect of placing a 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 decision to prefer must be made within the period of six months ending with the onset of insolvency (as defined in section 240 of the Insolvency Act) if the beneficiary of the security interest or the guarantee is not a connected person or two years if the beneficiary is a connected person. In addition, the company must have been "unable to pay its debts" at the time it gave the preference or become "unable to pay its debts" as a result. A company's "inability to pay its debts" in this scenario has the same meaning as in the case of a transaction at an undervalue save that, in the case of a preference, there is no presumption of insolvency if the parties are connected. A court will not make an order in respect of a preference of a person unless it is satisfied that the company in deciding to give the preference was influenced by a desire to put that person in a better position. If the court determines that the transaction was a preference, the court can make such order 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 that benefits from the transaction and acted in good faith and for value. In any proceedings, it is for the administrator or liquidator to demonstrate that the 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 influence.

Transaction Defrauding Creditors

Under English insolvency law, a liquidator or an administrator of a company, or a person who is a "victim" of the relevant transaction can apply to the court pursuant to section 423 of the Insolvency Act, for an order to set aside a security interest or guarantee granted by that company on the grounds the security interest or guarantee was a transaction defrauding creditors.

A transaction will constitute a transaction defrauding creditors if it is a transaction at an undervalue (as described above) and the court is satisfied the substantial purpose of a party to the transaction was to put assets beyond the reach of actual or potential claimants against it or to prejudice the interest of such persons.

If the court determines that the transaction was a transaction defrauding creditors, then it may make such order as it may deem fit to restore the position to what it was prior to the transaction or protect the victims of the transaction (including reducing payments under the guarantee or setting aside the security interest or guarantees) but there is protection for a third party acting in good faith and for value without notice of the relevant circumstances. Any "victim" of the transaction (with the permission of the court if the company is in liquidation or administration) may apply to court under this provision and not just liquidators or administrators. There is no time limit in the English insolvency legislation within which the company must enter insolvency proceedings and the relevant company does not need to have been unable to pay its debts at the time 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 obligor up to three years before the day on which the English obligor 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). The floating charge, however, will 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 "security financial collateral arrangement" under the Financial Collateral Arrangements Regulations, the floating charge will not be subject to challenge as described in this paragraph.

Connected Persons

A connected person for the purposes of transactions at an undervalue, preferences and invalid floating charges, is a party who is a director, shadow director, an associate of such director, or an associate, of the relevant company. A party is associated with an individual if a relative of the individual or the individual's husband, wife or civil partner, or the husband, wife or civil partner of a relative of the individual or the individual's husband, wife or civil partner. A party is associated with a company if employed by that company. A company is associated with another company if the same person has control of both companies, or a person has control of one and persons who are his associates, or he and persons who are his associates, have control of the other, or if a group of two or more persons has control of each company, and the groups either consist of the same persons or could be regarded as consisting of the same persons by treating (in one or more cases) a member of either group as replaced by a person of whom he is an associate.

Post-Petition Interest

Any interest accruing under or in respect of amounts due under the Notes Guarantee or the security to which a Guarantor is a party in respect of any period after the commencement of administration or liquidation proceedings would only be recoverable by the holders of the Notes from any surplus remaining after payment of all other debts proved in the proceedings and accrued and unpaid interest up to the date of the commencement of the proceedings provided that such interest may, if there are sufficient realizations from the secured assets, be discharged out of such security recoveries.

Dispositions in Winding-up

Under Section 127 of the Insolvency Act, any dispositions of a company's property made after a winding-up has commenced is, unless the court orders otherwise, void. The compulsory winding-up of a company is deemed to start when a winding-up petition is presented by a creditor against the company, rather than the date that the court makes the winding-up order (if any). However, this will not apply to any property or security interest subject to a disposition or otherwise arising under a financial collateral arrangement under the Financial Collateral Arrangements Regulations and will not prevent a close-out netting provision from taking effect in accordance with its terms.

Foreign Currency

Under English insolvency law, where creditors are asked to submit formal proofs of claim for their debts, any debt of a company payable in a currency other than British pounds sterling must be converted into British pounds sterling at the "official exchange rate" prevailing at the date when the company went into liquidation or administration. This provision overrides any agreement between the parties. The "official exchange rate" for these purposes is the middle market rate in the London Foreign Exchange Market at close of business as published for the date in question or, if no such rate is published, such rate as the court determines.

Foreign Laws

If, and to the extent that, an asset subject to security under a security document (or the obligor of any debt or other right against any person, which debt or right constitutes all or part of the property or rights subject to that security) is located in any jurisdiction other than England and Wales or is not governed by English law, the validity and priority of that security may be affected by any applicable foreign laws.

Third Party Rights

Security granted over debts from, or other rights against, third parties (including contracts and insurance policies) may be subject to any rights of those third parties.

Amendments

An English court may interpret restrictively any provision purporting to allow the beneficiary of a guarantee or other suretyship to make a material amendment to the obligations to which the guarantee or suretyship relates without further reference to the guarantor or surety.

Jersey

The Company is incorporated under the laws of Jersey. Consequently, in the event of an insolvency of the Company insolvency proceedings may be initiated in Jersey. There are two principal regimes for corporate insolvency in Jersey: *désastre* and winding up (including just and equitable winding up and creditors' winding up). The principal type of insolvency procedure available to creditors under Jersey law is the application for an Act of the Royal Court of Jersey 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, a creditor has no other remedy against the property or person of the debtor, and may not commence or, except with the consent of the Viscount or the Royal Court, continue any legal proceedings to recover the debt. With effect from the date of declaration, a secured party may, however, without the consent of the Viscount and without an order of the court, exercise any power of enforcement it may have under Part 7 (Enforcement of Security Interests) of the Security Interests (Jersey) Law 2012 (the "**2012 Law**"). To the extent that the proceeds of such enforcement are insufficient to discharge liabilities owed, that secured party has no other remedy against the property or person of the debtor, and may not commence any legal proceedings or, except with the consent of the Viscount or the Royal Court, continue any legal proceedings to recover the balance of the debt.

Additionally, the shareholders of a Jersey company (but not its creditors) can instigate a winding-up of an insolvent company, which is known as a "creditors' winding up" pursuant to Chapter 4 of Part 21 of the Companies (Jersey) Law 1991, as amended (the "**Jersey Companies Law**"). On a creditors' winding up, a liquidator is nominated by the shareholders. The creditors may approve such a liquidator or apply to appoint a different liquidator. The liquidator will stand in the shoes of the directors and administer the winding up, gather assets, make appropriate disposals of assets, settle claims and distribute assets as appropriate. After the commencement of the winding up, no action can be taken or continued against the company except with the leave of court. The shareholders must give creditors 14 days' notice of the meeting to commence the creditors' winding up. After the commencement of the creditors' winding up, a secured party may, however, without the sanction of a liquidator and without an order of the court, exercise any power of enforcement it may have under Part 7 (Enforcement of Security Interests) of the 2012 Law. To the extent that the proceeds of such enforcement are insufficient to discharge liabilities owed, that secured party has no other remedy against the company without the leave of the court. The corporate state and capacity of the company continues until the end of the winding up procedure, when the company is dissolved. 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 the Jersey Companies Law contain detailed provisions, including (without limitation) those that define what constitutes a transaction at an undervalue, the operation of the relevant time and the effect of entering into such a transaction with a person connected with the company or with an associate of the company.

Preferences

Under Article 17A of the Jersey Bankruptcy Law and Article 176A of the Jersey Companies Law, the 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 twelve-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 Transactions, Onerous Property, Disclaimer and Customary Law Fraudulent Dispositions

Under Article 17C of the Jersey Bankruptcy Law and Article 179 of the Jersey Companies Law, the court may, on the application of the Viscount (in the case of a company whose property has been declared "en désastre") or liquidator (in the case of a creditors' winding up), set aside a transaction providing credit to the debtor company which is or was extortionate. There is a three-year look-back period from the date of commencement of the winding up or declaration of "désastre" during which transactions are susceptible to examination pursuant to this rule. The Jersey Bankruptcy Law and Jersey Companies Law contain detailed provisions, including (without limitation) those that define what constitutes a transaction which is extortionate.

Under Article 15 of the Jersey Bankruptcy Law, the Viscount may within six months following the date of the declaration of "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.

In addition to the Jersey statutory provisions referred to above, there are certain principles of Jersey customary law (for example, a Pauline action) under which dispositions of assets with the intention of defeating creditors' claims may be set aside.

Enforcement of Security and Security in Insolvency

Under the laws of Jersey, a person incorporated, resident or domiciled in Jersey is deemed to have capacity to grant security governed by foreign law over property situated outside Jersey, but to the extent that any floating charge or other security interest governed by a foreign law is expressed to apply to any asset, property and undertaking of a person incorporated, resident or domiciled in Jersey such floating charge or other security interest is not likely to be held valid and enforceable by the Courts of Jersey in respect of Jersey situs assets.

The Insolvency Act 1986 (either as originally enacted or as amended, including by the provisions of the Enterprise Act 2002) does not apply in Jersey and receivers, administrative receivers and administrators are not part of the laws of Jersey. Accordingly, the Courts of Jersey may not recognize the powers of an administrator, administrative receiver or other receiver appointed in respect of Jersey situs assets.

However, the Jersey Royal Court may, under Article 49(1) of the Jersey Bankruptcy Law, assist the courts of prescribed countries and territories and, applying general principles of comity, assist the courts in other jurisdictions, in all matters relating to the insolvency of any person to the extent that the Royal Court thinks fit. Further, in doing so, the Royal Court may have regard to the UNCITRAL model law, even though the model law has not been (and is unlikely to be) implemented as a separate law in Jersey.

If insolvency proceedings have been commenced in another jurisdiction in relation to the company, the nature and extent of the cooperation from Jersey is likely to depend on the nature of the requesting country's insolvency regime.

In the case of both statutory and non-statutory requests for assistance, it should 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 that the position reached by the Royal Court, in the exercise of its discretion, will be in accordance with EU Insolvency Regulation. Jersey does not form part of the European Community for the purposes of implementation of its directives.

Accordingly, the EU Insolvency Regulation does not apply as a matter of Jersey domestic law and the automatic test of centre of main interests does not apply as a result. Enforcement of a security interest against a Jersey company may be further limited by bankruptcy, insolvency, liquidation, dissolution, re-organization or other laws of general application relating to or affecting the rights of creditors, and laws in relation to transactions at undervalue, preference, extortionate credit transactions, disclaimer of onerous property and fraudulent dispositions also apply in Jersey.

Under Jersey law, security over Jersey situs assets is created in accordance with the provisions of Jersey law. The following Jersey situs assets will be secured pursuant to a number of Jersey law governed security agreements: (i) shares issued by the Company and intra-group indebtedness owed by the Company to its immediate holding company, Nemean Midco Limited; (ii) intra-group indebtedness owed by the Company to UK Holdco 2; and (iii) any Jersey situs assets of the Company. 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 of 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.

Luxembourg

Grand Duchy of Luxembourg

Luxembourg law limitations relating to guarantees and security interests

The granting of guarantees/security interests by a Luxembourg company is subject to specific limitations and requirements relating to corporate object and corporate benefit. The granting of guarantees/security interests by a Luxembourg company must fall within its corporate object (*objet social*) and/or legal form of that company. In addition, there is also a requirement according to which the granting of guarantees/security interests by a Luxembourg company must be for its corporate benefit (*interêt social*). According to article 171-1 of the Luxembourg Law on Commercial Companies, it is a criminal offence for managers or directors of a company to use the assets or the credit of a company for a purpose which they know to be against the interest of the company in their personal interest, or in the interest of companies in which they are directly or indirectly interested.

The granting of a guarantee in violation of article 171-1 of the Luxembourg Law on Commercial Companies would constitute a criminal offence committed by the managers/directors of the company but there is also a risk that the guarantee could be considered to be null and void. There is no relevant Luxembourg case law on the application of this text to intra-group financing transactions. Regard may however be given to the situation in France as the Luxembourg legal provision on abuse of corporate assets is identical to the French text and Luxembourg courts tend to take into consideration French case law in respect to legal provisions which are similar in both jurisdictions. French case law has developed certain criteria under which a company may, in the absence of a direct own benefit, grant a guarantee for the obligations of another group company without violating article 171-1 of the Law on Commercial Companies.

The following criteria which have been defined by the French Supreme Court (*Cour de Cassation*) may be used as a general guideline:

- the transaction in the context of which the guarantee is granted is entered into with a view to furthering economic, social or financial interests within the framework of a common policy defined for the group as a whole;
- the financial commitments (a) are entered into for consideration (not necessarily monetary) and (b) do not disturb the balance between the respective commitments of the group companies; and
- the financial commitments do not exceed the financial capabilities of the company which bears the burden of such commitments.

Although no statutory definition of corporate benefit exists under Luxembourg law, the corporate benefit is broadly interpreted and includes any transactions from which the Luxembourg company derives a direct or indirect economic or commercial benefit. The question whether there is sufficient corporate benefit for a company to grant a guarantee is very fact-based and is to be assessed by the managers/directors of the relevant company.

The provision of a guarantee for the obligations of direct or indirect subsidiaries is likely to raise no particular concerns, whereas the provision of guarantees in favor of companies who have the same direct or indirect shareholders as the Luxembourg company (cross-stream assistance) and companies who are the direct or indirect shareholder of the Luxembourg company (upstream assistance) are less likely to directly benefit the guarantor. No issue should arise, in principle, in relation to cross-stream and upstream taking the form of a security interest, as such security interests are limited by nature to the assets subject to the relevant security interest (and can therefore not exceed the financial capabilities of the company required to grant such a security interest).

As a result, the guarantees granted by a Luxembourg company may be subject to certain limitations, which usually take the form of a guarantee limitation language, which is inserted in the relevant transaction documents and which covers, subject to certain exceptions, the aggregate obligations and exposure of the relevant Luxembourg assisting company under all the transaction documents.

Security Interests Considerations

The granting of security interests over movable or immovable, tangible or intangible, assets may be subject to validity and/or enforceability conditions. The breach of any of such conditions may render such security interests invalid or unenforceable. Subject to the below, the enforcement of security interests may be subject to formalities (including judicial or non-judicial consent) and may be time-consuming in the event that the enforcement takes place under judicial control or in the event of a legal dispute. Courts may condition the enforcement of a security interest upon the evidence that the creditor has a final and undisputed claim triggering the enforcement of the security interest. The enforcement of security interests may be hindered by conflict of law and/or conflict of jurisdiction issues and may not breach any public policy provision and/or mandatory legal provisions.

According to Luxembourg conflict of law rules, the courts in Luxembourg will generally apply the *lex rei sitae* or *lex situs* (the law of the place where the assets or the subject matter of the pledge or the security interest are situated) in relation to the creation, perfection and enforcement of security interests over such assets.

As a consequence, Luxembourg law will apply in relation to the creation, perfection and enforcement of security interests over assets located or deemed to be located in Luxembourg, such as registered shares in Luxembourg companies, bank accounts held with a bank in Luxembourg, receivables governed by Luxembourg law and having debtors located in Luxembourg, tangible assets located in Luxembourg, securities which are held through an account located in Luxembourg, etc. If there are assets located or deemed to be located in Luxembourg, the security interests over such assets will be governed by Luxembourg law and must be created, perfected and enforced in accordance with Luxembourg law.

The Luxembourg law dated 5 August 2005 on financial collateral arrangements, as amended ("**Luxembourg Financial Collateral Law**") governs the creation, validity, perfection and enforcement of security interests over shares and other securities, bank accounts, securities accounts and receivables located or deemed to be located in Luxembourg.

Under the Luxembourg Financial Collateral Law, the perfection of security interests depends on the type of assets which form the collateral and may include certain registration, notification and acceptance requirements.

A pledge over registered securities will be perfected once (i) acknowledged and accepted by the company which has issued the pledged securities and (ii) registered in the relevant register pertaining to such securities held by the issuer. If future registered securities are pledged, the perfection of such pledge may require additional registration in the shareholders' register of such company.

A pledge or an assignment for security purposes granted over receivables becomes enforceable against the debtor of the receivables and third parties from the moment when the pledge or the assignment for security purposes agreement pursuant is entered into. However, until the debtor has been notified of the pledge or the assignment for security purposes or has otherwise acquired knowledge of the pledge or the assignment for security purposes, payments to the pledgor or assignor will constitute a valid discharge of such debtor's payment obligations. In case of a Luxembourg receivables pledge or assignment for security purposes agreement, where one or more debtors under the underlying receivables are domiciled in a country other than Luxembourg, the perfection requirements of the respective laws of the domiciles of such debtors would also need to be complied with.

To be perfected, a bank account pledge agreement must be notified to the account bank holding the relevant account in Luxembourg,. In addition, if the account bank has any pre-existing security interests or any other rights (including any right of set-off) in respect of the relevant account, pursuant to applicable contractual arrangements governing the functioning of the account between the pledgor and the account bank the acceptance of the account bank of the pledge and waiver of its higher ranking rights would be required. If (future) bank accounts (opened with the same account bank) are pledged, the perfection of such pledge will require additional notification to, acceptance and waiver of prior liens and rights over the account by the account bank. Until such registrations, notifications and acceptances (as applicable) occur, the pledge agreements may not be effective and/or perfected against third party debtors, the account bank and other third parties.

Article 11 of the Luxembourg Financial Collateral Law sets out enforcement remedies available in relation to pledges upon the occurrence of an enforcement event, including, but not limited to:

- direct appropriation of the pledged assets (by the pledgee or a designated third party) at (i) a value determined (before or after the enforcement) in accordance with a valuation method agreed upon by the parties or (ii) in the case of listed financial instruments, the listing price of the pledged assets;
- sale of the pledged assets (i) in a private transaction at normal commercial terms (*conditions commerciales normales*), (ii) by a public sale at the stock exchange or (iii) by way of a public auction;
- attribution in court of the pledged assets 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 to the extent possible.

The timing of the enforcement will depend on the practical steps needed to enforce the security (e.g., the time of the negotiations in case of a private sale). No legal proceedings are required for most enforcement methods and Luxembourg courts have rejected actions introduced by collateral providers aiming at delaying or preventing the enforcement, so far allowing only post-enforcement judicial actions.

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. Security interests/arrangements, which are not expressly recognized under Luxembourg law and the powers of any receivers/administrators might not be recognized or enforced by the Luxembourg courts, even over assets located outside of Luxembourg, in particular where a Luxembourg obligor becomes subject to insolvency proceedings in Luxembourg or where the Luxembourg courts otherwise have jurisdiction because of the actual or deemed location of the relevant rights or assets.

The perfection of the security interests created pursuant to 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 to priority over the proceeds of such sale (subject to preferred rights by operation of law).

Under Luxembourg law, certain creditors of an insolvent party have rights to preferred payments arising by operation of law, some of which may, under certain circumstances, supersede the rights to payment of secured or unsecured creditors, and most of which are undisclosed preferences (*privilèges occultes*). This includes, in particular, the rights relating to fees and costs of the insolvency official as well as any legal costs, the rights of employees to certain amounts of salary, and the rights of the Treasury and certain assimilated parties (namely social security bodies), which preferences may extend to all or part of the assets of the insolvent party. This general privilege takes in principle precedence over the privilege of a pledge in respect of pledged assets.

Certain Luxembourg Insolvency Law Considerations

Pursuant to Luxembourg insolvency laws, your ability to receive payment under the Notes may be more limited than would be the case under US bankruptcy laws or the laws of other jurisdictions with which you may be familiar.

If the Notes will be guaranteed by a company, which is incorporated under the laws of Luxembourg (the "**Luxembourg Guarantor**"). the Luxembourg courts should have, in principle, jurisdiction to open main insolvency proceedings with respect to the Luxembourg Guarantor, as entity having its registered office and central administration *(administration centrale)* and centre of main interests ("**COMI**"), as used in the EU Insolvency Regulation, in the Grand Duchy of Luxembourg, such proceedings to be governed by Luxembourg insolvency laws. According to article 3(1) of the EU Insolvency Regulation, there is a rebuttable presumption that a company has its COMI in the jurisdiction in which it has the place of its registered office. As a result, there is a rebuttable presumption that the COMI of the Luxembourg Guarantor is in the Grand Duchy of Luxembourg and consequently that any "main insolvency proceedings" (as defined in the EU Insolvency Regulation) would be opened by a Luxembourg court and be governed by Luxembourg law.

However, the determination of where the Luxembourg Guarantor has its COMI is a question of fact, which may change from time to time. Preamble 13 of the EU Insolvency Regulation states that the COMI 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." In that respect, the courts have to take a number of factors into consideration, such as the place where board meetings are held, the location where the company conducts the majority of its business and the location where the large majority of the company's creditors are established may all be relevant in the determination of the place where the company has its COMI. The point at which a company's COMI is determined is at the time that the relevant insolvency proceedings are opened.

The following is a brief description of certain aspects of insolvency laws in Luxembourg.

Under Luxembourg law, the following types of proceedings (altogether referred to as "insolvency proceedings") may be opened against (i) if the EU Insolvency Regulation applies, entities which have their COMI or an establishment in Luxembourg or (ii) in all other cases, entities which have their central administration in Luxembourg:

- bankruptcy proceedings (*faillite*), the opening of which may be requested by the company or by any of its creditors. Following such a request, the Luxembourg courts having jurisdiction may open bankruptcy proceedings if the relevant company: (i) is in a state of cessation of payments (*cessation des paiements*) and (ii) has lost its creditworthiness (*ébranlement de crédit*). If a Luxembourg court finds that these conditions are satisfied, it may also open bankruptcy proceedings *ex officio.* The main effect of such proceedings is the suspension of all measures of enforcement against the company (except, subject to certain 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., it 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 directors' liability for any loss suffered and (ii) criminally liable for simple bankruptcy (*banqueroute simple*) in accordance with article 574 of the Luxembourg Code of Commerce (*Code de commerce*);
- 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 provisional suspension of payments, including a stay of enforcement of claims by secured creditors subject to certain limited exceptions; and
- composition with creditors proceedings (*concordat préventif de faillite*), the opening of which may be requested only by the company (subject to the prior consent of creditors holding at least 75% of the claims outstanding against such company) and not by its creditors themselves. The Luxembourg court's decision to admit a company to the composition with creditors proceedings triggers a provisional stay on enforcement of claims by creditors (subject to certain limited exceptions).

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 reprieve from payments (*sursis de paiement*) or to put the 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 Code of Commerce or of the Luxembourg Law on Commercial Companies. 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;
- social security contributions;
- certain amounts owed to the Luxembourg Revenue; and
- value added tax and other taxes and duties owed to the 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).

During such insolvency proceedings, all enforcement measures by unsecured creditors are suspended, save as provided for in the Luxembourg Financial Collateral Law. Other than as described below, the ability of certain secured creditors to enforce their security interest may also be limited, in particular, in the event of controlled management proceedings providing expressly 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 judgment given by the court. A reorganization judgment requires the prior approval by more than 50% of the creditors, representing via their claims which have not been challenged more than 50% of the relevant Luxembourg company's liabilities, and the court's approval in order to take effect.

Furthermore, 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.

Luxembourg insolvency laws may also affect transactions entered into or payments made by a Luxembourg company during the hardening period (*période suspecte*) which is a maximum of six months preceding the judgment declaring bankruptcy, except that in certain specific situations a Luxembourg court may set the start of the hardening period at an earlier date and that certain financial collateral arrangements falling within the scope of the Luxembourg Financial Collateral Law despite having been entered into during the hardening period. In particular:

- pursuant to article 445 of the Luxembourg Code of Commerce, some specific 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 Luxembourg Financial Collateral Law (which include security interests over shares and other securities, bank accounts, securities accounts and receivables located or deemed to be located in Luxembourg); the payment of debts which have not fallen due, whether payment is made in cash or by way of assignment, sale, set-off or by any other means; the payment of debts which have fallen due by any means other than in cash or by bill of exchange; the sale of assets without consideration or with substantially inadequate consideration) entered into during the hardening period (or the ten preceding days) 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 hardening 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;
- pursuant to article 447 of the Luxembourg Code of Commerce, the bankruptcy receiver may challenge and initiate nullity actions against mortgages and privileges that have been granted either ten days prior to or after the date of the cessation of payments if more than 15 days have elapsed between the granting of the mortgage or privilege and its registration; and
- pursuant to article 448 of the Luxembourg Code of Commerce and article 1167 of the Luxembourg Civil Code, (*action paulienne*), the bankruptcy 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 judgment rendered by a Luxembourg court does not result in automatic termination of contracts of continous execution, except for *intuitu personae* contracts, that is, contracts for which the identity of the company or its solvency were crucial (such as employment agreements and powers of attorney).

The contracts, therefore, subsist after the bankruptcy judgment. However, the insolvency receiver may choose to terminate certain contracts as to avoid the worsening of the financial condition 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. The bankruptcy judgment provides for a period of time during which creditors must file their claims with the clerk's office of the Luxembourg district court sitting in commercial matters.

Insolvency proceedings may hence have a material adverse effect on the relevant Luxembourg company's business and assets and such Luxembourg company's respective obligations with respect to the Notes.

In addition, international aspects of Luxembourg bankruptcy, controlled management or composition with creditors proceedings may be subject to the EU Insolvency Regulation. In particular, rights *in rem* over assets located in another jurisdiction where the EU Insolvency Regulation is applicable will not be affected by the opening of insolvency proceedings, without prejudice however to the application 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 Luxembourg Financial Collateral Law, as described below and article 13 of the EU Insolvency Regulation).

The Luxembourg Financial Collateral Law provides for favorable rules in respect of security interests over claims or financial instruments securing monetary claims (or claims for the delivery of financial instruments).

Article 20 of the Luxembourg Financial Collateral Law provides that all Luxembourg law collateral arrangements (pledges, assignments for security purposes and repurchase agreements) over claims and financial instruments, as well as all enforcement measures agreed upon by the parties in accordance with this law, are valid and enforceable, even if entered into during the hardening period (*période suspecte*), against third-parties, commissioners, receivers, liquidators and other similar persons irrespective of any bankruptcy, liquidation or other situation of composition with creditors, whether national or foreign, save in the case of fraud.

Article 24 of the Luxembourg Financial Collateral Law provides that foreign law security interests over claims or financial instruments granted by a Luxembourg security grantor 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 Luxembourg Financial Collateral Law. If article 24 applies, Luxembourg hardening period rules would not apply (save the case of fraud).

Article 21 (2) of the Luxembourg Financial Collateral Law provides that where a financial collateral arrangement has been constituted 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 organs 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 it.

Registration in Luxembourg

The registration of the Notes, the Indenture and any other 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 if such documents are produced before an official Luxembourg authority (*autorité constituée*). If the registration is required, 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 interests subject to the Luxembourg Financial Collateral Law.

Additionally, Luxembourg courts or the official Luxembourg authority may require that the Notes, the Indenture and any other transaction documents (and any document in connection therewith) and any judgment obtained in a foreign court be translated into French or German.

Plan of Distribution

The Initial Purchasers are Credit Suisse Securities (Europe) Limited, Citigroup Global Markets Limited, HSBC Bank plc and The Royal Bank of Scotland plc (trading as NatWest Markets). Subject to the terms and conditions set forth in the purchase agreement to be dated the date of this Offering Memorandum (the "**Purchase Agreement**"), the Issuer has agreed to sell, and the Initial Purchasers have agreed to purchase, the entire principal amount of the Notes offered hereby from the Issuer.

The obligations of the Initial Purchasers under the Purchase Agreement, including their agreement to purchase Notes from the Issuer, are several and not joint.

The Initial Purchasers initially propose to offer the Notes for resale at the issue price that appears on the cover of this Offering Memorandum. The Initial Purchasers may change the prices at which the Notes are offered and any other selling terms at any time without notice. The Initial Purchasers may offer and sell Notes through certain of their affiliates, who are qualified broker dealers under applicable law, including in respect of sales into the United States.

The Purchase Agreement provides that the obligations of the Initial Purchasers to pay for and accept delivery of the Notes are subject to, among other conditions, the delivery of certain legal opinions by their counsel and our counsel.

The Purchase Agreement provides that the Company and its subsidiaries will indemnify and hold harmless the Initial Purchasers against certain liabilities, including liabilities under the US Securities Act, and will contribute to payments that the Initial Purchasers may be required to make in respect thereof. The Company has agreed, subject to certain limited exceptions, that during the period from the date hereof through and including the date that is 60 days after the date the Notes are issued, to not, and to cause its subsidiaries to not, without having received the prior written consent provided for in the Purchase Agreement, offer, sell, contract to sell or otherwise dispose of any debt securities issued by the Company or any of its subsidiaries.

Certain of the CVC Funds and/or other investors arranged by and designated by CVC and its affiliates have placed purchase orders for and have been allocated Notes at a purchase price per Note equal to the issue prices set forth on the cover page of this offering memorandum, subject to a rebate of the Initial Purchasers' discount in respect of the Notes purchased by such CVC entities upon release of the applicable proceeds from the Escrow Account at the Completion Date.

The Notes have not been, and will not be, registered under the US Securities Act and may not be offered or sold within the United States except to QIBs in reliance on Rule 144A and outside the United States in reliance on Regulation S. Terms used in this paragraph have the meanings given to them by Regulation S. Resales of the Notes are restricted as described under "*Notice to Investors*."

Each Initial Purchaser has represented, warranted and agreed that it:

- has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer;
- 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; and
- has not and will not, without the consent of the Jersey Financial Services Commission, circulate an offer for subscription, sale or exchange of the Notes in Jersey.

No action has been taken in any jurisdiction, including the United States, Jersey, Luxembourg and the United Kingdom, by the Company, its subsidiaries 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, the Company and its subsidiaries 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 Investors*."

The Company and its subsidiaries 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 US 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. We have applied, through a listing sponsor, to list the Notes on the Official List of the Exchange and trade the Notes on the Exchange; however, we cannot assure you that the Notes will be approved for listing or that such listing will be maintained.

The Initial Purchasers have advised us that they intend to make a market in the Notes as permitted by applicable law. The Initial Purchasers are not obligated, however, to make a market in the Notes, and any market-making activity may be discontinued at any time at the sole discretion of the Initial Purchasers without notice. In addition, any such market-making activity will be subject to the limits imposed by the US Securities Act and the US Exchange Act.

Accordingly, we cannot assure you that any market for the Notes will develop, that it will be liquid if it does develop or that you will be able to sell any Notes at a particular time or at a price which will be favorable to you. See "*Risk Factors—Risks Relating to the Notes and Our Structure—There may not be an active trading market for the Notes, in which case your ability to sell the Notes may be limited*."

The Initial Purchasers or their respective affiliates, from time to time, have provided in the past and may provide in the future investment banking, commercial lending, transaction and clearing services, consulting and financial advisory services to us and our affiliates for which they have received, or may receive in the future, customary advisory and transaction fees, commissions and expense reimbursement. HSBC Bank plc is expected to be the facility agent under the Revolving Credit Facility. In addition, certain of the Initial Purchasers and their affiliates (i) have provided, and continue to provide, loans and other forms of credit to us, (ii) participated in the Warehouse Facilities, (iii) acted as arrangers and dealers, and managers in connection with publicly traded notes issued through the Securitization Structures, (iii) hold notes issued by certain of the Securitization Structures, and (iv) are expected to be lenders under the Revolving Credit Facility.

In the ordinary course of their business activities, the Initial Purchasers and their respective affiliates may engage in brokerage activities, 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 one or more Initial Purchaser 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, such Initial Purchaser 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 Purchaser and its affiliates may also make investment recommendations and publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and short positions in such securities and instruments.

Legal Matters

Certain legal matters in connection with the offering will be passed upon for us by Clifford Chance LLP, as to matters of US federal, New York State and English law; Clifford Chance SCS, as to matters of Luxembourg law; and Mourant Ozannes, as to matters of Jersey law. Certain legal matters in connection with the offering will be passed upon for the Initial Purchasers by Latham & Watkins (London) LLP, as to matters of US federal, New York State and English law; NautaDutilh Avocats Luxembourg S.à r.l., as to matters of Luxembourg law; and the Carey Olsen Jersey Partnership, as to matters of Jersey law.

Independent Auditor

The consolidated financial statements of NewDay Group Holdings S.à r.l. as at and for the years ended December 31, 2013, 2014 and 2015 included in this Offering Memorandum have been audited by KPMG Luxembourg, *Société coopérative*, independent auditors, as stated in their reports appearing herein.

KPMG Luxembourg *Société coopérative* are a firm of qualified independent auditors (*réviseurs d'entreprises agréés*) qualified to practice in Luxembourg and are regulated by the Luxembourg financial regulator (the *Commission de Surveillance du Secteur Financier*).

KPMG Luxembourg *Société coopérative* and its principals are members of the Luxembourg Institute of Independent Auditors (Institut des Reviseurs d'Entreprises) and are qualified to sign audit reports for companies incorporated in Luxembourg.

Where You Can Find More Information

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

We are not currently subject to the periodic reporting and other information requirements of the US Exchange Act. For so long as any of the Notes are "restricted securities" within the meaning of Rule 144(a)(3) under the US Securities Act and the Issuer is neither subject to Section 13 or 15(d) of the US Exchange Act, nor exempt from reporting pursuant to Rule 12g3-2(b) under the US Exchange Act, we will, upon the request of any such person, furnish to any holder or beneficial owner of Notes, or to any prospective purchaser designated by any such registered holder, the information required to be delivered pursuant to Rule 144A(d)(4) under the US Securities Act. Any such request should be directed to: Company Secretary, NewDay Group Ltd, Two Pancras Square, London N1C 4AG, United Kingdom.

Pursuant to the Indenture and so long as the Notes are outstanding, we will furnish periodic information to holders of the Notes. See "*Description of the Notes—Certain Covenants—Reports*." For so long as the Notes are listed on the Exchange for trading thereon and the rules of that exchange so require, copies of such information, the organizational documents of the Issuer, the most recent audited consolidated financial statements of the Company, the Indenture, the form of the Notes, the Intercreditor Agreement, the Escrow Agreement and the Security Documents (as defined herein) will be available for review (during normal business hours) on any business day at the specified office of the principal paying agent. See "*Listing and General Information*."

Service of Process and Enforcement of Civil Liabilities

The Issuer is a public limited company incorporated under the laws of England and Wales, and the Guarantors are entities incorporated or established under the laws of England and Wales, Jersey and Luxembourg. The majority of the Issuer's and the Guarantors' managing directors, executive board members, supervisory board members, directors, officers and other executives are expected to be neither residents nor citizens of the United States. Furthermore, the majority of the Issuer's and the Guarantors' assets are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons, the Issuer or the Guarantors or to enforce judgments of US courts predicated upon the civil liability provisions of US federal or state securities laws against such persons, the Issuer or the Guarantors despite the fact that, pursuant to the terms of the Indenture, the Issuer and the Guarantors have appointed, or will appoint, an agent for the service of process in New York.

England and Wales

The Issuer and certain of the Guarantors are incorporated under the laws of England and Wales. The United States and England 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 US federal securities laws, would not automatically be recognized or enforceable in England. In order to enforce any such US judgment in England, proceedings must first be initiated before a court of competent jurisdiction in England. In such an action, the English court would not generally reinvestigate the merits of the original matter decided by the US court (subject to what is stated below) and it would usually be possible to obtain summary judgment on such a claim (assuming that there is no good defense to it). Recognition and enforcement of a US judgment by an English court in such an action is conditional upon (among other things) the following:

- the US court having had jurisdiction over the original proceedings according to English conflicts of laws principles;
- 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 debt for a definite sum of money;
- the US judgment not contravening English public policy;
- the US judgment not being for a sum payable in respect of tax, or other charges of a like nature in respect of a penalty or fine;
- the US judgment not having been arrived at by doubling, trebling or otherwise multiplying a sum assessed as compensation for the loss or damages sustained and not being otherwise in breach of Section 5 of the Protection of Trading Interests Act 1980;
- the US judgment not having been obtained by fraud or in breach of English principles of natural justice;
- judgment is not given in proceedings brought in breach of an agreement for settlement of disputes;
- there not having been a prior inconsistent decision of an English court between the same parties; and
- the English enforcement proceedings being commenced within six years from the date of the US judgment.

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

Jersey

The following summary with respect to the enforceability of certain US court judgments in Jersey is based upon advice provided to us by our Jersey legal advisors. 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 US Federal securities laws, would not automatically be recognized or enforceable in Jersey. In order to enforce any such US 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 US 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 US judgment by a Jersey court in such an action is conditional upon (among other things) the following:

- the US court having had jurisdiction over the original proceedings according to Jersey conflicts of laws principles;
- 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 (although there are circumstances where non-money judgments can also be recognized);
- the recognition of enforcement of the US judgment not contravening Jersey public policy;
- the US judgment not being for a sum payable in respect of taxes, or other charge of a like nature, or in respect of a penalty or fine;
- the US 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 US 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 US 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 US federal securities laws.

