

## IMPORTANT NOTICE

**THIS DOCUMENT IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QUALIFIED INSTITUTIONAL BUYERS (EACH A “QIB”) WITHIN THE MEANING OF RULE 144A (“RULE 144A”) UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”) OR (2) PERSONS WHO ARE NOT U.S. PERSONS OUTSIDE OF THE UNITED STATES AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT (“REGULATION S”) AND, IF INVESTORS ARE RESIDENT IN A MEMBER STATE OF THE EUROPEAN ECONOMIC AREA, QUALIFIED INVESTORS WITHIN THE MEANING OF ARTICLE 2(1)(E) OF DIRECTIVE 2003/71/EC AND ANY RELEVANT IMPLEMENTING MEASURE IN EACH MEMBER STATE OF THE EUROPEAN ECONOMIC AREA (EACH A “QUALIFIED INVESTOR”).**

**IMPORTANT: You must read the following before continuing.** The following disclaimer applies to the offering memorandum following this notice (the “**Offering Memorandum**”), and you are therefore advised to read this disclaimer 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 RAC (as defined herein) as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF THE CLASS B1 NOTES (AS DEFINED HEREIN) FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE CLASS B1 NOTES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE CLASS B1 NOTES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE FOLLOWING OFFERING MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS DOCUMENT CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORIZED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE CLASS B1 NOTES DESCRIBED THEREIN.

**Confirmation of your representation:** In order to be eligible to view the following Offering Memorandum or make an investment decision with respect to the Class B1 Notes, you must: (i) not be a U.S. person (as defined in Regulation S under the U.S. Securities Act), and be outside the United States; or (ii) be a qualified institutional buyer (as defined in Rule 144A under the U.S. Securities Act), *provided* that investors resident in a Member State of the European Economic Area must be a qualified investor (within the meaning of Article 2(1)(e) of Directive 2003/71/EC and any relevant implementing measure in each Member State of the European Economic Area). You have been sent the following Offering Memorandum on the basis that you have confirmed to the initial purchasers set forth in the following Offering Memorandum (the “**Initial Purchasers**”), being the sender or senders of the attached, that either: (A)(i) you and any customers you represent are not U.S. persons; and (ii) the e-mail address to which the following Offering Memorandum has been delivered is not located in the United States, its territories and possessions, any state of the United States or the District of Columbia; “possessions” include Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands; or (B) you and any customers you represent are qualified institutional buyers and, in either case, that you consent to delivery by electronic transmission

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 authorised to, deliver the Offering Memorandum to any other person.

The materials relating to the offering of the Class B1 Notes 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 Issuer (as defined in the following Offering Memorandum) 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 the Class B1 Notes in any jurisdiction in which such offer, solicitation or sale would be unlawful.

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 their directors, officers, employees, consultants 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 Purchasers.

The following Offering Memorandum is for distribution only to, and is directed solely at, persons who (i) are outside the United Kingdom, (ii) are investment professionals, as such term is defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “**Financial Promotion Order**”), (iii) are persons falling within Article 49(2)(a) to (d) of the Financial Promotion Order, 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 Class B1 Notes may otherwise be lawfully communicated or caused to be communicated (all such persons together being referred to as “relevant persons”). The following 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 the following Offering Memorandum relates is available only to relevant persons and will be engaged in only with relevant persons. Any person who is not a relevant person should not act or rely on the following Offering Memorandum or any of its contents. No part of the Offering Memorandum should be published, reproduced, distributed or otherwise made available in whole or in part to any other person without the prior written consent of the Issuer (as defined herein). The Class B1 Notes are not being offered or sold to any person in the United Kingdom, except in circumstances which will not result in an offer of securities to the public in the United Kingdom within the meaning of Part VI of the Financial Services and Markets Act 2000.



## RAC Bond Co plc

**£275,000,000 5.000 per cent. Class B1 Secured Notes due 2046**

RAC Bond Co plc, a public limited liability company registered in England and Wales (the “**Issuer**”), is offering (the “**Offering**”) £275,000,000 aggregate principal amount of 5.000 per cent. Class B1 Secured Notes due 2046 (the “**Class B1 Notes**”).

The Issuer will pay interest on the Class B1 Notes semi-annually in arrear on each 6 May and 6 November, commencing 6 November 2017. Interest on the Class B1 Notes will accrue at a rate of 5.000 per cent. per annum from (and including) the Class B1 Issue Date (as defined below) up to (but excluding) 6 November 2022 (the “**Class B1 Note Adjustment Date**”) and from (and including) the Class B1 Note Adjustment Date will accrue at a reduced rate of 4.500 per cent. per annum. The Class B1 Notes are expected to be redeemed in full on 6 November 2022 (the “**Class B1 Note Expected Maturity Date**”). After the Class B1 Note Expected Maturity Date, if the Class B1 Notes are not redeemed in full, interest will continue to accrue on the Class B1 Notes at the applicable rate, but payment of interest will be deferred. Unless previously redeemed in full, the Class B1 Notes will finally mature on 6 May 2046 (the “**Class B1 Note Final Maturity Date**”).

The Issuer will lend the gross proceeds from the Offering to RAC Limited, a limited liability company registered in England and Wales (the “**Borrower**”), pursuant to a term loan (the “**Class B1 Loan**”) under the Class B1 Issuer/Borrower Loan Agreement (the “**Class B1 IBLA**”) to be entered into on the Class B1 Issue Date. The economic terms of the Class B1 Loan (including, among other things, with respect to interest rates) will generally be the same as the terms of the Class B1 Notes. The Class B1 Loan will mature on 6 November 2022 (the “**Class B1 Loan Maturity Date**”). The Issuer’s obligations to pay principal and interest on the Class B1 Notes are intended to be met from the corresponding payments of principal and interest on the Class B1 Loan by the Borrower under the Class B1 IBLA.

The Borrower may prepay the Class B1 Loan in whole or in part at any time on or after 14 July 2019 at the prepayment prices specified herein. Prior to 14 July 2019, the Borrower may prepay the Class B1 Loan in whole or in part at a prepayment price equal to 100 per cent. of the principal amount thereof, plus accrued and unpaid interest, and additional amounts, if any, up to the prepayment date plus the applicable “make-whole” premium, as described herein. In addition, prior to 14 July 2019, the Borrower may use the net proceeds of specified equity offerings to prepay up to 40 per cent. of the aggregate principal amount of the Class B1 Loan at a prepayment price equal to 105.000 per cent. of the principal amount of the Class B1 Loan prepaid, plus accrued and unpaid interest, and additional amounts, if any, up to the prepayment date, *provided* that at least 50 per cent. of the original aggregate principal amount of the Class B1 Loan remains outstanding following the prepayment. Additionally, the Borrower may prepay all, but not less than all, of the Class B1 Loan at a prepayment price equal to 100 per cent. of the principal amount thereof, plus accrued and unpaid interest, and additional amounts, if any, up to the prepayment date upon the occurrence of certain changes in applicable tax law. Upon certain events constituting a change of control, the Borrower may be required to make an offer to purchase all the Class B1 Notes at a purchase price equal to 101 per cent. of the principal amount thereof, plus accrued and unpaid interest, and additional amounts, if any, up to the purchase date. In the event of any prepayment by the Borrower of the Class B1 Loan, in whole or in part, the Issuer will be required to apply the proceeds received from such prepayment to redeem a corresponding principal amount of Class B1 Notes, plus accrued and unpaid interest, and additional amounts, if any, at a redemption price corresponding to the applicable prepayment price set forth in the Class B1 IBLA.

The Class B1 Notes will be contractually subordinated to, among others, the Class A Notes and will not be guaranteed by any person, except that the Class B1 Notes will benefit indirectly from the Topco Payment Undertaking (as defined herein). The Class B1 Loan will be contractually subordinated to, among others, the Class A Loans, the Initial STF Facility, the Initial WC Facility, the Initial Liquidity Facility (in each case, as defined herein) and certain hedging arrangements and pension liabilities, as described further herein. The Class B1 Loan will be guaranteed by certain subsidiaries (the “**Guarantors**”) and, together with the Borrower, the “**Obligors**”) of RAC Midco II Limited (“**Topco**”), as further described herein. Pursuant to a deed of undertaking entered into on 14 July 2017 (the “**Topco Payment Undertaking**”), Topco has undertaken to pay or procure payment to the Obligor Security Trustee of all principal, interest and other amounts outstanding under the Class B1 IBLA in the circumstances described herein, including in the event that the Class B1 Loan is not repaid in full on the Class B1 Loan Maturity Date.

On and from the Class B1 Issue Date, the Class B1 Notes will be secured by substantially all the Issuer’s property, assets and undertaking (including its rights against each Obligor under the Class B1 IBLA), which security will also be shared with, among others, the Class A Notes. The Class B1 Notes will rank junior to the Class A Notes with respect to the application of enforcement proceeds, other than in respect of the Topco Security. The Class B1 Loan will be secured by, among other things, mortgages or fixed charges in respect of the Obligors’ freehold and leasehold interests in all the properties owned thereby and fixed and floating charges over all other property, assets and undertaking of each Obligor, which security will also be shared with, among others, the Class A Loans, the Initial STF Facility, the Initial WC Facility and the Liquidity Facility, together with certain hedging arrangements and pension liabilities, as described further herein. The Class B1 Loan will rank junior to the foregoing with respect to the application of enforcement proceeds, other than in respect of the Topco Security. The Topco Payment Undertaking will be secured by first-ranking security (the “**Topco Security**”) in respect of all the issued and outstanding shares of RAC Bidco Limited (“**Holdeo**”) and certain intercompany receivables, together with a first-ranking floating charge in respect of all of Topco’s other property, assets and undertakings, as further described herein. The Topco Security will be granted for the sole benefit of certain secured creditors of Topco, including for the indirect benefit of holders of the Class B1 Notes.

The closing of the Offering will be subject to the satisfaction of the Borrowing Condition. See “*Overview—Summary of the Offering*”.

There is currently no public market for the Class B1 Notes. Application has been made for the Class B1 Notes to be admitted to the Official List of the Irish Stock Exchange plc (the “**Irish Stock Exchange**”) and trading on the Global Exchange Market thereof. There is no assurance that the Class B1 Notes will be, or will remain, admitted to trading on the Global Exchange Market. This Offering Memorandum constitutes the listing particulars (the “**Listing Particulars**”) for the purposes of listing on the Irish Stock Exchange and has been approved by the Irish Stock Exchange.

**Investing in the Class B1 Notes involves a high degree of risk. See “*Risk Factors*” beginning on page 29.**

**Issue Price: 100.000 per cent. plus accrued interest, if any, from (and including) the Class B1 Issue Date.**

The Class B1 Notes will be represented on issue by one or more global notes (the “**Global Notes**”), which will be delivered in book-entry form through the facilities of Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking, *société anonyme* (“**Clearstream**”) on or about 14 July 2017 (the “**Class B1 Issue Date**”).

The Class B1 Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “**U.S. Securities Act**”) or the securities laws of any other jurisdiction. Accordingly, the Class B1 Notes are being offered and sold inside the United States only to qualified institutional buyers (“**QIBs**”) in accordance with Rule 144A of the U.S. Securities Act (“**Rule 144A**”) and outside the United States to non-U.S. persons in offshore transactions in accordance with Regulation S of the U.S. Securities Act (“**Regulation S**”). Prospective purchasers that are QIBs are hereby notified that the sellers of the Class B1 Notes may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A thereunder. Outside the United States, sellers may be relying on Regulation S. See “*Notice to Investors*” for additional information about eligible offerees and transfer restrictions.

*Joint Global Coordinators and Joint Bookrunners*

**Barclays**

**Deutsche Bank**

*Joint Bookrunners*

**BNP PARIBAS Citigroup HSBC J.P. Morgan Mizuho Securities NatWest Markets**

**Santander Global Corporate Banking**

The date of these Listing Particulars is 28 July 2017.

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## IMPORTANT INFORMATION ABOUT THE OFFERING

In this offering memorandum (this “**Offering Memorandum**”), the terms “**we**”, “**our**”, “**us**”, the “**Company**”, the “**Holdco Group**” or “**RAC**” refer to RAC Bidco Limited and each of its Subsidiaries (other than the Issuer).

No person has been authorised to give any information or to make representations other than the information or the representations contained in this Offering Memorandum. You must not rely on unauthorised information or representations.

This Offering Memorandum does not offer to sell or solicit offers to buy any of the Class B1 Notes in any jurisdiction where it is unlawful, where the person making the offer is not qualified to do so, or to any person who cannot legally be offered the Class B1 Notes.

The information in this Offering Memorandum is current only as at the date on the cover page, and the business or financial condition of RAC, its Subsidiaries and the Issuer, along with other information in this Offering Memorandum, may change after that date. For any time after the cover date of this Offering Memorandum, RAC and the Issuer do not represent that their affairs are the same as described or that the information in this Offering Memorandum is correct, nor do they imply those things by delivering this Offering Memorandum or selling securities to you. Neither the Issuer, nor any of Banco Santander, S.A., Barclays Bank PLC, BNP Paribas, London Branch, Citigroup Global Markets Limited, Deutsche Bank AG, London Branch, HSBC Bank plc, J.P. Morgan Securities plc, Mizuho International plc and The Royal Bank of Scotland plc (trading as NatWest Markets) (together, the “**Initial Purchasers**”), represents that the information herein is complete.

The Issuer and the Initial Purchasers are offering to sell the Class B1 Notes only in places where offers and sales are permitted.

**IN CONNECTION WITH THE OFFERING OF CLASS B1 NOTES, DEUTSCHE BANK AG, LONDON BRANCH (THE “STABILISATION MANAGER”) OR PERSONS ACTING ON BEHALF OF THE STABILISATION MANAGER MAY OVER-ALLOT THE CLASS B1 NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE CLASS B1 NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE CAN BE NO ASSURANCES THAT THE STABILISATION MANAGER OR PERSONS ACTING ON BEHALF OF THE STABILISATION MANAGER WILL UNDERTAKE ANY SUCH STABILISATION ACTION. SUCH STABILISATION ACTION, IF COMMENCED, MAY BEGIN ON OR AFTER THE DATE OF ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THE OFFER OF THE CLASS B1 NOTES AND MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 CALENDAR DAYS AFTER THE DATE ON WHICH THE ISSUER RECEIVED THE PROCEEDS OF THE ISSUE AND 60 CALENDAR DAYS AFTER THE DATE OF ALLOTMENT OF THE CLASS B1 NOTES. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILISATION MANAGER (OR PERSON(S) ACTING ON BEHALF OF THE STABILISATION MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.**

The Issuer is offering the Class B1 Notes in reliance on exemptions from the registration requirements of the U.S. Securities Act. These exemptions apply to offers and sales of securities that do not involve a public offering. The Class B1 Notes have not been registered with, recommended by or approved by the U.S. Securities and Exchange Commission (the “**SEC**”) or any other securities commission or regulatory authority, nor has the SEC or any such securities commission or authority passed upon the accuracy or adequacy of this Offering Memorandum. Any representation to the contrary is a criminal offense in the United States.

This Offering Memorandum is being provided for informational use solely in connection with consideration of a purchase of the Class B1 Notes to: (i) investors that the Issuer reasonably believes to be QIBs; and (ii) to non- U.S. persons in offshore transactions complying with Rule 903 or Rule 904 of Regulation S under the U.S. Securities Act. Its use for any other purpose is not authorised. This Offering Memorandum may not be copied or reproduced in whole or in part nor may it be distributed or any of its contents be disclosed to anyone other than the QIBs described in (i) above or to non-U.S. persons considering a purchase of the Class B1 Notes in offshore transactions described in (ii) above.

This Offering Memorandum is for distribution only to, and is directed solely at, persons who (i) are outside the United Kingdom, (ii) are investment professionals, as such term is defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “**Financial Promotion Order**”), (iii) are persons falling within Article 49(2)(a) to (d) of the Financial Promotion Order, 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 Class B1 Notes may otherwise be lawfully 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. Any person who is not a relevant person should not act or rely on this Offering Memorandum or any of its contents. No part of this Offering Memorandum should be published, reproduced, distributed or otherwise made available in whole or in part to any other person without the prior written consent of the Issuer. The Class B1 Notes are not being offered or sold to any person in the United Kingdom, except in circumstances which will not result in an offer of securities to the public in the United Kingdom within the meaning of Part VI of the Financial Services and Markets Act 2000.

This Offering Memorandum has been prepared on the basis that all offers of the Class B1 Notes will be made pursuant to an exemption under Article 3 of Directive 2003/71/EC (the “**Prospectus Directive**”), as implemented in member states of the European Economic Area (the “**EEA**”), from the requirement to produce a prospectus for offers of the Class B1 Notes. Accordingly, any person making or intending to make any offer within the EEA of the Class B1 Notes should do so only in circumstances in which no obligation arises for the Issuer or any of the Initial Purchasers to produce a prospectus for such offer. Neither RAC, nor the Issuer nor the Initial Purchasers authorise the making of any offer of the Class B1 Notes through any financial intermediary, other than offers made by the Initial Purchasers that constitute the final placement of the Class B1 Notes contemplated in this Offering Memorandum.

In addition, the Class B1 Notes may not be purchased, transferred to or otherwise held by any Plan (as defined in “*Certain ERISA Considerations*”) or any person acting on behalf of any Plan, except in the event that such Plan or person has obtained the written approval of the Issuer to subscribe for and purchase the Class B1 Notes in the offering directly from the Initial Purchasers. Any Plan that acquires the Class B1 Notes in accordance with the immediately preceding sentence, and any successor to any such Plan, shall be referred to herein as an “**Approved Plan**”. In the event that a Plan or any person acting on any Plan’s behalf purchases, acquires or holds the Class B1 Notes without meeting these requirements, the purported purchase, transfer or holding will be void and, if such purchase, transfer, holding or disposition is not treated as being void for any reason, the Class B1 Notes will automatically be transferred to a charitable trust for the benefit of a charitable beneficiary and the purported holder will acquire no right in the Class B1 Notes. These restrictions are described in “*Certain ERISA Considerations*” in this Offering Memorandum.

The Issuer has prepared this Offering Memorandum solely for use in connection with the Offering and for applying to the Irish Stock Exchange for the Class B1 Notes to be listed on its Official List and admitted to trading on its Global Exchange Market. In the United States, you may not distribute this Offering Memorandum or make copies of it without RAC’s prior written consent other than to people you have retained to advise you in connection with the Offering.

You are not to construe the contents of this Offering Memorandum as investment, legal, accounting or tax advice. You should consult your own legal counsel, accountant and other advisers as to legal, tax, business, financial and related aspects of a purchase of the Class B1 Notes. You are responsible for making your own examination of us and your own assessment of the merits and risks of investing in the Class B1 Notes. RAC, the Issuer and the Initial Purchasers are not making any representation to you regarding the legality of an investment in the Class B1 Notes by you.

The information contained in this Offering Memorandum has been furnished by RAC and sources RAC believes to be reliable. No representation or warranty, express or implied, is made by the Initial Purchasers or the Class B Note Trustee and the Class B Principal Paying Agent as to the accuracy or completeness of any of the information set out in this Offering Memorandum, and nothing contained in this Offering Memorandum is or shall be relied upon as a promise or representation by the Initial Purchasers, whether as to the past or the future. This Offering Memorandum contains summaries, believed to be accurate, of certain of the terms of specified documents and copies of certain of the summarised documents will be made available by us upon request for the complete information contained in such documents. Copies of such documents and other information relating to the issuance of the Class B1 Notes will also be available for inspection at the specified offices of the Class B Principal Paying Agent. All summaries of such documents contained herein are qualified in their entirety by this reference.

The Issuer and the Borrower accept responsibility for the information contained in this Offering Memorandum. To the best of The Issuer’s and the Borrower’s knowledge and belief, having taken all reasonable care to ensure that such is the case, 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. No person is authorised in connection with the offering made pursuant to this Offering Memorandum to give any information or to make any representation not contained in this Offering Memorandum, and, if

given or made, any other information or representation must not be relied upon as having been authorised by us or the Initial Purchasers. Each of the Issuer and the Borrower accepts responsibility that information extracted from third party sources has been accurately reproduced and, as far as the Issuer and the Borrower are aware and are able to ascertain, no facts have been omitted which would render the information inaccurate or misleading.

By purchasing the Class B1 Notes, you will be deemed to have acknowledged that:

- you have reviewed this Offering Memorandum;
- this Offering Memorandum relates only to offers and sales with respect to the Class B1 Notes; and
- the Initial Purchasers have not separately verified the information contained in this Offering Memorandum and are not responsible for, and are not making any representations to you concerning RAC's future performance or the accuracy or completeness of this Offering Memorandum.

The Issuer reserves the right to withdraw the Offering at any time, and the Issuer and the Initial Purchasers reserve the right to reject any commitment to subscribe for the Class B1 Notes in whole or in part and to allot to you less than the full amount of Class B1 Notes subscribed for by you.

This Offering Memorandum does not constitute an offer to sell or an invitation to subscribe for or purchase any of the Class B1 Notes in any jurisdiction in which such offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. You must comply with all laws that apply to you in any place in which you buy, offer or sell any Class B1 Notes or possess this Offering Memorandum. You must also obtain any consents or approvals that you need in order to purchase any Class B1 Notes. Neither the Issuer nor the Initial Purchasers are responsible for your compliance with these legal requirements.

The distribution of this Offering Memorandum and the offer and sale of the Class B1 Notes may be restricted by law in some jurisdictions. Persons into whose possession this Offering Memorandum or any of the Class B1 Notes come must inform themselves about, and observe any restrictions on the transfer and exchange of, the Class B1 Notes. The Class B1 Notes are subject to restrictions on resale and transfer as described under "*Plan of Distribution*" and "*Notice to Investors*". By purchasing any Class B1 Notes, you will be deemed to have made certain acknowledgments, representations and agreements as described in those sections of this Offering Memorandum. You may be required to bear the financial risks of investing in the Class B1 Notes for an indefinite period of time.

#### **NOTICE TO U.S. INVESTORS**

Each purchaser of Class B1 Notes will be deemed to have made the representations, warranties and acknowledgements that are described in this Offering Memorandum under "*Notice to Investors*".

The Class B1 Notes have not been and will not be registered under the U.S. Securities Act or the securities laws of any state of the United States and are subject to certain restrictions on transfer. Prospective purchasers are hereby notified that the seller of any Class B1 Note may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A. Outside the United States, sellers may be relying on Regulation S. For a description of certain further restrictions on resale or transfer of the Class B1 Notes, see "*Notice to Investors*". The Class B1 Notes may not be offered to the public within any jurisdiction. By accepting delivery of this Offering Memorandum, you agree not to offer, sell, resell, transfer or deliver, directly or indirectly, any Class B1 Note to the public.

## NOTICE TO CERTAIN INVESTORS

**European Economic Area.** In relation to each Member State of the EEA which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), each Initial Purchaser has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”) it has not made and will not make an offer of the Class B1 Notes to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Class B1 Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Notes to the public in that Relevant Member State at any time:

- a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the relevant dealer or dealers nominated by the Issuer for any such offer; or
- c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

*provided* that no such offer of the Class B1 Notes shall result in a requirement for the publication by the Issuer or the Initial Purchasers of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression “offer of notes to the public” in relation to any Class B1 Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Class B1 Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Class B1 Notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State, the expression “**Prospectus Directive**” means Directive 2003/71/EC and amendments hereto, including the 2010 PD Amending Directive, and includes any relevant implementing measure in the Relevant Member State and the expression “**2010 PD Amending Directive**” means Directive 2010/73/EU.

Each subscriber for or purchaser of the Class B1 Notes in the offering located within a Relevant Member State will be deemed to have represented, acknowledged and agreed that it is a “qualified investor” within the meaning of Article 2(1)(e) of the Prospectus Directive. The Issuer, the Initial Purchasers and their affiliates, and others will rely upon the trust and accuracy of the foregoing representation, acknowledgement and agreement. Notwithstanding the above, a person who is not a qualified investor and who has notified the Initial Purchasers of such fact in writing may, with the consent of the Initial Purchasers, be permitted to subscribe for or purchase the Class B1 Notes in the offering.

**United Kingdom.** This Offering Memorandum is for distribution only to, and is directed solely at, persons who (i) are outside the United Kingdom, (ii) are investment professionals, as such term is defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “**Financial Promotion Order**”), (iii) are persons falling within Article 49(2)(a) to (d) of the Financial Promotion Order, 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 Class B1 Notes may otherwise be lawfully 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. Any person who is not a relevant person should not act or rely on this Offering Memorandum or any of its contents. No part of this Offering Memorandum should be published, reproduced, distributed or otherwise made available in whole or in part to any other person without the prior written consent of the Issuer. The Class B1 Notes are not being offered or sold to any person in the United Kingdom, except in circumstances which will not result in an offer of securities to the public in the United Kingdom within the meaning of Part VI of the Financial Services and Markets Act 2000.

**THIS OFFERING MEMORANDUM CONTAINS IMPORTANT INFORMATION WHICH YOU SHOULD READ BEFORE YOU MAKE ANY DECISION WITH RESPECT TO AN INVESTMENT IN THE CLASS B1 NOTES.**



## FORWARD-LOOKING STATEMENTS

This Offering Memorandum contains various forward-looking statements that reflect management's current views with respect to future events and anticipated financial and operational performance. Forward-looking statements as a general matter are all statements other than statements as to historical facts or present facts or circumstances. The words "aim", "anticipate", "assume", "believe", "contemplate", "continue", "could", "estimate", "expect", "forecast", "intend", "likely", "may", "might", "plan", "positioned", "potential", "predict", "project", "remain", "should", "will" or "would", or, in each case, their negative, or similar expressions, identify certain of these forward-looking statements. Other forward-looking statements can be identified in the context in which the statements are made. Forward-looking statements appear in a number of places in this Offering Memorandum, including, without limitation, in the sections entitled "*Overview*", "*Risk Factors*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*", "*Industry*" and "*Business*" and include, among other things, statements relating to:

- RAC's strategy, outlook and growth prospects, including plans to increase the sale of products and services through cross-selling and up-selling to existing customers;
- RAC's operational and financial targets;
- RAC's results of operations, liquidity, capital resources and capital expenditure;
- RAC's financing plans and requirements;
- RAC's planned investments;
- future growth in demand for RAC's products and services;
- general economic trends and trends in the markets in which RAC operates;
- the impact of regulations and laws on RAC and its operations;
- RAC's retention of Individual Members, Partner Members and Corporate Partners;
- the competitive environment in which RAC operates and pricing pressure RAC may face;
- RAC's plans to launch new or expand existing products and services; and
- the outcome of legal proceedings or regulatory investigations.

By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance and RAC's actual financial condition, results of operations and cash flows, and the development of the industry in which RAC operates, may differ materially from (and be more negative than) those made in, or suggested by, the forward-looking statements contained in this Offering Memorandum. In addition, even if RAC's financial condition, results of operations and cash flows and the development of the industry in which it operates are consistent with the forward-looking statements contained in this Offering Memorandum, those results or developments may not be indicative of results or developments in subsequent periods. Although RAC believes that the expectations reflected in these forward-looking statements are reasonable, no assurance can be provided that they will materialise or prove to be correct. Because these forward-looking statements are based on assumptions or estimates and are subject to risks and uncertainties, the actual results or outcome could differ materially from those set out in the forward-looking statements as a result of, among others:

- RAC's ability to maintain and improve the quality of its services;
- loss or impairment of RAC's favourable brand recognition;
- failure to protect RAC's brand and other intellectual property rights from infringement;
- the failure to retain existing Individual Members;
- increased competition within RAC's business segments;
- the usage levels of RAC's Members;
- severe or unexpected weather, which may increase RAC's operating costs;
- RAC's ability to adjust to latest technological advancements;
- the loss of key contractual relationships with certain Corporate Partners;

- the operational failure of RAC's IT and communication systems or the failure to develop RAC's IT and communication systems;
- existing competition within the insurance broking market;
- the failure to comply with data protection laws and regulations or failure to secure and protect personal data;
- potential allegations of personal data leakage to roadside traffic accident claims management companies;
- failure to renew existing contracts or enter into new contracts with suppliers;
- RAC's ability to retain or replace senior management and key personnel;
- RAC's ability to successfully manage risks and liabilities relating to acquisitions and integrate any future acquisitions or consummate disposals in the future;
- changes in employment laws, deterioration of union relations, strikes, work stoppages or other disruptions in RAC's workforce;
- litigation (including in connection with roadside injuries or death) or regulatory inquiries or investigations;
- adverse changes in the laws and regulations governing RAC's business;
- changes in economic conditions in the United Kingdom and the UK's decision to leave the EU;
- the interests of RAC's controlling shareholders;
- factors affecting RAC's leverage, its ability to service its debt and the structure thereof;
- risks relating to security, enforcement and insolvency; and
- risks relating to taxation.

Additional factors that could cause RAC's actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "*Risk Factors*". The factors described above and others described under the caption "*Risk Factors*" should not be construed as exhaustive. Due to such uncertainties and risks, you are cautioned not to place undue reliance on such forward-looking statements, which speak only as at the date of this Offering Memorandum. Prospective investors are urged to read this Offering Memorandum, including the sections entitled "*Risk Factors*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*", "*Business*" and "*Industry*" for a more complete discussion of the factors that could affect RAC's future performance and the industry in which it operates.

These forward-looking statements speak only as at the date of this Offering Memorandum. RAC expressly undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required by law or regulation. Accordingly, prospective investors are cautioned not to place undue reliance on any of the forward-looking statements herein. In addition, all subsequent written and oral forward-looking statements attributable to RAC or to persons acting on RAC's behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Offering Memorandum, including those set forth under the caption "*Risk Factors*".

## PRESENTATION OF FINANCIAL AND OTHER INFORMATION

### Historical financial information

The Issuer is a special purpose company and was incorporated on 24 March 2016 for the purpose of issuing the Class A Notes and in anticipation of issuing the Class B Notes and lending the proceeds of such issuances to the Borrower. The Issuer has not engaged in any activities, and has no assets, other than those related to its formation and subsequent issuances of the Class A1 Notes and the Class A2 Notes on 6 May 2016 and the Class B1 Notes offered hereby, in each case, under the Programme. Accordingly, the results of the Issuer do not represent the results of RAC and separate financial information of the Issuer is not presented in this Offering Memorandum. Instead, RAC's financial information is presented at the Holdco Group level and, as at and for the year ended 31 December 2014, at the Opco Group level.

Unless otherwise indicated, in this Offering Memorandum the financial information for RAC is presented:

- as at and for the year ended 31 December 2014, at the Opco Group level based on the audited consolidated financial statements of the Opco Group as at and for the year ended 31 December 2015 prepared in accordance with the IFRS as adopted in the EU (the “**2015 Opco Group Financial Statements**”);
- as at and for the years ended 31 December 2015 and 2016, at the Holdco Group level based on the audited consolidated financial statements of the Holdco Group as at and for the years ended 31 December 2015 and 2016, respectively, in each case, prepared in accordance with the IFRS as adopted in the EU (the “**2015 Holdco Group Financial Statements**” and the “**2016 Holdco Group Financial Statements**”, respectively); and
- as at and for the three months ended 31 March 2016 and 2017, at the Holdco Group level based on the unaudited condensed consolidated financial statements of the Holdco Group as at and for the three months ended 31 March 2017 prepared in accordance with IAS 34, Interim Financial Reporting (the “**Holdco Group Interim Financial Statements**”, and, together with the 2015 Holdco Group Financial Statements and the 2016 Holdco Group Financial Statements, the “**Holdco Group Financial Statements**”, and together with the 2015 Opco Group Financial Statements, the “**Financial Statements**”).

Holdco was incorporated on 22 September 2014 for the purpose of acquiring RAC and became the indirect holding company of the Opco Group upon the completion of the Sphinx Acquisition on 17 December 2014. Holdco's only material assets and liabilities are currently (and are expected in the future to be) its interest in the issued and outstanding shares of its subsidiaries and indebtedness and intercompany balances permitted to be incurred under the Senior Finance Documents (as defined herein) and the Common Documents (as defined herein). Because the Sphinx Acquisition completed on 17 December 2014, the audited consolidated financial statements of the Holdco Group as at and for the period ended 31 December 2014: (a) present consolidated financial position of the Holdco Group (including the Opco Group) as at 31 December 2014, but only (b) present consolidated results of operations of the Holdco Group (including the Opco Group) for the period from 17 December 2014 to 31 December 2014. The primary differences between the financial condition and results of operations of the Holdco Group and the Opco Group as at and for the year ended 31 December 2015 (which was the first full year of operation of the Holdco Group) related to (i) liabilities and finance expenses relating to external debt and shareholder loan notes, which had been incurred at the levels of Opco's parent entities (RAC Finance (Holdings) Limited and RAC Finance Limited) before the Sphinx Acquisition and at the Holdco Group level thereafter; and (ii) the impact of acquisition accounting on the carrying value of goodwill and indefinite-lived intangible assets as a result of the Sphinx Acquisition and the related impacts on amortisation, which were reported at the Holdco Group level.

This Offering Memorandum includes certain unaudited consolidated *as adjusted* financial data which has been prepared to reflect the effects of the issuance of Notes offered hereby and the application of the proceeds therefrom as described in the section entitled “*Use of Proceeds*”. The unaudited consolidated *as adjusted* financial data included in this Offering Memorandum has been prepared for illustrative purposes only and does not purport to represent what the actual consolidated financial position of RAC would have been as at the relevant dates or for the relevant periods. The unaudited adjustments and the unaudited *as adjusted* financial data set out in this Offering Memorandum are based on available information and certain assumptions and estimates that RAC believes are reasonable and may differ materially from the actual adjusted amounts.

Certain financial information in this Offering Memorandum has been presented for the twelve months ended 31 March 2017. Such financial information has been computed by adding the number for the three months ended 31 March 2017 to the number for the year ended 31 December 2016 and subtracting from the resulting total the number for the three months ended 31 March 2016, in each case, in the relevant line item.

RAC's presentation currency is pounds sterling. Accordingly, the Financial Statements included herein are presented in pounds sterling. For certain information regarding rates of exchange between sterling and U.S. dollars, see "Exchange Rate Information".

### Certain reclassifications

In preparing the 2015 Opco Group Financial Statements, RAC reclassified certain amounts previously reported for the year ended 31 December 2014 to ensure consistent presentation in the 2015 Opco Group Financial Statements. That included certain reclassifications from (i) administrative expenses to cost of sales in the income statement; (ii) trade payables and accruals to deferred income in the statement of financial position; and (iii) trade and other receivables to interest paid in the statement of cash flows. None of those reclassifications had a material effect on the reported profit and net assets of the Opco Group.

### Non-IFRS financial measures

In this Offering Memorandum, certain financial measures are presented that are not defined by IFRS, including EBITDA before exceptional items, EBITDA before exceptional items Margin, Operating Cash Flow and Operating Cash Conversion. "**EBITDA before exceptional items**" is profit or loss for the period before finance expenses, other gains and losses, tax credit or charge, amortisation, depreciation and exceptional items. "**EBITDA before exceptional items Margin**" is EBITDA before exceptional items for a period as a percentage of revenue for the same period. "**Operating Cash Flow**" is EBITDA before exceptional items, net of cash flow from working capital before exceptional items, maintenance capital expenditure and customer acquisition intangibles capital expenditure. "**Operating Cash Conversion**" is Operating Cash Flow as a percentage of EBITDA before exceptional items.

These non-IFRS measures are sometimes used by investors to evaluate the efficiency of a company's operations and its ability to employ its earnings toward repayment of debt, capital expenditures and working capital requirements. There are no generally accepted principles governing the calculation of these non-IFRS measures, and the criteria upon which such measures are based can vary from company to company. These non-IFRS measures do not provide a sufficient basis to compare RAC's performance with that of other companies and should not be considered in isolation or as a substitute for operating income or any other measure as an indicator of operating performance or as an alternative to cash generated from operating activities as a measure of liquidity. In addition, these measures should not be used instead of, or considered as an alternative to, RAC's historical financial results under IFRS. Also, these measures may be different from similarly defined measures in the Common Documents and the Class B1 IBLA. See "*Description of the Class B1 IBLA*".

EBITDA before exceptional items, EBITDA before exceptional items Margin, Operating Cash Flow and Operating Cash Conversion have limitations as analytical tools, and investors should not consider them in isolation. Some of these limitations are:

- they do not reflect RAC's cash expenditures or future requirements for capital expenditures or contractual commitments;
- they do not reflect changes in, or cash requirements for, RAC's working capital needs;
- they do not reflect any cash income taxes that RAC may be required to pay;
- they do not reflect the significant interest expense, or the cash requirements necessary, to service interest or principal payments on RAC's debt;
- although depreciation and amortization are non-monetary charges, the assets being depreciated and amortised will often need to be replaced in the future and EBITDA before exceptional items, EBITDA before exceptional items Margin, Operating Cash Flow and Operating Cash Conversion do not reflect any cash that would be required for such replacements;
- some of the exceptional items RAC eliminates in calculating EBITDA before exceptional items, EBITDA before exceptional items Margin, Operating Cash Flow and Operating Cash Conversion reflect cash payments that were made, or will be made in the future; and
- the fact that other companies in RAC's industry may calculate EBITDA before exceptional items, EBITDA before exceptional items Margin, Operating Cash Flow and Operating Cash Conversion differently than RAC does, which limits their usefulness as comparative measures.

RAC has presented these non-IFRS measures because it believes they are helpful to investors and financial analysts in highlighting trends in its overall business because the items excluded in calculating these measures have little or no bearing on its day-to-day operating performance. In particular, EBITDA before exceptional items eliminates potential differences in performance caused by variations in capital structures, tax positions, the value and useful lives of tangible and intangible assets. Potential investors in the Class B1 Notes are encouraged to evaluate these items and the limitations for purposes of analysis in excluding them.

The financial information included in this Offering Memorandum is not intended to comply with the applicable accounting requirements of the U.S. Securities Act and the related rules and regulations of the SEC which would apply if the Class B1 Notes were being registered with the SEC.

### **Non-financial operating data**

The non-financial operating data included in this Offering Memorandum has been extracted without material adjustment from RAC's management records and is unaudited. RAC's use or computation of that data may not be comparable to the use or computation of similarly titled data reported by other companies in RAC's industry.

### **General**

Certain numerical figures set out in this Offering Memorandum, including financial information presented in millions or thousands and percentages describing market shares, have been subject to rounding adjustments and, as a result, the totals of such figures in this Offering Memorandum may vary slightly from the actual arithmetic totals of such information. Percentages and amounts reflecting changes over time periods relating to financial and other information set out in the section entitled "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" are calculated using the numerical information in the section entitled "*Selected Consolidated Financial and Operating Data*" or the tabular presentation of other information (subject to rounding) set out in this Offering Memorandum, as applicable, and not using the numerical information in the narrative description thereof.

The content of any RAC internet websites, including the internet websites referred to in this Offering Memorandum, is not part of, and is not incorporated by reference in, this Offering Memorandum.

## **INDUSTRY AND MARKET DATA**

In this Offering Memorandum, RAC relies on and refers to certain information regarding the industry and the markets in which it operates and competes.

Certain economic and industry data, market data and market forecasts set forth in this Offering Memorandum were extracted from market research, governmental and other publicly available information, independent industry publications and reports prepared by international consulting firms, which have been produced based on independent market surveys, as well as publications comprising industry data, forecasts, and other information made available to such consulting firms by third party data providers, industry associations, competitors, and/or extracted from broker reports or published accounts, and/or derived from interviews with key market participants, as well as obtained from other publicly available sources and certain operational and other information, including business plans and reports from other consulting firms. These external sources include the UK Department for Transport, the UK Office for National Statistics, ICM Unlimited and Mintel.

Each of the Issuer and the Borrower accepts responsibility that information extracted from third party sources has been accurately reproduced and, as far as the Issuer and the Borrower are aware and are able to ascertain, no facts have been omitted which would render the information inaccurate or misleading. However, neither the Issuer or the Borrower, nor the Initial Purchasers have verified the accuracy of such information, market data or other information on which third parties have based their studies. Prospective investors in the Class B1 Notes should also be aware that market data and statistics are inherently predictive and speculative and are not necessarily reflective of actual or future 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. In addition, the value of comparisons of statistics of different markets is limited by many factors, including that (i) the underlying information is gathered by different methods with varying levels of access and information available in different markets and (ii) different assumptions are applied in compiling the data. Market studies are frequently based on information and assumptions that may not be exact or appropriate and their methodology is by nature forward-looking and speculative. Further, market data and statistical information presented in this Offering Memorandum, including estimates derived therefrom, may differ from information and estimates made by RAC's competitors or from current or future studies conducted by market research institutes, consultancy firms or other independent sources.

This Offering Memorandum also contains estimates of industry and market data and information derived therefrom that cannot be gathered from any third party sources. Such information is prepared by RAC based on third party sources and its own internal estimates. RAC believes that its estimates of market data and information derived therefrom are helpful to give investors a better understanding of the industry in which it operates as well as its position within the industry. Although RAC believes that its internal market observations are reliable, its own estimates are not reviewed or verified by any external sources.

While RAC is not aware of any misstatements regarding the industry or similar data presented in this Offering Memorandum, the use of such data involves risks and uncertainties and is subject to change based on various factors, including those discussed in the section entitled "*Risk Factors*".

## **TRADEMARKS AND TRADE NAMES**

RAC is the registered owner of or has rights to certain trademarks or trade names that it uses in conjunction with the operation of its business. Each trademark, trade name or service mark of any other company appearing in this Offering Memorandum is the property of its respective holder.

## **CURRENCY PRESENTATION**

In this Offering Memorandum, unless otherwise indicated, all references to "£", "pound", "pounds", "pounds sterling", "sterling" and "GBP" are to the lawful currency of the United Kingdom, all references to "€", "euro", "euros", and "EUR" are to the single currency of the Member States of the European Union participating in the European Monetary Union and all references to "\$", "U.S. dollar", "U.S. dollars" and "USD" are to the United States dollar, the lawful currency of the United States of America.

## EXCHANGE RATE INFORMATION

The following table sets forth, for the periods indicated, certain information concerning the exchange rate for pounds sterling based upon the Bloomberg Composite Rate, expressed in U.S. dollars per £1.00. The Bloomberg Composite Rate is a “best market” calculation, in which, at any point in time, the bid rate is equal to the highest bid rate of all contributing bank indications and the ask rate is set to the lowest ask rate offered by these banks. The Bloomberg Composite Rate is a mid-value rate between the applied highest bid rate and the lowest ask rate. The rates may differ from the actual rates used in the preparation of the consolidated financial statements and other financial information appearing in this Offering Memorandum. “Average” means the average of the exchange rates on the last business day of each month for annual averages and the average of the exchange rates on each business day during the relevant period for monthly averages. These exchange rates are provided only for the convenience of the reader. No representation is made that amounts in pounds sterling have been, could have been, or could be converted into U.S. dollars, or vice versa. As at 3 July 2017, the mid-rate was USD 1.2957 per £1.00.

| Calendar Year       | U.S. dollars per £1.00 |        |                        |            |
|---------------------|------------------------|--------|------------------------|------------|
|                     | High                   | Low    | Average <sup>(1)</sup> | Period End |
| 2012 .....          | 1.6276                 | 1.5295 | 1.5851                 | 1.6242     |
| 2013 .....          | 1.6566                 | 1.4858 | 1.5648                 | 1.6566     |
| 2014 .....          | 1.7165                 | 1.5515 | 1.6474                 | 1.5581     |
| 2015 .....          | 1.5872                 | 1.4654 | 1.5283                 | 1.4734     |
| 2016 .....          | 1.4810                 | 1.2158 | 1.3554                 | 1.2345     |
| Month               | High                   | Low    | Average <sup>(2)</sup> | Period End |
| January 2017 .....  | 1.2607                 | 1.2068 | 1.2351                 | 1.2570     |
| February 2017 ..... | 1.2636                 | 1.2417 | 1.2490                 | 1.2417     |
| March 2017 .....    | 1.2563                 | 1.2153 | 1.2343                 | 1.2542     |
| April 2017 .....    | 1.2950                 | 1.2385 | 1.2637                 | 1.2950     |
| May 2017 .....      | 1.3023                 | 1.2796 | 1.2923                 | 1.2890     |
| June 2017 .....     | 1.3008                 | 1.2625 | 1.2807                 | 1.3008     |

(1) The average of the exchange rates on the last business day of each month during the relevant period.

(2) The average of the exchange rates on each business day during the relevant period.

The following table sets forth, for the periods indicated, certain information concerning the exchange rate for pounds sterling based upon the Bloomberg Composite Rate, expressed in euros per £1.00. “Average” means the average of the exchange rates on the last business day of each month for annual averages and the average of the exchange rates on each business day during the relevant period for monthly averages. These exchange rates are provided only for the convenience of the reader. No representation is made that amounts in pounds sterling have been, could have been, or could be converted into euros, or vice versa. As at 3 July 2017, the mid-rate was EUR 1.1409 per £1.00.

| Calendar Year       | Euros per £1.00 |        |                        |            |
|---------------------|-----------------|--------|------------------------|------------|
|                     | High            | Low    | Average <sup>(1)</sup> | Period End |
| 2012 .....          | 1.2863          | 1.1789 | 1.2332                 | 1.2307     |
| 2013 .....          | 1.2328          | 1.1431 | 1.1779                 | 1.2014     |
| 2014 .....          | 1.2874          | 1.1912 | 1.2409                 | 1.2874     |
| 2015 .....          | 1.4399          | 1.2726 | 1.3775                 | 1.3559     |
| 2016 .....          | 1.3645          | 1.0983 | 1.2243                 | 1.1705     |
| Month               | High            | Low    | Average <sup>(2)</sup> | Period End |
| January 2017 .....  | 1.1782          | 1.1381 | 1.1616                 | 1.1656     |
| February 2017 ..... | 1.1873          | 1.1603 | 1.1739                 | 1.1705     |
| March 2017 .....    | 1.1724          | 1.1406 | 1.1554                 | 1.1724     |
| April 2017 .....    | 1.1968          | 1.1662 | 1.1797                 | 1.1879     |
| May 2017 .....      | 1.1907          | 1.1448 | 1.1692                 | 1.1471     |
| June 2017 .....     | 1.1540          | 1.1297 | 1.1399                 | 1.1397     |

(1) The average of the exchange rates on the last business day of each month during the relevant period.

- (2) The average of the exchange rates on each business day during the relevant period.

These exchange rates are provided solely for the convenience of potential investors. The rates should not be construed as a representation that pounds sterling amounts could have been, or could be, converted into euro or U.S. dollars at the rates set forth herein or at any other rate. No representation is made that amounts in pounds sterling have been, could have been, or could be converted into euros, or vice versa.



## CERTAIN KEY DEFINITIONS

“**Affinity Partner**” means an organisation with which RAC develops relationships to market products jointly by way of cross-endorsements.

“**ARPU**” means average revenue per unit.

“**CAGR**” means compound annual growth rate.

“**Carlyle Acquisition**” means the acquisition by The Carlyle Group of the Opco Group from Aviva in September 2011.

“**Corporate Partners**” means B2B customers of RAC.

“**File Size**” means the number of Members in a given period.

“**Holdco**” means RAC Bidco Limited, a limited liability company incorporated in England and Wales with registered number 09229824.

“**Holdco Group**” or “**RAC**” means Holdco and each of its Subsidiaries (other than the Issuer).

“**IFRS**” means International Financial Reporting Standards issued by the International Accounting Standards Board.

“**Individual Member**” means an individual customer subscribing for RAC’s services directly.

“**IPT**” means UK insurance premium tax.

“**Issuer**” means RAC Bond Co plc, a public limited liability company incorporated in England and Wales with registered number 10084638.

“**Member**” means an Individual Member or a Partner Member.

“**Net Promoter Score**” means a measure of customer satisfaction calculated based on responses to the question “How likely would you be to recommend RAC to friends or relatives?”.

“**Opco**” means RAC Group Limited, a limited liability company incorporated in England and Wales with registered number 00229121.

“**Opco Group**” means Opco and each of its Subsidiaries.

“**Operating Cash Flow**” means EBITDA before exceptional items, net of cash flow from working capital (excluding exceptional items), maintenance capital expenditure and customer acquisition intangible capital expenditure.

“**Partner Member**” means an individual end-user of a B2B policy purchased from RAC by a Corporate Partner.

“**Persistency Rate**” means the percentage of Individual Members at the beginning of a 12-month period who were still members at the end of that 12-month period.

“**Sphinx**” means Sphinx Investment Pte Ltd, a nominated investment vehicle of GIC Special Investments Pte Ltd, which is a direct subsidiary of GIC Pte Ltd.

“**Sphinx Acquisition**” means the acquisition by Sphinx Investment Pte Ltd of approximately 41 per cent. shareholding in RAC from The Carlyle Group in December 2014.

## OVERVIEW

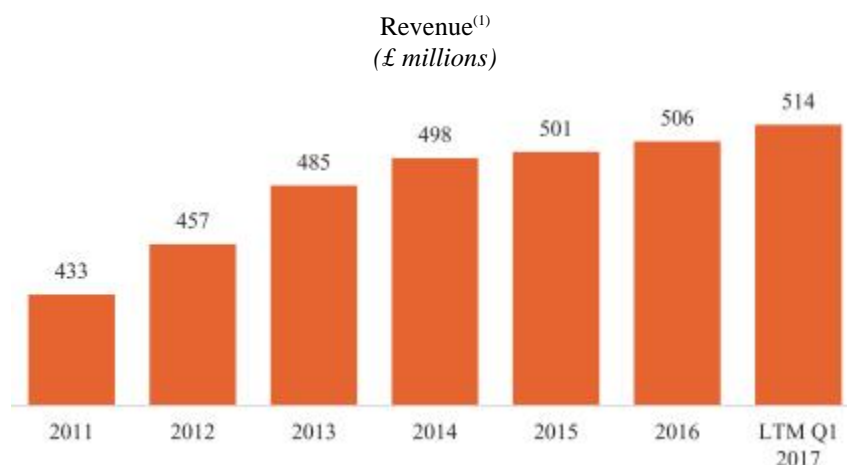
*The following summary highlights selected information about RAC and the Offering contained in this Offering Memorandum. This summary is not complete and does not contain all the information you should consider before investing in the Class B1 Notes. The following summary should be read in conjunction with, and the following summary is qualified in its entirety by, the more detailed information included in this Offering Memorandum, including the Financial Statements and the related notes therein. You should read carefully the entire Offering Memorandum to understand RAC's business, the nature and terms of the Class B1 Notes and the Class B1 IBLA and the tax and other considerations that are important to your decision to invest in the Class B1 Notes, including the risks discussed under the heading "Risk Factors". See "Definitions and Glossary" for more information on the technical terms used in this Offering Memorandum.*

### Overview of RAC's Business

RAC is the second-largest roadside assistance provider in the UK, representing approximately 29.4 per cent. of the UK roadside assistance market by value. In addition to its core roadside assistance business, it also offers insurance broking, motoring services and telematics and data services to cater for a wider range of motorists' needs. With 120 years of operating history, RAC has established itself as one of the most widely-recognised brands in the UK and one of the most trusted in automotive services, with a stable core membership base. Positioning itself as "*The Motorist's Champion*" under the strapline "*Motorists. We Salute You*", RAC has successfully leveraged its brand to provide insurance broking, motoring and other products and services.

RAC generated revenue of £514 million, EBITDA before exceptional items of £185 million and EBITDA before exceptional items Margin of 36.0 per cent., in each case, for the twelve months ended 31 March 2017. It also had high Operating Cash Conversion averaging 82 per cent. in 2014-2016. See "*Summary Consolidated Financial, Operating and Other Data*". RAC has a strong working capital position as the majority of its Individual Members pay for services in advance and the majority of its suppliers are paid after the provision of products and services.