Grand Duchy of Luxembourg

Enforcement of Judgments

The Target is organized under the laws of the Grand Duchy of Luxembourg. Most of the Target's assets are located outside the United States. Furthermore none of the Target's managers resides in the United States.

As a result, investors may find it difficult to effect service of process within the United States upon the Target or its managers or to enforce outside the United States judgments obtained against the Target or its managers in US courts, including judgments in actions predicated upon the civil liability provisions of the US federal or state securities laws. Likewise, it may also be difficult for an investor to enforce in the US any courts judgments obtained against the Target or its managers in courts located in jurisdictions outside the United States, including actions predicated upon the civil liability provisions of the US federal or state securities laws. It may also be difficult for an investor to bring an original action in a Luxembourg court predicated upon the civil liability provisions of the US federal or state securities laws against the Target or its managers. It may be possible for investors to effect service of process within Luxembourg upon the Target provided that The Hague Convention on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters of November 15, 1965 is complied with.

As there is currently no treaty in force governing the reciprocal recognition and enforcement of judgments in civil and commercial matters between the United States and the Grand Duchy of Luxembourg, courts in Luxembourg will not automatically recognize and enforce a final judgment rendered by a US court.

A valid final, non-appealable and conclusive judgment against a guarantor incorporated in Luxembourg with respect to the guarantee of the notes obtained from a court of competent jurisdiction in the United States remains in full force and effect after all appeals as may be taken in the relevant state or federal jurisdiction with respect thereto have been taken, may be entered and enforced through a court of competent jurisdiction of Luxembourg, subject to compliance with the enforcement procedures (*exequatur*) set out in Article 678 *et seq*. of the Luxembourg New Code of Civil Procedure (*Nouveau Code de Procédure Civile*) and Luxembourg case-law, being:

- the judgment rendered by the US court is enforceable (*exécutoire*) in the United States;

- the assumption of personal and subject-matter jurisdiction (*compétence*) of the US court and the choice of venue is founded according to Luxembourg private international law rules;
- the US court has acted in accordance with its own procedural rules and has applied to the dispute the substantive law which would have been applied by Luxembourg courts;
- the principles of fair trial and due process have been complied with and in particular the judgment was granted following proceedings where the counterparty had the opportunity to appear, and if appeared, to present its case; and
- the judgment rendered by the U.S court does not contravene Luxembourg public policy and has not been obtained fraudulently.

If an original action is brought in Luxembourg, without prejudice to specific conflict of law rules, Luxembourg courts may refuse to apply the designated law (i) if the choice of such foreign law was not made in good faith (bona fide), or (ii) if the foreign law was not pleaded and proved, or (iii) if pleaded and proved, such foreign law was contrary to mandatory Luxembourg laws or incompatible with Luxembourg public policy rules.

In an action brought in Luxembourg on the basis of US 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 a foreign judgment granting punitive damages.

In practice, Luxembourg courts tend not to review the merits of a foreign judgment, although there is no clear statutory prohibition of such review.

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 a 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.

Listing and General Information

Listing

Application has been made to the Channel Islands Securities Exchange Authority Limited (the "**Exchange**") for the listing of and permission to deal in the Notes on the Official List of the Exchange. There can be no assurance that the Notes will be listed on the Official List of the Exchange, that such permission to deal in the Notes will be granted or that such listing will be maintained.

Neither the admission of the Notes to the Official List of the Exchange nor the approval of this Offering Memorandum pursuant to the listing requirements of the Exchange shall constitute a warranty or representation by the Exchange as to the competence of the service providers to, or any other party connected with, us, the adequacy and accuracy of information contained in this Offering Memorandum or the suitability of the Issuer for investment or for any other purpose.

The Notes are only intended to be offered in the primary market to, and held by, investors who are particularly knowledgeable in investment matters.

A copy of this Offering Memorandum will be available for inspection at the offices of the Listing Sponsor during normal business hours for a period of 14 days following the listing of the Notes on the Official List of the Exchange.

The financial year of the Issuer ends on December 31 of each year and the Issuer shall publish stand-alone audited accounts within nine months of each such year end (the "**Issuer Accounts**").

From the date of this Offering Memorandum (or, in the case of the Issuer Accounts, the publication thereof) and for so long as the Notes remain outstanding, the following documents will be obtainable free of charge, during usual business hours on any day (Saturdays, Sundays and public holidays excepted) at the registered office of the Issuer:

(1) the articles of association of the Issuer; and

(2) the Issuer Accounts.

In addition, from the date of this Offering Memorandum and for so long as the Notes remain outstanding, the Indenture, the Intercreditor Agreement, the Revolving Credit Facility Agreement, the Security Documents and the Purchase Agreement may be inspected free of charge during usual business hours on any day (Saturdays, Sundays and public holidays excepted) at the registered office of the Issuer by the holders of Notes and any person authorised by a holder of Notes (including, without limitation, a proposed transferee of any Notes).

Clearing Information

The Notes have been accepted for clearance through the facilities of Euroclear and Clearstream. Certain trading information with respect to the Notes is set forth below.

Fixed Rate Notes

	ISIN	Common Code
Rule 144A Global Notes	XS1554448867	155444886
Regulation S Global Notes	XS1554448271	155444827

Floating Rate Notes

	ISIN	Common Code
Rule 144A Global Notes	XS1554449246	155444924
Regulation S Global Notes	XS1554449089	155444908

General Information

We accept responsibility for the accuracy of the information contained in this Offering Memorandum. We have made all reasonable inquiries and confirm to our knowledge that the information contained in this Offering Memorandum with regard to us, our subsidiaries, 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 this Offering Memorandum or any statement contained herein misleading in any material respect.

Issuer and Guarantor Information

The Issuer

The Issuer is a company incorporated under the laws of England and Wales, with registered number 10466251. The Issuer's registered office is 5th Floor, 6 St. Andrew Street, London EC4A 3AE, United Kingdom. The Issuer's financial year ends on December 31 of each year. Any published annual accounts will be available at its registered office.

The Guarantors

Nemean Bidco Limited is a private company incorporated under the laws of Jersey on September 26, 2016 with registered number 122135. Its registered office is 1 Waverley Place, Union Street, St. Helier JE1 1SG, Jersey.

NewDay Group Holdings S.à r.l. is a *société à responsabilité limitée* incorporated in Luxembourg and registered with RCS Luxembourg under number B 164614 in 2011. Its registered office is 6C, rue Gabriel Lippmann, L-5365 Munsbach, Grand Duchy of Luxembourg.

Nemean Holdco Limited is a private limited company incorporated under the laws of England and Wales on October 20, 2016 with registered number 10438970. Its registered office is 5th Floor, 6 St. Andrew Street, London EC4A 3AE, United Kingdom.

Nemean Holdco 2 Limited is a private limited company incorporated under the laws of England and Wales on October 21, 2016 with registered number 10440054. Its registered office is 5th Floor, 6 St. Andrew Street, London EC4A 3AE, United Kingdom.

NewDay Holdings Ltd is a private limited company incorporated under the laws of England and Wales on October 3, 2016 with registered number 07795882. Its registered office is Two Pancras Square, London, N1C 4AG, United Kingdom.

NewDay Group Ltd is a private limited company incorporated under the laws of England and Wales on August 26, 2011 with registered number 07754556. Its registered office is Two Pancras Square, London, N1C 4AG, United Kingdom.

NewDay Cards Ltd is a private limited company incorporated under the laws of England and Wales on January 3, 2001 with registered number 04134880. Its registered office is Two Pancras Square, London, N1C 4AG, United Kingdom.

NewDay Reserve Funding Ltd is a private limited company incorporated under the laws of England and Wales on July 6, 2007 with registered number 06305245. Its registered office is Two Pancras Square, London, N1C 4AG, United Kingdom.

Resolutions, Authorizations and Approvals by Virtue of which the Notes Have Been Issued

The Issuer and the Guarantors have obtained all necessary consents, approvals and authorizations (if any) in connection with the issue of the Notes and the entry into the Notes Guarantees. The issue of the Notes was approved by resolutions of the directors of the Issuer passed on January 10, 2017.

Litigation

Neither we nor the Guarantors are involved in any legal, regulatory or governmental proceedings (including any proceedings that are threatened of which we or the Guarantors are aware) that would, individually or in the aggregate, have a material adverse effect on the financial position of us or the Guarantors.

No Material or Adverse Change

There has been no material adverse change to: (a) us; (b) our Group structure; (c) our business or accounting policies; or (d) the financial or trading position of the Group, during the period from September 30, 2016.

Statement

Subject as set out below, we accept responsibility for the information contained in this Offering Memorandum and to the best of our knowledge and belief (having taken all reasonable care to ensure that such is the case) the information contained in the Offering Memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Offering Memorandum (the "**Listing Document**") includes particulars given in compliance with the Listing Rules of the Exchange for the purpose of giving information with regard to the Notes and comprises this Offering Memorandum.

The Listing Sponsor is acting for us and for no one else in connection with the issue and listing of the Notes and will not be responsible to anyone other than us. The Listing Sponsor has not separately verified the information contained in this Offering Memorandum, accordingly the Listing Sponsor does not make any representation or recommendation and does not give any warranty, express or implied, regarding the accuracy, adequacy, reasonableness or completeness of the information contained herein or in any further information, notice or other document which may at any time be supplied in connection with the Notes or their distribution and the Listing Sponsor accepts no responsibility or liability therefore. The Listing Sponsor neither undertakes to review our financial condition or affairs during the life of the arrangements contemplated by this Offering Memorandum nor to advise any investor or potential investor in the Notes of any information coming to the attention of the Listing Sponsor.

Index to Financial Statements

NewDay Group Holdings S.à r.l.

NewDay Group Holdings S.à r.l

Unaudited Condensed Consolidated Interim Financial Statements

as of and for the nine months ended September 30, 2016

Statement of Managers' responsibilities

Statement of Managers' responsibilities in relation to the condensed consolidated interim financial statements

The Managers are responsible for preparing the interim financial information in accordance with applicable law and regulations. The Managers confirm that to the best of their knowledge the condensed consolidated interim financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU.

The Managers, as listed below, represent those individuals responsible for these condensed consolidated interim financial statements.

Mr Jean Roger Lemaire
Manager

Mr Teunis Christiaan Akkerman
Manager

11 November 2016

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Condensed consolidated interim financial statements

Consolidated income statement and consolidated statement of comprehensive income

	Note	*Unaudited* Nine months ended 30 September 2016 £m	*Unaudited* Nine months ended 30 September 2015 £m	*Audited* Year ended 31 December 2015 £m
Interest and similar income		292.8	228.6	313.1
Interest and similar expense		(21.5)	(22.9)	(29.7)
Net interest income	3	**271.3**	**205.7**	**283.4**
Fee and commission income		56.1	58.6	74.6
Impairment losses on loans and advances to customers	5	(105.0)	(81.8)	(115.7)
Net operating income	3	**222.4**	**182.5**	**242.3**
Fair value gain on derivatives		-	0.5	0.5
Personnel expense		(38.3)	(34.4)	(48.3)
Other operating expenses		(133.0)	(105.6)	(169.5)
Total operating expenses		**(171.3)**	**(139.5)**	**(217.3)**
Profit before tax	3	**51.1**	**43.0**	**25.0**
Tax expense		(0.8)	(0.9)	(0.9)
Profit for the period		**50.3**	**42.1**	**24.1**
Other comprehensive income		-	-	-
Total comprehensive income for the period		**50.3**	**42.1**	**24.1**

The notes on pages F-8 to F-22 form an integral part of these condensed consolidated interim financial statements.

Consolidated balance sheet

	Note	*Unaudited* As at 30 September 2016 £m	*Unaudited* As at 30 September 2015 £m	*Audited* As at 31 December 2015 £m
Assets				
Loans and advances to banks	4	140.2	141.2	106.8
Loans and advances to customers	5	1,571.0	1,278.7	1,409.4
Current tax assets		0.8	0.4	0.4
Other assets		41.2	23.6	29.3
Property and equipment		5.4	6.8	6.0
Intangible assets		3.3	-	-
Total assets		**1,761.9**	**1,450.7**	**1,551.9**
Liabilities				
Debt issued and other borrowed funds	6	1,307.2	1,043.8	1,169.8
Current tax liabilities		0.7	0.9	0.4
Deferred tax liabilities		0.1	-	0.1
Other liabilities		67.4	49.2	48.9
Provisions	7	62.4	25.0	58.9
Total liabilities		**1,437.8**	**1,118.9**	**1,278.1**
Equity attributable to owners of the Company				
Share capital and share premium		2.0	2.0	2.0
Interest Free Preferred Equity Certificates (IPECs)		68.5	68.5	68.5
Tracking Preferred Equity Certificates (TPECs)		161.8	161.8	161.8
Retained earnings		91.8	99.5	41.5
Total equity		**324.1**	**331.8**	**273.8**
Total liabilities and equity		**1,761.9**	**1,450.7**	**1,551.9**

The notes on pages F-8 to F-22 form an integral part of these condensed consolidated interim financial statements.

Consolidated statement of changes in equity

	Share capital and share premium £m	IPECs £m	TPECs £m	Retained earnings £m	Total equity £m
At 1 January 2016 *(audited)*	2.0	68.5	161.8	41.5	**273.8**
Total comprehensive income for the period	-	-	-	50.3	**50.3**
At 30 September 2016 *(unaudited)*	**2.0**	**68.5**	**161.8**	**91.8**	**324.1**

	Share capital and share premium £m	IPECs £m	TPECs £m	Retained earnings £m	Total equity £m
At 1 January 2015 *(audited)*	2.0	68.5	161.8	57.8	**290.1**
Total comprehensive income for the period	-	-	-	42.1	**42.1**
Interest paid on TPECs	-	-	-	(0.4)	**(0.4)**
At 30 September 2015 *(unaudited)*	**2.0**	**68.5**	**161.8**	**99.5**	**331.8**
Total comprehensive loss for the period	-	-	-	(18.0)	**(18.0)**
Return paid on TPECs	-	-	-	(40.0)	**(40.0)**
At 31 December 2015 *(audited)*	**2.0**	**68.5**	**161.8**	**41.5**	**273.8**

The notes on pages F-8 to F-22 form an integral part of these condensed consolidated interim financial statements.

Consolidated statement of cash flows

	Note	*Unaudited* Nine months ended 30 September 2016 £m	2015 £m	*Audited* Year ended 31 December 2015 £m
Operating activities				
Profit before tax		51.1	43.0	25.0
Reconciliation of profit before tax to net cash generated from/(used in) in operating activities:				
Interest and similar expense		21.5	22.9	29.7
Depreciation of property and equipment		0.9	1.1	1.5
Loss on disposal of property and equipment		-	-	0.3
Fair value unwind		(5.0)	(4.5)	(4.8)
Impairment losses on loans and advances to customers	5	105.0	81.8	115.7
Changes in operating assets and liabilities:				
Increase in loans and advances to banks repayable in more than one year	4	(3.7)	(16.7)	(20.0)
Increase in loans and advances to customers	5	(261.6)	(111.3)	(275.6)
Increase in other assets		(11.9)	(9.5)	(15.2)
Decrease in derivative liabilities		-	(0.5)	(0.5)
Increase/(decrease) in other liabilities		18.5	(10.4)	(10.7)
Increase/(decrease) in provisions	7	3.5	(0.1)	33.8
Interest paid		(21.1)	(24.4)	(28.7)
Tax paid		(0.9)	(0.4)	(0.8)
Net cash flows used in operating activities		**(103.7)**	**(29.0)**	**(150.3)**
Cash flows from investing activities				
Purchases of property and equipment		(0.3)	(2.4)	(2.5)
Purchases of intangible assets		(3.3)	-	-
Net cash flows used in investing activities		**(3.6)**	**(2.4)**	**(2.5)**
Cash flows from financing activities				
Proceeds from debt issued and other borrowed funds		450.9	778.8	1,074.3
Repayment of debt issued and other borrowed funds		(313.9)	(708.5)	(880.3)
Return paid on TPECs		-	-	(40.0)
Interest paid on TPECs		-	(0.4)	(0.4)
Net cash generated from financing activities		**137.0**	**69.9**	**153.6**
Net increase in cash and cash equivalents		29.7	38.5	0.8
Cash and cash equivalents at the start of the period		73.7	72.9	72.9
Cash and cash equivalents at end of the period		**103.4**	**111.4**	**73.7**

The notes on pages F-8 to F-22 form an integral part of these condensed consolidated interim financial statements.

Notes to the condensed consolidated interim financial statements

1. Corporate information

NewDay Group Holdings S.à r.l. (the Company) was incorporated as a 'Société à responsabilité limitée' under the laws of the Grand-Duchy of Luxembourg on 20 October 2011 for an unlimited duration. Its registered office is at 6c Rue Gabriel Lippmann, L-5365 Munsbach, Luxembourg. Invicta EuroCard Services L.P., an exempted limited partnership registered under the laws of the Cayman Islands, is the sole shareholder of the Company.

NewDay Group Holdings S.à r.l. together with its subsidiaries (the Group) provides products and services to its customers within the Near-prime and Co-brand credit card markets in the UK.

2. Accounting policies

2.1 Basis of preparation

The unaudited condensed consolidated interim financial statements (the 'interim financial statements') do not constitute statutory financial statements within the meaning of Luxembourg law dated 19 December 2002, as amended. The Annual Report and Financial Statements (the 'statutory financial statements') for the year ended 31 December 2015 were approved by the Managers on 4 March 2016 and have been delivered to the Chamber of Commerce, Luxembourg. The statutory financial statements contained an unqualified audit report and did not draw attention to any matters of emphasis.

The interim financial statements for the nine months ended 30 September 2016 have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union. The interim financial statements should be read in conjunction with the statutory financial statements for the year ended 31 December 2015, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The statutory financial statements are available on the Group's website (www.newday.co.uk).

The interim financial statements for the nine months ended 30 September 2016 were approved by the Managers on 11 November 2016.

Going concern
At 11 November 2016, the Managers are satisfied that the Group has the resources necessary to continue in business for the foreseeable future. Management forecast the performance of the Group and undertake various stress scenarios to assess the impact on profitability, cash flows, the balance sheet and compliance with covenants. This information is formally presented to the Board for review, and has been approved by the Board of NewDay Group Ltd (the Board), along with consideration of the potential impact of contingent liabilities on the Group. Management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the interim financial statements have been prepared on a going concern basis.

Basis of consolidation
These interim financial statements comprise the financial statements of the Group and its subsidiaries (together with certain structured entities (SEs) that the Group consolidates) as at 30 September 2016. The subsidiaries and SEs consolidated into these interim financial statements are those listed in note 22 of the 2015 statutory financial statements, together with newly incorporated legal entities disclosed in note 12 of these interim financial statements. The financial statements of the Group's subsidiaries (including SEs that the Group consolidates) are prepared for the same reporting period as the parent company using consistent accounting policies.

All intra-Group balances, transactions, income and expenses are eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity, has the exposure or rights to the variable returns from the involvement with the entity, and is able to use its power to affect the amount of returns for the Group.

2.2 Accounting policies

The accounting policies adopted in the interim financial statements are consistent with those adopted and disclosed in the statutory financial statements for the year ended 31 December 2015 and are detailed in those statutory financial statements.

Taxes on profits in interim periods are accrued using the expected effective tax rate for the full year.

Notes to the condensed consolidated interim financial statements (continued)

2.3 Significant accounting judgements, estimates and assumptions

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date and the reported amounts of income and expenses during the reporting period. The significant accounting judgements, estimates and assumptions exercised by management in determining the amounts recognised in the interim financial statements are consistent with those adopted in the statutory financial statements for the year ended 31 December 2015. A full assessment of those judgements is detailed on pages 64 and 65 of the 2015 statutory financial statements.

2.4 Adoption of new and revised standards

The following new standards, interpretations and amendments to existing standards are mandatory for the first time for the period ended 30 September 2016 but do not have a significant impact on the Group:

- Annual improvements to IFRSs 2012-2014 cycle;
- Amendments to IAS 1 'Presentation of Financial Statements';
- Amendments to IAS 16 'Property, Plant and Equipment' and IAS 38 'Intangible Assets'; and
- Amendments to IAS 27 'Separate Financial Statements'.

2.5 Standards issued but not yet effective

The following accounting standards and interpretations have been issued by the International Accounting Standards Board (IASB) but have not yet been endorsed by the EU and have not been early adopted by the Group:

- IFRS 9 'Financial Instruments'. IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 'Financial Instruments: Recognition and Measurement' and applies to the classification and measurement of financial assets and financial liabilities as defined in IAS 39, as well as introducing an expected credit loss model for the measurement of the impairment provision on financial assets. The effective date for this standard is 1 January 2018. The Group continues to assess the impact, however the standard is expected to have a significant impact on the Group's financial statements;
- IFRS 15 'Revenue from Contracts with Customers'. IFRS 15 supersedes IAS 11 'Construction Contracts' and IAS 18 'Revenue' and sets out the requirements for recognising revenue that applies to contracts with customers, except for those revenue items that are covered by standards on leases, insurance contracts and financial instruments. This standard becomes effective on 1 January 2018 and the Group is currently assessing the impact;
- IFRS 16 'Leases'. IFRS 16 eliminates the classification of leases as either operating or finance leases and introduces a single lessee accounting model. This standard becomes effective on 1 January 2019;
- Amendments to IAS 7 'Statement of Cash Flows';
- Amendments to IAS 12 'Income Taxes'; and
- Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures'.

3. Segment information

The Group's operating results on a segmental basis are regularly reviewed by management. These segmental results contain various reclassifications from the statutory results. The Group's reportable segments comprise Near-prime and Co-brand, which are the segments reported to the chief operating decision maker, which is deemed to be the Chief Executive Officer and the Executive Committee. Each segment presents a different subset of the Group's customers, offers different products and services and is managed in line with the Group's management and internal reporting structure. Segment performance is assessed on the basis of normalised contribution and normalised profit before tax.

The Group's operating segments are largely organised and managed separately according to the nature of the products provided, brands, distribution channels and the profile of customers:

- Near-prime: this segment serves customers who are typically new to credit or have a poor or limited credit history. The segment issues credit cards under a number of brands and also includes several closed portfolios; and
- Co-brand: this segment provides credit card products in partnership with several of the UK's established retailers. These products include store cards as well as branded credit cards. In addition to this, the Group also has a portfolio of other closed credit cards and a point-of-sale finance portfolio.

Notes to the condensed consolidated interim financial statements (continued)

3. Segment information (continued)

These segments reflect how internal reporting is provided to management and how management allocate resources and assess performance. The accounting policies of the reportable segments are consistent with the Group's accounting policies. All of the Group's activities are conducted within the UK. Capital expenditure is not allocated to individual segments as property and equipment is managed at Group level.

Seasonality

Seasonal Christmas spending and peak promotional periods by our Co-brand partners throughout the year drive an increase in interest income earned in the months following this activity. However, as the business has been delivering strong growth in receivables, this growth has a much more significant impact on reported profits than underlying seasonality drivers.

The table below presents the performance for the period on the segmental basis:

	Unaudited Nine months ended 30 September 2016		
	Near-prime	**Co-brand**	**Total**
	£m	**£m**	**£m**
Net interest income	176.4	89.9	266.3
Fee and commission income	23.3	13.8	37.1
Total normalised income	**199.7**	**103.7**	**303.4**
Impairment losses on loans and advances to customers	(91.4)	(13.4)	(104.8)
Normalised costs	(56.2)	(74.6)	(130.8)
Normalised profit before tax	**52.1**	**15.7**	**67.8**
Other costs	(13.3)	(8.4)	(21.7)
Fair value unwind	3.1	1.9	5.0
Profit before tax	**41.9**	**9.2**	**51.1**
Gross receivables	**991.7**	**629.1**	**1,620.8**

Included within other costs is a £17.8m uplift in the Payment Protection Insurance (PPI) provision, explained in note 7, along with costs relating to the sale of the business by Värde Partners, which is detailed in note 13.

Notes to the condensed consolidated interim financial statements (continued)

3. Segment information (continued)

	Unaudited Nine months ended 30 September 2015		
	Near-prime £m	Co-brand £m	Total £m
Net interest income	117.5	83.7	201.2
Fee and commission income	21.5	17.0	38.5
Total normalised income	**139.0**	**100.7**	**239.7**
Impairment losses on loans and advances to customers	(65.9)	(15.4)	(81.3)
Normalised costs	(37.3)	(64.4)	(101.7)
Normalised profit before tax	**35.8**	**20.9**	**56.7**
Other costs	(9.7)	(9.0)	(18.7)
Fair value gain on derivatives	0.3	0.2	0.5
Fair value unwind	2.3	2.2	4.5
Profit before tax	**28.7**	**14.3**	**43.0**
Gross receivables	**697.9**	**645.8**	**1,343.7**

	Audited Year ended 31 December 2015		
	Near-prime £m	Co-brand £m	Total £m
Net interest income	166.1	112.5	278.6
Fee and commission income	26.5	22.4	48.9
Total normalised income	**192.6**	**134.9**	**327.5**
Impairment losses on loans and advances to customers	(96.2)	(18.7)	(114.9)
Normalised costs	(54.1)	(87.7)	(141.8)
Normalised profit before tax	**42.3**	**28.5**	**70.8**
Other costs	(27.3)	(23.8)	(51.1)
Fair value gain on derivatives	0.3	0.2	0.5
Fair value unwind	2.6	2.2	4.8
Profit before tax	**17.9**	**7.1**	**25.0**
Gross receivables	**786.9**	**683.7**	**1,470.6**

Notes to the condensed consolidated interim financial statements (continued)

3. Segment information (continued)

The table below presents a reconciliation of the reclassifications from the statutory performance to the results shown in the segmental analysis:

Unaudited **Period ended 30 September 2016**	Statutory £m	Fair value unwind £m	Cost recovery fees £m	Other £m	Segmental basis £m
Net interest income/(expense)	271.3	(5.0)	-	-	266.3
Fee and commission income	56.1	-	(19.0)	-	37.1
Impairment losses on loans and advances to customers	(105.0)	-	-	0.2	(104.8)
Net operating income/(expense)	**222.4**	**(5.0)**	**(19.0)**	**0.2**	**198.6**
Total operating (expense)/income	(171.3)	5.0	19.0	(0.2)	(147.5)
Profit before tax	**51.1**	**-**	**-**	**-**	**51.1**

Unaudited **Period ended 30 September 2015**	Statutory £m	Fair value unwind £m	Cost recovery fees £m	Other £m	Segmental basis £m
Net interest income/(expense)	205.7	(4.5)	-	-	201.2
Fee and commission income	58.6	-	(20.1)	-	38.5
Impairment losses on loans and advances to customers	(81.8)	-	-	0.5	(81.3)
Net operating income/(expense)	**182.5**	**(4.5)**	**(20.1)**	**0.5**	**158.4**
Total operating (expense)/income	(139.5)	4.5	20.1	(0.5)	(115.4)
Profit before tax	**43.0**	**-**	**-**	**-**	**43.0**

Audited **Year ended 31 December 2015**	Statutory £m	Fair value unwind £m	Cost recovery fees £m	Other £m	Segmental basis £m
Net interest income/(expense)	283.4	(4.8)	-	-	278.6
Fee and commission income	74.6	-	(25.7)	-	48.9
Impairment losses on loans and advances to customers	(115.7)	-	-	0.8	(114.9)
Net operating income/(expense)	**242.3**	**(4.8)**	**(25.7)**	**0.8**	**212.6**
Total operating (expense)/income	(217.3)	4.8	25.7	(0.8)	(187.6)
Profit before tax	**25.0**	**-**	**-**	**-**	**25.0**

Notes to the condensed consolidated interim financial statements (continued)

4. Loans and advances to banks

	Unaudited As at 30 September 2016 £m	*Unaudited* As at 30 September 2015 £m	*Audited* As at 31 December 2015 £m
Loans and advances to banks	103.4	111.4	73.7
Restricted cash	36.8	29.8	33.1
	140.2	**141.2**	**106.8**
Cash and cash equivalents	**103.4**	**111.4**	**73.7**

Loans and advances to banks are held with large commercial banks. Restricted cash is restricted for more than one year and consists of ring fenced cash for credit balances on loans and advances to customers, as well as cash restricted due to covenants in place as per the Group's funding structure.

In September 2016, the Group issued £44.1m of bonds under the Near-prime asset-backed securitisation programme. Accordingly there has been an increase in cash and cash equivalents since the year-end.

5. Loans and advances to customers

	Unaudited As at 30 September 2016 £m	*Unaudited* As at 30 September 2015 £m	*Audited* As at 31 December 2015 £m
Loans and advances to customers	1,658.6	1,351.7	1,494.5
Impairment provision on loans and advances to customers	(87.6)	(73.0)	(85.1)
	1,571.0	**1,278.7**	**1,409.4**

The movement in the impairment provision during the period is as follows:

	Unaudited As at 30 September 2016 £m	*Unaudited* As at 30 September 2015 £m	*Audited* As at 31 December 2015 £m
As at 1 January	(85.1)	(54.1)	(54.1)
Charge-offs during the period	112.6	80.1	107.7
Recoveries	(10.1)	(17.2)	(23.0)
Charge to the consolidated income statement during the period	(105.0)	(81.8)	(115.7)
As at end of period	**(87.6)**	**(73.0)**	**(85.1)**

6. Debt issued and other borrowed funds

	Unaudited As at 30 September 2016 £m	*Unaudited* As at 30 September 2015 £m	*Audited* As at 31 December 2015 £m
Bonds	1,195.5	776.1	975.9
Senior floating rate loans	118.3	273.9	200.9
	1,313.8	1,050.0	1,176.8
Capitalised debt funding fees	(6.6)	(6.2)	(7.0)
	1,307.2	**1,043.8**	**1,169.8**

As at 30 September 2016 debt issued and other borrowed funds consist of publicly listed asset-backed term debt and variable funding notes provided by a number of different investors. The debt issued, provided at LIBOR plus margin, is backed by securitised outstanding loans and advances to customers. £731.4m is to fund the Near-prime portfolio (30 September 2015: £490.2m, 31 December 2015: £549.0m) and £582.4m is to fund the Co-brand portfolio (30 September 2015: £559.8m, 31 December 2015: £627.8m).

In September 2016, a further £176.0m of bonds were issued under the Near-prime asset-backed securitisation programme.

The scheduled maturities of bonds and senior floating rate loans are as follows:

	Unaudited As at 30 September 2016 £m	*Unaudited* As at 30 September 2015 £m	*Audited* As at 31 December 2015 £m
Debt issued and other borrowed funds repayable in:			
Between one and two years	601.1	-	383.4
Between two and five years	663.9	979.5	593.7
More than five years	48.8	70.5	199.7
	1,313.8	**1,050.0**	**1,176.8**

Notes to the condensed consolidated interim financial statements (continued)

7. Provisions

The movement in provisions during the period is as follows:

	PPI provision	CPP provision	CCA provision	Customer refund provision	Dilapidation provision	Other provisions	Total provisions
	£m	£m	£m	£m	£m	£m	£m
At 1 January 2015 *(audited)*	20.9	0.5	2.3	-	1.4	-	25.1
Arising/(released) during the period	4.0	(0.5)	1.3	-	-	0.9	5.7
Utilised during the period	(5.1)	-	(0.7)	-	-	-	(5.8)
At 30 September 2015 ***(unaudited)***	**19.8**	**-**	**2.9**	**-**	**1.4**	**0.9**	**25.0**
Arising/(released) during the period	34.1	-	-	3.9	-	(0.2)	37.8
Utilised during the period	(3.9)	-	-	-	-	-	(3.9)
At 31 December 2015 ***(audited)***	**50.0**	**-**	**2.9**	**3.9**	**1.4**	**0.7**	**58.9**
Arising/(released) during the period	17.8	-	(0.4)	-	0.1	(0.2)	17.3
Utilised during the period	(8.7)	-	(1.1)	(3.5)	-	(0.5)	(13.8)
At 30 September 2016 ***(unaudited)***	**59.1**	**-**	**1.4**	**0.4**	**1.5**	**-**	**62.4**

PPI provision

The PPI provision relates to the Group's liabilities in respect of matters relating to the sale of PPI to cardholders and results from compensating customers for any PPI claims arising from portfolios purchased from, or originated by, a third party, and where PPI has been mis-sold by such third party.

As at 30 September 2016 the Group holds a provision of £59.1m (30 September 2015: £19.8m, 31 December 2015: £50.0m) in respect of the anticipated costs of PPI redress. This includes a provision of £3.1m in relation to administrative expenses. The uplift in the provision of £17.8m reflects the best estimate of the Managers, in relation to the impact of the Financial Conduct Authority's consultation paper 16/20, issued on 2 August 2016. The Managers believe that the amounts provided at the period end, based on historical and forecasted claim rates and amounts, along with ongoing legal and regulatory developments, appropriately reflect the expected cost to the Group.

The principal sensitivities in the PPI provision calculation are: volume of policies affected by the mis-selling, claim rate, impact of FCA-led publicity campaigns, uphold rate and average redress amount. A movement in each principal sensitivity would result in the following movement in the PPI provision:

	Unaudited **Nine months ended 30 September 2016**	*Unaudited* **Nine months ended 30 September 2015**	*Audited* **Year end 31 December 2015**
	£m	£m	£m
+/- 5% in claim rate	+/- 0.9	+/- 0.9	+/- 0.8
+/- 2.5 percentage points in FCA publicity uplift	+/- 9.7	-	+/- 8.1
+/- 5 percentage points in uphold rate	+/- 0.9	+/- 1.1	+/- 1.6
+/- 10% in average redress amount	+/- 5.6	+/- 1.8	+/- 4.6

8. Fair value of financial instruments

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs, other than observable unadjusted quoted prices included within level 1, having a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs having a significant effect on the recorded fair value not based on observable market data.

Fair value of financial instruments carried at amortised cost

The 2015 statutory financial statements detail the key principles and valuation methodologies for estimating the fair value of financial instruments. These have been consistently applied.

Set out below is a comparison, by class, of the carrying value and fair value of the Group's financial instruments:

Unaudited **As at 30 September 2016**	**Level 1** **£m**	**Level 2** **£m**	**Level 3** **£m**	**Total carrying value** **£m**	**Fair value** **£m**
Financial assets					
Loans and advances to banks	-	140.2	-	140.2	140.2
Loans and advances to customers	-	-	1,571.0	1,571.0	1,571.0
Current tax assets	-	0.8	-	0.8	0.8
Other assets	-	18.9	3.8	22.7	22.7
Total financial assets	**-**	**159.9**	**1,574.8**	**1,734.7**	**1,734.7**
Financial liabilities					
Debt issued and other borrowed funds	-	(1,190.0)	(117.2)	(1,307.2)	(1,293.4)
Current tax liabilities	-	(0.7)	-	(0.7)	(0.7)
Deferred tax liabilities	-	(0.1)	-	(0.1)	(0.1)
Other liabilities	-	(67.0)	-	(67.0)	(67.0)
Total financial liabilities	**-**	**(1,257.8)**	**(117.2)**	**(1,375.0)**	**(1,361.2)**

Notes to the condensed consolidated interim financial statements (continued)

8. Fair value of financial instruments (continued)

Unaudited **As at 30 September 2015**	**Level 1** **£m**	**Level 2** **£m**	**Level 3** **£m**	**Total carrying value** **£m**	**Fair value** **£m**
Financial assets					
Loans and advances to banks	-	141.2	-	141.2	141.2
Loans and advances to customers	-	-	1,278.7	1,278.7	1,278.7
Current tax assets	-	0.4	-	0.4	0.4
Other assets	-	15.4	3.1	18.5	18.5
Total financial assets	**-**	**157.0**	**1,281.8**	**1,438.8**	**1,438.8**
Financial liabilities					
Debt issued and other borrowed funds	-	(771.5)	(272.3)	(1,043.8)	(1,033.8)
Current tax liabilities	-	(0.9)	-	(0.9)	(0.9)
Other liabilities	-	(48.9)	-	(48.9)	(48.9)
Total financial liabilities	**-**	**(821.3)**	**(272.3)**	**(1,093.6)**	**(1,083.6)**

Audited **As at 31 December 2015**	**Level 1** **£m**	**Level 2** **£m**	**Level 3** **£m**	**Total carrying value** **£m**	**Fair value** **£m**
Financial assets					
Loans and advances to banks	-	106.8	-	106.8	106.8
Loans and advances to customers	-	-	1,409.4	1,409.4	1,409.4
Current tax assets	-	0.4	-	0.4	0.4
Other assets	-	16.7	2.9	19.6	19.6
Total financial assets	**-**	**123.9**	**1,412.3**	**1,536.2**	**1,536.2**
Financial liabilities					
Debt issued and other borrowed funds	-	(970.4)	(199.4)	(1,169.8)	(1,160.5)
Current tax liabilities	-	(0.4)	-	(0.4)	(0.4)
Deferred tax liabilities	-	(0.1)	-	(0.1)	(0.1)
Other liabilities	-	(48.6)	-	(48.6)	(48.6)
Total financial liabilities	**-**	**(1,019.5)**	**(199.4)**	**(1,218.9)**	**(1,209.6)**

9. Risk management

9.1 Introduction

Risk is inherent in the Group's activities, but is managed through a process of ongoing identification, measurement and monitoring, with respect to pre-determined risk appetite settings and other controls performed by the Board.

The principal risks and uncertainties affecting the Group remain largely unchanged from 31 December 2015. A full assessment of the risks and uncertainties, together with the controls and processes, which are in place to monitor and mitigate the risks where possible, are detailed on pages 27 to 29 of the 2015 statutory financial statements, and are summarised below:

- Strategic risk: the risks arising from a sub-optimal business strategy or business model that may lead to financial loss, reputational damage or failure to meet internal and/or public policy objectives;
- Macro-economic risk: the risk that adverse movements in economic trends in the UK affect the anticipated returns and business strategy of the Group;
- Regulatory risk: the risk that a change in laws or regulations governing the Group will have a material impact on the business;
- Credit risk: the risk that unexpected losses may arise as a result of NewDay's customers failing to meet their obligations to repay;
- Liquidity, funding and cash management risk:
  - the risk that the Group will not have sufficient liquidity to fulfil its short, medium and long-term objectives and/or meet its financial obligations as they fall due; and
  - the risk of material financial and management reporting misstatements occurring, or financial losses stemming from errors in finance processes;
- Operational risk: the risk of loss/negative impact to NewDay resulting from inadequate or failed internal processes and systems; loss of customer data; higher PPI claims; or from external events including legal, internal and external fraud but excluding application fraud and strategic/business risks. Based on NewDay's operating model, this extends to all of the services and processes provided by third parties;
- Conduct risk: the risk of customer detriment arising from inappropriate culture, products and processes; and
- Market risk: the risk of direct or indirect losses that arise from fluctuations in values of, or income from, assets or in movements in interest or exchange rates or credit spreads.

The result of the UK referendum on exiting the European Union has created global market uncertainty. The market-wide expectation is that there may be longer-term impacts on global economic growth. However, all of our operations take place within the UK and therefore we do not expect there to be a material impact on the operational side of our business. Our debt funding position is robust and we continue to demonstrate the ability to raise additional funding in the post-Brexit environment. We will continue to monitor developments, including the impact on financial markets and macroeconomic conditions, and react as appropriate.

9.2 Credit risk

The Group is exposed to credit risk on loans and advances to customers and other financial assets. Credit risk is the risk that the Group will incur a loss because its customers or counterparties fail to discharge their contractual obligations. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and monitoring exposures in relation to such limits, as detailed on page 77 of the 2015 statutory financial statements.

Impairment assessment

In accordance with IAS 39, the Group uses an incurred loss model for the recognition of impairment losses on financial assets. This means that losses can only be recognised when objective evidence of a specific loss event has been observed. Trigger events include the following:

- indication of significant financial difficulty of a customer or a breach of contract such as a default of payment;
- where the Group grants the customer a concession due to the customer experiencing financial difficulty;
- it becomes probable that the customer will enter bankruptcy or other financial reorganisation; or
- other observable data that suggests that there is a decrease in the estimated future cash flows from the loans.

9.2 Credit risk (continued)

Collectively assessed allowances
Allowances are assessed collectively for impairment losses on loans and advances to customers due to the fact that balances are not individually significant.

The Group generally bases its analyses on historical experience. However, in response to significant regional and/or global market developments, the Group would include macro-economic factors within its assessments. These factors depend on the characteristics of the assessment but include: unemployment rates; current levels of bad debt; change in the law; change in regulation; bankruptcy trends; and other consumer data. The Group may use the aforementioned factors as appropriate to adjust impairment allowances.

A collective assessment is made for groups of assets with similar risk characteristics, in order to determine whether a provision should be made due to incurred loss events. The collective assessment takes account of data from the loan portfolio, such as historical losses on the portfolio, levels of arrears, credit utilisation, and expected receipts and recoveries once impaired. The emergence period, being the delay between the time a loss crystallises or is incurred and the time that trigger event is identified, is also taken into consideration. The impairment allowance is then reviewed by credit management to ensure alignment with the Group's overall policy.

The principal sensitivities in the provision calculation are the probability of default, the amounts to be recovered on credit losses and the emergence period. A movement in each principal sensitivity would result in the following movement in the impairment provision:

	Unaudited **Nine months ended 30 September 2016 £m**	*Unaudited* **Nine months ended 30 September 2015 £m**	*Audited* **Year end 31 December 2015 £m**
+/- 10% shift in probability of charge-off	+/- 4.8	+/- 3.3	+/- 3.9
+/- 1 pence movement per pound of receivable on recoveries expected on credit losses	-/+ 0.8	-/+ 0.6	-/+ 0.7
+/- 1 month movement in the emergence period	+/- 10.7	+/- 6.9	+/- 8.2

Analysis of credit risk and credit enhancements

Unaudited **As at 30 September 2016**	**Neither past due nor impaired £m**	**Impaired £m**	**Total £m**	**Maximum exposure to credit risk £m**
Financial assets				
Loans and advances to banks	140.2	-	140.2	140.2
Loans and advances to customers	1,502.5	68.5	1,571.0	1,571.0
Current tax assets	0.8	-	0.8	0.8
Other assets	22.7	-	22.7	22.7
	1,666.2	**68.5**	**1,734.7**	**1,734.7**

9.2 Credit risk (continued)

Unaudited **As at 30 September 2015**	Neither past due nor impaired £m	Impaired £m	Total £m	Maximum exposure to credit risk £m
Financial assets				
Loans and advances to banks	141.2	-	141.2	141.2
Loans and advances to customers	1,219.5	59.2	1,278.7	1,278.7
Current tax assets	0.4	-	0.4	0.4
Other assets	18.5	-	18.5	18.5
	1,379.6	**59.2**	**1,438.8**	**1,438.8**

Audited **As at 31 December 2015**	Neither past due nor impaired £m	Impaired £m	Total £m	Maximum exposure to credit risk £m
Financial assets				
Loans and advances to banks	106.8	-	106.8	106.8
Loans and advances to customers	1,345.9	63.5	1,409.4	1,409.4
Current tax assets	0.4	-	0.4	0.4
Other assets	19.6	-	19.6	19.6
	1,472.7	**63.5**	**1,536.2**	**1,536.2**

Ageing analysis of financial assets	<30 days £m	31-60 days £m	61-90 days £m	91+ days £m	Total £m
Past due and impaired at 30 September 2016 *(unaudited)*	47.4	8.0	5.1	8.0	**68.5**
Past due and impaired at 30 September 2015 *(unaudited)*	37.6	8.4	5.3	7.9	**59.2**
Past due and impaired at 31 December 2015 *(audited)*	46.0	6.8	4.2	6.5	**63.5**

Included in impaired loans and advances to customers are forborne accounts where the Group expects to recover assets but historical experience suggests that there is a component of loss that will be crystallised. These are customers with specific payment arrangement plans which are less onerous than standard contractual terms and conditions. At 30 September 2016, there were £48.5m of forborne assets in impaired loans and advances to customers (30 September 2015: £48.7m, 31 December 2015: £50.5m). If the cash flows on forborne assets were to increase or decrease by 10% this would result in a decrease or increase in the impairment provision of £0.5m or £0.6m respectively.

In the period to 30 September 2016, the Group has recognised interest income relating to impaired assets of £13.7m (nine months to 30 September 2015: £11.8m, year to 31 December 2015: £16.1m). Interest income is recognised in line with the requirements of IAS 39.

10. Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled:

	Unaudited As at 30 September 2016			*Unaudited* As at 30 September 2015		
	< 12 months	> 12 months	Total	< 12 months	> 12 months	Total
	£m	£m	£m	£m	£m	£m
Assets						
Loans and advances to banks	103.4	36.8	140.2	111.4	29.8	141.2
Loans and advances to customers	1,326.9	244.1	1,571.0	1,098.9	179.8	1,278.7
Current tax assets	-	0.8	0.8	0.4	-	0.4
Other assets	39.4	1.8	41.2	23.6	-	23.6
Property and equipment	-	5.4	5.4	-	6.8	6.8
Intangible assets	-	3.3	3.3	-	-	-
Total assets	**1,469.7**	**292.2**	**1,761.9**	**1,234.3**	**216.4**	**1,450.7**
Liabilities						
Debt issued and other borrowed funds	(1,104.1)	(203.1)	(1,307.2)	(897.0)	(146.8)	(1,043.8)
Current tax liabilities	(0.7)	-	(0.7)	(0.9)	-	(0.9)
Deferred tax liabilities	-	(0.1)	(0.1)	-	-	-
Other liabilities	(64.3)	(3.1)	(67.4)	(46.4)	(2.8)	(49.2)
Provisions	(17.0)	(45.4)	(62.4)	(11.3)	(13.7)	(25.0)
Total liabilities	**(1,186.1)**	**(251.7)**	**(1,437.8)**	**(955.6)**	**(163.3)**	**(1,118.9)**

	Audited As at 31 December 2015		
	< 12 months	> 12 months	Total
	£m	£m	£m
Assets			
Loans and advances to banks	73.7	33.1	106.8
Loans and advances to customers	1,205.2	204.2	1,409.4
Current tax assets	0.4	-	0.4
Other assets	29.3	-	29.3
Property and equipment	-	6.0	6.0
Total assets	**1,308.6**	**243.3**	**1,551.9**
Liabilities			
Debt issued and other borrowed funds	(1,000.3)	(169.5)	(1,169.8)
Current tax liabilities	(0.4)	-	(0.4)
Deferred tax liabilities	-	(0.1)	(0.1)
Other liabilities	(46.1)	(2.8)	(48.9)
Provisions	(31.1)	(27.8)	(58.9)
Total liabilities	**(1,077.9)**	**(200.2)**	**(1,278.1)**

Notes to the condensed consolidated interim financial statements (continued)

11. Contingent liabilities, commitments and leasing arrangements

Contingent liabilities
Legislation
As a financial services company, the Group is subject to extensive and comprehensive regulation. The Group must comply with numerous laws and regulations, including the Consumer Credit Act, which significantly affects the way it conducts business. Whilst the Group believes there are no unidentified areas of failure to comply with these laws and regulations which would have a material impact on these interim financial statements, there can be no guarantee that all issues have been identified.

Lease arrangements
Operating lease commitments
The Group has entered into commercial leases for premises. There are no restrictions placed upon the lessee by entering into these leases.

Future minimum lease payments under non-cancellable operating leases are as follows:

Operating lease commitments	**Less than 1 year £m**	**1 to 5 years £m**	**Over 5 years £m**	**Total £m**
As at 30 September 2016 *(unaudited)*	2.1	8.1	6.5	**16.7**
As at 30 September 2015 *(unaudited)*	1.8	7.6	8.7	**18.1**
As at 31 December 2015 *(audited)*	2.2	5.7	3.6	**11.5**

On 11 July 2016 the Group signed an agreement to surrender its existing London lease and enter into a new lease at larger premises remaining within the Kings Cross area. The agreement was subject to a number of conditions being met. Upon meeting these conditions, the lease of the new premises will become effective. At the same time, the Company will agree to surrender its existing lease. No premium will be payable upon surrender of the current lease. It is expected that the conditions will be met and the lease will become effective at the end of November 2016.

12. Related party disclosures

Consolidated subsidiaries and structured entities
The subsidiaries and structured entities of NewDay Group Holdings S.à r.l. that are consolidated within the interim financial statements are consistent with those disclosed in note 22 of the 2015 statutory financial statements. In addition, the following newly incorporated entities form part of the Group from 2016:

	Unaudited		
Name	**Country of incorporation**	**Share class held at 30 September 2016**	**% equity interest at 30 September 2016**
NewDay Funding 2016-1 plc	UK	n/a	n/a
NewDay Partnership Secondary Funding Ltd	UK	n/a	n/a
NewDay UPL Transferor Ltd	UK	Ordinary	100%

13. Post balance sheet events

On 11 October 2016, Invicta EuroCard Services L.P. entered into a sale and purchase agreement relating to the sale of the entire share capital of NewDay Group Holdings S.à r.l to Nemean Bidco Limited. Nemean Bidco Limited is an investment vehicle of funds advised by Cinven and CVC Capital Partners. The transaction is subject to customary conditions (including obtaining regulatory and anti-trust approvals).

On the 17 October 2016 and 7 November 2016, the Group issued £37.9m and £22.8m of bonds respectively under the Near-prime asset-backed securitisation programme.

NewDay Group Holdings S.à r.l

Audited Consolidated Financial Statements

as of and for the year ended December 31, 2015

Report of the Réviseur d'Entreprises agréé

To the Unitholders of
NewDay Group Holdings S.à r.l.
6c, rue Gabriel Lippmann
L-5365 Munsbach
Luxembourg

Report on the consolidated Financial Statements
We have audited the accompanying consolidated Financial Statements of NewDay Group Holdings S.à r.l., which comprise the consolidated balance sheet as at 31 December 2015 and the consolidated income statement and statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Responsibility of the Board of Managers for the consolidated Financial Statements
The Board of Managers is responsible for the preparation and fair presentation of these consolidated Financial Statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the Board of Managers determines is necessary to enable the preparation of consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the Réviseur d'Entreprises agréé
Our responsibility is to express an opinion on these consolidated Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated Financial Statements. The procedures selected depend on the judgement of the Réviseur d'Entreprises agréé, including the assessment of the risks of material misstatement of the consolidated Financial Statements, whether due to fraud or error. In making those risk assessments, the Réviseur d'Entreprises agréé considers internal control relevant to the entity's preparation and fair presentation of the consolidated Financial Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Managers, as well as evaluating the overall presentation of the consolidated Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated Financial Statements give a true and fair view of the consolidated financial position of NewDay Group Holdings S.à r.l. as of 31 December 2015, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements
The Management report, which is the responsibility of the Board of Managers, is consistent with the consolidated Financial Statements.

M. Weber
KPMG Luxembourg
Société coopérative
Cabinet de révision agréé

Luxembourg, 4 March 2016

Consolidated income statement and consolidated statement of comprehensive income

for the year ended 31 December 2015

	Note	**Year ended 31 December 2015 £m**	Year ended 31 December 2014 £m
Interest and similar income	4	313.1	284.2
Interest and similar expense	5	(29.7)	(66.9)
Net interest income		283.4	217.3
Fee and commission income	6	74.6	73.6
Impairment losses on loans and advances to customers	11	(115.7)	(75.4)
Net operating income		242.3	215.5
Fair value gain/(loss) on derivatives		0.5	(5.1)
Personnel expense	7	(48.3)	(26.8)
Other operating expenses	8	(169.5)	(196.7)
Total operating expenses		(217.3)	(228.6)
Profit/(loss) before tax		25.0	(13.1)
Tax expense	9	(0.9)	(0.5)
Profit/(loss) for the year		**24.1**	**(13.6)**
Other comprehensive income		–	–
Total comprehensive income/(expense) for the year		**24.1**	**(13.6)**

The notes on pages F-29 to F-56 form an integral part of these statutory consolidated Financial Statements.

Consolidated balance sheet

as at 31 December 2015

	Note	As at 31 December 2015 £m	As at 31 December 2014 £m
Assets			
Loans and advances to banks	10	106.8	86.0
Loans and advances to customers	11	1,409.4	1,244.7
Current tax assets		0.4	–
Other assets	12	29.3	14.1
Property and equipment	13	6.0	5.3
Total assets		**1,551.9**	**1,350.1**
Liabilities			
Debt issued and other borrowed funds	14	1,169.8	974.8
Derivative liabilities		–	0.5
Current tax liabilities		0.4	–
Deferred tax liabilities		0.1	–
Other liabilities	15	48.9	59.6
Provisions	16	58.9	25.1
Total liabilities		1,278.1	1,060.0
Equity attributable to owners of the Company			
Share capital and share premium	17	2.0	2.0
Interest Free Preferred Equity Certificates (IPECs)	17	68.5	68.5
Tracking Preferred Equity Certificates (TPECs)	17	161.8	161.8
Retained earnings		41.5	57.8
Total equity		273.8	290.1
Total liabilities and equity		**1,551.9**	**1,350.1**

The notes on pages F-29 to F-56 form an integral part of these statutory consolidated Financial Statements.

RCS number: B164614

Consolidated statement of changes in equity

for the year ended 31 December 2015

	Share capital and share premium £m	IPECs £m	TPECs £m	Retained earnings £m	Total equity £m
At 1 January 2015	2.0	68.5	161.8	57.8	**290.1**
Total comprehensive income for the year	–	–	–	24.1	**24.1**
Transactions with owners:					
Return paid on TPECs	–	–	–	(40.0)	**(40.0)**
Interest paid on TPECs	–	–	–	(0.4)	**(0.4)**
At 31 December 2015	**2.0**	**68.5**	**161.8**	**41.5**	**273.8**

	Share capital and share premium £m	IPECs £m	TPECs £m	Retained earnings £m	Total equity £m
At 1 January 2014	2.0	68.5	161.8	71.9	**304.2**
Total comprehensive expense for the year	–	–	–	(13.6)	**(13.6)**
Transactions with owners:					
Interest paid on TPECs	–	–	–	(0.5)	**(0.5)**
At 31 December 2014	**2.0**	**68.5**	**161.8**	**57.8**	**290.1**

The notes on pages F-29 to F-56 form an integral part of these statutory consolidated Financial Statements.

Consolidated statement of cash flows

for the year ended 31 December 2015

	Note	Year ended 31 December 2015 £m	Year ended 31 December 2014 £m
Operating activities			
Profit/(loss) before tax		25.0	(13.1)
Reconciliation of profit/(loss) before tax to net cash generated from/(used in) operating activities:			
Interest and similar expense	5	29.7	66.9
Depreciation of property and equipment	13	1.5	0.4
Loss on disposal of property and equipment	13	0.3	–
Fair value unwind	4	(4.8)	(24.0)
Impairment losses on loans and advances to customers	11	115.7	75.4
Changes in operating assets and liabilities:			
(Increase)/decrease in loans and advances to banks repayable in more than one year	10	(20.0)	11.6
Increase in loans and advances to customers	11	(275.6)	(25.3)
(Increase)/decrease in other assets	12	(15.2)	14.2
(Decrease)/increase in derivative liabilities		(0.5)	5.1
Decrease in other liabilities	15	(10.7)	(12.9)
Increase in provisions	16	33.8	5.8
Interest paid		(28.7)	(54.1)
Tax paid		(0.8)	–
Net cash (used in)/generated from operating activities		(150.3)	50.0
Cash flows from investing activities			
Purchases of property and equipment	13	(2.5)	(4.5)
Proceeds from sale of property and equipment	13	–	0.5
Net cash used in investing activities		(2.5)	(4.0)
Cash flows from financing activities			
Proceeds from debt issued and other borrowed funds		1,074.3	744.3
Repayment of debt issued and other borrowed funds		(880.3)	(751.8)
Return paid on TPECs	17	(40.0)	–
Interest paid on TPECs	17	(0.4)	(0.5)
Net cash generated from/(used in) financing activities		153.6	(8.0)
Net increase in cash and cash equivalents		0.8	38.0
Cash and cash equivalents at beginning of the year		72.9	34.9
Cash and cash equivalents at end of the year	10	**73.7**	**72.9**

The notes on pages F-29 to F-56 form an integral part of these statutory consolidated Financial Statements.

1. Corporate information

NewDay Group Holdings S.à r.l. (the Company) was incorporated as a 'Société à responsabilité limitée' under the laws of the Grand-Duchy of Luxembourg on 20 October 2011 for an unlimited duration. Its registered office is at 6c Rue Gabriel Lippmann, L-5365 Munsbach, Luxembourg. Invicta EuroCard Services L.P., an exempted limited partnership registered under the laws of the Cayman Islands, is the sole shareholder of the Company.

NewDay Group Holdings S.à r.l. together with its subsidiaries (the Group) provides products and services to its customers within the Near-prime and Co-brand credit markets in the UK. As part of the Group rebranding, the Company changed its name from Invicta Card Services Holdings S.à r.l. to NewDay Group Holdings S.à r.l. on 1 April 2014.

The statutory consolidated Financial Statements for the year ended 31 December 2015 were authorised for issue in accordance with a resolution of the Managers on 4 March 2016.

2. Accounting policies

2.1 Basis of preparation

Statement of compliance

The statutory consolidated Financial Statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and International Financial Reporting Interpretations Committee (IFRIC) interpretations.

The statutory consolidated Financial Statements of the Group have been prepared on an amortised cost basis, except for derivative financial instruments and loans with related parties which have been measured at fair value.

Going concern

On an annual basis, an assessment of the Group's ability to continue as a going concern is performed and presented to the Board of NewDay Group Ltd (the Board). At 4 March 2016, the Managers are satisfied that the Group has the resources necessary to continue in business for the foreseeable future. Management forecast the performance of the Group and undertake various stress scenarios to assess the impact on profitability, cash flows, the balance sheet and compliance with covenants. This presentation is formally reviewed and signed off by the Board along with consideration of the potential impact of contingent liabilities on the Group. Management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the statutory consolidated Financial Statements continue to be prepared on the going concern basis as outlined in the statement of Managers' responsibilities.

Presentation of the consolidated Financial Statements

The statutory consolidated Financial Statements are presented in Sterling (£) and all values are rounded to the nearest £0.1m, except where otherwise indicated. The Group presents its consolidated balance sheet in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 20.

Financial assets and financial liabilities are offset and the net amount reported in the consolidated balance sheet only when there is a legally enforceable right to offset and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. Income and expenses are not offset in the consolidated income statement unless required or permitted by an accounting standard or interpretation, and is specifically disclosed in the accounting policies of the Group.

Basis of consolidation

The statutory consolidated Financial Statements comprise the Financial Statements of the Group and its subsidiaries (together with certain structured entities (SEs) that the Group consolidates) as at 31 December 2015. The subsidiaries and SEs are listed in Note 22. The Financial Statements of the Group's subsidiaries (including SEs that the Group consolidates) are prepared for the same reporting period as the parent company using consistent accounting policies.

All intra-Group balances, transactions, income and expenses are eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity, has the exposure or rights to the variable returns from the involvement with the entity, and is able to use its power to affect the amount of returns for the Group.

2. Accounting policies continued
2.1 Basis of preparation continued
Basis of consolidation continued
SEs are fully consolidated based on the power of the Group to direct relevant activities, and its exposure to the variable returns of the SE. In assessing and determining if the Group controls an SE, judgement is exercised to determine the following: whether the activities of the SE are being conducted on behalf of the Group to obtain benefits from the SE's operation; whether the Group has the decision-making powers to control or to obtain control of the SE or its assets; whether the Group is exposed to the variable returns from the SE's activities; and whether the Group is able to use its power to affect the amount of returns. The Group's involvement with SEs is detailed in Note 23.

2.2 Summary of significant accounting policies
(1) Foreign currency translation
The statutory consolidated Financial Statements are presented in Sterling (£) which is the presentational currency of the Group. The functional currency of the Group and all its subsidiaries is Sterling (£). The Group transacts mainly in Sterling. Transactions that are not Sterling denominated are recorded at the rate of exchange ruling at the date of the transaction.

(2) Financial instruments – initial recognition and subsequent measurement
(i) Date of recognition
All financial assets and liabilities are initially recognised on the date the Group becomes a party to the contractual provisions of the instrument.

(ii) Initial measurement of financial instruments
The classification of financial instruments at initial recognition depends on their purpose and characteristics and management's intention on acquiring them. All financial instruments are measured initially at their fair value adjusted for transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit and loss.

(iii) Derivatives recorded at fair value through profit and loss
The only derivatives held by the Group during the year ended 31 December 2015 were interest rate swaps which were used to economically hedge the interest rate risk of the Group. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Interest is recognised on a net accruals basis through interest and similar expense in the consolidated income statement. No derivatives are held as at 31 December 2015.

(iv) Loans and advances to banks
Loans and advances to banks, as referred to in the consolidated balance sheet and in the consolidated statement of cash flows, comprise cash and cash equivalents, non-restricted current accounts, restricted cash as detailed in Note 10 and amounts due on demand or with an original maturity of three months or less.

(v) Loans and advances to customers
Financial instruments which are disclosed as loans and advances to customers include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement at fair value, they are subsequently measured at amortised cost using the effective interest rate (EIR) method, less allowance for impairment. The EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying value of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument, but not future credit losses. The interest income calculated using this policy is included in interest and similar income in the consolidated income statement. The losses arising from impairment are recognised in the consolidated income statement in impairment losses on loans and advances to customers.

The Group has entered into asset-backed securitisations to fund certain loans and advances to customers. In cases where the securitisation vehicles are funded by the issue of debt, on terms whereby the majority of the risks and rewards of the portfolio of the securitised lending are retained by the Group, these loans and advances to customers continue to be recognised in the Group's consolidated balance sheet, together with a corresponding liability for the funding.

(vi) Debt issued and other borrowed funds
Financial liabilities that are not designated at fair value through profit and loss are classified as liabilities under debt issued and other borrowed funds, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

After initial measurement, debt issued and other borrowed funds are measured at amortised cost using the EIR. Amortised cost is calculated by taking into account any discount or premium on the issue and directly attributable, incremental issue costs that are an integral part of the EIR.

(3) Derecognition of financial assets and financial liabilities
(i) Financial assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement and either:
  - the Group has transferred substantially all the risks and rewards of the asset; or
  - the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

(ii) Financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in the consolidated income statement.

(4) Determination of fair value
For all other financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison with similar instruments for which market observable prices exist and other relevant valuation models.

(5) Impairment of financial assets
The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event(s) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include: indications that the borrower or a group of borrowers is experiencing financial difficulty; the probability that they will enter bankruptcy or other financial reorganisation; default or delinquency in interest or principal payments; and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

See Note 2.3 Significant accounting judgements, estimates and assumptions for further details on the factors that affect the impairment provision.

(i) Financial assets carried at amortised cost
For financial assets carried at amortised cost, the Group assesses impairment on a collective basis for all financial assets that are not individually significant.

The amount of the loss is measured as the difference between the assets' carrying value and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying value of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in impairment losses on loans and advances to customers in the consolidated income statement. Interest income continues to be accrued on the reduced carrying value and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of interest and similar income in the consolidated income statement.

2. Accounting policies continued

2.2 Summary of significant accounting policies continued

(5) Impairment of financial assets continued

(i) Financial assets carried at amortised cost continued

Loans, together with the associated allowance, are charged off after 180 days of delinquency. If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to impairment losses on loans and advances to customers in the consolidated income statement.

The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If the Group has acquired loans and advances to customers, the discount rate for measuring any impairment loss is the new EIR determined at the acquisition date.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Group's internal credit grading system which considers credit risk characteristics such as portfolio, past-due status and other relevant factors.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from period to period (such as changes in unemployment rates, payment status, or other factors that are indicative of incurred losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

See Note 11 and Note 19.2 for details of impairment losses on financial assets carried at amortised cost.

(ii) Renegotiated loans and advances to customers

Where possible, the Group seeks to restructure loans before they reach charge-off based on customers' ability to make minimum monthly payments on their outstanding balances. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms and the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to collective impairment assessments, calculated using the loan's original EIR.

(6) Leasing

The determination of whether an arrangement is a lease, or it contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Leases that do not transfer to the Group substantially all the risks and rewards incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in the consolidated income statement on a straight-line basis over the lease term. Contingent rental payable is recognised as an expense in the period in which it is incurred. A lease is classified at the inception date as a finance lease or an operating lease.

Dilapidations are provided for on leasehold properties where the terms of the lease require the tenant to make good any changes made to the property at the end of the lease period. The provision is discounted over the remaining period of the lease at the risk-free rate.

(7) Recognition of income and expenses
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

(i) Interest and similar income and expense
For all financial instruments measured at amortised cost, interest income or expense is recorded using the EIR. The EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying value of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes certain fees or directly attributable issue costs, but not future credit losses.

The carrying value of the financial asset or financial liability is adjusted if the Group revises its estimates of expected payments or receipts. The adjusted carrying value is calculated based on the original EIR and the change in carrying value is recorded as interest and similar income for financial assets and interest and similar expense for financial liabilities in the consolidated income statement.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

A number of the loans and advances to customers have been acquired over time and the carrying value of these assets on initial recognition was the fair value of these receivable balances. The fair value adjustment applied to these receivable balances is amortised into interest and similar income in the consolidated income statement using the EIR method.

(ii) Fee and commission income
Fees arising from store and credit card agreements are predominantly based on customer transaction events (e.g. foreign exchange fees and cash withdrawal fees) and are recognised at the point of the customer transaction. Fees linked to certain card servicing activities are recognised after fulfilling the corresponding criteria. Any subsequent refunds of fees to customers are netted against fee and commission income in the year in which the Group commits to make the refund. Fee and commission income excludes fees that have been recognised on an EIR basis and reported within interest and similar income in the consolidated income statement.

(iii) Customer cash back programmes
On some of the Group's products credit card customers earn cash back on card spend through cash back programmes. Expenses incurred in relation to these programmes are accrued as portfolio servicing costs in other operating expenses in the consolidated income statement when the relevant card spend is incurred on the customers' accounts.

(iv) Loyalty programmes
Loyalty points and vouchers costs are recognised in the period in which they are incurred. Earned but not yet redeemed points and vouchers at the period end are reflected in the consolidated balance sheet as accruals. Where loyalty points and vouchers expire before they are utilised by customers, the accrual is reversed in the period in which they expire. The costs are calculated individually for each scheme in place.

(v) Personnel expense
The Group applies IAS 19 'Employee benefits' in its accounting for the relevant components of staff costs. Short-term employee benefits including salaries, accrued bonus, other incentive costs and social security are recognised over the period in which the employees provide the services to which the payments relate. Bonus and other incentive costs are recognised to the extent that the Group has a present obligation to its employees that can be measured reliably and are recognised over the period of service that employees are required to work to qualify for the services.

(vi) Defined contribution pension plan
The Group operates a defined contribution pension plan. The contribution payable to a defined contribution plan is in proportion to the services rendered to the Group by the employees and is recorded in the consolidated income statement as a personnel expense on an accruals basis. Unpaid contributions are recorded as an accrual in the consolidated balance sheet.

(vii) Share based payment transactions
The fair value of the amount payable to employees in respect of share based payment transactions is recognised as an expense with a corresponding increase in liabilities over the period in which the employees become unconditionally entitled to the shares.

2. Accounting policies continued

2.2 Summary of significant accounting policies continued

(7) Recognition of income and expenses continued

(viii) Service costs

Certain service costs are subject to a netting arrangement whereby the expenses and income (rebates) relating to a specific servicer are netted against each other. This is in line with the servicer agreement and reflects the intention of both parties to settle on a net basis. Some of our service costs are prepaid and released to the income statement over the period in which the service is provided. These amounts are included in prepayments and accrued income in the balance sheet.

(ix) Capitalisation of expenditure

Expenditure relating to specific projects are reviewed to determine whether the capitalisation criteria of IAS 16 'Property, plant and equipment' and IAS 38 'Intangible assets' are met (see Note 2.2 (8) and (10)). The Group capitalises expenditure where the criteria are met and depreciates/amortises over the useful economic life of the asset.

(8) Property and equipment

Property and equipment is stated at cost excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Changes in the expected useful economic life are accounted for by changing the depreciation period or method, as appropriate, and are treated as changes in accounting estimates.

Depreciation is calculated using the straight-line method to write down the cost of property and equipment to their residual values over their estimated economic useful lives. The estimated useful economic lives are as follows:

• Computer equipment	3 years
• Fixtures and fittings	3 years
• Leasehold improvements	over lease term

Property and equipment is derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is recognised in other operating expenses in the consolidated income statement in the period in which the asset is derecognised.

(9) Business combinations and goodwill

Business combinations are accounted for using the acquisition method of accounting. This involves recognising identifiable assets (including previously unrecognised intangible assets) and liabilities (including contingent liabilities but excluding future restructuring) of the acquired business at fair value. Any excess of the consideration transferred over the fair values of the identifiable net assets acquired is recognised as goodwill.

If the cost of acquisition is less than the fair values of the identifiable net assets acquired, the discount on acquisition is recognised as a gain on a bargain purchase directly in the consolidated income statement in the period of acquisition. No goodwill has been recognised from business combinations completed by the Group in previous years.

Acquisition expenses are expensed in the consolidated income statement as incurred.

(10) Intangible assets

The Group's intangible assets include acquired trademarks.

An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Group.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful economic lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful economic life are reviewed at least at each financial period-end. Changes in the expected useful economic life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and they are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in other operating expenses in the consolidated income statement.

Amortisation is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful economic lives.

(11) Impairment of non-financial assets
The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired.

If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use. Where the carrying value of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised.

The reversal is limited so that the carrying value of the asset does not exceed its recoverable amount, nor exceeds the carrying value that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior periods. Such reversal is recognised in the consolidated income statement.

(12) Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources representing economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in other operating expenses in the consolidated income statement net of any reimbursement.

See Note 2.3 Significant accounting judgements, estimates and assumptions for further details on the factors that affect provisions.

(13) Taxes
(i) Current tax
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current tax relating to items recognised directly in equity is also recognised in equity and not in the consolidated income statement.

(ii) Deferred tax
Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying value of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

2. Accounting policies continued

2.2 Summary of significant accounting policies continued

(13) Taxes continued

(ii) Deferred tax continued

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised directly in equity are also recognised in equity and not in the consolidated income statement.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same tax authority.

(14) Ordinary shares, Interest Free Preferred Equity Certificates (IPECs) and Tracking Preferred Equity Certificates (TPECs)

The Company applies IAS 32 'Financial instruments: presentation' to determine whether funding is either a financial liability or equity.

Issued financial instruments or their components are classified as liabilities if the contractual arrangement results in the Company having a present obligation to either deliver cash or another financial asset, or a variable number of equity shares, to the holder of the instrument. If this is not the case, the instrument is generally an equity instrument and the proceeds are included in equity, net of transaction costs.

Both the IPECs and TPECs in issue are classified as equity, as these instruments can be redeemed on the mandatory redemption date in 2041 at the option of the Company in the form of new Preferred Equity Certificates (PECs) with terms substantially identical to the existing IPECs or TPECs. In addition, full discretion can be exercised by the Managers over the payment of the return. Payment of returns are recognised as a liability and deducted from equity once approved by the Group's shareholders.

(15) Dividends on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Group's shareholders. Interim dividends are deducted from equity when they are declared and are therefore no longer at the discretion of the Group. Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date.

2.3 Significant accounting judgements, estimates and assumptions

In the process of applying the Group's accounting policies, management has exercised judgement and made estimates in determining the amounts recognised in the statutory consolidated Financial Statements. The most significant uses of judgements and estimates are as follows:

Impairment losses on loans and advances to customers

The Group reviews its loans and advances to customers at each balance sheet date to assess whether an impairment loss should be recorded in the consolidated income statement. In particular, judgement is required in the estimation of the amount and timing of expected future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and as such the actual results may differ, resulting in future changes to the allowance.

Loans and advances to customers are assessed collectively, in groups of assets with similar risk characteristics, to determine whether a provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident. The collective assessment is calculated by multiplying the flow rate by the eventual loss on each obligor. The key determinants of the flow rate are the loss emergence period (the time taken from the impairment event to it becoming evident to the Group, measured by the loan falling into arrears) and the likelihood that a loan in arrears reaches charge-off (180 days in arrears) over the outcome period. The key determinants of the loss rate are the timing and value of recoveries of charged off loans. The collective assessment takes account of this data from the loan portfolio and judgements on the effect of concentrations of risks and economic data (including levels of unemployment, inflation and the performance of different individual groups). The Group has no individually significant loans and advances to customers.

The impairment charge on loans and advances to customers is disclosed in more detail in Note 11. Sensitivity analysis is detailed in Note 19.2.

Payment Protection Insurance (PPI)

PPI provisions relate to the Group's obligations in respect of matters relating to the sale of PPI policies to cardholders. Whilst the Group has not sold any PPI policies directly, in certain circumstances it may be liable for PPI policies that were sold to cardholders whose accounts were subsequently acquired by, or assigned to, the Group, by the previous owners or subsequent service providers.

The provision reflects our current view of the expected future liability based on historical information and using our best judgement regarding future developments. The Group has calculated the provisions by making a number of assumptions based upon current and historical experience and future expectations, having also taken legal and regulatory developments into account including the FCA's consultation paper "CP15/39: Rules and guidance on payment protection insurance complaints." The total cost associated with PPI for the Group is estimated at £81.4m (2014: £43.3m), out of which £31.4m (2014: £22.4m) was settled by 31 December 2015, leaving a provision of £50.0m (2014: £20.9m) in respect of future costs. For further details and sensitivity analysis see Note 16.