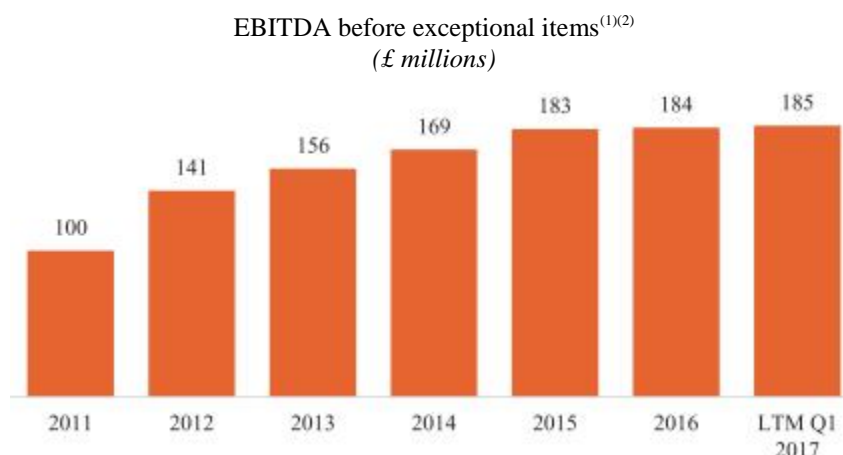
The table below presents RAC's historic revenue.



Note:

- (1) Revenue is presented (1) for the Opco Group for the years ended 31 December 2011, 2012, 2013 and 2014 and (2) for the Holdco Group for the years ended 31 December 2015 and 2016 and the twelve months ended 31 March 2017. The Holdco Group's revenue for the year ended 31 December 2015 was the same as the Opco Group's revenue for this period. See "*Presentation of Financial and Other Information*" and "*Summary Consolidated Financial, Operating and Other Data—Summary Income Statement Data*".

The table below presents RAC's historic EBITDA before exceptional items.



Notes:

- (1) EBITDA before exceptional items is profit or loss for the period before finance expenses, other gains and losses, tax credit or charge, amortisation, depreciation and exceptional items. EBITDA before exceptional items is a non-IFRS measure. It is presented here because the Management believes that it is helpful in highlighting trends in RAC's business. For further detail on this and other non-IFRS measures, see "*Presentation of Financial and Other Information—Non-IFRS financial measures*".
- (2) EBITDA before exceptional items is presented (1) for the Opco Group for the years ended 31 December 2011, 2012, 2013 and 2014 and (2) for the Holdco Group for the years ended 31 December 2015 and 2016 and the twelve months ended 31 March 2017. The Opco Group generated £179 million of EBITDA before exceptional items for the year ended 31 December 2015. See "*Presentation of Financial and Other Information*" and "*Summary Consolidated Financial, Operating and Other Data—Summary Income Statement Data*".

## RAC's Products and Services

RAC categorises its offerings into four segments: Roadside, Insurance broking, Motoring services, and Telematics and Data services.

### Roadside

RAC provides breakdown cover for motor vehicles, including cars, vans, motorcycles and motorhomes. RAC has two roadside assistance contact centres, based in Walsall and Manchester in the UK, which are responsible for receiving initial breakdown and assistance calls from Members. Both centres operate 24 hours a day, seven days a week, 365 days a year and handled approximately 3.7 million calls in 2016. Roadside assistance itself is provided by RAC's branded fleet, which, as at 31 March 2017 comprised approximately 1,475 RAC-branded Patrol Specialists and 109 Specialist Recovery drivers. Unlike other roadside assistance providers that only offer towing services or a third party garage network, RAC's Patrol Specialists are trained to assess and repair a variety of breakdowns at the roadside. Patrol vehicles are equipped with advanced equipment designed to enable a high roadside repair rate for breakdowns. RAC attended approximately 2.2 million breakdowns at the roadside in 2016 (with 86 per cent. of breakdowns attended by branded Patrol Specialists) and successfully repaired approximately 80 per cent. thereof.

As at 31 March 2017, RAC had approximately 8.6 million Members – the equivalent of over one out of every four motorists in the UK. Approximately 2.2 million of RAC's Members were Individual Members. RAC's Individual Membership base has attractive demographics, with higher weighting towards 45-65 year olds and females, who have a greater propensity to spend. It is also characterised by a high degree of stability having an average membership duration of approximately nine years and a highly stable Persistency Rate of 80 per cent. for the year ended 31 December 2016. RAC also had approximately 6.4 million Partner Members from over 280 Corporate Partners split across four sectors: banks, insurance companies, motor manufacturers and fleet and leasing companies. Seven of RAC's top ten Corporate Partners have been with RAC for more than five years and six of the top ten have been with RAC for more than ten years.

The Roadside segment generated revenue of £418 million and £417 million for the twelve months ended 31 March 2017 and the year ended 31 December 2016, respectively, which represented 81.3 per cent. and 82.4 per cent of RAC's total revenue during the respective periods. For the twelve months ended 31 March 2017, the revenue in this segment comprised £265 million from Individual Members, which represented 51.6 per cent. of RAC's total revenue during the period, and £153 million from Corporate Partners, which represented 29.8 per cent. of RAC's total revenue during the period.

### ***Insurance broking***

RAC offers car, home, motorcycle, van and other specialist broking insurance services to both Members and non-Members. RAC is the fourth largest motor insurance broker in the UK by number of policies as at 31 March 2017. RAC's insurance broking demographics mirror that of its Individual Members, with approximately 70 per cent. of customers over 45 years old, which is highly attractive from an underwriting perspective as they are typically more risk adverse than younger customers.

RAC acts as a distributor of insurance products via its two insurance intermediary subsidiaries, working with other brokers on a product-by-product basis. Typically, no underwriting risk is undertaken (however, there is some, immaterial underwriting risk taken on add-on products within the Roadside and the Motoring services segments, such as legal expenses insurance). RAC has car and home insurance underwriting panels, which are currently administered by BGL Group ("BGL"). The car insurance panel consists of ten underwriters and the home insurance panel consists of eight underwriters.

The Insurance broking segment generated revenue of £60 million and £57 million for the twelve months ended 31 March 2017 and the year ended 31 December 2016, respectively, which represented 11.7 per cent. and 11.3 per cent. of RAC's total revenue during the respective periods.

### ***Motoring services***

RAC's Motoring services segment comprises motoring claims and legal services and other ancillary motoring products. These complement RAC's other products and services and address the broader requirements of motorists. The key products in this segment are as follows: (a) motoring claims (administration of motoring claims on behalf of several corporate customers, with the level of services ranging from first notification of loss following an accident through to repair placement and repair management); (b) legal expenses insurance (offering insurance cover for legal costs incurred after an accident that was not the customer's fault and defending a motoring prosecution where there is a reasonable chance of success); (c) legal services on range of matters; and (d) accident management (as part of this service a replacement vehicle is provided for the duration of the repair, RAC collects and delivers the vehicle once it is repaired and a three-year warranty is available for repairs where RAC-approved bodyshops are used).

In addition, RAC has two websites, RAC Cars ([www.raccars.co.uk](http://www.raccars.co.uk)) and RAC Shop ([www.racshop.co.uk](http://www.racshop.co.uk)), that provide customers with motoring products and services. RAC Cars is a website aimed at consumers searching to purchase a new or used vehicle. RAC Shop is a retail website for the sale of various motoring products. RAC also provides certain Corporate Partners with an online fleet management tool for SMEs, known as RAC Business Club. The dedicated web portal enables SME Corporate Partners to manage their roadside assistance policy and fleet details online. In addition, the website provides customers with the ability to procure additional RAC products such as fuel cards, telematics and insurance by selecting the vehicles for which they wish to obtain products.

The Motoring service segment generated revenue of £31 million and £27 million for the twelve months ended 31 March 2017 and the year ended 31 December 2016, respectively, which represented 6.0 per cent. and 5.3 per cent. of RAC's total revenue during the respective periods.

### ***Telematics and Data services***

RAC offers a telematics solution to fleet and insurance Corporate Partners. The solution involves fitting a small and unobtrusive telematics box in vehicles and provides access to a portal into which the box feeds vehicle information. The portal can monitor driving behaviour and diagnostic information from the vehicle and incorporates market leading crash detection software. The portal also offers a range of associated services in relation to (among other things) reporting, duty of care, fuel efficiency and geo-fencing. Telematics boxes have been installed with many of RAC's Corporate Partners, with approximately 41,000 boxes as at 31 March 2017 (approximately 25,000 in fleet, rental and leasing companies, and approximately 16,000 installed by third party insurers). RAC has also developed a combined insurance and telematics offering. Telematics boxes have been fitted into all of RAC's own fleet of Patrol vehicles, resulting in a substantial reduction of fuel costs.

The Telematics and Data services segment generated revenue of £5 million for each of the twelve months ended 31 March 2017 and the year ended 31 December 2016, which represented 1.0 per cent. of RAC's total revenue during the respective periods.

Strengths

One of the UK’s most recognised and trusted brands

Over the last 120 years RAC, has become the “*The Motorist’s Champion*” and an iconic British brand. RAC has invested significantly in its brand, making it one of the most recognised in the UK, with Unprompted Awareness of 82 per cent. and Prompted Awareness of 96 per cent. as at 31 December 2015. RAC’s brand position is reinforced principally through the quality of its roadside assistance service, as well as through its long-term relationships with Corporate Partners and Affinity Partners. RAC’s market-leading service levels, delivered through the call centre or at the roadside, drive high levels of customer satisfaction, evidenced by a Net Promoter Score of 94 for the year ended 31 December 2016.

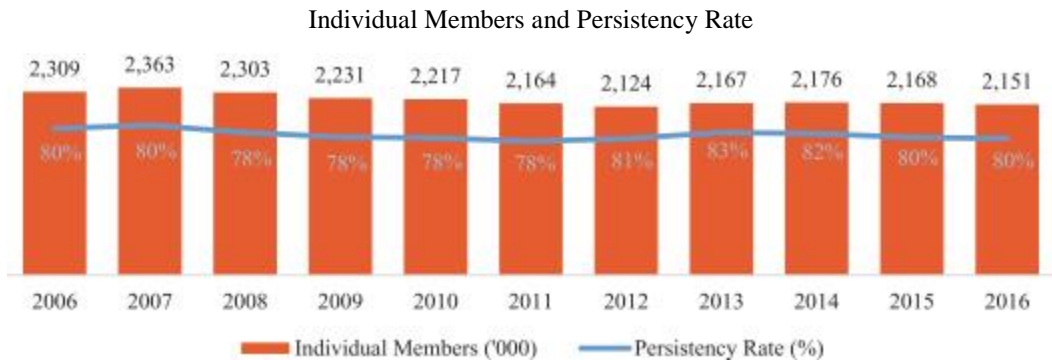
As a result, RAC’s brand and service leadership have been recognised by third parties. For example, RAC was awarded a five star rating by Defaqto in 2016 in relation to UK and Comprehensive European breakdown cover, was voted in the top 10 companies in the UK for trust and awarded the Consumer Intelligence Awards for Trust 2017.

An established membership base

RAC has an established and highly stable membership base of 8.6 million Members, comprising approximately 2.2 million Individual Members and a number of Corporate Partners which provide access to RAC’s roadside assistance service to approximately 6.4 million Partner Members. In addition, RAC has approximately 0.4 million motor insurance customers, who have limited overlap with its roadside assistance Members, presenting a significant opportunity to leverage brand allegiance into cross-sales.

RAC’s Individual Membership base is characterised by a high degree of stability. These Members sign up to annual contracts and have an average membership duration of approximately nine years and a Persistency Rate of 79 per cent. and 80 per cent. for the twelve months ended 31 March 2017 and the year ended 31 December 2016. The Persistency Rate of RAC’s Individual Members has remained largely stable over the past three years, with a slight decrease to 80 per cent. for the year ended 31 December 2016 from 82 per cent. for the year ended 31 December 2014. This was primarily due to increased end-customer pricing, driven by increases to RAC’s prices, which delivered an increase in average roadside revenue per Individual Member from £119 for the year ended 31 December 2014 to £123 for the year ended 31 December 2016 and the three months ended 31 March 2017, and also by IPT rate increases from 6.0 per cent. as at 1 January 2014 to 9.5 per cent. as at 1 November 2015 and to 10.0 per cent. as at 1 October 2016.

The table below presents RAC’s historic Individual Member volumes Persistency Rates for the periods indicated.



Stable Persistency Rates have allowed RAC to maintain attractive margins as the costs associated with retaining existing Members are lower than the costs associated with acquiring new Members. The competitive landscape for Individual Members, particularly with respect to market share, has also been very stable, as members typically remain with their provider for many years.

RAC’s Corporate Partners typically sign up to three to five year contracts, providing a high degree of forward revenue visibility. Approximately 82 per cent. of Corporate Partner revenue in the year ended 31 December 2016 related to contracts, which, as at 30 June 2017, had remaining terms of more than one year, of which 23 per cent. was from contracts with a remaining tenure of two to three years and the remaining 59 per cent. was from contracts with more than three years left. The majority of RAC’s Corporate Partner revenue is recurring in nature with contracts typically re-tendered or renegotiated upon expiry, thereby extending the relationship, in many cases, beyond the initial contract term. For example, Motability and Aviva, which are among RAC’s top ten customers, have been Corporate Partners for over 10 years, representing multiple

contract renewals and extensions. As at 31 March 2017, six of RAC's top ten Corporate Partners had relationships with RAC of ten or more years. RAC aims to retain its Corporate Partner contracts, having won seven of the eight tenders for its top 30 customers by value which were due for renewal in 2016.

The fact that most Individual Members pay upfront subscription fees, combined with high levels of customer persistency and longer-term arrangements with Corporate Partners, has offered continuous support to RAC's membership levels. Stable individual Persistency Rates have helped consistent Individual Member levels. A number of new Corporate Partner contract wins in 2016, as well as the Mercedes-Benz Cars (UK) Limited contract for three years (which commenced on 1 April 2017) and the esure contract (which commenced on 3 May 2017), have ensured consistently high levels of Partner Members, and more than offset a temporary File Size reduction due to the loss of the Volkswagen and Lex Autolease contracts in 2014 and 2016, respectively.

### ***Operational excellence that drives Member satisfaction and profitability***

Operational excellence and quality of service are key to ensuring the long-term success of RAC's roadside assistance business. RAC believes that operational excellence leads to a higher quality of service, which leads to greater customer satisfaction and, ultimately, improved profitability. This proposition is delivered through approximately 1,475 branded, highly skilled and well equipped Patrol Specialists, as well as over 800 customer service professionals who staff RAC's contact centres and provide follow up service to Members.

In making deployment decisions, RAC seeks to maximise the proportion of breakdowns repaired at the roadside. RAC believes repairing vehicles at the roadside leads to high levels of customer satisfaction. It also drives profitability by minimising towing (which is significantly more expensive than repairing at the roadside) and other onward travel costs, as well as providing an opportunity to sell auto batteries, auto parts and Roadside Extras at the roadside (which led to an increase in average transaction value to approximately £58 in the year ended 31 December 2016, from £52 in the year ended 31 December 2015). RAC repaired a market leading approximately 80 per cent. of breakdowns at the roadside in the year ended 31 December 2016, with 86 per cent. of breakdowns attended by branded Patrol Specialists and the remainder by third party contractors.

To support the delivery of its roadside assistance service, RAC has made significant investments in technology to train and equip its Patrol Specialists, who, on average, have 13 years of experience with RAC. This high quality service is recognised and valued by members, as reflected in the Net Promoter Score of 94 and Persistency Rate of 80 per cent., in each case, in 2016.

### ***Supported by growing and favourable market dynamics***

The UK's policy based roadside assistance market was worth approximately £1.6 billion in 2016 and its value has grown by 2.1 per cent. annually during the period from 1 January 2013 to 31 December 2016, underpinned by the resilient growth of the UK Car Parc and the number of UK driving licence holders. RAC is one of only two large-scale, nationwide, branded operators in this market and, according to its estimates, had an approximately 29.4 per cent. market share by value in roadside assistance services across Individual Members and Partner Members in 2016. By leveraging the quality of its roadside assistance offering, the non-discretionary nature of its core product and these favourable market dynamics, RAC has consistently delivered robust results.

### ***Significant recent investment in the business, laying the foundations for future growth***

Since the start of 2013, RAC has invested more than £80 million to lay the foundations for its growth strategy. This investment for future growth has focused on:

- Upgrading its core IT systems to enhance customer service and facilitate the provision and effective cross sale of a wider range of relevant products and services to Members. In particular, RAC is transferring its customer information database to new front office systems to manage customer information and sales for both Individual Members and Corporate Partners and expects to have all Members' data transferred to the new system by the end of 2017 (see "*Business—Data and Insight*"). These systems provide RAC with a significantly enhanced ability to manage and administer its customer base, which it expects to enhance its acquisition and retention efforts.
- Investing in the RAC brand and data capabilities, with £15 million spent since 2012 (including investments in marketing, media and IT development).

- Developing a refreshed and updated website for RAC (which received approximately 2.4 million and 2.3 million unique hits per month in 2016 and 2015, respectively). RAC also restructured its contact centres and its direct and Corporate Partners sales force to improve its customer-facing sales and service offering.
- Enhancing RAC's product suite, including new product ventures such as the RAC Business Club for SMEs (which allows customers to manage their fleets and products through a central dashboard) and RAC's telematics offering.
- Collecting data from Members, third parties and public sources to develop a "prospect pool" of more than 44 million individuals and more than 27 million vehicles. Subject to data protection laws, this enables enhanced sales and marketing that RAC believes will drive new Member acquisition and multi-product penetration.

These investments are having a tangible, positive impact on RAC's membership. RAC has maintained its significant Individual Member base and has won new Corporate Partner contracts with leading firms such as Royal Mail, Renault, Arval, Hitachi, Mercedes-Benz Cars (UK) Limited and esure. Although the original term of the Renault contract has expired, a renewal until 2019 has been agreed in principal on the same terms and conditions and RAC continues to provide services to this customer as per usual practice pending finalisation of formal documentation, which is currently underway. RAC has also seen an increase in the cross-sale of roadside extras to its Members during the years ended 31 December 2016 and 2015, with 8.2 per cent. of Individual Members on the new front office system purchasing Roadside Extras.

### ***Significant cross-selling opportunities***

Over the last three years, RAC has developed significant capabilities to assess and meet the needs of its Members and potential Members, creating significant opportunities to cross-sell its other product lines, particularly insurance broking, motoring services and telematics and data services.

As part of its strategy to capitalise on these opportunities, RAC has implemented the "next best action" tool, which identifies and provides sales teams with the most appropriate product to offer to Members during every point of contact. RAC attended approximately 2.2 million breakdowns in 2016. RAC has multiple other touch points with Individual Members over their membership lifecycle through phone, email, direct mail and attendance at the roadside. Every contact point provides an opportunity to offer a targeted product or service identified as the "next best action". For example, in the Motoring services segment, Corporate Partners can benefit from (among other things) accident management, motor claims services and telematics in addition to core roadside services. In the Telematics and Data services segment, RAC has developed technology and software for telematics in the UK, offering diagnostic and monitoring capabilities at an attractive cost to, for example, insurance and fleet customers.

### ***Attractive financial characteristics deliver sustainable returns***

During the period covered by the historical financial information presented in this Offering Memorandum, RAC has delivered consistently robust financial results. RAC's revenue has remained broadly stable with a slight growth by 3.2 per cent. to £514 million generated by the Holdco Group for the twelve months ended 31 March 2017 from £498 million generated by the Opco Group for the year ended 31 December 2014. At the same time, RAC's EBITDA before exceptional items increased significantly by 9.5 per cent. to £185 million generated by the Holdco Group for the twelve months ended 31 March 2017 from £169 million generated by the Opco Group for the year ended 31 December 2014. Consequently, RAC's EBITDA before exceptional items Margin increased by 2.1 per cent. to 36.0 per cent. generated by the Holdco Group for the twelve months ended 31 March 2017 from 33.9 per cent. generated by the Opco Group for the year ended 31 December 2014, driven by operational leverage and efficiencies and cost-saving initiatives. See "*Presentation of Financial and Other Information*" and "*—Summary Consolidated Financial, Operating and Other Data*". RAC's business is highly cash generative as the majority of its Individual Members pay for services in advance and the majority of its suppliers are paid after the provision of products and services.

These financial results are underpinned by sustainable characteristics such as RAC's large, loyal and growing Member base and the increases in ARPU per Individual Member to £123 in 2016 from £104 in 2011.

### ***Highly experienced management complemented by a dedicated workforce***

RAC's management team has a demonstrable track record of improving operational efficiency, margins and cash flows. The management team is supported by RAC's highly experienced employee base (for example, Patrol Specialists, on average, have 13 years of experience with RAC) and an organisational culture of service and commitment to the Membership base.

## Strategy

RAC's vision is to be the leading motoring services brand in the UK, positioning itself as "*The Motorist's Champion*" under the strapline "*Motorists. We Salute You*". With a reputation built on its iconic, trusted brand and its leading motoring-related product offering, RAC believes that it is well positioned to continue to develop its business through four key strategic objectives:

- maintain and grow the Individual Member base;
- strengthen relationships with existing Corporate Partners and win contracts with new Corporate Partners;
- increase cross-selling through an integrated multi-product, multi-channel approach; and
- leverage recent investments in its brand and data capabilities to drive growth in revenue and improvements in profitability.

### ***Maintain and grow the Individual Member base***

RAC's 2.2 million Individual Members form a core and crucial part of its business. RAC is focused on retaining its existing stable base of Individual Members by (i) continuing to deliver a market-leading roadside assistance service and (ii) engaging in effective contact with existing Individual Members at various stages of the membership cycle, as well as gaining new Individual Members. In particular, RAC works to ensure that its web and mobile offerings and consumer communication are best-in-class to maintain customer engagement.

RAC believes that its Members' experiences at the roadside are a key factor distinguishing RAC from its competitors. In particular, RAC has found that a high roadside repair rate (approximately 80 per cent. in the year ended 31 December 2016) is correlated with high levels of customer satisfaction, as measured by RAC's Net Promoter Score (94 for the year ended 31 December 2016). RAC seeks to maintain its high roadside repair rate by ensuring that Patrol vehicles are equipped with the latest technology, tools and vehicle parts to support the expertise of its Patrol Specialists and to enable them to carry out effective repairs at the roadside. This enhances customer satisfaction, which ultimately drives Persistency Rates (80 per cent. for the year ended 31 December 2016) and creates a solid foundation for maintaining and growing RAC's Individual Member base. Members are more likely to renew their membership after experiencing a breakdown.

In order to pursue the acquisition of new Individual Members, RAC has access to a large number of consumers through various sales channels, including online (such as RAC's website), mobile applications, digital magazine and third party search engines (see "*Business—Products and Services*"). RAC also conducts seasonal sales campaigns, recruits and trains sales and marketing staff and develops relationships with Affinity Partners. RAC is also able to offer direct, targeted marketing through its customer database, utilising, for example, renewal data, to trigger timely and relevant marketing campaigns.

Following acquisition of Individual Members, and throughout the membership lifecycle, RAC engages with Individual Members through various forms of communication to nurture loyalty to the RAC brand and help maintain its high Persistency Rates.

### ***Strengthen relationships with existing Corporate Partners and win contracts with new Corporate Partners***

RAC intends to continue to pursue medium-term contracts for roadside assistance services with current and future Corporate Partners, including banks, insurance companies, motor manufacturers and fleet and leasing companies. While new Corporate Partner contracts are typically obtained through competitive tender processes, RAC believes that service quality and product innovation are key differentiating factors alongside price in such tenders. RAC seeks to win and renew contracts with Corporate Partners by combining its technical excellence in roadside assistance with complementary products and services that add value to its Corporate Partners. Since 1 January 2014, RAC has had several major contract wins, including Royal Mail, Renault, Arval, Hitachi and Mercedes-Benz Cars UK Limited. Although during the past three years a few clients, including Volkswagen and Lex Autolease, terminated their arrangements with RAC, it has managed to successfully substitute those clients with other Corporate Partner acquisitions.

As part of this strategy, RAC is continuing to enhance the suite of solutions it offers to existing and new Corporate Partners. For example, RAC provides accident management services to a number of its Corporate Partners and technical training to motor manufacturer engineers, as well as feedback and analysis on vehicle faults to motor manufacturers. For fleet and leasing companies, RAC now offers telematics solutions to improve the efficiency of fleet operations and an online fleet management tool for small and medium sized enterprises. While the majority of RAC's Corporate Partner business originates



from its core roadside assistance service, with an increasing suite of motoring solutions, RAC seeks to offer (and has successfully offered) its roadside assistance service to corporate customers from its other product segments.

#### ***Increase cross-selling through an integrated multi-product, multi-channel approach***

One of RAC's key priorities is to promote its various motoring solutions to its large customer base by transforming its business from a product-centric to a customer-centric one. RAC's sales, marketing and customer relationship strategy is now multi-product and multi-channel, providing a significant opportunity for the growth of multiple products per Member among both existing and new Members. RAC's significant data capability provides it with operational insight that it leverages to personalise its acquisition, retention and cross-selling efforts. The sale of additional products and services to new and existing Members drive increased revenue per Member and profitability of the business across RAC's four product segments.

Cross-selling also leads to increased persistency rates. For example, Individual Members who also held insurance policies with RAC tend to have Persistency Rates higher than average. In addition, RAC actively seeks Affinity Partners to market products jointly by way of cross-endorsements, shared incentives for participation among the organisations and an enhanced package of benefits for customers, which further enforces Member loyalty. RAC has seen an increase in cross-selling rates across Individual Members from approximately 6 per cent. for the year ended 31 December 2013 to approximately 9 per cent. for the year ended 31 December 2016. It believes that there is significant scope to enhance the progress already made in this area.

#### ***Leverage recent investments in its brand and data capabilities to drive growth and improvements in revenue and profitability***

RAC has invested over £15 million in its brand and data capabilities since 2012 and intends to continue leveraging this investment to grow revenue and to grow profitability across its business to existing Members as well as create new opportunities with non-Members. In particular, RAC has developed a customer database of existing customers, with a prospect pool of 44 million individuals and 27 million vehicles, comprising data collated by RAC and other information. RAC seeks to use this system to:

- attract new Individual Members by targeting certain demographic groups and utilising data from Affinity Partners;
- cross-sell to existing Members by direct marketing through a personalised approach and a "next best action" tool, which identifies the most appropriate product for RAC's sales agents to cross-sell at the point of sale during a customer call;
- support Corporate Partners businesses by providing relevant vehicle and driver demographics data; and
- leverage the RAC brand and develop new opportunities with Members and non-Members for motoring related services not currently provided by RAC.

#### **Recent Developments and Current Trading**

On 1 April 2017 and 3 May 2017, RAC commenced providing breakdown cover under contracts with Mercedes-Benz Cars (UK) Limited and esure, respectively. See "*Business—The RAC Brand and Membership Base—Corporate Partners*". Although RAC had certain operational costs related to the integration of Mercedes dedicated Patrols into its roadside operations, the service is being delivered successfully. Apart from such additional operations costs, since 31 March 2017 RAC has been trading in line with its expectations.

#### **Shareholder Distributions**

The gross proceeds from the Offering are expected to be £275 million. RAC will use the gross proceeds from the Offering to make certain payments to its shareholders, which may be effected through a payment on shareholder loans, the distribution of a dividend or otherwise, and to pay certain administrative costs, expenses and fees in connection therewith. In addition, RAC also plans to make a further distribution to its shareholders in the amount of up to £19.5 million in the future, in accordance with the Class B1 IBLA and the Common Terms Agreement. For further details, see "*Use of Proceeds*", "*Description of the Class B1 Notes*", "*Description of the Class B1 IBLA*" and "*Description of Certain Financing Arrangements*".

**Principal Shareholders**

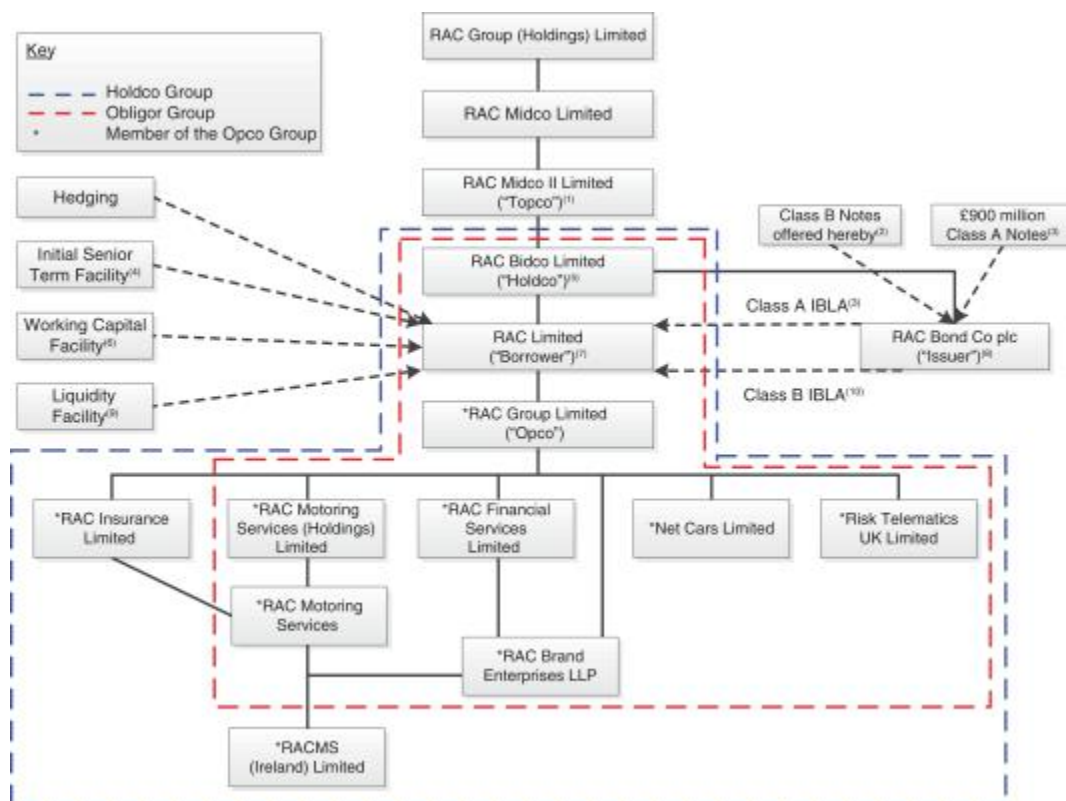
The principal shareholders of RAC's ultimate parent, RAC Group (Holdings) Limited, are certain funds or vehicles ("**CVC Funds**") advised by affiliates of CVC Capital Partners Limited (42.4 per cent.) and Sphinx (37.2 per cent.). The remainder of shares in RAC Group (Holdings) Limited is owned by funds controlled by USS, funds controlled by Invest PSP and RAC's management and its Employee Benefit Trust.

**Borrowing Condition**

The closing of the Offering will be conditioned on the satisfaction of the Borrowing Condition. See "*—Summary of the Offering*".

## Corporate Structure and Certain Financing Arrangements

The following diagram shows a simplified summary of RAC's corporate and principal financing structure, as at 31 March 2017, after giving effect to the Offering and application of the proceeds thereof, as described under "Use of Proceeds" and "Overview—Shareholder Distributions". The diagram does not include all of RAC's debt obligations. For a summary of the debt obligations identified in this diagram, see "Capitalisation", "Principal Shareholders", "Description of Certain Financing Arrangements", "Description of the Class B1 Notes" and "Description of the Class B1 IBLA".



### Notes:

- (1) On the Class B1 Issue Date, Topco will enter into the Topco Payment Undertaking, pursuant to which Topco will undertake to pay to the Obligor Security Trustee all principal, interest and other amounts outstanding under the Class B1 IBLA and any other Class B Authorised Credit Facility then outstanding, in certain specified circumstances, including in the event that the Class B1 Loan is not repaid in full on the Class B1 Loan Maturity Date. The obligations of Topco under the Topco Payment Undertaking are secured by first-ranking security in respect of all the issued and outstanding shares of Holdco and certain intercompany receivables, together with a floating charge granted in respect of all of Topco's other property, assets and undertaking (the "**Topco Security**"). The Topco Security is for the sole benefit of certain secured creditors of Topco, including for the indirect benefit of holders of the Class B1 Notes.
- (2) The closing of the Offering will be subject to the satisfaction of the Borrowing Condition. See "*Summary of the Offering*". The Class B1 Notes will be contractually subordinated to, among others, the Class A Notes as to payment and will rank junior to the Class A Notes with respect to the application of enforcement proceeds, other than in respect of the Topco Security. The Class B1 Notes will be obligations of the Issuer only and will not be guaranteed by any person, except that the Class B1 Notes will have the indirect benefit of the Topco Payment Undertaking. See "*Description of Certain Financing Arrangements—Topco Payment Undertaking*", "*Description of Certain Financing Arrangements—Security Trust and Intercreditor Deed*" and "*Description of the Class B1 IBLA*". However, the Class B1 Loan will be guaranteed by the Guarantors. Holders of the Class B1 Notes will also indirectly benefit from the Obligor Security, which will be granted in favour of the Obligor Security Trustee for the benefit of the Obligor Secured Creditors, including the Issuer. See "*Description of Certain Financing Arrangements—Obligor Security Agreement*".
- (3) On 6 May 2016, the Issuer issued £300 million in aggregate principal amount of Class A1 Notes and £600 million in aggregate principal amount of Class A2 Notes and on-lent the proceeds therefrom to the Borrower pursuant to the Class A Loans under the Class A IBLA. The net proceeds from the Class A Loans were used to repay existing indebtedness and for general corporate purposes. See "*Description of Certain Financing Arrangements—Class A Notes*".
- (4) On 6 May 2016, the Borrower entered into the Initial Senior Term Facility for an amount of £280 million. As at 31 March 2017, the Borrower had £280 million outstanding under the Initial Senior Term Facility. See "*Description of Certain Financing Arrangements—Initial Senior Term Facility Agreement*".
- (5) The Obligor Group consists of Holdco and certain of its subsidiaries, which are Obligors of the Class B1 Loan. On the Class B1 Issue Date, the Obligors will be Holdco; RAC Bidco Limited, RAC Limited, RAC Group Limited, RAC Motoring Services (Holdings) Limited, RAC Motoring Services, RAC Financial Services Limited, Risk Telematics UK Limited, Net Cars Limited and RAC Brand Enterprises LLP. The Obligors accounted for substantially all of RAC's consolidated revenue and consolidated EBITDA before exceptional items for the year ended 31 March 2017.

- (6) On 6 May 2016, the Borrower entered into the Initial Working Capital Facility Agreement. The £50 million Initial Working Capital Facility is available to meet working capital needs (subject to certain restrictions). The Initial Working Capital Facility was undrawn as at 31 March 2017. See “*Description of Certain Financing Arrangements—Initial Working Capital Facility*”.
- (7) The Borrower is a company incorporated in England and Wales with limited liability and an indirect subsidiary of Topco. The Issuer will on-lend the proceeds from the Offering to the Borrower pursuant to the Class B1 Loan under the Class B1 IBLA. See “*Description of the Class B1 Notes*”. The Borrower will use the proceeds from the Class B1 Loan to make certain payments to RAC’s shareholders, which may be effected through a payment on shareholder loans, the distribution of a dividend or otherwise, as well as pay fees and expenses associated with the Offering.
- (8) The Issuer is a public limited liability company incorporated under the laws of England and Wales. The Issuer is a finance subsidiary originally formed to facilitate the issue of the Class A Notes and the transactions ancillary thereto. The Issuer is a wholly owned subsidiary of Holdco with no independent business operations or significant assets. The Issuer will lend the proceeds of the Class B1 Notes to the Borrower pursuant to the Class B1 Loan under the Class B1 IBLA.
- (9) On 6 May 2016, the Issuer and the Borrower entered into the Initial Liquidity Facility Agreement. The £90 million Liquidity Facility is available to service, among other things, payments of interest and principal (other than principal payable on the expected maturity date or the final maturity date) on the Class A Notes and any Class A Authorised Credit Facility (other than a working capital facility) in the event of insufficient funds to meet the Issuer’s and the Borrower’s respective obligations thereunder. The Liquidity Facility was undrawn as at 31 March 2017. See “*Description of Certain Financing Arrangements—Initial Liquidity Facility Agreement*”.
- (10) On the Class B1 Issue Date, the Borrower and the Issuer will enter into the Class B1 IBLA, whereby the Issuer will on-lend the proceeds of the Class B1 Notes issued on the Class B1 Issue Date to the Borrower pursuant to the Class B1 Loan. See “*Description of the Class B1 Notes*”. For so long as any Class A Authorised Credit Facility is outstanding, including, among others, under the Class A IBLAs, the Initial Senior Term Facility Agreement, the Initial Working Capital Facility Agreement, the Initial Liquidity Facility Agreement and the Borrower Hedging Agreements, the Class B1 IBLA will be subordinated to any such Class A Authorised Credit Facility.

## Summary of the Offering

The following is a brief summary of certain terms of the Offering, the Class B1 Notes and the Class B1 Loan. It is not intended to be complete and may not contain all the information that is important to you. For additional information regarding the Class B1 Notes and the Class B1 Loan, see “*Description of the Class B1 Notes*” and “*Description of the Class B1 IBLA*”.

Defined terms used in this section may be found in other sections of this Offering Memorandum, unless otherwise stated. A glossary of certain defined terms is set out at the end of this Offering Memorandum.

|                               |   |
|-------------------------------|---|
| <b>Issuer</b>                 | RAC Bond Co plc.  |
| <b>Class B1 Notes Offered</b> | £275,000,000 5.000 per cent. Class B1 Secured Notes due 2046.   |
| <b>Class B1 Issue Date</b>    | 14 July 2017.   |
| <b>Issue Price</b>            | 100.000 per cent. plus accrued interest, if any, from (and including) the Class B1 Issue Date.  |
| <b>Class B1 Loan</b>          | <p>On the Class B1 Issue Date, the Issuer will on-lend the proceeds from the issuance of the Class B1 Notes to RAC Limited (the “<b>Borrower</b>”) pursuant to a term loan (the “<b>Class B1 Loan</b>”) under the Class B1 Issuer/Borrower Loan Agreement (the “<b>Class B1 IBLA</b>”) to be entered into on the Class B1 Issue Date.</p> <p>The economic terms of the Class B1 Loan (including, among other things, with respect to interest rates) will be generally the same as the terms of the Class B1 Notes. See “<i>Description of the Class B1 IBLA</i>”.</p>  |
| <b>Borrowing Condition</b>    | <p>The closing of the Offering will be subject to the Borrower being entitled to incur the Indebtedness under the Class B1 Loan in accordance with paragraph (B) of “<i>Description of certain financing arrangements—Common Terms Agreement—Covenants—Additional Financial Indebtedness</i>”, including the S&amp;P Condition. The “<b>S&amp;P Condition</b>” means that immediately prior to the Closing of the Offering Standard &amp; Poor’s Rating Services (“<b>S&amp;P</b>”) confirms that the Class A Notes then outstanding are rated the greater of (x) the lower of the then current rating of those Class A Notes and the Initial Rating of the Class A Notes and (y) BBB- (sf) (or equivalent) from S&amp;P.</p>   |
| <b>Ranking</b>                | <p>The Class B1 Notes will be constituted by the Class B Note Trust Deed, will rank equally among themselves, will be contractually subordinated to, among others, the Class A Notes as to payment and will rank junior to the Class A Notes with respect to the application of enforcement proceeds, other than in respect of the Topco Security.</p> <p>The Class B1 Loan will be contractually subordinated to, among others, the Class A Loans, the Initial Senior Term Facility, the Initial Working Capital Facility, the Initial Liquidity Facility and certain hedging arrangements as to payment and will rank junior to the foregoing (as well as certain pension liabilities) with respect to the application of enforcement proceeds, other than in respect of the Topco Security.</p> <p>See “<i>Description of Certain Financing Arrangements—Security Trust and Intercreditor Deed</i>”.</p> |

## ***Guarantees***

The Class B1 Notes will be obligations of the Issuer only. The Class B1 Notes will not be guaranteed by any person, except that the Class B1 Notes will have the indirect benefit of the Topco Payment Undertaking. See “*Description of Certain Financing Arrangements—Topco Payment Undertaking*”.

The Class B1 Loan will be guaranteed by:

- RAC Bidco Limited;
- RAC Limited;
- RAC Group Limited;
- RAC Motoring Services (Holdings) Limited;
- RAC Motoring Services;
- RAC Financial Services Limited;
- Risk Telematics UK;
- Net Cars Limited; and
- RAC Brand Enterprises LLP,

(collectively, the “**Guarantors**” and, together with the Borrower, the “**Obligors**”).

In respect of the Borrower’s obligations under the Obligor Secured Liabilities, each of the other Obligors will cross-guarantee such obligations.

For the avoidance of doubt, while RAC Insurance Limited and RACMS (Ireland) Limited do form part of the Holdco Group, they will not be Obligors on the Class B1 Issue Date.

## ***Expected Maturity of the Class B1 Notes***

The Class B1 Notes are expected to be redeemed in full on 6 November 2022 (the “**Class B1 Note Expected Maturity Date**”) using the proceeds received by the Issuer from the repayment by the Borrower of the Class B1 Loan on the Class B1 Loan Maturity Date.

## ***Maturity of the Class B1 Loan***

The Class B1 Loan will mature on 6 November 2022 (the “**Class B1 Loan Maturity Date**”).

If, on the Class B1 Loan Maturity Date, the Class B1 Loan remains outstanding, Topco will be required, under the terms of the Topco Payment Undertaking, to pay or procure payment to the Obligor Security Trustee of all principal, interest and other amounts outstanding under the Class B1 IBLA and any other Class B Authorised Credit Facility. In the event of any failure by Topco to pay or procure payment of such amounts on the Class B1 Loan Maturity Date, the Obligor Security Trustee (acting upon the instruction of Topco Secured Creditors representing at least 30 per cent. in aggregate principal amount of all outstanding Topco Secured Liabilities, including holders of the Class B1 Notes) will have the right to enforce the Topco Security. See “—*Topco Payment Undertaking; Topco Security*” below.

## ***Final Maturity of the Class B1 Notes***

Unless previously redeemed in full, the Class B1 Notes will finally mature on 6 May 2046 (the “**Class B1 Note Final Maturity Date**”).

***Interest on the Class B1 Notes and Class B1 Loan***

The Class B1 Notes will accrue interest at a rate of 5.000 per cent. per annum from (and including) the Class B1 Issue Date up to (but excluding) 6 November 2022 (the “**Class B1 Note Adjustment Date**”) and from (and including) the Class B1 Note Adjustment Date will accrue at a reduced rate of 4.500 per cent. per annum (each, as applicable, a “**Class B1 Note Interest Rate**”).

The Class B1 Loan will accrue interest at a rate of 5.000 per cent. per annum from (and including) the Class B1 Issue Date up to (but excluding) 6 November 2022 (the “**Class B1 Loan Adjustment Date**”) and from (and including) the Class B1 Loan Adjustment Date will accrue at a reduced rate of 4.500 per cent. per annum (each, as applicable, a “**Class B1 Loan Interest Rate**”, and each Class B1 Note Interest Rate and Class B1 Loan Interest Rate, as applicable, an “**Interest Rate**”).

If on any Class B1 Note Interest Payment Date the Issuer receives a payment of interest on the Class B1 Loan from the Borrower in accordance with the Class B1 IBLA, then the Issuer will be obliged to make a corresponding payment of interest on the Class B1 Notes on such Class B1 Note Interest Payment Date.

If on any Class B1 Note Interest Payment Date, the amount received by the Issuer in respect of a payment of interest on the Class B1 Loan is not sufficient to pay the interest accrued on the Class B1 Notes during the immediately preceding interest period in full, the amount of interest accrued up to any such Class B1 Note Interest Payment Date that is not paid by the Issuer on such Class B1 Note Interest Payment Date will be deferred (any such accrued but deferred interest being a “**Deferred Interest Amount**”) and such Deferred Interest Amount shall continue to accrue interest at the then applicable Class B1 Note Interest Rate until it is paid by the Issuer in full.

If on any Class B1 Note Interest Payment Date:

- (a) the Issuer receives a payment of interest on the Class B1 Loan from the Borrower in accordance with the Class B1 IBLA in excess of the amount of interest accrued on the Class B1 Notes during the immediately preceding interest period; and
- (b) on such Class B1 Note Interest Payment Date, a Deferred Interest Amount in respect of any prior interest period remains outstanding,

then the Issuer shall apply such excess to reduce the then outstanding Deferred Interest Amount.

Interest and the aggregate amount of all Deferred Interest Amounts then unpaid on the Class B1 Notes and any accrued but unpaid interest thereon shall be due and payable by the Issuer in pounds sterling on the Class B1 Note Final Maturity Date.

***Class B1 Note Interest Payment Dates***

semi-annually in each year on 6 May and 6 November, commencing 6 November 2017.

***Class B1 Loan Interest Payment Dates***

semi-annually in each year on 6 May and 6 November, commencing 6 November 2017.

***Cash Lock-Up***

If at any time a Trigger Event has occurred (including if the Class A FCF

DSCR falls below 1.35x), then no payments (including payments of interest) may be made in respect of the Class B1 IBLA, and consequently the Class B1 Notes. See “*Description of Certain Financing Arrangements—Common Terms Agreement—CTA Trigger Events and Lock Up*”.

#### ***Security for the Class B1 Notes***

On and from the Class B1 Issue Date, the Class B1 Notes will share security with, among others, the Class A Notes, *provided* that the Class B1 Notes will rank junior to the Class A Notes with respect to the application of enforcement proceeds, other than in respect of the Topco Security.

The shared security package will consist of first-ranking security granted by the Issuer in respect of substantially all its property, assets and undertaking, including its rights against each Obligor under the Class A IBLAs, the Class B1 IBLA, the Initial Liquidity Facility Agreement, the Issuer Cash Management Agreement, the Issuer Corporate Officer Agreement, the Issuer Account Bank Agreement and the Class B Agency Agreement and its rights in respect of its bank accounts and Cash Equivalent Investments, each as defined in “*Definitions and Glossary*”.

The Class B1 Notes will also have the indirect benefit of the Topco Security, as discussed below under “*—Topco Payment Undertaking; Topco Security*”.

For a more detailed description of the security created pursuant to the Issuer Deed of Charge and the terms thereof, including the priorities of payments by the Issuer both prior and subsequent to the enforcement of the security thereunder, see “*Description of Certain Financing Arrangements—Issuer Deed of Charge*” and “*Description of Certain Financing Arrangements—Security Trust and Intercreditor Deed*”.

#### ***Security for the Class B1 Loan***

The Class B1 Loan will share security with, among others, the Class A Loans, the Initial Senior Term Facility, the Initial Working Capital Facility, the Initial Liquidity Facility and certain hedging arrangements and pension liabilities; *provided* that the Class B1 Loan will rank junior to the foregoing with respect to the application of enforcement proceeds, other than in respect of the Topco Security (which will be granted for the sole benefit of certain secured creditors of Topco, including for the indirect benefit of the holders of the Class B1 Notes).

The shared security package will consist of, among other things, first-ranking mortgages or fixed charges in respect of the English Obligors’ freehold and leasehold properties and fixed and floating charges over all other property, assets and undertaking of each English Obligor.

For a more detailed description of the security created pursuant to the Obligor Security Agreement and the terms thereof, including the priorities of payments by the Borrower both prior and subsequent to the enforcement of the security thereunder, see “*Description of Certain Financing Arrangements—Obligor Security Agreement*” and “*Description of Certain Financing Arrangements—Security Trust and Intercreditor Deed*”.



**Topco Payment Undertaking; Topco Security** Pursuant to a deed of undertaking to be entered into on 14 July 2017 between Topco, the Holdco Group Agent and the Obligor Security Trustee (the “**Topco Payment Undertaking**”), Topco will undertake to pay or procure payment to the Obligor Security Trustee, in the circumstances described therein (including upon occurrence of a Share Enforcement Event or a Class B1 Loan Event of Default), an amount equal to the aggregate of (a) the then outstanding principal balance on the Class B1 Loan and any other Class B Authorised Credit Facility then outstanding, (b) accrued but unpaid interest then due and payable thereon and (c) all other amounts due and payable to the Issuer thereunder. Topco’s obligations under the Topco Payment Undertaking are secured by a grant by Topco of first-ranking security in respect of all the issued and outstanding shares of Holdco and certain intercompany receivables, together with a first-ranking floating charge granted in respect of all Topco’s other property, assets and undertaking (collectively, the “**Topco Security**”), in each case pursuant to a security agreement to be entered into on 14 July 2017 between Topco and the Obligor Security Trustee (the “**Topco Security Agreement**”). The Topco Security will be granted for the sole benefit of certain secured creditors of Topco, including for the indirect benefit of holders of the Class B1 Notes. See “*Description of Certain Financing Arrangements—Topco Security Agreement*”.

**Optional Redemption**

At any time on or after 14 July 2019, the Borrower may elect to prepay the Class B1 Loan, in whole or in part, at the prepayment prices set out in “*Description of the Class B1 IBLA—Prepayment—Optional prepayment*”.

At any time prior to 14 July 2019, the Borrower may elect to prepay the Class B1 Loan, in whole or in part, at a prepayment price equal to 100 per cent. of the principal amount of the Class B1 Loan prepaid, plus accrued and unpaid interest and additional amounts, if any, up to the prepayment date and a “make-whole” premium. See “*Description of the Class B1 IBLA—Prepayment—Optional prepayment*”.

In addition, prior to 14 July 2019, the Borrower may on one or more occasions use the net proceeds of specified equity offerings to prepay up to 40 per cent. of the aggregate principal amount of the Class B1 Loan, at a prepayment price equal to 105.000 per cent. of the principal amount of the Class B1 Loan prepaid, plus accrued and unpaid interest and additional amounts, if any, up to the prepayment date; *provided* that at least 50 per cent. of the original aggregate principal amount of the Class B1 Loan remains outstanding after the occurrence of such prepayment. See “*Description of the Class B1 IBLA—Prepayment—Optional prepayment*”.

The Class B1 Notes will be subject to mandatory redemption prior to the Class B1 Note Final Maturity Date if and to the extent the Borrower makes principal repayments or prepayments to the Issuer in respect of the Class B1 Loan, either on a voluntary basis or following the enforcement of security. Any such redemption of the Class B1 Notes will be on the same terms and at the same prices (including any applicable premium) as for the Class B1 Loan.

**Early Repayment for Tax and Other Reasons** The Class B1 Loan may be repaid at the option of the Borrower, in whole but not in part, at any time following certain changes in tax laws or other laws at a prepayment price equal to 100 per cent. of the principal amount of the Class B1 Loan prepaid plus accrued and unpaid interest and additional amounts, if any, provided certain conditions are satisfied, including that the Borrower has sufficient funds to make such prepayment. See “*Description of the Class B1 IBLA—Taxes—Repayment for Taxation Reasons*”.

### ***Class B1 IBLA Covenants***

Under the Class B1 IBLA, the Obligors will be required to maintain a ratio (expressed as a percentage) of free cash flow to total debt service charges (the “**Class B1 FCF DSCR**”) of equal to or greater than 100 per cent. on each Financial Covenant Test Date, subject to certain cure rights in the event that the Class B1 FCF DSCR is less than 100 per cent. See “*Description of the Class B1 IBLA—Certain Covenants—Class B1 Financial Covenant*”.

### ***Certain Other Class B1 IBLA Covenants***

The Class B1 IBLA will limit, among other things, Topco and its restricted subsidiaries with respect to:

- the incurrence or guarantee of additional indebtedness;
- the making of certain restricted payments and investments;
- the payment of dividends or other distributions on, and the redemption or repurchase of, its equity;
- the creation of certain liens;
- the imposition of restrictions on the ability of restricted subsidiaries to pay dividends and other payments to Topco or any Obligor;
- the transfer, lease, sale or other disposition of certain assets;
- entering into certain transactions with affiliates;
- the merger or consolidation of Topco, the Borrower and the Obligors with or into other companies; and
- the impairment of the security interest in the collateral granted for the benefit of the holders of the Class B1 Notes.