Fair value unwind
Where the fair values of assets and liabilities cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgement is required to establish fair values. A key judgement is the expected life of the acquired portfolio, which determines the period over which any discount or premium on acquisition is amortised. Shortening the expected life of the acquired portfolios held by the Group by a year would impact the income statement for the year under review with an additional credit to the income statement of £5.1m.

Consumer Credit Act (CCA) provision
The CCA provision relates to the Group's obligations in respect of non-compliance with the requirements of the Consumer Credit Act and related issues. The Group's obligations arise from compensating customers for interest and fees charged on their accounts during the period of non-compliance with the CCA.

The Group has calculated the provision by analysing the accounts impacted and computing the total amount of interest and fees charged on these accounts during the period of non-compliance. In the year to 31 December 2015, £0.7m has been settled (2014: £2.5m), with an additional £1.3m provided for leaving a provision of £2.9m (2014: £2.3m) in respect of future costs. All of these costs are expected to be settled in 2016. £1.2m of this provision relates to where the seller of the accounts to the Group had not complied with the requirements of the CCA and as such the Group is fully compensated and a corresponding asset has been recorded within loan and receivables in other assets. Refer to Note 16 for further details.

2.4 Adoption of new and revised standards
The following new standards, interpretations and amendments to existing standards are mandatory for the first time for the year ended 31 December 2015 but do not have a significant impact on the Group:

- Annual improvements to IFRSs 2011-2013 cycle; and
- Amendments to IAS 19 'Defined benefit plans: employee contributions'.

2.5 Standards issued but not yet effective
The following accounting standards and interpretations have been issued by the International Accounting Standards Board (IASB) but have not yet been endorsed by the EU and have not been early adopted by the Group:

- IFRS 9 'Financial instruments'. IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 'Financial instruments: recognition and measurement' and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39 and introduces an expected credit loss model for the measurement of the impairment of financial assets. The effective date for this standard is 1 January 2018. The Group will quantify the effect in conjunction with the other phases, to present a comprehensive picture. This new standard is expected to have a significant impact on the Group's Financial Statements;
- IFRS 15 'Revenue from contracts with customers'. IFRS 15 supersedes IAS 11 'Construction contracts' and IAS 18 'Revenue' and sets out the requirements for recognising revenue that applies to contracts with customers, except for those covered by standards on leases, insurance contracts and financial instruments. This standard becomes effective on 1 January 2018;
- IFRS 16 'Leases'. IFRS 16 eliminates the classification of leases as either operating or finance leases and introduces a single lessee accounting model;
- Amendment to IAS 27 'Equity method in separate financial statements'; and
- Annual improvements to IFRSs 2012–2014 cycle.

3. Segment information

The Group's operating results on a segmental basis are regularly reviewed by management. These segmental results contain various reclassifications from the statutory results. The Group's reportable segments comprise Near-prime and Co-brand, which are the segments reported to the chief operating decision maker, which is deemed to be the Chief Executive Officer and the Executive Committee. These segments represent the products offered to the key customer groups of Near-prime and where the Group Co-brands with retailers. Each segment presents a different subset of the Group's customers, offers different products and services and is managed in line with the Group's management and internal reporting structure. Segment performance is assessed on the basis of normalised contribution and normalised profit before tax:

- Near-prime: this segment serves customers who are typically new to credit or have a poor or limited credit history. The segment issues credit cards under a number of brands and also includes several closed portfolios.
- Co-brand: this segment provides credit card products in partnership with several of the UK's established retailers. These products include store cards as well as branded credit cards. In addition to this, the Group also has a portfolio of other closed credit cards and a point-of-sale finance portfolio.

The Group's operating segments are largely organised and managed separately according to the nature of the products provided, brands, distribution channels and the profile of customers.

These segments reflect how internal reporting is provided to management and how management allocate resources and assess performance. The accounting policies of the reportable segments are consistent with the Group's accounting policies. No geographical analysis is presented because all of the Group's activities are conducted within the UK. The Group has revised the segments used by management in assessing performance during 2015, by allocating central costs to the portfolio to which they relate, and as a result the prior year has been restated on a consistent basis. Capital expenditure is not allocated to individual segments as property and equipment is managed at Group level.

The table below presents the results on the segmental basis:

Year ended 31 December 2015	**Near-prime £m**	**Co-brand £m**	**Total £m**
Net interest income	166.1	112.5	278.6
Fee and commission income	26.5	22.4	48.9
Total normalised income	**192.6**	**134.9**	**327.5**
Impairment losses on loans and advances to customers	(96.2)	(18.7)	(114.9)
Normalised costs	(54.1)	(87.7)	(141.8)
Normalised profit before tax	**42.3**	**28.5**	**70.8**
Other costs	(27.3)	(23.8)	(51.1)
Fair value gain on derivatives	0.3	0.2	0.5
Fair value unwind	2.6	2.2	4.8
Profit before tax	**17.9**	**7.1**	**25.0**
Gross receivables	**786.9**	**683.7**	**1,470.6**

Year ended 31 December 2014			
Net interest income	110.0	94.4	204.4
Fee and commission income	22.5	22.6	45.1
Total normalised income	**132.5**	**117.0**	**249.5**
Impairment losses on loans and advances to customers	(52.5)	(22.9)	(75.4)
Normalised costs	(45.4)	(79.4)	(124.8)
Normalised profit before tax	**34.6**	**14.7**	**49.3**
Other costs	(31.9)	(49.4)	(81.3)
Fair value loss on derivatives	(0.7)	(4.4)	(5.1)
Fair value unwind	4.5	19.5	24.0
Profit/(loss) before tax	**6.5**	**(19.6)**	**(13.1)**
Gross receivables	**544.9**	**757.9**	**1,302.8**

The table below presents a reconciliation of the reclassifications that take the reported results to the results shown in the segmental analysis:

Year ended 31 December 2015 reconciling items	Statutory £m	Fair value unwind £m	Cost recovery fees £m	Bank interest and debt funding £m	Other £m	Segmental basis £m
Net interest income/(expense)	283.4	(4.8)	–	–	–	278.6
Fee and commission income	74.6	–	(25.7)	–	–	48.9
Impairment losses on loans and advances to customers	(115.7)	–	–	–	0.8	(114.9)
Net operating income/(expense)	242.3	(4.8)	(25.7)	–	0.8	212.6
Total operating (expenses)/income	(217.3)	4.8	25.7	–	(0.8)	(187.6)
Profit before tax	**25.0**	**–**	**–**	**–**	**–**	**25.0**

Year ended 31 December 2014 reconciling items						
Net interest income/(expense)	217.3	(24.0)	–	11.1	–	204.4
Fee and commission income	73.6	–	(28.5)	–	–	45.1
Impairment losses on loans and advances to customers	(75.4)	–	–	–	–	(75.4)
Net operating income/(expense)	215.5	(24.0)	(28.5)	11.1	–	174.1
Total operating (expenses)/income	(228.6)	24.0	28.5	(11.1)	–	(187.2)
Loss before tax	**(13.1)**	**–**	**–**	**–**	**–**	**(13.1)**

As noted in the financial review, 2014 has been restated following the reclassification of debt funding fees in the segmental basis income statement.

4. Interest and similar income

	Year ended 31 December 2015 £m	Year ended 31 December 2014 £m
Interest income from loans and advances to customers	307.9	259.9
Interest income from banks	0.3	0.1
Fair value unwind	4.8	24.0
Other	0.1	0.2
	313.1	**284.2**

A number of the loans and advances to customers have been acquired over time and the carrying value of these assets on initial recognition resulted in a fair value adjustment against the gross receivable. The fair value adjustment applied to these receivable balances is amortised into interest and similar income using the EIR method over the average expected life of these assets.

Refer to Note 19.2 for information on interest income on impaired loans and advances to customers.

5. Interest and similar expense

	Year ended 31 December 2015 £m	Year ended 31 December 2014 £m
Interest on debt funding	28.6	64.4
Interest rate swaps	0.7	2.3
Other	0.4	0.2
	29.7	**66.9**

6. Fee and commission income

	Year ended 31 December 2015 £m	Year ended 31 December 2014 £m
Card fees	55.4	52.8
Interchange fees	12.3	10.2
Other fees received	6.9	10.6
	74.6	**73.6**

Interchange fees are the fees received, as card issuer, each time a cardholder purchases goods and services. Other fees received includes insurance commission and profit shares along with merchant transaction fee commission.

7. Personnel expense

	Year ended 31 December 2015 £m	Year ended 31 December 2014 £m
Wages and salaries	38.9	22.4
Social security costs	3.7	2.3
Pension contributions	1.7	0.7
Other staff costs	3.0	1.4
Redundancy costs	1.0	–
	48.3	**26.8**
Average number of employees (FTEs)	695	362
Number of employees (FTEs) as at 31 December	691	701

The increase in the average number of employees is due to the transfer of employees in August 2014 as a result of the acquisition from Santander UK plc of a credit card portfolio. The employees were engaged in the business throughout 2014 for which Santander UK plc received a pre-agreed fee.

The Group operates a management incentive plan in which certain employees and Directors of the Group invest in participating interests of Invicta EuroCard Services L.P., the controlling party of NewDay Group Holdings S.à r.l. These participating interests are treated as equity settled shares under IFRS 2 'Share-based payment'.

Investments in participating interests by the employees and Directors during 2015 were made at fair value. As such no share-based expense has been recognised in the consolidated statement of comprehensive income (2014: £nil).

8. Other operating expenses

	Year ended 31 December 2015 £m	Year ended 31 December 2014 £m
Advertising and marketing	24.4	17.3
Administrative costs and commissions to retailers	33.8	36.8
Professional fees	3.7	3.3
Movement in PPI and CPP provisions (see Note 16)	37.6	17.5
Service costs	48.2	70.2
IT and communications	4.7	1.8
Project expenses	14.1	48.7
Depreciation of property and equipment (see Note 13)	1.5	0.4
Other	1.5	0.7
	169.5	**196.7**

Professional fees include fees payable to the auditors KPMG Luxembourg, Société coopérative and other member firms of KPMG network in relation to:

	Year ended 31 December 2015 £m	Year ended 31 December 2014 £m
Audit of consolidated Financial Statements	0.1	0.1
Audit of the Financial Statements of subsidiaries of the Company	0.5	0.4
Corporate finance services	0.5	–
	1.1	**0.5**

9. Tax expense

	Year ended 31 December 2015 £m	Year ended 31 December 2014 £m
Current tax expense	0.8	0.5
Deferred tax expense	0.1	–
Tax expense	**0.9**	**0.5**

Reconciliation of the total tax charge

All operating activities of the Group take place in the UK, hence the applicable tax regime for all the Group entities apart from the parent company is the UK. The Luxembourg tax regime is applicable for the parent company and is reflected in the computations accordingly. A reconciliation between the tax expenses and the accounting profit multiplied by the UK's domestic tax rate for the year ended 31 December 2015 is as follows:

	Year ended 31 December 2015 £m	Year ended 31 December 2014 £m
Profit/(loss) before tax	25.0	(13.1)
Tax charge/(credit) at average UK corporation tax rate of 20.25% (2014: 21.50%)	5.1	(2.8)
Effects of:		
Adjustment in respect of prior years	0.3	–
Disallowable items and allowable deductions	(1.8)	(1.5)
Origination and reversal of temporary differences	0.1	–
Profits relieved against brought forward losses	–	(0.4)
Profits subject to corporation tax under securitisation vehicle rules	(2.8)	5.2
Tax expense	**0.9**	**0.5**

9. Tax expense continued

Reconciliation of the total tax charge continued

For the period from 1 January 2015 to 31 March 2015, the enacted UK corporation tax rate was 21% (1 January 2014 to 31 March 2014: 23%). For the period from 1 April 2015 to 31 December 2015 the enacted UK corporation tax rate was 20%. The average tax rate, assessed for the year, is calculated at 20.25% (2014: 21.50%). From 1 April 2017 the rate will be 19%.

The Group has deferred tax liabilities of £0.1m resulting from temporary differences. The Group does pay tax in foreign jurisdictions but it is an immaterial amount to the Group.

There were no amounts of tax recognised through the consolidated statement of comprehensive income in the year.

10. Loans and advances to banks

	As at 31 December 2015 £m	As at 31 December 2014 £m
Loans and advances to banks	73.7	72.9
Restricted cash	33.1	13.1
	106.8	**86.0**
Cash and cash equivalents	**73.7**	**72.9**

Loans and advances to banks are held with large commercial banks. Restricted cash amounted to £33.1m as at 31 December 2015 (2014: £13.1m) and is restricted for more than one year. Restricted cash consists of ring fenced cash for credit balances on loans and advances to customers, as well as cash restricted due to covenants in place as per the Group's funding structure.

11. Loans and advances to customers

	As at 31 December 2015 £m	As at 31 December 2014 £m
Loans and advances to customers	1,494.5	1,298.8
Impairment provision on loans and advances to customers	(85.1)	(54.1)
	1,409.4	**1,244.7**

All loans and advances to customers held in NewDay Funding Transferor Ltd and NewDay Partnership Transferor plc are securitised.

The movement in the impairment provision during the year is as follows:

	Impairment provision £m
As at 1 January 2014	(25.8)
Charge-offs during the year	79.5
Recoveries	(32.4)
Charge to the consolidated income statement during the year	(75.4)
As at 31 December 2014	(54.1)
Charge-offs during the year	107.7
Recoveries	(23.0)
Charge to the consolidated income statement during the year	(115.7)
As at 31 December 2015	**(85.1)**

Transfers of financial assets

The Group transfers charged off balances to recovery agencies for a proportion of the carrying value of the loans as part of its ordinary course of business. It also undertakes that certain recourse may be claimed by the recovery agencies if specific criteria are not met up to an 18-month period from the date of transfer. Up to this date the Group is responsible for returning sale proceeds to the agencies, depending on the provisions of each individual sales agreement.

During the year the Group sold and derecognised charged off loans and advances to customers for the purpose of expediting recovery of these balances for total net proceeds of £20.2m (2014: £29.4m), with the difference between their carrying value and net proceeds of £2.7m (2014: £9.2m) recognised in the consolidated income statement through a reduction in impairment losses on loans and advances to customers.

The Group has no other transferred financial assets which are derecognised partly or in their entirety and in which it retains some form of continuing involvement.

During the prior year ended 31 December 2014, the Group made a large one-off recovery of £15.8m which related to the sale of charged off accounts acquired from Santander UK plc.

12. Other assets

	As at 31 December 2015 £m	As at 31 December 2014 £m
Loans and receivables	19.6	7.2
Prepayments and accrued income	9.7	4.3
Other assets	–	2.6
	29.3	**14.1**

Included within loans and receivables is a loan extended to a Director of NewDay Cards Ltd issued by the Group in 2011, comprising the principal of £1.8m and interest at 5% accrued to 31 December 2015. No repayments were made during the year. The loan includes debt forgiveness clauses which are dependent upon certain Group performance criteria being achieved. As at 31 December 2015, the loan is included in the Financial Statements at a value of £2.0m (2014: £1.8m). This value takes into account any debt forgiveness clauses which have been partially met or are forecast to be met in the future. See Note 22 for related party disclosures.

Furthermore, during 2013 the Group issued interest free loans totalling £1.3m to the Directors of NewDay Cards Ltd. A net repayment of £0.2m (2014: repayment of £0.3m) was made during the year. The outstanding balance as at 31 December 2015 is £0.9m (2014: £1.1m) which is also recognised in loans and receivables. See Note 22 for related party disclosures.

13. Property and equipment

	Computer equipment £m	**Fixtures and fittings £m**	**Leasehold improvements £m**	**Total property and equipment £m**
Cost at 1 January 2015	1.7	1.2	3.8	**6.7**
Additions	0.3	0.4	1.8	**2.5**
Disposals	(0.6)	–	–	**(0.6)**
Cost at 31 December 2015	1.4	1.6	5.6	**8.6**
Depreciation at 1 January 2015	(0.9)	(0.2)	(0.3)	**(1.4)**
Charge to the consolidated income statement for the year	(0.4)	(0.5)	(0.6)	**(1.5)**
Disposals	0.3	–	–	**0.3**
Depreciation at 31 December 2015	(1.0)	(0.7)	(0.9)	**(2.6)**
Net book value at 31 December 2015	**0.4**	**0.9**	**4.7**	**6.0**
Net book value at 31 December 2014	0.8	1.0	3.5	**5.3**

14. Debt issued and other borrowed funds

	As at 31 December 2015 £m	As at 31 December 2014 £m
Bonds	975.9	278.8
Senior floating rate loans	200.9	700.9
	1,176.8	979.7
Capitalised debt funding fees	(7.0)	(4.9)
	1,169.8	**974.8**

Debt issued and other borrowed funds consist of publicly listed asset-backed term debt and variable funding notes provided by a number of different investors. The debt issued, provided at LIBOR plus margin, is backed by securitised outstanding loans and advances to customers. £549.0m is to fund the Near-prime portfolio (2014: £327.1m) and £627.8m is to fund the Co-brand portfolio (2014: £652.6m). The scheduled maturities of bonds and senior floating rate loans are as follows:

	As at 31 December 2015 £m	As at 31 December 2014 £m
Debt issued and other borrowed funds repayable in:		
Less than one year	–	327.1
Between one and two years	383.4	–
Between two and five years	593.7	652.6
More than five years	199.7	–
	1,176.8	**979.7**

Refer to Note 23 for further details on the funding structure.

15. Other liabilities

	As at 31 December 2015 £m	As at 31 December 2014 £m
Trade payables and accruals	38.4	51.1
Other liabilities	7.4	5.8
Pension contributions	0.3	0.2
Loans from related parties	2.8	2.5
	48.9	**59.6**

Värde Investment Partners, L.P (US) loaned £1.8m to NewDay Group Ltd in May 2011 which accrues interest at a rate of 12%. The balance as at 31 December 2015 including accrued interest was £2.8m (2014: £2.5m).

16. Provisions

The movement in provisions during the year is as follows:

	PPI provision £m	CPP provision £m	CCA provision £m	Customer refund provision £m	Dilapidation provision £m	Other provisions £m	Total provisions £m
At 1 January 2014	7.7	4.6	5.6	–	–	–	17.9
Arising/(released) during the year	18.7	(1.8)	(0.8)	–	1.4	–	17.5
Utilised during the year	(5.5)	(2.3)	(2.5)	–	–	–	(10.3)
At 31 December 2014	20.9	0.5	2.3	–	1.4	–	25.1
Arising/(released) during the year	38.1	(0.5)	1.3	3.9	–	0.7	43.5
Utilised during the year	(9.0)	–	(0.7)	–	–	–	(9.7)
At 31 December 2015	**50.0**	**–**	**2.9**	**3.9**	**1.4**	**0.7**	**58.9**

PPI and CPP provisions

The PPI and CPP provisions relate to the Group's liabilities in respect of matters relating to the sale of Payment Protection Insurance (PPI) and Card Protection Plans (CPP) to cardholders and result from compensating customers for any PPI or CPP claims arising from portfolios purchased from or originated by a third party, and where PPI or CPP has been sold by such third party.

As at 31 December 2015 the Group holds a provision of £50.0m (2014: £20.9m) in respect of the anticipated costs of PPI redress. This includes a provision of £2.3m in relation to administrative expenses. There are still a number of uncertainties as to the eventual PPI redress costs, in particular the total number of claims and the cost per claim, however, the Managers believe that the amounts provided at the year end, based on historical and forecasted claim rates and amounts, along with ongoing legal and regulatory developments, appropriately reflect the expected cost to the Group.

The principal sensitivities in the PPI provision calculation are: volume of policies affected by the mis-selling, claim rate, uphold rate and average redress amount.

	Year ended 31 December 2015 £m	Year ended 31 December 2014 £m
+/- 1% in claim rate (absolute)	+/- 3.2	+/- 1.7
+/- 5% in uphold rate	+/- 1.6	+/- 0.9
+/- 10% in average redress amount	+/- 4.6	+/- 1.3

Under the Financial Conduct Authority's (FCA) card and identity protection compensation scheme policyholders were able to claim compensation for mis-sold CPP policies. The FCA deadline for claiming compensation ended on 30 August 2014 after which no further claims were required to be considered. Consequently the Group's provisions for CPP administration expenses were fully released in 2015 (2014: £0.5m) and the Group has no further liability.

CCA provision

The CCA provision contains the Group's obligations in respect of compensation to customers for non-compliance with the Consumer Credit Act (CCA). In certain instances, this relates to purchased accounts whereby the seller had not complied with the requirements of the CCA. As such the Group is fully compensated for costs by the seller of the accounts, and a corresponding asset of £1.2m (2014: £1.7m) has been recorded in loans and receivables in the balance sheet.

16. Provisions continued

Customer refund provision

In 2015 the Group commissioned an in-depth review of default fees to ensure that customers continued to be treated fairly. The outcome of this was that from January 2016 the Group has stopped charging customers some of these default fees in certain circumstances. In addition, the Group has decided to reimburse customers where they had been charged these fees under these circumstances from 1 April 2014 onwards. The total cost of reimbursing customers, including the associated operational costs, is £3.9m. This has been recorded within interest and similar income and fee and commission income in the income statement.

Dilapidations provision

A provision of £1.4m (2014: £1.4m) is held as at 31 December 2015 for dilapidation of our leased Leeds and London offices. This has been discounted over the remaining period of the lease, which as at 31 December 2015 is circa nine years, at the risk-free rate.

17. Share capital and reserves

	As at 31 December 2015 £m	As at 31 December 2014 £m
Share capital and share premium	2.0	2.0
IPECs	68.5	68.5
TPECs	161.8	161.8
	232.3	**232.3**

	As at 31 December 2015		As at 31 December 2014	
Called up share capital ordinary shares (1 pence)	**Number of shares**	**Nominal value £'000**	Number of shares	Nominal value £'000
At 1 January	5,000,000	50	5,000,000	50
Issued during the year	–	–	–	–
At 31 December	5,000,000	50	5,000,000	50

Share capital consists of 5,000,000 fully paid up ordinary shares at a nominal value of 1 pence.

Both Interest Free Preferred Equity Certificates (IPECs) and Tracking Preferred Equity Certificates (TPECs) in issue are classified as equity, as these instruments can be redeemed on the mandatory redemption date in 2041 at the option of the Company in the form of new Preferred Equity Certificates (PECs) with terms substantially identical to the existing IPECs or TPECs. In addition, full discretion can be exercised by the Managers over the payment of the return on TPECs. A £40.0m return on TPECs was paid in the year (2014: £nil) along with interest on TPECs of £0.4m (2014: £0.5m).

Both IPECs and TPECs with respect to redemption, rights on liquidation and, where appropriate, return rank as follows:

- pari passu with any other PECs and convertible PECs issued by the Company;
- prior to all shares of common stock issued by the Company, whether outstanding on the date hereof or issued in the future, including tracker shares and ordinary shares; and
- subordinate to all present and future obligations of the Company, whether secured or unsecured.

The Company issued no new IPECs or TPECs during the year ended 31 December 2015 (2014: none) and there were no movements in IPECs or TPECs.

Capital management

In accordance with Luxembourg law, the Company is required to transfer a minimum of 5% of its net profit for each financial year to a legal reserve, until such reserve reaches 10% of the issued share capital. This reserve has been fully established (2014: fully established). Distribution of the legal reserve is restricted.

The Group manages its capital structure and makes adjustments to it according to changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. The objectives, policies and processes are under constant review by the Managers.

The Group maintains an actively managed capital base to cover risks inherent in the business and specifically for NewDay Ltd, to meet the capital adequacy requirements of the FCA under the Payment Services Regulations (2009) for Authorised Payment Institutions.

During the year, the Group had complied with its externally imposed capital requirements.

18. Fair value of financial instruments

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- level 2: other techniques for which all inputs, other than observable unadjusted quoted prices included within level 1, having a significant effect on the recorded fair value are observable, either directly or indirectly; and
- level 3: techniques which use inputs having a significant effect on the recorded fair value not based on observable market data.

Fair value of financial instruments carried at amortised cost

Set out below is a comparison, by class, of the carrying value and fair values of the Group's financial instruments:

As at 31 December 2015	**Level 1 £m**	**Level 2 £m**	**Level 3 £m**	**Total carrying value £m**	**Fair value £m**
Financial assets					
Loans and advances to banks	–	106.8	–	106.8	106.8
Loans and advances to customers	–	–	1,409.4	1,409.4	1,409.4
Current tax assets	–	0.4	–	0.4	0.4
Other assets	–	16.7	2.9	19.6	19.6
Total financial assets	**–**	**123.9**	**1,412.3**	**1,536.2**	**1,536.2**
Financial liabilities					
Debt issued and other borrowed funds	–	(970.4)	(199.4)	(1,169.8)	(1,160.5)
Current tax liabilities	–	(0.4)	–	(0.4)	(0.4)
Deferred tax liabilities	–	(0.1)	–	(0.1)	(0.1)
Other liabilities	–	(48.6)	–	(48.6)	(48.6)
Total financial liabilities	**–**	**(1,019.5)**	**(199.4)**	**(1,218.9)**	**(1,209.6)**
As at 31 December 2014					
Financial assets					
Loans and advances to banks	–	86.0	–	86.0	86.0
Loans and advances to customers	–	–	1,244.7	1,244.7	1,244.7
Other assets*	–	6.9	2.9	9.8	9.8
Total financial assets	**–**	**92.9**	**1,247.6**	**1,340.5**	**1,340.5**
Financial liabilities					
Debt issued and other borrowed funds	–	(276.5)	(698.3)	(974.8)	(974.4)
Other liabilities*	–	(59.4)	–	(59.4)	(59.4)
Total financial liabilities	**–**	**(335.9)**	**(698.3)**	**(1,034.2)**	**(1,033.8)**

* 2014 restated to align the different nature of other assets and other liabilities according to the fair value hierarchy.

Loans and advances to banks

These items have a short term maturity (usually less than three months) and it is assumed the carrying value approximates to their fair value as a result of this short time horizon to maturity. These have been classified as level 2 because these items can be re-priced using market observable inputs.

18. Fair value of financial instruments continued

Loans and advances to customers

This contains the receivables related to credit card balances that have been issued by the Group. The Group regularly reviews the pricing of the portfolio and, to the extent that there has been a movement in the credit spread charged to customers in the market or changes in expected credit losses on the book, it re-prices each eligible portfolio to be reflective of market rates accordingly. As a result of the re-pricing, the interest rate on such products is equivalent to current market rate and as such the Group considers the fair value of these credit cards to be equal to their carrying value. All valuation inputs used to value these instruments have been derived from historical performance of the Group's portfolios which would not be observable to a market participant and as such these financial instruments have been classified as level 3.

Current and deferred tax assets and liabilities

The carrying value of current and deferred tax assets and liabilities approximate to their fair value because there have been no factors that would have caused a difference between these two values. These have been classified as level 2 because these items can be re-priced using market observable inputs.

Other assets

Other assets are made up mostly of loans and receivables. The fair value of these receivable balances approximates to their carrying value as there have been no significant market conditions that would have caused a difference between the two values. These have been classified as level 2 where the items can be re-priced using market observable inputs and level 3 where the valuation is not based upon observable market data.

Debt issued and other borrowed funds

This balance contains the publicly issued listed term debt and variable funding notes. For the publicly issued listed term debt an observable market price is available however it is not actively traded therefore the fair value has been estimated using prices quoted by the banks and it has been classified as level 2. The senior variable funding notes' fair value approximates to its carrying value. These variable funding notes are private bilateral agreements that can be drawn upon and repaid by the borrower. These issuances have been classified as level 3.

Other liabilities

Other liabilities are made up of mostly accounts payable. The fair value of other liabilities approximates to their carrying value because there have been no factors that would have caused a difference between these two values. These have been classified as level 2 because these items can be re-priced using market observable inputs.

Financial instruments carried at fair value

During the year the Group held interest rate swaps which are held on the balance sheet at fair value. The instruments were level 2 financial instruments which were valued using industry standard valuation techniques and for which all inputs, which had a significant effect on the recorded fair value, were observable either directly or indirectly. There were no derivative financial instruments held at 31 December 2015 (2014: derivative liability with a fair value of £0.5m).

19. Risk management

19.1 Introduction

Risk is inherent in the Group's activities, but is managed through a process of ongoing identification, measurement and monitoring, with respect to pre-determined risk appetite settings and other controls performed by the Board. The Group controls risk via the operation of a Risk Management Framework.

Sound risk management is critical to ensure the Group meets its regulatory requirements, and delivers on the strategic and financial goals agreed with shareholders, whilst also preserving the Group's brand and reputation.

The financial risks faced by the Group include:

- credit risk;
- liquidity, funding and cash management risk;
- market risk; and
- regulatory and conduct risk.

Risk measurement and reporting systems

As part of the overall risk management strategy, risks are measured, monitored and reported to ensure the Group understands the risks it faces. The Group has a definition and categorisation model that forms a key part of the Risk Management Framework.

The Group uses qualitative and quantitative methods (including the use of statistical models) to compute both expected and unexpected losses.

Sound monitoring and control processes are set by the Board of Directors, delegated to the Board Risk Committee and subsequently delegated down to the individual business committees and ultimately to all employees of the Group.

Information is compiled from all parts of the business in order to identify, analyse and control risks on a timely basis. Appropriate key risk indicators and other information is presented and discussed at the Board Risk Committee (on a quarterly basis), Enterprise Risk Management Committee and specific sub-committees on a monthly basis, or more frequently as required.

19.2 Credit risk

The Group is exposed to credit risk on loans and advances to customers and other financial assets. Credit risk is the risk that the Group will incur a loss because its customers or counterparties fail to discharge their contractual obligations. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and monitoring exposures in relation to such limits.

Credit risk exposure from customers is managed throughout the lifecycle, underpinned by proprietary models which have been developed from customers' historical credit performance and are used to forecast a probability of default given a level of credit. At the point of originating a new account, the risk profile is assessed against the credit policy and scorecard cut off, aligned to the product applied for, to determine the terms and credit limit offered. Credit assessment utilises a combination of customer provided data as well as data sourced from multiple credit reference agencies.

A monthly assessment of our existing customers' risk profiles determines if their credit limit is still appropriate for their borrowing needs. The proprietary models utilise spend and payment behaviour from products held by the Group as well as products with other providers to determine if a credit limit increase or decrease should be presented to the customer.

Risk-based arrears management combined with specific contact strategies ensure that letters, inbound and outbound telephony, use of SMS and email are deployed in a way which manages credit risks. Contact is established with customers to understand the reason behind missed payments and to understand if potential future concerns exist over payments due. Strategies are then deployed to ensure the customers in arrears are supported in returning to an up-to-date position or appropriate forbearance arrangements are put into place.

The Group has a range of treatments for customers who are experiencing financial stress through concessions which can be applied on a short term or permanent basis where there is no detriment to the customer. Forbearance or other temporary arrangements are designed to ensure that the customer's product remains sustainable and aligned to their personal circumstances. A customer identified as being in financial difficulty will be managed on an individual basis, with the appropriate understanding of personal circumstances and priority debt being key factors in judging if a suitable arrangement can be made so the debt repayment becomes affordable and sustainable.

The provision of such arrangements is managed through the operational centres and governed via several methods, including, but not limited to: operational policy framework, controls against the execution of the policy, regular quality assurance reviews and customer outcomes through regular reporting.

Forbearance arrangements span a vast spectrum of relief and time, ranging from a temporary suspension of fees and interest, which allows a customer the time to assess their options and complete an income and expenditure assessment which is issued to them, through matched contributions to bring customers back into a more sustainable position and extending to an indefinite suspension of fees and interest with a contribution from the customer being made on a monthly basis.

The Group has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties. Counterparty limits are established using a credit risk classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. The credit quality review process aims to allow the Group to assess the potential loss as a result of the risks to which it is exposed and to take corrective action where appropriate.

Impairment assessment

For accounting purposes, the Group uses an incurred loss model for the recognition of impairment losses on financial assets. This means that losses can only be recognised when objective evidence of a specific loss event has been observed. Trigger events include the following:

- indication of significant financial difficulty of a customer or a breach of contract such as a default of payment;
- where the Group grants the customer a concession due to the customer experiencing financial difficulty;
- it becomes probable that the customer will enter bankruptcy or other financial reorganisation; or
- other observable data that suggests that there is a decrease in the estimated future cash flows from the loans.

19. Risk management continued
19.2 Credit risk continued
Collectively assessed allowances
Allowances are assessed collectively for impairment losses on loans and advances to customers due to the fact that balances are not individually significant.

The Group generally bases its analyses on historical experience. However, in response to significant regional and/or global market developments, the Group would include macro-economic factors within its assessments. These factors depend on the characteristics of the assessment but include: unemployment rates; current levels of bad debt; change in the law; change in regulation; bankruptcy trends; and other consumer data. The Group may use the aforementioned factors as appropriate to adjust impairment allowances.

A collective assessment is made for groups of assets with similar risk characteristics, in order to determine whether a provision should be made due to incurred loss events. The collective assessment takes account of data from the loan portfolio, such as historical losses on the portfolio, levels of arrears, credit utilisation, and expected receipts and recoveries once impaired. The emergence period, being the delay between the time a loss crystallises or is incurred and the time that trigger event is identified, is also taken into consideration. The impairment allowance is then reviewed by credit management to ensure alignment with the Group's overall policy.

The principal sensitivities in the provision calculation are the probability of default, the amounts to be recovered on credit losses and the emergence period. A movement in each principal sensitivity would result in:

	Year ended 31 December 2015 £m	Year ended 31 December 2014 £m
+/- 10% shift in probability of charge-off	+/- 3.9	+/- 4.4
+/-1 pence movement per pound of receivable on recoveries expected on credit losses	+/- 0.7	+/- 0.7
+/- 1 month movement in the emergence period	+/- 8.2	+/- 5.4

Analysis of credit risk and credit enhancements

As at 31 December 2015	**Neither past due nor impaired £m**	**Impaired £m**	**Total £m**	**Maximum exposure to credit risk £m**
Financial assets				
Loans and advances to banks	106.8	–	106.8	106.8
Loans and advances to customers	1,345.9	63.5	1,409.4	1,409.4
Current tax assets	0.4	–	0.4	0.4
Other assets	19.6	–	19.6	19.6
	1,472.7	**63.5**	**1,536.2**	**1,536.2**
As at 31 December 2014				
Financial assets				
Loans and advances to banks	86.0	–	86.0	86.0
Loans and advances to customers	1,174.2	70.5	1,244.7	1,244.7
Other assets	9.8	–	9.8	9.8
	1,270.0	**70.5**	**1,340.5**	**1,340.5**

Ageing analysis

	<30 days £m	**31-60 days £m**	**61-90 days £m**	**<180 days £m**	**Total £m**
Financial assets					
Past due and impaired at 31 December 2015	46.0	6.8	4.2	6.5	**63.5**
Past due and impaired at 31 December 2014	43.9	9.6	6.1	10.9	**70.5**

Included in impaired loans and advances to customers are forborne accounts where the Group expects to recover assets but historical experience suggests that there is a component of loss that will be crystallised. These are customers with specific payment arrangement plans which are less onerous than standard contractual terms and conditions. At 31 December 2015, there were £50.5m of forborne assets in impaired loans and advances to customers (2014: £17.0m). If the cash flows on forborne assets were to increase or decrease by 10% this would result in a decrease or increase in the impairment provision of £5.1m or £5.4m respectively.

In the year to 31 December 2015, the Group has recognised interest income relating to impaired assets of £16.1m (2014: £20.2m). The interest income is recognised in line with the requirements of IAS 39 'Financial instruments: recognition and measurement'.

Collateral held
The Group's primary business is to provide short term credit to customers using the Group's various branded store and credit cards. In the course of providing credit to customers, the Group has credit risk assessment practices which provide approval for individuals to be extended credit. In providing these products it is not the policy of the Group to obtain collateral or other credit enhancements which reduce exposure to credit risk, other than the individual's commitment to repay outstanding balances. The fair value of collateral and other credit enhancements is therefore £nil at 31 December 2015 (2014: £nil).

Other commitments provided
As at 31 December 2015, the Group has undrawn facilities on its loans and advances to customers, however facilities are not irrevocably committed. The Group has not entered into any other financial guarantee contracts, letters of credit or other undrawn commitments to lend.

19.3 Liquidity, funding and cash management risk
Contractual cash flow maturity
Loans and advances to customers constitute primarily store and credit cards as well as point of sale finance receivables. All cardholder receivables are contractually repayable on demand and have been disclosed as such. Individual cardholder customer behaviour varies and the cards are used as revolving facilities where drawdowns and repayments towards outstanding balances are made over time. The Group's experience is that the average cardholder outstanding balance at any point in time rolls over every two to three years. The point of sale finance receivables follow a pre-agreed repayment schedule and have been disclosed accordingly.

Of the £1,176.8m debt issued, £977.1m has a scheduled redemption date of one to five years and £199.7m has a scheduled redemption date of more than five years. However, as the movement in debt funding matches the contractual profile of the card balances (as described above), the contractual maturity profile of the debt will match the expected maturity of the card receivable balances and therefore has been disclosed as largely repayable on demand.

Total committed funding facilities
Total committed funding facilities at 31 December 2015 are £1,600.1m (2014: £1,079.0m) of which £423.3m is undrawn (2014: £99.0m).

Analysis of financial assets and liabilities by remaining contractual maturities
The table below summarises the contractual maturity profile of the undiscounted cash flows of the Group's financial assets and liabilities as at 31 December 2015:

As at 31 December 2015	**On demand £m**	**Less than 3 months £m**	**3 to 12 months £m**	**1 to 5 years £m**	**Over 5 years £m**	**Total £m**
Financial assets						
Loans and advances to banks	73.7	–	–	33.1	–	**106.8**
Loans and advances to customers	1,464.4	7.8	14.1	10.0	–	**1,496.3**
Current tax assets	–	–	0.4	–	–	**0.4**
Other assets	–	16.7	2.9	–	–	**19.6**
Financial liabilities						
Debt issued and other borrowed funds	(1,151.7)	(6.2)	(11.2)	(8.4)	–	**(1,177.5)**
Current tax liabilities	–	–	(0.4)	–	–	**(0.4)**
Deferred tax liabilities	–	–	–	(0.1)	–	**(0.1)**
Other liabilities	–	(45.8)	–	–	(2.8)	**(48.6)**
Net cash flow	**386.4**	**(27.5)**	**5.8**	**34.6**	**(2.8)**	**396.5**

19. Risk management continued

19.3 Liquidity, funding and cash management risk continued

Analysis of financial assets and liabilities by remaining contractual maturities continued

As at 31 December 2014	On demand £m	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	Over 5 years £m	Total £m
Financial assets						
Loans and advances to banks	72.9	–	–	13.1	–	86.0
Loans and advances to customers	1,250.7	12.6	26.2	24.8	–	1,314.3
Other assets	–	7.4	1.3	1.1	–	9.8
Financial liabilities						
Debt issued and other borrowed funds	(932.3)	(9.5)	(19.9)	(20.4)	–	(982.1)
Derivative liabilities	(0.5)	–	–	–	–	(0.5)
Other liabilities	–	(56.9)	–	–	(2.5)	(59.4)
Net cash flow	**390.8**	**(46.4)**	**7.6**	**18.6**	**(2.5)**	**368.1**

Securitisation vehicles

The beneficial ownership of the loans and advances to customers sold to securitisation vehicles remain on balance sheet for the Group. Refer to Note 23 for further details on the mechanics of the structure.

The Group retains substantially all of the risks and rewards of ownership of the loans and advances to customers transferred to the securitisation vehicles. The Group benefits to the extent that the surplus income generated by the transferred assets exceeds the administration costs of servicing the assets, the cost of funding the assets and the cost of any losses associated with the assets.

The results of the securitisation vehicles are consolidated into the Group. The table below shows the carrying values and fair values of the assets transferred to securitisation vehicles and the related carrying value and fair value of the associated liability. The carrying values presented below are the carrying values presented in the financial statements of the subsidiary.

As at 31 December 2015	**Carrying value of transferred assets not derecognised £m**	**Carrying value of associated liabilities £m**	**Fair value of transferred assets not derecognised £m**	**Fair value of associated liabilities £m**	**Net fair value £m**
NewDay Funding Transferor Ltd	716.4	(545.0)	716.4	(543.1)	173.3
NewDay Partnership Transferor plc	672.1	(624.8)	672.1	(617.4)	54.7
	1,388.5	**(1,169.8)**	**1,388.5**	**(1,160.5)**	**228.0**
As at 31 December 2014					
NewDay Funding Transferor Ltd	505.6	(325.8)	505.6	(325.8)	179.8
NewDay Partnership Transferor plc	726.4	(649.0)	726.4	(649.0)	77.4
	1,232.0	**(974.8)**	**1,232.0**	**(974.8)**	**257.2**

19.4 Market risk

Market risk is defined as the risk of market movements that will negatively affect the value of the Group's assets and liabilities. The only material market risk that the Group is exposed to is interest rate risk.

The main source of interest rate risk for the Group arises where there is a significant difference between the interest rate bases on assets compared to liabilities. The Group's assets are predominantly variable rate and are sensitive to interest rate movements to the extent that the Group is prohibited from re-pricing the portfolio of assets. The Group's funding is LIBOR based floating rate and therefore is also sensitive to interest rate movements. The tables below analyse the Group's assets and liabilities by reference to the period of time before that asset or liability can be re-priced to re-align market interest rates.

Contractual re-pricing profile

As at 31 December 2015	**Less than 3 months £m**	**3 to 12 months £m**	**1 to 5 years £m**	**Over 5 years £m**	**Non-re-pricing or non-interest bearing £m**	**Total £m**
Financial assets						
Loans and advances to banks	73.7	–	–	33.1	–	106.8
Loans and advances to customers	1,105.8	57.9	–	–	245.7	1,409.4
Current tax assets	–	–	–	–	0.4	0.4
Other assets	–	–	–	–	19.6	19.6
Financial liabilities						
Debt issued and other borrowed funds	(1,169.8)	–	–	–	–	(1,169.8)
Current tax liabilities	–	–	–	–	(0.4)	(0.4)
Deferred tax liabilities	–	–	–	–	(0.1)	(0.1)
Other liabilities	–	–	–	–	(48.6)	(48.6)
Net re-pricing difference	**9.7**	**57.9**	**–**	**33.1**	**216.6**	**317.3**
As at 31 December 2014						
Financial assets						
Loans and advances to banks	72.9	–	–	13.1	–	86.0
Loans and advances to customers	928.5	34.3	–	–	281.9	1,244.7
Other assets	–	–	–	–	9.8	9.8
Financial liabilities						
Debt issued and other borrowed funds	(974.8)	–	–	–	–	(974.8)
Derivative liabilities	(0.5)	–	–	–	–	(0.5)
Other liabilities	–	–	–	–	(59.4)	(59.4)
Net re-pricing difference	**26.1**	**34.3**	**–**	**13.1**	**232.3**	**305.8**

The following table demonstrates the sensitivity to changes in interest rates (all other variables being held constant) of the Group's consolidated income statement. The sensitivity of the consolidated income statement is the effect of the assumed changes in interest rates on the profit or loss for the year, based on the floating rate non-trading financial assets and financial liabilities held as at 31 December 2015. Total sensitivity of the consolidated income statement is based on the assumption that there are parallel shifts in the yield curve.

19. Risk management continued
19.4 Market risk continued
Interest rate risk sensitivity

		Sensitivity of profit or loss	
	Increase/ (decrease) in basis points	**Year ended 31 December 2015 £m**	Year ended 31 December 2014 £m
Loans and advances to customers	+25/(25)	3.1/(3.1)	3.2/(3.2)
Debt issued and other borrowed funds	+25/(25)	(2.9)/2.9	(2.5)/2.5
Derivative liabilities	+25/(25)	–	(0.6)/0.6

19.5 Regulatory and conduct risk
Regulatory risk is the risk of regulatory sanction, material financial loss or reputational damage if the organisation fails to design and implement operational processes, systems and controls such that it can maintain compliance with all applicable regulatory requirements. The Board Risk Committee reviews and discusses proposed regulatory changes that the Group is subject to. Regulatory developments form part of the Board Risk Committee's updates to the Board which assesses the impact of regulatory change on the Group's balance sheet and risk profile.

Conduct risk is the risk of customer detriment arising from inappropriate culture, products and processes. Conduct risk can arise through the design of products that do not meet customers' needs, mishandling complaints where the Group has behaved inappropriately towards its customers, inappropriate sale processes and exhibiting behaviour that does not meet market or regulatory standards. Avoiding poor customer outcomes requires focus on treating customers fairly including ensuring affordability and sustainability of lending and handling vulnerable customers sensitively. The Group mitigates conduct risk by monitoring various operational metrics through our customer outcomes radar and by tracking activities which affect customers, monitoring customer complaints, implementing process improvements and adhering to service standards. The outcomes of this reporting are monitored by the Board and the Board Risk Committee.

20. Maturity analysis of assets and liabilities
The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled:

	As at 31 December 2015			As at 31 December 2014		
	< 12 months £m	**> 12 months £m**	**Total £m**	< 12 months £m	> 12 months £m	Total £m
Assets						
Loans and advances to banks	73.7	33.1	106.8	72.9	13.1	86.0
Loans and advances to customers	1,205.2	204.2	1,409.4	1,082.7	162.0	1,244.7
Current tax assets	0.4	–	0.4	–	–	–
Other assets	29.3	–	29.3	13.0	1.1	14.1
Property and equipment	–	6.0	6.0	–	5.3	5.3
Total assets	**1,308.6**	**243.3**	**1,551.9**	**1,168.6**	**181.5**	**1,350.1**
Liabilities						
Debt issued and other borrowed funds	(1,000.3)	(169.5)	(1,169.8)	(847.9)	(126.9)	(974.8)
Derivative liabilities	–	–	–	(0.5)	–	(0.5)
Current tax liabilities	(0.4)	–	(0.4)	–	–	–
Deferred tax liabilities	–	(0.1)	(0.1)	–	–	–
Other liabilities	(46.1)	(2.8)	(48.9)	(57.1)	(2.5)	(59.6)
Provisions	(31.1)	(27.8)	(58.9)	(11.5)	(13.6)	(25.1)
Total liabilities	**(1,077.9)**	**(200.2)**	**(1,278.1)**	**(917.0)**	**(143.0)**	**(1,060.0)**

21. Contingent liabilities, commitments and leasing arrangements

Contingent liabilities

Legislation

As a financial services company, the Group is subject to extensive and comprehensive regulation. The Group must comply with numerous laws and regulations, including the Consumer Credit Act, which significantly affects the way it conducts business. Whilst the Group believes there are no unidentified areas of failure to comply with these laws and regulations which would have a material impact on these Financial Statements, there can be no guarantee that all issues have been identified.

Fraud Protection Insurance

In 2015, the FCA announced a compensation scheme to provide redress to customers who had bought card fraud protection insurance policies from Affinion International Limited. These policies were either sold by Affinion International Limited directly, or by certain banks and credit card issuers. Redress paid to these customers will be funded by either Affinion International Limited or the bank or credit card issuer that sold the insurance policy. Based on all available information at the time of signing these Financial Statements, the Group believes that it has no liability with respect to this scheme. In addition, the Group has not been approached by any party seeking compensation with respect to these credit card fraud protection insurance policies. However, because part of the Group's credit card portfolio was either acquired from Santander UK plc or administered by Lloyds Banking Group plc, who are subject to the compensation scheme, some uncertainty remains. The Group has not provided for any redress with respect to this scheme in the Financial Statements.

Lease arrangements

Operating lease commitments

The Group has entered into commercial leases for premises. There are no restrictions placed upon the lessee by entering into these leases.

Future minimum lease payments under non-cancellable operating leases are as follows:

Operating lease commitments	**Less than 1 year £m**	**1 to 5 years £m**	**Over 5 years £m**	**Total £m**
As at 31 December 2015	2.2	5.7	3.6	**11.5**
As at 31 December 2014	1.7	6.3	4.8	**12.8**

22. Related party disclosures

Key management personnel

Key management personnel refers to the Executive Committee of NewDay Cards Ltd and Non-Executive Directors.

	Maximum balance during the year £m	**Year ended 31 December 2015 £m**	**As at 31 December 2015 £m**	Year ended 31 December 2014 £m	As at 31 December 2014 £m
Total emoluments	n/a	4.8	n/a	4.3	n/a
Total pension contributions	n/a	0.2	n/a	0.1	n/a
Highest paid key management personnel	n/a	1.1	n/a	1.1	n/a
Loans to Directors and key management personnel	3.3	n/a	2.9	n/a	2.9
Interest from related parties	n/a	0.1	n/a	0.1	n/a

Included within loans to Directors and key management personnel is a director loan with a principal balance of £1.8m (2014: £1.8m) which attracts an interest rate of 5% and is partially forgivable based on certain performance criteria being met by the Group. As at 31 December 2015, the loan is included in the Financial Statements at a value of £2.0m (2014: £1.8m). This value takes into account any debt forgiveness clauses which have been partially met or are forecast to be met in the future.

Also included within loans to Directors and key management personnel are interest free loans totalling £0.9m (2014: £1.1m) issued to the Directors of NewDay Cards Ltd. A net repayment of £0.2m (2014: repayment of £0.3m) was made during the year.

Credit card balances outstanding to key management personnel and their connected parties as at 31 December 2015 were £14k (2014: £1k). All transactions are subject to standard commercial interest rates on an arm's length basis.

22. Related party disclosures continued

Consolidated subsidiaries and structured entities

The statutory consolidated Financial Statements include the Financial Statements of NewDay Group Holdings S.à r.l. and the subsidiaries and structured entities in the following table:

Name	Country of incorporation	Share class held at 31 December 2015	% equity interest at 31 December 2015	Share class held at 31 December 2014	% equity interest at 31 December 2014
NewDay Holdings Ltd	UK	Ordinary	100%	Ordinary	100%
NewDay Group Ltd	UK	Ordinary	100%	Ordinary	100%
NewDay Cards Ltd	UK	Ordinary	100%	Ordinary	100%
NewDay Ltd	UK	Ordinary	100%	Ordinary	100%
NewDay Reserve Funding Ltd	UK	Ordinary	100%	Ordinary	100%
NewDay Partnership Transferor plc	UK	Ordinary	100%	Ordinary	100%
NewDay Funding Transferor Ltd	UK	Ordinary	100%	n/a	SE
NewDay Partnership Receivables Trustee Ltd	Jersey	n/a	SE	n/a	SE
NewDay Partnership Loan Note Issuer Ltd	UK	n/a	SE	n/a	SE
NewDay Partnership Funding 2014-1 plc	UK	n/a	SE	n/a	SE
NewDay Partnership Funding 2015-1 plc	UK	n/a	SE	n/a	SE
NewDay Funding 2015-1 plc	UK	n/a	SE	n/a	SE
NewDay Funding 2015-2 plc	UK	n/a	SE	n/a	SE
NewDay Funding Loan Note Issuer Ltd	UK	n/a	SE	n/a	SE
NewDay Funding Receivables Trustee Ltd	Jersey	n/a	SE	n/a	SE
NewDay Secondary Funding Limited	UK	n/a	SE	n/a	SE
Invicta Card Services Limited	UK	Ordinary	Dormant	Ordinary	Dormant
NewDay Card Services Ltd	UK	Ordinary	Dormant	Ordinary	Dormant
Progressive Credit Limited	UK	Ordinary	Dormant	Ordinary	Dormant
SAV Credit Limited	UK	Ordinary	Dormant	Ordinary	Dormant

The parent and the ultimate controlling party of NewDay Group Holdings S.à r.l. is Invicta EuroCard Services L.P. Neither Invicta EuroCard Services L.P. nor any other entity controlling it produces statutory consolidated Financial Statements available for public use.

23. Structured entities

The Group has two financing arrangements which each involve structured entities.

The Co-brand business is funded by a master trust securitisation, which was put in place on 18 December 2014. The structure has issued multiple series of debt instruments external to the Group, backed by the cash flow of the Co-brand portfolio. As at 31 December 2015 this included two series of publicly listed term debt sold to capital market investors and a senior variable funding note sold to a syndicate of two major banks which acts as a revolving facility.

The Near-prime business is also financed by a master trust securitisation as well as a private securitisation, both of which were put in place on 24 June 2015. The securitisations have issued multiple series of debt instruments external to the Group, backed by the cash flow of the Near-prime portfolio. As at 31 December 2015 the master trust has issued two series of publicly listed term debt sold to private investors and a senior variable funding note sold to a syndicate of two major banks, which acts as a revolving facility. As at 31 December 2015 the private securitisation has issued a senior variable funding note to a major bank which acts as a revolving facility. Prior to this refinancing during the year, the Near-prime business was funded by a private securitisation with senior variable funding debt instruments issued to a syndicate of banks, which acted as a revolving facility.

Within the funding structure of both the Near-prime and Co-brand portfolios are structured entities where all of the ordinary shares are held by a third party trustee for the benefit of various charities. The consolidated subsidiary and structured entities table in Note 22 has further details of the structured entities consolidated in the Group's Financial Statements for the year ended 31 December 2015, on the basis that the Group has the power to direct relevant activities, is exposed to variable returns of the entities and is able to use its power to affect those returns. Within the master trust securitisations, there are also entities which are not consolidated into the Financial Statements of the Group on the basis that the Group does not have control over these entities because it is not exposed, or has rights, to variable returns of the entities. These entities are NewDay Partnership Securitisation Holdings Ltd in the Co-brand securitisation and NewDay Funding Securitisation Holdings Ltd in the Near-prime securitisation.

NewDay Group Holdings S.à r.l

Audited Consolidated Financial Statements

as of and for the year ended December 31, 2014

Report of the Réviseur d'Entreprises agréé

To the Unitholders of
NewDay Group Holdings S.à r.l.
6c, rue Gabriel Lippmann
L-5365 Munsbach
Luxembourg

Report on the consolidated financial statements
We have audited the accompanying consolidated financial statements of NewDay Group Holdings S.à r.l., which comprise the consolidated statement of financial position as at 31 December 2014, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Board of Managers' responsibility for the consolidated financial statements
The Board of Managers is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the Board of Managers determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the Réviseur d'Entreprises agréé
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the judgement of the Réviseur d'Entreprises agréé, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the Réviseur d'Entreprises agréé considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Managers, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of NewDay Group Holdings S.à r.l. as of 31 December 2014, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements
The consolidated management report, which is the responsibility of the Board of Managers, is consistent with the consolidated financial statements.

Luxembourg, 29 July 2015

KPMG Luxembourg
Société coopérative
Cabinet de révision agréé

M. Weber

Consolidated statement of profit and loss and other comprehensive income
for the year ended 31 December 2014

	Note	**Year ended 31 December 2014 £'000**	Year ended 31 December 2013 £'000
Interest and similar income	4	284,188	228,190
Interest and similar expense	5	(66,946)	(41,028)
Net interest income		217,242	187,162
Fee and commission income	6	73,606	55,767
Impairment losses on loans and advances to customers	11	(75,365)	(55,841)
Net operating income		215,483	187,088
Fair value (loss)/gain on derivatives		(5,058)	4,874
Personnel expense	8	(26,824)	(14,428)
Depreciation of property and equipment	12	(416)	(207)
Amortisation of intangible assets	12	(3)	(1,178)
Other operating expenses	7	(196,281)	(140,142)
Total operating expenses		(228,582)	(151,081)
(Loss)/profit before gain on a bargain purchase		(13,099)	36,007
Gain on a bargain purchase	24	–	80,892
(Loss)/profit before income tax		(13,099)	116,899
Income tax expense	9	(499)	(119)
(Loss)/profit for the year		(13,598)	116,780
Other comprehensive income		–	–
(Loss)/profit for the year after other comprehensive income		**(13,598)**	**116,780**

The notes on pages F-63 to F-91 form an integral part of these statutory consolidated financial statements.

Consolidated statement of financial position
as at 31 December 2014

	Note	**As at 31 December 2014 £'000**	As at 31 December 2013 £'000
Assets			
Loans and advances to banks	10	86,013	59,617
Loans and advances to customers	11	1,244,705	1,270,840
Derivative assets		–	4,546
Other assets	13	14,083	28,246
Property and equipment	12	5,291	352
Intangible assets	12	24	27
Total Assets		**1,350,116**	**1,363,628**
Liabilities			
Debt issued and other borrowed funds	14	974,808	982,314
Derivative liabilities		512	–
Other liabilities	15	59,558	59,184
Provisions	16	25,123	17,917
Total Liabilities		1,060,001	1,059,415
Equity			
Share capital	17	50	50
Share premium	17	1,950	1,950
Legal reserve	17	5	5
IPECs	17	68,544	68,544
TPECs	17	161,776	161,776
Retained earnings		57,790	71,888
Total Equity		290,115	304,213
Total Liabilities and Equity		**1,350,116**	**1,363,628**

The notes on pages F-63 to F-91 form an integral part of these statutory consolidated financial statements.

RCS number: B164614

Consolidated statement of changes in equity
for the year ended 31 December 2014

	Issued capital £'000	Share premium £'000	Legal reserve £'000	IPECs £'000	TPECs £'000	Retained earnings £'000	Total equity £'000
At 1 January 2014	50	1,950	5	68,544	161,776	71,888	**304,213**
Issuance of IPECs during the year	–	–	–	–	–	–	**–**
Issuance of TPECs during the year	–	–	–	–	–	–	**–**
Comprehensive (loss)/income for the year	–	–	–	–	–	(13,598)	**(13,598)**
Return paid on TPECs	–	–		–	–	(500)	**(500)**
At 31 December 2014	**50**	**1,950**	**5**	**68,544**	**161,776**	**57,790**	**290,115**

	Issued capital £'000	Share premium £'000	Legal reserve £'000	IPECs £'000	TPECs £'000	Retained earnings £'000	Total equity £'000
At 1 January 2013	50	1,950	–	67,126	139,276	(43,150)	**165,252**
Issuance of IPECs during the year	–	–	–	1,418	–	–	**1,418**
Issuance of TPECs during the year	–	–	–	–	22,500	–	**22,500**
Comprehensive income for the year	–	–	–	–	–	116,780	**116,780**
Transfer to legal reserve			5			(5)	**–**
Return paid on TPECs	–	–	–	–	–	(1,737)	**(1,737)**
At 31 December 2013	**50**	**1,950**	**5**	**68,544**	**161,776**	**71,888**	**304,213**

The notes on pages F-63 to F-91 form an integral part of these statutory consolidated financial statements.

Consolidated statement of cash flows
for the year ended 31 December 2014

	Note	**Year ended 31 December 2014 £'000**	Year ended 31 December 2013 £'000
Operating activities			
(Loss)/profit before tax		(13,099)	116,899
Non cash adjustment to reconcile profit before tax to net cash flows:			
Depreciation of property and equipment	12	416	207
Amortisation of intangible assets	12	3	1,178
Gain on a bargain purchase	24	–	(80,892)
Fair value unwind	4	(23,980)	(26,689)
Impairment losses on loans and advances to customers	11	75,365	55,841
Working Capital movement:			
(Increase)/decrease in loans and advances to banks	10	11,624	(24,740)
(Increase)/decrease in loans and advances to customers	11	(25,250)	(65,156)
(Increase)/decrease on derivative financial instruments		5,058	(4,874)
(Increase)/decrease in other assets		14,163	(22,784)
Increase/(decrease) in other liabilities		(110)	24,943
Increase/(decrease) in provisions	16	5,848	10,704
Income tax (paid)/received		(15)	–
Net cash flows from/(used in) operating activities		50,023	(15,363)
Investing activities			
Payments to acquire Co-brand portfolio	24	–	(771,224)
Purchase of property and equipment	12	(4,496)	(227)
Disposal of property and equipment	12	500	–
Payments to acquire intangible assets	12	–	–
Net cash flows used in investing activities		(3,996)	(771,451)
Financing activities			
Funding received during the year		744,304	806,169
Funding repaid during the year		(751,811)	(71,161)
Return paid on TPECs		(500)	(1,737)
Proceeds from issuance of equity	17	–	23,918
Net cash flows (used in)/from financing activities		(8,007)	757,189
Net increase/(decrease) in cash		38,020	(29,625)
Cash and cash equivalents at beginning of the year		34,877	64,502
Cash and cash equivalents at end of the year		**72,897**	**34,877**

The notes on pages F-63 to F-91 form an integral part of these statutory consolidated financial statements.

Notes to the financial statements

1. Corporate information

NewDay Group Holdings S.à r.l. (formerly "Invicta Card Services Holdings S.à r.l.", "the Company") was incorporated as a "Société à responsabilité limitée" under the laws of the Grand-Duchy of Luxembourg on 20 October 2011 for an unlimited duration. Its registered office is at 6c Rue Gabriel Lippmann, L-5365 Munsbach, Luxembourg. Invicta EuroCard Services L.P., an exempted limited partnership registered under the laws of the Cayman Islands, is the Sole Shareholder of the Company.

NewDay Group Holdings S.à r.l. together with its subsidiaries ("the Group") provides products and services to its customers within the credit and store card sector in the UK. As part of the Group rebranding, the Company changed its name from Invicta Card Services Holdings S.à r.l. to NewDay Group Holdings S.à r.l. on 1 April 2014.

The statutory consolidated financial statements for the year ended 31 December 2014 were authorised for issue in accordance with a resolution of the Managers on 29 July 2015.

2. Accounting policies

2.1 Basis of preparation

The statutory consolidated financial statements of the Group have been prepared on an amortised cost basis, except for derivative financial instruments which have been measured at fair value. The statutory consolidated financial statements are presented in Sterling (£) and all values are rounded to the nearest thousand pounds, except where otherwise indicated.

Going concern

On an annual basis, the Group's management performs and presents an assessment of its ability to continue as a going concern to the Board. At 31 December 2014, management is satisfied that the Group has the resources necessary to continue in business for the foreseeable future. Management use 5 years of historical information to forecast the performance of the Group under various stress scenarios to show the impact on profitability, cash position and the balance sheet. This presentation is formally reviewed and signed off by the Board. Management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the statutory consolidated financial statements continue to be prepared on the going concern basis as outlined in the statement of Managers' responsibilities.

Statement of compliance

The statutory consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

Presentation of financial statements

The Group presents its statement of financial position in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 20.

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. Income and expenses are not offset in the consolidated income statement unless required or permitted by an accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

Basis of consolidation

The statutory consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2014. The subsidiaries are listed in Note 22. The financial statements of the Group's subsidiaries (including structured entities that the Group consolidates) are prepared for the same reporting period as the parent company, using consistent accounting policies.

All intra-Group balances, transactions, income and expenses are eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity, has the exposure, or rights to the variable returns from the involvement with the entity, and is able to use its power to affect the amount of returns for the Group.

Consolidation of Structured Entities (SEs)

The Group sponsors SEs, which it consolidates based on the power to direct relevant activities, and its ability to affect variable returns of the SE. In assessing and determining if the Group controls an SE, judgement is exercised to determine the following: whether the activities of the SE are being conducted on behalf of the Group to obtain benefits from the SE's operation; whether the Group has the decision-making powers to control or to obtain control of the SE or its assets; whether the Group has rights to obtain the majority of the benefits of the SE's activities; and whether the Group retains the majority of the risks related to the SE or its assets in order to obtain benefits from its activities. The Group's involvement with SEs is detailed in Note 23.

2.2 Summary of significant accounting policies

(1) Foreign currency translation

The statutory consolidated financial statements are presented in Sterling (£). The functional currency of the Group and all its subsidiaries is Sterling. The Group transacts wholly in Sterling.

(2) Financial instruments – initial recognition and subsequent measurement

(i) Date of recognition

All financial assets and liabilities are initially recognised on the date the Group becomes a party to the contractual provisions of the instrument.

(ii) Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their purpose and characteristics and management's intention in acquiring them. All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

(iii) Derivatives recorded at fair value through profit or loss

The only derivative types held by the Group are interest rate swaps which are used to economically hedge the interest rate risk of the Group. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Interest is recognised on a net accruals basis through "Interest and similar expense".

(iv) Loans and advances to banks

Loans and advances to banks as referred to in the statement of financial position and in the cash flow statement comprise cash and cash equivalents, non-restricted current accounts, restricted cash as detailed in Note 10 and amounts due on demand or with an original maturity of three months or less.

(v) Loans and advances to customers

Financial instruments which are disclosed as loans and advances to customers include non–derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, they are subsequently measured at amortised cost using the effective interest rate (EIR), less allowance for impairment. The EIR is the rate that exactly discounts estimated future cash payments through the expected life of the financial instrument to the net carrying amount of the financial asset. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in "Interest and similar income" in the income statement. The losses arising from impairment are recognised in the income statement in "Impairment losses on loans and advances to customers".

(vi) Debt issued and other borrowed funds

Financial instruments that are not designated at fair value through profit or loss are classified as liabilities under "Debt issued and other borrowed funds", where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

After initial measurement, debt issued and other borrowed funds are measured at amortised cost using the EIR. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR.

(3) Derecognition of financial assets and financial liabilities

(i) Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either:
  - The Group has transferred substantially all the risks and rewards of the asset; or
  - The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2. Accounting policies continued

2.2 Summary of significant accounting policies continued

(3) Derecognition of financial assets and financial liabilities continued

(ii) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

(4) Determination of fair value

For all other financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison with similar instruments for which market observable prices exist, option pricing models, credit models and other relevant valuation models.

(5) Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an "incurred loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include: indications that the borrower or a group of borrowers is experiencing financial difficulty; the probability that they will enter bankruptcy or other financial reorganisation; default or delinquency in interest or principal payments; and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

See below, "2.3 Significant accounting judgements, estimates and assumptions" for further details on the factors that affect the impairment provision.

(i) Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group assesses impairment on a collective basis for all financial assets that are not individually significant.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of "Interest and similar income".

Loans, together with the associated allowance, are charged off after 180 days of delinquency. If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the "Impairment losses on loans and advances to customers".

The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR. If the Group has acquired loans and advances to customers, the discount rate for measuring any impairment loss is the new EIR determined at the acquisition date.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Group's internal credit grading system that considers credit risk characteristics such as portfolio, past-due status and other relevant factors.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from period to period (such as changes in unemployment rates, payment status, or other factors that are indicative of incurred losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

See Note 11 and 19.2 for details of impairment losses on financial assets carried at amortised cost.

(ii) Renegotiated loans
Where possible, the Group seeks to restructure loans before they reach charge off based on customers' ability to make minimum monthly payments on their outstanding balances. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms and the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to collective impairment assessment, calculated using the loan's original EIR.

(6) Leasing
The determination of whether an arrangement is a lease or it contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

(i) Group as lessee
Leases that do not transfer to the Group substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term. Contingent rental payable is recognised as an expense in the period in which it is incurred. A lease is classified at the inception date as a finance lease or an operating lease.

(7) Recognition of income and expenses
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

(i) Interest and similar income and expense
For all financial instruments measured at amortised cost, interest income or expense is recorded using the EIR. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as "Interest and similar income" for financial assets and "Interest and similar expense" for financial liabilities.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(ii) Fee and commission income
Fees arising from store and credit card agreements are predominantly based on customer transaction events (e.g. foreign exchange fees, cash withdrawal fees) and are recognised at the point of the customer transaction. Fees linked to a certain card servicing performance are recognised after fulfilling the corresponding criteria.

(iii) Customer cash back programs
Store and credit card customers occasionally earn cash back on card spend through cash back programs. Expenses incurred in relation to these programs are recognised as portfolio servicing costs in "Other operating expense" when the relevant card spend is incurred on the customers' account.

The following specific criteria relate to the recognition of expenses:

(iv) Personnel expense
The Group applies IAS 19 Employee Benefits in its accounting for most of the components of staff costs. Short-term employee benefits including salaries, accrued performance costs and social security are recognised over the period in which the employees provide the services to which the payments relate. Performance costs are recognised to the extent that the Group has a present obligation to its employees that can be measured reliably and are recognised over the period of service that employees are required to work to qualify for the services.

(v) Defined contribution pension plan
The Group also operates a defined contribution pension plan. The contribution payable to a defined contribution plan is in proportion to the services rendered to the Group by the employees and is recorded as an expense under "Personnel expenses". Unpaid contributions are recorded as a liability.

2. Accounting policies continued

2.2 Summary of significant accounting policies continued

(8) Property and equipment

Property and equipment is stated at cost excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Changes in the expected useful economic life are accounted for by changing the depreciation period or method, as appropriate, and treated as changes in accounting estimates.

Depreciation is calculated using the straight-line method to write down the cost of property and equipment to their residual values over their estimated economic useful lives. The estimated economic useful lives are as follows:

• Computer hardware	3 years
• Fixtures and fittings	3 years
• Leasehold improvements	over lease term

Property and equipment is derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in "Other operating income/expenses" in the income statement in the period the asset is derecognised.

(9) Business combinations and goodwill

Business combinations are accounted for using the acquisition method of accounting. This involves recognising identifiable assets (including previously unrecognised intangible assets) and liabilities (including contingent liabilities but excluding future restructuring) of the acquired business at fair value. Any excess of the consideration transferred over the fair values of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is less than the fair values of the identifiable net assets acquired, the discount on acquisition is recognised as a gain on a bargain purchase directly in the income statement in the period of acquisition. No goodwill has been recognised from the Group's business combinations.

Acquisition expenses are expensed in the income statement as incurred.

(10) Intangible assets

The Group's other intangible assets include acquired Trademarks. In addition, the purchased credit card relationships (PCCR) acquired in business combinations included in the prior accounting period have now been fully amortised.

An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Group.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful economic lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful economic life are reviewed at least at each financial period-end. Changes in the expected useful economic life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and they are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the nature of the intangible asset.

Amortisation is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful economic lives as follows:

• Trademarks	10 years

(11) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's (CGU) fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior periods. Such reversal is recognised in the income statement.

(12) Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) 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 relating to any provision is presented in the income statement net of any reimbursement.

See below, "2.3 Significant accounting judgements, estimates and assumptions" for further details on the factors that affect provisions.

(13) Taxes
(i) Current tax
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current tax relating to items recognised directly in equity are also recognised in equity and not in the income statement.

(ii) Deferred tax
Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised directly in equity are also recognised in equity and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2. Accounting policies continued

2.2 Summary of significant accounting policies continued

(14) Ordinary shares, Interest Free Preferred Equity Certificates (IPECs) and Tracking Preferred Equity Certificates (TPECs)

The Company applies IAS 32 Financial Instruments: Presentation to determine whether funding is either a financial liability (debt) or equity.

Issued financial instruments or their components are classified as liabilities if the contractual arrangement results in the Company having a present obligation to either deliver cash or another financial asset, or a variable number of equity shares, to the holder of the instrument, if this is not the case, the instrument is generally an equity instrument and the proceeds included in equity, net of transaction costs.

(15) Dividends on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Group's shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Group. Dividends for the period that are approved after the reporting date are disclosed as an event after the reporting date.

2.3 Significant accounting judgements, estimates and assumptions

In the process of applying the Group's accounting policies, management has exercised judgement and estimates in determining the amounts recognised in the statutory consolidated financial statements. The most significant uses of judgements and estimates are as follows:

Impairment losses on loans and advances to customers

The Group reviews its individually significant loans and advances to customers at each statement of financial position date to assess whether an impairment loss should be recorded in the income statement. In particular, judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Individually insignificant loans and advances to customers are assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident. The collective assessment takes account of data from the loan portfolio (such as emergence period, outcome period and levels of arrears), and judgements on the effect of concentrations of risks and economic data (including levels of unemployment, inflation and the performance of different individual groups).

The principal sensitivities in the provision calculation is the probability of default, the amounts to be recovered on credit losses and the emergence period. A +/-10% movement in the probability of default would result in +/- £4.4m (2013: +/- £3.1m) impact on the total provision required. A +/-1 pence movement per pound of receivable on recoveries expected on credit losses would result in a +/-£0.7m (2013: +/- £0.3m) impact on the total provision required. A +/- 1 month movement in the emergence period would result in a +/- £5.4m (2013: +/-£4.3m) impact on the total provision.

The impairment loss on loans and advances to customers is disclosed in more detail in Note 11.

Payment Protection Insurance (PPI)

PPI provisions relate to the Group's obligations in respect of mis-sold Payment Protection Insurance (PPI) policies and cardholders. Whilst the Group has not sold any PPI policies, in certain circumstances it may be liable for PPI policies that were mis-sold to cardholders whose accounts were subsequently acquired by, or assigned to, the Group.

The provision reflects our current view of the expected future liability based on the information available to us, and using our best judgement. The Group has calculated the provisions by making a number of assumptions based upon current and expected experience.

All PPI claims are expected to have been received and processed by December 2018. The total cost associated with PPI mis-selling for the Group is estimated at £43.3m (2013: £24.7m), out of which £22.4m (2013: £17.0m) was settled by 31 December 2014, leaving a provision of £20.9m (2013: £7.7m) in respect of future costs.

The principal sensitivities in the PPI provision calculation are: volume of policies affected by the mis-selling, claim rate, uphold rate and average redress amount. Testing the provision for sensitivity, +/-5% in claim rate would result in a +/- £1.0m (2013: +/- £0.4m) movement in the level of provision required, a +/-5% movement in uphold rate would result in a +/- £0.9m (2013: +/- £0.6m) movement in the level of provision required, and +/- 10% movement in average redress amount would result in a +/- £1.3m (+/- £0.6m) movement in the level of provision required.

Consumer Credit Act (CCA) provision

The CCA provision included in Other provisions relates to the Group's obligations in respect of non-compliance with the requirements of the Consumer Credit Act and related issues. The Group's obligations arise from making customers good on interest and fees charged on the accounts during the period of non-compliance with the CCA.