Each of the covenants is subject to a number of important exceptions and qualifications. See “*Description of the Class B1 IBLA*”.

### ***Mandatory Offers to Purchase, Class B1 Change of Control and Asset Sales***

The terms of the Class B1 IBLA will require the Borrower to use the proceeds of certain asset sales to either invest in additional assets or repay certain other indebtedness, and if it does not, to use such proceeds within a certain time period to make an offer to purchase the Class B1 Notes at a purchase price equal to at least 100 per cent. of their principal amount, plus accrued and unpaid interest and additional amounts, if any, to the date of purchase, *provided* that Topco and its restricted subsidiaries may make an Asset Disposition Offer prior to the deadline.

Following a Change of Control, the Borrower will be required to offer to purchase all of the Class B1 Notes at a purchase price equal to 101 per cent. of the outstanding principal amount of the Class B1 Notes, plus accrued and unpaid interest and additional amounts, if any, to the date of purchase. See “*Description of the Class B1 IBLA*”.

### ***Events of Default***

No Class B Note Event of Default or Class B1 Loan Event of Default may occur with respect to the Class B1 Notes or the Class B1 Loan, as applicable, while the Class A Notes or Class A Loans are outstanding (until after an acceleration of the Class A Notes or the Class A Loans, as applicable). See “*Description of the Class B1 Notes—Class B Note Event of Default*” and “*Description of the Class B1 IBLA—Class B1 Loan Event of Default*”.

### ***Share Enforcement Events***

Each of the following will constitute a Share Enforcement Event under the Class B1 IBLA, among others:

- any default in the payment of interest on the Class B1 Loan (subject to a 30-day grace period);
- any amount remaining outstanding under the Class B1 IBLA as at the close of business on the Class B1 Loan Maturity Date;
- default in the payment of principal or premium on the Class B1 Loan when due at its Stated Maturity upon any optional redemption, required purchase upon declaration or otherwise;
- any failure by Topco or any of its restricted subsidiaries to comply with certain other covenants under the Class B1 IBLA (subject to a 60-day grace period);
- default under any indebtedness that results from a failure to pay principal when due or results in acceleration of such indebtedness (subject to a £25 million threshold);
- certain bankruptcy events of default;
- certain judgment defaults (subject to a £25 million threshold and 60-day grace period);
- any impairment of the security interest granted in respect of material collateral (subject to a 20-Business Day grace period); and
- any impairment of a guarantee (subject to a 10-day grace period).

If a Share Enforcement Event occurs and is continuing, Topco Secured Creditors representing at least 30 per cent. of the aggregate principal amount of all outstanding Topco Secured Liabilities, including holders of the Class B1 Notes, will (acting through the Obligor Security Trustee) be able to enforce the Topco Security, subject to certain requirements being met. See “*Description of Certain Financing Arrangements—Topco—Enforcement of the Topco Security*”.

If at any time either (i) no amounts remain outstanding under any Class A Authorised Credit Facility or (ii) an acceleration of the amounts outstanding under any Class A Authorised Credit Facility has occurred, each of the Share Enforcement Events specified above will also constitute a Class B1 Loan Event of Default.

### ***Withholding Tax on Class B1 Notes; Early Redemption for Tax or Other Reasons***

If any deduction or withholding for, or on account of, any taxes imposed or levied by or on behalf of a relevant tax jurisdiction will at any time be required to be made from any payments made with respect to the Class B1 Notes, including payments of principal, redemption price, purchase price, interest or premium, the Issuer will, subject to certain exceptions, be obliged to pay additional amounts in respect of any such withholding or deduction, such that the net amount received by the holders of the Class B1 Notes is not less than the amount they would have received in the absence of such withholding.

The Class B1 Notes may be prepaid at the option of the Issuer, in whole but not in part, at any time following certain changes in tax laws or other laws at

a prepayment price equal to 100 per cent. of the outstanding principal amount of the Class B1 Notes plus accrued and unpaid interest, Deferred Interest Amounts and accrued and unpaid interest thereon and additional amounts, if any, provided certain conditions are satisfied. See “*Description of the Class B1 Notes—Redemption, Purchase and Cancellation—Optional Redemption for taxation or other reasons*”.

***Certain U.S. Federal Income Tax Consequences***

For a discussion of Certain United States Federal Income Tax Considerations of an investment in the Class B1 Notes, see “*Taxation—Certain United States Federal Income Tax Considerations*”. You should consult your own tax adviser to determine the U.S. federal, state, local and other tax consequences of an investment in the Class B1 Notes.

***Use of Proceeds***

The proceeds from the Offering will be used to make certain payments to RAC’s shareholders which may be effected through a payment on shareholder loans, the distribution of a dividend or otherwise, and to pay certain administrative costs, expenses and fees in connection therewith. In addition, RAC also plans to make a further distribution to its shareholders in the amount of up to £19.5 million in the future, in accordance with the Class B1 IBLA and the Common Terms Agreement. For further information on the sources and uses of proceeds, see “*—Shareholder Distributions*”.

***Governing law***

The Class B1 Notes, the Class B Note Trust Deed, the Class B Agency Agreement, the Class B1 IBLA, the Issuer Deed of Charge, the Obligor Security Agreement, the Topco Payment Undertaking and the Topco Security Agreement are, and will be, as applicable, governed by English law.

***Absence of Public Market for the Class B1 Notes***

The Class B1 Notes will be new securities for which there is currently no market. Accordingly there can be no assurance as to the development or liquidity of any market for the Class B1 Notes nor that a liquid market will be maintained.

***Listing***

Application has been made to list the Class B1 Notes on the Official List of the Irish Stock Exchange and for the Class B1 Notes to be admitted to trading on the Global Exchange Market thereof. There can be no assurance that the application will be approved as at the Class B1 Issue Date or at any time thereafter, and issuance of the Class B1 Notes is not conditioned on obtaining or maintaining this listing.

***Original Issue Discount***

Although not entirely clear, the Issuer intends to take the position (if required to do so) that the stated interest is not unconditionally payable at least annually for U.S. federal income tax purposes and therefore all interest on the Class B1 Notes will be treated as original issue discount for U.S. federal income tax purposes. As a result, U.S. holders may generally be required to include amounts representing OID in their gross income as it accrues in advance of the receipt of cash payments attributable to such income using the constant yield method. For more information, see “*Taxation—Certain United States Federal Income Tax Considerations*”.

|  |              |
|--|--------------|
| <b><i>Rule 144A ISIN</i></b>           | XS1645523819 |
| <b><i>Regulation S ISIN</i></b>        | XS1645523579 |
| <b><i>Rule 144A Common Code</i></b>    | 164552381    |
| <b><i>Regulation S Common Code</i></b> | 164552357    |

## **Summary Consolidated Financial, Operating and other Data**

*The summary consolidated historical financial data discussed below has been derived from, and should be read in conjunction with, the Holdco Group Financial Statements and the 2015 Opco Group Financial Statements included elsewhere in this Offering Memorandum. See “Presentation of Financial and Other Information” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations”.*

*Holdco was incorporated on 22 September 2014 and became the indirect holding company for the Opco Group upon the completion of the Sphinx Acquisition. Although the audited consolidated financial statements of the Holdco Group as at and for the period ended 31 December 2014 present the consolidated financial position of Holdco and its subsidiaries (including the Opco Group) as at 31 December 2014, they only present their consolidated results of operations for the period from 17 December 2014 to 31 December 2014. Therefore, in this Offering Memorandum RAC’s results of operations for the year ended 31 December 2014 are presented at the Opco Group level on the basis of the 2015 Opco Group Financial Statements.*

*RAC’s results of operations for subsequent periods are presented at the Holdco Group level on the basis of the relevant Holdco Group Financial Statements. The primary differences between the financial condition and results of operations of the Holdco Group and the Opco Group as at and for the year ended 31 December 2015 (which was the first full year of operation of the Holdco Group) related to (i) liabilities and finance expenses relating to external debt and shareholder loan notes, which were incurred at the levels of Opco’s parent entities before the Sphinx Acquisition and at the Holdco Group level thereafter; and (ii) the impact of acquisition accounting on the carrying value of goodwill and indefinite-lived intangible assets as a result of the Sphinx Acquisition and the related impacts on amortisation, which were reported at the Holdco Group level.*

*Presented below are certain non-IFRS measures, including EBITDA before exceptional items, EBITDA before exceptional items Margin and certain other data that are not required by, or presented in accordance with, IFRS. The Management believes that the presentation of these non-IFRS measures is helpful to prospective investors in the Class B1 Notes because these and other similar measures are used by certain investors, securities analysts and other interested parties as supplemental measures of performance and liquidity. However, prospective investors in the Class B1 Notes should not consider these non-IFRS measures as alternatives to net income or to cash flows from or used in operating, investing or financing activities, in each case, as determined in accordance with IFRS. In addition, EBITDA before exceptional items and EBITDA before exceptional items Margin and other non-IFRS measures may not be comparable to similarly titled measures used by other companies. See “Presentation of Financial and Other Information—Non-IFRS financial measures”.*

## Summary Income Statement Data

|   | Year ended<br>31 December |                           |                     | Three months ended<br>31 March |                     | Twelve<br>months<br>ended<br>31 March |
|---|---------------------------|---------------------------|---------------------|--------------------------------|---------------------|---------------------------------------|
|   | 2014 <sup>(1)</sup>       | 2015 <sup>(2)</sup>       | 2016 <sup>(2)</sup> | 2016 <sup>(2)</sup>            | 2017 <sup>(2)</sup> | 2017 <sup>(2)</sup>                   |
|   | Opco<br>Group             | Holdco<br>Group           | Holdco<br>Group     | Holdco<br>Group                | Holdco<br>Group     | Holdco<br>Group                       |
|   | (£ millions)              |                           |                     |                                |                     |                                       |
| Revenue .....   | 498                       | 501                       | 506                 | 123                            | 131                 | 514                                   |
| Cost of sales .....   | (230) <sup>(3)</sup>      | (215)                     | (230)               | (54)                           | (63)                | (239)                                 |
| Gross profit .....  | 268                       | 286                       | 276                 | 69                             | 68                  | 275                                   |
| Administrative expenses .....                                       | (125) <sup>(3)</sup>      | (288) <sup>(4)</sup>      | (208)               | (54)                           | (51)                | (205)                                 |
| <b>Operating profit/(loss) .....</b>                                | <b>143</b>                | <b>(2)<sup>(4)</sup></b>  | <b>68</b>           | <b>15</b>                      | <b>17</b>           | <b>70</b>                             |
| EBITDA before exceptional items <sup>(5)</sup> .....                | 169                       | 183                       | 184                 | 42                             | 43                  | 185                                   |
| Depreciation .....  | (4)                       | (4)                       | (5)                 | (1)                            | (1)                 | (5)                                   |
| Amortisation of customer acquisition intangible<br>assets .....     | (10)                      | (10)                      | (14)                | (3)                            | (4)                 | (15)                                  |
| Amortisation of non-customer acquisition<br>intangible assets ..... | (11)                      | (171) <sup>(4)</sup>      | (88)                | (22)                           | (21)                | (87)                                  |
| Exceptional items .....   | (1)                       | —                         | (9)                 | (1)                            | —                   | (8)                                   |
| <b>Operating profit/(loss) .....</b>                                | <b>143</b>                | <b>(2)<sup>(4)</sup></b>  | <b>68</b>           | <b>15</b>                      | <b>17</b>           | <b>70</b>                             |
| Finance expenses .....  | (1) <sup>(3)</sup>        | (83) <sup>(6)</sup>       | (129)               | (20)                           | (15)                | (124)                                 |
| Other gains/(losses) .....  | (15)                      | —                         | —                   | —                              | —                   | —                                     |
| <b>Profit/(loss) before tax .....</b>                               | <b>127</b>                | <b>(85)<sup>(7)</sup></b> | <b>(61)</b>         | <b>(5)</b>                     | <b>2</b>            | <b>(54)</b>                           |
| Tax credit/(charge) .....   | (28)                      | 39 <sup>(7)</sup>         | 22                  | 1                              | —                   | 20                                    |
| <b>Profit/(loss) for the year .....</b>                             | <b>99</b>                 | <b>(46)<sup>(7)</sup></b> | <b>(39)</b>         | <b>(4)</b>                     | <b>2</b>            | <b>(34)</b>                           |

### Notes:

- (1) Presented for the Opco Group based on the 2015 Opco Group Financial Statements.
- (2) Presented for the Holdco Group based on the relevant Holdco Group Financial Statements.
- (3) In preparation of the 2015 Opco Group Financial Statements, certain administrative expenses for the year ended 31 December 2014 directly linked to revenue generation were reclassified as cost of sales to ensure consistency with presentation of other financial information in the 2015 Opco Group Financial Statements. This reclassification had no material impact on the reported profit of the Opco Group. See “*Presentation of Financial and Other Information—Certain reclassifications*”.
- (4) Reflects the impact of amortisation related to substantial intangible assets recognised by Holdco as part of the Sphinx Acquisition, which was not reported on the Opco Group level. See “*Management’s Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting RAC’s Results of Operations—Goodwill, intangible assets and administrative expenses related to the Sphinx Acquisition*”. Amortisation of non customer acquisition intangible assets of the Opco Group for the year ended 31 December 2015 amounted to £16 million.
- (5) EBITDA before exceptional items is profit or loss for the period before finance expenses, other gains and losses, tax credit or charge, amortisation, depreciation and exceptional items. EBITDA before exceptional items is a non-IFRS measure. It is presented here because the Management believes that it is helpful in highlighting trends in RAC’s business. For further detail on this and other non-IFRS measures, please see “*Presentation of Financial and Other Information—Non-IFRS financial measures*”.
- (6) Reflects the impact of the 2014 Financing Arrangements. See “*Management’s Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting RAC’s Results of Operations—Liabilities and finance expenses relating to external debt and shareholder loans*”. Finance expenses of the Opco Group for the year ended 31 December 2015 amounted to £1 million.
- (7) Reflects the impact of amortisation related to substantial intangible assets as part of the Sphinx Acquisition and finance expenses related to external debt and shareholder loans, neither of which were reported on the Opco Group level. See “*Management’s Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting RAC’s Results of Operations—Goodwill, intangible assets and administrative expenses related to the Sphinx Acquisition*” and “*Management’s Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting RAC’s Results of Operations—Liabilities and finance expenses relating to external debt and shareholder loans*”.

## Summary Statement of Financial Position Data

|   | As at<br>31 December   |                        |                     | As at<br>31 March   |
|---|------------------------|------------------------|---------------------|---------------------|
|   | 2014 <sup>(1)</sup>    | 2015 <sup>(1)</sup>    | 2016 <sup>(1)</sup> | 2017 <sup>(1)</sup> |
|   | Holdco<br>Group        | Holdco<br>Group        | Holdco<br>Group     | Holdco<br>Group     |
|   | (£ millions)           |                        |                     |                     |
| <b>Assets</b>                                     |                        |                        |                     |                     |
| <b>Non-current assets</b>                         |                        |                        |                     |                     |
| Goodwill and intangible assets .....              | 2,453                  | 2,300 <sup>(2)</sup>   | 2,238               | 2,223               |
| Property, plant and equipment .....               | 13                     | 15                     | 15                  | 16                  |
| Investments in joint ventures and associates..... | —                      | —                      | 2                   | 2                   |
| Deferred tax assets .....                         | 9                      | 9                      | 12                  | 12                  |
| <b>Total non-current assets .....</b>             | <b>2,475</b>           | <b>2,324</b>           | <b>2,267</b>        | <b>2,253</b>        |
| <b>Current assets</b>                             |                        |                        |                     |                     |
| Inventories .....                                 | 2                      | 3                      | 2                   | 2                   |
| Trade and other receivables .....                 | 60                     | 62 <sup>(3)</sup>      | 66                  | 70                  |
| Cash and cash equivalents .....                   | 54                     | 88                     | 43                  | 63                  |
| <b>Total current assets.....</b>                  | <b>116</b>             | <b>153</b>             | <b>111</b>          | <b>135</b>          |
| <b>Total assets .....</b>                         | <b>2,591</b>           | <b>2,477</b>           | <b>2,378</b>        | <b>2,388</b>        |
| <b>Liabilities</b>                                |                        |                        |                     |                     |
| <b>Current liabilities</b>                        |                        |                        |                     |                     |
| Borrowings .....                                  | (10) <sup>(4)</sup>    | (13) <sup>(4)</sup>    | (7)                 | (17)                |
| Provisions .....                                  | (1)                    | (1)                    | (6)                 | (6)                 |
| Current tax payable .....                         | (11)                   | (28) <sup>(5)</sup>    | (28)                | (34)                |
| Trade and other payables .....                    | (262)                  | (236)                  | (227)               | (223)               |
| <b>Total current liabilities.....</b>             | <b>(284)</b>           | <b>(278)</b>           | <b>(268)</b>        | <b>(280)</b>        |
| <b>Non-current liabilities</b>                    |                        |                        |                     |                     |
| Borrowings .....                                  | (1,136) <sup>(4)</sup> | (1,132) <sup>(4)</sup> | (1,163)             | (1,163)             |
| Employee benefit liability.....                   | (7)                    | (6)                    | (6)                 | (6)                 |
| Trade and other payables .....                    | (4)                    | (3)                    | (3)                 | (3)                 |
| Derivative financial instruments .....            | (9) <sup>(6)</sup>     | (10) <sup>(6)</sup>    | (15)                | (15)                |
| Deferred tax liability .....                      | (300)                  | (244) <sup>(7)</sup>   | (217)               | (213)               |
| <b>Total non-current liabilities .....</b>        | <b>(1,456)</b>         | <b>(1,395)</b>         | <b>(1,404)</b>      | <b>(1,400)</b>      |
| <b>Total liabilities.....</b>                     | <b>(1,740)</b>         | <b>(1,673)</b>         | <b>(1,672)</b>      | <b>(1,680)</b>      |

### Notes:

- (1) Presented for the Holdco Group based on the relevant Holdco Group Financial Statements.
- (2) As at 31 December 2015, the Opco Group's goodwill and intangible assets comprised £438 million. The Holdco Group's intangible assets significantly exceeded intangible assets of the Opco Group, due to the recognition by Holdco of £906 million of goodwill and RAC's brand valued at £872 million as part of the Sphinx Acquisition.
- (3) As at 31 December 2015, the Opco Group's trade and other receivables comprised £178 million. The difference between the Opco Group's trade and other receivables and the Holdco Group's trade and other receivables was due to trade and other receivables from related companies, including £73 million that the Opco Group paid in relation to the Holdco Group's external borrowings related to the Sphinx Acquisition.
- (4) Prior to the Sphinx Acquisition, external debt to finance the operations of the Opco Group was incurred at the level of Opco's parent companies. Following the Sphinx Acquisition, such debt has been incurred at the level of Holdco. Therefore, related liabilities were not reflected in the 2015 Opco Group Financial Statements for the year ended 31 December 2014 and 2015.
- (5) As at 31 December 2015, the Opco Group had £64 million in current tax payable.
- (6) The Holdco Group uses interest rate swap agreements to hedge the cash flows associated with its external borrowings. As at 31 December 2014 and 2015, there were no external borrowings at the Opco Group level.
- (7) As at 31 December 2015, there was deferred tax liability of £40 million at the Opco Group level. The Holdco Group's deferred taxation arises primarily on intangible assets arising on consolidation. Amortisation of these assets is not deductible for tax purposes.



## Summary Statement of Cash Flows Data

|   | Year ended<br>31 December |                     |                     | Three months ended<br>31 March |                     | Twelve<br>months<br>ended<br>31 March |
|---|---------------------------|---------------------|---------------------|--------------------------------|---------------------|---------------------------------------|
|   | 2014 <sup>(1)</sup>       | 2015 <sup>(2)</sup> | 2016 <sup>(2)</sup> | 2016 <sup>(2)</sup>            | 2017 <sup>(2)</sup> | 2017                                  |
|   | Opco<br>Group             | Holdco<br>Group     | Holdco<br>Group     | Holdco<br>Group                | Holdco<br>Group     | Holdco<br>Group                       |
|   | <i>(£ millions)</i>       |                     |                     |                                |                     |                                       |
| Net cash flows from operating activities .....                | 111 <sup>(3)</sup>        | 151 <sup>(4)</sup>  | 162                 | 23                             | 36                  | 175                                   |
| Net cash flows used in investing activities .....             | (35)                      | (34)                | (46)                | (9)                            | (12)                | (49)                                  |
| Net cash flows used in financing activities .....             | (76) <sup>(3)</sup>       | (83) <sup>(5)</sup> | (161)               | (21)                           | (4)                 | (144)                                 |
| Net (decrease)/increase in cash and cash<br>equivalents ..... | —                         | 34                  | (45)                | (7)                            | 20                  | (18)                                  |
| Cash and cash equivalents carried forward .....               | 54                        | 88                  | 43                  | 81                             | 63                  | 25                                    |

Note:

- (1) Presented for the Opco Group based on the 2015 Opco Group Financial Statements.
- (2) Presented for the Holdco Group based on the relevant Holdco Group Financial Statements.
- (3) In preparation of the 2015 Opco Group Financial Statements, reclassifications were made from net cash used in financing activities to net cash generated from operating activities for the year ended 31 December 2014 to ensure consistency with presentation of other financial information in the 2015 Opco Group Financial Statements. This reclassification had no material impact on the reported profit or net assets of the Opco Group. See “Presentation of Financial and Other Information—Certain reclassifications”.
- (4) Opco Group’s net cash inflow from operating activities for the year ended 31 December 2015 amounted to £142 million.
- (5) Opco Group’s net cash outflow used in financing activities for the year ended 31 December 2015 amounted to £74 million.

## Summary Other Financial and Operating Data

|   | Year ended 31 December                                |                     |                     |                     |                        |                     | Three months<br>ended 31 March |                      |
|---|---|---------------------|---------------------|---------------------|------------------------|---------------------|--------------------------------|----------------------|
|   | 2011 <sup>(1)</sup>                                   | 2012 <sup>(1)</sup> | 2013 <sup>(1)</sup> | 2014 <sup>(1)</sup> | 2015 <sup>(2)(3)</sup> | 2016 <sup>(2)</sup> | 2016 <sup>(2)</sup>            | 2017 <sup>(2)</sup>  |
|   | Opco<br>Group   | Opco<br>Group       | Opco<br>Group       | Opco<br>Group       | Holdco<br>Group        | Holdco<br>Group     | Holdco<br>Group                | Holdco<br>Group      |
|   | <i>(£ millions, except where indicated otherwise)</i> |                     |                     |                     |                        |                     |                                |                      |
| EBITDA before exceptional items <sup>(4)</sup> .....                        | 100   | 141                 | 156                 | 169                 | 183                    | 184                 | 42                             | 43                   |
| EBITDA before exceptional items<br>Margin (per cent.) <sup>(5)</sup> .....  | 23.1  | 30.9                | 32.2                | 33.9                | 36.5                   | 36.4                | 34.1                           | 32.8 <sup>(6)</sup>  |
| Operating Cash Flow <sup>(7)</sup> .....                                    | 98  | 137                 | 156                 | 144                 | 162                    | 134                 | 19                             | 29                   |
| Operating Cash Conversion<br>(per cent.) <sup>(8)</sup> .....               | 97.6  | 97.7                | 100.4               | 85.2                | 88.5                   | 72.3 <sup>(9)</sup> | 54.8 <sup>(10)</sup>           | 62.8 <sup>(10)</sup> |
| Individual Members (millions) .....   | 2.2   | 2.1                 | 2.2                 | 2.2                 | 2.2                    | 2.2                 | 2.2                            | 2.2                  |
| Partner Members (millions) .....  | 6.8   | 6.9                 | 6.8                 | 6.0                 | 6.4                    | 6.4                 | 6.2                            | 6.4                  |
| Individual Member Persistency Rate<br>(per cent.) <sup>(11)</sup> .....     | 77.9  | 80.8                | 83.2                | 82                  | 80                     | 80                  | N/A <sup>(12)</sup>            | N/A <sup>(12)</sup>  |
| Average roadside revenue per<br>Individual Member (£) <sup>(13)</sup> ..... | 104   | 108                 | 112                 | 119                 | 123                    | 123                 | 123                            | 123                  |
| Motor insurance policies in force<br>(‘000) .....                           | 321   | 357                 | 404                 | 422                 | 431                    | 420                 | 428                            | 431                  |
| Net Promoter Score <sup>(14)</sup> .....                                    | 83.4  | 85.1                | 88.6                | 91.8                | 93.0                   | 93.7                | N/A <sup>(15)</sup>            | N/A <sup>(15)</sup>  |
| Service breakdowns attended<br>(millions) .....                             | 2.3   | 2.3                 | 2.4                 | 2.3                 | 2.2                    | 2.2                 | 0.6                            | 0.6                  |

Notes:

- (1) Presented for the Opco Group based on the audited consolidated financial statements of the Opco Group for the relevant periods and RAC’s management accounts.
- (2) Presented for the Holdco Group based on the relevant Holdco Group Financial Statements and RAC’s management accounts.
- (3) Key operating data for the Holdco Group and the Opco Group as at and for the year ended 31 December 2015 was the same, except for EBITDA before exceptional items, EBITDA before exceptional items Margin, Operating Cash Flow and Operating Cash Conversion. In the year ended 31 December 2015, the Opco Group generated £179 million of EBITDA before exceptional items, EBITDA before exceptional items Margin of 35.7 per cent., Operating Cash Flow of £84 million and Operating Cash Conversion of 46.9 per cent.

- (4) EBITDA before exceptional items is profit or loss for the period before finance expenses, other gains and losses, tax credit or charge, amortisation, depreciation and exceptional items. EBITDA before exceptional items is a non-IFRS measure. It is presented here because the Management believes that it is helpful in highlighting trends in RAC's business. For further detail on this and other non-IFRS measures, please see "Presentation of Financial and Other Information—Non-IFRS financial measures". The reconciliation of RAC's profit/(loss) to EBITDA before exceptional items for the periods indicated is as follows:

|  | Year ended 31 December |                     |                     |                     |                           |                     | Three months ended 31 March | Twelve months ended 31 March |
|--|------------------------|---------------------|---------------------|---------------------|---------------------------|---------------------|-----------------------------|------------------------------|
|  | 2011 <sup>(a)</sup>    | 2012 <sup>(a)</sup> | 2013 <sup>(a)</sup> | 2014 <sup>(a)</sup> | 2015 <sup>(b)</sup>       | 2016 <sup>(b)</sup> | 2016 <sup>(b)</sup>         | 2017 <sup>(b)</sup>          |
|  | Opco Group             | Opco Group          | Opco Group          | Opco Group          | Holdco Group              | Holdco Group        | Holdco Group                | Holdco Group                 |
|  | (£ millions)           |                     |                     |                     |                           |                     |                             |                              |
| <b>Profit/(loss) for the period .....</b>                        | <b>211</b>             | <b>98</b>           | <b>102</b>          | <b>99</b>           | <b>(46)<sup>(c)</sup></b> | <b>(39)</b>         | <b>(4)</b>                  | <b>2</b>                     |
| Tax (credit)/charge.....   | 1                      | 26                  | 29                  | 28                  | (39) <sup>(c)</sup>       | (22)                | (1)                         | —                            |
| <b>Profit/(loss) before tax ....</b>                             | <b>212</b>             | <b>124</b>          | <b>131</b>          | <b>127</b>          | <b>(85)<sup>(c)</sup></b> | <b>(61)</b>         | <b>(5)</b>                  | <b>2</b>                     |
| Other losses.....  | —                      | —                   | (5)                 | 15 <sup>(d)</sup>   | —                         | —                   | —                           | —                            |
| Finance expenses .....   | (3)                    | —                   | —                   | 1                   | 83 <sup>(e)</sup>         | 129                 | 20                          | 15                           |
| <b>Operating profit/(loss) .....</b>                             | <b>209</b>             | <b>124</b>          | <b>126</b>          | <b>143</b>          | <b>(2)<sup>(f)</sup></b>  | <b>68</b>           | <b>15</b>                   | <b>17</b>                    |
| Depreciation.....  | 2                      | 3                   | 4                   | 4                   | 4                         | 5                   | 1                           | 1                            |
| Amortisation of customer acquisition intangibles...              | 5                      | 7                   | 10                  | 10                  | 10                        | 14                  | 3                           | 4                            |
| Amortisation of non customer acquisition intangible assets ..... | 4                      | 2                   | 5                   | 11                  | 171 <sup>(f)</sup>        | 88                  | 22                          | 21                           |
| Exceptional items.....   | (120)                  | 5                   | 11                  | 1                   | —                         | 9                   | 1                           | —                            |
| <b>EBITDA before exceptional items<sup>(g)</sup> .....</b>       | <b>100</b>             | <b>141</b>          | <b>156</b>          | <b>169</b>          | <b>183<sup>(h)</sup></b>  | <b>184</b>          | <b>42</b>                   | <b>43</b>                    |
|  |                        |                     |                     |                     |                           |                     |                             | <b>185</b>                   |

Notes:

- (a) Presented for the Opco Group based on the audited consolidated financial statements of the Opco Group for the relevant periods.
- (b) Presented for the Holdco Group based on the relevant Holdco Group Financial Statements.
- (c) Reflects the impact of amortisation related to substantial intangible assets as part of the Sphinx Acquisition and finance expenses related to external debt and shareholder loans, neither of which were reported on the Opco Group level. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting RAC's Results of Operations—Goodwill, intangible assets and administrative expenses related to the Sphinx Acquisition" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting RAC's Results of Operations—Liabilities and finance expenses relating to external debt and shareholder loans".
- (d) In 2013, the Opco Group entered into a five-year contract with Quindell Enterprise Technology Solutions Limited ("Quindell") for the provision of accident management services to Members, with a portion of the consideration to the Opco Group comprising warrants to subscribe for 16.67 million Quindell shares at an exercise price of 195 pence. The warrants were given in consideration of the below market price commissions payable by Quindell under the contract. The warrants were originally valued at £15 million and recorded as a debit under derivative financial assets and as a credit under deferred income. As at 31 December 2014, the asset was valued at £ nil and a £15 million loss was recognized by the Opco Group for the year ended 31 December 2014.
- (e) Reflects the impact of the 2014 Financing Arrangements. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting RAC's Results of Operations—Liabilities and finance expenses relating to external debt and shareholder loans". Finance expenses of the Opco Group for the year ended 31 December 2015 amounted to £1 million.
- (f) Reflects the impact of amortisation related to substantial intangible assets recognised by Holdco as part of the Sphinx Acquisition, which was not reported on the Opco Group level. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting RAC's Results of Operations—Goodwill, intangible assets and administrative expenses related to the Sphinx Acquisition". Amortisation of non customer acquisition intangible assets of the Opco Group for the year ended 31 December 2015 amounted to £16 million.
- (g) EBITDA before exceptional items is profit or loss for the period before finance expenses, other gains and losses, tax credit or charge, amortisation, depreciation and exceptional items. EBITDA before exceptional items is a non-IFRS measure. It is presented here because the Management believes that it is helpful in highlighting trends in RAC's business. For further detail on this and other non-IFRS measures, please see "Presentation of Financial Information—Non-IFRS financial measures".
- (h) For the year ended 31 December 2015, the Opco Group generated EBITDA before exceptional items of £179 million.
- (5) EBITDA before exceptional items Margin is EBITDA before exceptional items for a period as a percentage of revenue for the same period. EBITDA before exceptional items Margin is a non-IFRS measure. It is presented here because the Management believes that it is helpful in highlighting trends in RAC's business. For further detail on this and other non-IFRS measures, please see "Presentation of Financial and Other Information—Non-IFRS financial measures".
- (6) The reduction in EBITDA before exceptional items Margin for the three months ended 31 March 2017, as compared with the year ended 31 December 2016, reflects the increase in revenue generated by the Motoring Services segment, which attracts lower EBITDA before exceptional items Margins and a small increase in operating costs related to payroll of RAC's Patrol Specialists.

- |   | Year ended 31 December |            |            |            |                    |              | Three months ended 31 March |              | Twelve months ended 31 March |
|---|------------------------|------------|------------|------------|--------------------|--------------|-----------------------------|--------------|------------------------------|
|   | 2011                   | 2012       | 2013       | 2014       | 2015               | 2016         | 2016                        | 2017         | 2017                         |
|   | Opco Group             | Opco Group | Opco Group | Opco Group | Holdco Group       | Holdco Group | Holdco Group                | Holdco Group | Holdco Group                 |
|   | (£ millions)           |            |            |            |                    |              |                             |              |                              |
| EBITDA before exceptional items <sup>(a)</sup> .....                      | 100                    | 141        | 156        | 169        | 183 <sup>(b)</sup> | 184          | 42                          | 43           | 185                          |
| Cash flow from working capital.....                                       | 8                      | 11         | 18         | (9)        | (2)                | (22)         | (18)                        | (7)          | (11)                         |
| Maintenance capital expenditure <sup>(c)</sup> .....                      | (5)                    | (3)        | (3)        | (2)        | (2)                | (8)          | (1)                         | (1)          | (8)                          |
| Customer acquisition intangibles capital expenditure <sup>(c)</sup> ..... | (5)                    | (11)       | (15)       | (14)       | (17)               | (20)         | (4)                         | (6)          | (22)                         |
| <b>Operating Cash Flow.....</b>   | <b>98</b>              | <b>137</b> | <b>156</b> | <b>144</b> | <b>162</b>         | <b>134</b>   | <b>19</b>                   | <b>29</b>    | <b>144</b>                   |

(a) EBITDA before exceptional items is profit or loss for the period before finance expenses, other gains and losses, tax credit or charge, amortisation, depreciation and exceptional items. EBITDA before exceptional items is a non-IFRS measure. It is presented here because the Management believes that it is helpful in highlighting trends in RAC's business. For further detail on this and other non-IFRS measures, please see "*Presentation of Financial Information—Non-IFRS financial measures*".

(b) For the year ended 31 December 2015, the Opco Group generated EBITDA before exceptional items of £179 million.

(c) See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Capital Expenditure*".

Operating Cash Conversion is Operating Cash Flow as a percentage of EBITDA before exceptional items. Operating Cash Conversion is a non-IFRS measure. It is presented here because the Management believes that it is helpful in highlighting trends in RAC's business. For further detail on this and other non-IFRS measures, please see "*Presentation of Financial and Other Information—Non-IFRS financial measures*".

The reduction in Operating Cash Conversion for the year ended 31 December 2016, as compared with the year ended 31 December 2015 reflects an increase in maintenance capital expenditure (including upgrading the telephony system to drive future improvement in operational efficiency) timing differences in working capital and the impact of changes in the mix of business, with growth in the Motoring Services segment and some B2B roadside customers moving from annual subscription to monthly subscription and pay-on-use arrangements.

Operating Cash Conversion in the three months ended 31 March 2017 and 2016 reflects seasonality in volumes of breakdowns attended, which is higher in the winter months, resulting in increased costs.

Represents the percentage of Individual Members at the beginning of a 12-month period ending on 31 December of each year, who were still members at the end of that 12-month period, rounded to the nearest whole number.

Individual Member Persistency Rate is measured for the last twelve months. Individual Member Persistency Rate for the twelve months ended 31 March 2016 and 2017 was 80 per cent. and 79 per cent., respectively.

Represents total roadside income in the period attributable to Individual Members (including roadside assistance, sale of auto batteries and auto parts and Roadside Extras) divided by average number of Individual Members in that period. Average roadside revenue per Individual Member is a non-IFRS measure. It is presented here because the Management believes that it is helpful in highlighting trends in RAC's business. For further detail on this and other non-IFRS measures, please see "*Presentation of Financial and Other Information—Non-IFRS financial measures*".

Net Promoter Score is a measure of customer satisfaction calculated based on responses to the question "How likely would you be to recommend RAC to friends or relatives?", as further described in "*Business*".

RAC does not calculate Net Promoter Scores for periods other than 12-month periods ending on 31 December of each year.

## Summary Revenue by Segment Data

|                                   | Year ended 31 December |                     |                     |                     |                     |                     | Three months ended 31 March |                     | Twelve months ended 31 March |
|-----------------------------------|------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-----------------------------|---------------------|------------------------------|
|                                   | 2011 <sup>(1)</sup>    | 2012 <sup>(1)</sup> | 2013 <sup>(1)</sup> | 2014 <sup>(1)</sup> | 2015 <sup>(2)</sup> | 2016 <sup>(2)</sup> | 2016 <sup>(2)</sup>         | 2017 <sup>(2)</sup> | 2017 <sup>(2)</sup>          |
|                                   | Opco Group             | Opco Group          | Opco Group          | Opco Group          | Holdco Group        | Holdco Group        | Holdco Group                | Holdco Group        | Holdco Group                 |
|                                   | (£ millions)           |                     |                     |                     |                     |                     |                             |                     |                              |
| Roadside .....                    | 389                    | 403                 | 421                 | 413                 | 419                 | 417                 | 103                         | 104                 | 418                          |
| B2C Roadside ...                  | 234                    | 231                 | 236                 | 250                 | 265                 | 265                 | 65                          | 65                  | 265                          |
| B2B Roadside ...                  | 155                    | 172                 | 185                 | 163                 | 154                 | 152                 | 38                          | 39                  | 153                          |
| Insurance broking .....           | 35                     | 44                  | 50                  | 54                  | 56                  | 57                  | 13                          | 16                  | 60                           |
| Motoring services .....           | 9                      | 10                  | 14                  | 20                  | 21                  | 27                  | 6                           | 10                  | 31                           |
| Telematics and Data services..... | —                      | —                   | —                   | 11                  | 5                   | 5                   | 1                           | 1                   | 5                            |
| <b>Total Revenue.....</b>         | <b>433</b>             | <b>457</b>          | <b>485</b>          | <b>498</b>          | <b>501</b>          | <b>506</b>          | <b>123</b>                  | <b>131</b>          | <b>514</b>                   |

Notes:

- (1) Presented for the Opco Group based on the audited consolidated financial statements of the Opco Group for the relevant periods.
- (2) Presented for the Holdco Group based on the relevant Holdco Group Financial Statements.

## Summary EBITDA Before Exceptional Items by Segment Data

|  | Year ended 31 December |                     |                     |                     |                     |                     | Three months ended 31 March |                     | Twelve months ended 31 March |
|--|------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-----------------------------|---------------------|------------------------------|
|  | 2011 <sup>(1)</sup>    | 2012 <sup>(1)</sup> | 2013 <sup>(1)</sup> | 2014 <sup>(1)</sup> | 2015 <sup>(2)</sup> | 2016 <sup>(2)</sup> | 2016 <sup>(2)</sup>         | 2017 <sup>(2)</sup> | 2017 <sup>(2)</sup>          |
|  | Opco Group             | Opco Group          | Opco Group          | Opco Group          | Holdco Group        | Holdco Group        | Holdco Group                | Holdco Group        | Holdco Group                 |
|  | (£ millions)           |                     |                     |                     |                     |                     |                             |                     |                              |
| Roadside .....   | 134                    | 157                 | 163                 | 170                 | 187                 | 187                 | 45                          | 44                  | 186                          |
| Insurance broking .....  | 7                      | 22                  | 27                  | 30                  | 31                  | 30                  | 7                           | 8                   | 31                           |
| Motoring services .....  | 4                      | 6                   | 4                   | 4                   | 3                   | 5                   | 1                           | 2                   | 6                            |
| Telematics and Data services.....  | —                      | —                   | —                   | 1                   | 3                   | 1                   | —                           | —                   | 1                            |
| <b>Total EBITDA before exceptional items and head office costs<sup>(3)</sup> .....</b> | <b>145</b>             | <b>184</b>          | <b>194</b>          | <b>205</b>          | <b>224</b>          | <b>223</b>          | <b>53</b>                   | <b>54</b>           | <b>224</b>                   |
| Head office costs.....   | (45)                   | (43)                | (38)                | (36)                | (41)                | (39)                | (11)                        | (11)                | (39)                         |
| <b>Total EBITDA before exceptional items<sup>(3)</sup> .....</b>                       | <b>100</b>             | <b>141</b>          | <b>156</b>          | <b>169</b>          | <b>183</b>          | <b>184</b>          | <b>42</b>                   | <b>43</b>           | <b>185</b>                   |

Notes:

- (1) Presented for the Opco Group based on the audited consolidated financial statements of the Opco Group for the relevant periods.
- (2) Presented for the Holdco Group based on the relevant Holdco Group Financial Statements.
- (3) EBITDA before exceptional items is profit or loss for the period before finance expenses, other gains and losses, tax credit or charge, amortisation, depreciation and exceptional items. EBITDA before exceptional items is a non-IFRS measure. It is presented here because the Management believes that it is helpful in highlighting trends in RAC's business. For further detail on this and other non-IFRS measures, please see "Presentation of Financial and Other Information—Non-IFRS financial measures".

## Summary Unaudited *As adjusted* and Other Data

|   | Unaudited as at<br>31 March 2017                     |
|---|--|
|   | (£ millions, except<br>where indicated<br>otherwise) |
| <i>As adjusted</i> total debt <sup>(1)</sup> .....  | 1,455  |
| <i>As adjusted</i> cash and cash equivalents <sup>(2)</sup> .....   | 32   |
| <i>As adjusted</i> net debt <sup>(3)</sup> .....  | 1,423  |
| <i>As adjusted</i> net senior secured debt <sup>(4)</sup> .....   | 1,148  |
| <i>As adjusted</i> total interest payable <sup>(5)</sup> .....  | 71   |
| Class A FCF DSCR <sup>(6)</sup> .....   | 2.9x   |
| <i>As adjusted</i> Class B FCF DSCR <sup>(7)</sup> .....  | 2.3x   |
| Ratio of <i>as adjusted</i> net debt to EBITDA before exceptional items <sup>(8)</sup> .....                | 7.7x   |
| Ratio of <i>as adjusted</i> net senior secured debt to EBITDA before exceptional items <sup>(8)</sup> ..... | 6.2x   |
| Ratio of EBITDA before exceptional items <sup>(8)</sup> to <i>as adjusted</i> total interest payable .....  | 2.6x   |

### Notes:

- (1) *As adjusted* total debt represents the principal amounts outstanding under the Initial Senior Term Facility, the Class A1 Notes, the Class A2 Notes and the Class B1 Notes offered hereby as if the offering of such Class B1 Notes occurred on 31 March 2017.
- (2) *As adjusted* cash and cash equivalents represent total cash and cash equivalents at hand as at 31 March 2017, (a) excluding £12 million of restricted cash and cash equivalents required for RACIL and RACMS to comply with minimum capital requirements (see “*Business—Regulatory Environment*”) and (b) adjusted for £19.5 million that RAC plans to distribute to its shareholders after the Issue Date in accordance with the Class B1 IBLA and the Common Terms Agreement (see “*Use of Proceeds*”).
- (3) *As adjusted* net debt represents *as adjusted* total debt, less *as adjusted* cash and cash equivalents.
- (4) *As adjusted* net senior secured debt represents the principal amounts outstanding under the Initial Senior Term Facility, the Class A1 Notes and the Class A2 Notes, less *as adjusted* cash and cash equivalents.
- (5) *As adjusted* total interest payable represents (i) interest payable in relation to (a) the Initial Senior Term Facility based upon an assumed hedged base rate and (b) the Class A1 Notes, the Class A2 Notes and the Class B1 Notes based upon the interest payable in connection with each of such notes, as if the Offering, the offering of the Class A Notes and the draw-down under the Initial Senior Term Facility occurred on 1 April 2016; and (ii) commitment fees on undrawn amounts under the Initial Working Capital Facility and the Liquidity Facility, which will not be drawn on the Issue Date.
- (6) Class A FCF DSCR, as calculated in accordance with the Common Documents.
- (7) *As adjusted* Class B FCF DSCR, as calculated in accordance with the Class B1 IBLA.
- (8) EBITDA before exceptional items for the twelve months ended 31 March 2017.

## RISK FACTORS

*An investment in the Class B1 Notes involves a high degree of risk. Investors should carefully consider the following risk factors and the other information contained in this Offering Memorandum before making an investment decision. The risks described below may not be the only ones RAC faces. Additional risks not presently known to RAC or that it currently believes to be immaterial may also adversely affect its business. If any such risks or any other matters or unforeseen events actually occur, RAC's business, financial condition and results of operations could be materially adversely affected. In any of such cases, the value of the Class B1 Notes could decline and RAC may not be able to pay all or part of the interest or principal on Class B1 Notes when due, and investors may lose all or part of their investment.*

*This Offering Memorandum also contains forward-looking statements that are based on assumptions and estimates and are subject to risks and uncertainties. RAC's actual results could differ materially from those anticipated in such forward-looking statements as a result of many factors, including, but not limited to, the risks faced by RAC described below and elsewhere in this Offering Memorandum. See "Forward-Looking Statements".*

### **Risks Relating to RAC's Business and Industry**

#### ***RAC is dependent on the strength and favourable recognition of its brand.***

RAC believes favourable recognition of RAC's brand is one of the most important ways to maintain a leading position in its industry, where the trust and confidence of its customers is paramount. By virtue of the fact that RAC has a highly visible and widely recognised brand, it is particularly exposed to reputational damage from mistakes or misconduct, or allegations thereof, by its Patrol Specialists and other employees, contractors or agents. RAC's brand may be damaged by poor customer service, either at the roadside or via its call centres. RAC's brand could also be damaged by poor customer service in its other business segments and potential negative attention resulting therefrom, and by any failings in RAC's protection and use of data. The increasing prevalence of social media as a customer communication tool means that customer complaints can become public very rapidly and failure to adequately address issues raised in this fashion in a timely manner could compound potential damage to RAC's brand. RAC has made significant investments in marketing and advertising to maintain and enhance positive awareness of its brand and will continue to do so going forward. However, there can be no assurance that these and future investments will have the desired impact. A decline in favourable recognition of RAC's brand could impact its ability to attract or retain Members or other customers, which could have a material adverse effect on its business, financial condition and results of operations.

Factors affecting brand strength and favourable recognition may be outside of RAC's control. RAC has a number of brand licensing arrangements, pursuant to which its brand is used by third parties, as well as marketing arrangements with a significant number of Corporate Partners and Affinity Partners. Consequently, a deterioration in the reputations of, or negatively perceived actions by, its Corporate Partners or Affinity Partners may have an adverse impact on RAC's brand and reputation. The RAC brand is also used by third parties in the provision of RAC's accident management services. If a third party provider were to make use of the RAC brand in a way that was not in the best interests of the customer, or perceived to be so, RAC's reputation could be damaged.

#### ***RAC may not be able to protect its brand and related Intellectual Property rights from infringement or misuse by others.***

In order to monitor the use of its brand by third parties, RAC has an established brand protection strategy that includes an entity formed specifically to monitor and protect RAC's brand, the board of directors of which meets regularly to supervise the use of and challenges or threats to RAC's brand. However, many of the risks that RAC's brand is exposed to are outside of its control and there can be no assurance that the measures RAC takes to protect its brand will be effective. RAC's brand constitutes a significant part of its value and is its principal intellectual property. RAC relies primarily on trademarks and related intellectual property rights to protect its brand. The success of RAC's business depends on its continued ability to use its most important trademarks in order to increase brand awareness. Policing unauthorised use of RAC's proprietary intellectual property rights can be difficult, time-consuming and expensive, and RAC cannot be sure that the steps it has taken to protect those trademarks and other intellectual property rights will preserve its ability to enforce those rights or prevent unauthorised use, infringement or misappropriation by third parties. The unauthorised use, infringement or misappropriation of RAC's intellectual property rights by third parties may lead to loss of revenue, loss of customers and/or damage to RAC's brand and reputation.

Additionally, legal remedies available to RAC may not adequately compensate it for any damages it may suffer as a result of such unauthorised use. Accordingly, any material infringement or misuse of RAC's intellectual property could have a material adverse effect on its business, financial condition and results of operations.

***RAC's business performance and reputation are dependent on maintaining and improving the quality of its roadside assistance services.***

The majority of RAC's revenue is attributable to its roadside assistance service which is the product offering most closely associated with RAC's brand. RAC measures the quality of its roadside assistance services using metrics, including percentage of repairs at the roadside and Net Promoter Scores given by Members at the roadside. These metrics are driven by RAC's operational capabilities, including its ability to correctly diagnose breakdown issues via its call centres and deploy the appropriate resource, the ability of its Patrol Specialists to provide the appropriate parts and repair services at the roadside and RAC's overall ability to deliver a positive Member experience. RAC has invested significantly in technology to optimise its diagnosis and deployment capabilities. If this technology does not perform as expected due to an outage, or if RAC fails to keep pace with changing customer and vehicle trends, human error or otherwise, the quality of RAC's roadside assistance offering could suffer.

The ability of RAC's Patrol Specialists to provide repair services at the roadside requires appropriate training and equipment. In particular, the automobile market is characterised by frequent technical advances and increases in the complexity of existing components. Certain models of vehicles and automotive components may have technical equipment so complex or innovative that they can be maintained only by persons with special training relating to those particular vehicle models. While RAC invests significantly in the ongoing training of its Patrol Specialists and the maintenance of their equipment, it may not always be cost-effective for this training to cover certain types of vehicles and problems. A material gap in RAC's ability to repair vehicles at the roadside could have an adverse impact on the quality of its roadside assistance services.

In addition, RAC engages contractors to supplement its own branded Patrol Specialists. While RAC screens all contractors carefully and provides them with training, there is a risk that these contractors may not provide the same level of service as RAC's own Patrol Specialists. Furthermore, many of these contractors also have arrangements with RAC's competitors. Consequently, during periods of particularly high demand, contractors may not be available to supplement RAC's own Patrol vehicles fleet in the timeframe typically expected by Members and contractor performance may otherwise be adversely impacted. Failure to manage any of the risks associated with the quality of RAC's roadside assistance offering could have an adverse impact on RAC's business, financial condition and results of operations.

***RAC's business is impacted by its ability to retain and acquire Individual Members.***

RAC's volume of Individual Members, both retained and new, is one of the most significant drivers of its business results. RAC makes significant investments in communications to encourage existing Individual Members to renew their memberships and support its Persistency Rate. If its Persistency Rate were to decline due to price pressure from competitors, a weakening of its brand or any other reason, RAC's financial results may be adversely impacted.

RAC also invests significant resources in new Individual Member acquisition through a variety of channels, including contact centres, online channels, affinity partnerships and manufacturer conversions. While the volume of new Individual Members acquired has a direct impact on RAC's financial and operational results, the margins associated with the various acquisition channels vary, making the sales mix an important driver of profitability. In addition, RAC's business model distinguishes between Individual Members, who subscribe for roadside assistance coverage directly through a membership agreement, and those Partner Members, who receive roadside assistance coverage indirectly as an "add-on" or complementary service to the products they purchase from RAC's Corporate Partners as margins differ between these two categories. If RAC's acquisition volumes are concentrated in a lower margin acquisition channel, its financial and operational results may be adversely impacted. As acquiring new Individual Members is significantly more expensive than renewing the membership of an existing Individual Member, RAC's results could be adversely impacted by this change in mix.

***Increased competition may result in downward pressure on the pricing of RAC's products.***

While RAC believes that brand reputation and customer service are the most important factors in remaining competitive, price is also a key factor for all its business segments. Pricing for Individual Members in the Roadside segment is relatively transparent between RAC and its principal competitors and RAC's competitors may seek to compete aggressively on the basis of price in order to protect or gain market share. The Internet, including via price comparison websites, has also increased pricing transparency and price pressure within RAC's markets by enabling customers to more easily obtain and

compare prices being offered by companies operating in these markets. This transparency may further increase the prevalence and intensity of price competition in RAC's industry.