The Group has calculated the provision by analysing the accounts impacted and computing the total amount of interest and fees charged on these accounts during the period of non-compliance. The total cost associated with the CCA non-compliance is estimated at £4.7m (2013: £5.6m), out of which £2.4m has been settled by 31 December 2014, leaving a provision of £2.3m in respect of future costs. All of these costs are expected to be settled in 2015. £1.7m of this provision relates to where the seller of the accounts to the Group had not complied with the requirements of the CCA and as such the Group is fully compensated and a corresponding asset has been recorded within Loan and receivables in Other Assets. Refer to Note 16 for further details.

Fair value unwind

Where the fair values of assets and liabilities cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgement is required to establish fair values. A key judgement is the expected life of the acquired portfolio, which determines the period over which any discount or premium on acquisition is amortised. Shortening the expected life of the acquired portfolios held by the Group by a year would impact the Income statement for the year under review with an additional loss of £5.5m (2013: £7.9m). The Group has revised its methodology for assessing this impact from the prior year and has restated the figure accordingly from £1.1m to £7.9m.

2.4 Adoption of new and revised standards

Disclosed below are new standards and amendments which have been adopted during the year:

IAS 32 – Offsetting financial assets and financial liabilities

These amendments clarify the offsetting requirements described as "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. This does not have a significant impact on the Group's financial position or performance.

IFRS 10 Statutory consolidated financial statements, IFRS 11 Joint arrangements and IFRS 12 Disclosure of interest in other entities

A package of new and revised standards addressing the accounting for consolidation involvements in joint ventures and disclosure of involvements with other entities. This standard is effective for periods beginning on or after 1 January 2014 and has minimal impact on the financial statements of the Group.

IAS 36 – Impairment of assets

This amendment reduces the circumstances in which the recoverable amount of assets or cash-generating units are required to be disclosed. This amendment also requires the disclosure of the discount rate of a recoverable amount that is calculated using a present value methodology. This amendment does not have a significant impact on the Group.

2.5 Standards issued but not yet effective

The following are accounting standards and interpretations that have been issued by the IASB but have not yet been endorsed by the EU so are not effective for the Group's statutory consolidated financial statements as at 31 December 2014:

IFRS 9 Financial Instruments

IFRS 9, as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39 and introduces an "expected credit loss" model for the measurement of the impairment of financial assets. The effective date for this standard is 1 January 2018. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture. This new standard is expected to have a material impact on the financial statements.

IFRS 15 Revenue from contracts with customers

IFRS 15 supersedes IAS 11 Construction contracts and IAS 18 Revenue and sets out the requirements for recognising revenue that apply to contracts with customers, except for those covered by standards on leases, insurance contracts and financial instruments. This standard becomes effective on 1 January 2017. This new standard is expected to have an impact on the financial statements.

3. Segment information

The Group's operating results on a segmental basis are regularly reviewed by management. The results of the segmental basis contains various reclassifications from the statutory results. Each segment contained in the segmental basis of results presents a different subset of the Group's customers, offers different products and services and is managed in line with the Group's management and internal reporting structure.
The segments are:

- Near-prime: included in this segment are credit card accounts originated by the Group consisting of customers who are often overlooked or neglected by high street banks and experience difficulties in getting credit elsewhere, as well as legacy credit card accounts acquired by the Group in the past transactions
- Co-brand: included in this segment are credit and store card accounts acquired by the Group during the year and accounts subsequently originated as a part of a Co-brand relationship with various retailers
- Central Group: included in this segment are the operational costs of the Group.

These segments reflect how internal reporting is provided to management and how management allocate resources and assess performance. The accounting policies of the reportable segments are consistent with the Group's accounting policies. No geographical analysis is presented because all of the Group's activities are conducted within the UK. The Group has revised the way it presents the performance of each segment from the prior year and has restated the segmental analysis below.

The table below presents the results on the segmental basis:

	Year ended 31 December 2014			
	Near-prime £'000	**Co-brand £'000**	**Central Group £'000**	**Total £'000**
Net interest income	113,820	98,596	–	212,416
Other income	22,501	22,621	–	45,122
Total normalised income	**136,321**	**121,217**	**–**	**257,538**
Impairment losses on loans and advances to customers	(52,514)	(22,851)	–	(75,365)
Normalised costs	(35,333)	(64,256)	(33,284)	(132,873)
Normalised profit before tax	**48,474**	**34,110**	**(33,284)**	**49,300**
Other costs	(31,953)	(49,369)	–	(81,322)
Gain / (loss) on derivatives	(670)	(4,388)	–	(5,058)
Fair value unwind	4,521	19,460	–	23,981
Profit/(Loss) before income tax	**20,372**	**(187)**	**(33,284)**	**(13,099)**
Total assets	**509,320**	**768,737**	**72,059**	**1,350,116**
Total liabilities	**(349,214)**	**(700,439)**	**(10,348)**	**(1,060,001)**

	Year ended 31 December 2013			
	Near-prime £'000	Co-brand £'000	Central Group £'000	Total £'000
Net interest income	95,297	70,422	–	165,719
Other income	15,364	15,320	–	30,684
Total normalised income	**110,661**	**85,742**	**–**	**196,403**
Impairment losses on loans and advances to customers	(38,405)	(17,436)	–	(55,841)
Normalised costs	(33,597)	(37,671)	(17,707)	(88,975)
Normalised profit before tax	**38,659**	**30,635**	**(17,707)**	**51,587**
Other costs	(20,400)	(25,471)	(1,272)	(47,143)
Gain/(loss) on derivatives	486	4,388	–	4,874
Fair value unwind	(2,927)	29,616	–	26,689
Profit before bargain purchase	**15,818**	**39,168**	**(18,979)**	**36,007**
Gain on bargain purchase	–	80,892	–	80,892
Profit before income tax	**15,818**	**120,060**	**(18,979)**	**116,899**
Total assets	**410,285**	**904,228**	**49,115**	**1,363,628**
Total liabilities	**(284,745)**	**(755,470)**	**(19,200)**	**(1,059,415)**

The table below presents a reconciliation of the reclassifications that take the reported results to the results shown in the segmental analysis:

	Year ended 31 December 2014 Reconciling items					
	NewDay statutory £'000	Fair value unwind £'000	Cost recovery fees £'000	Bank interest and debt funding £'000	Other £'000	Segmental basis £'000
Net interest income	217,242	(23,981)	–	19,249	(94)	212,416
Fees and commissions	73,606	–	(28,484)	–	–	45,122
Impairment	(75,365)	–	–	–	–	(75,365)
Net operating income	215,483	(23,981)	(28,484)	19,249	(94)	182,173
Total operating expenses	(228,582)	23,981	28,484	(19,249)	94	(195,272)
(Loss)/profit before tax	**(13,099)**	**–**	**–**	**–**	**–**	**(13,099)**

	Year ended 31 December 2013 Reconciling items					
	NewDay statutory £'000	Fair value unwind £'000	Cost recovery fees £'000	Bank interest and debt funding £'000	Other £'000	Segmental basis £'000
Net interest income	187,162	(26,689)	–	5,199	47	165,719
Fees and commissions	55,767	–	(25,083)	–	–	30,684
Impairment	(55,841)	–	–	–	–	(55,841)
Net operating income	187,088	(26,689)	(25,083)	5,199	47	140,562
Total operating expenses	(151,081)	26,689	25,083	(5,199)	(47)	(104,555)
Profit before gain on bargain purchase	36,007	–	–	–	–	36,007
Gain on bargain purchase	80,892	–	–	–	–	80,892
Profit before tax	116,899	–	–	–	–	116,899

4. Interest and similar income

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Interest income from loans and advances to customers	259,920	201,311
Interest due from banks	126	97
Fair value unwinds	23,980	26,689
Other	162	93
	284,188	**228,190**

The fair value unwind relates to the amortisation of the fair value adjustment attributed to the acquired portfolios of loans and advances to customers over the average expected life of these assets.

Refer to Note 19.2 for information on interest income on impaired loans and advances to customers.

5. Interest and similar expense

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Interest on senior notes	(64,405)	(40,101)
Interest rate swaps	(2,262)	(687)
Other	(279)	(240)
	(66,946)	**(41,028)**

6. Fee and commission income

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Card fees	52,792	41,539
Other fees received	20,814	14,228
	73,606	**55,767**

Other fees received includes all other fees which are not debited to individual cardholder accounts.

7. Other operating expenses

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Advertising and marketing	(17,255)	(11,213)
Administrative costs and commissions to retailers	(36,796)	(39,353)
Professional fees	(3,290)	(2,403)
Movement in provisions	(17,525)	(11,266)
Service costs	(70,180)	(53,995)
IT and communications	(1,790)	(311)
Project expenses	(48,699)	(19,013)
Other	(746)	(2,588)
	(196,281)	**(140,142)**

Project costs relate to various projects that are currently ongoing throughout the Group including migration costs associated with the Co-brand portfolio and the securitisation project.

Professional fees include fees payable (net of VAT) to the auditors KPMG Luxembourg, Société coopérative and other member firms of KPMG network in relation to:

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Audit of these financial statements	(70)	(60)
Audit of the financial statements of subsidiaries of the Company	(385)	(270)
Tax compliance	(29)	(25)
Other tax advisory services	(12)	(15)
Corporate finance services	(26)	(36)
	(522)	**(406)**

8. Personnel expense

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Wages and salaries	(22,436)	(9,668)
Social security costs	(2,307)	(1,232)
Pension contributions	(694)	(288)
Other staff costs	(1,387)	(3,240)
	(26,824)	**(14,428)**

9. Taxation

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Provision for current period tax charge	(499)	(15)
Over/(under) provision in respect of previous year	–	(104)
	(499)	(119)
Deferred tax released on carried forward losses	–	–
Total tax on (loss)/profit on ordinary activities	**(499)**	**(119)**

9. Taxation continued

Reconciliation of the total tax charge

All operating activities of the Group take place in the UK, hence the applicable tax regime for all the Group entities apart from the parent company is the UK. The Luxembourg tax regime is applicable for the parent company and is reflected in the computations accordingly. A reconciliation between the tax expenses and the accounting profit multiplied by the UK's domestic tax rate for the year ended 31 December 2014 is as follows:

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
(Loss)/profit on ordinary activities before taxation	(13,099)	116,899
Tax charge/(credit) at average UK corporation tax rate	(2,815)	26,980
Effects of:		
Disallowable items	(1,498)	(10,116)
Profits relieved against brought forward losses	(395)	–
Profits not subject to corporation tax as taxed as a securitisation company	5,207	(18,173)
Provision for prior year tax	–	104
Trading losses carry forward to offset against future profits	–	1,324
Current period tax charge	**499**	**119**

For the period from 1 January 2014 to 31 March 2014, the enacted UK Company tax rate was 23%. For the period from 1 April 2014 to 31 December 2014 the enacted UK Company tax rate was 21%. From 1st April 2015 this will be 20%. The average tax rate, assessed for the period is calculated at 21.49%.

The Group has no deferred tax assets or liabilities resulting from temporary differences. The Group does pay tax in foreign jurisdictions but it is an immaterial amount to the Group.

There were no amounts of tax recognised through other comprehensive income for the period.

10. Loans and advances to banks

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Repayable on demand	72,897	34,877
In more than three months	–	10,629
In more than one year	13,116	14,111
	86,013	**59,617**
Amounts included within cash and cash equivalents	**72,897**	**34,877**

Loans and advances to banks are held with large retail banks. Restricted cash amounted to £13,116,000 as at 31 December 2014 (2013: £24,740,000). Restricted cash consists of ring fenced cash for credit balances on loans and advances to customers, as well as cash restricted due to bank covenants in place as per the Group's funding structure.

11. Loans and advances to customers

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Loans and advances to customers	1,298,802	1,296,659
Impairment of loans and advances to customers	(54,097)	(25,819)
	1,244,705	**1,270,840**

All Loans and advances to customers are securitised in NewDay Funding Transferor Ltd (formerly known as NewDay Funding Ltd) and within the NewDay Partnership Transferor Plc securitisation structure.

The movement in the impairment provision during the period is as follows:

	Impairment amounts £'000
As at 1 January 2013	(2,499)
Charge offs during the year	58,347
Recoveries	(25,826)
Charge to the income statement during the year	(55,841)
As at 31December 2013	(25,819)
Charge offs during the year	79,459
Recoveries	(32,372)
Charge to the income statement during the year	(75,365)
As at 31 December 2014	**(54,097)**

Transfers of financial assets

During the period the Group sold and derecognised charged off loans and advances to customers for the purpose of expediting recovery of these balances for total net proceeds of £29,402,000 (2013: £22,892,000), with the difference between their carrying value and net proceeds of £9,195,000 (2013: £6,797,000) recognised in the Statement of profit and loss and other comprehensive income through the reduction of Impairment losses on loans and advances to customers.

The Group transfers charged off balances to recovery agencies for a proportion of the carrying value of the loans as part of its ordinary course of business. It also undertakes that certain clawbacks may be claimed by the recovery agencies up to an 18 month period from the date of transfer, up to which date the Group is responsible for returning sales proceeds to the agencies, depending on the provisions of each individual sales agreement.

The Group has no other transferred financial assets which are derecognised in their entirety or not derecognised in their entirety, and in which it retains some form of continuing involvement.

12. Property, equipment and intangible assets

	Computer hardware £'000	Fixtures and fittings £'000	Leasehold improvements £'000	**Total property and equipment £'000**
Cost at 1 January 2014	965	195	182	**1,342**
Additions	768	1,497	3,590	**5,855**
Disposals	–	(500)	–	**(500)**
Cost at 31 December 2014	1,733	1,192	3,772	**6,697**
Depreciation at 1 January 2014	(652)	(156)	(182)	**(990)**
Charges for the year	(211)	(92)	(113)	**(416)**
Depreciation at 31 December 2014	(863)	(248)	(295)	**(1,406)**
Net book value at 31 December 2014	**870**	**944**	**3,477**	**5,291**
Net book value at 31 December 2013	313	39	–	**352**

	Trademarks £'000	**Total intangible assets £'000**
Cost at 1 January 2014	30	**30**
Additions	–	**–**
Disposals	–	**–**
Cost at 31 December 2014	**30**	30
Amortisation at 1 January 2014	(3)	**(3)**
Charges for the year	(3)	**(3)**
Write offs	–	**–**
Amortisation at 31 December 2014	**(6)**	(6)
Net book value at 31 December 2014	**24**	**24**
Net book value at 31 December 2013	27	**27**

The Trademarks are for the Opus and marbles brands purchased from CC Asset Management Ltd and NewDay Reserve Funding Ltd, respectively, in 2012.

13. Other assets

	As at 31 December 2014 £'000	As at 31 December 2013 £'000
Loans and receivables	7,199	14,394
Prepayments and accrued income	4,285	5,854
Current tax receivable	–	1
Other assets	2,599	7,997
	14,083	**28,246**

Included within Loans and receivables is a loan extended to a director of NewDay Cards Ltd issued by the Group in 2011, comprised of the principal of £1,757,000 and interest at 5% accrued to 31 December 2014. No repayments were made during the year and the loan is repayable after more than one year. The loan includes debt forgiveness clauses which are dependent upon certain targets being achieved. As at 31 December 2014, the loan is included in the financial statements at a value of £1,762,000 (2013: £891,000). This value takes into account any debt forgiveness clauses which have been partially met or are forecast to be met in the future. The corporation tax due in respect of the loan of £439,000 (2013: £465,000) that is payable on repayment or forgiveness of the loan is also included within Loans and receivables.

Furthermore, during 2013 the Group issued interest free loans totalling £1,313,000 to the Directors of NewDay Cards Ltd. A repayment of £275,000 (2013: £nil) was made during the year. The outstanding balance as at 31 December 2014 is £1,107,000 (2013: £1,313,000) which is also recognised in Loans and receivables.

14. Debt issued and other borrowed funds

	As at 31 December 2014 £'000	As at 31 December 2013 £'000
Senior floating rate loans	(979,752)	(996,752)
Capitalised debt funding fees	4,944	14,438
	(974,808)	**(982,314)**

As at 31 December 2014, the senior floating rate loans consist of publicly listed term debt and variable funding notes provided by several institutions. The senior facilities are provided at LIBOR plus margin, are based on the outstanding eligible balance of loans and advances to customers and rank ahead of all other borrowed funding. £327,124,000 of the outstanding balance has a scheduled maturity on 26 November 2015 and is to fund the Near-prime portfolio; £652,628,000 has a scheduled maturity date of 15 December 2017 and is to fund the Co-brand portfolio. Refer to Note 23 Structured entities for further details on the debt structure.

15. Other liabilities

	As at 31 December 2014 £'000	As at 31 December 2013 £'000
Accounts payable	(51,049)	(43,121)
Other liabilities	(5,802)	(12,831)
Pension contributions	(160)	(134)
Current tax payable	(17)	(847)
Loans from related parties	(2,530)	(2,251)
	(59,558)	**(59,184)**

Värde Investment Partners, L.P (US) loaned £1,757,000 to NewDay Group Ltd in May 2011 which accrues interest at a rate of 12%. The balance as at 31 December 2014 including accrued interest was £2,530,000 (2013: 2,251,000).

The Group has reanalysed amounts included within Other liabilities in the prior year of £21,366,000, and represented them within Accounts payable. This is consistent with the current year allocation of these balances.

16. Provisions

The movement in provisions during the year is as follows:

	PPI provision £'000	CPP provision £'000	Dilapidation provision £'000	Other provisions £'000	**Total provisions £'000**
At 1 January 2013	(7,213)	–	–	–	**(7,213)**
(Arising)/released during the year	(6,651)	(4,615)	–	(5,581)	**(16,847)**
Utilised during the year	6,143	–	–	–	**6,143**
At 31 December 2013	(7,721)	(4,615)	–	(5,581)	**(17,917)**
(Arising)/released during the year	(18,692)	1,769	(1,387)	785	**(17,525)**
Utilised during the year	5,477	2,346	–	2,496	**10,319**
At 31 December 2014	**(20,936)**	**(500)**	**(1,387)**	**(2,300)**	**(25,123)**

The PPI and CPP provisions relate to the Group's obligations in respect of mis-sold PPI and Card and identity protection plan (CPP). Whilst the Group has not sold PPI or CPP, in certain circumstances it may be liable for PPI or CPP that were mis-sold to cardholders whose accounts were subsequently acquired by, or assigned to, the Group.

For the period ended 31 December 2014 the Group holds a provision of £20,936,000 in respect of the anticipated costs of PPI redress. This is expected to be fully utilised by December 2018 with £8,552,000 expected to be utilised by 31 December 2015. There are still a number of uncertainties as to the eventual PPI redress costs, in particular the total number of claims and the cost per claim, however, the Managers believe that the amounts provided at the year end, based on historical and forecasted claim rates and amounts, appropriately reflect the expected total cost to the Group. Refer to Note 25 for events affecting the 2014 year-end PPI provision subsequent to the reporting date.

There are also provisions of £500,000 for CPP administration expenses expected to be fully utilised in 2015.

A provision of £1,387,000 (2013: £nil) is held for the period ended 31 December 2014 for dilapidation of our newly leased Leeds and London offices. This is being discounted over a period of 10 years.

Other provision contains the Group's obligations in respect of compensation to customers for non-compliance with Consumer Credit Act (CCA). In certain instances this relates to purchased accounts whereby the seller had not complied with the requirements of the CCA. As such the Group is fully compensated for costs by the seller of the accounts, and a corresponding asset of £1,700,000 (2013: £5,600,000) has been recorded in "Loans and receivables" in "Other Assets" (see Note 13).

17. Share capital and reserves

	As at 31 December 2014 £'000	As at 31 December 2013 £'000
Share capital	50	50
Share premium	1,950	1,950
Legal reserve	5	5
IPECs	68,544	68,544
TPECs	161,776	161,776
	232,325	**232,325**

Called up share capital ordinary shares (£0.01)

	Allotted, called up and fully paid	
	Number of shares	Nominal value £'000
As at 1 January 2013	5,000,000	50
Issued during the year	–	–
As at 31 December 2013	5,000,000	50
Issued during the year	–	–
As at 31 December 2014	**5,000,000**	**50**

Both Interest Free Preferred Equity certificates (IPECs) and Tracking Preferred Equity Certificates (TPECs) in issue are classified as equity, as these instruments can be redeemed on the mandatory redemption date in 2041 at the option of the Company in the form of new Preferred Equity Certificates (PECs) with terms substantially identical to the existing IPECs or TPECs. In addition, full discretion can be exercised by the Managers over the payment of the 12% return on TPECs.

Both IPECs and TPECs with respect to redemption, rights on liquidation and, where appropriate, return rank as follows:

- pari passu with any other PECs and convertible PECs issued by the Company
- prior to all shares of common stock issued by the Company, whether outstanding on the date hereof or issued in the future, including tracker shares and ordinary shares
- subordinate to all present and future obligations of the Company, whether secured or unsecured.

The Company issued no new IPECs or TPECs during the year ended 31 December 2014 and there were no movements in IPECs or TPECs.

In accordance with Luxembourg law, the Company is required to transfer a minimum of 5% of its net profit for each financial year to a legal reserve, until such reserve reaches 10% of the issued share capital. This reserve has been fully established. Distribution of the legal reserve is restricted.

Capital management

The Group manages its capital structure and makes adjustments to it according to changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. The objectives, policies and processes are under constant review by the Managers.

The Group maintains an actively managed capital base to cover risks inherent in the business and specifically for NewDay Ltd, to meet the capital adequacy requirements of the FCA under the Payment Services Regulations (2009) for Authorised Payment Institutions.

During the year, the Group had complied with its externally imposed capital requirements.

18. Fair value of financial instruments

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

18. Fair value of financial instruments continued

Fair value of financial instruments carried at cost

Set out below is a comparison, by class, of the carrying amounts and fair values of the Group's financial instruments that are not carried at fair value in the financial statements:

As at 31 December 2014	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total fair value £'000	Carrying amount £'000
Financial assets					
Loans and advances to banks	–	86,013	–	86,013	86,013
Loans and advances to customers	–	–	1,244,705	1,244,705	1,244,705
Other assets	–	–	9,798	9,798	9,798
Total financial assets	**–**	**86,013**	**1,254,503**	**1,340,516**	**1,340,516**
Financial liabilities					
Debt issued and other borrowed funds	–	(292,876)	(681,544)	(974,420)	(974,808)
Other liabilities	–	–	(59,398)	(59,398)	(59,398)
Total financial liabilities	–	**(292,876)**	**(740,942)**	**(1,033,818)**	**(1,034,206)**

As at 31 December 2013	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total fair value £'000	Carrying amount £'000
Financial assets					
Loans and advances to banks	–	59,617	–	59,617	59,617
Loans and advances to customers	–	–	1,270,840	1,270,840	1,270,840
Other assets	–	–	22,392	22,392	22,392
Total financial assets	**–**	**59,617**	**1,293,232**	**1,352,849**	**1,352,849**
Financial liabilities					
Debt issued and other borrowed funds	–	–	(982,314)	(982,314)	(982,314)
Other liabilities	–	–	(59,050)	(59,050)	(59,050)
Total financial liabilities	**–**	**–**	**(1,041,364)**	**(1,041,364)**	**(1,041,364)**

Loans and advances to banks:
These items have a short term maturity (usually less than three months) and it is assumed the carrying amounts approximate their fair value. These have been classified in level 2 because these items can be re-priced using market observable inputs.

Loans and advances to customers:
This balance contains the receivable balances related to credit card balances that have been issued by the Group. The Group regularly reviews the pricing of the portfolio and, to the extent that there has been a movement in the credit spread charged to customers in the market or changes in expected credit losses on the book, it re-prices each portfolio accordingly. As a result, the interest rate on such products is equivalent to current market products rate and as such the Group considers the discounted future cash flows of these credit cards to be equal to their carrying value. All valuation inputs used to value these instruments have been derived from historical performance of the Group's portfolios which would not be observable to a market participant. These have been classified as level 3.

Other assets:
Other assets are made up mostly of Loans and receivables – refer to Note 13 for a detailed description of the balances. The fair value of these receivable balances approximates the carrying amount as there have been no significant market conditions that would have caused a difference between the two values. There are no observable inputs to consider in the valuation of these instruments.

Debt issued and other borrowed funds:
This balance contains the publicly issued listed term debt and variable funding notes. For the publicly issued listed term debt an observable market price is available however it is not actively traded. These have been classified as Level 2 in the table above. The senior variable funding notes fair value approximates its carrying value. These variable funding notes are private bilateral agreements that can be drawn upon and repaid by the borrower. These have been classified as level 3.

Other Liabilities:
Other liabilities are made up of mostly accounts payables. The fair value of the other liabilities approximates the carrying amount because there have been no factors that would have caused a difference between these two values. There are no observable inputs to consider in the valuation of these instruments.

Financial instruments carried at fair value
The Group's derivative instruments are interest rate swaps which are held on the balance sheet at fair value. The instruments are considered level 2 financial instruments which are valued by using industry standard valuation techniques and for which all inputs, which have a significant effect on the recorded fair value, are observable either directly or indirectly.

19. Risk management

19.1 Introduction

Risk is inherent in the Group's activities, but is managed through a process of ongoing identification, measurement and monitoring, with respect to pre-determined risk appetite settings and other controls performed by the Board of NewDay Group Ltd (the "Board"). The Group controls risk via the operation of a Risk Management Framework.

Sound risk management is critical to ensure the Group meets its regulatory requirements, and delivers on the strategic and financial goals agreed with shareholders, whilst also preserving the Group's brand and reputation.

The financial risks faced by the Group include:

- Credit Risk
- Liquidity Risk
- Market Risk
- Regulatory and Conduct Risk

Risk measurement and reporting systems
As part of the overall risk management strategy, risks are measured, monitored and reported to ensure the Group understands the risks it faces. The Group has a definition and categorisation model that forms a key part of the Risk Management Framework.

The risk definition and categorisation model for the Group is based upon the following high-level principles:

- The model is embedded into key risk management processes and forms a key part of risk assessment methodologies
- The model enables aggregation and reporting of exposures against risk appetite
- The model supports the creation of a common risk language across the Group
- The model considers the key areas of regulation and enables the effective classification of risks into defined categories
- The model allows for the identification of new and emerging risks and allows for efficient risk management reporting and regulatory disclosure.

The Group uses qualitative and quantitative (including the use of statistical models) methods to compute both expected and unexpected losses.

Sound monitoring and control processes are set by the Board of Directors, delegated to the Board Risk Committee and subsequently delegated down to the individual business committees and ultimately to all employees of the Group.

Information is compiled from all parts of the business in order to identify, analyse and control risks on a timely basis. Appropriate key risk indicators and other information is presented and discussed at the Board Risk Committee (on a quarterly basis), Enterprise Risk Management Committee and specific sub-committees on a monthly basis, or more frequently as required.

19. Risk management continued

19.2 Credit risk

The Group is exposed to credit risk on loans and advances to banks, loans and advances to customers, derivative financial instruments and other financial assets. Credit risk is the risk that the Group will incur a loss because its customers or counterparties fail to discharge their contractual obligations. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties by monitoring exposures in relation to such limits.

Credit risk exposure from customers is managed throughout the lifecycle, underpinned by proprietary models which have been developed from historic credit management behaviours, used to forecast a probability of default given a level of credit limit. At the point of originating a new account, the risk profile is assessed against the credit policy and scorecard cut off, aligned to the product applied for, to determine the terms and credit limit offered. Credit assessment utilises a combination of customer provided data as well as multiple credit reference agencies' data.

A monthly assessment of our existing customers' risk profiles determines if their credit limit is still appropriate for their borrowing needs. The proprietary models utilise spend and payment behaviour from products held by NewDay as well as products with other providers to determine if a credit limit increase or decrease should be presented to the customer.

Risk based arrears management combined with specific contact strategies ensure that the letters, inbound and outbound telephony, use of SMS and email are deployed in a way which manages credit risks. Contact is established with customers to understand the reason behind missed payments and to understand if potential future concerns exist over payments due. Strategies are then deployed to ensure the customer is supported in returning to an up to date position or appropriate forbearance arrangements are put into place.

The Group has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties. Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. The credit quality review process aims to allow the Group to assess the potential loss as a result of the risks to which it is exposed and take to corrective action where appropriate.

Impairment assessment

For accounting purposes, the Group uses an incurred loss model for the recognition of impairment losses on financial assets. This means that losses can only be recognised when objective evidence of a specific loss event has been observed. Triggering events include the following:

- a breach of contract such as a default of payment
- where the Group grants the customer a concession due to the customer experiencing financial difficulty
- it becomes probable that the customer will enter bankruptcy or other financial reorganisation
- other observable data that suggests that there is a decrease in the estimated future cash flows from the loans.

Collectively assessed allowances

Allowances are assessed collectively for impairment losses on loans and advances to customers due to the fact that balances are not individually significant.

The Group generally bases its analyses on historical experience. However, in response to significant regional and/or global market developments, the Group would include macro-economic factors within its assessments. These factors include, depending on the characteristics of the assessment, unemployment rates, current levels of bad debt, change in the law, change in regulation, bankruptcy trends, and other consumer data. The Group may use the aforementioned factors as appropriate to adjust the impairment allowances.

The collective assessment is made for groups of assets with similar risk characteristics, in order to determine whether provision should be made due to incurred loss events. The collective assessment takes account of data from the loan portfolio, such as historical losses on the portfolio, levels of arrears, credit utilisation, and expected receipts and recoveries once impaired. The emergence period, being the delay between the time a loss is likely to have been incurred and the time it will be identified is also taken into consideration. The impairment allowance is then reviewed by credit management to ensure alignment with the Group's overall policy.

Analysis of credit risk and credit enhancements

	As at 31 December 2014			
	Neither past due nor impaired £'000	**Impaired £'000**	**Total £'000**	**Maximum exposure to credit risk £'000**
Financial assets				
Loans and advances to banks	86,013	–	86,013	86,013
Loans and advances to customers	1,174,196	70,509	1,244,705	1,244,705
Other assets	9,798	–	6,798	6,798
	1,270,007	**70,509**	**1,340,516**	**1,340,516**

	As at 31 December 2013			
	Neither past due nor impaired £'000	Impaired £'000	Total £'000	Maximum exposure to credit risk £'000
Financial assets				
Loans and advances to banks	59,617	–	59,617	59,617
Loans and advances to customers	1,174,099	96,741	1,270,840	1,270,840
Derivative assets	4,546	–	4,546	4,546
Other assets	22,392	–	22,392	22,392
	1,260,654	**96,741**	**1,357,395**	**1,357,395**

Ageing analysis

	<30 days £'000	<60 days £'000	<90 days £'000	<180 days £'000	**Total £'000**
Financial assets					
Past due and impaired at 31 December 2014	43,887	9,587	6,153	10,882	**70,509**
Past due and impaired at 31 December 2013	65,779	9,684	6,920	14,358	**96,741**

Included in Impaired loans and advances to customers are forborne accounts where the Group expects to recover assets but historic experience suggests that there is a component of loss that will be crystallised. These are customers with specific payment arrangement plans which are less onerous than standard contractual terms and conditions. At 31 December 2014, there were £17,048,627 of forborne assets in the impaired loans (2013: £25,562,095).

In the year to 31 December 2014 the Group has recognised interest income relating to impaired assets of £20,220,000 (2013: £23,208,009). The interest income is recognised in line with the requirements of IAS 39.

Collateral held

The Group's primary business is to provide short term credit to customers using the Group's various branded store and credit cards. In the course of providing credit to customers, the Group has credit risk assessment practices which provide approval for individuals to be extended credit. In providing these products it is not the policy of the Group to obtain collateral or other credit enhancements which reduce exposure to credit risk, other than the individual's commitment to repay outstanding balances. The fair value of collateral and other credit enhancements is therefore £nil at 31 December 2014 (2013: £nil).

Other commitments provided

As at 31 December 2014, the Group has undrawn facilities on its loans and advances to customers, however facilities are not irrevocably committed. The Group has not entered into any other financial guarantee contracts, letters of credit or other undrawn commitments to lend.

19. Risk management continued

19.3 Liquidity risk and funding management

Contractual cash flow maturity

Loans and advances to customers constitute primarily store and credit cards as well as point of sale finance receivables. All cardholder receivables are contractually on demand and have been disclosed as such. Individual cardholder customer behaviour varies and the cards are used as revolving facilities where draw-downs and contributions towards outstanding balances are made over time. The Group's experience is that the average cardholder customer's outstanding balance at any point in time rolls over every 2 to 3 years. The point of sale finance receivables follow a pre-agreed repayment schedule and have been disclosed accordingly.

£327,124,000 of the outstanding balance has a schedule maturity date of 26 November 2015; £652,628,000 has a scheduled maturity date of 15 December 2017. However, as the movement in debt funding matches the contractual profile of the card balances (as described above), the contractual maturity profile of the debt will match the expected maturity of the card receivable balances and has hence been disclosed in the on demand bucket.

Other commitments received

Total committed funding facilities at 31 December 2014 are £1,079,000,000 (2013: £1,150,000,000) of which £99,000,000 is undrawn (2013: £153,000,000).

Analysis of financial assets and liabilities by remaining contractual maturities

The table below summarises the contractual maturity profile of the undiscounted cash flows of the Group's financial assets and liabilities as at 31 December 2014.

Contractual maturities of undiscounted cash flows of financial assets and liabilities

	As at 31 December 2014					
	On demand £'000	Less than 3 months £'000	3 to 12 months £'000	1 to 5 years £'000	Over 5 years £'000	Total £'000
Financial assets						
Loans and advances to banks	72,898	–	–	13,115	–	**86,013**
Loans and advances to customers	1,181,096	12,586	26,251	24,772	–	**1,244,705**
Derivative assets	–	–	–	–	–	**–**
Other assets	–	7,354	1,299	1,107	38	**9,798**
Financial liabilities						
Debt issued and other borrowed funds	(921,818)	(10,184)	(21,347)	(21,449)	–	**(974,808)**
Derivative liabilities	(512)	–	–	–	–	**(512)**
Other liabilities	–	(56,868)	–	–	(2,530)	**(59,398)**
Net cash flow	**331,664**	**(47,112)**	**6,203**	**17,545**	**(2,492)**	**305,798**

	As at 31 December 2013					
	On demand £'000	Less than 3 months £'000	3 to 12 months £'000	1 to 5 years £'000	Over 5 years £'000	Total £'000
Financial assets						
Loans and advances to banks	34,877	–	10,629	14,111	–	59,617
Loans and advances to customers	1,120,376	26,462	56,967	67,035	–	1,270,840
Derivative assets	–	–	–	4,546	–	4,546
Other assets	–	19,537	–	2,818	37	22,392
Financial liabilities						
Debt issued and other borrowed funds	(866,011)	(22,044)	(48,019)	(63,955)	–	(1,000,029)
Derivative liabilities	–	–	–	–	–	–
Other liabilities	–	(56,799)	–	–	(2,251)	(59,050)
Net cash flow	**289,242**	**(32,844)**	**19,577**	**24,555**	**(2,214)**	**298,316**

Securitisation vehicles

The beneficial ownership of the loans and advances to customers sold to securitisation vehicles remain on balance sheet for the Group. Refer to Note 23 Structured entities for further details on the mechanics of the structure.

The Group retains substantially all of the risks and rewards of ownership of the loans and advances to customers transferred to the securitisation vehicles. The Group benefits to the extent that the surplus income generated by the transferred assets exceeds the administration costs of servicing those assets, the cost of funding the assets and the cost of any losses associated with the assets.

The results of the securitisation vehicles are consolidated into the Group. The table below shows the carrying values and fair values of the assets transferred to securitisation vehicles and the related carrying value and fair value of the associated liability. The carrying values presented below are the carrying amounts presented in the financial statements of the subsidiary.

As at 31 December 2014	**Carrying amount of transferred assets not derecognised £'000**	**Carrying amount of associated liabilities £'000**	**Fair value of transferred assets not derecognised £'000**	**Fair value of associated liabilities £'000**	**Net fair value position £'000**
NewDay Funding Transferor Ltd	505,598	(325,808)	505,598	(325,808)	179,790
NewDay Partnership Transferor Plc	726,413	(649,000)	726,413	(649,000)	77,413
	1,232,011	**(974,808)**	**1,232,011**	**(974,808)**	**257,203**
As at 31 December 2013					
NewDay Funding Transferor Ltd	386,934	(254,506)	386,934	(254,506)	132,428
NewDay Partnership Transferor Plc	852,363	(727,808)	852,362	(727,808)	124,554
	1,239,297	**(982,314)**	**1,239,296**	**(982,314)**	**256,982**

19. Risk management continued

19.4 Market risk

Market risk is defined as the risk of market movements that will negatively affect the value of the Group's assets and liabilities. The only material market risk that the Group is exposed to is interest rate risk.

The main source of interest rate risk for the Group arises where there is a significant mismatch between the interest rate basis on the assets and liabilities. This exposes the unhedged portion of the portfolio to interest rate movements. The Group's assets are predominantly variable rate and are sensitive to interest rate movements to the extent that the Group is prohibited from re-pricing the portfolio of assets. The Group's funding is also sensitive to interest rate movements as it is LIBOR based floating rate. The Group employs various hedging strategies using interest rate swaps. The tables below profile the Group's assets and liabilities by the period of time before that asset or liability can be re-priced to match market interest rates.

Contractual re-pricing profile:

						As at 31 December 2014
	Less than 3 months £'000	**3 to 12 months £'000**	**1 to 5 years £'000**	**Over 5 years £'000**	**Non-re-pricing or non-interest bearing £'000**	**Total £'000**
Financial assets						
Loans and advances to banks	72,898	–	–	13,115	–	86,013
Loans and advances to customers	928,452	34,330	–	–	281,923	1,244,705
Other assets	–	–	–	–	14,083	14,083
Financial liabilities						
Debt issued and other borrowed funds	(974,808)	–	–	–	–	(974,808)
Derivative liabilities	(512)	–	–	–	–	(512)
Other liabilities	–	–	–	–	(59,558)	(59,558)
Net re-pricing difference	**26,030**	**34,330**	**–**	**13,115**	**236,448**	**309,923**

						As at 31 December 2013
	Less than 3 months £'000	3 to 12 months £'000	1 to 5 years £'000	Over 5 years £'000	Non-re-pricing or non-interest bearing £'000	Total £'000
Financial assets						
Loans and advances to banks	59,617	–	–	–	–	59,617
Loans and advances to customers	626,446	145,102	–	–	499,292	1,270,840
Derivative assets	4,546	–	–	–	–	4,546
Other assets	–	–	–	–	22,392	22,392
Financial liabilities						
Debt issued and other borrowed funds	(982,314)	–	–	–	–	(982,314)
Derivative liabilities	–	–	–	–	–	–
Other liabilities	–	–	–	–	(59,050)	(59,050)
Net re-pricing difference	**219,705**	**145,102**	**–**	**–**	**462,634**	**316,031**

The following table demonstrates the sensitivity to a reasonably possible change in interest rates (all other variables being held constant) of the Group's income statement and equity.

The sensitivity of the income statement is the effect of the assumed changes in interest rates on the profit or loss for the period, based on the floating rate non-trading financial assets and financial liabilities held at 31 December 2014. Total sensitivity of profit or loss, or equity is based on the assumption that there are parallel shifts in the yield curve.

Interest rate risk sensitivity

		Sensitivity of profit or loss	
	Increase/ (decrease) in basis points	**Year ended 31 December 2014 £'000**	Year ended 31 December 2013 £'000
Loans and advances to customers	+25	3,248	2,465
Loans and advances to customers	(25)	(3,248)	(2,465)
Debt issued and other borrowed funds	+25	(2,498)	(1,790)
Debt issued and other borrowed funds	(25)	2,498	1,790
Derivative assets	+25	(628)	(1,573)
Derivative assets	(25)	628	1,573

19.5 Regulatory and Conduct risk

Regulatory risk is the risk that a change in laws or regulations governing the Group will have a material impact on the business. The Board Risk Committee reviews and discusses all new and proposed regulatory reporting requirements that the Group is subject to. Regulatory developments form part of the Board Risk Committee's updates to the Board which assess the impact of the regulatory requirement on the Group's balance sheet and risk profile.

20. Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

	As at 31 December 2014		As at 31 December 2013	
	< 12 months £'000	**> 12 months £'000**	< 12 months £'000	> 12 months £'000
Assets				
Loans and advances to banks	86,013	–	59,617	–
Loans and advances to customers	1,082,689	162,016	1,112,617	158,223
Derivative assets	–	–	–	4,546
Other assets	12,940	1,143	28,208	38
Property and equipment	–	5,291	–	352
Intangible assets	–	24	–	27
Total Assets	**1,181,642**	**168,474**	**1,200,442**	**163,186**
Liabilities				
Debt issued and other borrowed funds	(847,924)	(126,884)	(860,013)	(122,301)
Derivative liabilities	(512)	–	–	–
Other liabilities	(57,027)	(2,531)	(56,933)	(2,251)
Provisions	(11,513)	(13,610)	(15,191)	(2,726)
Total Liabilities	**(916,976)**	**(143,025)**	**(932,137)**	**(127,278)**

21. Contingent liabilities, commitments and leasing arrangements

Contingent liabilities

Legislation

As a financial services group, NewDay is subject to extensive and comprehensive regulation. The Group must comply with numerous laws and regulations, including the Consumer Credit Act, which significantly affects the way it conducts business. Whilst the Group believes there are no unidentified areas of failure to comply with these laws and regulations which would have a material impact on these financial statements, there can be no guarantee that all issues have been identified.

Payment Protection Insurance

As disclosed in Note 2.3 and 16, the provision reflects our current view of the expected liability based on the information available to us, and using our best judgement. However, there continues to be significant focus by the regulator and other consumer bodies regarding PPI and there are ongoing developments on what is seen as appropriate practice and product value. Furthermore, because many of our lending processes have been outsourced including complaints handling, this creates further uncertainty. As such, future redress payments on claims made against policies that we have sold or benefitted from, could be higher than we have currently provided should future developments cause a change in circumstances.

Lease arrangements

Operating lease commitments

The Group has entered into commercial leases for premises and equipment. There are no restrictions placed upon the lessee by entering into these leases.

Future minimum lease payments under non-cancellable operating leases as at 31 December 2014 are as follows:

Operating lease commitments	Within 1 year £'000	1 to 5 years £'000	More than 5 years £'000	**Total £'000**
As at 31 December 2014	1,698	6,285	4,814	**12,797**
As at 31 December 2013	1,860	6,621	6,131	**14,612**

22. Related party disclosures

	Maximum balance during the year £'000	**Year ended 31 December 2014 £'000**	**As at 31 December 2014 £'000**	Year ended 31 December 2013 £'000	As at 31 December 2013 £'000
Total Directors' emoluments	–	4,347	–	2,243	–
Highest paid Director	–	1,074	–	1,332	–
Pension contributions	–	69	–	24	–
Loans to Directors and key management personnel	2,868	–	2,868	–	2,204
Interest from related parties	–	(145)	–	(92)	–

Included within Loans to Directors and key management personnel is a director loan with a principal balance of £1,757,000 which attracts an interest rate of 5% and is partially forgivable based on certain performance criteria being met by the Group. As at 31 December 2014, the loan is included in the financial statements at a value of £1,762,000 (2013: £891,000). This value takes into account any debt forgiveness clauses which have been partially met or are forecast to be met in the future.

Also included within this balance are interest free loans totalling £1,107,000 (2013: £1,313,000) issued to the Directors of NewDay Cards Ltd. A repayment of £275,000 (2013: £nil) was made during the year.

Credit card balances outstanding to key management personnel as at 31 December 2014 were £1,323 (2013: £3,800).

Consolidated subsidiaries
The statutory consolidated financial statements include the financial statements of NewDay Group Holdings S.à r.l. and the subsidiaries in the following table:

Name of subsidiary	Country of incorporation	**% equity interest at 31 December 2014**	% equity interest at 31 December 2013
NewDay Holdings Ltd	UK	100%	100%
NewDay Group Ltd	UK	100%	100%
NewDay Cards Ltd	UK	100%	100%
NewDay Ltd	UK	100%	100%
NewDay Funding Reserve Ltd	UK	100%	100%
NewDay Funding Transferor Ltd[1]	UK	SE	SE
NewDay Partnership Transferor plc	UK	100%	SE
NewDay Partnership Receivables Trustee Ltd	Jersey	SE	SE
NewDay Partnership Loan Note Issuer Ltd	UK	SE	SE
NewDay Partnership Funding 2014-1 plc	UK	SE	SE
NewDay Partnership Funding 2015-1	UK	SE	–

1. Subsequent to year end, this entity became a 100% owned entity of the Group.

The parent and the ultimate controlling party of NewDay Group Holdings S.à r.l. is Invicta EuroCard Services L.P. Neither Invicta EuroCard Services L.P., nor any other entity controlling it produces statutory consolidated financial statements available for public use.

23. Structured entities

The Group has two financing arrangements which each involve structured entities.

The Near-prime business is financed by a private securitisation, which was put in place in November 2012. NewDay Funding Transferor Ltd holds the beneficial interest in the Near-prime receivables and has issued debt instruments external to the Group in the form of listed senior variable funding notes to a syndicate of four major banks which acts as a revolving facility and is supported by junior lending from the Company. Post year end this segment has been refinanced. Refer to Note 25 Events after the reporting date.

The Co-brand business was funded through a similar private securitisation structure until 18 December 2014, when this segment was refinanced through a master trust securitisation. NewDay Partnership Transferor plc holds the beneficial interest in the Co-brand receivables. The structure has issued multiple series of debt instruments external to the Group, backed by the cash flow of the Co-brand portfolio. As at 31 December 2014 this included one series of publically listed term debt sold to the capital market investors and a listed senior variable funding note to a syndicate of two major banks which acts as a revolving facility.

Consolidated structured entities
Within the funding structure of both the Near-prime and Co-brand portfolios are structured entities where all of the common shares are held by third party trust for the benefit of various charities. These have been consolidated in the Group's financial statements to 31 December 2014, on the basis that the Group has the power to direct relevant activities, and the ability to affect variable returns. Please see the consolidated subsidiary table in Note 22 for further details of the structured entities consolidated in the Group.

Unconsolidated structured entities
NewDay Partnership Securitisation Holdings Ltd is a structured entity within the master trust securitisation structure which the Group does not consolidate in its financial statements. This is on the basis that the Group does not have control over this entity because it is not exposed, or has rights, to variable returns of the entity.

24. Business combinations

In 2013, a gain on a bargain purchase of £80,892,000 was recognised on the acquisition of Santander UK's Co-brand credit card, store card and point of sale finance business. Cash consideration of £771,224,000 was paid to Santander UK for a portfolio of loans and advances to customers with a fair value of £852,116,000. The valuation of receivables has been accounted for on a deep discount basis under IAS 39 since the acquisition incorporates both the credit losses expected to be incurred on the outstanding balances, as well as the discount due to the expected timing of the cash collections.

The acquisition resulted in a gain on bargain purchase of £80,892,000 recognised in the Statement of Profit and Loss and Other Comprehensive Income for the year ended 31 December 2013. The main driver behind the bargain purchase is the price level reflective of the fact that Santander UK wanted to divest its non-core retail finance business, in combination with a locked box mechanism agreed with the seller, whereby the cash flows received from the portfolio between the effective date and closing date reduced the amount of consideration payable by the Group.

25. Events after the reporting date

At the year end the Group had £373,792,006 outstanding on senior variable funding notes in relation to the Co-brand segment. On 10 March 2015 the Group issued a second series of publically listed term debt to the market to replace a portion of the senior variable funding notes. This listed debt was issued at a value of £244,250,000 and has scheduled maturity of 15 April 2020 with the option to extend to 15 April 2025.

At the year end the Group had £327,124,000 outstanding on senior variable funding notes in relation to the Near-prime segment, financed by a private securitisation. On 24 June 2015 the Group refinanced this portfolio through a master trust securitisation and a private warehouse securitisation. The master trust securitisation structure issued one series of publically listed term debt to the market at a value of £244,800,000, and a listed senior variable funding note at a value of £174,519,000, which acts as a revolving facility, to a syndicate of 2 major banks. The warehouse securitisation structure issued a listed senior variable funding note to a major bank.

At the year end, the Group held a provision of £20,936,000 against the Group's obligations in respect of mis-sold PPI to cardholders and the anticipated costs of redress. On 5 June 2015, the Financial Conduct Authority (FCA) issued a retail fine of £117m to Lloyds Banking Group for failing to treat their customers fairly when handling PPI complaints between March 2012 and May 2013. During this period, Lloyds Banking Group was contracted by the Group to provide various services, amongst which was the handling of Group's PPI complaints for the Near-prime customers. The estimated additional cost to the Group resulting from a review of previously rejected claims and associated redress payable on upheld cases of £550,000 is fully included in the 2014 year-end provision as an adjusting post balance sheet event.

NewDay Group Holdings S.à r.l

Audited Consolidated Financial Statements

as of and for the year ended December 31, 2013

Report of the Réviseur d'Entreprises agréé

To the Unitholders of
NewDay Group Holdings S.à r.l.
(formerly Invicta Card Services Holdings S.à r.l.)
6c, rue Gabriel Lippmann
L-5365 Munsbach
Luxembourg

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of NewDay Group Holdings S.à r.l. (formerly Invicta Card Services Holdings S.à r.l.), which comprise the consolidated statement of financial position as at 31 December 2013 and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Responsibility of the Board of Managers for the consolidated financial statements

The Board of Managers is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the Board of Managers determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the Réviseur d'Entreprises agréé

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the judgement of the Réviseur d'Entreprises agréé, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the Réviseur d'Entreprises agréé considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Managers, as well as evaluating the overall presentation of the consolidated financial statements.

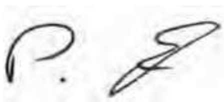
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of NewDay Group Holdings S.à r.l. as of 31 December 2013, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

The consolidated management report, which is the responsibility of the Board of Managers, is consistent with the consolidated financial statements.



Luxembourg, 3 July 2014

KPMG Luxembourg S.à r.l.
Cabinet de révision agréé

Pascal Föhr

Consolidated statement of profit and loss and other comprehensive income

for the year ended 31 December 2013

	Note	**Year ended 31 December 2013 £000**	Year ended 31 December 2012 £000
Interest and similar income	4	228,190	37,128
Interest and similar expense	5	(41,028)	(12,344)
Net interest income		187,162	24,784
Fees and commissions	6	55,767	19,335
Other operating income	7	–	3,394
Impairment losses on loans and advances to customers	12	(55,841)	(27,333)
Net operating income		187,088	20,180
Fair value gain / (loss) on derivatives		4,874	(328)
Personnel expense	9	(14,428)	(8,443)
Depreciation of property and equipment	13	(207)	(197)
Amortisation of intangible assets	13	(1,178)	(1,419)
Other operating expenses	8	(140,142)	(46,463)
Total operating expenses		(151,081)	(56,850)
Profit / (loss) before gain on a bargain purchase		36,007	(36,670)
Gain on a bargain purchase	21	80,892	–
Profit / (loss) before income tax		116,899	(36,670)
Income tax expense	10	(119)	(1,791)
Profit / (loss) for the year		116,780	(38,461)
Other comprehensive income		–	–
Profit / (loss) for the year after other comprehensive income		**116,780**	**(38,461)**

The notes on pages F-98 to F-121 form an integral part of these consolidated financial statements.

Consolidated statement of financial position

as at 31 December 2013

	Note	As at 31 December 2013 £000	As at 31 December 2012 £000
Assets			
Loans and advances to banks	11	59,617	64,502
Loans and advances to customers	12	1,270,840	382,720
Derivative assets		4,546	–
Other assets	14	28,246	5,134
Property and equipment	13	352	332
Intangible assets	13	27	1,205
Total Assets		**1,363,628**	**453,893**
Liabilities			
Debt issued and other borrowed funds	15	982,314	247,306
Derivative liabilities		–	338
Other liabilities	16	59,184	33,784
Provisions	17	17,917	7,213
Total Liabilities		1,059,415	288,641
Equity			
Share capital	18	50	50
Share premium	18	1,950	1,950
IPECs	18	68,544	67,126
TPECs	18	161,776	139,276
Retained earnings		71,893	(43,150)
Total Equity		304,213	165,252
Total Liabilities and Equity		**1,363,628**	**453,893**

The notes on pages F-98 to F-121 form an integral part of these consolidated financial statements.

RCS number: B164614

Consolidated statement of changes in equity

for the year ended 31 December 2013

	Issued capital £000	Share premium £000	IPECs £000	TPECs £000	Retained earnings £000	Total equity £000
As at 1 January 2013	50	1,950	67,126	139,276	(43,150)	**165,252**
Issuance of IPECs during the year	–	–	1,418	–	–	**1,418**
Issuance of TPECs during the year	–	–	–	22,500	–	**22,500**
Comprehensive income for the year	–	–	–	–	116,780	**116,780**
Return paid on TPECs	–	–	–	–	(1,737)	**(1,737)**
As at 31 December 2013	**50**	**1,950**	**68,544**	**161,776**	**71,893**	**304,213**

	Issued capital £000	Share premium £000	IPECs £000	TPECs £000	Retained earnings £000	Total equity £000
As at 1 January 2012	50	1,950	67,126	103,688	(4,689)	**168,125**
Issuance of IPECs during the year	–	–	–	–	–	**–**
Issuance of TPECs during the year	–	–	–	35,588	–	**35,588**
Comprehensive income for the year	–	–	–	–	(38,461)	**(38,461)**
Return paid on TPECs	–	–	–	–	–	**–**
As at 31 December 2012	**50**	**1,950**	**67,126**	**139,276**	**(43,150)**	**165,252**

The notes on pages F-98 to F-121 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

for the year ended 31 December 2013

	Note	Year ended 31 December 2013 £000	Year ended 31 December 2012 £000
Operating activities			
Profit / (loss) before income tax		116,899	(36,670)
Non cash adjustment to reconcile profit before income tax to net cash flows:			
Depreciation of property and equipment	13	207	197
Amortisation of intangible assets	13	1,178	1,419
Gain on a bargain purchase	21	(80,892)	–
Fair value unwind	4	(26,689)	38,645
Fair value (gain) / loss on derivative financial instruments		(4,874)	328
Provisions movement	17	10,704	5,069
Impairment losses on loans and advances to customers	12	55,841	27,333
Working capital movement:			
Increase in loans and advances to banks	11	(24,740)	–
Increase in loans and advances to customers	12	(65,156)	(147,440)
Increase / (decrease) in receivables	14	(22,784)	1,515
Increase in payables	16	24,943	14,947
Income tax (paid) / received		–	(2,095)
Net cash flows used in operating activities		(15,363)	(96,752)
Investing activities			
Payments to acquire co-brand portfolio	21	(771,224)	–
Purchase of property and equipment	13	(227)	(299)
Payments to acquire intangible assets	13	–	(30)
Net cash flows used in investing activities		(771,451)	(329)
Financing cash flows			
Funding received during the year		806,169	257,545
Funding repaid during the year		(71,161)	(186,150)
Return paid on TPECs		(1,737)	–
Proceeds from issuance of equity	18	23,918	35,587
Net cash flows from financing activities		757,189	106,982
Net (decrease) / increase in cash		(29,625)	9,901
Cash and cash equivalents at beginning of the year		64,502	54,601
Cash and cash equivalents at end of the year		**34,877**	**64,502**

The notes on pages F-98 to F-121 form an integral part of these consolidated financial statements.

Notes to the financial statements

1. Corporate information

NewDay Group Holdings S.à r.l. (formerly Invicta Card Services Holdings S.à r.l., the 'Company') was incorporated as a "Société à responsabilité limitée" under the laws of the Grand-Duchy of Luxembourg on 20 October 2011 for an unlimited duration. Its registered office is at 6c rue Gabriel Lippmann, L-5365 Munsbach, Luxembourg. Invicta EuroCard Services L.P., an exempted limited partnership registered under the laws of the Cayman Islands, is the Sole Shareholder of the Company.

NewDay Group Holdings S.à r.l. together with its subsidiaries (the 'Group') provides products and services to its customers within the credit and store card sector in the UK. As a part of the Group rebranding, the Company changed its name from Invicta Card Services Holdings S.à r.l. to NewDay Group Holdings S.à r.l. on 1 April 2014.

The consolidated financial statements for the year ended 31 December 2013 were authorised for issue in accordance with a resolution of the Managers on 3 July 2014.

2. Accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared on an amortised cost basis, except for derivative financial instruments which have been measured at fair value. The consolidated financial statements are presented in Sterling (£) and all values are rounded to the nearest thousand pounds, except where otherwise indicated.

Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ('IFRS') as endorsed by the European Union.

Presentation of financial statements

The Group presents its Consolidated statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in note 22.

Financial assets and financial liabilities are offset and the net amount reported in the Consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses are not offset in the consolidated income statement unless required or permitted by an accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2013. The financial statements of the Group's subsidiaries (including special purpose entities that the Group consolidates) are prepared for the same reporting period as the parent company, using consistent accounting policies.

All intra-group balances, transactions, income and expenses are eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Consolidation of Special Purpose Entities ('SPEs')

The Group sponsors SPEs, which it consolidates on the basis of control. In assessing and determining if the Group controls an SPE, judgement is exercised to determine the following: whether the activities of the SPE are being conducted on behalf of the Group to obtain benefits from the SPE's operation; whether the Group has the decision-making powers to control or to obtain control of the SPE or its assets; whether the Group has rights to obtain the majority of the benefits of the SPE's activities; and whether the Group retains the majority of the risks related to the SPE or its assets in order to obtain benefits from its activities. The Group's involvement with SPEs is detailed in note 25.

2.2 Summary of significant accounting policies

(1) Foreign currency translation

The consolidated financial statements are presented in Sterling (£). Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group transacts wholly in Sterling.

(2) Financial instruments – initial recognition and subsequent measurement

(i) Date of recognition

All financial assets and liabilities are initially recognised on the date that the Group becomes a party to the contractual provisions of the instrument.

(ii) Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their purpose and characteristics and management's intention in acquiring them. All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

(iii) Derivatives recorded at fair value through profit or loss

The only derivative type held by the Group are interest rate swaps, which are used to economically hedge the interest rate risk of the Group. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Interest is recognised on a net accruals basis through Interest and similar expense.

(iv) Loans and advances to customers

Financial instruments which are disclosed as Loans and advances to customers include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, they are subsequently measured at amortised cost using the effective interest rate ('EIR'), less allowance for impairment. The EIR is the rate that exactly discounts estimated future cash payments through the expected life of the financial instrument to the net carrying amount of the financial asset. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in Interest and similar income in the income statement. The losses arising from impairment are recognised in Statement of profit and loss and other comprehensive income in Impairment losses on loans and advances to customers.

Notes to the financial statements continued

2. Accounting policies continued

(v) Debt issued and other borrowed funds

Financial instruments that are not designated at fair value through profit or loss are classified as liabilities under Debt issued and other borrowed funds, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

After initial measurement, debt funding is measured at amortised cost using the EIR. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR.

(3) Derecognition of financial assets and financial liabilities

(i) Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
  - The Group has transferred substantially all the risks and rewards of the asset or
  - The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

(ii) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

(4) Determination of fair value

For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison with similar instruments for which market observable prices exist, options pricing models, credit models and other relevant valuation models.

(5) Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an 'incurred loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include: indications that the borrower or a group of borrowers is experiencing significant financial difficulty; the probability that they will enter bankruptcy or other financial reorganisation; default or delinquency in interest or principal payments; and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(i) Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group assesses impairment on a collective basis for all financial assets that are not individually significant.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of Interest and similar income.

Loans, together with the associated allowance, are charged off after 180 days of delinquency. If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the Impairment losses on loans and advances to customers.

The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR. If the Group has acquired loans and advances to customers, the discount rate for measuring any impairment loss is the new EIR determined at the acquisition date.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Group's internal credit grading system that considers credit risk characteristics such as portfolio, geographical location, past-due status and other relevant factors.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from period to period (such as changes in unemployment rates, payment status, or other factors that are indicative of incurred losses and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

See notes 12 and 20.2 for details of impairment losses on financial assets carried at amortised cost.

(ii) Renegotiated loans

Where possible, the Group seeks to restructure loans before they reach charge off. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms and the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to collective impairment assessment, calculated using the loan's original EIR.

(6) Leasing

The determination of whether an arrangement is a lease or it contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

(i) Group as lessee

Leases that do not transfer to the Group substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term. Contingent rental payable is recognised as an expense in the period in which it is incurred.

(7) Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

(i) Interest and similar income and expense

For all financial instruments measured at amortised cost, interest income or expense is recorded using the EIR. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as Interest and similar income for financial assets and Interest and similar expense for financial liabilities.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(ii) Fee and commission income

Fees arising from store and credit card agreements are predominantly based on customer transaction events (e.g. foreign exchange fees, cash withdrawal fees) and are recognised at the point of the customer transaction. Fees linked to a certain card servicing performance are recognised after fulfilling the corresponding criteria.

(iii) Customer cash back programmes

Store and credit card customers occasionally earn cash back on card spend through cash back programmes. Expenses incurred in relation to these programmes are recognised as portfolio servicing costs in Other operating expenses when the relevant card spend is incurred on the customers' account.

(iv) Personnel expense

The Group applies IAS 19 Employee Benefits in its accounting for most of the components of staff costs. Short-term employee benefits including salaries, accrued performance costs and social security are recognised over the period in which the employees provide the services to which the payments relate. Performance costs are recognised to the extent that the Group has a present obligation to its employees that can be measured reliably and are recognised over the period of service that employees are required to work to qualify for the services.

(v) Defined contribution pension plan

The Group also operates a defined contribution pension plan. The contribution payable to a defined contribution plan is in proportion to the services rendered to the Group by the employees and is recorded as an expense under Personnel expense. Unpaid contributions are recorded as a liability.

(8) Loans and advances to banks

Loans and advances to banks as referred to in the Statement of financial position and in the Statement of cash flows comprise cash on hand, non-restricted current accounts, amounts due on demand or with an original maturity of three months or less and restricted cash, as detailed in note 11.

(9) Property and equipment

Property and equipment is stated at cost excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Changes in the expected useful life are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

Depreciation is calculated using the straight-line method to write down the cost of property and equipment to their residual values over their estimated useful lives. The estimated useful lives are as follows:

— Computer hardware	3 years
— Other furniture and equipment	3 years
— Leasehold improvements	5 years

Property and equipment is derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in Other operating income or expenses in the income statement in the period the asset is derecognised.

(10) Business combinations and goodwill

Business combinations are accounted for using the purchase method of accounting. This involves recognising identifiable assets (including previously unrecognised intangible assets) and liabilities (including contingent liabilities but excluding future restructuring) of the acquired business at fair value. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is less than the fair values of the identifiable net assets acquired, the discount on acquisition is recognised as a gain on a bargain purchase directly in the income statement in the period of acquisition. No goodwill has been recognised from the Group's business combinations.

Acquisition expenses are written in the income statement as incurred.

2. Accounting policies continued

(11) Intangible assets

The Group's other intangible assets include acquired Trademarks. The purchased credit card relationships ('PCCR') acquired in business combinations included in prior accounting period have now been fully amortised.

An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Group.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial period end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and they are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset.

Amortisation is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives as follows:

— Trademarks 10 years

(12) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's ('CGU') fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior periods. Such reversal is recognised in the income statement.

(13) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) 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 relating to any provision is presented in the income statement net of any reimbursement.

(14) Taxes

(i) Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

(ii) Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

— Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
— In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

— Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
— In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current tax and deferred tax relating to items recognised directly in equity are also recognised in equity and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(15) Ordinary shares, Interest Free Preferred Equity Certificates ('IPECs') and Tracking Preferred Equity Certificates ('TPECs')

The Group applies IAS 32 Financial Instruments: Presentation to determine whether funding is either a financial liability (debt) or equity.

Issued financial instruments or their components are classified as liabilities if the contractual arrangement results in the Group having a present obligation to either deliver cash or another financial asset, or a variable number of equity shares, to the holder of the instrument. If this is not the case, the instrument is generally an equity instrument and the proceeds are included in equity, net of transaction costs.

(16) Dividends on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Group's shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Group. Dividends for the period that are approved after the reporting date are disclosed as an event after the reporting date.

2.3 Significant accounting judgements, estimates and assumptions

In the process of applying the Group's accounting policies, management has exercised judgement and estimates in determining the amounts recognised in the consolidated financial statements. The most significant uses of judgements and estimates are as follows:

Going concern

The Group's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on the going concern basis as outlined in the Statement of Managers' responsibilities.

Fair value

Where the fair values of assets and liabilities cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgement is required to establish fair values. The judgements include considerations of liquidity and model inputs such as discount rates, prepayment rates and default rate assumptions for loans and advances. In terms of arriving at the fair value of loans and advances to customers, a key judgement is the expected life of the acquired portfolio, which determines the period over which any discount or premium on acquisition is amortised. Shortening the expected life of the acquired portfolios held by the Group by a year would impact the income statement for the year under review by £1.1M.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:
Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

Impairment losses on loans and advances to customers

The Group reviews its individually significant loans and advances to customers at each statement of financial position date to assess whether an impairment loss should be recorded in the income statement. In particular, judgement is required in the estimation of the amount and timing of future cash flows when determining the provision for impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Individually insignificant loans and advances to customers are assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident. The collective assessment takes account of data from the loan portfolio (such as levels of arrears, credit utilisation, and other indicators of credit worthiness), and judgements on the effect of concentrations of risks and economic data (including levels of unemployment, inflation and the performance of different individual groups). The principal sensitivities in the provision calculation are the probability of default and the amounts expected to be recovered on credit losses. A +/-10% movement in the probability of default resulted in +/- £3.1M (+/- 10%) impact on the total provision required. A +/-1 pence movement on recoveries expected on credit losses resulted in +/- £0.3M impact on the total provision required. The impairment loss on loans and advances to customers is disclosed in more detail in note 12.

Payment Protection Insurance ('PPI') and Card Protection Plan ('CPP') provisions

PPI and CPP provisions relate to the Group's obligations in respect of mis-sold insurance (PPI) and protection (CPP) to card holders. The Group's obligations arise from making customers good on any PPI or CPP claims arising from purchased portfolios whereby the seller of those portfolios had mis-sold PPI or CPP, as well as obligations to any mis-sold PPI or CPP where the Group originated that product to customers.

The Group has calculated the provisions by making a number of assumptions based upon current and expected experience.

All PPI claims are expected to have been received and processed by December 2015. The total cost associated with PPI mis-selling for the Group is estimated at £24.7M, out of which £17.0M has been settled by 31 December 2013, leaving a provision of £7.7M in respect of future costs.

Notes to the financial statements continued

2. Accounting policies continued

The principal sensitivities in the PPI provision calculation are volume of policies affected by the mis-selling, uphold rate and average redress amount. Testing the provision for sensitivity, +/- 5% movement in uphold rate resulted in +/- £0.6M (+/- 8%) movement in the level of provision required and +/- 10% movement in average redress amount resulted in +/- £0.6M (+/- 8%) movement in the level of provision required.

The deadline for customer claims to be received by the CPP Scheme Administrator is 30 August 2014 and all payments are expected to be fully settled by the Group by October 2014. The total cost associated with CPP mis-selling for the Group is estimated at £4.6M, all of which has been provided in the financial statements to 31 December 2013. No claims had been settled by that date.

The principal sensitivities in the CPP provision calculation are the number of claims and average redress amount. Testing the provision for sensitivity, +/- 10% movement in the number of claims resulted in +/- £1.4M (+/- 37%) movement in the level of provision required and +/- 10% movement in average redress amount resulted in +/- £0.5M (+/- 12%) movement in the level of provision required.

The Group will reassess the continued appropriateness of the assumptions underlying its analysis at each reporting date in the light of current experience and other relevant evidence. More detail can be obtained from note 17.

Consumer Credit Act ('CCA') provision

CCA provision included in Other provisions relates to the Group's obligations in respect of non-compliance with the requirements of the Consumer Credit Act. The Group's obligations arise from making customers good on interest and fees charged on the accounts during the period of non-compliance with the CCA. The provision only relates to the co-brand accounts purchased from Santander during the year.

The Group has calculated the provision by analysing the accounts impacted and computing the total amount of interest and fees charged on these accounts during the period of non-compliance. The total cost associated with the CCA non-compliance is estimated at £5.6M, all of which is expected to be settled in 2014.

As the Group is fully compensated for all these costs by Santander, a corresponding asset has been recorded in Trade receivables in Other Assets.

2.4 Adoption of new and revised standards

Disclosed below are new standards which have been adopted during the year:

IFRS 13 Fair value measurement

IFRS 13 defines fair value and sets out in a single framework comprehensive guidance for measuring fair value. It also requires increased disclosure about fair value measurements. The standard does not change the requirements with regards to which financial and non-financial assets and liabilities will be measured at fair value. The standard is effective from 1 January 2013, and with the exception of some additional disclosure requirements, has had minimal impact on the financial statements of the Group.

IAS 1 Other comprehensive income

This amendment requires entities to group items presented in the statement of other comprehensive income on the basis of whether they are potentially re-classifiable to profit or loss in subsequent periods. The adoption of the amendment to IAS 1 has no impact on the recognised assets, liabilities and comprehensive income of the Group.

IFRS 7 Offsetting financial assets and financial liabilities

This amendment introduces additional disclosure requirements for items offset under IAS 32 Financial Instruments: Presentation which is subject to master netting agreements, requiring the gross balances to be disclosed. The Group currently presents derivatives on a gross basis and as a result there is no material change to the disclosures.

2.5 Standards issued but not yet effective

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2014. These, where relevant, will be adopted by the Group from 1 January 2014 and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below:

IFRS 9 Financial instruments

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The effective date for this standard is still to be determined. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture. The impact of this is expected to be material.

IFRS 10 Consolidated financial statements, IFRS 11 Joint arrangements and IFRS 12 Disclosure of interest in other entities

A package of new and revised standards addresses the accounting for consolidation involvements in joint ventures and disclosure of involvements with other entities and is effective for periods beginning on or after 1 January 2014. With the exception of additional disclosure requirements, the new and revised standards are unlikely to have a significant impact for the Group.

IFRS 15 Revenue from contracts with customers

IFRS 15, effective for annual periods beginning on or after 1 January 2017, supersedes IAS 11 Construction contracts and IAS 18 Revenue and sets out the requirements for recognising revenue that apply to contracts with customers, except for those covered by standards on leases, insurance contracts and financial instruments. The Group is in the process of quantifying the effect of this standard and the impact is expected to be material.

IAS 32 Offsetting financial assets and financial liabilities

These amendments clarify the offsetting requirements described as "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments become effective for annual periods beginning on or after 1 January 2014 and are not expected to impact the Group's financial position or performance.

3. Segment information

The Group's operating results are regularly reviewed by the Board of NewDay Group Ltd (the 'Board'), a wholly owned subsidiary that manages the commercial and operational aspects of the Group's business and acts as the chief operating decision maker in the following reportable segments. Each segment contains a different subset of the Group's customers, offers different products and services and is managed in line with the Group's management and internal reporting structure. The segments are:

- Near-prime: included in this segment are credit card accounts originated by the Group, consisting of customers who are overlooked or neglected by conventional lenders and experience difficulties in getting credit elsewhere, as well as legacy credit card accounts acquired by the Group in past transactions
- Co-brand: included in this segment are credit and store card accounts acquired by the Group during the year and accounts subsequently originated as a part of a co-brand relationship with various retailers
- Central Group: included in this segment are head office functions and non-recurring expenditure that cannot be allocated to the two main segments.

These segments reflect how internal reporting is provided to management and how management allocate resources and assess performance. The accounting policies of the reportable segments are consistent with the Group's accounting policies. No geographical analysis is presented because all of the Group's operating activities are conducted within the UK.