As part of its efforts to achieve a high degree of cross-penetration between its business segments, RAC may offer discounts to certain customers in respect of its roadside assistance, insurance or financial service products. A significant change in the number of existing Individual Members with reduced price products or a significant number of Individual Members declining to renew their memberships upon the expiration of their introductory offer rates could adversely impact RAC's financial performance and membership numbers. If the availability of roadside assistance coverage becomes more prevalent as an add-on to premium bank accounts, motor insurance products, vehicle purchases or other products of Corporate Partners, RAC could potentially see a migration of Individual Members to the lower-margin Partner Members book or to a third party provider, which would also have an adverse effect on RAC's business, financial condition and results of operations.

***RAC's business performance is impacted by the usage levels of its Members, which are in turn dependent on a variety of factors, including Member volumes and mix, weather and vehicle conditions and fuel prices.***

RAC's margins are impacted by its Members' usage levels, which are, in turn, impacted by a variety of factors including Member volumes and mix, vehicle age and type, weather, driving habits and fuel prices. RAC can influence some of these factors, such as the number of Individual Members (who tend to have higher usage levels, but also higher margins) and the number and type of Corporate Partner arrangements, but others, such as vehicle factors that impact reliability and repairability, weather and economic factors influencing Individual Member behaviour, are outside of RAC's control.

RAC has access to a large volume of data about its Members and their driving habits, which it uses to make assumptions about likely usage levels. These assumptions inform the pricing of RAC's products and the allocation of its resources in providing its services. If these assumptions prove to be inaccurate or if Member usage levels increase in a way that RAC is not able to plan for or adjust to, its performance, business, financial condition and results of operations could be adversely impacted.

A decline in usage levels can negatively impact RAC's revenue. Approximately 36 per cent. of RAC's Corporate Partner contracts by value as at 31 March 2017 were pay-on-use, and a significant decline in usage by Partner Members under these contracts could lead to decline in RAC's revenue. Certain of RAC's other Corporate Partner contracts allow for adjustments in pricing where usage has been either significantly above or below an anticipated level. A concentration of these adjustments in a given period could also have a negative impact on RAC's results.

Severe or unexpected weather conditions, including extremes in temperature, heavy rain, snowfall or hail, tend to increase the volume of calls to RAC's roadside assistance centres, with traditionally higher volumes between November and February due to colder weather conditions causing higher volumes of battery faults. Although RAC receives a certain amount of payment-for-use income, the majority of its contracts are for a fixed annual fee, which means that its margins are impacted by increased call-outs during times of severe weather. Consequences of severe or unexpected weather conditions may also include an inability to respond quickly and efficiently to calls from Members, loss of productivity and an adverse impact on other key performance metrics. Any delay in performance or disruption of operations due to severe weather conditions could have an adverse effect on RAC's brand and reputation and on its business, financial condition and results of operations.

As vehicles get older, the likelihood of breaking down generally increases. Consequently, a decrease in the average age of vehicles in the UK could lead to a decline in demand for RAC's roadside assistance products and services. In addition, technological improvements of some motor vehicle components can reduce the likelihood of motor vehicles breaking down, which could also lead to a decrease in demand for roadside assistance services by both RAC's Individual Members and Partner Members. While these impacts may be partially offset by other vehicle developments that increase the demand for RAC's services, such as the increasing number of vehicles that do not have a spare tyre fitted as standard or more driver induced faults in newer, more complex vehicles, there can be no assurance that these will be sufficient to maintain current levels of demand. Automobile manufacturers may continue to expand the scope of their warranties and roadside assistance coverage beyond current limits, engage in greater promotion of roadside assistance at the point of service in their dealerships, or improve vehicle technologies so as to identify potential breakdowns before they occur, any of which could negatively impact demand for RAC's roadside assistance products and services.

***RAC's operations are dependent on its ability to keep pace with the latest advancements in the automotive services sector.***

Vehicle technology is continually changing as evidenced by the introduction of mainstream affordable electric cars over the past few years and in the ongoing development of driverless car technology. Any failure by RAC to keep up to date with the



latest technological developments of vehicles on the roads could lead to a material gap in its ability to repair vehicles at the roadside, which could have an adverse impact on the quality of its roadside services and its ability to attract or retain Members. RAC's Technical Department monitors vehicle technology developments to ensure that its Patrol Specialists have the skills and equipment required to maintain the high roadside repair levels.

***RAC may fail to succeed in implementing its strategic change programmes.***

In line with its strategic change programmes, RAC continues to enhance its capabilities in the areas of digital sales and customer management systems. In particular, RAC is currently developing a Connected Car proposition to ensure that it is well placed to benefit from changing customer requirements and related technological developments. A failure to succeed in implementing such programmes could adversely affect RAC's business, financial condition and results of operations.

***RAC's business is impacted by its ability to retain and acquire contractual relationships with certain key Corporate Partners.***

RAC has a number of important Corporate Partners, principally in its Roadside segment. RAC's contracts with Corporate Partners have an average initial term of three to five years and either provide subscription coverage of certain services or are pay-on-usage arrangements. As renewal of these contracts tends to be concentrated at certain points in the contract cycle, a significant drop in retention rates or a significant increase in price pressure could have a more pronounced impact on RAC's revenue and margins. For the three months ended 31 March 2017 and the year ended 31 December 2016, RAC's ten largest Corporate Partners accounted for 19.3 per cent. and 18.4 per cent., respectively, of its revenue. In the ordinary course of its business, RAC's results may fluctuate as a result of Corporate Partner contracts being won or expiring without being renewed. The loss of one or more significant contracts with Corporate Partners (such as the loss of Volkswagen contract in 2014 and Lex Autolease contract in 2016), due to financial difficulty or a change in strategy of the Corporate Partner, a deterioration in the business relationship or otherwise, the renewal of those contracts on less advantageous terms, or the failure to acquire new corporate partners could adversely affect RAC's business, financial condition and results of operations.

***RAC's operations are dependent on the proper functioning of its information technology ("IT") and communication systems and its ability to keep pace with new technological developments.***

RAC depends on its IT and communication systems to conduct its business, including receiving calls from Members experiencing vehicle breakdowns and allocating the appropriate resources to assist those Members, as well as maintaining accurate customer service records and managing its fleet of Patrol vehicles. Any material loss of function in RAC's IT or communications systems would render RAC unable to provide its services in a timely or effective manner, damaging its levels of customer service, its brand and reputation. RAC has, in the past, experienced IT and telephony issues which resulted in certain key functions being unavailable for a period of time. See "*Business—Information Technology*" These issues have been resolved either through RAC's third party suppliers, the implementation of alternative communication mechanisms and/or business continuity plans, however, there can be no assurance that any future issues will be similarly resolved. RAC has invested significantly in the maintenance and improvement of its IT and communications systems and plans to continue to do so in the future. In particular, RAC is currently migrating its member and customer database onto a new system, a process expected to be completed by the end of 2017. Any issues with successful migration from the old system, the implementation of the new system including significant time delay, cost overrun or loss or corruption of customer data would have an adverse impact on RAC's ability to implement its strategy and on its business, financial condition and results of operations.

In order to remain a leader in its industry, RAC may be required to commit further substantial financial, operational and technical resources to the development of new software or other technology, the acquisition of equipment and software or upgrades to its existing systems and infrastructure. RAC may not be able to anticipate such developments or have the resources to acquire, design, develop or implement resources to address these developments, in a cost-effective manner. As technology develops and IT systems transition to a cloud-based infrastructure, RAC may also become increasingly dependent on third party suppliers, in particular, for its disaster recovery capabilities, data security and data loss prevention, particularly against hackers and other cyber security threats. Any loss of data, including as a result of a hack or other cyber security attack, may damage RAC's brand and expose RAC to claims from third parties and to regulatory investigations, including under applicable data protection laws. Furthermore, any delays or difficulties in implementing new or enhanced systems may keep RAC from achieving the desired results in a timely manner, to the extent anticipated, or at all. If RAC is unable to maintain and improve its IT and communication systems and infrastructure, or effectively resolve any service disruption, reliability or quality issues, its business, financial condition and results of operations could be adversely impacted.

***RAC operates in the insurance broking market and faces significant competition from global, national and local companies.***

RAC competes with global and national insurance companies, including direct writers of insurance coverage who may also be its customers, as well as non-insurance financial services companies, such as banks, and other brokers, many of which offer alternative products or more competitive pricing for segments of the insurance broking market in which RAC operates. RAC relies on a panel of insurers to underwrite a substantial majority of its policies and does not take any underwriting risk with respect to its insurance broking business. It does, however, take limited underwriting risk for certain of its other products including legal expenses insurance, European breakdown cover and onward travel cover. Insurance panel members could increase their prices or withdraw from the panel, which may impact RAC's ability to compete with the rest of the market. Whilst RAC maintains a diversified panel of insurance underwriters, many of its competitors are larger and have greater financial, technical and operating resources, as well as the ability to underwrite their own policies.

The insurance broking market is highly competitive on the basis of price, brand, service and coverage and there are many distribution channels within the insurance industry, including price comparison websites, which have been undergoing significant changes in recent years. If RAC is unable to price its products competitively, its ability to cross-sell its insurance products, its margins and/or market share may suffer. Any of the events above could have a material adverse effect on its business, financial condition and results of operations.

***RAC may be subject to allegations of personal data leakage to roadside traffic accident ("RTA") claims management companies.***

RAC's roadside business involves recovery of customer vehicles at the roadside. In recent years, significant concerns have been raised in the UK relating to unauthorised leakage of data in relation to RTAs to claims management companies by roadside assistance providers. Such data is extremely valuable to such claims management companies as they use it to sell claim management products to parties involved in an RTA on an unsolicited basis.

Roadside assistance is RAC's core business with approximately 2.2 million breakdowns attended in 2016. While RAC is actively working with other market participants to identify unlawful activities and minimise risks related to unauthorised personal data leakages, there is no assurance that such efforts, will prove to be effective. If there is a data leakage in relation to a breakdown or an accident attended by RAC, it can be subject to allegations of unauthorised personal data use. Such allegations, whether or not resulting in any legal or administrative proceedings, could negatively impact RAC's reputation and ultimately the value of the RAC brand.

***RAC depends on third party providers for many of its products and services and may not be able to renew existing contracts or enter into new contracts with such third parties.***

RAC is dependent on third party providers for many critical aspects of its business, including the provision of certain IT systems and services, the provision of its insurance products and European breakdown cover, the lease of its Patrol vehicles and the supply of auto batteries and auto parts.

RAC has invested significantly in the improvement of its IT systems, including, in particular, a data management system that is provided by a third party. This system is crucial to RAC's ability to appropriately cross-sell products to its Members and maintain optimal contact with them. If this system was to fail or not function as expected or if RAC had to find a new third party provider, RAC's ability to deliver its business strategy could be compromised.

RAC's insurance policies are administered by third parties and underwritten by a range of insurance companies. RAC uses third parties to provide its European breakdown cover to its Members. RAC also has arrangements with external suppliers of parts and vehicles to lease its Patrol vehicles and keep them appropriately stocked with auto batteries and auto parts. Substantially all of RAC's Patrol vehicles are leased pursuant to a master contract with Hitachi Capital Vehicle Solutions Limited. RAC also employs contractors to supplement its fleet of branded Patrol vehicles, uses a third party to provide its accident management services and relies on third parties to manufacture its telematics boxes. While there are alternative providers of these products and services, transitioning to a new arrangement could be time-consuming and costly and could result in disruption to the levels of service provided to Members. See "*—RAC is dependent on the strength and favourable recognition of its brand*".

RAC's ability to renew its existing contracts with suppliers of products and services, or enter into new contractual relationships, either on commercially attractive terms, or at all, depends on a range of commercial and operational factors and events which may be beyond its control. If RAC is unable to maintain its existing contracts and agreements with suppliers of

the various products and services which it relies upon or enter into new contracts on commercially favourable terms, its business, financial condition and results of operations could be adversely impacted, which could have an adverse impact on RAC's brand.

***RAC's operations are dependent on its ability to retain the services of the members of its senior management team and to retain and attract qualified and reliable personnel.***

RAC relies on a number of key employees, both in its management and operations, with specialised skills and extensive experience in their respective fields. RAC's senior management team has extensive experience, and its success depends upon the continued contributions of that team. RAC also believes that the growth and success of its business will depend on its ability to attract highly skilled, qualified and reliable personnel with specialised know-how in data and fleet management, as well as those with other specialist skills. Although RAC places emphasis on retaining and attracting talented personnel and invests in extensive training and development of its employees, it may not be able to retain or hire such personnel in the future, which could have an adverse impact on its business.

***RAC may make acquisitions or disposals in the future, which may not achieve the expected results or may expose it to contingent or other liabilities and may have a material adverse effect on its business, prospects, financial condition and results of operations.***

RAC could consider opportunistic business opportunities in the future, which could involve acquisitions or disposals of businesses or assets. There can be no guarantee that RAC will be able to identify appropriate acquisition targets or opportunities for disposals and, even if it does identify an attractive opportunity, it may not be able to complete the acquisition or disposal successfully based on limited financial resources or onerous regulatory requirements. Any acquisition or disposal may result in changes to RAC's capital structure, including the incurrence of additional indebtedness or the refinancing of its outstanding indebtedness, as applicable. There can be no guarantee that any due diligence undertaken will be accurate or complete, and such due diligence will identify or mitigate all material risks to which the entity or assets being acquired are exposed, including contingent or unanticipated liabilities. In addition, any acquisitions or disposals may divert managerial attention and resources from RAC's business objectives. Losses resulting from acquisitions or disposals could damage RAC's brand and reputation and could have a material adverse effect on its business, prospects, financial condition and results of operations.

***Changes in employment law or disruption in RAC's workforce could materially adversely affect its business, financial condition and results of operations.***

A substantial portion of RAC's employees are covered by a collective bargaining agreement with Unite the Union. In addition, RAC is required to consult with employee representatives, such as works councils, on various matters, including restructurings, acquisitions and divestitures. Although relations with Unite the Union have historically been positive and RAC continues to seek to maintain good relationships with its employees and Unite the Union, such relationships may not continue to be positive and RAC may be affected by industrial action or other disruption related to labour unions and employees in the future, which could impair its ability to deliver its services.

In addition, RAC is subject to risks in connection with changes in employment laws. For example, in response to recent UK case law in connection with the calculation of holiday pay, RAC has amended its policy on holiday pay such that it now includes, in certain circumstances, guaranteed and non-guaranteed overtime, commission, regular bonuses and voluntary overtime. In addition there has been recent case law in connection with engaging individuals and their categorisation as employees, workers or self-employed. RAC has always been mindful of this categorisation and acted in accordance with prevailing practice, but the recent decisions may affect the interpretation of such arrangements, which could impact on RAC's contracts with self-employed sales agents.

***RAC is exposed to the risk of litigation or regulatory inquiries or investigations, including, but not limited to, that arising from roadside injuries or death.***

From time to time, RAC may become involved in litigation, and there is no guarantee that it will be successful in defending itself against such litigation. RAC is exposed to potential claims for personal injury by its employees and the general public and property damage resulting from the provision and use of its roadside assistance services. RAC may be subject to future claims that could harm its reputation or have a material adverse effect on its business. RAC is also exposed to workers' compensation claims and other employment-related claims by its employees. The defence of any of these claims may be time consuming and expensive. If the outcome of any such claims is unfavourable to RAC, it could suffer reputational damage and

RAC's business could be adversely affected. RAC currently maintains motor liability coverage for bodily injury (including death) and property damage arising from or in connection with the services provided by its Patrol Specialists, however its current liability coverage may not be sufficient to cover all claims. In addition, there can be no assurance that its insurance premiums will not increase in the future, or that RAC will be able to renew its motor liability coverage on commercially acceptable terms. Furthermore, although RAC's customer contact centres provide Members with safety instructions in the event of a breakdown, Members could be accidentally injured or killed by passing vehicles while waiting on the roadside. Accidents such as these could expose RAC to civil suits, significant damages claims and liabilities and harm its reputation. See “—*RAC is dependent on the strength and favourable recognition of its brand*”.

***RAC operates almost exclusively in the UK and difficult conditions in the UK economy may have a material adverse effect on its business, prospects, financial condition and results of operations.***

RAC generated 99.8 per cent. and 99.9 per cent. of its total EBITDA before exceptional items in the UK in the three months ended 31 March 2017 and the year ended 31 December 2016, respectively. As it operates almost exclusively in the UK, its success is closely tied to general economic developments in the UK and cannot be offset by developments in other markets. Negative developments in, or the general weakness of, the UK economy and, in particular, higher unemployment, lower household income and lower consumer spending may have a direct negative impact on the spending patterns of Individual Members and Corporate Partners, both in terms of the services they subscribe for and the amount of insurance and other products they purchase. Any negative economic developments in the UK could reduce consumer confidence, and thereby could negatively affect earnings and have a material adverse effect on RAC's business, prospects, financial condition and results of operations.

In addition, any deterioration in the UK economic and financial market conditions may:

- cause financial difficulties for RAC's suppliers and its Corporate Partners, which may result in their failure to perform as planned and, consequently, create delays in the delivery of RAC's products and services;
- result in inefficiencies due to RAC's deteriorated ability to forecast developments in the markets in which it operates and failure to adjust its costs appropriately;
- cause reductions in the future valuations of RAC's investments and assets and result in impairment charges related to goodwill or other assets due to any significant underperformance relative to its historical or projected future results or any significant changes in its use of assets or its business strategy;
- result in new, increased or more volatile taxes, which could negatively impact RAC's effective tax rate, including the possibility of new tax regulations, interpretations of regulations that are stricter or increased effort by governmental bodies seeking to collect taxes more aggressively;
- result in increased customer requests for reduced pricing and reduced renewal rates if these requests for reduced pricing are not granted; and
- result in an increase in the average age of vehicles covered by RAC leading to an increased volume in breakdowns.

A delayed recovery or a worsening of economic conditions within the UK may lead to a decrease in subscribers to RAC's roadside assistance services, customers of its insurance intermediation business and generally result in Individual Members and Corporate Partners terminating their relationship with RAC. Therefore, a weak economy or negative economic development could have a material adverse effect on RAC's business, prospects, financial condition and results of operations.

***RAC's business, prospects, financial condition and results of operations may be materially and adversely affected by the UK's decision to leave the EU.***

On 23 June 2016, the UK held a referendum in which voters approved, on an advisory basis, an exit from the EU, commonly referred to as “Brexit”. On 16 March 2017, the referendum was passed into law and on 29 March 2017, the UK government triggered Article 50, the formal process to leave the EU. The UK government will now commence negotiations to determine the terms of the country's withdrawal from the EU. A withdrawal could, among other outcomes, disrupt the free movement of capital, goods, services and people between the UK and the EU, undermine bilateral cooperation in key geographic areas and significantly disrupt trade between the UK and the EU or other nations as the UK pursues independent trade relations. Further, on 8 June 2017, the UK held an early general election. The effect of its results on the Brexit negotiations remains unclear. RAC will closely monitor the progress thereof.

The initial impact of the announcement of Brexit caused significant volatility in global capital markets, as well as significant currency fluctuations that resulted in the devaluation of the pound sterling against foreign currencies, including the U.S. dollar and the euro. There may be an even deeper impact on the global economy and RAC's business, operating results, financial condition or prospects if other EU member states would propose similar referenda to, or elect to, exit the EU, or if Scotland, Northern Ireland or Wales propose referenda to, or elect to, pursue independence from the UK.

RAC faces risks associated with the potential uncertainty regarding the consequences that may flow from the UK's decision to exit the EU. For example, because a significant proportion of the regulatory regime in the UK is derived from EU directives and regulations, the UK's exit from the EU could materially change the regulatory regime that would be applicable to RAC's operations in the future. This could increase compliance and operating costs for RAC and have a material adverse effect on RAC's business, prospects, financial condition and results of operations.

Uncertainty around the terms of the UK's withdrawal from the EU could lead to further adverse effects for the UK economy which could also adversely impact RAC, for example:

- disruptions in the capital markets, which could reduce RAC's ability to raise capital and increased funding costs for RAC and UK banks more generally, due to a lack of clarity over the UK's status within the European single market;
- a reduction of investment and delays in capital expenditure decisions by businesses resulting from the decision to leave the EU and a consequential reduction in demand for business lending; and
- the risk that international businesses choose to invest outside the UK in order to avoid political uncertainty.

All of these possible effects of Brexit, and others that RAC may not anticipate, could adversely impact RAC's business, prospects, financial condition and results of operations.

***The interests of RAC's principal shareholders may conflict with the interests of the holders of the Class B1 Notes.***

The interests of RAC's principal shareholders, in certain circumstances, may conflict with the interests of the holders of the Class B1 Notes. Certain CVC Funds and Sphinx (collectively, the "**Principal Shareholders**") own approximately 79.6 per cent. of shares (including ordinary and preferred shares) in RAC's ultimate holding company. Funds controlled by USS and Invest PSP and certain employees and members of management own the remainder. As a result, the Principal Shareholders have, directly or indirectly, the power, among other things, to affect RAC's legal and capital structure and RAC's day-to-day operations, as well as the ability to elect and change RAC's management and the Board of Directors and to approve any other changes to RAC's operations. For example, the Principal Shareholders could decide to cause RAC to incur additional indebtedness, to sell certain material assets or make dividends, in each case, so long as the Senior Finance Documents and the Common Documents so permit. The interests of the Issuer's and Borrower's ultimate shareholders could conflict with the interests of the holders of the Class B1 Notes, particularly if they encounter financial difficulties or are unable to pay their debts when due. The incurrence of additional indebtedness would increase RAC's debt service obligations and the sale of certain assets could reduce RAC's ability to generate revenue, each of which could adversely affect the holders of the Class B1 Notes.

**Risks Relating to Regulatory and Legislative Matters**

***RAC collects extensive personal data from Members, Corporate Partners, business contacts and employees, the treatment of which is subject to substantial regulation.***

RAC regularly collects, processes, stores and uses personal data (including name, address, age, bank and credit card details and, in some circumstances, sensitive personal data) from its Members, Corporate Partners, business contacts and employees as part of the operation of its business, and therefore must comply with data protection laws in the UK and the European Union ("EU") and the payment card industry security standard requirements. Those laws and regulations impose certain requirements on RAC in respect of the collection, use, processing and sharing of personal data.

There is a risk that data collected by RAC may not be processed in accordance with notifications made to data subjects. In some cases, the consent of those data subjects may also be required to process the personal data for the purposes notified to them. The scope of the notification made to, and consents obtained from, data subjects may limit RAC's ability to deal freely with the personal data in its databases. It may not be possible for RAC to lawfully use that data for purposes other than those notified to data subjects, or for which they have provided consent. Failure to comply with data protection laws could potentially lead to regulatory censure, in particular by the UK Information Commissioner's Office, fines, civil and criminal

liability, and reputational and financial costs. In addition, data protection laws, and other laws relating to the use of data, are rapidly evolving and may become more burdensome and costly to RAC's operations.

RAC is also exposed to the risk that the personal data it controls could be wrongfully accessed or used, whether by employees or third parties, or otherwise lost or disclosed or processed, in breach of applicable data protection law. If RAC, or any of the third party service providers on which it relies, fails to process, store or protect such personal data in a secure manner or if any such theft or loss of personal data were otherwise to occur, RAC could face liability under data protection laws. This could also result in damage to its brand and reputation, as well as the loss of new or existing Individual Members or other customers, any of which could have a material adverse effect on its business, financial condition and results of operations. See *“—RAC is dependent on the strength and favourable recognition of its brand”* and *“—RAC may be subject to allegations of personal data leakage to roadside traffic accident (“RTA”) claims management companies”*. RAC has invested significant resources in information security and is working towards achievement of ISO27001 by the end of 2017.

RAC's operations will also be affected by the forthcoming changes to the wider EU data protection regime. On 27 April 2016, the new EU General Data Protection Regulation (“**GDPR**”) was adopted. It will enter into force on 18 May 2018 and will replace the currently effective European Data Protection Directive. The GDPR will impose increased and more restrictive obligations on all companies collecting, processing and storing personal data, and maximum fines for breaches of data protection law are likely to increase to up to 4 per cent. of worldwide turnover.

The GDPR regime is expected to require RAC to make significant changes to its internal personal data policies and procedures, which could be costly. The full scope of such changes is not yet known as guidance on key areas of the GDPR regime remains to be issued. However RAC will almost certainly need to re-permission its existing customer database and provide further details to customers about how their data will be used. The more onerous requirements of the GDPR regime may result in RAC having reduced numbers of marketing permissions and more restricted rights to process Individual Members' personal data. In addition, RAC's ability to target Individual Members for campaigns may be impacted by the new profiling regulations. RAC is in the initial stages of evaluating the GDPR regime's practical implications to its business.

***RAC is subject to laws and regulations that could adversely affect its business.***

The industries in which RAC operates are affected by government regulation in the form of national and local laws and regulations in relation to health and safety, the conduct of operations and taxation. RAC is subject to prudential and consumer protection measures imposed by a number of insurance and financial services regulators, including the Financial Conduct Authority (“**FCA**”), the Prudential Regulation Authority (“**PRA**”), the European Commission, HM Treasury, the UK Competition Commission and the European Competition Commission. In the UK, the PRA is the primary regulatory authority of the insurance sector and the FCA of the insurance intermediation sector. Each has prescribed certain rules, principles and guidance with which RAC and others in the insurance and financial services industries must comply. In particular, to promote the fair treatment of customers, the FCA has been increasing its focus on business conduct risks to ensure that firms can demonstrate that products are designed around customers' needs, that sales processes are properly monitored and that products meet customers' expectations at the time of claims. See *“—RAC collects extensive personal data from Members, Corporate Partners and others, the treatment of which is subject to substantial regulation”*. RAC's roadside assistance business is currently operated under an exemption from rules requiring insurance business authorisation. Any change in law, regulation or in interpretation of law or regulation could result in this business needing to be carried out by a regulated insurer which could significantly increase the costs of the business. In addition, RAC has ICO registrations for RACMS, RACFS and RACIL. RAC is also subject to claims management regulations.

With respect to each of its business areas, regulatory proceedings could result in a public reprimand, substantial monetary fines or other sanctions which could have a material adverse effect on RAC's business, financial condition and results of operations. Furthermore, the use of continuous payment methods in both RAC's roadside and insurance services segments contributes to its high levels of customer retention. Although continuous payment methods are a common market and banking practice, regulation of their use by the FCA, the Payment Systems Regulator or another comparable regulatory authority, or the regulation of how and when RAC communicates with current and potential Individual Members and customers, could have a negative effect on its business, financial condition and results of operations.

RAC's operations are also subject to various laws and regulations relating to health and safety, employment, environmental and other matters. If it fails to comply with any such laws or regulations, it could be subject to sanctions such as mandatory shut-downs, damages, criminal prosecutions and injunctive action. Changes in governmental regulations, as well as maintaining compliance with required standards, may also significantly increase its costs, the price of membership and access to its services, which in turn could materially and adversely affect its business, financial condition and results of operations. Examples of recent or future legislation or regulation which may have or has had an adverse effect on RAC include the

implementation of the Insurance Mediation Directive II (“**IMD II**”) in 2015, the introduction of gender neutral pricing at the end of 2012, any further amendments to UK insurance contract law, additional government initiatives to improve transparency and customer confidence in insurance pricing and new EU solvency requirements and the consultations scheduled for 2017 on the extension of the Senior Managers and Certification Regime (“**SM&CR**”) to all financial services firms.

RAC may also be subject to regulatory and governmental inquiries and investigations, the impact of which may be difficult to assess or quantify. Any negative publicity arising in connection with any inquiries and litigation or regulatory investigation affecting RAC’s business could adversely affect its reputation. Regulatory and governmental inquiries and investigations may also result in substantial costs and expenses and divert the attention of RAC’s management. Future regulatory and governmental inquiries and investigations could lead to increased costs or interruption of RAC’s normal business operations, which may have a material adverse effect on its business, financial condition and results of operations.

### **Risks relating to the Financing Structure**

***The Holdco Group has significant leverage which could adversely affect the Borrower’s financial condition and its ability to service its payment obligations.***

The Holdco Group has consolidated indebtedness that is substantial in relation to its shareholders’ equity. After giving effect to the offering and the application of the proceeds thereof, the Holdco Group’s total debt as at the Class B1 Issue Date will be significant. As at 31 March 2017, the Holdco Group’s total debt would have been £1,455 million, after giving effect to the Offering and the application of the proceeds thereof (see “*Overview—Summary Consolidated Financial, Operating and Other Data—Summary Unaudited As Adjusted and Other Data*”). The Holdco Group’s relatively high level of debt could:

- make it more difficult for the Borrower to satisfy its obligations with respect to the Class B1 Loan and, consequently, the Class B1 Notes;
- increase the Holdco Group’s vulnerability to general adverse economic and industry conditions, including rises in interest rates;
- restrict the Holdco Group from making strategic acquisitions or exploiting business opportunities;
- along with the financial and other restrictive covenants under the Holdco Group’s indebtedness, limit its ability to obtain additional financing, dispose of assets or pay cash dividends other than as permitted by the terms of the indebtedness;
- require the Holdco Group to dedicate a substantial portion of its cash flow from operations to service its indebtedness, thereby reducing the availability of its cash flow to fund future working capital, capital expenditure, other general corporate requirements and dividends;
- require the Holdco Group to sell or otherwise transfer assets used in its business in order to fund its debt service obligations;
- limit the Holdco Group’s flexibility in planning for, or reacting to, changes in its business and the industry in which it operates;
- place the Holdco Group at a competitive disadvantage compared to its competitors that have less debt; and
- increase its cost of borrowing.

Any failure to pay amounts due and payable under the indebtedness could give rise to an event of default and the Obligor Security Trustee may, in such circumstances, elect (or shall be required to do so if so instructed by the required majority of those Obligor Senior Secured Creditors which are entitled to participate in any vote in relation thereto (see “*Description of Certain Financing Arrangements—Security Trust and Intercreditor Deed*”)) to declare all amounts outstanding under those agreements to be immediately due and payable and initiate enforcement proceedings against the collateral provided by the Obligors to secure their obligations under such agreements.

***The Holdco Group is exposed to the creditworthiness of third party financial institutions.***

The creditworthiness of many financial institutions may be closely interrelated as a result of credit, derivative, trading, clearing or other relationships among the institutions. As a result, concerns about, or a default or threatened defaults by, one (or more) institution could lead to significant market-wide liquidity and credit problems and/or losses or defaults by other institutions. This may adversely affect the financial institutions, such as banks and insurance providers, with which the

Holdco Group interacts on a regular basis, and therefore could adversely affect its ability to raise needed funds or access liquidity.

***CTA Events of Default may occur without the knowledge of the Obligor Security Trustee if the Borrower fails to notify the Obligor Security Trustee of such event.***

The STID provides that the Obligor Security Trustee will be entitled to assume, unless the Obligor Security Trustee is expressly informed otherwise, that no CTA Event of Default or Potential CTA Event of Default has occurred and is continuing. The Obligor Security Trustee will not itself monitor whether any such event has occurred. It will fall to the Borrower to make these determinations as well as the determinations of the financial and operational positions underlying them, which may be subjective. The Obligor Security Trustee shall not be obliged to make any such determinations and shall be able to conclusively rely on any investor report or compliance certificate provided to it without being obliged to enquire as to the accuracy or validity of any such investor report or compliance certificate. If the Borrower or any Obligor fails to notify the Obligor Security Trustee of the occurrence of a CTA Event of Default or a Potential CTA Event of Default, it is likely that neither the Obligor Security Trustee, any Obligor Secured Creditor nor any Issuer Secured Creditor (including the Class B1 Noteholders) would know that a CTA Event of Default or a Potential CTA Event of Default has occurred, the occurrence of which may indicate that an individual Obligor or the Holdco Group as a whole is experiencing financial or other difficulties. The absence of such notice may result in the Obligor Security Trustee, any Obligor Secured Creditor and any Issuer Secured Creditor (including the Class B1 Noteholders) being unable to enforce their rights under the Transaction Documents in a timely manner potentially resulting in greater losses on their investment that would have been the case had such notice of default been given by the Borrower when such notice might have first been delivered.

***Certain members of the Holdco Group will not be guaranteeing the Obligor Senior Secured Liabilities (including the Class A IBLA) and will not be granting security over their assets.***

Certain subsidiaries of the Holdco Group, being, at the Class B1 Issue Date, RAC Insurance Limited and RACMS (Ireland) Limited, will not be Obligors and as a result will not be providing a guarantee of the Borrower's obligations under any of the Obligor Senior Secured Liabilities (including the Class A IBLA) or Obligor Junior Secured Liabilities (including the Class B1 IBLA) nor will such entities be granting security over any of their assets to the Obligor Security Trustee. Notwithstanding the fact that such entities will not be Obligors, such entities are consolidated into the financial statements of Holdco and accordingly, the EBITDA before exceptional items of the Holdco Group calculated for the purposes of the financial covenants in the CTA will take into account any EBITDA before exceptional items generated by such entities from time to time. Although the Obligor Security Trustee will have a charge over the shares in such non-Obligor entities, following the occurrence of a CTA Event of Default, the Obligor Security Trustee will not be able to take any Enforcement Action against any of the assets or undertakings of such non-Obligor entities.

***Hedging Risks***

The Holdco Group and the Issuer have a Hedging Policy in place to mitigate the risks arising from mismatches in cash flows received and payable from time to time. For more detail on the Hedging Policy, see "*Description of Certain Financing Arrangements—Common Terms Agreement—Hedging Policy*".

In order to address, *inter alia*, interest rate risks and/or currency risks, the Holdco Group and the Issuer operate a hedging programme in accordance with the Hedging Policy and are permitted to enter into Treasury Transactions (for non-speculative purposes only). However, there can be no assurance that the Hedging Agreements adequately address the above mentioned risks that the Holdco Group, and/or the Issuer will face from time to time. In addition the Holdco Group, the Borrower and/or the Issuer could find itself over-hedged or under-hedged which could lead to financial stress (see "*Description of Certain Financing Arrangements—Common Terms Agreement—Hedging Policy*").

The Holdco Group's and the Issuer's interest rate and/or currency hedging strategies involve entering into derivative contracts that require the Holdco Group (and, if the Issuer enters into any Hedging Agreement in the future, the Issuer) to fund certain cash payments.

The Holdco Group and the Issuer are subject to the creditworthiness of, and in certain circumstances early termination of the Hedging Agreements by Hedge Counterparties. If a Hedging Agreement is terminated and the Holdco Group and/or the Issuer (as applicable) is unable to find a replacement Hedge Counterparty, the funds available to the Holdco Group and/or the Issuer may be insufficient to meet their respective obligations in full as a result of adverse fluctuations in *inter alia* interest rates and/or exchange rates or making any termination payments to the relevant Hedge Counterparty.



The Holdco Group's and the Issuer's ability to fund their respective contingent liabilities upon termination of a Hedging Agreement will depend on the liquidity of the Holdco Group's and the Issuer's assets and access to capital at the time, and the need to fund these contingent liabilities could adversely impact the Holdco Group's and/or the Issuer's financial condition.

For details of the Holdco Group's and the Issuer's option to terminate under the Hedging Agreements, see the section headed "*Description of Certain Financing Arrangements—Common Terms Agreement—Hedging Policy*".

#### ***Absence of credit rating triggers in Hedging Agreements.***

Although the Holdco Group and the Issuer are only be permitted to enter into Hedging Transactions with suitably rated counterparties the rating of those counterparties are only be tested only on the entry into each Hedging Transaction (see "*Description of Certain Financing Arrangements—Common Terms Agreement—Hedging Policy*") and the Hedging Agreements do not include early termination triggers referencing the credit ratings of the relevant Hedge Counterparties. As a consequence, the Holdco Group and the Issuer are not be entitled to replace Hedge Counterparties with more creditworthy counterparties in the event they are downgraded and the Hedge Counterparties are not be obliged to post collateral under such circumstances. Such downgrades may lead to the credit ratings of the Class B1 Notes being downgraded.

#### ***EMIR and MiFID II/MiFIR.***

The Hedge Counterparties have agreed to provide hedging to the Issuer and/or the Borrower, as applicable, and investors should be aware that, further to Regulation (EU) n. 648/2012 of the European Parliament and of the Council of 4 July 2012 ("**EMIR**"), the Issuer is subject to certain regulatory requirements including, but not limited to, various compliance requirements for non-cleared "over-the-counter" derivative transactions (known as the 'risk mitigation techniques') and the requirement to report derivative transactions to a trade repository or to the European Securities and Market Authority ("**ESMA**") which may result in future amendments by the Issuer and/or the Borrower, as applicable, to the Transaction Documents, in particular where a Class B1 Noteholder's consent will not be required for such amendments. The 'risk mitigation techniques' include requirements for timely confirmation, portfolio reconciliation, and dispute resolution. The Hedge Counterparties will provide services to the Issuer and/or the Borrower, as applicable, which are required in order for the Issuer and/or the Borrower, as applicable, to comply with its reporting and portfolio reconciliation obligations under EMIR, to the extent that they may be delegated.

The EU regulatory framework and legal regime relating to derivatives is set not only by EMIR but also by the proposals to amend the existing Markets in Financial Instruments Directive. The official texts of Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU ("**MiFID II**") and Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012 ("**MiFIR**" together with MiFID II "**MiFID II/MiFIR**") were published in the EU Official Journal on 12 June 2014 and entered into force on 2 July 2014. MiFID II/MiFIR applies in EU member states since 2 January 2017.

Amongst other requirements, MiFIR requires certain standardised derivatives to be traded on exchanges and electronic platforms (the "**Trading Obligation**"). Regulatory technical standards have been developed to determine which derivatives will be subject to the Trading Obligation. Although such technical standards may provide an indication of the impact of the regulatory changes under MiFID II and MiFIR for the Borrower and/or Issuer, the European Commission is not bound by such technical standards and will adopt the necessary delegated acts at its own discretion. In this respect, it is difficult to predict the full impact of these regulatory requirements on the Issuer and/or the Borrower.

Prospective investors should be aware that the regulatory changes arising from EMIR and MiFID II/MiFIR may in due course significantly raise the costs of entering into derivative contracts and may adversely affect the Issuer's and/or the Borrower's ability to engage in transactions in OTC derivatives. As a result of such increased costs or increased regulatory requirements, investors may receive less interest or return, as the case may be. Investors should be aware that such risks are material and that the Borrower and/or Issuer could be materially and adversely affected thereby. As such, investors should consult their own independent advisers and make their own assessment about the potential risks posed by EMIR, technical standards made thereunder (including the Adopted Technical Standards) and MiFID II/MiFIR, in making any investment decision in respect of the Class B1 Notes.

## **Risks Relating to Taxation**

### ***A change of tax law and practice might have an adverse effect on the financial position of the Issuer or the Obligors.***

The structure of the transaction, the issue of the Class B1 Notes, the ratings that are to be assigned to them and the statements in relation to taxation set out in this Offering Memorandum are based on current law and the published practice of the relevant authorities in force or applied as at the date of this Offering Memorandum. Any changes in such law or practice might have an adverse effect on the financial position of the Issuer or the Obligors and no assurance can be given as to the effect of any possible judicial decision or change of law or the administrative practice of any jurisdiction after the date of this Offering Memorandum.

Roadside breakdown subscription policies are considered to be an insurance product for taxation purposes and are subject to IPT. In November 2015 the Government raised the standard rate of IPT from 6 per cent. to 9.5 per cent. and to 10 per cent., following a long period of this rate remaining stable. With effect from 1 October 2016, the Government further increased the standard rate of IPT to 10 per cent. and, with effect from 1 June 2017, to 12 per cent. It is possible that further rises in this rate may be imposed in future. There is a risk that RAC may be unable to pass on any such increases in full to customers, resulting in a cost to RAC.

### ***RAC is currently subject to an ongoing HMRC enquiry in respect of the deductibility for corporation tax purposes of the amortisation of certain intangible assets.***

RAC is currently in discussion with HMRC regarding the deductibility for corporation tax purposes of the amortisation of certain intangible assets for periods between 2012 and 2015, following a reorganisation of ownership of these assets in 2012. There is a risk that this matter may not be resolved by the normal enquiry process and may proceed to litigation. In the event that the deductions claimed were ultimately found not to be valid, additional corporation tax of approximately £22 million (excluding any interest) would become payable. These amounts have been fully provided for in the statement of financial position of the Bidco Group.

### ***The Borrower's UK tax position may change which may adversely affect the ability of the Borrower to repay the Class B1 IBLA and so the ability of the Issuer to repay the Class B1 Notes.***

There can be no assurance that UK tax law and practice will not change in a manner (including, for example, an increase in the rate of corporation tax) that would adversely affect the ability of the Borrower to repay amounts of principal and interest under the Class B1 IBLA. Similarly, UK tax law and practice can be subject to differing interpretations and the Borrower's interpretation of the relevant tax law as applied to their transactions and activities may not coincide with that of HMRC. As a result, transactions of the Borrower may be challenged by HMRC and any profits of the Borrower from its activities in the UK may be assessed to additional tax which may adversely affect the ability of the Borrower to repay amounts of principal and interest under the Class B1 IBLA. If, in turn, the Issuer does not receive all amounts due from the Borrower under the Class B1 IBLA, the Issuer may not have sufficient funds to enable it to meet its payment obligations under the Class B1 Notes and/or any other payment obligations ranking in priority to, or equally with, the Class B1 Notes.

### ***Proposed changes in tax law arising from the OECD's Base Erosion and Profit Shifting ("BEPS") project might have an adverse effect on the financial position of the Issuer or the Obligors, and may result in early redemption of the Class B1 Notes.***

On 5 October 2015, the OECD published final recommendations for new, or amendments to existing, tax laws arising from its BEPS project (the "OECD Proposals"). The OECD Proposals include recommendations as to best practice concerning limits on the deductibility of interest expense for corporate tax payers, based on certain ratios of net interest expenditure to earnings before interest, tax, depreciation and amortisation.

The UK Finance (No. 2) Bill 2017 included draft legislation to introduce limits on the deductibility of interest expense for UK corporation tax payers. The draft legislation seeks to apply a fixed ratio rule to limit a group's UK tax deductions for net interest expense to 30 per cent. of the "aggregate tax-EBITDA" of the worldwide group or, if lower, the "fixed ratio debt cap" of the worldwide group. The draft legislation also contains a group ratio rule, subject to a "group ratio debt cap" (intended to allow groups that are highly leveraged for commercial reasons to obtain a higher level of net interest deductions, up to a limit in line with the group's overall external gearing position), and a public infrastructure exemption (aimed at ensuring that any restriction does not impede the provision of external finance used to fund taxable UK public infrastructure).

The draft rules set out in the Finance (No.2) Bill 2017 are expected, if introduced, to be complex in their operation, and technical issues have been identified relating to their precise scope. The enactment of the legislation was suspended pending the UK general election but is expected to resume following the Queen's Speech on 21 June 2017. It is not yet certain when the legislation will have effect from and whether it will be in substantially the same form as that in the Finance (No.2) Bill 2017.

If the rules are introduced and restrict tax deductions for interest expense in the Holdco Group, they could have an adverse effect on the financial position of the Borrower and the Issuer. This adverse effect could be direct by reason of a disallowance of deductions for interest expense in the Borrower itself (it not being expected that the Issuer, as a "securitisation company", will be relying on deductions for its interest expense) so as negatively to impact on the post-tax cash flows available to the Borrower and thus indirectly on the ability of the Borrower to make payments of interest and principal under the Class B Loan (which could in turn affect the ability of the Issuer to make payments of interest and principal under the Class B1 Notes). A disallowance of deductions for interest expense in one or more other members of the Holdco Group could reduce the post-tax cash flows available to the Holdco Group more generally and therefore indirectly have an adverse effect on the financial position of the Borrower and the Issuer.

***The Issuer may redeem the Class B1 Notes upon the occurrence of certain changes in tax law.***

All payments made under the Class B1 Notes can be made without deduction or withholding for or on account of any UK income tax; *provided* that they are and continue to be officially listed in Ireland in accordance with provisions corresponding to those generally applicable in EEA States and are admitted to trading on the Global Exchange Market of the Irish Stock Exchange.

In respect of the Class B1 Notes, in the event that any withholding or deduction is required to be made for or on account of tax imposed by a relevant tax jurisdiction from payments due under the Class B1 Notes, the Issuer will, subject to certain exceptions, pay such additional amounts as may be necessary in order that the net amounts received by the holders of the Class B1 Notes after such withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Class B1 Notes in the absence of the withholding or deduction.

If, as a result of certain changes in tax law in any relevant tax jurisdiction, the Issuer would become obligated to pay additional amounts in respect of the Class B1 Notes, the Issuer will have the option (but not the obligation) of redeeming all (but not some) of the outstanding Class B1 Notes in full at 100 per cent. of their principal amount together with accrued but unpaid interest and additional amounts, if any. For the avoidance of doubt, none of the Class B Note Trustee or the holders of the Class B1 Notes will have the right to require the Issuer to redeem the Class B1 Notes in these circumstances.

See "Taxation—Certain UK Taxation Considerations" for further discussion of withholding tax in respect of the Class B1 Notes.

***The payments on the Class B1 Loan may be subject to withholding tax, which may result in a prepayment of the Class B1 Loan, and, as a result, an early redemption of the Class B1 Notes, or may also impact the Borrower's ability to repay the Class B1 Loan in full, and, as a result, the Issuer's ability to repay the Class B1 Notes in full.***

The Borrower will be entitled to make payments of interest to the Issuer under the Class B1 Loan without deduction or withholding for or on account of UK income tax if and for so long as the Issuer is and continues to be a person who is entitled to receive such payments gross of such a deduction or withholding. The Issuer has been advised that it will be such a person as at the Class B1 Issue Date.

In the event that any withholding or deduction for or on account of tax is required to be made from any payment due to the Issuer under the Class B1 Loan, the amount of that payment will be increased so that, after such withholding or deduction has been made, the Issuer will receive a cash amount equal to the amount that it would have received had no such withholding or deduction been required to be made.

If, as a result of a change in tax law, the Borrower is obliged to increase any sum payable by it to the Issuer as a result of the Borrower being required to make a withholding or deduction from that payment under the Class B1 Loan, the Borrower will have the option (but not the obligation) to prepay all relevant outstanding advances made under the Class B1 Loan in full. If the Borrower chooses to prepay the advances made under the Class B1 Loan, the Issuer will then be required to redeem the Class B1 Notes. Such a redemption would be for a redemption price calculated in accordance with Class B1 Condition 5 (*Redemption, Purchase and Cancellation*). If the Borrower does not have sufficient funds to enable it to either repay the

Class B1 Loan or to make increased payments to the Issuer, the Issuer's ability to make timely payments of interest and principal under the Class B1 Notes could be adversely affected.

***Withholding tax in respect of the Hedging Agreements may result in the termination of the Hedging Agreements.***

The Issuer and the members of the Holdco Group believe that all payments made under the Hedging Agreements can be made without deduction or withholding for or on account of any UK tax.

In the event that any such withholding or deduction is required to be made from any payment due under a Hedging Agreement by a Hedge Counterparty, the amount to be paid will be increased to the extent necessary to ensure that, after any such withholding or deduction has been made, the amount received by the Holdco Group or the Issuer (as applicable) is equal to the amount that that party would have received had such withholding or deduction not been required to be made. In the event that any such withholding or deduction is required to be made from any payment due under a Hedging Agreement by the Issuer or by a member of the Holdco Group, as applicable, the Issuer or such member of the Holdco Group will make payment subject to that withholding or deduction but will not be required to pay any additional amount to any Hedge Counterparty in respect thereof. If a Hedge Counterparty is obliged to pay an increased amount as a result of its being obliged to make such a withholding or deduction or if the Issuer or a member of the Holdco Group makes a payment to it subject to such a withholding or deduction, the Hedge Counterparty may terminate the transactions under the relevant Hedging Agreement, subject to the Hedge Counterparty's obligation to use its reasonable efforts to transfer its rights and obligations under that Hedging Agreement to another of its offices or affiliates such that payments made by and to that other office or affiliate under that Hedging Agreement can be made without any withholding or deduction for or on account of tax.

***If the Issuer were to cease to qualify as a securitisation company, this may have an adverse effect on the Issuer's UK tax position, which could adversely affect the Issuer's ability to make timely payment of interest and principal under the Class B1 Notes.***

The Issuer is incorporated in England and Wales and resident for tax purposes in the UK and has been advised that it should be a "securitisation company" for the purposes of the Taxation of Securitisation Companies Regulations 2006 (SI 2006/3296). Accordingly, the Issuer should be subject to corporation tax in the UK on its "retained profit" only, in accordance with the special regime for securitisation companies as provided for by those regulations.

If the Issuer were to cease to qualify as a securitisation company for the purposes of those regulations, its profits or losses for tax purposes might be different from its cash position and there might be a risk of the Issuer incurring unfunded tax liabilities. In addition, interest paid on the Class B1 Notes could be disallowed for United Kingdom corporation tax purposes which could cause a significant divergence between the cash profits and the taxable profits in the Issuer. Any unforeseen taxable profits in the Issuer could adversely affect the Issuer's ability to make timely payment of interest and principal under the Class B1 Notes. If the Issuer ceases to be a "securitisation company" as a result of a change in tax law, the Issuer will have an option (but not the obligation) of redeeming all of the outstanding Class B1 Notes in full.

**Risks in relation to Security, Enforcement and Insolvency**

***Holders of the Class B1 Notes will not control any decisions regarding enforcement of collateral so long as any Class A Authorised Credit Facilities are outstanding, other than with respect to the Topco Security.***

The Class B1 Notes will be secured by the same collateral securing, among other things, the obligations under the Class A Notes, and the Class B1 Notes will rank junior to the Class A Notes with respect to the application of any amounts realised through the enforcement of the applicable security, other than in respect of the Topco Security. Likewise, the Class B1 Loan will be secured by the same collateral securing, among other things, the obligations under the Class A IBLAs, the Initial STF Facility, the Initial WC Facility and the Initial Liquidity Facility, together with certain hedging arrangements and other indebtedness, and the Class B1 Loan will rank junior to the foregoing with respect to the application of any amounts realised through the enforcement of the applicable security, other than in respect of the Topco Security. See "*Description of Certain Financing Arrangements—Security Trust and Intercreditor Deed*". Furthermore, to the extent permitted by the terms of the indebtedness, including under the Issuer Transaction Documents and the Class B1 IBLA, RAC will be permitted to incur additional indebtedness in the future and other obligations that may be secured by the same collateral on a first-priority or *pari passu* basis.

Pursuant to the terms of the STID, for so long as certain senior secured debt remains outstanding, including under the Class A IBLAs and any other Class A Authorised Credit Facilities, the holders of the Class B1 Notes will not be permitted to take, direct or control any enforcement action with respect to the applicable collateral, other than in connection with enforcement

of the Topco Security. As a result, the holders of the Class B1 Notes will not be able to force a sale of such collateral or otherwise independently pursue the remedies of a secured creditor under the relevant security documents until all such applicable outstanding senior secured debt, including under the Class A IBLAs and the Initial Senior Term Facility Agreement, has been paid in full and discharged. Furthermore, neither the Class A Note Trustee nor the Issuer Security Trustee will be obliged to take into consideration the interests of the holders of the Class B1 Notes when acting in connection with any enforcement of security (including in relation to the type, method and timing of enforcement) or the management or realisation of any secured assets. Accordingly, the holders of the Class A Notes may direct the Class A Note Trustee and the Issuer Security Trustee to pursue remedies at a time or in a manner that may be disadvantageous to holders of the Class B1 Notes. This may affect the ability of holders of the Class B1 Notes to recover under the collateral if the proceeds from the disposal of the collateral, after having satisfied all prior-ranking obligations in respect of applicable outstanding senior secured debt in accordance with the priorities of payments set forth in the STID, are less than the aggregate amount outstanding under the Class B1 Notes and any other liabilities ranking *pari passu* with such indebtedness.

In addition, the holders of the Class B1 Notes and the Class B Note Trustee will be required to take any action that the holders of the Class A Notes, the Class A Note Trustee or the Issuer Security Trustee (as the case may be) may require of them in order to enforce the collateral, including with respect to the release of guarantees and security granted in respect of the Class B1 Loan and the extinguishment of all amounts due under the Class B1 IBLA. Since the holders of the Class A Notes may have interests that conflict with the interests of the holders of the Class B1 Notes, there is a risk that the Class B Note Trustee, acting on behalf of the holders of the Class B1 Notes, will be required to act in a manner that is adverse to the interests of the holders of the Class B1 Notes and without their consent for so long as the Class A Notes remain outstanding. See “*Description of Certain Financing Arrangements—Security Trust and Intercreditor Deed*”.

***The enforcement and disposal of the Obligor Security by the Obligor Security Trustee may be subject to the Security Trustee obtaining a fairness opinion.***

For so long as there are any Class B1 Notes outstanding, the Obligor Security Trustee may only dispose of collateral having a value above £10 million if a fairness opinion from a financial advisor is first commissioned, subject to certain exceptions described below. Although the commissioning of a fairness opinion will be primarily for the benefit of the Class B Authorised Credit Providers (including, indirectly, the holders of the Class B1 Notes), the holders of the Class B1 Notes will have no ability to provide directions in connection with the appointment of the financial advisor or otherwise in connection with the fairness opinion. In general, the Obligor Security Trustee will only be directed by, and will only seek direction from, the holders of the Class A Notes and certain other senior secured creditors in relation to matters concerning the commissioning of the fairness opinion. Furthermore, the holders of the Class B1 Notes will not be entitled to raise any objection to any fairness opinion that gets produced. In the event that the Obligor Security Trustee is unable to obtain a fairness opinion or intends to dispose of assets for a value that is less than the proposed consideration specified in respect of such assets in the fairness opinion, then the disposal may be undertaken by way of a competitive marketing and sales process typical for such type of assets. Accordingly, any disposal pursuant to such a sales process could be at a value that is less than that stated in the fairness opinion. See “*Description of Certain Financing Arrangements—Security Trust and Intercreditor Deed—Loan Enforcement Notice—Enforcement action if Obligor Junior Secured Liabilities Outstanding*”.

***Enforcement of the Topco Security is subject to the satisfaction of certain conditions, which if not met, could materially and adversely affect the ability of the holders of the Class B1 Notes to realise the value of the security.***

If, on the Class B1 Loan Maturity Date, the Class B1 Loan remains outstanding, Topco will be required, under the terms of the Topco Payment Undertaking, to pay or procure payment to the Obligor Security Trustee of all principal, interest and other amounts outstanding under the Class B1 IBLA and any other outstanding Class B Authorised Credit Facilities, thereby enabling the Issuer to use any such proceeds to redeem the Class B1 Notes and such other outstanding Class B Authorised Credit Facilities in full. Topco’s payment obligations pursuant to the Topco Payment Undertaking will be secured for the sole benefit of the Topco Secured Creditors, including for the indirect benefit of holders of the Class B1 Notes, by among other things a grant by Topco of first-ranking security in respect of all the issued and outstanding shares of Holdco pursuant to the Topco Security Agreement. Enforcement of the Topco Security will be conditional on the Obligor Security Trustee having received a tax opinion confirming that there will not be any actual or contingent tax liability arising in the Holdco Group as a result of such enforcement in an amount exceeding £10 million. If the actual or contingent tax liability is anticipated to be more than £10 million, the Obligor Security Trustee will need to be provided with either (i) funds in an amount equal to the excess over £10 million or (ii) such other collateral or support arrangements to mitigate any such actual or contingent tax liability which is reasonably satisfactory to the Obligor Security Trustee in respect of the excess over £10 million. As at the Class B1 Issue Date, RAC does not expect that any such enforcement will give rise to any tax liability. However, such a liability may arise in the future due to (among other things) changes in tax law or practice. Accordingly, RAC cannot provide

any assurance that the necessary tax opinion will be able to be provided to the Obligor Security Trustee, or that the alternative mitigating arrangements described above will be able to be put in place, in each case at the time of enforcement of the Topco Security. As a result, the amounts realised by the holders of the Class B1 Notes through enforcement may be significantly reduced or delayed.

***Certain events could trigger a change of control which may require a prepayment of certain indebtedness.***

The Initial STF Facility and the Initial WC Facility both contain a provision which allows lenders under those facilities to elect to cancel their commitments and make all amounts owing to them under such agreement immediately due and payable where a change of control of Holdco has occurred and the relevant lender has (using reasonable endeavours) failed to satisfy its “know-your-customer” or other identification checks within 30 days of such change of control. Any future Authorised Credit Facility could also include similar provisions. RAC may, in the future, incur further financial indebtedness under Authorised Credit Facilities which may contain a change of control mandatory prepayment obligation. In the case of such a provision, the relevant Authorised Credit Providers would have the right to demand prepayment of their loans as a consequence of a change of control.

Following the occurrence of a Share Enforcement Event, the Obligor Security Trustee may (and shall, if instructed by Topco Secured Creditors representing at least 30 per cent. of the aggregate principal amount of all outstanding Topco Secured Liabilities, including holders of the Class B Notes) enforce the Topco Security.

Enforcement of the Topco Security may give rise to a change of control mandatory prepayment obligation under any Class A Authorised Credit Facility which contains such a provision. In addition, the ultimate shareholders of the Holdco Group may decide to sell the Holdco Group, which may also trigger a change of control mandatory prepayment obligation in any Class A Authorised Credit Facility which contains such a provision.

RAC may be unable to generate sufficient cash flow to satisfy the Borrower’s debt obligations arising from a prepayment required pursuant to a change of control. It may have to undertake alternative financing plans, such as refinancing or restructuring its debt, selling assets, reducing or delaying capital investments or seeking to raise additional capital. Any refinancing by RAC is subject to certain conditions (including, without limitation, the then prevailing market conditions for that type of transaction and in particular the availability or absence of liquidity in the debt capital markets and/or the term loan markets). No assurance can be given that these conditions will be favourable at the time any refinancing is required. Any such refinancing may not be possible, and assets may need to be sold to cover any shortfall. If assets are sold, the timing of the sales and the amount of proceeds that may be realised from those sales cannot be guaranteed. Therefore the Borrower may not have sufficient funds to make any mandatory prepayment as and when it is required to be made and, ultimately, the Issuer may be unable to satisfy its obligations with respect to the Class A Notes and/or to the Class B Notes.

It is not unusual for contracts with commercial counterparties to provide rights of termination upon a change of control occurring with respect to their commercial counterparty. Accordingly, in addition to the mandatory prepayment obligations described above, certain commercial counterparties contracting with members of the Holdco Group may exercise their right to terminate the contractual agreement of a change of control of the Holdco Group were to occur. In such circumstances RAC may not be able to find alternative commercial counterparties to replace the terminated arrangements or to find alternatives with equally advantageous commercial terms.

***The collateral may not be sufficient to secure the obligations under the Class B1 Loan, the Class B1 Notes and any other future indebtedness ranking pari passu with the foregoing, and, in the event of any enforcement of security, you may recover an amount that is less than your original investment in the Class B1 Notes.***

The Class B1 Loan will be secured by security interests in the collateral described in this Offering Memorandum under the heading “*Description of Certain Financing Arrangements—Obligor Security Agreement*”, which collateral will also secure, among other things, obligations under the Class A Loans, the Initial STF Facility, the Initial WC Facility and the Initial Liquidity Facility, together with certain hedging arrangements. The Class B1 Notes will be secured by security interests in the collateral described in this Offering Memorandum under the heading “*Description of Class B1 Notes—Security*”, which collateral will also secure, among other things, obligations under the Class A Notes. The Class B1 Notes will also have the indirect benefit of the Topco Security. The Class B1 Loan will rank junior to the Class A Loans, the Initial STF Facility, the Initial WC Facility, the Initial Liquidity Facility and certain hedging arrangements, among other things, in each case with respect to the application of any proceeds realised through the enforcement of the relevant security, other than the Topco Security. The Class B1 Notes will rank junior to the Class A Notes, among other things, in each case with respect to the application of any proceeds realised through the enforcement of the relevant security, other than the Topco Security.

Furthermore, the relevant shared collateral securing the Class B1 Loan, on the one hand, and the Class B1 Notes, on the other hand, may be extended so as to also secure any additional debt that RAC may be permitted to incur in the future under the terms of the indebtedness, including under the Issuer Class A Transaction Documents, the CTA and the Class B1 IBLA, which additional secured debt may rank ahead of the Class B1 Loan and the Class B1 Notes as to the application of enforcement proceeds. Accordingly, any proceeds received from the enforcement of the relevant collateral may not be sufficient to repay in full amounts outstanding under the Class B1 Loan, and consequently the Class B1 Notes. Furthermore, your rights and benefits in respect of the applicable collateral including the Topco Security may be diluted by any increase in the first-priority debt secured by such collateral or any increase in the *pari passu* ranking debt secured by such collateral or a reduction in the value of the collateral securing the Class B1 Loan or the Class B1 Notes.

The value of any collateral and the amount to be received upon any enforcement of such collateral will depend upon many factors, including the ability to sell the collateral in an orderly sale, economic and market conditions and the availability of buyers. The book value of the collateral should not be relied on as a measure of realizable value for such assets. All or a portion of the collateral may be illiquid and may have no readily ascertainable market value. Likewise, RAC 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 its liquidation. In addition, the share pledges of an entity may be of no value if that entity is subject to an insolvency or bankruptcy proceeding. Furthermore, the multijurisdictional nature of any foreclosure on the collateral may limit the realizable value of the collateral. For example, the bankruptcy, insolvency, administrative and other laws of 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. Accordingly, RAC can provide no assurance that the proceeds realised as a result of an enforcement of any collateral, including the Topco Security, will be sufficient to discharge in full the amounts due on the Class B1 Loan, and consequently the Class B1 Notes, nor can RAC provide any assurance that holders of the Class B1 Notes will not be adversely affected by such realisation or enforcement.

Furthermore, following the occurrence of a Share Enforcement Event, it may be difficult to find a buyer and realise full value in connection with any enforcement of the Topco Security to the extent the circumstances underlying the Share Enforcement Event have also triggered an event of default under the CTA. The existence of an event of default under the CTA will adversely affect the value of the Topco Security, namely the Holdco shares, meaning any amounts that are ultimately recovered through an enforcement of the Topco Security (which proceeds may also be shared with creditors under any other Class B Authorised Credit Facility) may not be sufficient to repay in full the Class B1 Loan, and consequently repay the Class B1 Notes in full.

***It may be difficult to realise the value of the collateral.***

The collateral securing, among other things, the Class B1 Loan, the Class A Loans, the Class A Notes and the Class B1 Notes, as the case may be, will be subject to any and all exceptions, defects, encumbrances, liens and other imperfections permitted under Issuer Class A Transaction Documents, the Class B1 IBLA or the STID and accepted by other creditors that have the benefit of first-priority security interests in the collateral securing the Class B1 Notes or Class B1 Loan from time to time, whether on or after the date the Class B1 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 Class B1 Notes and Class B1 Loan, as well as the ability of the Obligor Security Trustee to realise or foreclose on such collateral. Furthermore, the first-priority ranking of security interests can be affected by a variety of factors, including the timely satisfaction of perfection requirements, statutory liens or recharacterisation under the laws of certain jurisdictions.

The security interests of the Obligor Security Trustee will be subject to practical problems generally associated with the realisation of security interests in collateral. For example, the Obligor Security Trustee may need to obtain the consent of a third party to enforce a security interest. RAC cannot assure you that the Obligor Security Trustee will be able to obtain any such consents. RAC also cannot assure you that the consents of any third parties will be given when required to facilitate a foreclosure on such assets. Accordingly, the Obligor Security Trustee may not have the ability to foreclose upon those assets and the value of the collateral may significantly decrease.

***The security interests in the collateral will be granted to the Obligor Security Trustee or the Issuer Security Trustee, as the case may be, rather than directly to the creditors in respect of the applicable indebtedness. The ability of the Obligor Security Trustee and the Issuer Security Trustee to enforce certain of the collateral may be restricted by local law.***

The security interests in the collateral that will secure RAC's obligations under, among other things, the Topco Payment Undertaking, the Class B1 Loan, the Class A Loans, the Class A Notes and the Class B1 Notes will not be granted directly to

the creditors in respect of such indebtedness, but will be granted only in favour of the Obligor Security Trustee or the Issuer Security Trustee, as the case may be. Accordingly, only the Obligor Security Trustee or the Issuer Security Trustee, as the case may be, will have the right to enforce the applicable security. As a consequence, the creditors in respect of such indebtedness, including the holders of the Class A Notes and the holders of the Class B1 Notes, will not have direct security interests and will not be entitled to take enforcement action in respect of the collateral securing such indebtedness, except, in the case of the holders of the Class A Notes and the holders of the Class B1 Notes, through the Class A Note Trustee or the Class B Note Trustee, as applicable, who will (subject to the provisions of the STID and, as applicable, the Issuer Deed of Charge) provide instructions to the Obligor Security Trustee or the Issuer Security Trustee, as the case may be, in respect of the applicable collateral.

***Your voting and instruction rights may be diluted by the issuance of Further Class B1 Notes and New Class B Notes and there may be conflicts of interest between sub-classes of Class B Notes.***

The Class B Note Trustee will be required to have regard to only the interests of the holders of the Class B1 Notes as at the Class B1 Issue Date. If the Issuer issues Further Class B1 Notes or New Class B Notes (as described in “*Description of the Class B1 Notes—Further Notes and New Notes—Further Class B1 Notes and New Class B Notes*”), the Class B Note Trustee will be required to have regards to the holders of the Class B1 Notes and any Further Class B1 Notes and New Class B Notes as if they form a single class when exercising its rights, power, trusts, authorities, duties and discretions (except in circumstances set out in the Class B Note Trust Deed). Accordingly, your voting and instruction rights may be diluted by the issue of Further Class B1 Notes and New Class B Notes, and the holders of any new sub-class of Class B1 Notes that is issued may have interests that conflict with your interests as a holder of Class B1 Notes.

***Enforcement and/or acceleration of Obligor Security.***

The STID will provide that, except where the Obligor Security Trustee is mandatorily required to appoint an Administrative Receiver, the Obligor Security Trustee may only take enforcement action in respect of the Obligor Security if so instructed by the Qualifying Obligor Secured Creditors in accordance with the STID. As long as there are Qualifying Obligor Senior Secured Liabilities outstanding, the Qualifying Obligor Secured Creditors will comprise the providers of any Class A Authorised Credit Facility (including the Initial STF Lenders, the Initial WCF Lenders and the Issuer as the lender under any Class A IBLA but excluding the Liquidity Facility Providers) and, the Hedge Counterparties (for the purposes of voting on enforcement). If the proposed enforcement action includes serving a Loan Acceleration Notice on the Borrower to accelerate the Obligor Secured Liabilities or to approve any Distressed Disposal of a Permitted Business or the shares in a member of the Holdco Group subject to the Obligor Security then such resolution must be approved by the Class A Instructing Group which will, pursuant to the STID, require (i) a quorum of one or more Qualifying Obligor Senior Creditors representing, in aggregate, at least 75 per cent. of the aggregate Outstanding Principal Amount of all Qualifying Obligor Senior Secured Liabilities and (ii) a majority of the Qualifying Obligor Senior Creditors participating in the resolution representing at least 75 per cent. of the Outstanding Principal Amount of Qualifying Obligor Senior Secured Liabilities and, unless at the relevant time there is no principal amount outstanding under any Class A IBLA, the Qualifying Obligor Senior Creditors voting in favour of the resolution must include the Issuer acting through its Secured Creditor Representative under each Class A IBLA having been itself instructed by the Class A Noteholders pursuant to a Noteholder Instruction Resolution. See “*Overview of the Common Documents—Security Trust and Intercreditor Deed—Enforcement and Acceleration*” for further information.

***Guarantees and security may constitute a transaction at an undervalue or a preference under English law.***

A liquidator or administrator of an Obligor incorporated in England and Wales could apply to the court to unwind the issuance of its guarantee or the grant of security, *provided* that this guarantee or security was granted during the two years before the onset of insolvency, if such liquidator or administrator believed that the issuance or grant constituted a transaction at an undervalue. It will only be a transaction at an undervalue if, at the time of the transaction or in consequence of the transaction, the Obligor is unable to pay its debts or becomes unable to pay its debts. The Holdco Group has been advised based on English law applicable at the date of this Offering Memorandum that each guarantee and the grant of the security will not be a transaction at an undervalue and further believes that each guarantee and/or security will be provided in good faith for the purposes of carrying on the business of each Obligor incorporated in England and its subsidiaries and that there are reasonable grounds for believing that the transactions will benefit each such Obligor. However, there can be no assurance that the provision of the guarantees and/or the grant of the security will not be challenged by a liquidator or administrator or that a court would support the Holdco Group analysis. If the provisions of the guarantees were determined to be transactions at an undervalue, the court may make such order as it thinks fit for restoring the position to what it would have been if those guarantees and/or the grant of the security had not been given or made.



Furthermore, if the liquidator or administrator can show that any of the one of the Obligor have given a “preference” to any person within six months of the onset of liquidation or administration (or two years if the preference is to a “connected person”) and, at the time of giving the preference, the relevant Obligor was technically insolvent or became so as a result of the preferential transaction, a court has the power, among other things, to void the preferential transaction. For these purposes, a company gives preference to a person if that person is one of the company’s creditors (or a surety or guarantor for any of the company’s debts or liabilities) and the company takes an action which has the effect of putting that person into a position which, in the event of the company going into insolvent liquidation, will be better than the position that person would have been in if that action had not been taken. The court may not make an order in respect of a preferential transaction unless it is satisfied that the company was influenced by a desire to put that person in a better position. This provision of English insolvency law may affect transactions entered into or payments made by any of the Obligors during the relevant period prior to the liquidation or administration of such Obligor.

In addition, if it can be shown that a transaction entered into by an English company was made for less than fair value and was made to shield assets from creditors, then the transaction may be set aside as a transaction defrauding creditors. Any person who is a “victim” of the transaction, and not just liquidators or administrators, may assert such a claim. There is no statutory time limit within which a claim must be made and the company need not be insolvent at the time of the transaction. The Obligors do not believe that they have entered into any transactions which may be regarded as being for less than fair value or to shield assets from their creditors.

***A delay in regulatory consent for the enforcement of Obligor Security could materially and adversely affect the interests of the holders of the Class B1 Notes.***

On an enforcement of the Obligor Security granted under the Obligor Security Documents, the Obligor Security Trustee may elect to effect the enforcement by way of a sale of the shares in an Obligor or a sale of the shares in a Holding Company within the Holdco Group which owns an Obligor. Where such Obligor is an authorised person under the Financial Services and Markets Act 2000, such a sale will be subject to the consent of the Prudential Regulation Authority (the “PRA”) or the Financial Conduct Authority (the “FCA”). Any purchaser of such Obligor or such Holding Company which owns such Obligor would be required to meet, among other things, a fit and proper person test. In such case, the PRA or the FCA, as applicable, will have a period of 60 business days from the date on which it acknowledges receipt of a complete application extendable up to 90 business days if the regulator asks for further information. The withholding or delay of the consent of the PRA or the FCA could adversely affect the interests of the holders of the Class B1 Notes in an enforcement scenario.

On an enforcement of security over the assets of an Obligor which is an authorised person, the enforcement rights may not be exercised to the extent that any such enforcement action would cause the relevant Obligor to have regulatory capital which is less than a specified amount (the amount being its regulatory capital requirement or in certain circumstances a lower amount).

***Fixed security interests may be recharacterised as floating security interests due to the degree of control exercised over certain underlying assets, including over bank accounts, and as a result the full proceeds of enforcement may not be available to repay the Obligor Secured Liabilities or the Issuer Secured Liabilities.***

There is a possibility that a court could find that the fixed security interests expressed to be created by the security documents governed by and construed in accordance with English law should, instead, take effect as floating charges, on the basis that the description given to them as fixed charges is not determinative.

Whether the fixed security interests will be upheld as fixed security interests rather than floating security interests will depend, among other things, on whether the Obligor Security Trustee or, as the case may be, the Issuer Security Trustee has the requisite degree of control over the relevant assets and exercises that control in practice. Where the chargor is free to deal with the assets that are the subject of a purported fixed charge in its discretion and without the consent of the chargee prior to crystallization, the court is likely to hold that the security interest in question constitutes a floating charge.

The Borrower and the other Obligors have interests in a number of accounts, including accounts established in accordance with the terms of the Transaction Documents. The Borrower and the other Obligors party to the Obligor Security Agreement have, pursuant to the terms of the Obligor Security Agreement, granted security over all of their interests in the accounts, which security is expressed to be by way of a fixed charge. Furthermore, under the Issuer Deed of Charge, the Issuer will grant security over all of its bank accounts, which will also be expressed to be fixed security.

Although the various bank accounts are stated to be subject to certain degrees of control (in certain cases only on the giving of notice following delivery of a Loan Enforcement Notice), there is a risk that, if the Issuer Security Trustee or the Obligor

Security Trustee (as applicable) does not exercise the requisite degree of control over the relevant accounts in practice, a court could determine that the security interests granted in respect of those accounts take effect as floating security interests only and that the security interests granted over the assets from which the monies paid into the accounts are derived also take effect as floating security interests only, notwithstanding that the security interests are expressed to be fixed. In such circumstances, monies paid into accounts or derived from those assets could be diverted to pay preferential creditors and certain other liabilities were a receiver, liquidator or administrator to be appointed in respect of the relevant company in whose name the account is held.

In addition to security over bank accounts, the Borrower and the other Obligors party to the Obligor Security Agreement have, pursuant to the Obligor Security Agreement, granted security, expressed to be by way of fixed charge, over certain other assets including certain real property, shares in certain members of the Holdco Group, intra-group loans and intellectual property. Further, pursuant to the Issuer Deed of Charge, the Issuer will grant security, expressed to be by way of a fixed charge, over certain other of its assets including Cash Equivalent Investments. There is a risk, as highlighted by the case of *Ashborder BV & Ors v Green Gas Power Ltd & Ors* [2004] FHC 1517 (ch) a court could determine that the nature and extent of the rights and obligations which the parties intended to create, as evidenced by the Transaction Documents, are inconsistent with the grant of a fixed security interest and that such security takes effect as floating charge security interests only, notwithstanding that the security interests are expressed to be fixed.

If the fixed security interests are recharacterised as floating security interests, the claims of (i) the unsecured creditors of the relevant Obligor incorporated in England and Wales (or otherwise subject to insolvency proceedings in England and Wales) or, as the case may be, the Issuer in respect of that part of the English Obligor's net property which is ring-fenced in accordance with the amendments to the Insolvency Act 1986 pursuant to the Enterprise Act 2002 (the "**Enterprise Act**") and (ii) certain statutorily defined preferential creditors of the relevant English Obligor, may have priority over the rights of the Obligor Security Trustee or the Issuer Security Trustee, as the case may be, to the proceeds of enforcement of such security in accordance with section 176A of the Insolvency Act 1986. To the extent that the assets of the Issuer or any Obligor are subject only to a floating charge (including any fixed charge recharacterised by the courts as a floating charge), in certain circumstances under the provisions of section 176A of the Insolvency Act 1986, certain floating charge realisations which would otherwise be available to satisfy the claims of secured creditors under the Issuer Deed of Charge or the Obligor Security Agreement may be first used to satisfy any claims of unsecured creditors, up to an amount equal to £600,000 (or an increased amount which may be provided for by statutory instrument) in respect of each relevant Obligor as set out in the Insolvency Act 1986 (Prescribed Part) Order 2003. As a result, the full amount of the proceeds of enforcement of the security may not be available to repay the Class B1 Notes.

On 6 April 2008, section 115 of the Insolvency Act 1986 came into force which effectively reversed by statute the House of Lords' decision in the case of *Buchler & Another v Talbot & Ors* [2004] UKHL 9. Accordingly, it is now the case that the costs and expenses of an administration or liquidation (including corporation tax on capital gains) will be payable out of floating charge assets in priority to the claims of the floating charge holder. As a result of the changes described above, upon the enforcement of the floating charge security granted by an English Obligor, floating charge realisations which would otherwise be available to satisfy the claims of secured creditors under the Issuer Deed of Charge and/or the Obligor Security Agreement will be reduced by at least a significant proportion of any administration or liquidation expenses.

***Floating charges given by the Obligors may be deemed invalid for lack of consideration which would hinder the appointment of an Administrative Receiver.***

Section 245 of the Insolvency Act 1986 provides that, in certain circumstances, a floating charge granted by a company may be invalid in whole or in part. If a floating charge is held to be wholly invalid, then it will not be possible to appoint an administrative receiver of such company and, therefore, it will not be possible to prevent the appointment of an administrator of such company. The risk is, if a liquidator or administrator is appointed to the Issuer or the relevant Obligor or Topco within a period of twelve months ending with the onset of insolvency or where the floating charge is granted in favour of a connected person, a period of two years (the "**relevant time**") commencing upon the date on which the Issuer or that Obligor or Topco, as the case may be, grants a floating charge, the floating charge granted by the Issuer or that Obligor or Topco, as the case may be, will be invalid pursuant to Section 245 of the Insolvency Act 1986 except to the extent of the consideration received by the relevant chargor at the time of or after the creation of the floating charge. The Issuer will have received consideration (namely, the Issuer has issued Class A Notes and will issue the Class B1 Notes on the Class B1 Issue Date and had and will receive the subscription monies therefor) and the Borrower has and will have received such consideration (namely, the Borrower has made drawings under the Class A IBLAs and will (on or about the Class B1 Issue Date) draw under the Class B1 IBLA. As such, during the relevant time the floating charge granted by the Issuer will be valid to the extent of the amount of Class A Notes and Class B1 Notes issued by the Issuer and the floating charges granted by the

Borrower will be valid to the extent of the amount drawn by the Borrower under, among other things, the Class A IBLAs and the Class B1 IBLA. The floating charge granted by each of the other Obligors will be valid to the extent of the £1,000 fee paid by the Borrower to the other Obligors and any other qualifying consideration received by them, but may not be valid for the full amount of the property charged. However, such limitation on the validity of the floating charges will not of itself affect the ability of the Obligor Security Trustee to appoint an administrative receiver in respect of the English Obligors. The Topco floating charge will be only valid to the extent that it receives any qualifying consideration in connection with the grant of such floating charge. After the relevant time it will not be possible for the floating charges granted by each of the Issuer, the Borrower or the English Obligors or Topco to be invalidated under Section 245 of the Insolvency Act 1986.

***The ability of the Obligor Secured Creditors to appoint an administrative receiver may be hindered by the application of the Enterprise Act 2002 in respect of floating charges.***

The provisions of the Enterprise Act restrict the right of the holder of a floating charge to appoint an Administrative Receiver (unless the security was created prior to 15 September 2003 or an exception applies) and instead give primacy to collective insolvency procedures (in particular, administration).

The Insolvency Act 1986 contains provisions that continue to allow for the appointment of an Administrative Receiver in relation to certain transactions in the capital markets. The relevant exception provides that the appointment of an Administrative Receiver is not prohibited if it is made in pursuance of an agreement which is or forms part of a capital market arrangement (as defined in the Insolvency Act 1986) under which a party incurs or, when such agreement was entered into was expected to incur, a debt of at least £50.0 million and if the arrangement involves the issue of a capital market investment (also defined in the Insolvency Act 1986, but generally a rated, listed or traded debt instrument). While there is currently little guidance in case law on how these provisions are to be interpreted, it should be applicable to floating charges created by the English Obligors and assigned by way of security to the Issuer Security Trustee. However, as this issue is partly a question of fact, were it not possible to appoint an Administrative Receiver in respect of one or more of the English Obligors, they could be subject to administration if they were to become insolvent.

The UK Secretary of State for Business, Enterprise and Industrial Strategy may, by secondary legislation, modify the exceptions to the prohibition on appointing an administrative receiver or provide that the exception shall cease to have effect. No assurance can be given that any such modification or provision in respect of the capital market exception, or its ceasing to be applicable to the transactions described in this Offering Memorandum, will not be detrimental to the interests of the holders of the Class B1 Notes.

***Certain members of the Obligor group may fall within the ‘small companies’ threshold allowing them the right to seek a moratorium which could restrict creditors’ ability to enforce security.***

Certain small companies, as part of the company voluntary arrangement procedure in England, may seek court protection from their creditors by way of a moratorium (which will, among other things, restrict a creditor’s ability to enforce security, prevent the appointment of an administrator or liquidator and restrict proceedings being commenced or continued against the company) 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 UK Secretary of State for Business, Enterprise and Industrial Strategy may, by order, extend or reduce the duration of either period).

A “small company” is defined for these purposes by reference to whether the company meets certain tests contained in section 382(3) of the Companies Act 2006, relating to a company’s balance sheet, total turnover and average number of employees in a particular period. The position as to whether or not a company is a small company may change from period to period, depending on its financial position and average number of employees during that particular period. The UK Secretary of State for Business, Enterprise and Industrial Strategy 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, any of the Obligors may, at any given time, come within the ambit of the small companies provisions, such that any such Obligor may (subject to the exemptions referred to below) be eligible to seek a moratorium, in advance of a company voluntary arrangement.

Certain companies which qualify as small companies for the purposes of these provisions may, nonetheless, be excluded from being so eligible for a moratorium under the provisions of the Insolvency Act 1986 (Amendment) (No. 3) Regulations 2002, SI 2002/1990. Companies excluded from eligibility for a moratorium include those which are party to a capital market arrangement, under which a debt of at least £10.0 million is incurred and which involves the issue of a capital market investment. 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 £10.0 million of debt, the granting of

security to a security trustee, and the issue of a rated, listed or traded debt instrument, is excluded from being eligible for a moratorium. The UK Secretary of State for Business, Enterprise and Industrial Strategy may modify the criteria by reference to which a company otherwise eligible for a moratorium is excluded from being so eligible.

Accordingly, the provisions described above will serve to limit the Obligor Security Trustee's ability to enforce the Obligor Security to the extent that, first, any of the Obligors fall within the criteria for eligibility for a moratorium at the time a moratorium is sought; second, if the directors of any such Obligor seeks a moratorium in advance of a company voluntary arrangement; and, third, if any such Obligor is considered not to fall within the capital market exception (as expressed or modified at the relevant time) or any other applicable exception at the relevant time; in those circumstances, the enforcement of any security by the Obligor Security Trustee will be for a period prohibited by the imposition of the moratorium. In addition, the other effects resulting from the imposition of a moratorium described above may impact the transaction in a manner detrimental to the holders of the Class B1 Notes.

### **Risks Relating to the Class B1 Notes**

***The Class B1 Notes will be contractually subordinated to the Class A Notes as to payment and will rank junior to the Class A Notes with respect to the application of enforcement proceeds, other than in respect of the Topco Security. As a result, the Issuer may be unable to make payments on the Class B1 Notes when due.***

Pursuant to the applicable payment waterfall set forth in the Issuer Cash Management Agreement and the Issuer Deed of Charge, payments to be made to the holders of the Class B1 Notes in respect of principal and interest thereon will be contractually subordinated to corresponding payments to be made to holders of the Class A Notes. Likewise, under the STID, principal and interest payments to be made on the Class B1 Loan will be contractually subordinated to payments to be made on or under the Class A Loans, the Initial STF Facility, the Initial WC Facility, the Initial Liquidity Facility and certain hedging arrangements, among other things. Furthermore, subject to certain limited exceptions, the Obligors will not be permitted to make any payments, including interest payments, under the Class B1 IBLA, and consequently the Issuer will not be able to make corresponding interest payments on the Class B1 Notes, if a Trigger Event has occurred, including if the Class A FCF DSCR falls below 1.35:1.00. In addition, if RAC fails to refinance the Initial STF Facility on or before 6 May 2021, the Obligors will not be permitted to make any payments on the Class B1 IBLA (other than payments funded from a New Shareholder Injection or an Investor Funding Loan) and consequently the Issuer will not be able to make corresponding payment on the Class B1 Notes.

Furthermore, the Class B1 Notes will rank junior to the Class A Notes, and debt outstanding under the Class B1 IBLA will rank junior to debt outstanding under the Class A IBLA, the Initial STF Facility, the Initial WC Facility and the Initial Liquidity Facility, among others, in each case in respect of the application of any amounts realised through the enforcement of the security granted under the Issuer Deed of Charge and the Obligor Security Agreement, respectively. In certain circumstances, the terms of the indebtedness, including under the CTA and the Class B1 IBLA, will permit RAC to incur additional secured debt in the future, which secured debt may be substantial and rank senior to the Class B1 Loan and the Class B1 Notes as to payment and security. Accordingly, the proceeds of any enforcement of such security may not be sufficient to meet the Obligors' payment obligations under the Class B1 IBLA or the Issuer's payment obligations with respect to the Class B1 Notes following the application of such proceeds towards the full repayment of the prior ranking debt described above. Furthermore, in certain circumstances, the Class B1 Loan may be extinguished without the approval of the holders of the Class B1 Notes. See "*Description of Certain Financing Arrangements—Security Trust and Intercreditor Deed*". However, the Class B1 Notes will indirectly benefit from the Topco Payment Undertaking and the Topco Security, which security will not be shared with any Class A Authorised Credit Facility and therefore, not the Class A Notes. See "*Description of Certain Financing Arrangements—Topco Payment Undertaking*" and "*Description of Certain Financing Arrangements—Topco Security Agreement*".

In addition, for so long as the Class A Notes and the Class A Loans are outstanding, the holders of the Class B1 Notes will have limited ability to declare a Class B Note Event of Default and a Class B1 Loan Event of Default.

***The Issuer is a finance subsidiary with no independent business operations or significant assets and will depend on payments from the Borrower in respect of the Class B1 Loan to be able to make payments on the Class B1 Notes.***

The Class B1 Notes will be limited recourse obligations of the Issuer. The Issuer is a finance subsidiary with no independent business operations or significant assets other than in connection with the issuance of the Class A Notes and the Class B1 Notes and the transactions ancillary thereto.

The Class B1 Notes will not be obligations or responsibilities of, and will not be guaranteed by, any other person, except that the Class B1 Notes will indirectly benefit from the Topco Payment Undertaking and share the Topco Security. See “Description of Certain Financing Arrangements—Topco Payment Undertaking” for further details.

The ability of the Issuer to meet its obligations under the Class B1 Notes will depend on the receipt by the Issuer of funds from the Obligors under the Class B1 IBLA and funds from Topco under the Topco Payment Undertaking. If the Obligors do not fulfil their obligations under the Class B1 IBLA and make payments on the Class B1 Loan when due, or if Topco does not fulfil its obligations under the Topco Payment Undertaking, the Issuer will have no other source of funds that would allow it to make payments to the holders of the Class B1 Notes. The amounts available to the Obligors to make payments to the Issuer on the Class B1 Loan will depend on their cash flows and profitability, which may be insufficient to enable them to meet their payment obligations. Furthermore, the Obligors may not be able to, or may not be permitted under applicable law to, make distributions or advance upstream loans to the Borrower or Topco to enable them to make payments in respect of the Class B1 Loan and consequently the Class B1 Notes. Any failure by the Obligors to make payments on the Class B1 Loan, and any failure by Topco to make payments under the Topco Payment Undertaking, may result in a corresponding failure by the Issuer to make payments on the Class B1 Notes, and there can be no assurance that the Class B1 Notes will be repaid in full on the Class B1 Note Expected Maturity Date or the Class B1 Note Final Maturity Date.

***Topco is a holding company and will depend upon cash flow from subsidiaries to meet its obligations under the Topco Payment Undertaking.***

Topco is a holding company with no independent business operations or significant assets other than investments in its subsidiaries. Topco will depend upon the receipt of sufficient funds from its subsidiaries to meet its obligations under the Topco Payment Undertaking, pursuant to which Topco has undertaken to pay to the Obligor Security Trustee all principal, interest and other amounts outstanding under the Class B1 IBLA and any other Class B Authorised Credit Facility then outstanding in certain circumstances, including in the event that the Class B1 Loan is not repaid in full on the Class B1 Loan Maturity Date. If Topco’s subsidiaries do not, or are unable to, distribute cash to Topco in an amount sufficient to enable Topco to meet its obligations under the Topco Payment Undertaking, Topco will not have any other source of funds that would allow it to make the necessary payments to the Obligor Security Trustee. RAC’s various debt instruments, including the CTA and the Class B1 IBLA, will also restrict and, in some cases actually prohibit, the ability of its subsidiaries to move cash within the group. Applicable tax laws may also subject such payments to further taxation. Applicable law may also limit the amounts that some of RAC’s subsidiaries will be permitted to pay as dividends or distributions on their equity interests, or even prevent such payments. Any such inability to transfer cash within the group may mean that even though the relevant entities, in aggregate, may have sufficient resources to enable Topco to meet its obligations under the Topco Payment Undertaking, they may not be permitted to make the necessary transfers from one entity to another in order to make payments, directly or indirectly, to Topco. Accordingly, RAC can provide no assurances that Topco will be able meet its obligations under the Topco Payment Undertaking should the need arise. In addition, the Topco Payment Undertaking is limited in recourse to the Topco Secured Property and after enforcement of the Topco Security Agreement, Topco’s obligations under the Topco Payment Undertaking will be deemed to be discharged in full. If amounts outstanding under the Class B1 IBLA have not been paid in full following the enforcement of the Topco Security, such amounts will remain outstanding and Class B1 Noteholders will not be entitled to call a Class B1 Loan Event of Default until the earlier of the day on which all Class A Authorised Credit Facilities are paid in full or the Class B1 Note Final Maturity Date.

***The Class B1 Notes will not be entitled to vote in respect of certain matters for so long as the Class A Notes are outstanding and conflicts of interest may exist between the holders of the Class A Notes and the Class B1 Notes. As a result, holders of the Class A Notes may approve certain actions that may not be in the best interests of holders of the Class B1 Notes.***

Pursuant to the terms of the STID, for so long as certain senior secured debt remains outstanding, including under the Class A IBLA and the Initial Senior Term Facility Agreement, holders of the Class B1 Notes will not be entitled to vote in respect of certain matters (other than with respect to Entrenched Rights), including in respect of making any amendment, giving any consent or granting any waiver under or in respect of the STID, the Obligor Security Documents, the CTA, the Tax Deed of Covenant and certain other documents. Furthermore, at any time prior to the repayment in full of amounts outstanding under the Class A IBLA, the Initial STF Facility, the Initial WC Facility, the Initial Liquidity Facility and certain hedging arrangements, among other things, the holders of the Class B1 Notes will be unable to make any amendment, give any consent or grant any waiver under or in respect of the Class B1 IBLA which, among other things, would have the effect of (i) increasing the frequency of payments due thereunder, (ii) increasing the amount of principal and interest payable thereunder or (iii) changing the definition of any applicable maturity date or termination event thereunder, unless the requirements for raising Additional Financial Indebtedness have been complied with, including, among other things, the

Class A FCF DSCR calculated on a *pro forma* basis for the most recent test period is not less than 1.35:1.00 and certain ratings confirmations are obtained. See “*Description of Certain Financing Arrangements—Common Terms Agreement—Additional Financial Indebtedness*”. The Class A Note Trustee will be required to have regard only to the interests of the holders of Class A Notes as if they formed a single class when exercising its powers, trusts, authorities, duties and discretions (except in certain circumstances as set out in the Class A Note Trust Deed). Accordingly, subject to certain Entrenched Rights of holders of the Class B1 Notes, the holders of the Class A Notes may approve amendments, grant consents, waive breaches or take certain other actions under or in respect of the STID, the Obligor Security Documents, the CTA, the Tax Deed of Covenant and other relevant documents which may not be in the best interests of, or otherwise adversely affect, the holders of the Class B1 Notes. Furthermore, it will be possible for holders of the Class A Notes to waive breaches of covenants specific to the covenants given under the Class A IBLA without the consent of the holders of the Class B1 Notes, without regard to any adverse consequences for the holders of the Class B1 Notes.

***The Issuer Common Documents may be amended without the consent of the holders of the Class B1 Notes and, until the Class A Notes have been accelerated, the ability of the holders of the Class B1 Notes to agree any Class B1 Conditions Relevant Matter is subject to certain conditions.***

For so long as the Class A Notes are outstanding, subject to the Issuer Secured Creditor Entrenched Rights, the Issuer Security Trustee will be entitled to approve any modifications to the Issuer Common Documents and/or authorise or waive any breach or proposed breach of the Issuer Common Documents without first obtaining the consent of the holders of the Class B1 Notes. In addition, the Class B Note Trustee is entitled, at its own discretion, to determine whether the circumstances exist to allow it to agree to give its consent to certain modifications or waivers of the Issuer Class B Transaction Documents (other than any amendment or waiver that constitutes a Class B Basic Terms Modification or a Class B Conditions Relevant Matter) without requiring the consent of the holders of the Class B1 Notes. Furthermore and subject to the foregoing, while the holders of the Class B1 Notes are generally able to agree to amendments and waivers of the Class B1 Conditions, if an amendment or waiver constitutes a Class B Conditions Relevant Matter then, unless the Class A Notes have been accelerated, such amendment or waiver will only be permitted if there is no Class A Note Event of Default outstanding or continuing (and no Class A Note Event of Default would occur as a result of the Class B Conditions Relevant Matter), the Rating Agency has confirmed that the Class A Notes will continue to be rated at least the Initial Rating of the first Series of Class A Notes and the consent of the Class B Note Trustee and, if required, the holders of the Class B Notes, has been obtained in accordance with the Class B Note Trust Deed. As a result of the foregoing, your ability to amend the Class B1 Conditions is restricted and you may be unable to amend the Class B1 Conditions in a manner that is satisfactory to you.

***Modifications, waivers and consents in respect of the Class B Note Trust Deed, the Class B1 Conditions, the Class B1 Notes, or the Issuer Class B Transaction Documents and/or the Issuer Common Documents and/or the Class B1 IBLA.***

The Obligor Security Trustee may as requested by the Holdco Group Agent by way of a STID Proposal designated by the Holdco Group Agent as being in respect of a Discretion Matter, in its sole discretion concur with the Holdco Group Agent in making any modification to, giving any consent under, or granting any waiver in respect of any breach or proposed breach of any Common Document to which the Obligor Security Trustee is a party or over which it has the benefit of the Obligor Security under the Obligor Security Documents, if (i) in its opinion, it is required to correct a manifest error, or an error in respect of which an English court could reasonably be expected to make a rectification order, or it is of a formal, minor, administrative or technical nature, or (ii) such modification, consent or waiver is not, in the opinion of the Obligor Security Trustee, materially prejudicial to the interests of any of the Qualifying Obligor Secured Creditors (which prior to the repayment in full of the Obligor Senior Secured Liabilities, does not include the Qualifying Obligor Junior Secured Creditors (including the issuer in respect of the Class B1 Loan and, in turn, the Class B1 Noteholders)).

The Class B Note Trustee may without the consent or sanction of Class B1 Noteholders and the other Issuer Secured Creditors, concur with, or instruct the Issuer Security Trustee to concur with the Issuer or any other relevant parties in making any modification to the Class B Note Trust Deed, the Class B1 Conditions, the Class B1 Notes, the Issuer Class B Transaction Documents and/or the Issuer Common Documents and/or the Class B1 IBLA or other document to which it is a party or in respect of which the Issuer Security Trustee holds security if, in the opinion of the Class B Note Trustee, (i) such modification is made to correct a manifest error, or an error in respect of which an English court would reasonably be expected to make a rectification order, or is of a formal, minor, administrative or technical nature, or (ii) (other than in respect of a Class B Basic Terms Modification or a Class B Conditions Relevant Matter) such modification is not materially prejudicial (where “**materially prejudicial**” means that such modification, consent or waiver would have a material adverse effect on the ability of the Issuer to pay any amounts of principal or interest in respect of the Class B1 Notes on the relevant due date for payment therefor) to the interests of the Class B1 Noteholders *provided* that (A) to the extent such modification

under (ii) above relates to an Issuer Secured Creditor Entrenched Right (other than a Class B Basic Terms Modification), each of the Affected Issuer Secured Creditors has given its prior written consent or where the holders of Class B1 Notes are Affected Issuer Secured Creditors, the holders of the Class B1 Notes have thereby sanctioned the relevant modification in accordance with the provisions for voting set out in the Class B Note Trust Deed; and (B) if any such modification relates to a Class B Conditions Relevant Matter, the conditions set out in the Issuer Deed of Charge have been satisfied.

The Class B Note Trustee may, without prejudice to its rights in respect of any subsequent breach or Class B Note Event of Default or Potential Class B Note Event of Default, from time to time and at any time but only if and in so far as in its opinion the interests of the Class B Noteholders shall not be materially prejudiced (where “**materially prejudiced**” means that such waiver would have a material adverse effect on the ability of the Issuer to pay any amounts of principal or interest in respect of the Class B Notes on the relevant due date for payment therefor) thereby, (i) waive or authorise (or instruct the Issuer Security Trustee to waive or authorise) any breach or proposed breach by the Issuer of any of the covenants or provisions contained in the Class B Conditions, the Class B Notes or any Issuer Class B Transaction Document or Issuer Common Document to which it is a party or in respect of which it or the Issuer Security Trustee holds security, (ii) determine that any event which would otherwise constitute a Class B Note Event of Default or a Potential Class B Note Event of Default shall not be treated as such for the purposes of the Class B Note Trust Deed or (iii) direct the Issuer Security Trustee to waive or authorise any breach or proposed breach by the Issuer or any other person of any other person of the covenants or provisions in any Issuer Class B Transaction Document or any Issuer Common Document *provided* that to the extent such event, matter or thing relates to an Issuer Secured Creditor Entrenched Right, each of the Affected Issuer Secured Creditors has given its prior written consent or where the holders of Class B1 Notes are Affected Issuer Secured Creditors, the holders of the Class B1 Notes have thereby sanctioned the relevant modification in accordance with the provisions for voting set out in the Class B Note Trust Deed.

Pursuant to the Class B Note Trust Deed, the Class B Note Trustee will be authorised to execute and deliver on behalf of each relevant Issuer Secured Creditor all documentation required to implement such modification. Such execution and delivery by the Class B Note Trustee will bind each such Issuer Secured Creditor as if such documentation had been duly executed by it.

There can be no assurance that any modification, consent or waiver in respect of the Class B Note Trust Deed, the Class B1 Conditions, the Class B1 Notes, or the Issuer Class B Transaction Documents and/or the Issuer Common Documents and/or the Class B1 IBLA will be favourable to all Class B1 Noteholders. Such changes may be detrimental to the interests of some or all Class B Noteholders, despite the ratings of such Class B Notes being affirmed.

The STID and the Issuer Deed of Charge provide that in certain circumstances, consequential amendments may be made, consents and/or waivers may be granted and *provided* that the relevant conditions are satisfied, the consent of the Class B1 Noteholders or any Obligor Junior Secured Creditors or any Issuer Secured Creditors (as applicable) will not be required to effect such amendments, consents and/or waivers and such amendments, consents and/or waivers will not constitute an Entrenched Right, Ordinary Voting Matter, Extraordinary Voting Matter, Issuer Secured Creditor Entrenched Right or other Class B Voting Matter. See “*Description of Certain Financing Arrangements—Security Trust and Intercreditor Deed*” and “*Description of Certain Financing Arrangements—Issuer Deed of Charge*” for details.

***RAC may not be able to redeem the Class B1 Notes in full on the Class B1 Note Expected Maturity Date, which falls more than 23 years earlier than the Class B1 Note Final Maturity Date, and thereafter, interest on the Class B1 Notes will be deferred. Following the Class B1 Note Adjustment Date, which falls in November 2022, interest will accrue on the Class B1 Notes at a reduced rate.***

RAC’s ability to redeem the Class B1 Notes in full on the Class B1 Note Expected Maturity Date will depend on the repayment in full of the Class B1 Loan by the Borrower on the Class B1 Loan Maturity Date. This, in turn, will depend on many factors beyond RAC’s control, including general economic conditions and financial, competitive, legislative, regulatory and other factors, together with the other risks described in this Offering Memorandum. As a result, there can be no guarantee that RAC will have sufficient funds available to repay the Class B1 Loan on the Class B1 Loan Maturity Date and consequently redeem the Class B1 Notes in full on the Class B1 Note Expected Maturity Date. The Class B1 Note Expected Maturity Date is on 6 November 2022, while the Class B1 Note Final Maturity Date is on 6 May 2046. The Class B1 Loan and the Class B1 Notes will accrue interest at a fixed rate of 5.000 per cent. per annum until the Class B1 Note Adjustment Date, which is on 6 November 2022, after which the interest rate will continue to accrue at a reduced rate of 4.500 per cent. per annum.

Furthermore, the yield to maturity of the Class B1 Notes will depend on, among other things, the amount and timing of repayment and prepayment of principal on the Class B1 Loan and the price paid by the holders of the Class B1 Notes. Such

yield may be adversely affected by a higher or lower than anticipated rate of prepayment on the Class B1 Loan. Timing for prepayment of the Class B1 Loan cannot be predicted and will be influenced by a wide variety of factors, as described above. Accordingly, RAC can provide no assurance with respect to timing of prepayments on the Class B1 Loan or as to amounts to be prepaid and consequently the yield to maturity of the Class B1 Notes.

***RAC may be unable to obtain funds required to finance an offer to purchase the Class B1 Notes upon the occurrence of certain events constituting a change of control as required by the Class B1 IBLA.***

The Class B1 IBLA will contain provisions relating to certain events constituting a “change of control” of Topco. Upon the occurrence of a change of control, RAC will be required to make an offer to purchase all the outstanding Class B1 Notes at a price equal to 101 per cent. of the principal amount thereof, plus any accrued and unpaid interest and additional amounts, if any, to the date of purchase. If a change of control were to occur, RAC cannot assure you that it would have sufficient funds available at such time to enable it to purchase all the Class B1 Notes. In addition, RAC may be prohibited from repurchasing the Class B1 Notes upon a change of control under the terms of the other indebtedness, including under the CTA and/or the Issuer Class A Transaction Documents. If a change of control occurs at a time when RAC is prohibited by the terms of the indebtedness from repurchasing the Class B1 Notes, RAC may seek the consent of the lenders under such indebtedness to the purchase of the Class B1 Notes or may attempt to refinance the indebtedness containing such prohibition. If RAC is unable to obtain such consent or refinance such indebtedness, it will remain prohibited from purchasing the Class B1 Notes and may experience a disruption to its business and operations. Any failure to purchase the Class B1 Notes following a change of control may result in a Share Enforcement Event, in the case of the Class B1 Loan, or an event of default under the other indebtedness, which could in turn result in an acceleration of the indebtedness and enforcement of the collateral securing such indebtedness, all or any of which could have a material adverse effect on RAC’s business, financial condition and results of operations.

For purposes of the Class B1 IBLA, a “change of control” will include a disposition of all or substantially all the assets of Topco and its restricted subsidiaries, taken as a whole, to certain third parties. 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 in fact involves a disposition of “all or substantially all” the assets of Topco 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 RAC will be required to make an offer to purchase all the Class B1 Notes at the price described above.

***RAC depends on third parties for the provision of certain services in relation to the Class B1 Notes, and any failure by such third parties to provide those services in accordance with the terms of the relevant contract may adversely affect your interests as a holder of the Class B1 Notes.***

RAC is a party to various contracts with a number of third parties who have agreed to perform certain services in relation to, among other things, the Class B1 Notes. For example, the Issuer Cash Manager, the Issuer Account Bank and the Paying Agents have agreed to provide, among other things, payment, administration and calculation services in connection with the Class B1 Notes. In the event that any relevant third party fails to perform its obligations in accordance with the terms of the relevant contract, holders of the Class B1 Notes, as well as the Issuer, may have limited or no recourse against them and your interests may be adversely affected.