	Year ended 31 December 2013			
	Near-prime £000	**Co-brand £000**	**Central Group £000**	**Total £000**
Interest and similar income	107,009	121,156	25	228,190
Interest and similar expense	(18,175)	(22,614)	(239)	(41,028)
Net interest income	88,834	98,542	(214)	187,162
Fees and commissions	23,988	31,779	–	55,767
Impairment losses on loans and advances to customers	(38,405)	(17,436)	–	(55,841)
Net operating income	74,417	112,885	(214)	187,088
Fair value gain / (loss) on derivatives	486	4,388	–	4,874
Personnel expenses	–	–	(14,428)	(14,428)
Depreciation of property and equipment	–	–	(207)	(207)
Amortisation of intangible assets	(1,178)	–	–	(1,178)
Other operating expenses	(57,907)	(78,106)	(4,129)	(140,142)
Total operating expenses	(58,599)	(73,718)	(18,764)	(151,081)
Profit / (loss) before gain on a bargain purchase	15,818	39,167	(18,978)	36,007
Gain on a bargain purchase	–	80,892	–	80,892
Profit / (loss) before income tax	15,818	120,059	(18,978)	116,899
Income tax expense	–	–	(119)	(119)
Profit / (loss) for the year	**15,818**	**120,059**	**(19,097)**	**116,780**
Total assets	**410,285**	**904,228**	**49,115**	**1,363,628**
Total liabilities	**285,745**	**755,470**	**18,200**	**1,059,415**

3. **Segment information** continued

	Year ended 31 December 2012			
	Near-prime £000	Co-brand £000	Central Group £000	Total £000
Interest and similar income	37,351	–	(223)	37,128
Interest and similar expense	(12,125)	–	(219)	(12,344)
Net interest income	25,226	–	(442)	24,784
Fees and commissions	19,335	–	–	19,335
Other operating income	3,394	–	–	3,394
Impairment losses on loans and advances to customers	(27,333)	–	–	(27,333)
Net operating income	20,622	–	(442)	20,180
Fair value gain / (loss) on derivatives	(328)	–	–	(328)
Personnel expenses	–	–	(8,443)	(8,443)
Depreciation of property and equipment	–	–	(197)	(197)
Amortisation of intangible assets	(1,419)	–	–	(1,419)
Other operating expenses	(42,332)	–	(4,131)	(46,463)
Total operating expenses	(44,079)	–	(12,771)	(56,850)
Loss before income tax	(23,457)	–	(13,213)	(36,670)
Income tax expense	–	–	(1,791)	(1,791)
Loss for the year	**(23,457)**	**–**	**(15,004)**	**(38,461)**
Total assets	**396,933**	**–**	**56,960**	**453,893**
Total liabilities	**280,648**	**–**	**7,993**	**288,641**

4. **Interest and similar income**

	Year ended 31 December 2013 £000	Year ended 31 December 2012 £000
Interest income from loans and advances to customers	201,311	50,097
Interest due from banks	97	238
Interest on other loans	–	25,438
Fair value unwind	26,689	(38,645)
Other	93	–
	228,190	**37,128**

5. Interest and similar expense

	Year ended 31 December 2013 £000	Year ended 31 December 2012 £000
Interest on senior floating rate loans	(40,101)	(7,673)
Interest on subordinated notes	–	(1,722)
Interest rate swaps	(687)	(2,723)
Other	(240)	(226)
	(41,028)	**(12,344)**

6. Fees and commissions

	Year ended 31 December 2013 £000	Year ended 31 December 2012 £000
Card fees	41,539	7,555
Other fees received	14,228	2,760
Other servicing fee	–	9,020
	55,767	**19,335**

7. Other operating income

	Year ended 31 December 2013 £000	Year ended 31 December 2012 £000
Gains from repayment of other loans	–	2,501
Other	–	893
	–	**3,394**

8. Other operating expenses

	Year ended 31 December 2013 £000	Year ended 31 December 2012 £000
Advertising and marketing	(11,213)	(3,865)
Administrative costs and commissions to retailers	(39,353)	(5,416)
Professional fees	(2,403)	(1,451)
Movement in CPP and PPI provisions	(11,266)	(4,304)
Service costs	(53,995)	(18,742)
IT and communications	(311)	(154)
Project expenses	(19,013)	(10,329)
Other	(2,588)	(2,202)
	(140,142)	**(46,463)**

8. Other operating expenses continued

Professional fees include fees payable to the auditors, KPMG Luxembourg S.à r.l. and other member firms of the KPMG network in relation to:

	Year ended 31 December 2013 £000	Year ended 31 December 2012 £000
Audit of these financial statements	(60)	(30)
Audit of the financial statements of subsidiaries of the Company	(270)	(185)
Tax compliance	(25)	(25)
Other tax advisory services	(15)	(28)
Corporate finance services	(36)	(60)
	(406)	**(328)**

9. Personnel expense

	Year ended 31 December 2013 £000	Year ended 31 December 2012 £000
Wages and salaries	(9,668)	(6,466)
Social security costs	(1,232)	(785)
Pension contributions	(288)	(176)
Other staff costs	(3,240)	(1,016)
	(14,428)	**(8,443)**

10. Income tax expense

	Year ended 31 December 2013 £000	Year ended 31 December 2012 £000
Provision for current period tax charge	(15)	(650)
Under provision in respect of previous year	(104)	(186)
	(119)	(836)
Deferred tax released on carried forward losses	–	(955)
Total tax charge per the Statement of profit and loss and other comprehensive income	**(119)**	**(1,791)**

Reconciliation of the total tax charge

All operating activities of the Group take place in the UK, hence the applicable tax regime for all the Group entities apart from the parent Company is UK. Luxembourg tax regime is applicable for the parent Company and is reflected in the computations accordingly.

Reconciliation between the tax expenses and the accounting profit multiplied by UK's domestic tax rate for the year ended 31 December 2013 is as follows:

	Year ended 31 December 2013 £000	Year ended 31 December 2012 £000
Profit / (loss) on ordinary activities before taxation	116,780	(36,670)
Tax charge / (credit) at average UK corporation tax rate	26,953	(8,942)
Effects of:		
Disallowable items	(10,089)	2,589
Profits relieved against brought forward losses	–	(437)
Profits not subject to corporation tax as taxed as a securitisation company	(18,173)	7,520
Provision for prior year tax	104	106
Trading losses c/forward to offset against future profits	1,324	–
Current period tax charge	**119**	**836**

For the period from 1 January 2013 to 31 March 2013, the enacted UK company tax rate was 24%. For the period from 1 April 2013 to 31 December 2013 the enacted UK company tax rate was 23%. The average tax rate assessed for the period is calculated at 23.09%.

The Group has no deferred tax assets or liabilities resulting from temporary differences.

There were no amounts of tax recognised through other comprehensive income for the period.

11. Loans and advances to banks

	As at 31 December 2013 £000	As at 31 December 2012 £000
Repayable on demand	34,877	64,502
In more than three months	10,629	-
In more than one year	14,111	-
	59,617	**64,502**
Amounts included within cash and cash equivalents	**34,877**	**64,502**

Cash at bank balances are held with large retail UK based banks. Restricted cash amounted to £24,740,000 at 31 December 2013 (2012: £nil).

12. Loans and advances to customers

	As at 31 December 2013 £000	As at 31 December 2012 £000
Loans and advances to customers	1,296,659	385,219
Impairment provision on loans and advances to customers	(25,819)	(2,499)
	1,270,840	**382,720**

All Loans and advances to customers are securitised in NewDay Funding Ltd. and NewDay Partnership Funding Plc.

Impairment losses on loans and advances to customers for the period are as follows:

	Year ended 31 December 2013 £000	Year ended 31 December 2012 £000
Movement in Impairment provision on loans and advances to customers	(23,320)	(2,499)
Impairment losses on loans and advances to customers	(32,521)	(24,834)
	(55,841)	**(27,333)**

The movement in Impairment provision on loans and advances to customers during the period is as follows:

	£000
As at 31 December 2012	(2,499)
Increases in provisions	(23,320)
As at 31 December 2013	**(25,819)**

Transfers of financial assets

During the period, the Group sold and derecognised charged off loans and advances to customers for the purpose of expediting recovery of these balances for total net proceeds of £22,892,000 (2012: £33,766,000), with the difference between their carrying value and net proceeds of £6,797,000 recognised in the Statement of profit and loss and other comprehensive income through the reduction of Impairment losses on loans and advances to customers.

The Group transfers charged off balances to recovery agencies for a proportion of the carrying value of the loans as part of its ordinary course of business. It also undertakes that certain clawbacks may be claimed by the recovery agencies over up to an 18 month period from the date of transfer on which the Group is responsible for returning sales proceeds to the agencies, depending on the provisions of each individual sales agreement.

The Group has no other transferred financial assets which are derecognised in their entirety or not derecognised in their entirety, and in which it retains some form of continuing involvement.

13. Property, equipment and intangible assets

	Computer hardware £000	Fixtures and fittings £000	Leasehold improvements £000	**Total property and equipment £000**
Cost at 1 January 2013	738	195	182	**1,115**
Additions	227	–	–	**227**
Disposals	–	–	–	**–**
Cost at 31 December 2013	965	195	182	**1,342**
Depreciation at 1 January 2013	(483)	(121)	(179)	**(783)**
Charges for the year	(169)	(35)	(3)	**(207)**
Write-offs	–	–	–	**–**
Depreciation at 31 December 2013	(652)	(156)	(182)	**(990)**
Net book value at 31 December 2013	**313**	**39**	**–**	**352**
Net book value at 31 December 2012	255	74	3	332

	Trademarks £000	PCCR £000	**Total intangible assets £000**
Cost at 1 January 2013	30	2,831	**2,861**
Additions	–	–	**–**
Disposals	–	–	**–**
Cost at 31 December 2013	30	2,831	**2,861**
Amortisation at 1 January 2013	–	(1,656)	**(1,656)**
Charges for the year	(3)	(1,175)	**(1,178)**
Write-offs	–	–	**–**
Amortisation at 31 December 2013	(3)	(2,831)	**(2,834)**
Net book value at 31 December 2013	**27**	**–**	**27**
Net book value at 31 December 2012	30	1,175	**1,205**

The Trademarks are for the Opus and marbles brands purchased from CC Asset Management and NewDay Reserve Funding Ltd, respectively, in 2012.

14. Other assets

	As at 31 December 2013 £000	As at 31 December 2012 £000
Trade receivables	14,394	3,321
Other assets	7,997	1,177
Prepayments and accrued income	5,854	479
Current tax receivable	1	157
	28,246	**5,134**

Included within Trade receivables is a loan extended to a Director of NewDay Cards Ltd issued by the Group in 2011 comprising principal of £1,757,000 and interest at 5% accrued to 31 December 2013. No repayments were made during the year and the loan is repayable after more than one year. The loan includes debt forgiveness clauses which are dependent upon certain targets being achieved. At the year end, some of these were forecast to be partially met and, accordingly, a provision has been recognised, reducing the total balance of the outstanding loan to £891,000 as at 31 December 2013. The corporation tax due in respect of the loan of £465,000 that is payable on repayment or forgiveness of the loan is also included within Trade receivables.

Furthermore, during the year the Group issued interest free loans totalling £1,313,000 to the Directors of NewDay Cards Ltd. These are also recognised within Trade receivables..

15. Debt issued and other borrowed funds

	As at 31 December 2013 £000	As at 31 December 2012 £000
Senior floating rate loans	(996,752)	(247,306)
Capitalised debt funding fees	14,438	–
	(982,314)	**(247,306)**

As at 31 December 2013, the senior facilities are provided by several institutions at LIBOR plus margin agreed with the lenders, are based on the outstanding eligible balance of Loans and advances to customers and rank ahead of all other borrowed funding. £261,064,000 of the outstanding balance matures on 26 November 2019; £735,688,000 has a maturity of 26 May 2020.

16. Other liabilities

	As at 31 December 2013 £000	As at 31 December 2012 £000
Accounts payable	(21,755)	(17,769)
Other liabilities	(34,197)	(13,958)
Pension contributions	(134)	(46)
Current tax payable	(847)	–
Loans from related parties	(2,251)	(2,011)
	(59,184)	**(33,784)**

17. Provisions

The movement in provisions during the year is as follows:

	PPI provision £000	CPP provision £000	Other provisions £000	**Total provisions £000**
As at 1 January 2013	(7,213)	–	–	**(7,213)**
Arising during the year	(6,651)	(4,615)	(5,581)	**(16,847)**
Utilised during the year	6,143	–	–	**6,143**
As at 31 December 2013	**(7,721)**	**(4,615)**	**(5,581)**	**(17,917)**

The PPI and CPP provisions relate to the Group's obligations in respect of mis-sold Payment Protection Insurance ('PPI') and Card Protection Plan ('CPP') to card holders and result from making customers good on any PPI or CPP claims arising from purchased portfolios whereby the seller of those portfolios had mis-sold PPI or CPP, as well as obligations to any mis-sold PPI where the Group originated those products to customers.

For the period ended 31 December 2013 the Group holds a provision of £7,721,000 in respect of the anticipated costs of such redress, including administration expenses for PPI claims that are expected to be fully utilised by December 2015 and £4,615,000 for CPP claims expected to be fully utilised by October 2014. There are still a number of uncertainties as to the eventual redress costs, in particular the total number of claims and the cost per claim, however, the Managers believe that the amounts provided at the year end, based on historical and forecasted claim rates and amounts, appropriately reflect the expected total cost to the Group.

Other provisions relate to the Group's obligations in respect of making good customers in the portfolio purchased from Santander UK during the year, whereby the seller had not complied with the requirements of the Consumer Credit Act ('CCA'). The Group is fully compensated for any such costs by Santander and a corresponding asset of £5,581,000 has been recorded in Trade receivables in Other Assets (see note 14).

18. Share capital and reserves

	As at 31 December 2013 £000	As at 31 December 2012 £000
Share capital	50	50
Share premium	1,950	1,950
IPECs	68,544	67,126
TPECs	161,776	139,276
	232,320	**208,402**

Called up share capital
Ordinary shares (£0.01)

	Allotted, called up and fully paid Number of shares	Nominal value £000
As at 1 January 2013	5,000,000	50
Issued during the year	–	–
As at 31 December 2013	**5,000,000**	**50**

Both Interest Free Preferred Equity Certificates ('IPECs') and Tracking Preferred Equity Certificates ('TPECs') in issue are classified as equity, as these instruments can be redeemed on the mandatory redemption date in 2041 at the option of the Company in the form of new Preferred Equity Certificates ('PECs') with terms substantially identical to the existing IPECs or TPECs. In addition, full discretion can be exercised by the Managers over the payment of the 12% return on TPECs.

Both IPECs and TPECs with respect to redemption, rights on liquidation and, where appropriate, return, rank as follows:

- pari passu with any other PECs and convertible PECs issued by the Company
- prior to all shares of common stock issued by the Company, whether outstanding on the date hereof or issued in the future, including tracker shares and ordinary shares
- subordinate to all present and future obligations of the Company, whether secured or unsecured.

During the year, the Company issued £1,418,000 in new IPECs and £22,500,000 in new TPECs with substantially the same terms as existing IPECs and TPECs.

The Company paid £1,737,000 of accrued return on TPECs during the year, as shown in the Statement of changes in equity.

18. Share capital and reserves continued

Capital management

The Group manages its capital structure and makes adjustments to it according to changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. The objectives, policies and processes are under constant review by the Managers.

The Group maintains an actively managed capital base to cover risks inherent in the business and specifically for its regulated entity, NewDay Ltd, to meet the capital adequacy requirements of the Financial Services Authority ('FCA') under the Payment Services Regulations (2009) for Authorised Payment Institutions. The adequacy of the Group's capital is monitored using measures set by the FCA.

During the year, the Group had complied with its externally imposed capital requirements.

19. Fair value of financial instruments

Determination of fair value and fair value hierarchy

Set out below is a comparison, by class, of the carrying amounts and fair values of the Group's financial instruments that are not carried at fair value in the financial statements.

	As at 31 December 2013		As at 31 December 2012	
	Carrying amount £000	**Fair value £000**	Carrying amount £000	Fair value £000
Financial assets				
Cash and cash equivalents	59,617	59,617	64,502	64,502
Loans and advances to customers	1,270,840	1,270,840	382,720	382,720
Other assets	22,392	22,392	4,655	4,655
Total financial assets	**1,352,849**	**1,352,849**	**451,877**	**451,877**
Financial liabilities				
Debt issued and other borrowed funds	(982,314)	(982,314)	(247,306)	(247,306)
Other liabilities	(59,050)	(59,050)	(33,738)	(33,738)
Total financial liabilities	**(1,041,364)**	**(1,041,364)**	**(281,044)**	**(281,044)**

Financial instruments carried at fair value:

Fair value hierarchy

The Group's derivative instruments are interest rate swaps which are held on balance sheet at fair value. The instruments are considered level 2 financial instruments, which are valued by using industry standard valuation techniques and for which all inputs which have a significant effect on the recorded fair value are observable either directly or indirectly.

Financial instruments not carried at fair value:

Fair value approximates

For financial assets and liabilities that have a short term maturity (less than three months) it is assumed that the carrying amounts approximate their fair value.

For variable rate instruments with longer maturities and which do not have quoted prices from active markets, to determine a fair value approximation, an adjustment is made to reflect the change in required credit spread since the instrument was first recognised. The Group has determined that for the reported period there has been no material movement in credit spread since the instruments were first recognised, therefore carrying value approximates fair value.

The Group holds £2,204,000 of financial assets and £2,251,000 of financial liabilities in fixed rate loans and has determined that there is no material difference between carrying value and fair value. This is because there has been no significant change between the fixed rate and the prevailing market rate.

20. Risk management

20.1 Introduction

Risk is inherent in the Group's activities, but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls performed by the Board of NewDay Group Ltd (the 'Board'), a wholly owned subsidiary that manages the commercial and operational aspects of the Group's business. The process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The financial risks faced by the Group include:

- credit risk
- liquidity risk
- market risk, and
- operating risk.

Risk management structure

The Board is responsible for the overall risk management approach and for approving the risk management strategies and principles.

The Board has the responsibility to monitor the overall risk process within the Group. The Board delegates certain defined responsibilities governed by regularly reviewed written terms of reference to the Board Risk Committee.

The Board Risk Committee has the overall responsibility for the oversight, review, reporting and associated recommendations to the Board on risk appetite, risk management framework, Enterprise Risk Management Committee ('ERMC') findings and risk management culture, training and competence throughout the Group. The Board Risk Committee is responsible for managing risk decisions and monitoring risk levels and reports on a quarterly basis to the Board.

The ERMC provides a lower level of governance and comprises the executive Directors of the Group. Its role is to ensure the effectiveness of the risk management framework via the next level of governance committees, including the Credit Committee, the Asset and Liability Committee and the Operations Committee, providing an additional line of defence within the Group's governance structure. The ERMC reports on a monthly basis to the Board Risk Committee.

The Credit Committee is responsible for the setting of the Group's risk appetite, optimising the quality of the Group's earnings and customer base and managing exceptional risks and major exposures by sanctioning applicable credit proposals.

The Asset and Liability Committee evaluates, monitors and approves practices related to liquidity and funding risks of the Group. It is also responsible for managing the Group's assets and liabilities and the overall financial structure.

The Operations Committee reviews, approves and monitors the adherence to the Risk Assessment Framework set for the Group, oversees operational performance matters at third party suppliers including SLA adherence, reviews costs and, by exception, incidents and outages and oversees supplier and change management working groups.

The Board is responsible for implementing and maintaining risk related procedures to ensure an independent control process is maintained. The execution of these procedures is delegated to the ERMC, which works in the business and closely with the Board Risk Committee to ensure that procedures are compliant with the overall framework.

The Board is responsible for monitoring compliance with risk principles, policies and limits across the Group. It is responsible for the independent control of risks, including monitoring the risk of exposures against limits and the assessment of risks in relation to changing or altering products. The ERMC ensures the complete capture of the risks in risk measurement and reporting systems. Exceptions are reported monthly and where necessary on a daily basis to the ERMC, and the relevant actions are taken to address exceptions and any areas of weakness.

Risk measurement and reporting systems

The Group's risks are measured using a method that reflects both the expected loss likely to arise in normal circumstances and unexpected loss, which is an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. The Group also runs worst-case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

Monitoring and controlling risks is primarily performed based on limits established by the Group. These limits reflect the business strategy and market environment of the Group as well as the level of risk that the Group is willing to accept, with additional emphasis on selected portfolios. In addition, the Group's policy is to measure and monitor the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities.

Information compiled from all parts of the business is examined and processed in order to identify, analyse and control risks on a timely basis. This information is presented and explained to the Board, the Board Risk Committee, the ERMC, relevant sub-committees, and, where appropriate, to the head of each business division. The information presented includes aggregate credit exposure, credit metric forecasts, liquidity ratios and risk profile changes. On a monthly basis, detailed reporting of portfolio and customer risks takes place. Senior management assesses the appropriateness of the allowance for credit losses on a monthly basis. The Board receives a comprehensive risk report once a quarter which is designed to provide all the necessary information to assess and conclude on the risks of the Group.

20.2 Credit risk

The Group is exposed to credit risk on loans and advances to banks, loans and advances to customers, derivative financial instruments and other financial assets. Credit risk is the risk that the Group will incur a loss because its customers or counterparties fail to discharge their contractual obligations. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

20. Risk management continued

20.2 Credit risk continued

The Group has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties. Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. The credit quality review process aims to allow the Group to assess the potential loss as a result of the risks to which it is exposed and take corrective action where appropriate.

Excessive risk concentration

Concentration risks arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration risks indicate the relative sensitivity of the Group's performance to developments affecting a particular customer segment, retailer or geographical location.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to maintain diversified portfolios. Concentrations of credit risks are controlled by assessing various characteristics of the customers, including regions, affordability and credit score brackets, and are managed accordingly.

Impairment assessment

For accounting purposes, the Group uses an incurred loss model for the recognition of impairment losses on financial assets. This means that losses can only be recognised when objective evidence of a specific loss event has been observed. Triggering events include the following:

— a breach of contract such as a default of payment
— where the Group grants the customer a concession due to the customer experiencing financial difficulty
— it becomes probable that the customer will enter bankruptcy or other financial reorganisation
— other observable data that suggests that there is a decrease in the estimated future cash flows from the loans.

Collectively assessed allowances

Allowances are assessed collectively for impairment losses on loans and advances to customers due to the fact that balances are not individually significant.

The Group generally bases its analyses on historical experience. However, when there are significant regional and/or global market developments, the Group would include macro-economic factors within its assessments. These factors include, depending on the characteristics of the assessment, unemployment rates, current levels of bad debt, changes in the law, changes in regulation, bankruptcy trends, and other consumer data. The Group may use the aforementioned factors as appropriate to adjust the impairment allowances.

The collective assessment is made for groups of assets with similar risk characteristics, in order to determine whether provision should be made due to incurred loss events. The collective assessment takes account of data from the loan portfolio (such as historical losses on the portfolio, levels of arrears, credit utilisation, and expected receipts and recoveries once impaired) or economic data (such as current economic conditions and unemployment levels). The approximate delay between the time a loss is likely to have been incurred and the time it will be identified as requiring an individually assessed impairment allowance is also taken into consideration. The impairment allowance is then reviewed by credit management to ensure alignment with the Group's overall policy.

Analysis of credit risk and credit enhancements:

	As at 31 December 2013					
	Neither past due nor impaired					
	Higher grade £000	Lower grade £000	Past due but not impaired £000	Impaired £000	Total £000	Maximum exposure to credit risk £000
Financial assets						
Loans and advances to banks	59,617	–	–	–	59,617	59,617
Loans and advances to customers	1,174,099	31,794	–	64,947	1,270,840	1,270,840
Derivative assets	4,546	–	–	–	4,546	4,546
Other assets	22,392	–	–	–	22,392	22,392
	1,260,654	**31,794**	**–**	**64,947**	**1,357,395**	**1,357,395**

	As at 31 December 2012					
	Neither past due nor impaired					
	Higher grade £000	Lower grade £000	Past due but not impaired £000	Impaired £000	Total £000	Maximum exposure to credit risk £000
Financial assets						
Loans and advances to banks	64,502	–	–	–	64,502	64,502
Loans and advances to customers	330,491	18,983	–	33,247	382,720	382,720
Derivative assets	–	–	–	–	–	–
Other assets	4,655	–	–	–	4,655	4,655
	399,648	**18,983**	**–**	**33,247**	**451,877**	**451,877**

Group's internal credit rating:

	Probability of default (%)
Higher grade	0 to 1.19%
Lower grade	> 1.19%

Ageing analysis:

	>30 days £000	>60 days £000	>90 days £000	>180 days £000	Total £000
Financial assets					
Past due and impaired at 31 December 2013	33,985	9,684	6,920	14,358	**64,947**
Past due and impaired at 31 December 2012	12,498	5,424	4,469	10,856	**33,247**

Internal credit rating

Higher grade – these are accounts which have no current performance issues and the Group expects that there is a higher likelihood of the asset being recovered in full.

Lower grade – these are accounts where the Group expects to recover assets but historic experience suggests that there is a component of loss that will be incurred. Mostly these are customers with specific payment arrangement plans which are less onerous than standard contractual terms and conditions. At the lower end of this grade there are customers that are being more carefully monitored, being those balances operating outside normal product guidelines.

Past due but not impaired – this relates to the portion of balances that are in arrears but recovery of balance is still expected. These have not yet converted to full delinquency and the borrower or counterparty is expected to continue to make payments.

Collateral held

The Group's primary business is to provide short term credit to customers using the Group's various branded store and credit cards. In the course of providing credit to customers the Group has credit risk assessment practices which provide approval for individuals to be extended credit. In providing these products it is not the policy of the Group to obtain collateral or other credit enhancements which reduce exposure to credit risk, other than the individual's commitment to repay outstanding balances. The fair value of collateral and other credit enhancements is therefore nil at 31 December 2013 (2012: £nil).

Other commitments provided

As at 31 December 2013, the Group has undrawn facilities on its loans and advances to customers, however facilities are not irrevocably committed. The Group has not entered into any other financial guarantee contracts, letters of credit or other undrawn commitments to lend.

20.3 Liquidity risk and funding management

Contractual cash flow maturity

Loans and advances to customers constitute primarily store and credit card as well as point of sale finance receivable balances. All card receivables are contractually on demand and have been disclosed as such. Individual customer behaviour varies and the card balances are used as revolving facilities where contributions towards outstanding balances are made over time as well as regular draw-downs on facilities provided. The Group's experience is that the average customer's outstanding balance at any point in time rolls over every two to three years. The point of sale finance receivables follow a pre-agreed repayment schedule and have been disclosed accordingly.

The Group's funding and related economic hedging (in the form of an interest rate swap) has been agreed with facility providers to match the expected payment profile of the card balances (i.e. it is a revolving facility which can be drawn down until maturity), which effectively mitigates the overall liquidity risk. The expected maturity profile of the debt will match the card receivable balances. £261,064,000 of the outstanding balance is contractually due to mature on 26 November 2019, £735,688,000 has a contractual maturity of 26 May 2020.

Notes to the financial statements continued

20. Risk management continued

20.3 Liquidity risk and funding management continued

Other commitments received

Total committed funding facilities at 31 December 2013 are £1,150,000,000 (2012: £400,000,000) of which £153,000,000 is undrawn (2012: £153,000,000).

Analysis of financial assets and liabilities by remaining contractual maturities

The table below summarises the maturity profile of the undiscounted cash flows of the Group's financial assets and liabilities as at 31 December 2013.

Contractual maturities of undiscounted cash flows of financial assets and liabilities:

	As at 31 December 2013					
	On demand £000	**Less than 3 months £000**	**3 to 12 months £000**	**1 to 5 years £000**	**Over 5 years £000**	**Total £000**
Financial assets						
Loans and advances to banks	34,877	–	10,629	14,111	–	59,617
Loans and advances to customers	1,120,376	26,462	56,967	67,035	–	1,270,840
Derivative assets	–	–	–	4,546	–	4,546
Other assets	–	19,537	–	2,818	37	22,392
Financial liabilities						
Debt issued and other borrowed funds	(866,011)	(22,044)	(48,019)	(63,955)	–	(1,000,029)
Derivative liabilities	–	–	–	–	–	–
Other liabilities	–	(56,799)	–	–	(2,251)	(59,050)
Net cash flow	**289,242**	**(32,844)**	**19,577**	**24,555**	**(2,214)**	**298,316**

	As at 31 December 2012					
	On demand £000	Less than 3 months £000	3 to 12 months £000	1 to 5 years £000	Over 5 years £000	Total £000
Financial assets						
Loans and advances to banks	64,502	–	–	–	–	64,502
Loans and advances to customers	382,720	–	–	–	–	382,720
Derivative assets	–	–	–	–	–	–
Other assets	–	2,332	–	–	2,323	4,655
Financial liabilities						
Debt issued and other borrowed funds	(247,306)	–	–	–	–	(247,306)
Derivative liabilities	(338)	–	–	–	–	(338)
Other liabilities	–	(31,728)	–	–	(2,010)	(33,738)
Net cash flow	**199,578**	**(29,396)**	**–**	**–**	**313**	**170,495**

Actual flows may vary depending on the behaviour of customers.

20.4 Market risk

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Group's policy is to monitor positions on a daily basis and hedging strategies are used to ensure that interest rate exposure risk is managed.

Contractual repricing profile:

	As at 31 December 2013					
	Less than 3 months £000	**3 to 12 months £000**	**1 to 5 years £000**	**Over 5 years £000**	**Non-repricing or non-interest bearing £000**	**Total £000**
Financial assets						
Loans and advances to banks	59,617	–	–	–	–	59,617
Loans and advances to customers	626,446	145,102	–	–	499,292	1,270,840
Derivative assets	4,546	–	–	–	–	4,546
Other assets	–	–	–	–	22,392	22,392
Financial liabilities						
Debt issued and other borrowed funds	(982,314)	–	–	–	–	(982,314)
Derivative liabilities	–	–	–	–	–	–
Other liabilities	–	–	–	–	(59,050)	(59,050)
Net repricing difference	**(291,705)**	**145,102**	**–**	**–**	**462,634**	**316,031**

	As at 31 December 2012					
	Less than 3 months £000	3 to 12 months £000	1 to 5 years £000	Over 5 years £000	Non-repricing or non-interest bearing £000	Total £000
Financial assets						
Loans and advances to banks	64,502	–	–	–	–	64,502
Loans and advances to customers	313,313	–	–	–	69,407	382,720
Derivative assets	–	–	–	–	–	–
Other assets	–	–	–	–	4,655	4,655
Financial liabilities						
Debt issued and other borrowed funds	(228,349)	–	–	–	(18,957)	(247,306)
Derivative liabilities	(338)	–	–	–	–	(338)
Other liabilities	–	–	–	–	(33,738)	(33,738)
Net repricing difference	**149,128**	**–**	**–**	**–**	**21,367**	**170,495**

20. Risk management continued

20.4 Market risk continued

The following table demonstrates the sensitivity to a reasonably possible change in interest rates (all other variables being held constant) of the Group's income statement and equity.

The sensitivity of the income statement is the effect of the assumed changes in interest rates on the profit or loss for the period, based on the floating rate non-trading financial assets and financial liabilities held at 31 December 2013. Total sensitivity of profit or loss or equity is based on the assumption that there are parallel shifts in the yield curve.

Interest rate risk sensitivity:

		Sensitivity of profit or loss	
	Increase/ (decrease) in basis points	**Year ended 31 December 2013 £000**	Year ended 31 December 2012 £000
Loans and advances to customers	+25	2,465	756
Loans and advances to customers	(25)	(2,465)	(756)
Debt issued and other borrowed funds	+25	1,790	374
Debt issued and other borrowed funds	(25)	(1,790)	(374)
Derivative assets	+25	(1,573)	–
Derivative assets	(25)	1,573	–

21. Business combinations

On 10 May 2013, NewDay Partnership Funding Plc, a special purpose entity consolidated into the Group, completed the acquisition of Santander UK's co-brand credit card, store card and point of sale finance business, the purpose of which was strategic in enabling the Group to accelerate its position and standing in the market.

The acquisition was for a consideration of £771,224,000, partially funded by issue of Senior floating rate notes of £749,739,000. The fair value of the loans and advances acquired amounted to £852,116,000, with the gross contractual balances due at £943,152,000. The valuation of receivables has been accounted for on a deep discount basis under IAS 39 since the acquisition incorporates both the credit losses expected to be incurred on the outstanding balances, as well as the discount due to the expected timing of the cash collections.

Acquisition related costs of £11,502,000 were incurred and have been expensed in Other operating expenses during the year.

Acquisition of co-brand cards and point of sale finance accounts from Santander UK:

	Fair value recognised on acquisition £000
Acquiree's net assets	
Loans and advances to customers	852,116
Net identifiable assets	**852,116**
Consideration transferred	
Cash	21,485
Debt issued and other borrowed funds	749,739
Total consideration	**771,224**
Gain on a bargain purchase	**80,892**

The acquisition resulted in a gain on bargain purchase of £80,892,000 recognised in the Statement of profit and loss and other comprehensive income for the year ended 31 December 2013. The main driver behind the bargain purchase is the price level reflective of the fact that Santander UK wanted to divest its non-core retail finance business, in combination with a locked box mechanism agreed with the seller, whereby the cash flows received from the portfolio between the effective date and closing date reduced the amount of consideration payable by the Group.

22. Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled.

	As at 31 December 2013		As at 31 December 2012	
	< 12 months £000	**> 12 months £000**	< 12 months £000	> 12 months £000
Assets				
Loans and advances to banks	59,617	–	64,502	–
Loans and advances to customers	1,112,617	158,223	265,917	116,803
Derivative assets	–	4,546	–	–
Other assets	28,208	38	2,811	2,323
Property and equipment		352	–	332
Intangible assets		27	–	1,205
Total Assets	**1,200,442**	**163,186**	**333,230**	**120,663**
Liabilities				
Debt issued and other borrowed funds	(860,013)	(122,301)	(171,830)	(75,476)
Derivative liabilities	–	–	(235)	(103)
Other liabilities	(56,933)	(2,251)	(31,774)	(2,010)
Provisions	(15,191)	(2,726)	(7,213)	–
Total Liabilities	**(932,137)**	**(127,278)**	**(211,052)**	**(77,589)**

23. Contingent liabilities, commitments and leasing arrangements

Lease arrangements

Operating lease commitments

The Group has entered into commercial leases for premises and equipment. There are no restrictions placed upon the lessee by entering into these leases.

Future minimum lease payments under non-cancellable operating leases as at 31 December 2013 are as follows:

	Within 1 year £000	1 to 5 years £000	More than 5 years £000	Total £000
Operating lease commitments	1,860	6,621	6,131	**14,612**
	1,860	6,621	6,131	**14,612**

24. Related party disclosures

	Maximum balance during the year £000	**Year ended 31 December 2013 £000**	**As at 31 December 2013 £000**	Year ended 31 December 2012 £000	As at 31 December 2012 £000
Total Directors' emoluments	–	2,243	–	1,195	–
Highest paid Director	–	1,332	–	882	–
Pension contributions	–	24	–	16	–
Loans to Directors and key management personnel	3,264	–	2,204	–	1,858
Interest from related parties	–	(92)	–	(101)	–

The Director loan with a principal balance of £1,757,000 attracts an interest rate of 5% and is partially forgivable based on certain performance criteria being met by the Group. At 31 December 2013, some of these were forecast to be partially met and, accordingly, an impairment provision has been recognised, reducing the total balance of the outstanding loan to £891,000 as at 31 December 2013.

Furthermore, during the year the Group issued interest free loans totalling £1,313,000 to the Directors of NewDay Cards Ltd.

Credit card balances outstanding to key management personnel as at 31 December 2013 were £3,800 (2012: £2,472).

24. Related party disclosures continued

Consolidated subsidiaries

The consolidated financial statements include the financial statements of NewDay Group Holdings S.à r.l. and the subsidiaries in the following table:

Name of subsidiary	Country of incorporation	**% equity interest at 31 December 2013**	% equity interest at 31 December 2012
NewDay Holdings Ltd	UK	100%	100%
NewDay Group Ltd	UK	100%	100%
NewDay Cards Ltd	UK	100%	100%
NewDay Ltd	UK	100%	100%
NewDay Funding Reserve Ltd	UK	100%	100%
NewDay Funding Ltd	UK	SPE	SPE
NewDay Partnership Funding Plc	UK	SPE	SPE

The parent and the ultimate controlling party of NewDay Group Holdings S.à r.l. is Invicta EuroCard Services L.P.. Neither Invicta EuroCard Services L.P., nor any other entity controlling it produces consolidated financial statements available for public use.

25. Special purpose entities ('SPEs')

The Group consolidates two special purpose entities, NewDay Funding Ltd and NewDay Partnership Funding Plc, in its financial statements to 31 December 2013. All of the common shares are held by a third party trust for the benefit of various charities. The SPEs hold the Group's card receivables and source funding from various banks which are like revolving facilities and are supported by junior lending from the Company. The Group has concluded that it should consolidate these SPEs based on the combination of its funding issued to them and entitlements to residual interests.

26. Events after the reporting date

The Group monitors events after the balance sheet date. There have been no material events after the balance sheet date to report.

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HSBC Corporate Trustee Company (UK) Limited
8 Canada Square
London E14 5HQ
United Kingdom

Principal Paying Agent, Escrow Agent and Calculation Agent
Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

Registrar and Transfer Agent
Deutsche Bank Luxembourg S.A.
2, boulevard Konrad Adenauer
L-1115 Luxembourg
Grand Duchy of Luxembourg

Independent Auditor for the Target Group
KPMG Luxembourg, Société coopérative
39, Avenue John F. Kennedy
L-1855 Luxembourg
Luxembourg

Listing Sponsor
Mourant Ozannes Securities Limited, Jersey Branch
22 Grenville Street
St. Helier
Jersey JE4 8PX
Channel Islands

Legal Advisor to the Trustee
Baker & McKenzie LLP
100 New Bridge Street
London EC4V 6JA
United Kingdom

Nemean Bondco plc

to acquire

NewDay Group Holdings S.à r.l.

£275,000,000 7⅜% Senior Secured Notes due 2024

£150,000,000 Senior Secured Floating Rate Notes due 2023

OFFERING MEMORANDUM

Joint Global Coordinators and Joint Bookrunners

Credit Suisse **Citigroup**

Joint Bookrunners

HSBC **NatWest Markets**

January 20, 2017

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