***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 and rating agency assessments and downgrades, as well as changes to rating agency criteria, may result in pricing and trading volatility in respect of the Class B1 Notes.***

RAC expect that the Class B1 Notes will be assigned a credit rating by S&P as at the Class B1 Issue Date, which rating addresses the likelihood of the ultimate payment to the holders of the Class B1 Notes of interest and principal due on the Class B1 Notes on the Class B1 Note Final Maturity Date. There can be no assurance that any such ratings will continue for any period of time or that such ratings will not be reviewed, revised, suspended or withdrawn entirely by S&P as a result of changes in or unavailability of information or if, in S&P’s judgment, circumstances so warrant. Furthermore, the credit rating assigned by S&P may not reflect the potential impact of all risks relating to the structure, market, additional risk factors discussed herein and other factors that may affect the value of the Class B1 Notes. Rating agencies other than S&P could also seek to rate the Class B1 Notes in the future and, if such “unsolicited ratings” are lower than the comparable rating assigned to the Class B1 Notes by S&P, such “shadow ratings” could have an adverse effect on the price at which the Class B1 Notes will trade. In addition, future events, including events affecting the business and the industries in which RAC operates, could have an adverse impact on the rating assigned to the Class B1 Notes.



Where a particular matter (including the determination of material prejudice by the Class B Note Trustee) involves S&P being requested to confirm that a proposed action would not result in a downgrade or the Class B1 Notes being placed on watch, such confirmation will be given at the sole discretion of S&P. Depending on the timing of delivery of the request and any relevant information, there is a risk that S&P will not be able to provide its confirmation in the time available or at all. S&P will not be responsible for the consequences of any failure to deliver a ratings assessment or confirmation in respect of the Class B1 Notes on any particular timescale.

Confirmation, if given, will be given on the basis of the facts and circumstances prevailing at the relevant time, and in the context of cumulative changes to the transaction of which the Class B1 Notes form part since the Class B1 Issue Date. A confirmation of ratings represents only a restatement of the opinions given at the Class B1 Issue Date, and cannot be construed as advice for the benefit of any parties to the relevant transaction or as confirmation that an event or amendment is in the best interests of, or not materially prejudicial to the interests of, the holders of the Class B1 Notes. No assurance can be given that a requirement to seek a ratings confirmation will not have a subsequent impact upon RAC's business.

A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency. A suspension, reduction or withdrawal at any time of the credit rating assigned to the Class B1 Notes by one or more rating agencies may adversely affect the cost and terms and conditions of RAC's financings and could adversely affect the value and trading of the Class B1 Notes.

***The Class B1 Notes will be new securities for which there is no established trading market. Accordingly, your ability to sell the Class B1 Notes may be limited.***

The Class B1 Notes are a new issue of securities for which there is currently no trading market. Although an application has been made for the Class B1 Notes to be listed on the Official List of the Irish Stock Exchange and to be admitted to trading on the Global Exchange Market thereof, RAC cannot assure you that the Class B1 Notes will be, or will remain, listed thereon. The Initial Purchasers may make a market in the Class B1 Notes as permitted by applicable laws and regulations. However, the Initial Purchasers are not obligated to make a market in the Class B1 Notes and they may discontinue their market-making activities at any time without notice. Accordingly, RAC cannot assure you as to the development or liquidity of any trading market for the Class B1 Notes, your ability to sell your Class B1 Notes or the prices at which you will be able to sell your Class B1 Notes. The liquidity of any market for the Class B1 Notes will depend on a number of factors, including:

- the number of holders of the Class B1 Notes;
- RAC's operating performance and financial condition;
- the market for securities that are similar to the Class B1 Notes;
- the interest of securities dealers in making a market in the Class B1 Notes; and
- prevailing market interest rates.

Historically, the market for non-investment grade debt in the debt capital markets has been subject to disruptions that have caused substantial volatility in the prices of securities similar to the Class B1 Notes. The Holdco Group cannot assure you that the market, if any, for the Class B1 Notes will be free from similar disruptions in the future or that any such disruptions will not adversely affect the prices at which you will be able to sell your Class B1 Notes. Accordingly, the Holdco Group cannot assure you that you will be able to sell your Class B1 Notes at a particular time or that your Class B1 Notes will be sold at a favourable price, regardless of RAC's prospects and financial performance. Consequently, it is possible that you may have to hold your Class B1 Notes until maturity.

In addition, the market value of the Class B1 Notes may fluctuate with changes in prevailing interest rates, market perceptions of the risks associated with the Class B1 Notes, supply and other market conditions. Consequently, any sale of Class B1 Notes by holders thereof in any secondary market which may develop may be at a discount to the original purchase price of such Class B1 Notes.

***The Class B1 Notes will be treated as issued with original issue discount for U.S. federal income tax purposes.***

Although not entirely clear, the Issuer intends to take the position (if required to do so) that the stated interest is not unconditionally payable at least annually for U.S. federal income tax purposes and therefore all interest on the Class B1 Notes will be treated as original issue discount ("OID") for U.S. federal income tax purposes. As a result, U.S. holders may generally be required to include amounts representing OID in their gross income as it accrues in advance of the receipt of

cash payments attributable to such income using the constant yield method regardless of such holders' regular method of accounting. See "*Taxation—U.S. Taxation—Certain United States Federal Income Tax Considerations*".

***Class B1 Definitive Notes not having denominations in integral multiples of the minimum authorised denomination may have difficulty in trading in the secondary market.***

The Class B1 Notes have a denomination consisting of a minimum authorised denomination of £100,000 plus higher integral multiples of £1,000. Accordingly, it is possible that the Class B1 Notes may be traded in amounts in excess of the minimum authorised denomination that are not integral multiples of such denomination. In such a case, if Class B1 Definitive Notes are required to be issued, a holder of Class B1 Notes who holds a principal amount less than the minimum authorised denomination at the relevant time may not receive a Class B1 Definitive Note in respect of such holding and may need to purchase a principal amount of Class B1 Notes such that their holding amounts to the minimum authorised denomination (or another relevant denomination amount). If Class B1 Definitive Notes are issued, you should be aware that Class B1 Definitive Notes which have a denomination that is not an integral multiple of the minimum authorised denomination may be illiquid and difficult to trade.

***The transfer of the Class B1 Notes is restricted, which may adversely affect their liquidity and the price at which they may be sold.***

The Class B1 Notes have not been and will not be registered under the U.S. Securities Act or the securities laws of any other jurisdiction and, unless so registered, may not be offered or sold except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the U.S. Securities Act and any other applicable laws. These restrictions may limit the ability of investors to resell the Class B1 Notes. It is your responsibility to ensure that all offers and sales of the Class B1 Notes within the United States and other jurisdictions comply with applicable securities and other laws. See "*Notice to Investors*". RAC has not agreed to or otherwise undertaken to register the Class B1 Notes, and does not have any intention to do so in the future.

***The Class B1 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 with respect to the Class B1 Notes.***

The Class B1 Notes will initially be issued in global form and deposited with a common depositary for Euroclear and Clearstream. Interests in the global notes will trade in book-entry form only. Unless and until Class B1 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 Class B1 Notes. The common depositary (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 Class B1 Notes will be made to Deutsche Bank AG, London Branch, as Class B Principal Paying Agent (the "**Class B 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 Class B1 Notes and credited by such participants to indirect participants. After payment to the common depositary for Euroclear and Clearstream, RAC 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 Class B1 Notes, you must rely on the procedures of Euroclear and Clearstream, and if you are not a participant in Euroclear or Clearstream, you must rely on the procedures of the participant through which you own your interest, to exercise any rights and obligations of a holder of the Class B1 Notes under the Class B Note Trust Deed.

Unlike the holders of the Class B1 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 Class B1 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 assurances 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 Class B1 Notes, unless and until the relevant definitive registered Class B1 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. RAC 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 Class B1 Notes.

***You may face foreign exchange risks by investing in the Class B1 Notes denominated in foreign currencies.***

The Class B1 Notes will be denominated and payable in pounds sterling. An investment in Class B1 Notes denominated in a currency other than the currency by reference to which you measure the return on your investments will entail foreign exchange-related risks due to, among other factors, possible significant changes in the value of pounds sterling relative to other relevant currencies because of economic, political or other factors over which RAC has no control. Depreciation of pounds sterling against other relevant currencies could cause a decrease in the effective yield of the Class B1 Notes below their stated coupon rates and could result in a loss to you when the return on the Class B1 Notes is translated into the currency by reference to which you measure the return on your investments.

***Corporate benefit and financial assistance laws and other limitations on the obligations under the guarantees of the Class B1 Loan may adversely affect the validity and enforceability of those guarantees.***

The guarantees of the Class B1 Loan and the amounts recoverable thereunder will be limited to the maximum amount that can be guaranteed by a particular Guarantor without rendering the guarantee, as it relates to that Guarantor, voidable or otherwise ineffective under applicable law. Enforcement of the obligations under the relevant guarantee against a Guarantor will be subject to certain defences available to the relevant Guarantor. These laws and defences may include those that relate to fraudulent conveyance, financial assistance, corporate benefit and regulations or defences affecting the rights of creditors generally. If one or more of these laws and defences are applicable, the relevant Guarantor may have no liability or decreased liability under the Class B1 Loan or its guarantee of the Class B1 Loan may be unenforceable. Please see “*Limitation on Validity and Enforceability of the Security Interests*”.

***You may not be able to recover in civil proceedings for U.S. securities law violations.***

The Issuer is organised under the laws of England and Wales and RAC’s business is conducted entirely outside the United States. The directors and executive officers of the Issuer are non-residents of the United States. Accordingly, you may be unable to effect service of process within the United States on those directors and executive officers. In addition, as all the assets of the Issuer and those of its directors and executive officers are located outside of the United States, you may be unable to enforce judgments obtained in the U.S. courts against them. Moreover, in light of recent decisions of the U.S. Supreme Court, actions of the Issuer may not be subject to the civil liability provisions of the federal securities laws of the United States. For further information see “*Service of Process and Enforcement of Foreign Judgments*”.

***The audit report of Deloitte LLP included in this Offering Memorandum includes statements that limit the persons that may rely on such report and the opinions contained therein.***

The audit report of Deloitte LLP for the year ended 31 December 2016, which is included in this Offering Memorandum, includes the following statement: “*Our audit work has been undertaken so that we might state to the Company’s members those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company’s members as a body, for our audit work, for this report, or for the opinions we have formed*”.

The SEC would not permit such limiting language to be included in a registration statement or a prospectus used in connection with an offering of securities registered under the U.S. Securities Act, or in a report filed under the U.S. Securities Exchange Act of 1934. If a U.S. court (or any other court) were to give effect to the language quoted above, the recourse that investors in the Class B1 Notes may have against the independent auditors based on their reports or the consolidated financial statements to which they relate could be limited.

***The insolvency laws of England and Wales may not be as favourable to you as the insolvency laws of the United States or those of another jurisdiction with which you are familiar. Other limitations on the Topco Security, including fraudulent conveyance statutes, may adversely affect its validity and enforceability.***

Topco and the Obligors, including Holdco, are organised or incorporated under the laws of England and Wales. The Topco Security, which has been granted for the indirect benefit of the Class B1 Notes, includes a pledge over the shares of Holdco.

The insolvency laws of England and Wales may not be as favourable to your interests as the laws of the United States or other jurisdictions with which you are familiar. In the event that any one or more of the Obligors or any of their respective subsidiaries experiences financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceeding would be commenced or the outcome of such proceedings.

Applicable fraudulent transfer and conveyance and equitable principles, insolvency laws and limitations on the enforceability of judgments obtained in courts in England and Wales could limit the enforceability of the Topco Security or guarantees provided by the Obligors in connection with the Class B1 IBLA. The court may also in certain circumstances void the Topco Security or guarantees provided by the Obligors where Topco, Holdco or the Obligors, as the case may be, is close to or near insolvency.

For an overview of certain insolvency laws and enforceability issues as they relate to the Topco Security and guarantees in connection with the Class B1 IBLA, see “*Limitation on Validity and Enforceability of the Security Interests*”.

***Certain secured creditors may challenge the validity or enforceability of one or more features of the financing structure in connection with the Offering and any challenge may adversely affect the rights of other secured creditors, including the holders of the Class B1 Notes.***

The financing transactions described in this Offering Memorandum have been structured based on English law and practice as in effect on the date of this Offering Memorandum. It is possible that a secured creditor that is subject to laws other than the laws of England and Wales may seek to challenge the validity or enforceability of one or more features of the financing structure under the local laws of such creditor’s jurisdiction. Potential investors should be aware that the outcome of any such challenge may depend on a number of factors, including the application of the laws of a jurisdiction other than England and Wales. There can be no assurance that any challenge would not adversely affect, directly or indirectly, the rights of the other secured creditors, including the holders of the Class B1 Notes, the market value of the Class B1 Notes or the ability of the Issuer to make payments of principal and interest on the Class B1 Notes.

***Regulatory initiatives may result in increased regulatory capital requirements which could limit available capital that otherwise could be used to make payments of principal and interest on the Class B1 Notes.***

In Europe, the U.S. and elsewhere there is increased political and regulatory scrutiny of the asset-backed securities industry. This has resulted in numerous measures for increased regulation which are currently at various stages of implementation and which may have an adverse impact on the regulatory capital charge to certain investors in certain securitisation exposures and/or the incentives for certain investors to invest in securities issued under such structures, and may thereby affect the liquidity of such securities.

Such regulation includes Articles 404 to 410 of Regulation (EU) 575/2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) 648/2012 (the “**CRR**”), together with the final regulatory technical standards and implementing technical standards to the CRR published by the European Banking Authority pursuant to Articles 410(2) and 410(3) of the CRR and any other applicable guidance, technical standards or related documents published by the European Banking Authority (including any successor or replacement agency or authority) and any delegated regulations of the European Commission (and in each case including any amendment or successor thereto) (together, the “**CRR Retention Requirements**”)

The CRR Retention Requirements provide that an EU credit institution shall only be exposed to the credit risk of a securitisation position if (a) the originator, sponsor or original lender has represented that it will retain, on an ongoing basis, a material net economic interest in the securitisation of not less than 5 per cent. and (b) it is able to demonstrate to its regulator on an ongoing basis that it has a comprehensive and thorough understanding of the key terms, risks and performance of each securitisation position in which it is invested. Failure by an EU credit institution investor to comply with the requirements of Article 405 in relation to any applicable investment will result in an increased capital charge to or increased risk-weighting applying to such investor in respect of that investment.

Similar requirements to those set out in the CRR Retention Requirements have been implemented for (i) EU-regulated alternative investment fund managers by Article 17 of Directive 2011/61/EU on Alternative Investment Fund Managers and Amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010 (the “**AIFMD**”), as implemented by Section 5 of the European Union Commission Delegated Regulation (EU) No. 231/2013 of 19 December, 2012 supplementing the AIFMD, including any guidance published in relation thereto and any implementing laws or regulations in force in any Member State of the European Union (the “**AIFMD Retention Requirements**”) and (ii) insurance or reinsurance undertakings by Chapter VIII of the Commission Delegated Regulation EV 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and the Council on the taking up and pursuit of business of Insurance and Reinsurance (Solvency II) (the “**Solvency II Delegated Act Retention Requirements**”) and, together with the CRR Retention Requirements and the AIFMD Retention Requirements, the “**EU Risk Retention Requirements**”.

No retention representation of the sort referred to in the preceding paragraph has been made in relation to this transaction. The Issuer has considered, and obtained legal advice as to, the applicability of the Risk Retention Requirements to this transaction and is of the opinion that the Class B1 Notes do not constitute an exposure to a “securitisation position” for the purposes of the EU Risk Retention Requirements.

However, investors should be aware that the regulatory capital treatment of any investment in the Class B1 Notes will be determined by the interpretation which an investor’s regulator places on the EU Risk Retention Requirements. Prospective investors should therefore be aware that should the relevant investor’s regulator interpret the regulations such that Article 405 does apply to an investment in the Class B1 Notes, significantly higher capital charges may be applied to that investor’s holding and/or any further changes to the regulation or regulatory treatment of the Class B1 Notes for some or all investors may negatively impact the regulatory position of individual investors and, in addition, have a negative impact on the price and liquidity of the Class B1 Notes in the secondary market. No assurance can be given that further changes will not be made to the EU Risk Retention Requirements, which could impact holders of the Class B1 Notes.

By contrast to the EU Risk Retention Requirements, compliance with credit risk retention regulations implemented by U.S. federal regulators including the U.S. Securities and Exchange Commission pursuant to Section 15G of the U.S. Securities Exchange Act of 1934, as amended (the “**Exchange Act**”, and such U.S. regulations, the “**U.S. Risk Retention Requirements**” and, together with the EU Risk Retention Requirements, the “**Risk Retention Requirements**”) is the obligation of the “sponsor” of a “securitization transaction,” rather than the obligation of an investor. Under the U.S. Risk Retention Requirements, a “securitization transaction” is a transaction involving the offer and sale of “asset-backed securities,” as that term is defined in the Exchange Act, and the “sponsor” is the party that organises and initiates the securitization transaction by selling or transferring assets, either directly or indirectly, including through an affiliate, to the issuing entity. The Issuer has considered, and obtained legal advice as to, the applicability of the U.S. Risk Retention Requirements to this transaction, and the Issuer is of the opinion that the Class B1 Notes do not constitute “asset-backed securities” for the purposes of the U.S. Risk Retention Requirements. However, the U.S. Risk Retention Requirements only took general effect on 24 December 2016 (they took effect with respect to residential mortgage-backed securitisations on 24 December 2015), and as of the date hereof there is little published regulatory guidance as to their scope, application and consequences. Investors should be aware, therefore, that no assurance can be given that U.S. federal regulators will agree with the Issuer’s conclusion or will not issue contrary guidance as to the application of the U.S. Risk Retention in a manner that might have an adverse effect on the liquidity or value of the Class B1 Notes.

Investors in the Class B1 Notes are responsible for analysing their own regulatory position and independently assessing and determining whether or not the Risk Retention Requirements will be applied to their exposure to the Class B1 Notes and therefore prospective investors should not rely on the Issuer’s interpretation set out above. Further, the Initial Purchasers do not make any representation in respect of the application of the Risk Retention Requirements to any investment in the Class B1 Notes. Investors should consult their regulator should they require guidance in relation to the regulatory capital treatment that their regulator would apply to an investment in the Class B1 Notes.

***Implementation of and/or Changes to the Basel II Framework may affect the capital and/or the liquidity requirements associated with a holding of the Class B1 Notes for certain Investors.***

The Basel Committee on Banking Supervision (the “**Basel Committee**”) approved significant changes to Basel II (being the revised international capital framework of the Basel Committee, published in 2004) regulatory capital and liquidity framework in 2011 (such changes being commonly referred to as “**Basel III**”). In particular, the changes refer to among other things, new requirements for the capital base, measures to strengthen the capital requirements for counterparty credit exposures arising from certain transactions and the introduction of a leverage ratio as well as short-term and longer-term standards for funding liquidity (referred to as the “**Liquidity Coverage Ratio**” and the “**Net Stable Funding Ratio**”). It is intended that member countries will implement the new capital standards and the new Liquidity Coverage Ratio as soon as possible (with provision for phased implementation, meaning that the measure will not apply in full until January 2019) and the Net Stable Funding Ratio from January 2018. Implementation of Basel III requires national legislation and therefore the final rules and the timetable for their implementation in each jurisdiction may be subject to some level of national variation. The Basel Committee has also published a consultative document setting out certain proposed revisions to the securitisation framework, including proposed new hierarchies of approaches to calculating risk weights and a new risk weight floor of 20 per cent.

Implementation of the Basel II framework (to the extent that it has not already been fully implemented in member countries) and/or of any of the changes put forward by the Basel Committee (including the changes described above) may have an impact on the capital requirements in respect of the Class B1 Notes and/or on incentives to hold the Class B1 Notes for

investors that are subject to requirements that follow the relevant framework and, as a result, may affect the liquidity and/or value of the Class B1 Notes.

Investors in the Class B1 Notes are responsible for analysing their own regulatory position and should not rely on the Issuer's opinion set out above. Investors should consult their own advisors as to the regulatory capital requirements in respect of the Class B1 Notes and as to the consequences to and effect on them of any changes to the Basel II framework (including the Basel III changes described above) and the relevant implementing measures. No predictions can be made as to the precise effects of such matters on any investor or otherwise, however any such regulatory initiatives could impact RAC's ability to make payments of principal or interest on the Class B1 Notes.

## THE ISSUER

### General

The Issuer was incorporated under the Companies Act 2006 and registered in England and Wales on 24 March 2016 as a limited company with number 10084638. The Issuer's registered office is at RAC House, Brockhurst Crescent, Walsall, West Midlands, WS5 4AW, UK and its telephone number is +44(0)1922 437000. The memorandum and articles of association of the Issuer may be inspected at the registered office of the Issuer.

### Principal Activities

The Issuer is organised as a special purpose company and its principal activities are the acquiring, holding and managing of its rights and assets under the Class B1 IBLA and the Class A IBLA along with borrowing under the Liquidity Facility, entering into the Issuer Hedging Agreements, and other activities incidental to the issuance of Class A Notes and Class B1 Notes.

On or around the Class B1 Issue Date, the Issuer will enter into the Issuer Transaction Documents for the purpose of making a profit. The Issuer has no subsidiaries or employees.

### Directors and Company Secretary

The directors of the Issuer and their respective business addresses and position are set out below.

| Name                | Business Address  | Position  |
|---------------------|---|-----------|
| Mr. Richard Fairman | RAC House, Brockhurst Crescent, Walsall, West Midlands, WS5 4AW, UK | Director  |
| Mr. Vinit Nagarajan | RAC House, Brockhurst Crescent, Walsall, West Midlands, WS5 4AW, UK | Director  |
| Mr. Timothy Gallico | RAC House, Brockhurst Crescent, Walsall, West Midlands, WS5 4AW, UK | Director  |
| Mr. Daniel Wynne    | RAC House, Brockhurst Crescent, Walsall, West Midlands, WS5 4AW, UK | Director  |
| Mr. Scott Morrison  | RAC House, Brockhurst Crescent, Walsall, West Midlands, WS5 4AW, UK | Secretary |

The directors receive no remuneration from the Issuer for their services. The directors of the Issuer may engage in other activities and have other directorships.

None of the directors of the Issuer has any actual or potential conflict between their duties to the Issuer and their private interest or other duties as listed above.

The Issuer Corporate Officer Provider has agreed, pursuant to the terms of the Issuer Corporate Officer Agreement, to provide administration services to the Issuer including providing a registered office and company secretary.

### Management and Control

The Issuer is managed and controlled in the UK.

### Share Capital

The Issuer is a wholly-owned subsidiary of Holdco and its issued share capital is £50,000, fully paid up, divided into 50,000 ordinary shares of £1.00.

Since the date of incorporation of the Issuer, no options to acquire shares have been issued or authorised. Since its incorporation up to the date of this Offering Memorandum, the Issuer has not paid any dividends. There are measures in place

in the Transaction Documents, including certain negative covenants, which ensure that the control of the Issuer by Holdco is not abused.

### **Auditors**

The auditor of the Issuer is Deloitte LLP with a registered office at Four Brindleyplace, Birmingham, B1 2HZ, UK.

Deloitte LLP is a registered auditor and is authorised by and is a member of the Institute of Chartered Accountants in England and Wales to practise in England and Wales.

### **Financials**

The audited financial statements of the Issuer for the year ended 31 December 2016 (the “**Issuer Financials**”) are available to be inspected and obtained at the Issuer’s registered office at RAC House, Brockhurst Crescent, Walsall, West Midlands, WS5 4AW, UK. The Issuer Financials are incorporated by reference into this Offering Memorandum.



## THE BORROWER

### General

The Borrower was incorporated under the Companies Act 2006 and registered in England and Wales on 10 June 2011 as a private limited company with number 07665596. The Borrower's registered office is at RAC House, Brockhurst Crescent, Walsall, West Midlands, WS5 4AW, UK and its telephone number is +44(0)1922 437000. The memorandum and articles of association of the Borrower may be inspected at the registered office of the Borrower.

### Principal Activities

The Borrower was established as a private limited company and its principal activities are acting as, and in connection with being, a holding company.

### Directors and Company Secretary

The directors and company secretary of the Borrower and their respective business addresses and position are set out below.

| Name                         | Business Address  | Position  |
|------------------------------|---|-----------|
| Mr. Richard Fairman          | RAC House, Brockhurst Crescent, Walsall, West Midlands, WS5 4AW, UK | Director  |
| Mr. Robert William Templeman | RAC House, Brockhurst Crescent, Walsall, West Midlands, WS5 4AW, UK | Director  |
| Mr. Mark Wood                | RAC House, Brockhurst Crescent, Walsall, West Midlands, WS5 4AW, UK | Director  |
| Mr. David Hobday             | RAC House, Brockhurst Crescent, Walsall, West Midlands, WS5 4AW, UK | Director  |
| Mr. Scott Morrison           | RAC House, Brockhurst Crescent, Walsall, West Midlands, WS5 4AW, UK | Secretary |

None of the directors of the Borrower has any actual or potential conflict between their duties to the company and their private interests or other duties.

### Management and Control

The Borrower is managed and controlled in the United Kingdom.

### Share Capital

The Borrower is a wholly-owned subsidiary of Holdco and its issued share capital is £78,651.13. There are measures in place in the Transaction Documents, including certain negative covenants, which ensure that the control of the Borrower by Holdco is not abused. See "*Description of Certain Financing Arrangements*".

### Auditors

The auditor of the Borrower is Deloitte LLP with a registered office at Four Brindleyplace, Birmingham, B1 2HZ, UK.

Deloitte LLP is a registered auditor and is authorised by and is a member of the Institute of Chartered Accountants in England and Wales to practise in England and Wales.

### Financials

The most recent audited financial statements of the Borrower for the years ended 31 December 2015 and 31 December 2016 (the "**Borrower Financials**"), are available to be inspected and obtained at the Borrower's registered office at RAC House, Brockhurst Crescent, Walsall, West Midlands, WS5 4AW, UK. The Borrower Financials are incorporated by reference into this Offering Memorandum.

## USE OF PROCEEDS

The gross proceeds from the Offering are expected to be £275 million. RAC will use the gross proceeds from the Offering to make certain payments to its shareholders, which may be effected through a payment on shareholder loans, the distribution of a dividend or otherwise, and to pay certain administrative costs, expenses and fees in connection therewith.

The sources and expected estimated uses of the funds are set out in the table below. Actual amounts may vary from such estimates.

| Sources of Funds                                   | (£ millions) | Uses of Funds   | (£ millions) |
|--|--------------|---|--------------|
| Class B1 Notes offered hereby <sup>(1)</sup> ..... | 275          | Estimated distribution to shareholders <sup>(2)</sup> ..        | 270          |
|  |              | Estimated transaction fees and expenses <sup>(2)(3)</sup> ..... | 5            |
| <b>Total sources</b> .....                         | <b>275</b>   | <b>Total uses</b> .....   | <b>275</b>   |

Notes:

- (1) Represents the aggregate principal amount of the Class B1 Notes offered hereby.
- (2) These amounts represent RAC's good faith estimates as at the date of this Offering Memorandum. However, actual amounts paid may be different and RAC assumes no obligation to notify investors in the Class B1 Notes of any amounts so paid.
- (3) Represents estimated fees and expenses associated with the Offering, including the Initial Purchasers' fees, legal and accounting expenses and other transaction costs.

In addition, RAC plans to make a further distribution to its shareholders in the amount of up to £19.5 million in the future, in accordance with the Class B1 IBLA and the Common Terms Agreement.

## CAPITALISATION

The following table sets forth the consolidated cash and cash equivalents and the capitalisation of the Holdco Group, on a historical basis, derived from Holdco Group Interim Financial Statements, included elsewhere in this Offering Memorandum as adjusted to give effect to the Offering and use of proceeds therefrom as described in the sections entitled “*Use of Proceeds*” and “*Overview—Shareholder Distributions*”.

You should read this table in conjunction with the sections entitled “*Use of Proceeds*”, “*Selected Consolidated Financial and Operating Data*”, “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*”, “*Description of Certain Financing Arrangements*”, “*Description of the Class B1 Notes*”, “*Description of the Class B1 IBLA*” and the Financial Statements appearing elsewhere in this Offering Memorandum. Except as set forth below, there have been no other material changes to the capitalisation of the Holdco Group since 31 March 2017.

|   | At 31 March 2017        |                           |              |
|---|-------------------------|---------------------------|--------------|
|   | Actual                  | Adjustments               | As Adjusted  |
|   | (£ millions)            |                           |              |
| <b>Cash and cash equivalents<sup>(1)</sup></b> .....  | <b>51<sup>(2)</sup></b> | <b>(19)<sup>(3)</sup></b> | <b>32</b>    |
| <b>Debt</b>   |                         |                           |              |
| Initial Senior Term Facility <sup>(4)</sup> .....     | 280                     | —                         | 280          |
| Initial Working Capital Facility <sup>(5)</sup> ..... | —                       | —                         | —            |
| Liquidity Facility <sup>(6)</sup> .....               | —                       | —                         | —            |
| Class A1 Notes <sup>(7)</sup> .....                   | 300                     | —                         | 300          |
| Class A2 Notes <sup>(7)</sup> .....                   | 600                     | —                         | 600          |
| Class B1 Notes offered hereby <sup>(8)</sup> .....    | —                       | 275                       | 275          |
| <b>Total debt</b> .....                               | <b>1,180</b>            | <b>275</b>                | <b>1,455</b> |
| <b>Equity and reserves</b>                            |                         |                           |              |
| Ordinary share capital .....                          | 339                     | —                         | 339          |
| Hedging instruments reserve .....                     | (2)                     | —                         | (2)          |
| Retained earnings .....                               | 371                     | (275)                     | 96           |
| <b>Total equity</b> .....                             | <b>708</b>              | <b>(275)</b>              | <b>433</b>   |
| <b>Total capitalisation</b> .....                     | <b>1,888</b>            | <b>—</b>                  | <b>1,888</b> |

Notes:

- (1) The cash and cash equivalents balance does not reflect cash accumulated since 31 March 2017.
- (2) Reflects the actual £63 million of cash and cash equivalents, excluding £12 million of restricted cash and cash equivalents required for RACIL and RACMS to comply with minimum capital requirements (see “*Business—Regulatory Environment*”).
- (3) Represents the up to £19.5 million distribution that RAC plans to make to its shareholders after the Issue Date in accordance with the Class B1 IBLA and the Common Terms Agreement (see “*Use of Proceeds*”).
- (4) On 6 May 2016, the Borrower entered into the Initial Senior Term Facility for an amount of £280 million. As at 31 March 2017, the Borrower had £280 million outstanding under the Initial Senior Term Facility. See “*Description of Certain Financing Arrangements—Initial Term Facility Agreement*”.
- (5) On 6 May 2016, the Borrower entered into the Initial Working Capital Facility Agreement for an amount of £50 million. As at 31 March 2017, no amounts were drawn under the Initial Working Capital Facility. See “*Description of Certain Financing Arrangements—Initial Working Capital Facility*”.
- (6) On 6 May 2016, the Borrower entered into the Liquidity Facility Agreement for an amount of £90 million. As at 31 March 2017, no amounts were drawn under the Liquidity Facility. See “*Description of Certain Financing Arrangements—Initial Liquidity Facility*”.
- (7) On 6 May 2016, the Issuer issued £300 million in aggregate principal amount of Class A1 Notes and £600 million in aggregate principal amount of Class A2 Notes and on-lent the proceeds therefrom to the Borrower pursuant to one or more Class A Loans under the Class A IBLA. The net proceeds from the Class A Loans were used to repay existing indebtedness and for general corporate purposes.
- (8) Represents £275 million aggregate principal amount of Class B1 Notes offered hereby. The gross proceeds of the issuance of the Class B1 Notes will be on-lent by the Issuer to the Borrower pursuant to the Class B1 Loan under the Class B1 IBLA.

## SELECTED CONSOLIDATED FINANCIAL AND OPERATING DATA

*The selected consolidated historical financial data discussed below has been derived from, and should be read in conjunction with, the Holdco Group Financial Statements and the 2015 Opco Group Financial Statements included elsewhere in this Offering Memorandum. See “Presentation of Financial and Other Information” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations”.*

*Holdco was incorporated on 22 September 2014 and became the indirect holding company for the Opco Group upon the completion of the Sphinx Acquisition. Although the audited consolidated financial statements of the HoldCo Group as at and for the period ended 31 December 2014 present the consolidated financial position of Holdco and its subsidiaries (including the Opco Group) as at 31 December 2014, they only present their consolidated results of operations for the period from 17 December 2014 to 31 December 2014. Therefore, in this Offering Memorandum RAC’s results of operations for the year ended 31 December 2014 are presented at the Opco Group level on the basis of the 2015 Opco Group Financial Statements.*

*RAC’s results of operations for subsequent periods are presented at the Holdco Group level on the basis of the relevant Holdco Group Financial Statements. The primary differences between the financial condition and results of operations of the Holdco Group and the Opco Group as at and for the year ended 31 December 2015 (which was the first full year of operation of the Holdco Group) related to (i) liabilities and finance expenses relating to external debt and shareholder loan notes, which were incurred at the levels of Opco’s parent entities before the Sphinx Acquisition and at the Holdco Group level thereafter; and (ii) the impact of acquisition accounting on the carrying value of goodwill and indefinite-lived intangible assets as a result of the Sphinx Acquisition and the related impacts on amortisation, which were reported at the Holdco Group level.*

*Presented below are certain non-IFRS measures, including EBITDA before exceptional items, EBITDA before exceptional items Margin and certain other data that are not required by, or presented in accordance with, IFRS. The Management believes that the presentation of these non-IFRS measures is helpful to prospective investors in the Class B1 Notes because these and other similar measures are used by certain investors, securities analysts and other interested parties as supplemental measures of performance and liquidity. However, prospective investors in the Class B1 Notes should not consider these non-IFRS measures as alternatives to net income or to cash flows from or used in operating, investing or financing activities, in each case, as determined in accordance with IFRS. In addition, EBITDA before exceptional items and EBITDA before exceptional items Margin and other non-IFRS measures may not be comparable to similarly titled measures used by other companies. See “Presentation of Financial and Other Information—Non-IFRS financial measures”.*

## Selected Income Statement Data

|  | Year ended<br>31 December |                           |                     | Three months<br>ended 31 March |                     |
|--|---------------------------|---------------------------|---------------------|--------------------------------|---------------------|
|  | 2014 <sup>(1)</sup>       | 2015 <sup>(2)</sup>       | 2016 <sup>(2)</sup> | 2016 <sup>(2)</sup>            | 2017 <sup>(2)</sup> |
|  | Opco<br>Group             | Holdco<br>Group           | Holdco<br>Group     | Holdco<br>Group                | Holdco<br>Group     |
|  | (£ millions)              |                           |                     |                                |                     |
| Revenue .....  | 498                       | 501                       | 506                 | 123                            | 131                 |
| Cost of sales .....  | (230) <sup>(3)</sup>      | (215)                     | (230)               | (54)                           | (63)                |
| Gross profit .....   | 268                       | 286                       | 276                 | 69                             | 68                  |
| Administrative expenses .....                                    | (125) <sup>(3)</sup>      | (288) <sup>(4)</sup>      | (208)               | (54)                           | (51)                |
| <b>Operating profit/(loss) .....</b>                             | <b>143</b>                | <b>(2)<sup>(4)</sup></b>  | <b>68</b>           | <b>15</b>                      | <b>17</b>           |
| EBITDA before exceptional items <sup>(5)</sup> .....             | 169                       | 183                       | 184                 | 42                             | 43                  |
| Depreciation .....   | (4)                       | (4)                       | (5)                 | (1)                            | (1)                 |
| Amortisation of customer acquisition intangible assets .....     | (10)                      | (10)                      | (14)                | (3)                            | (4)                 |
| Amortisation of non-customer acquisition intangible assets ..... | (11)                      | (171) <sup>(4)</sup>      | (88)                | (22)                           | (21)                |
| Exceptional items .....  | (1)                       | —                         | (9)                 | (1)                            | —                   |
| <b>Operating profit/(loss) .....</b>                             | <b>143</b>                | <b>(2)<sup>(4)</sup></b>  | <b>68</b>           | <b>15</b>                      | <b>17</b>           |
| Finance expenses .....   | (1) <sup>(3)</sup>        | (83) <sup>(6)</sup>       | (129)               | (20)                           | (15)                |
| Other gains/(losses) .....                                       | (15)                      | —                         | —                   | —                              | —                   |
| <b>Profit/(loss) before tax .....</b>                            | <b>127</b>                | <b>(85)<sup>(7)</sup></b> | <b>(61)</b>         | <b>(5)</b>                     | <b>2</b>            |
| Tax credit/(charge) .....  | (28)                      | 39 <sup>(7)</sup>         | 22                  | 1                              | —                   |
| <b>Profit/(loss) for the year .....</b>                          | <b>99</b>                 | <b>(46)<sup>(7)</sup></b> | <b>(39)</b>         | <b>(4)</b>                     | <b>2</b>            |

### Notes:

- (1) Presented for the Opco Group based on the 2015 Opco Group Financial Statements.
- (2) Presented for the Holdco Group based on the relevant Holdco Group Financial Statements.
- (3) In preparation of the 2015 Opco Group Financial Statements, certain administrative expenses for the year ended 31 December 2014 directly linked to revenue generation were reclassified as cost of sales to ensure consistency with presentation of other financial information in the 2015 Opco Group Financial Statements. This reclassification had no material impact on the reported profit of the Opco Group. See “*Presentation of Financial and Other Information—Certain reclassifications*”.
- (4) Reflects the impact of amortisation related to substantial intangible assets recognised by Holdco as part of the Sphinx Acquisition, which was not reported on the Opco Group level. See “*Management’s Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting RAC’s Results of Operations—Goodwill, intangible assets and administrative expenses related to the Sphinx Acquisition*”. Amortisation of non customer acquisition intangible assets of the Opco Group for the year ended 31 December 2015 amounted to £16 million.
- (5) EBITDA before exceptional items is profit or loss for the period before finance expenses, other gains and losses, tax credit or charge, amortisation, depreciation and exceptional items. EBITDA before exceptional items is a non-IFRS measure. It is presented here because the Management believes that it is helpful in highlighting trends in RAC’s business. For further detail on this and other non-IFRS measures, please see “*Presentation of Financial and Other Information—Non-IFRS financial measures*”.
- (6) Reflects the impact of the 2014 Financing Arrangements. See “*Management’s Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting RAC’s Results of Operations—Liabilities and finance expenses relating to external debt and shareholder loans*”. Finance expenses of the Opco Group for the year ended 31 December 2015 amounted to £1 million.
- (7) Reflects the impact of amortisation related to substantial intangible assets as part of the Sphinx Acquisition and finance expenses related to external debt and shareholder loans, neither of which were reported on the Opco Group level. See “*Management’s Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting RAC’s Results of Operations—Goodwill, intangible assets and administrative expenses related to the Sphinx Acquisition*” and “*Management’s Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting RAC’s Results of Operations—Liabilities and finance expenses relating to external debt and shareholder loans*”.

## Selected Statement of Financial Position Data

|   | As at<br>31 December   |                        |                     | As at<br>31 March   |
|---|------------------------|------------------------|---------------------|---------------------|
|   | 2014 <sup>(1)</sup>    | 2015 <sup>(1)</sup>    | 2016 <sup>(1)</sup> | 2017 <sup>(1)</sup> |
|   | Holdco<br>Group        | Holdco<br>Group        | Holdco<br>Group     | Holdco<br>Group     |
|   | (£ millions)           |                        |                     |                     |
| <b>Assets</b>                                     |                        |                        |                     |                     |
| <b>Non-current assets</b>                         |                        |                        |                     |                     |
| Goodwill and intangible assets .....              | 2,453                  | 2,300 <sup>(2)</sup>   | 2,238               | 2,223               |
| Property, plant and equipment .....               | 13                     | 15                     | 15                  | 16                  |
| Investments in joint ventures and associates..... | —                      | —                      | 2                   | 2                   |
| Deferred tax assets .....                         | 9                      | 9                      | 12                  | 12                  |
| <b>Total non-current assets .....</b>             | <b>2,475</b>           | <b>2,324</b>           | <b>2,267</b>        | <b>2,253</b>        |
| <b>Current assets</b>                             |                        |                        |                     |                     |
| Inventories .....                                 | 2                      | 3                      | 2                   | 2                   |
| Trade and other receivables .....                 | 60                     | 62 <sup>(3)</sup>      | 66                  | 70                  |
| Cash and cash equivalents .....                   | 54                     | 88                     | 43                  | 63                  |
| <b>Total current assets.....</b>                  | <b>116</b>             | <b>153</b>             | <b>111</b>          | <b>135</b>          |
| <b>Total assets .....</b>                         | <b>2,591</b>           | <b>2,477</b>           | <b>2,378</b>        | <b>2,388</b>        |
| <b>Liabilities</b>                                |                        |                        |                     |                     |
| <b>Current liabilities</b>                        |                        |                        |                     |                     |
| Borrowings .....                                  | (10) <sup>(4)</sup>    | (13) <sup>(4)</sup>    | (7)                 | (17)                |
| Provisions .....                                  | (1)                    | (1)                    | (6)                 | (6)                 |
| Current tax payable .....                         | (11)                   | (28) <sup>(5)</sup>    | (28)                | (34)                |
| Trade and other payables .....                    | (262)                  | (236)                  | (227)               | (223)               |
| <b>Total current liabilities.....</b>             | <b>(284)</b>           | <b>(278)</b>           | <b>(268)</b>        | <b>(280)</b>        |
| <b>Non-current liabilities</b>                    |                        |                        |                     |                     |
| Borrowings .....                                  | (1,136) <sup>(4)</sup> | (1,132) <sup>(4)</sup> | (1,163)             | (1,163)             |
| Employee benefit liability.....                   | (7)                    | (6)                    | (6)                 | (6)                 |
| Trade and other payables .....                    | (4)                    | (3)                    | (3)                 | (3)                 |
| Derivative financial instruments .....            | (9) <sup>(6)</sup>     | (10) <sup>(6)</sup>    | (15)                | (15)                |
| Deferred tax liability .....                      | (300)                  | (244) <sup>(7)</sup>   | (217)               | (213)               |
| <b>Total non-current liabilities .....</b>        | <b>(1,456)</b>         | <b>(1,395)</b>         | <b>(1,404)</b>      | <b>(1,400)</b>      |
| <b>Total liabilities.....</b>                     | <b>(1,740)</b>         | <b>(1,673)</b>         | <b>(1,672)</b>      | <b>(1,680)</b>      |

### Notes:

- (1) Presented for the Holdco Group based on the relevant Holdco Group Financial Statements.
- (2) As at 31 December 2015, the Opco Group's goodwill and intangible assets comprised £438 million. The Holdco Group's intangible assets significantly exceeded intangible assets of the Opco Group, due to the recognition by Holdco of £906 million of goodwill and RAC's brand valued at £872 million as part of the Sphinx Acquisition.
- (3) As at 31 December 2015, the Opco Group's trade and other receivables comprised £178 million. The difference between the Opco Group's trade and other receivables and the Holdco Group's trade and other receivables was due to trade and other receivables from related companies, including £73 million that the Opco Group paid in relation to the Holdco Group's external borrowings related to the Sphinx Acquisition.
- (4) Prior to the Sphinx Acquisition, external debt to finance the operations of the Opco Group was incurred at the level of Opco's parent companies. Following the Sphinx Acquisition, such debt has been incurred at the level of Holdco. Therefore, related liabilities were not reflected in the 2015 Opco Group Financial Statements for the year ended 31 December 2014 and 2015.
- (5) As at 31 December 2015, the Opco Group had £64 million in current tax payable.
- (6) The Holdco Group uses interest rate swap agreements to hedge the cash flows associated with its external borrowings. As at 31 December 2014 and 2015, there were no external borrowings at the Opco Group level.
- (7) As at 31 December 2015, there was deferred tax liability of £40 million at the Opco Group level. The Holdco Group's deferred taxation arises primarily on intangible assets arising on consolidation. Amortisation of these assets is not deductible for tax purposes.

## Selected Statement of Cash Flows Data

|  | Year ended<br>31 December |                     |                     | Three months ended<br>31 March |                     |
|--|---------------------------|---------------------|---------------------|--------------------------------|---------------------|
|  | 2014 <sup>(1)</sup>       | 2015 <sup>(2)</sup> | 2016 <sup>(2)</sup> | 2016 <sup>(2)</sup>            | 2017 <sup>(2)</sup> |
|  | Opco<br>Group             | Holdco<br>Group     | Holdco<br>Group     | Holdco<br>Group                | Holdco<br>Group     |
|  | (£ millions)              |                     |                     |                                |                     |
| Net cash flows from operating activities .....             | 111 <sup>(3)</sup>        | 151 <sup>(4)</sup>  | 162                 | 23                             | 36                  |
| Net cash flows used in investing activities .....          | (35)                      | (34)                | (46)                | (9)                            | (12)                |
| Net cash flows used in financing activities .....          | (76) <sup>(3)</sup>       | (83) <sup>(5)</sup> | (161)               | (21)                           | (4)                 |
| Net (decrease)/increase in cash and cash equivalents ..... | —                         | 34                  | (45)                | (7)                            | 20                  |
| Cash and cash equivalents carried forward .....            | 54                        | 88                  | 43                  | 81                             | 63                  |

Note:

- (1) Presented for the Opco Group based on the 2015 Opco Group Financial Statements.
- (2) Presented for the Holdco Group based on the relevant Holdco Group Financial Statements.
- (3) In preparation of the 2015 Opco Group Financial Statements, reclassifications were made from net cash used in financing activities to net cash generated from operating activities for the year ended 31 December 2014 to ensure consistency with presentation of other financial information in the 2015 Opco Group Financial Statements. This reclassification had no material impact on the reported profit or net assets of the Opco Group. See “Presentation of Financial and Other Information—Certain reclassifications”.
- (4) Opco Group’s net cash inflow from operating activities for the year ended 31 December 2015 amounted to £142 million.
- (5) Opco Group’s net cash outflow used in financing activities for the year ended 31 December 2015 amounted to £74 million.

## Selected Other Financial and Operating Data

|  | Year ended<br>31 December                      |                        |                     | Three months ended<br>31 March |                      |
|--|--|------------------------|---------------------|--------------------------------|----------------------|
|  | 2014 <sup>(1)</sup>                            | 2015 <sup>(2)(3)</sup> | 2016 <sup>(2)</sup> | 2016 <sup>(2)</sup>            | 2017 <sup>(2)</sup>  |
|  | Opco<br>Group                                  | Holdco<br>Group        | Holdco<br>Group     | Holdco<br>Group                | Holdco<br>Group      |
|  | (£ millions, except where indicated otherwise) |                        |                     |                                |                      |
| EBITDA before exceptional items <sup>(4)</sup> .....                     | 169  | 183                    | 184                 | 42                             | 43                   |
| EBITDA before exceptional items Margin (per cent.) <sup>(5)</sup> .....  | 33.9   | 36.5                   | 36.4                | 34.1                           | 32.8 <sup>(6)</sup>  |
| Operating Cash Flow <sup>(7)</sup> .....                                 | 144  | 162                    | 134                 | 19                             | 29                   |
| Operating Cash Conversion (per cent.) <sup>(8)</sup> .....               | 85.2   | 88.5                   | 72.3 <sup>(9)</sup> | 54.8 <sup>(10)</sup>           | 62.8 <sup>(10)</sup> |
| Individual Members (millions) .....                                      | 2.2  | 2.2                    | 2.2                 | 2.2                            | 2.2                  |
| Partner Members (millions) .....   | 6.0  | 6.4                    | 6.4                 | 6.2                            | 6.4                  |
| Individual Member Persistency Rate (per cent.) <sup>(11)</sup> .....     | 82   | 80                     | 80                  | N/A <sup>(12)</sup>            | N/A <sup>(12)</sup>  |
| Average roadside revenue per Individual Member (£) <sup>(13)</sup> ..... | 119  | 123                    | 123                 | 123                            | 123                  |
| Motor insurance policies in force (‘000) .....                           | 422  | 431                    | 420                 | 428                            | 431                  |
| Net Promoter Score <sup>(14)</sup> .....                                 | 91.8   | 93.0                   | 93.7                | N/A <sup>(15)</sup>            | N/A <sup>(15)</sup>  |
| Service breakdowns attended (millions) .....                             | 2.3  | 2.2                    | 2.2                 | 0.6                            | 0.6                  |

Notes:

- (1) Presented for the Opco Group based on the 2015 Opco Group Financial Statements.
- (2) Presented for the Holdco Group based on the relevant Holdco Group Financial Statements.
- (3) Key operating data for the Holdco Group and the Opco Group as at and for the year ended 31 December 2015 was the same, except for EBITDA before exceptional items, EBITDA before exceptional items Margin, Operating Cash Flow and Operating Cash Conversion. In the year ended 31 December 2015, the Opco Group generated £179 million of EBITDA before exceptional items, EBITDA before exceptional items Margin of 35.7 per cent., Operating Cash Flow of £84 million and Operating Cash Conversion of 46.9 per cent.
- (4) EBITDA before exceptional items is profit or loss for the period before finance expenses, other gains and losses, tax credit or charge, amortisation, depreciation and exceptional items. EBITDA before exceptional items is a non-IFRS measure. It is presented here because the Management believes that it is helpful in highlighting trends in RAC’s business. For further detail on this and other non-IFRS measures, please see “Presentation of Financial and Other Information—Non-IFRS financial measures”. The reconciliation of RAC’s profit/(loss) to EBITDA before exceptional items for the periods indicated is as follows:

|  | Year ended<br>31 December |                           |                     | Three months<br>ended 31 March |                     |
|--|---------------------------|---------------------------|---------------------|--------------------------------|---------------------|
|  | 2014 <sup>(a)</sup>       | 2015 <sup>(b)</sup>       | 2016 <sup>(b)</sup> | 2016 <sup>(b)</sup>            | 2017 <sup>(b)</sup> |
|  | Opco<br>Group             | Holdco<br>Group           | Holdco<br>Group     | Holdco<br>Group                | Holdco<br>Group     |
|  | (£ millions)              |                           |                     |                                |                     |
| <b>Profit/(loss) for the period</b> .....                        | <b>99</b>                 | <b>(46)<sup>(c)</sup></b> | <b>(39)</b>         | <b>(4)</b>                     | <b>2</b>            |
| Tax (credit)/charge.....   | 28                        | (39) <sup>(c)</sup>       | (22)                | (1)                            | —                   |
| <b>Profit/(loss) before tax</b> .....                            | <b>127</b>                | <b>(85)<sup>(c)</sup></b> | <b>(61)</b>         | <b>(5)</b>                     | <b>2</b>            |
| Other losses.....  | 15 <sup>(d)</sup>         | —                         | —                   | —                              | —                   |
| Finance expenses .....   | 1                         | 83 <sup>(e)</sup>         | 129                 | 20                             | 15                  |
| <b>Operating profit/(loss)</b> .....                             | <b>143</b>                | <b>(2)<sup>(f)</sup></b>  | <b>68</b>           | <b>15</b>                      | <b>17</b>           |
| Depreciation.....  | 4                         | 4                         | 5                   | 1                              | 1                   |
| Amortisation of customer acquisition intangibles .....           | 10                        | 10                        | 14                  | 3                              | 4                   |
| Amortisation of non customer acquisition intangible assets ..... | 11                        | 171 <sup>(f)</sup>        | 88                  | 22                             | 21                  |
| Exceptional items.....   | 1                         | —                         | 9                   | 1                              | —                   |
| <b>EBITDA before exceptional items<sup>(g)</sup></b> .....       | <b>169</b>                | <b>183<sup>(h)</sup></b>  | <b>184</b>          | <b>42</b>                      | <b>43</b>           |

Notes:

- (a) Presented for the Opco Group based on the 2015 Opco Group Financial Statements.
- (b) Presented for the Holdco Group based on the relevant Holdco Group Financial Statements.
- (c) Reflects the impact of amortisation related to substantial intangible assets as part of the Sphinx Acquisition and finance expenses related to external debt and shareholder loans, neither of which were reported on the Opco Group level. See “*Management’s Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting RAC’s Results of Operations—Goodwill, intangible assets and administrative expenses related to the Sphinx Acquisition*” and “*Management’s Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting RAC’s Results of Operations—Liabilities and finance expenses relating to external debt and shareholder loans*”.
- (d) In 2013, the Opco Group entered into a five-year contract with Quindell Enterprise Technology Solutions Limited (“**Quindell**”) for the provision of accident management services to Members, with a portion of the consideration to the Opco Group comprising warrants to subscribe for 16.67 million Quindell shares at an exercise price of 195 pence. The warrants were given in consideration of the below market price commissions payable by Quindell under the contract. The warrants were originally valued at £15 million and recorded as a debit under derivative financial assets and as a credit under deferred income. As at 31 December 2014, the asset was valued at £ nil and a £15 million loss was recognized by the Opco Group for the year ended 31 December 2014.
- (e) Reflects the impact of the 2014 Financing Arrangements. See “*Management’s Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting RAC’s Results of Operations—Liabilities and finance expenses relating to external debt and shareholder loans*”. Finance expenses of the Opco Group for the year ended 31 December 2015 amounted to £1 million.
- (f) Reflects the impact of amortisation related to substantial intangible assets recognised by Holdco as part of the Sphinx Acquisition, which was not reported on the Opco Group level. See “*Management’s Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting RAC’s Results of Operations—Goodwill, intangible assets and administrative expenses related to the Sphinx Acquisition*”. Amortisation of non customer acquisition intangible assets of the Opco Group for the year ended 31 December 2015 amounted to £16 million.
- (g) EBITDA before exceptional items is profit or loss for the period before finance expenses, other gains and losses, tax credit or charge, amortisation, depreciation and exceptional items. EBITDA before exceptional items is a non-IFRS measure. It is presented here because the Management believes that it is helpful in highlighting trends in RAC’s business. For further detail on this and other non-IFRS measures, please see “*Presentation of Financial Information—Non-IFRS financial measures*”.
- (h) For the year ended 31 December 2015, the Opco Group generated EBITDA before exceptional items of £179 million.
- (5) EBITDA before exceptional items Margin is EBITDA before exceptional items for a period as a percentage of revenue for the same period. EBITDA before exceptional items Margin is a non-IFRS measure. It is presented here because the Management believes that it is helpful in highlighting trends in RAC’s business. For further detail on this and other non-IFRS measures, please see “*Presentation of Financial and Other Information—Non-IFRS financial measures*”.
- (6) The reduction in EBITDA before exceptional items Margin for the three months ended 31 March 2017, as compared with the year ended 31 December 2016, reflects the increase in revenue generated by the Motoring Services segment, which attracts lower EBITDA before exceptional items Margins and a small increase in operating costs related to payroll of RAC’s Patrol Specialists.
- (7) Operating Cash Flow is EBITDA before exceptional items, net of cash flow from working capital (excluding exceptional items), maintenance capital expenditure and customer acquisition intangibles capital expenditure. Operating Cash Flow is a non-IFRS measure. It is presented here because the Management believes that it is helpful in highlighting trends in RAC’s business. For further detail on this and other non-IFRS measures, see “*Presentation of Financial and Other Information—Non-IFRS financial measures*”. The calculation of RAC’s Operating Cash Flow for the periods indicated is as follows:



|   | Year ended<br>31 December |                    |                 | Three months<br>ended 31 March |                 |
|---|---------------------------|--------------------|-----------------|--------------------------------|-----------------|
|   | 2014                      | 2015               | 2016            | 2016                           | 2017            |
|   | Opco<br>Group             | Holdco<br>Group    | Holdco<br>Group | Holdco<br>Group                | Holdco<br>Group |
|   |                           |                    | (£ millions)    |                                |                 |
| EBITDA before exceptional items <sup>(a)</sup> .....                      | 169                       | 183 <sup>(b)</sup> | 184             | 42                             | 43              |
| Cash flow from working capital .....                                      | (9)                       | (2)                | (22)            | (18)                           | (7)             |
| Maintenance capital expenditure <sup>(c)</sup> .....                      | (2)                       | (2)                | (8)             | (1)                            | (1)             |
| Customer acquisition intangibles capital expenditure <sup>(c)</sup> ..... | (14)                      | (17)               | (20)            | (4)                            | (6)             |
| <b>Operating Cash Flow</b> .....  | <b>144</b>                | <b>162</b>         | <b>134</b>      | <b>19</b>                      | <b>29</b>       |

Notes:

- (a) EBITDA before exceptional items is profit or loss for the period before finance expenses, other gains and losses, tax credit or charge, amortisation, depreciation and exceptional items. EBITDA before exceptional items is a non-IFRS measure. It is presented here because the Management believes that it is helpful in highlighting trends in RAC's business. For further detail on this and other non-IFRS measures, please see "Presentation of Financial Information—Non-IFRS financial measures".
- (b) For the year ended 31 December 2015, the Opco Group generated EBITDA before exceptional items of £179 million.
- (c) See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Capital Expenditure".
- (8) Operating Cash Conversion is Operating Cash Flow as a percentage of EBITDA before exceptional items. Operating Cash Conversion is a non-IFRS measure. It is presented here because the Management believes that it is helpful in highlighting trends in RAC's business. For further detail on this and other non-IFRS measures, please see "Presentation of Financial and Other Information—Non-IFRS financial measures".
- (9) The reduction in Operating Cash Conversion for the year ended 31 December 2016, as compared with the year ended 31 December 2015 reflects an increase in maintenance capital expenditure (including upgrading the telephony system to drive future improvement in operational efficiency) timing differences in working capital and the impact of changes in the mix of business, with growth in the Motoring Services segment and some B2B roadside customers moving from annual subscription to monthly subscription and pay-on-use arrangements.
- (10) Operating Cash Conversion in the three months ended 31 March 2017 and 2016 reflects seasonality in volumes of breakdowns attended, which is higher in the winter months, resulting in increased costs.
- (11) Represents the percentage of Individual Members at the beginning of a 12-month period ending on 31 December of each year, who were still members at the end of that 12-month period, rounded to the nearest whole number.
- (12) Individual Member Persistency Rate is measured for the last twelve months. Individual Member Persistency Rate for the twelve months ended 31 March 2016 and 2017 was 80 per cent. and 79 per cent., respectively.
- (13) Represents total roadside income in the period attributable to Individual Members (including roadside assistance, sale of auto batteries and auto parts and Roadside Extras) divided by average number of Individual Members in that period. Average roadside revenue per Individual Member is a non-IFRS measure. It is presented here because the Management believes that it is helpful in highlighting trends in RAC's business. For further detail on this and other non-IFRS measures, please see "Presentation of Financial and Other Information—Non-IFRS financial measures".
- (14) Net Promoter Score is a measure of customer satisfaction calculated based on responses to the question "How likely would you be to recommend RAC to friends or relatives?", as further described in "Business".
- (15) RAC does not calculate Net Promoter Scores for periods other than 12-month periods ending on 31 December of each year.

## Selected Revenue by Segment Data

|                                    | Year ended<br>31 December |                     |                     | Three months ended<br>31 March |                     |
|------------------------------------|---------------------------|---------------------|---------------------|--------------------------------|---------------------|
|                                    | 2014 <sup>(1)</sup>       | 2015 <sup>(2)</sup> | 2016 <sup>(2)</sup> | 2016 <sup>(2)</sup>            | 2017 <sup>(2)</sup> |
|                                    | Opco<br>Group             | Holdco<br>Group     | Holdco<br>Group     | Holdco<br>Group                | Holdco<br>Group     |
|                                    |                           |                     | (£ millions)        |                                |                     |
| Roadside .....                     | 413                       | 419                 | 417                 | 103                            | 104                 |
| Insurance broking .....            | 54                        | 56                  | 57                  | 13                             | 16                  |
| Motoring services .....            | 20                        | 21                  | 27                  | 6                              | 10                  |
| Telematics and Data services ..... | 11                        | 5                   | 5                   | 1                              | 1                   |
| <b>Total Revenue</b> .....         | <b>498</b>                | <b>501</b>          | <b>506</b>          | <b>123</b>                     | <b>131</b>          |

Notes:

- (1) Presented for the Opco Group based on the 2015 Opco Group Financial Statements.
- (2) Presented for the Holdco Group based on the relevant Holdco Group Financial Statements.

## Selected EBITDA before Exceptional Items by Segment Data

|  | Year ended 31 December |                     |                     | Three months ended 31 March |                     |
|--|------------------------|---------------------|---------------------|-----------------------------|---------------------|
|  | 2014 <sup>(1)</sup>    | 2015 <sup>(2)</sup> | 2016 <sup>(2)</sup> | 2016 <sup>(2)</sup>         | 2017 <sup>(2)</sup> |
|  | Opco Group             | Holdco Group        | Holdco Group        | Holdco Group                | Holdco Group        |
|  | (£ millions)           |                     |                     |                             |                     |
| Roadside .....   | 170                    | 187                 | 187                 | 45                          | 44                  |
| Insurance broking .....  | 30                     | 31                  | 30                  | 7                           | 8                   |
| Motoring services .....  | 4                      | 3                   | 5                   | 1                           | 2                   |
| Telematics and Data services.....  | 1                      | 3                   | 1                   | —                           | —                   |
| <b>Total EBITDA before exceptional items and head office costs<sup>(3)</sup> .....</b> | <b>205</b>             | <b>224</b>          | <b>223</b>          | <b>53</b>                   | <b>54</b>           |
| Head office costs.....   | (36)                   | (41)                | (39)                | (11)                        | (11)                |
| <b>Total EBITDA before exceptional items<sup>(3)</sup> .....</b>                       | <b>169</b>             | <b>183</b>          | <b>184</b>          | <b>42</b>                   | <b>43</b>           |

Notes:

- (1) Presented for the Opco Group based on the 2015 Opco Group Financial Statements.
- (2) Presented for the Holdco Group based on the relevant Holdco Group Financial Statements.
- (3) EBITDA before exceptional items is profit or loss for the period before finance expenses, other gains and losses, tax credit or charge, amortisation, depreciation and exceptional items. EBITDA before exceptional items is a non-IFRS measure. It is presented here because the Management believes that it is helpful in highlighting trends in RAC's business. For further detail on this and other non-IFRS measures, please see "*Presentation of Financial and Other Information—Non-IFRS financial measures*".

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

*The following discussion of RAC's financial condition and results of operations is based on, and should be read in conjunction with, the Holdco Group Financial Statements and the 2015 Opco Group Financial Statements included elsewhere in this Offering Memorandum. See also "Selected Consolidated Financial and Operating Data" and "Presentation of Financial Information".*

*Holdco was incorporated on 22 September 2014 and became the indirect holding company for the Opco Group upon the completion of the Sphinx Acquisition. Although the audited consolidated financial statements of the HoldCo Group as at and for the period ended 31 December 2014 present the consolidated financial position of Holdco and its subsidiaries (including the Opco Group) as at 31 December 2014, they only present their consolidated results of operations for the period from 17 December 2014 to 31 December 2014. Therefore, in this Offering Memorandum RAC's results of operations for the year ended 31 December 2014 are presented at the Opco Group level on the basis of the 2015 Opco Group Financial Statements.*

*RAC's results of operations for subsequent periods are presented at the Holdco Group level on the basis of the relevant Holdco Group Financial Statements. The primary differences between the financial condition and results of operations of the Holdco Group and the Opco Group as at and for the year ended 31 December 2015 related to (i) liabilities and finance expenses relating to external debt and shareholder loan notes, which were incurred at the levels of Opco's parent entities before the Sphinx Acquisition and at the Holdco Group level thereafter; and (ii) the impact of acquisition accounting on the carrying value of goodwill and indefinite-lived intangible assets as a result of the Sphinx Acquisition and the related impacts on amortisation, which were reported at the Holdco Group level. See "Presentation of Financial Information".*

*The following discussion includes forward-looking statements, which, although based on assumptions that RAC considers reasonable, are subject to risks and uncertainties which could cause actual events or conditions to differ materially from those expressed or implied herein. For a discussion of some of those risks and uncertainties, see the sections entitled "Forward-Looking Statements" and "Risk Factors".*

### Overview

RAC is the second-largest roadside assistance provider in the UK, representing approximately 29.4 per cent. of the UK roadside assistance market by value. RAC responded to approximately 2.2 million breakdowns in 2016. With 120 years of operating history, RAC has established itself as one of the most widely-recognised brands in the UK and one of the most trusted in automotive services, with a stable core membership base, and has successfully leveraged its brand to provide insurance broking, motoring and other products and services.

As at 31 March 2017, RAC had approximately 8.6 million Members (the equivalent of over one out of every four motorists in the UK). This included approximately 2.2 million Individual Members and approximately 6.4 million Partner Members.

RAC segments its business into four lines:

- **Roadside:** This service provides assistance, or breakdown cover, to motorists whose vehicles have suffered mechanical failure or are otherwise unable to drive. The service is provided across the UK through approximately 1,475 Patrol Specialists driving RAC's branded Patrols. RAC also offers roadside assistance to Members travelling abroad through a network of contractors and partners across continental Europe. RAC also includes revenue generated by sale of certain ancillary products at the roadside, such as auto batteries and auto parts, in the Roadside segment results. This segment accounted for 79.4 per cent. and 82.4 per cent. of RAC's revenue for the three months ended 31 March 2017 and the year ended 31 December 2016, respectively. See "—Presentation of Financial Information—Revenue".
- **Insurance broking:** RAC sells car, home, motorcycle, van and other specialist insurance to both Members and non-Members, using a diverse panel of third party underwriters for its car and home insurance offerings. RAC is the fourth largest motor insurance broker in the UK (by number of policies as at 31 March 2017) and one of the fastest growing amongst such brokers. This segment accounted for 12.2 per cent. and 11.3 per cent. of RAC's revenue for the three months ended 31 March 2017 and the year ended 31 December 2016, respectively. See "—Presentation of Financial Information—Revenue".

- **Motoring services:** RAC offers various other products and services that address the broader requirements of motorists, including motoring claims and legal services and other ancillary motoring products. This segment accounted for 7.6 per cent. and 5.3 per cent. of RAC's revenue for the three months ended 31 March 2017 and the year ended 31 December 2016, respectively. See "*Presentation of Financial Information—Revenue*".
- **Telematics and Data services:** RAC provides a telematics solution to fleet and insurance Corporate Partners. This provides real-time vehicle and fleet information that can be used to improve efficiency or assess driving behaviour. This segment accounted for 0.8 per cent. and 1.0 per cent. of RAC's revenue for the three months ended 31 March 2017 and the year ended 31 December 2016, respectively. See "*Presentation of Financial Information—Revenue*".

The Holdco Group generated revenue of £131 million, £506 million and £501 million for the three months ended 31 March 2017 and the years ended 31 December 2016 and 2015, respectively. The Opco Group had £498 million of revenue for the year ended 31 December 2014. The Holdco Group generated EBITDA before exceptional items of £43 million, £184 million and £183 million for the three months ended 31 March 2017 and the years ended 31 December 2016 and 2015, respectively. The Opco Group had £169 million of EBITDA before exceptional items for the year ended 31 December 2014. See "*Key Operating Data*" and "*Overview—Summary Consolidated Financial, Operating and Other Data*".

The Holdco Group generated attractive EBITDA before exceptional items Margins of 32.8 per cent., 36.4 per cent. and 36.5 per cent. for the three months ended 31 March 2017 and the years ended 31 December 2016 and 2015, respectively. It also had high Operating Cash Conversion of 62.8 per cent., 72.3 per cent. and 88.5 per cent. for the three months ended 31 March 2017 and the years ended 31 December 2016 and 2015, respectively. The Holdco Group has a strong working capital position as the substantial majority of its Individual Members pay for services in advance and the substantial majority of its suppliers are paid after the provision of products and services. The Opco Group had an EBITDA before exceptional items Margin of 33.9 per cent. and Operating Cash Conversion of 85.2 per cent. for the year ended 31 December 2014. See "*Key Operating Data*" and "*Overview—Summary Consolidated Financial, Operating and Other Data*".

### **Key Factors Affecting RAC's Results of Operations**

RAC believes that the following factors have had, and will continue to have, a material effect on its business, financial condition and results of operations. As many of these factors are beyond RAC's control, past performance will not necessarily be indicative of future performance, and it is difficult to predict future performance with any degree of certainty. In addition, important factors that could cause RAC's actual operations or financial condition to differ materially from those expressed or implied below include, but are not limited to, factors described in the section entitled "*Risk Factors*".

### ***Membership volumes***

RAC's roadside assistance business accounts for the substantial majority of its revenue. Revenue in this segment is dependent on the number of Members, or File Size, in a given period. File Size and the number of potential Members are driven broadly by the condition of the UK economy, as it impacts car sales and time spent driving, as well as the number of licensed drivers on the road, which has increased during the period under review.

During the period under review, RAC has implemented a number of initiatives to grow its Individual Member File Size, including enhancements to its website to drive online acquisitions, recruitment of a new sales and marketing team and investments in technology to improve Persistency Rates for Individual Members. As at 31 March 2017, RAC had approximately 2.2 million Individual Members, the same as at 31 December 2016, 2015 and 2014. Persistency Rates for Individual Members have remained strong at approximately 80 per cent. for the period under review. This stability supports RAC's margins as renewals are significantly less costly than acquisitions. RAC continually strives to reduce the costs associated with acquisitions, having achieved a reduction of £6 in the aggregate cost per new Individual Member acquisition since 2013. As at 31 March 2017, the average tenure of RAC's Individual Members was nine years. Individual Member acquisition comes through a variety of different channels, including online, mobile applications, contact centres and direct sales.

As at 31 March 2017, RAC had approximately 6.4 million Partner Members, as compared with 6.4 million, 6.4 million and 6.0 million as at 31 December 2016, 2015 and 2014, respectively. Corporate Partners add increased revenue and scale, enabling increased operational efficiency in the delivery of roadside assistance service. RAC aims to retain its Corporate Partner contracts, having won seven of the eight tenders for its top 30 customers by value which were due for renewal in 2016. Changes in Corporate Partner contracts can have a material impact on RAC's Partner Member File Size. For example, in 2014, a contract with Volkswagen expired and was not renewed, leading to a temporary decrease in the Partner Member

File Size. However, RAC managed to compensate Volkswagen's departure and further grow its Partner Member File Size with new contracts with Royal Mail, Renault, Arval, ATS Euromaster and Hitachi. RAC continually strives to win and retain new Corporate Partner contracts, having won 17 new contracts in 2016. In particular, RAC has secured a three year contract with Mercedes-Benz Cars (UK) Limited, which commenced on 1 April 2017, and a contract with esure, which commenced on 3 May 2017. Although the original term of the Renault contract has expired, a renewal until 2019 has been agreed in principal on the same terms and conditions and RAC continues to provide services to this customer as per usual practice pending finalisation of formal documentation, which is currently underway.

### ***Usage levels***

The usage levels of RAC's Members impact its service delivery costs, revenue and profit margins. Usage levels depend on a variety of factors including Member volumes, vehicle age and type, weather, driving habits and fuel prices. In particular, usage levels are influenced by seasonal demand, with traditionally higher volumes between November and February due to colder weather conditions causing higher volumes of battery faults.

Elevated usage levels increase RAC's costs. However, a number of factors could mitigate the negative impact on RAC's margins. For example, extreme weather may increase the volume of call outs, but has historically also increased sales volumes of auto batteries and auto parts. In 2016, RAC generated £28.4 million of roadside add-ons income, an increase of £2.2 million since 2014. While seasonal fluctuations are generally counterbalanced by offsetting trends, particularly severe weather could cause usage levels to rise, which could lead to volatility in RAC's short term results.

A decline in usage levels, however, can also negatively impact RAC's revenue. Approximately 36 per cent. of RAC's Corporate Partner contracts by value as at 31 March 2017 were pay-on-use, and a significant decline in usage by Partner Members under these contracts would lead to decline in RAC's revenue. Certain of RAC's other Corporate Partner contracts allow for adjustments in pricing where usage has been either significantly above or below an anticipated level. A concentration of these adjustments in a given period could also have an impact on RAC's results.

In addition, usage levels may be impacted by the mix of Members. The average call out rate for a Partner Member is lower than for an Individual Member because of typically better maintained vehicles covered under many Corporate Partner contracts (such as fleet customers or motor manufacturers) and lower coverage levels.

### ***Pricing and related dynamics***

The prices that RAC charges its Members and other customers is a key driver of its revenue. Particularly for Individual Members, roadside assistance service has transparent pricing between RAC and its principal competitors. RAC has invested significantly in technology to improve its customer management systems. These improvements give RAC the ability to focus on moving customers to higher specification products at renewal and on cross-selling more effectively which, in turn, drives persistency. With its Corporate Partners, RAC has also used its technology improvements and cross-product offerings to support its pricing and Persistency Rates.

The Management has also sought to improve Persistency Rates by further reducing the level of payment rejections on automatic renewals due to outdated credit or debit card details. In addition, RAC has continued to make investments in its brand through targeted marketing campaigns to drive sales of higher coverage policies. In its Insurance broking segment, RAC has seen an increase in its number of policies in force over the period under review as well as an increase in average net written premium. RAC has been able to access more competitive prices from underwriters through the provision of data to inform risk rating.

### ***Cross-selling and up-selling***

Cross-selling and up-selling is a key component of RAC's business strategy as it supports revenue growth and Member volume growth and leads to increased Member persistency as Members who hold more products are less likely to change providers. Roadside assistance service for individuals has become somewhat commoditised, and there is significant pricing transparency between RAC and its primary competitors. When roadside assistance coverage is provided together with ancillary products, it becomes less commoditised and pricing differentials are more readily justified. The development of complementary products also supports growth in the Partner Member base, where the ability to provide a broader breakdown, accident management and telematics offering enables RAC to differentiate its offering from its competitors. Extending revenue streams provided to Corporate Partners also helps entrench the relationship with RAC, which generally helps to facilitate increased future retention of these customers. RAC has made investments in new systems to facilitate the cross-

selling and up-selling of products to meet the needs of its Members and to date, has seen improvements in its cross-selling volumes. As a result, in 2016 8.2 per cent. of RAC's Members subscribed for Roadside Extras, with an average transaction value of £26, as compared with £28 in 2015 and £27 in 2014.

### ***Investment and operational efficiency***

During the period under review RAC has invested significantly in promoting its strategy. As part of this exercise, investments were made in improved IT systems, including new customer data management capabilities, as well as headcount, particularly in sales and marketing, expanded sales channels and enhanced product offerings. The IT systems' improvements allow more sophisticated management of customer data to drive more effective retention and cross-selling efforts. Together with improvements to the online and contact centre sales channels, including headcount increases in the sales and marketing team, RAC believes that it is well positioned to leverage these investments into further improved results.

RAC has also undertaken a comprehensive review of cost saving opportunities across the business. The cost savings programme has been comprehensive in seeking to secure a sustainable operating model, optimised to support volume growth, deliver cost savings and restructure the operating model with greater flexibility. RAC has sought to increase productivity efficiencies via investment in personnel training and headcount optimization, as well as improved driving performance of its Patrols. For example, in 2016 it incurred £3 million of restructuring costs in respect of realignment of non-customer facing staff. The latter objective has been pursued with use of RAC's own telematics and data solutions as well as other technological advancements. As a result of these initiatives, the overall roadside repair rate has remained at the market leading approximately 80 per cent. in the year ended 31 December 2016. RAC fitted telematics boxes into all of its Patrols and Special Recovery vehicles in 2013. This has contributed to fuel efficiency savings.

### ***Goodwill, intangible assets and administrative expenses related to the Sphinx Acquisition***

The Sphinx Acquisition in December 2014 generated significant goodwill and non customer acquisition intangible assets at the Holdco Group level. As a result, RAC's goodwill and intangible assets as at 31 December 2014 comprised £2,453 million at the HoldCo Group level, as compared with £436 million at the Opco Group level.

RAC holds goodwill at cost and tests it annually for impairment. Customer acquisition intangibles and non customer acquisition intangible assets are held at cost less accumulated amortisation. Charges for such amortisation are reported in administrative expenses. See “—Critical Accounting Policies—Goodwill and intangible assets”. The Sphinx Acquisition resulted in an increase of RAC's amortisation charges to £181 million for the year ended 31 December 2015 as reported in the 2015 Holdco Group Financial Statements from £21 million for the year ended 31 December 2014 as reported in the 2015 Opco Group Financial Statements. Primarily as a result of these developments, RAC's administrative expenses for the year ended 31 December 2015 amounted to £288 million reported in the 2015 Holdco Group Financial Statements, as compared with £137 million reported in the 2015 Opco Group Financial Statements.

### ***Liabilities and finance expenses relating to external debt and shareholder loans***

RAC's finance expenses have historically formed a material component of its cost base. Prior to the Sphinx Acquisition, such expenses originated at the levels of RAC Finance (Holdings) Limited and RAC Finance Limited, parent companies of Opco, which incurred substantial indebtedness in the form of external debt and shareholder loans to finance the Carlyle Acquisition in 2011. These liabilities and expenses were not reported in the Opco Group Financial Statements. RAC subsequently undertook refinancings in 2012 and 2013.

As part of the Sphinx Acquisition in December 2014, all outstanding senior debt facilities were refinanced in full by Holdco with the following bank facilities: (a) £965 million first lien loan (the “**First Lien Loan**”); (b) £235 million second lien loan (the “**Second Lien Loan**”); and (c) £50 million revolving credit facility (the “**Revolving Credit Facility**”, and together with the First Lien Loan and the Second Lien Loan, the “**2014 Financing Arrangements**”). These liabilities and related expenses were reported in the Holdco Group Financial Statements, but not in the Opco Group Financial Statements.

In May 2016, RAC completed a refinancing of the 2014 Financing Arrangements by way of a whole business securitisation (“**WBS**”). As part of the WBS (a) the Borrower entered into the Initial Senior Term Facility, the Initial Working Capital Facility and the Initial Liquidity Facility; and (b) the Issuer issued Class A1 Notes and Class A2 Notes. As at 31 March 2017, £1,180 million remained outstanding under those arrangements. As a result of the WBS, interest payable to third parties decreased to £67 million for the year ended 31 December 2016 from £77 million for the year ended 31 December 2015. See

“—Historic Results of Operations—Consolidated Results of Operations—Year ended 31 December 2015 compared with year ended 31 December 2016—Finance Expenses”.

## Recent Developments

On 1 April 2017 and 3 May 2017, RAC commenced providing breakdown cover under contracts with Mercedes-Benz Cars (UK) Limited and esure, respectively. See “Business—The RAC Brand and Membership Base—Corporate Partners”. Although RAC had certain operational costs related to the integration of Mercedes dedicated Patrols into its roadside operations, the service is being delivered successfully.

## Key Operating Data

The following table sets forth certain of RAC’s key operating data as at and for the years ended 31 December 2014, 2015 and 2016 and the three months ended 31 March 2016 and 2017.

Except for revenue, the measures presented in the table below (i) are not measures of financial performance under IFRS, and (ii) except for EBITDA before exceptional items and EBITDA before exceptional items Margin, (a) have not been audited or reviewed by an auditor, consultant or expert; and (b) are derived from internal operating and financial systems of the Opco Group or the Holdco Group, as applicable. As defined by the Management, these measures may not be directly comparable to similar measures used by RAC’s competitors or other companies.

|  | Year ended<br>31 December                      |                        |                     | Three months ended<br>31 March |                      |
|--|--|------------------------|---------------------|--------------------------------|----------------------|
|  | 2014 <sup>(1)</sup>                            | 2015 <sup>(2)(3)</sup> | 2016 <sup>(2)</sup> | 2016 <sup>(2)</sup>            | 2017 <sup>(2)</sup>  |
|  | Opco<br>Group                                  | Holdco<br>Group        | Holdco<br>Group     | Holdco<br>Group                | Holdco<br>Group      |
|  | (£ millions, except where indicated otherwise) |                        |                     |                                |                      |
| Revenue .....  | 498  | 501                    | 506                 | 123                            | 131                  |
| EBITDA before exceptional items <sup>(4)</sup> .....                     | 169  | 183                    | 184                 | 42                             | 43                   |
| EBITDA before exceptional items Margin (per cent.) <sup>(5)</sup> .....  | 33.9   | 36.5                   | 36.4                | 34.1                           | 32.8 <sup>(6)</sup>  |
| Operating Cash Flow <sup>(7)</sup> .....                                 | 144  | 162                    | 134                 | 19                             | 29                   |
| Operating Cash Conversion (per cent.) <sup>(8)</sup> .....               | 85.2   | 88.5                   | 72.3 <sup>(9)</sup> | 54.8 <sup>(10)</sup>           | 62.8 <sup>(10)</sup> |
| Individual Members (millions) .....                                      | 2.2  | 2.2                    | 2.2                 | 2.2                            | 2.2                  |
| Partner Members (millions) .....   | 6.0  | 6.4                    | 6.4                 | 6.2                            | 6.4                  |
| Individual Member Persistency Rate (per cent.) <sup>(11)</sup> .....     | 82   | 80                     | 80                  | N/A <sup>(12)</sup>            | N/A <sup>(12)</sup>  |
| Average roadside revenue per Individual Member (£) <sup>(13)</sup> ..... | 119  | 123                    | 123                 | 123                            | 123                  |
| Motor insurance policies in force (‘000) .....                           | 422  | 431                    | 420                 | 428                            | 431                  |
| Net Promoter Score <sup>(14)</sup> .....                                 | 91.8   | 93.0                   | 93.7                | N/A <sup>(15)</sup>            | N/A <sup>(15)</sup>  |
| Service breakdowns attended (millions) .....                             | 2.3  | 2.2                    | 2.2                 | 0.6                            | 0.6                  |

### Notes:

- (1) Presented for the Opco Group based on the 2015 Opco Group Financial Statements.
- (2) Presented for the Holdco Group based on the relevant Holdco Group Financial Statements.
- (3) Key operating data for the Holdco Group and the Opco Group as at and for the year ended 31 December 2015 was the same, except for EBITDA before exceptional items, EBITDA before exceptional items Margin, Operating Cash Flow and Operating Cash Conversion. In the year ended 31 December 2015, the Opco Group generated £179 million of EBITDA before exceptional items, EBITDA before exceptional items Margin of 35.7 per cent., Operating Cash Flow of £84 million and Operating Cash Conversion of 46.9 per cent.
- (4) EBITDA before exceptional items is profit or loss for the period before finance expenses, other gains and losses, tax credit or charge, amortisation, depreciation and exceptional items. EBITDA before exceptional items is a non-IFRS measure. It is presented here because the Management believes that it is helpful in highlighting trends in RAC’s business. For further detail on this and other non-IFRS measures, please see “Presentation of Financial and Other Information—Non-IFRS financial measures”.
- (5) EBITDA before exceptional items Margin is EBITDA before exceptional items for a period as a percentage of revenue for the same period. EBITDA before exceptional items Margin is a non-IFRS measure. It is presented here because the Management believes that it is helpful in highlighting trends in RAC’s business. For further detail on this and other non-IFRS measures, please see “Presentation of Financial and Other Information—Non-IFRS financial measures”.
- (6) The reduction in EBITDA before exceptional items Margin for the three months ended 31 March 2017, as compared with the year ended 31 December 2016, reflects the increase in revenue generated by the Motoring Services segment, which attracts lower EBITDA before exceptional items Margins and a small increase in operating costs related to payroll of RAC’s Patrol Specialists.
- (7) Operating Cash Flow is EBITDA before exceptional items, net of cash flow from working capital (excluding exceptional items), maintenance capital expenditure and customer acquisition intangibles capital expenditure. Operating Cash Flow is a non-IFRS measure. It is presented here because the Management believes that it is helpful in highlighting trends in RAC’s business. For further detail on this and other non-IFRS measures, see

“Presentation of Financial and Other Information—Non-IFRS financial measures”. The calculation of RAC’s Operating Cash Flow for the periods indicated is as follows:

|   | Year ended<br>31 December |                    |                 | Three months<br>ended 31 March |                 |
|---|---------------------------|--------------------|-----------------|--------------------------------|-----------------|
|   | 2014                      | 2015               | 2016            | 2016                           | 2017            |
|   | Opco<br>Group             | Holdco<br>Group    | Holdco<br>Group | Holdco<br>Group                | Holdco<br>Group |
|   | (£ millions)              |                    |                 |                                |                 |
| EBITDA before exceptional items <sup>(a)</sup> .....                      | 169                       | 183 <sup>(b)</sup> | 184             | 42                             | 43              |
| Cash flow from working capital .....                                      | (9)                       | (2)                | (22)            | (18)                           | (7)             |
| Maintenance capital expenditure <sup>(c)</sup> .....                      | (2)                       | (2)                | (8)             | (1)                            | (1)             |
| Customer acquisition intangibles capital expenditure <sup>(c)</sup> ..... | (14)                      | (17)               | (20)            | (4)                            | (6)             |
| <b>Operating Cash Flow .....</b>  | <b>144</b>                | <b>162</b>         | <b>134</b>      | <b>19</b>                      | <b>29</b>       |

Notes:

- (a) EBITDA before exceptional items is profit or loss for the period before finance expenses, other gains and losses, tax credit or charge, amortisation, depreciation and exceptional items. EBITDA before exceptional items is a non-IFRS measure. It is presented here because the Management believes that it is helpful in highlighting trends in RAC’s business. For further detail on this and other non-IFRS measures, please see “Presentation of Financial Information—Non-IFRS financial measures”.
- (b) For the year ended 31 December 2015, the Opco Group generated EBITDA before exceptional items of £179 million.
- (c) See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Capital Expenditure”.
- (8) Operating Cash Conversion is Operating Cash Flow as a percentage of EBITDA before exceptional items. Operating Cash Conversion is a non-IFRS measure. It is presented here because the Management believes that it is helpful in highlighting trends in RAC’s business. For further detail on this and other non-IFRS measures, please see “Presentation of Financial and Other Information—Non-IFRS financial measures”.
- (9) The reduction in Operating Cash Conversion for the year ended 31 December 2016, as compared with the year ended 31 December 2015 reflects an increase in maintenance capital expenditure (including upgrading the telephony system to drive future improvement in operational efficiency) timing differences in working capital and the impact of changes in the mix of business, with growth in the Motoring Services segment and some B2B roadside customers moving from annual subscription to monthly subscription and pay-on-use arrangements.
- (10) Operating Cash Conversion in the three months ended 31 March 2017 and 2016 reflects seasonality in volumes of breakdowns attended, which is higher in the winter months, resulting in increased costs.
- (11) Represents the percentage of Individual Members at the beginning of a 12-month period ending on 31 December of each year, who were still members at the end of that 12-month period, rounded to the nearest whole number.
- (12) Individual Member Persistency Rate is measured for the last twelve months. Individual Member Persistency Rate for the twelve months ended 31 March 2016 and 2017 was 80 per cent. and 79 per cent., respectively.
- (13) Represents total roadside income in the period attributable to Individual Members (including roadside assistance, sale of auto batteries and auto parts and Roadside Extras) divided by average number of Individual Members in that period. Average roadside revenue per Individual Member is a non-IFRS measure. It is presented here because the Management believes that it is helpful in highlighting trends in RAC’s business. For further detail on this and other non-IFRS measures, please see “Presentation of Financial and Other Information—Non-IFRS financial measures”.
- (14) Net Promoter Score is a measure of customer satisfaction calculated based on responses to the question “How likely would you be to recommend RAC to friends or relatives?”, as further described in “Business”.
- (15) RAC does not calculate Net Promoter Scores for periods other than 12-month periods ending on 31 December of each year.

## Presentation of Financial Information

The following is a discussion of RAC’s key consolidated income statement items. For additional information, see the notes to the Holdco Group Financial Statements and the Opco Group Financial Statements, included elsewhere in this Offering Memorandum.

### Revenue

Revenue consists of income generated by the sale of services in RAC’s four operating segments: (1) Roadside, (2) Insurance broking; (3) Motoring services; and (4) Telematics and Data services. RAC also generates revenue by sales of products in its Roadside operating segment. Roadside service revenue is primarily generated through the sale of annual roadside assistance policies and related products to Individual Members and through payments received from Corporate Partners. Roadside products revenue is generated by sales of auto batteries, auto parts and Roadside Extras. Insurance broking revenue is primarily generated through commissions earned on the sale and administration of insurance policies and ancillary add-on products (such as legal cover, personal accident cover and key care). Motoring services revenue is derived from RAC’s motoring claim services, legal expenses insurance services, legal services and accident management. Telematics and Data services revenue consists of revenue earned in connection with sales and maintenance of RAC’s telematics solution offered to fleet and insurance Corporate Partners.



### ***Cost of sales***

Cost of sales includes the operational costs of RAC's Roadside segment, such as wages of Patrol Specialists, garaging fees, petrol, parts costs, costs of answering and responding to roadside service related calls and the management of service delivery activities. Cost of sales also includes front-office costs relating to the operation of other segments, as well as costs of inventories.

### ***Administrative expenses***

Administrative expenses include RAC's mid-office and back-office staff costs and marketing costs, such as online and direct response marketing campaigns and other advertising, along with head office costs. Administrative expenses also include charges for amortisation of customer acquisition intangibles and non customer acquisition intangible assets. See "*Key Factors Affecting RAC's Results of Operations—Goodwill, intangible assets and administrative expenses related to the Sphinx Acquisition*" and "*Critical Accounting Policies—Goodwill and intangible assets*". Because such amortisation charges related to the Sphinx Acquisition are only reported at the Holdco Group level, they did not have an impact on administrative expenses reported for the year ended 31 December 2014 at the Opco Group level.

### ***Finance expenses***

Finance expenses consist of interest payable in respect of third party borrowings, amortisation of capitalised finance costs, write off capitalised finance costs and recycling of hedged items previously classified through other comprehensive income. Prior to the Sphinx Acquisition, RAC's finance expenses related to external debt and shareholder loan notes originated at the levels of RAC Finance (Holdings) Limited and RAC Finance Limited (which incurred substantial indebtedness to finance the Carlyle Acquisition in 2011). Therefore, they did not impact the finance expenses reported for the year ended 31 December 2014 at the Opco Group level. However, following the completion of the Sphinx Acquisition in December 2014, finance expenses in relation to the 2014 Financing Arrangements and the WBS were incurred at the Holdco Group level. Therefore they were reflected in the Holdco Group results for the years ended 31 December 2015 and 2016 and the three months ended 31 March 2016 and 2017.

### ***Tax credit/(charge)***

Tax credit/(charge) represents corporate tax charge for the period after adjustments for any applicable deferred tax. RAC's effective tax rate for the three months ended 31 March 2017 and the year ended 31 December 2016 was 19.25 per cent. and 36.1 per cent. respectively. The effective tax rate for the year ended 31 December 2016 was higher than the standard rate of tax due mainly to the effect on deferred tax of the reduction in UK corporation tax rate to 17.0 per cent. with effect from 1 April 2020. RAC's effective tax rate in the future is expected to be generally in line with UK corporation tax rates.

### ***Exceptional items***

Exceptional items are those items which are considered by the Management to be material by size and/or nature or non-recurring and are presented separately on the face of the income statement. The Management believe that the separate reporting of exceptional items helps provide an indication of RAC's underlying business performance. Events which may give rise to a classification of items as exceptional include costs associated with business acquisitions, gains or losses on the disposal of businesses, restructuring of businesses and asset impairments.

### ***EBITDA before exceptional items***

EBITDA before exceptional items is profit or loss for the period before finance expenses, other gains and losses, tax credit or charge, amortisation, depreciation and exceptional items. The table below sets forth the reconciliation of RAC's profit/(loss) to EBITDA before exceptional items for the periods indicated.

|  | Year ended<br>31 December |                           |                     | Three months<br>ended 31 March |                     |
|--|---------------------------|---------------------------|---------------------|--------------------------------|---------------------|
|  | 2014 <sup>(1)</sup>       | 2015 <sup>(2)</sup>       | 2016 <sup>(2)</sup> | 2016 <sup>(2)</sup>            | 2017 <sup>(2)</sup> |
|  | Opco<br>Group             | Holdco<br>Group           | Holdco<br>Group     | Holdco<br>Group                | Holdco<br>Group     |
|  | (£ millions)              |                           |                     |                                |                     |
| <b>Profit/(loss) for the period</b> .....                      | <b>99</b>                 | <b>(46)<sup>(3)</sup></b> | <b>(39)</b>         | <b>(4)</b>                     | <b>2</b>            |
| Tax (credit)/charge.....                                       | 28                        | (39) <sup>(3)</sup>       | (22)                | (1)                            | —                   |
| <b>Profit/(loss) before tax</b> .....                          | <b>127</b>                | <b>(85)<sup>(3)</sup></b> | <b>(61)</b>         | <b>(5)</b>                     | <b>2</b>            |
| Other losses.....  | 15 <sup>(4)</sup>         | —                         | —                   | —                              | —                   |
| Finance expenses .....   | 1                         | 83 <sup>(5)</sup>         | 129                 | 20                             | 15                  |
| <b>Operating profit/(loss)</b> .....                           | <b>143</b>                | <b>(2)<sup>(6)</sup></b>  | <b>68</b>           | <b>15</b>                      | <b>17</b>           |
| Depreciation.....  | 4                         | 4                         | 5                   | 1                              | 1                   |
| Amortisation of customer acquisition intangibles .....         | 10                        | 10                        | 14                  | 3                              | 4                   |
| Amortisation of non customer acquisition intangible assets ... | 11                        | 171 <sup>(6)</sup>        | 88                  | 22                             | 21                  |
| Exceptional items.....   | 1                         | —                         | 9                   | 1                              | —                   |
| <b>EBITDA before exceptional items<sup>(7)</sup></b> .....     | <b>169</b>                | <b>183<sup>(8)</sup></b>  | <b>184</b>          | <b>42</b>                      | <b>43</b>           |

Notes:

- (1) Presented for the Opco Group based on the 2015 Opco Group Financial Statements.
- (2) Presented for the Holdco Group based on the relevant Holdco Group Financial Statements.
- (3) Reflects the impact of amortisation related to substantial intangible assets as part of the Sphinx Acquisition and finance expenses related to external debt and shareholder loans, neither of which were reported on the Opco Group level. See “—Key Factors Affecting RAC’s Results of Operations—Goodwill, intangible assets and administrative expenses related to the Sphinx Acquisition” and “—Key Factors Affecting RAC’s Results of Operations—Liabilities and finance expenses relating to external debt and shareholder loans”.
- (4) In 2013, the Opco Group entered into a five-year contract with Quindell Enterprise Technology Solutions Limited (“Quindell”) for the provision of accident management services to Members, with a portion of the consideration to the Opco Group comprising warrants to subscribe for 16.67 million Quindell shares at an exercise price of 195 pence. The warrants were given in consideration of the below market price commissions payable by Quindell under the contract. The warrants were originally valued at £15 million and recorded as a debit under derivative financial assets and as a credit under deferred income. As at 31 December 2014, the asset was valued at £ nil and a £15 million loss was recognized by the Opco Group for the year ended 31 December 2014.
- (5) Reflects the impact of the 2014 Financing Arrangements. See “—Key Factors Affecting RAC’s Results of Operations—Liabilities and finance expenses relating to external debt and shareholder loans”. Finance expenses of the Opco Group for the year ended 31 December 2015 amounted to £1 million.
- (6) Reflects the impact of amortisation related to substantial intangible assets recognised by Holdco as part of the Sphinx Acquisition, which was not reported on the Opco Group level. See “—Key Factors Affecting RAC’s Results of Operations—Goodwill, intangible assets and administrative expenses related to the Sphinx Acquisition”. Amortisation of non customer acquisition intangible assets of the Opco Group for the year ended 31 December 2015 amounted to £16 million.
- (7) EBITDA before exceptional items is profit or loss for the period before finance expenses, other gains and losses, tax credit or charge, amortisation, depreciation and exceptional items. EBITDA before exceptional items is a non-IFRS measure. It is presented here because the Management believes that it is helpful in highlighting trends in RAC’s business. For further detail on this and other non-IFRS measures, please see “Presentation of Financial Information—Non-IFRS financial measures”.
- (8) For the year ended 31 December 2015, the Opco Group generated EBITDA before exceptional items of £179 million.

## Historic Results of Operations

### Consolidated results of operations

#### Three months ended 31 March 2016 compared with three months ended 31 March 2017

The following table sets forth the income statement data for the Holdco Group for the three months ended 31 March 2016 and 2017.

|  | Three months ended<br>31 March |           |
|--|--------------------------------|-----------|
|  | 2016                           | 2017      |
|  | (£ millions)                   |           |
| Revenue .....  | 123                            | 131       |
| Cost of sales .....  | (54)                           | (63)      |
| Gross profit .....   | 69                             | 68        |
| Administrative expenses .....                                    | (54)                           | (51)      |
| <b>Operating profit .....</b>                                    | <b>15</b>                      | <b>17</b> |
| EBITDA before exceptional items <sup>(1)</sup> .....             | 42                             | 43        |
| Depreciation .....   | (1)                            | (1)       |
| Amortisation of customer acquisition intangible assets .....     | (3)                            | (4)       |
| Amortisation of non-customer acquisition intangible assets ..... | (22)                           | (21)      |
| Exceptional items .....  | (1)                            | —         |
| <b>Operating profit .....</b>                                    | <b>15</b>                      | <b>17</b> |
| Finance expenses .....   | (20)                           | (15)      |
| <b>Profit/(loss) before tax .....</b>                            | <b>(5)</b>                     | <b>2</b>  |
| Tax credit/(charge) .....  | 1                              | —         |
| <b>Profit/(loss) for the period .....</b>                        | <b>(4)</b>                     | <b>2</b>  |

Notes:

- (1) EBITDA before exceptional items is profit or loss for the period before finance expenses, other gains and losses, tax credit or charge, amortisation, depreciation and exceptional items. EBITDA before exceptional items is a non-IFRS measure. It is presented here because the Management believes that it is helpful in highlighting trends in RAC's business. For further detail on this and other non-IFRS measures, please see "Presentation of Financial Information—Non-IFRS financial measures".

#### Revenue

Revenue increased by £8 million, or 6.5 per cent., to £131 million for the three months ended 31 March 2017 from £123 million for the three months ended 31 March 2016. The increase was primarily attributable to growth in revenue generated by the Insurance broking operating segment to £16 million for the three months ended 31 March 2017 from £13 million for the three months ended 31 March 2016 and growth in revenue generated by the Motoring services operating segment to £10 million for the three months ended 31 March 2017 from £6 million for the three months ended 31 March 2016. Revenues in the Roadside and Telematics and Data services operating segments remained broadly unchanged. See "—Segmental Analysis—Segmental revenue".

#### Cost of sales

Cost of sales increased by £9 million, or 16.7 per cent., to £63 million for the three months ended 31 March 2017 from £54 million for the three months ended 31 March 2016, primarily due to higher volumes of operations resulting in revenue growth.

#### Administrative expenses

Administrative expenses decreased by £3 million, or 5.6 per cent., to £51 million for the three months ended 31 March 2017 from £54 million for the three months ended 31 March 2016. The decrease was primarily driven by a reduction in payroll costs due to headcount restructuring of £1 million and a reduction in marketing costs of £1 million.

#### Depreciation and amortisation

Depreciation charge remained stable at £1 million for the three months ended 31 March 2017, as compared with the three months ended 31 March 2016.

Amortisation charge also remained stable at £25 million for the three months ended 31 March 2017, as compared with the three months ended 31 March 2016. Amortisation of customer acquisition intangibles increased to £4 million for the three months ended 31 March 2017 from £3 million for the three months ended 31 March 2016 due to an increase in capitalised assets. This was offset by a decrease of amortisation of non customer acquisition intangible assets to £21 million for the three months ended 31 March 2017 from £22 million for the three months ended 31 March 2016 due to full amortisation of certain such assets.

#### *Exceptional items*

Exceptional items decreased to £nil for the three months ended 31 March 2017 from £1 million for the three months ended 31 March 2016. Exceptional items for the three months ended 31 March 2016 were attributable to restructuring of non-customer facing staff.

#### *Finance expenses*

Finance expenses decreased by £5 million, or 25.0 per cent., to £15 million for the three months ended 31 March 2017 from £20 million for the three months ended 31 March 2016. The decrease was driven by the reduction in RAC's weighted average cost of debt as a result of the WBS completed in May 2016.

#### *Tax credit/(charge)*

Tax credit/(charge) decreased by £1 million to £nil million for the three months ended 31 March 2017 from a credit of £1 million for the three months ended 31 March 2016. The decrease was driven by an increase to profit before tax of £2 million for the three months ended 31 March 2017 from a loss before tax of £5 million for the three months ended 31 March 2016.

#### *Profit/(loss) for the period*

Profit/(loss) for the period increased by £5 million to a profit of £1 million for the three months ended 31 March 2017 from a loss of £4 million for the three months ended 31 March 2016. As discussed above, the increase was primarily driven by an increase in revenue and a decrease in finance expenses.

#### *EBITDA before exceptional items*

EBITDA before exceptional items increased by £1 million to £43 million for the three months ended 31 March 2017 from £42 million for the three months ended 31 March 2016. See “—Segmental analysis—Segment EBITDA before exceptional items and head office costs”. EBITDA before exceptional items is a non-IFRS measure. For further detail on this and other non-IFRS measures, please see “Presentation of Financial Information—Non-IFRS financial measures”.

#### ***Year ended 31 December 2015 compared with year ended 31 December 2016***

The following table sets forth the income statement data for the Holdco Group for the years ended 31 December 2015 and 2016.

|  | Year ended<br>31 December |             |
|--|---------------------------|-------------|
|  | 2015                      | 2016        |
|  | (£ millions)              |             |
| Revenue .....  | 501                       | 506         |
| Cost of sales .....  | (215)                     | (230)       |
| Gross profit .....   | 286                       | 276         |
| Administrative expenses .....                                    | (288)                     | (208)       |
| <b>Operating profit/(loss) .....</b>                             | <b>(2)</b>                | <b>68</b>   |
| EBITDA before exceptional items <sup>(1)</sup> .....             | 183                       | 184         |
| Depreciation .....   | (4)                       | (5)         |
| Amortisation of customer acquisition intangible assets .....     | (10)                      | (14)        |
| Amortisation of non-customer acquisition intangible assets ..... | (171)                     | (88)        |
| Exceptional items .....  | —                         | (9)         |
| <b>Operating profit/(loss) .....</b>                             | <b>(2)</b>                | <b>68</b>   |
| Finance expenses .....   | (83)                      | (129)       |
| <b>Loss before tax .....</b>                                     | <b>(85)</b>               | <b>(61)</b> |
| Tax credit .....   | 39                        | 22          |
| <b>Loss for the year .....</b>                                   | <b>(46)</b>               | <b>(39)</b> |

Note:

- (1) EBITDA before exceptional items is profit or loss for the period before finance expenses, other gains and losses, tax credit or charge, amortisation, depreciation and exceptional items. EBITDA before exceptional items is a non-IFRS measure. It is presented here because the Management believes that it is helpful in highlighting trends in RAC's business. For further detail on this and other non-IFRS measures, please see "*Presentation of Financial Information—Non-IFRS financial measures*".

### Revenue

Revenue increased by £5 million, or 1.0 per cent., to £506 million for the year ended 31 December 2016 from £501 million for the year ended 31 December 2015. The increase was primarily attributable to growth in revenue generated by the Motoring services operating segment to £27 million for the year ended 31 December 2016 from £21 million for the year ended 31 December 2015 and growth in revenue generated by the Insurance broking operating segment to £57 million for the year ended 31 December 2016 from £56 million for the year ended 31 December 2015. This was partially offset by a decrease in revenue generated by the Roadside segment to £417 million for the year ended 31 December 2016 from £419 million for the year ended 31 December 2015. See "*Segmental Analysis—Segmental revenue*".

### Cost of sales

Cost of sales increased by £15 million, or 7.0 per cent., to £230 million for the year ended 31 December 2016 from £215 million for the year ended 31 December 2015, primarily due to higher operational costs and usage rates within the Roadside segment.

### Administrative expenses

Administrative expenses decreased by £80 million, or 27.8 per cent., to £208 million for the year ended 31 December 2016 from £288 million for the year ended 31 December 2015. The decrease was driven by a reduction in amortisation of acquired value-in-force intangible assets of £82 million in 2015, which were fully amortised by 31 December 2015.

### Depreciation and amortisation

Depreciation charge increased by £1 million, or 25.0 per cent., to £5 million for the year ended 31 December 2016 from £4 million for the year ended 31 December 2015 mainly due to the purchase of £5 million of fixtures, fittings and other equipment.

Amortisation charge decreased by £79 million, or 43.6 per cent., to £102 million for the year ended 31 December 2016 from £181 million for the year ended 31 December 2015. This decrease was driven by a decrease of amortisation of non-customer acquisition intangible assets to £88 million for the year ended 31 December 2016 from £171 million for the year ended 31 December 2015, which was primarily driven by full amortization of £82 million in value-in-force intangible assets. This was partially offset by an increase of amortisation of customer acquisition intangibles to £14 million for the year ended 31 December 2016 from £10 million for the year ended 31 December 2015 due to increased capitalised customer acquisition expenditure.

#### *Exceptional items*

Exceptional items increased to £9 million for the year ended 31 December 2016 from £nil for the year ended 31 December 2015. Exceptional items for the year ended 31 December 2016 comprised a £5 million provision in relation to possible refunds to Individual Members benefitting from dual roadside cover as a result of such Individual Members having purchased roadside cover directly whilst also paying for a second policy, typically as part of packaged current account products offered by certain banks, £3 million restructuring costs in respect of realignment of non-customer facing staff and £1 million impairment of intangibles relating to the acquisition of Risk Telematics UK Limited.

#### *Finance expenses*

Finance expenses increased by £46 million, or 55.4 per cent., to £129 million for the year ended 31 December 2016 from £83 million for the year ended 31 December 2015. This increase was primarily due to the write-off of capital finance costs of £46 million for the year ended 31 December 2016, as compared with £nil for the year ended 31 December 2015, and an increase in recycling of hedged items previously classified through other comprehensive income to £12 million for the year ended 31 December 2016 from £nil for the year ended 31 December 2015. These developments were partially offset by a decrease in interest payable to third parties to £67 million for the year ended 31 December 2016 from £77 million for the year ended 31 December 2015 as a results of the WBS completed in early 2016.

#### *Tax credit*

The tax credit decreased by £17 million, or 43.6 per cent., to £22 million for the year ended 31 December 2016 from £39 million for the year ended 31 December 2015.

The tax credit for the year ended 31 December 2016 represented total current tax of £7 million due to the standard UK corporation tax rate of 19.25 per cent. applied to the loss before tax, along with £29 million in respect of deferred tax due to origination and reversal of temporary differences and changes in tax rates. The headline rate of UK corporation tax reduced to 19.0 per cent. from 1 April 2017 and will reduce further to 17.0 per cent. from 1 April 2020. Accordingly, as the reductions of the corporation tax rate to 19.0 per cent. and 17.0 per cent. were substantively enacted on 26 October 2015 and 6 September 2016, the deferred tax balances as at 31 December 2016 have been reflected at the tax rates at which they are expected to be realised or settled.

The tax credit for the year ended 31 December 2015 represented total current tax of £17 million due to the standard UK corporation tax rate of 19.25 per cent. applied to loss before tax, along with £56 million in respect of deferred tax due to origination and reversal of temporary differences, adjustments in respect of prior periods and changes in tax rates. The deferred tax balances as at 31 December 2015 were reflected at the tax rates at which they were expected to be realised or settled.

#### *Loss for the year*

Loss for the year decreased by £7 million, or 15.2 per cent., to £39 million for the year ended 31 December 2016 from £46 million for the year ended 31 December 2015. This was primarily due to a decrease in administrative expenses, which was partially offset by an increase in finance expenses.

#### *EBITDA before exceptional items*

EBITDA before exceptional items increased by £1 million to £184 million for the year ended 31 December 2016 from £183 million for the year ended 31 December 2015. See “—Segmental analysis—Segment EBITDA before exceptional items and head office costs”. EBITDA before exceptional items is a non-IFRS measure. For further detail on this and other non-IFRS measures, please see “Presentation of Financial Information—Non-IFRS financial measures”.

### Year ended 31 December 2014 compared with year ended 31 December 2015

The following table sets forth the income statement data for the Opco Group for the year ended 31 December 2014 and for the Holdco Group for the year ended 31 December 2015.

|  | Year ended<br>31 December |                           |
|--|---------------------------|---------------------------|
|  | 2014 <sup>(1)</sup>       | 2015 <sup>(2)</sup>       |
|  | (£ millions)              |                           |
| Revenue .....  | 498                       | 501                       |
| Cost of sales .....  | (230) <sup>(3)</sup>      | (215)                     |
| Gross profit .....   | 268                       | 286                       |
| Administrative expenses .....                                    | (125) <sup>(3)</sup>      | (288) <sup>(4)</sup>      |
| <b>Operating profit/(loss) .....</b>                             | <b>143</b>                | <b>(2)<sup>(4)</sup></b>  |
| EBITDA before exceptional items <sup>(5)</sup> .....             | 169                       | 183                       |
| Depreciation .....   | (4)                       | (4)                       |
| Amortisation of customer acquisition intangible assets .....     | (10)                      | (10)                      |
| Amortisation of non-customer acquisition intangible assets ..... | (11)                      | (171) <sup>(4)</sup>      |
| Exceptional items .....  | (1)                       | —                         |
| <b>Operating profit/(loss) .....</b>                             | <b>143</b>                | <b>(2)<sup>(4)</sup></b>  |
| Finance expenses .....   | (1)                       | (83) <sup>(6)</sup>       |
| Other losses .....   | (15)                      | —                         |
| <b>Profit/(loss) before tax .....</b>                            | <b>127</b>                | <b>(85)<sup>(7)</sup></b> |
| Tax credit/(charge) .....  | (28)                      | 39 <sup>(7)</sup>         |
| <b>Profit/(loss) for the year .....</b>                          | <b>99</b>                 | <b>(46)<sup>(7)</sup></b> |

Note:

- (1) Presented for the Opco Group based on the 2015 Opco Group Financial Statements.
- (2) Presented for the Holdco Group based on the 2015 Holdco Group Financial Statements.
- (3) In preparation of the 2015 Opco Group Financial Statements certain administrative expenses for the year ended 31 December 2014 directly linked to revenue generation were reclassified as cost of sales to ensure consistency with presentation of other financial information in the 2015 Opco Group Financial Statements. This reclassification had no material impact on the reported profit of the Opco Group.
- (4) Reflects the impact of amortisation related to substantial intangible assets recognised by Holdco as part of the Sphinx Acquisition, which was not reported on the Opco Group level. See “—Key Factors Affecting RAC’s Results of Operations—Goodwill, intangible assets and administrative expenses related to the Sphinx Acquisition”. Amortisation of non customer acquisition intangible assets of the Opco Group for the year ended 31 December 2015 amounted to £16 million.
- (5) EBITDA before exceptional items is profit or loss for the period before finance expenses, other gains and losses, tax credit or charge, amortisation, depreciation and exceptional items. EBITDA before exceptional items is a non-IFRS measure. It is presented here because the Management believes that it is helpful in highlighting trends in RAC’s business. For further detail on this and other non-IFRS measures, please see “Presentation of Financial Information—Non-IFRS financial measures”.
- (6) Reflects the impact of the 2014 Financing Arrangements. See “—Key Factors Affecting RAC’s Results of Operations—Liabilities and finance expenses relating to external debt and shareholder loans”. Finance expenses of the Opco Group for the year ended 31 December 2015 amounted to £1 million.
- (7) Reflects the impact of amortisation related to substantial intangible assets as part of the Sphinx Acquisition and finance expenses related to external debt and shareholder loans, neither of which were reported on the Opco Group level. See “—Key Factors Affecting RAC’s Results of Operations—Goodwill, intangible assets and administrative expenses related to the Sphinx Acquisition” and “—Key Factors Affecting RAC’s Results of Operations—Liabilities and finance expenses relating to external debt and shareholder loans”.

### Revenue

Revenue increased by £3 million, or 0.6 per cent., to £501 million for the year ended 31 December 2015 from £498 million for the year ended 31 December 2014. The increase was primarily attributable to growth in revenue generated by the Roadside segment to £419 million for the year ended 31 December 2015 from £413 million for the year ended 31 December 2014 and growth in revenue generated by the Insurance broking segment to £56 million for the year ended 31 December 2015 from £54 million for the year ended 31 December 2014. This was partially offset by slight decreases in revenue generated by the Motoring services segment to £21 million for the year ended 31 December 2015 from £20 million for the year ended 31 December 2014 and Telematics and Data services segment to £5 million for the year ended 31 December 2015 from £11 million for the year ended 31 December 2014. See “—Segmental Analysis—Segmental revenue”.

### *Cost of sales*

Cost of sales decreased by £15 million, or 6.5 per cent., to £215 million for the year ended 31 December 2015 from £230 million for the year ended 31 December 2014, primarily due to lower operational costs within the Roadside segment as a result of efficiency savings, lower usage rates and a decrease in bad debt provisions following the settlement of a customer's debt.

### *Administrative expenses*

Administrative expenses increased by £163 million to £288 million for the year ended 31 December 2015 from £125 million for the year ended 31 December 2014. This increase was primarily driven by the impact of amortisation related to substantial intangible assets recognised by Holdco as part of the Sphinx Acquisition, which was not reported on the Opco Group level. See “—Key Factors Affecting RAC's Results of Operations—Goodwill, intangible assets and administrative expenses related to the Sphinx Acquisition”.

Administrative expenses of the Opco Group increased by £12 million, or 9.6 per cent., to £137 million for the year ended 31 December 2015 from £125 million for the year ended 31 December 2014. The increase was driven by incremental amortisation as a result of further investments in development of systems and IT infrastructure and higher payroll costs.

### *Depreciation and amortisation*

Depreciation charge remained stable at £4 million for the year ended 31 December 2015, as compared with the year ended 31 December 2014.

Amortisation charge increased by £160 million to £181 million for the year ended 31 December 2015 from £21 million for the year ended 31 December 2014, due to increased amortisation of non-customer acquisition intangible assets of £171 million for the year ended 31 December 2015, as compared with £11 million for the year ended 31 December 2014. This increase was driven by the impact of amortisation related to substantial intangible assets recognised by Holdco as part of the Sphinx Acquisition, which was not reported on the Opco Group level. See “—Key Factors Affecting RAC's Results of Operations—Goodwill, intangible assets and administrative expenses related to the Sphinx Acquisition”.

Amortisation charge of the Opco Group increased by £5 million, or 23.8 per cent., to £26 million for the year ended 31 December 2015 from £21 million for the year ended 31 December 2014, due to increased amortisation of non-customer acquisition intangible assets to £16 million for the year ended 31 December 2015 from £11 million for the year ended 31 December 2014. The increase was driven by investment in development of systems and IT infrastructure during the year ended 31 December 2014 which came into use during the year ended 31 December 2015 and thus commenced being amortised.

### *Exceptional items*

Exceptional items decreased to £nil for the year ended 31 December 2015 from £1 million for the year ended 31 December 2014. Exceptional items for the year ended 31 December 2014 were attributable to formation of the joint venture with Connected Car Solutions in April 2014 and subsequent exit therefrom in September 2014 due to changed market conditions. No exceptional items were incurred in the year ended 31 December 2015.

### *Finance expenses*

Finance expenses increased by £82 million to £83 million for the year ended 31 December 2015 from £1 million for the year ended 31 December 2014. Prior to the Sphinx Acquisition, RAC's finance expenses related to external debt and shareholder loan notes originated at the levels of RAC Finance (Holdings) Limited and RAC Finance Limited and thus were not reflected in the Opco Group results for the year ended 31 December 2014. Following the completion of the Sphinx Acquisition, finance expenses in relation to the 2014 Financing Arrangements and the WBS were incurred at the Holdco Group level and reflected in the Holdco Group results for the year ended 31 December 2015. See “—Key Factors Affecting RAC's Results of Operations—Liabilities and finance expenses relating to external debt and shareholder loans”.

Finance expenses of the Opco Group remained unchanged at the level of £1 million in the year ended 31 December 2015, as compared with the year ended 31 December 2014.



#### *Other losses*

Other losses decreased to £nil for the year ended 31 December 2015 from a loss of £15 million for the year ended 31 December 2014. The decrease was due to the loss in relation to the Quindell warrants having been accounted for in its entirety in the year ended 31 December 2014. There were no additional items accounted for as other losses or gains in the year ended 31 December 2015. See “—*Presentation of Financial Information—EBITDA before exceptional items*”.

#### *Tax credit/(charge)*

The tax credit/(charge) increased by £67 million to a credit of £39 million for the year ended 31 December 2015 from a charge of £28 million for the year ended 31 December 2014. This increase reflected the impact of amortisation related to substantial intangible assets recognised by Holdco as part of the Sphinx Acquisition and finance expenses related to external debt and shareholder loans, neither of which were reported on the Opco Group level. See “—*Key Factors Affecting RAC’s Results of Operations—Goodwill, intangible assets and administrative expenses related to the Sphinx Acquisition*” and “—*Key Factors Affecting RAC’s Results of Operations—Liabilities and finance expenses relating to external debt and shareholder loans*”.

The Opco Group’s tax charge decreased slightly by £1 million, or 3.6 per cent., to £27 million for the year ended 31 December 2015 from £28 million for the year ended 31 December 2014, primarily due to changes in tax rates and adjustments in respect of prior periods, in each case, in relation to deferred taxes. This was partially offset by an increase in total current taxes by £8 million to £33 million for the year ended 31 December 2015 from £25 million for the year ended 31 December 2014.

#### *Profit/(loss) for the year*

Profit/(loss) for the year decreased by £145 million to a loss of £46 million for the year ended 31 December 2015 from a profit of £99 million for the year ended 31 December 2014. This increase reflected the impact of amortisation related to substantial intangible assets recognised by Holdco as part of the Sphinx Acquisition and finance expenses related to external debt and shareholder loans, neither of which were reported on the Opco Group level. See “—*Key Factors Affecting RAC’s Results of Operations—Goodwill, intangible assets and administrative expenses related to the Sphinx Acquisition*” and “—*Key Factors Affecting RAC’s Results of Operations—Liabilities and finance expenses relating to external debt and shareholder loans*”.

The Opco Group profit for the year increased by £22 million, or 22.2 per cent., to £121 million for the year ended 31 December 2015 from £99 million for the year ended 31 December 2014. This increase was primarily driven by a decrease in the cost of sales and the absence of other losses.

#### *EBITDA before exceptional items*

EBITDA before exceptional items increased by £14 million, or 8.3 per cent., to £183 million for the year ended 31 December 2015 from £169 million for the year ended 31 December 2014. EBITDA before exceptional items of the Opco Group increased by £10 million, or 6.0 per cent., to £179 million for the year ended 31 December 2015 from £169 million for the year ended 31 December 2014. See “—*Segmental analysis—Segment EBITDA before exceptional items and head office costs*”. EBITDA before exceptional items is a non-IFRS measure. For further detail on this and other non-IFRS measures, please see “—*Presentation of Financial Information—Non-IFRS financial measures*”.

## Segmental analysis

The following table sets forth the breakdown of RAC's revenue and EBITDA before exceptional items by segment for the periods indicated.

|  | Year ended<br>31 December |                     |                     | Three months ended<br>31 March |                     |
|--|---------------------------|---------------------|---------------------|--------------------------------|---------------------|
|  | 2014 <sup>(1)</sup>       | 2015 <sup>(2)</sup> | 2016 <sup>(2)</sup> | 2016 <sup>(2)</sup>            | 2017 <sup>(2)</sup> |
|  | (£ millions)              |                     |                     |                                |                     |
| <b>Revenue of products</b>   |                           |                     |                     |                                |                     |
| Roadside .....   | 25                        | 24                  | 23                  | 7                              | 6                   |
| <b>Revenue of services</b>   |                           |                     |                     |                                |                     |
| Roadside .....   | 388                       | 395                 | 394                 | 96                             | 98                  |
| Insurance broking .....  | 54                        | 56                  | 57                  | 13                             | 16                  |
| Motoring services .....  | 20                        | 21                  | 27                  | 6                              | 10                  |
| Telematics and Data services .....   | 11                        | 5                   | 5                   | 1                              | 1                   |
| <b>Total revenue .....</b>   | <b>498</b>                | <b>501</b>          | <b>506</b>          | <b>123</b>                     | <b>131</b>          |
| <b>EBITDA before exceptional items and head office costs<sup>(3)</sup></b>           |                           |                     |                     |                                |                     |
| Roadside .....   | 170                       | 187                 | 187                 | 45                             | 44                  |
| Insurance broking .....  | 30                        | 31                  | 30                  | 7                              | 8                   |
| Motoring services .....  | 4                         | 3                   | 5                   | 1                              | 2                   |
| Telematics and Data services .....   | 1                         | 3                   | 1                   | —                              | —                   |
| <b>Total EBITDA before exceptional items and head office costs<sup>(3)</sup> ...</b> | <b>205</b>                | <b>224</b>          | <b>223</b>          | <b>53</b>                      | <b>54</b>           |
| Head office costs .....  | (36)                      | (41)                | (39)                | (11)                           | (11)                |
| <b>Total EBITDA before exceptional items<sup>(3)</sup> .....</b>                     | <b>169</b>                | <b>183</b>          | <b>184</b>          | <b>42</b>                      | <b>43</b>           |

Notes:

- (1) Presented for the Opco Group based on the 2015 Opco Group Financial Statements.
- (2) Presented for the Holdco Group based on the relevant Holdco Group Financial Statements.
- (3) EBITDA before exceptional items is profit or loss for the period before finance expenses, other gains and losses, tax credit or charge, amortisation, depreciation and exceptional items. EBITDA before exceptional items is a non-IFRS measure. It is presented here because the Management believes that it is helpful in highlighting trends in RAC's business. For further detail on this and other non-IFRS measures, please see "Presentation of Financial Information—Non-IFRS financial measures".

## Segment revenue

### Roadside

Revenue attributable to the Roadside segment increased by £1 million, or 1.0 per cent., to £104 million for the three months ended 31 March 2017 from £103 million for the three months ended 31 March 2016. The increase was due to growth in B2B revenue resulting from 17 new contracts won in 2016, including Admiral, Europa Group, HMRC/Inchcape and Zurich.

Revenue attributable to the Roadside segment decreased by £2 million, or 0.5 per cent., to £417 million for the year ended 31 December 2016 from £419 million for the year ended 31 December 2015. The decrease was due to a decrease in B2B revenue to £153 million for the year ended 31 December 2016 from £154 million for the year ended 31 December 2015 resulting from the loss of the Lex Autolease contract in March 2016. In addition, IPT increased from 9.5 per cent. as at 1 November 2015 to 10.0 per cent. as at 1 October 2016, which put pressure on end customer pricing.

Revenue attributable to the Roadside segment increased by £6 million, or 1.5 per cent., to £419 million for the year ended 31 December 2015 from £413 million for the year ended 31 December 2014. The increase was primarily due to growth in B2C revenue resulting from higher ARPUs driven by Roadside Extra incremental revenue and increases in cover levels. In addition, IPT increased from 6.0 per cent. as at 1 January 2014 to 9.5 per cent. as at 1 November 2015, which put pressure on end customer pricing.

### Insurance broking

Revenue attributable to the Insurance broking segment increased by £3 million, or 23.1 per cent., to £16 million for the three months ended 31 March 2017 from £13 million for the three months ended 31 March 2016. The increase was primarily due

to new customer acquisitions, as customers were attracted by RAC's value proposition and incentivised to move from other insurance brokers by pressure on end customer pricing from Ogden rate increases.

Revenue attributable to the Insurance broking segment increased by £1 million, or 1.8 per cent., to £57 million the year ended 31 December 2016 from £56 million for the year ended 31 December 2015. The increase was primarily due to increased ARPU's across the customer portfolio. In addition, IPT increased from 9.5 per cent. as at 1 November 2015 to 10.0 per cent. as at 1 October 2016, which put pressure on end customer pricing.

Revenue attributable to the Insurance broking segment increased by £2 million, or 3.7 per cent., to £56 million for the year ended 31 December 2015 from £54 million for the year ended 31 December 2014. The increase was primarily due to growth in motor insurance revenue driven by higher renewal commissions and higher revenue from insurance extras. In addition, IPT increased from 6.0 per cent. as at 1 January 2014 to 9.5 per cent. as at 1 November 2015, which put pressure on end customer pricing.

#### *Motoring services*

Revenue attributable to the Motoring services segment increased by £4 million, or 66.7 per cent., to £10 million for the three months ended 31 March 2017 from £6 million for the three months ended 31 March 2016. The increase was primarily due to a substantial increase in volumes of accident management services provided.

Revenue attributable to the Motoring services segment increased by £6 million, or 28.6 per cent., to £27 million for the year ended 31 December 2016 from £21 million for the year ended 31 December 2015. The increase was primarily due to a substantial increase in volumes of accident management services provided.

Revenue attributable to the Motoring services segment increased by £1 million, or 5.0 per cent., to £21 million for the year ended 31 December 2015 from £20 million for the year ended 31 December 2014. The increase was primarily due to new motor claims services contracts won.

#### *Telematics and Data services*

Revenue attributable to the Telematics and Data services segment remained stable at £1 million for the three months ended 31 March 2017, as compared with the three months ended 31 March 2016.

Revenue attributable to the Telematics and Data services segment remained stable at £5 million for the year ended 31 December 2016, as compared with the year ended 31 December 2015.

Revenue attributable to the Telematics and Data services segment decreased by £6 million, or 54.5 per cent., to £5 million for the year ended 31 December 2015 from £11 million for the year ended 31 December 2014. The decrease was primarily due to a one off large scale sale of telematics units during 2014.

#### ***Segment EBITDA before exceptional items and head office costs***

##### *Roadside*

EBITDA before exceptional items and head office costs attributable to the Roadside segment decreased by £1 million, or 2.2 per cent., to £44 million for the three months ended 31 March 2017 from £45 million for the three months ended 31 March 2016. The decrease was primarily due to lower EBITDA before exceptional items generated by the B2B roadside business because of implementation costs for the substantial levels of new business won in the second half of the year ended 31 December 2016 and the three months ended 31 March 2017, partially offset by a slight increase in EBITDA before exceptional items generated by the B2C roadside business.

EBITDA before exceptional items and head office costs attributable to the Roadside segment remained stable at £187 million for the year ended 31 December 2016, as compared with the year ended 31 December 2015. An increase in EBITDA before exceptional items and head office costs generated by the B2C roadside business was fully offset by the decrease in EBITDA before exceptional items and head office costs generated by the B2B roadside business.

EBITDA before exceptional items and head office costs attributable to the Roadside segment increased by £17 million, or 10.0 per cent., to £187 million for the year ended 31 December 2015 from £170 million for the year ended

31 December 2014. The increase was primarily due to increases in revenue and lower operational costs driven by operational efficiency improvements and lower usage rates.

#### *Insurance broking*

EBITDA before exceptional items and head office costs attributable to the Insurance broking segment increased by £1 million, or 14.3 per cent., to £8 million for the three months ended 31 March 2017 from £7 million for the three months ended 31 March 2016. The increase was primarily due to growth in net written premiums.

EBITDA before exceptional items and head office costs attributable to the Insurance broking segment decreased by £1 million, or 3.2 per cent., to £30 million for the year ended 31 December 2016 from £31 million for year ended 31 December 2015. The decrease was primarily due to increased competition in the UK insurance market in 2016.

EBITDA before exceptional items and head office costs attributable to the Insurance broking segment increased by £1 million, or 3.3 per cent., to £31 million for the year ended 31 December 2015 from £30 million for the year ended 31 December 2014. The increase was primarily due to increases in motor insurance revenue and higher margins associated with new acquisitions and renewals.

#### *Motoring services*

EBITDA before exceptional items and head office costs attributable to the Motoring services segment increased by £1 million to £2 million for the three months ended 31 March 2017 from £1 million for the three months ended 31 March 2016. The increase was primarily due to increased service volumes.

EBITDA before exceptional items and head office costs attributable to the Motoring services segment increased by £2 million to £5 million for the year ended 31 December 2016 from £3 million for year ended 31 December 2015. The increase was primarily due to increased service volumes.

EBITDA before exceptional items and head office costs attributable to the Motoring services segment decreased by £1 million, or 25.0 per cent., to £3 million for the year ended 31 December 2015 from £4 million for the year ended 31 December 2014. The decrease was primarily due to lower volumes of legal policy sales.

#### *Telematics and Data services*

EBITDA before exceptional items and head office costs attributable to the Telematics and Data services segment remained stable at £nil for the three months ended 31 March 2017, as compared with the three months ended 31 March 2016.

EBITDA before exceptional items and head office costs attributable to the Telematics and Data services segment decreased by £2 million to £1 million for the year ended 31 December 2016 from £3 million for year ended 31 December 2015. The decrease was primarily due to the expiration of two insurance contracts with a combined value of £1.4 million.

EBITDA before exceptional items before exceptional items and head office costs attributable to the Telematics and Data services segment increased by £2 million, or 200.0 per cent., to £3 million for the year ended 31 December 2015 from £1 million for the year ended 31 December 2014. The increase was primarily due to an increase in the number of live telematics units generating increased subscriptions revenue and a reduction in bad debt provisions following the settlement of a customer's debt.

#### *Head office costs*

RAC does not analyse head office costs into separate operating segments.

Head office costs remained stable at £11 million for the three months ended 31 March 2017, as compared with the three months ended 31 March 2016.

Head office costs decreased by £2 million, or 4.9 per cent., to £39 million for the year ended 31 December 2016 from £41 million for year ended 31 December 2015. The decrease was primarily due to a reduction in payroll costs due to lower head count.

Head office costs increased by £5 million, or 13.9 per cent., to £41 million for the year ended 31 December 2015 from £36 million for the year ended 31 December 2014. The increase was attributable to £4 million of charges under the Management Services Agreement that had been put in place upon completion of the Sphinx Acquisition, increased professional fees and an employee benefit scheme curtailment gain recognised in 2014.

## Liquidity and Capital Resources

RAC finances its business primarily through cash flow generated by operations, the Initial Senior Term Facility, the Initial Working Capital Facility, the Initial Liquidity Facility and Class A1 and Class A2 Notes. See “—Statement of Financial Position—Borrowings” and “Description of Certain Financing Arrangements”. RAC has a favourable working capital dynamic, as a significant portion of its revenue comes from products where a full year of fees is paid in advance. This revenue is recognised evenly over the relevant contract period resulting in an unearned premium reserve or deferred income.

Although RAC believes that its expected cash flows from operations and available debt financing arrangements will be adequate to meet its liquidity needs and debt service obligations, its ability to generate cash from operations and availability of current debt financing arrangements will depend on RAC’s future operating performance, which is, in turn, dependent, to some extent, on general economic, financial, competitive, market, regulatory and other factors, many of which are beyond RAC’s control. See “Risk Factors”.

## Historic Cash Flows

The following table sets forth certain information regarding RAC’s cash flows, as reported in the Financial Statements for the periods indicated.

|  | Year ended<br>31 December |                     |                     | Three months ended<br>31 March |                     |
|--|---------------------------|---------------------|---------------------|--------------------------------|---------------------|
|  | 2014 <sup>(1)</sup>       | 2015 <sup>(2)</sup> | 2016 <sup>(2)</sup> | 2016 <sup>(2)</sup>            | 2017 <sup>(2)</sup> |
|  | (£ millions)              |                     |                     |                                |                     |
| Net cash flows from operating activities .....             | 111 <sup>(3)</sup>        | 151 <sup>(4)</sup>  | 162                 | 23                             | 36                  |
| Net cash flows used in investing activities .....          | (35)                      | (34)                | (46)                | (9)                            | (12)                |
| Net cash flows used in financing activities .....          | (76) <sup>(3)</sup>       | (83) <sup>(5)</sup> | (161)               | (21)                           | (4)                 |
| Net (decrease)/increase in cash and cash equivalents ..... | —                         | 34                  | (45)                | (7)                            | 20                  |
| Cash and cash equivalents carried forward .....            | 54                        | 88                  | 43                  | 81                             | 63                  |

Note:

- (1) Presented for the Opco Group based on the 2015 Opco Group Financial Statements.
- (2) Presented for the Holdco Group based on the relevant Holdco Group Financial Statements.
- (3) In preparation of the 2015 Opco Group Financial Statements reclassifications were made from net cash used in financing activities to net cash generated from operating activities for the year ended 31 December 2014 to ensure consistency with presentation of other financial information in the 2015 Opco Group Financial Statements. This reclassification had no material impact on the reported profit or net assets of the Opco Group.
- (4) Opco Group’s net cash inflow from operating activities for the year ended 31 December 2015 amounted to £142 million.
- (5) Opco Group’s net cash outflow used in financing activities for the year ended 31 December 2015 amounted to £74 million.

## Net cash flows from operating activities

Net cash inflow from operating activities increased by £13 million, or 56.5 per cent., to £36 million for the three months ended 31 March 2017 from £23 million for the three months ended 31 March 2016. The increase was primarily due to a £1 million increase in EBITDA before exceptional items alongside with improved working capital management, which resulted in an increase of cash flows by £10 million.

Net cash inflow from operating activities increased by £11 million, or 7.3 per cent., to £162 million for the year ended 31 December 2016 from £151 million for the year ended 31 December 2015. The increase was primarily due to changes in working capital and exceptional cash outflows during the year ended 31 December 2015 incurred in relation to the Sphinx Acquisition which we excluded from Operating Cash Flow (see—“Key Operating Data”).

Net cash inflow from operating activities increased by £40 million, or 36.0 per cent., to £151 million for the year ended 31 December 2015 from £111 million for the year ended 31 December 2014. Net cash inflow from operating activities of the Opco Group increased by £31 million, or 27.9 per cent., to £142 million for the year ended 31 December 2015 from £111 million for the year ended 31 December 2014. The increase was primarily due to increased revenue in the Roadside

segment. The additional £9 million net cash inflow from operating activities generated by the Holdco Group for the year ended 31 December 2015 was attributable to working capital movements between the Holdco Group and the Opco Group relating to the Sphinx Acquisition.

#### *Net cash flows used in investing activities*

Net cash outflow used in investing activities increased by £3 million, or 33.3 per cent., to £12 million for the three months ended 31 March 2017 from £9 million for the three months ended 31 March 2016. The increase was primarily due to increased spending on customer acquisition intangibles as well as investing further in Patrols' equipment to improve operating efficiency.

Net cash outflow used in investing activities increased by £12 million, or 35.3 per cent., to £46 million for the year ended 31 December 2016 from £34 million for the year ended 31 December 2015. The increase was primarily due to investment in telephony upgrades to increase operational efficiency and increased cross selling, as well as RAC's connected car proposition and Mobile App development designed to promote RAC's digital offering.

Net cash outflow used in investing activities decreased by £1 million, or 2.9 per cent., to £34 million for the year ended 31 December 2015 from £35 million for the year ended 31 December 2014. The decrease was attributable to absence of any company acquisitions in the year ended 31 December 2015 (2014: £6 million), which was partly offset by £2 million purchases of fixtures, fittings and other equipment and absence of any sales proceeds. £28 million was invested in additional intangible assets relating to IT and data capabilities in each of the years. There was no difference between net cash flows used in investing activities between the Opco Group and the Holdco Group for the year ended 31 December 2015.

#### *Net cash flows used in financing activities*

Net cash outflow used in financing activities decreased by £17 million, or 81.0 per cent., to £4 million for the three months ended 31 March 2017 from £21 million for the three months ended 31 March 2016. The decrease was primarily due to the WBS completed in May 2016, which resulted in a reduction to finance costs and an improved payments schedule.

Net cash outflow used in financing activities increased by £78 million, or 94.0 per cent., to £161 million for the year ended 31 December 2016 from £83 million for the year ended 31 December 2015. The increase was primarily due to £65 million of dividends paid during 2016 and £16 million of debt issue costs incurred as part of the WBS.

Net cash outflow used in financing activities decreased by £7 million, or 9.2 per cent., to £83 million for the year ended 31 December 2015 from £76 million for the year ended 31 December 2014. Net cash outflow used in financing activities of the Opco Group decreased slightly by £2 million, or 2.6 per cent., to £74 million for the year ended 31 December 2015 from £76 million for the year ended 31 December 2014. A significant decrease in dividends paid to £nil for the year ended 31 December 2015 from £30 million for the year ended 31 December 2014 was substantially offset by an increase in interest paid as a result of the new financing structure as part of the Sphinx Acquisition. The excess £9 million used by the Holdco Group in financing activities for the year ended 31 December 2015 were attributable to £73 million used for payment of interest and £10 million for mandatory repayment of the First Lien Loan.

#### ***Capital Expenditure***

The majority of RAC's capital expenditure is attributable to (a) systems and IT development and (b) costs incurred as a result of a direct sale, referred to as "customer acquisition intangibles". Capital expenditure is only made at the Opco Group level.

The table below sets forth RAC's capital expenditure for the periods indicated.

|  | Year ended<br>31 December |           |           | Three months ended<br>31 March |           |
|--|---------------------------|-----------|-----------|--------------------------------|-----------|
|  | 2014                      | 2015      | 2016      | 2016                           | 2017      |
|  | (£ millions)              |           |           |                                |           |
| Investment capital expenditure .....                       | 15                        | 15        | 16        | 5                              | 5         |
| Maintenance capital expenditure .....                      | 2                         | 2         | 8         | 1                              | 1         |
| Customer acquisition intangibles capital expenditure ..... | 14                        | 17        | 20        | 4                              | 6         |
| <b>Total capital expenditure .....</b>                     | <b>31</b>                 | <b>34</b> | <b>44</b> | <b>10</b>                      | <b>12</b> |

Investment capital expenditure remained broadly stable during the periods under review. The increase in maintenance capital expenditure to £8 million for the year ended 31 December 2016 from £2 million for the year ended 31 December 2015 is detailed in “—Maintenance capital expenditure” below. Customer acquisition intangibles capital expenditure increased during the periods under review in line with increased customer acquisitions. RAC has budgeted approximately £47 million for capital expenditure in the year ending 31 December 2017.

#### *Investment capital expenditure*

Investment capital expenditure for the three months ended 31 March 2017 remained stable at £5 million, as compared with the three months ended 31 March 2016.

Investment capital expenditure increased by £1 million, or 6.7 per cent., to £16 million for the year ended 31 December 2016 from £15 million for the year ended 31 December 2015. The increase was primarily due to investment in RAC’s digital platform.

Investment capital expenditure remained stable at £15 million for the years ended 31 December 2015, as compared with the year ended 31 December 2014.

#### *Maintenance capital expenditure*

Maintenance capital expenditure for the three months ended 31 March 2017 remained stable at £1 million, as compared with the three months ended 31 March 2016.

Maintenance capital expenditure increased by £6 million, or 300 per cent., to £8 million for the year ended 31 December 2016 from £2 million for the year ended 31 December 2015. The increase was primarily due to a £4 million upgrade to telephony systems and investment in rapidly deployable trailers and battery testing equipment for Patrols.

Maintenance capital expenditure remained stable at £2 million for the year ended 31 December 2015, as compared with the year ended 31 December 2014.

#### *Customer acquisition intangibles capital expenditure*

Capital expenditure on customer acquisition intangibles increased by £2 million, or 50.0 per cent., to £6 million for the three months ended 31 March 2017 from £4 million for the three months ended 31 March 2016. The increase was primarily due to growth in customer acquisition volumes and a decrease in the average cost of acquiring new customers.

Capital expenditure on customer acquisition intangibles increased by £3 million, or 17.6 per cent., to £20 million for the year ended 31 December 2016 from £17 million for the year ended 31 December 2015. The increase was primarily due to increased costs in the UK insurance market as a result of a general increase in competition.

Capital expenditure on customer acquisition intangibles increased by £3 million, or 21.4 per cent., to £17 million for the year ended 31 December 2015 from £14 million for the year ended 31 December 2014. The increase was driven by higher volumes of marketing expenditure being capitalised due to increased sales to customers.

#### **Working Capital**

RAC has favourable working capital dynamic and high Operating Cash Conversion rates, as the substantial majority of its Individual Members pay for services in advance and the substantial majority of its suppliers are paid after the provision of goods and services.

The Management anticipates that working capital requirements in the foreseeable future will generally be stable as a percentage of revenue. However, these requirements can fluctuate due to a variety of factors, including certain factors set forth in the section entitled “Risk Factors”.

Depending upon its rate of growth and profitability, RAC may require additional equity or debt financing to meet working capital requirements or capital expenditure needs. There can be no assurance that additional financing, if needed, will be available when required or, if available, on terms satisfactory to RAC.

## Statement of Financial Position

The following table sets forth certain items of RAC's statement of financial position data as at the dates indicated.

|  | As at<br>31 December   |                        |                     | As at<br>31 March   |
|--|------------------------|------------------------|---------------------|---------------------|
|  | 2014 <sup>(1)</sup>    | 2015 <sup>(1)</sup>    | 2016 <sup>(1)</sup> | 2017 <sup>(1)</sup> |
|  | (£ millions)           |                        |                     |                     |
| <b>Assets</b>                                      |                        |                        |                     |                     |
| <b>Non-current assets</b>                          |                        |                        |                     |                     |
| Goodwill and intangible assets .....               | 2,453                  | 2,300 <sup>(2)</sup>   | 2,238               | 2,223               |
| Property, plant and equipment .....                | 13                     | 15                     | 15                  | 16                  |
| Investments in joint ventures and associates ..... | —                      | —                      | 2                   | 2                   |
| Deferred tax assets .....                          | 9                      | 9                      | 12                  | 12                  |
| <b>Total non-current assets .....</b>              | <b>2,475</b>           | <b>2,324</b>           | <b>2,267</b>        | <b>2,253</b>        |
| <b>Current assets</b>                              |                        |                        |                     |                     |
| Inventories .....                                  | 2                      | 3                      | 2                   | 2                   |
| Trade and other receivables .....                  | 60                     | 62 <sup>(3)</sup>      | 66                  | 70                  |
| Cash and cash equivalents .....                    | 54                     | 88                     | 43                  | 63                  |
| <b>Total current assets .....</b>                  | <b>116</b>             | <b>153</b>             | <b>111</b>          | <b>135</b>          |
| <b>Total assets .....</b>                          | <b>2,591</b>           | <b>2,477</b>           | <b>2,378</b>        | <b>2,388</b>        |
| <b>Liabilities</b>                                 |                        |                        |                     |                     |
| <b>Current liabilities</b>                         |                        |                        |                     |                     |
| Borrowings .....                                   | (10) <sup>(4)</sup>    | (13) <sup>(4)</sup>    | (7)                 | (17)                |
| Provisions .....                                   | (1)                    | (1)                    | (6)                 | (6)                 |
| Current tax payable .....                          | (11)                   | (28) <sup>(5)</sup>    | (28)                | (34)                |
| Trade and other payables .....                     | (262)                  | (236)                  | (227)               | (223)               |
| <b>Total current liabilities .....</b>             | <b>(284)</b>           | <b>(278)</b>           | <b>(268)</b>        | <b>(280)</b>        |
| <b>Non-current liabilities</b>                     |                        |                        |                     |                     |
| Borrowings .....                                   | (1,136) <sup>(4)</sup> | (1,132) <sup>(4)</sup> | (1,163)             | (1,163)             |
| Employee benefit liability .....                   | (7)                    | (6)                    | (6)                 | (6)                 |
| Trade and other payables .....                     | (4)                    | (3)                    | (3)                 | (3)                 |
| Derivative financial instruments .....             | (9) <sup>(6)</sup>     | (10) <sup>(6)</sup>    | (15)                | (15)                |
| Deferred tax liability .....                       | (300)                  | (244) <sup>(7)</sup>   | (217)               | (213)               |
| <b>Total non-current liabilities .....</b>         | <b>(1,456)</b>         | <b>(1,395)</b>         | <b>(1,404)</b>      | <b>(1,400)</b>      |
| <b>Total liabilities .....</b>                     | <b>(1,740)</b>         | <b>(1,673)</b>         | <b>(1,672)</b>      | <b>(1,680)</b>      |

Notes:

- (1) Presented at the Holdco Group level based on the relevant Holdco Group Financial Statements.
- (2) As at 31 December 2015, the Opco Group's goodwill and intangible assets comprised £438 million. The Holdco Group's intangible assets significantly exceeded intangible assets of the Opco Group, due to the recognition by Holdco of £906 million of goodwill and RAC's brand valued at £872 million as part of the Sphinx Acquisition.
- (3) As at 31 December 2015, the Opco Group's trade and other receivables comprised £178 million. The difference between the Opco Group's trade and other receivables and the Holdco Group's trade and other receivables was due to trade and other receivables from related companies, including £73 million that the Opco Group paid in relation to the Holdco Group's external borrowings related to the Sphinx Acquisition.
- (4) Prior to the Sphinx Acquisition, external debt to finance the operations of the Opco Group was incurred at the level of Opco's parent companies. Following the Sphinx Acquisition, such debt has been incurred at the level of Holdco. Therefore, related liabilities were not reflected in the 2015 Opco Group Financial Statements for the year ended 31 December 2014 and 2015.
- (5) As at 31 December 2015, the Opco Group had £64 million in current tax payable.
- (6) The Holdco Group uses interest rate swap agreements to hedge the cash flows associated with its external borrowings. As at 31 December 2014 and 2015, there were no external borrowings at the Opco Group level.
- (7) As at 31 December 2015, there was deferred tax liability of £40 million at the Opco Group level. The Holdco Group's deferred taxation arises primarily on intangible assets arising on consolidation. Amortisation of these assets is not deductible for tax purposes.



### Goodwill and intangible assets

The table below sets forth the Holdco Group's goodwill and intangible assets as at the dates indicated:

|  | As at<br>31 December |              |              | As at<br>31 March |
|--|----------------------|--------------|--------------|-------------------|
|  | 2014                 | 2015         | 2016         | 2017              |
|  | (£ millions)         |              |              |                   |
| <b>Non-customer acquisition intangible assets</b>      |                      |              |              |                   |
| Goodwill .....   | 906                  | 906          | 906          | 906               |
| Brand .....  | 872                  | 872          | 872          | 872               |
| Acquired value-in-force .....                          | 82                   | —            | —            | —                 |
| Customer list .....                                    | 533                  | 458          | 383          | 364               |
| Other .....  | 36                   | 33           | 40           | 42                |
| <b>Total non-customer acquisition intangibles.....</b> | <b>2,429</b>         | <b>2,269</b> | <b>2,201</b> | <b>2,184</b>      |
| Customer acquisition intangibles .....                 | 24                   | 31           | 37           | 39                |
| <b>Total goodwill and intangible assets.....</b>       | <b>2,453</b>         | <b>2,300</b> | <b>2,238</b> | <b>2,223</b>      |

The goodwill of £906 million arose from the Sphinx Acquisition and consists of cost and revenue synergies, the value of acquired workforce, including the accumulated knowhow and skills and the workforce built over the 117 year history of RAC's operations at the point of acquisition. RAC's brand was valued at £872 million as at 31 March 2017. The brand is key to RAC's business model. See "Business" and "Overview". Other intangible assets comprise the value of customer relationships and IT development.

Goodwill and intangible assets are tested at least annually for impairment or whenever a loss event occurs. For the purposes of this exercise, they are allocated to a cash-generating unit ("CGU") for impairment testing. Impairment testing compares the higher of the recoverable amount of the CGU to its carrying value. The recoverable amount of the unit is determined based on a value-in-use calculation using cash flow projections from RAC's budget and management forecasts. Key assumptions used in these forecasts include Individual Members having high customer loyalty and Persistency Rates resulting in a stable and predictable revenue stream, success rates for contract renewals based on historic experience and cost discipline and operational efficiencies. These assumptions are based on recent performance, adjusted for expected future events. The calculation of the value-in-use is most sensitive to the assumptions in the discount rate, the growth rate and the customer retention rate. Retention rates are derived from internal retention rate analysis and are considered by management to be a best estimate. With regard to the assessment of value-in-use, the recoverable amount of each CGU exceeds the carrying value of goodwill and consequently no impairment losses have been recognised.

### Borrowings

In May 2016, RAC completed a refinancing of the 2014 Financing Arrangements by way of a WBS. As part of the WBS (a) the Borrower entered into the Initial Senior Term Facility, the Initial Working Capital Facility and the Initial Liquidity Facility; and (b) the Issuer issued Class A1 Notes and Class A2 Notes. See "Description of Certain Financing Arrangements".

As at 31 March 2017, £1,180 million remained outstanding under those arrangements, including £280 million under the Initial Senior Term Facility, £300 million in respect of the Class A1 Notes with expected maturity on 6 May 2023 and final maturity on 6 May 2043 and £600 million in respect of the Class A2 Notes with expected maturity on 6 May 2026 and final maturity on 6 May 2046. The Initial Working Capital Facility and the Initial Liquidity Facility remained undrawn.

Taken together, the overall weighted average interest rate on RAC's borrowings as at 31 March 2017 for the Initial Senior Term Facility and the Class A Notes was 4.770 per cent. per annum.

### Operating Lease Commitments

RAC leases its Patrol vehicles fleet as well as other property, plant and equipment. Substantially all of RAC's Patrol vehicles are leased pursuant to a master contract with Hitachi Capital Vehicle Solutions Limited. Each Patrol vehicle is individually leased for a five year term pursuant to a separate form contract, attached to the relevant master contract, in which RAC pays a certain fee for each vehicle per annum during the duration of each contract. The capital elements of future obligations under

leases and hire purchase contracts are included as liabilities on the statement of financial position. In addition, RAC has certain additional ordinary course of business contracts and commitments for supply goods, specifically forward purchases of fuel.

The table below sets forth RAC's future aggregate minimum lease payments under non-cancellable operating leases:

|   | As at<br>31 December |            |            | As at<br>31 March |
|---|----------------------|------------|------------|-------------------|
|   | 2014                 | 2015       | 2016       | 2017              |
|   | <i>(£ millions)</i>  |            |            |                   |
| Within one year.....                                    | 11                   | 11         | 11         | 10                |
| Later than one year and not later than five years ..... | 25                   | 25         | 29         | 28                |
| Later than five years .....                             | 68                   | 66         | 63         | 64                |
| <b>Total Operating Lease Commitments .....</b>          | <b>104</b>           | <b>102</b> | <b>103</b> | <b>102</b>        |

The Common Documents provide that any increase in the capital value of any assets leased under any operating lease(s) which is solely attributable to a change in the accounting treatment relating to such operating lease(s) shall not cause any relevant thresholds relating to Financial Indebtedness in the Common Documents to be exceeded.

## Risk Management

RAC operates a risk management framework, which is the collection of processes and tools that have been put in place to ensure that the risks to which RAC is exposed are identified, measured, managed, monitored and reported on a regular basis. The key instruments of the framework include risk management policies, risk reports and the governance and oversight infrastructure.

Financial risks are grouped by risk type: market, credit, liquidity, strategic, operational, capital and regulatory risk. Risks falling within these types may affect a number of key metrics including those relating financial position strength, liquidity and profit. They may also affect the performance of the products that RAC delivers to customers and the service to customers and distributors, which can be categorised as risks to brand and reputation. The key financial risks faced by RAC are set out below.

RAC's measurement of risk is used to support the monitoring and reporting of the risk profile and in the evaluation of alternative risk management actions. RAC carries out a range of stress and scenario tests to evaluate their impact on the business and the management actions available to respond to the potential conditions.

RAC has an established governance framework, which has the following key elements: (i) defined terms of reference for the legal entity boards and the associated executive management and other committees; (ii) a clear organisational structure with documented delegated authorities and responsibilities from the legal entity boards to executive management committees and senior management; and (iii) adoption of the risk policy framework that defines risk appetite measures and sets out risk management and control standards. Policies for managing financial risks are governed by approved policies and procedures, which are reviewed on an annual basis.

### Market risk

Market risk is the risk of an adverse financial impact due to changes in fair values or future cash flows of financial instruments as a result of fluctuations in interest rates and foreign currency exchange rates.

RAC is exposed to interest rate risk arising primarily on external borrowings. RAC's policy aims to manage its interest cost within the constraint of its business plan and its financial covenants. The risk is managed through the use of interest rate swaps and basis rate swap agreements to hedge the variability of cash flows associated with the borrowings. If market interest rates had increased or decreased by 1 per cent., the impact for the Holdco Group on the profit/(loss) before tax for the three months ended 31 March 2017 and years ended 31 December 2016 and 2015 would have been a decrease/increase of £3 million, £12 million and £12 million, respectively. The impact on shareholders' equity in the Holdco Group as at 31 March 2017, 31 December 2016 and 31 December 2015 would have been a decrease/increase of £2 million, £9 million and £9 million, respectively.

Interest rate movements on trade payables, trade receivables and other financial instruments do not present a material exposure to RAC's statement of financial position. To mitigate RAC's exposure to, *inter alia*, interest rate risk deriving from the incurrence of any Relevant Debt, it will enter into certain derivatives transactions. Under the terms of the Transaction Documents RAC will hedge all its Initial Senior Term Facility floating rate debt for a period of five years in connection with the Offering. As a result of the Offering, RAC's financial condition and results of operations for future periods will differ from its financial condition and results of operations for the historical periods presented in this discussion.

RAC has no material foreign currency balances and therefore is not exposed to movements in foreign currency exchange rates.

RAC is also exposed to risks from fluctuations in fuel prices which can lead to increased operating costs. This risk is managed through the use of forward purchases of fuel for a period of at least 12 months in order to hedge the variability of cash flows associated with the purchasing of fuel for use in RAC's operating fleet of Patrols and Special Recovery vehicles.

### ***Credit risk***

Credit risk is the risk of loss in the value of financial assets due to counterparties failing to meet all or part of their obligations. The carrying amount of financial assets represents the maximum credit exposure. Management of credit risk is carried out in accordance with RAC's credit risk processes, which include setting exposure limits and monitoring exposures in accordance with ratings set by credit ratings agencies such as Standard & Poor's. Credit limits for each counterparty are set based on default probabilities that are in turn based on the rating of the counterparty and the type of exposure concerned.

RAC has not been generally exposed to significant concentrations of credit risk to third parties due to the nature of trading activity undertaken and the size of individual balances. RAC is exposed to concentrations of risk with individual banks which are within approved counterparty exposure limits. Cash and cash equivalents are held with institutions who are rated at A or its equivalent by any rating agency. As at 31 March 2017, 31 December 2016 and 31 December 2015, RAC's largest cash and cash equivalent counterparties were Mizuho, Mizuho and Morgan Stanley (in each case, including subsidiaries), respectively, with balances of £17 million, £13 million and £20 million, respectively.

### ***Liquidity risk***

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. RAC has set its investment strategy to ensure it has sufficient liquid funds to meet its expected obligations as they fall due. RAC maintains significant committed borrowing facilities from a range of highly rated banks to mitigate this risk further. The risk is measured through review of forecast liquidity each month by the treasurer to determine whether there are sufficient credit facilities to meet forecast requirements. RAC also monitors covenants on a regular basis to ensure there are no significant breaches, which would lead to an event of default. There have been no breaches of covenants during the periods under review.

### ***Capital risk***

RAC's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. RAC's capital structure is managed on a net debt basis. Management consider net debt to comprise external bank debt, being principal bank borrowings, associated accrued interest and cash and cash equivalents.

In order to maintain or adjust the capital structure, RAC may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. In managing its capital, RAC seeks to: (i) match the expected cash inflows from its assets with the expected cash outflows from RAC's liabilities as they fall due; (ii) maintain financial strength to support new business growth and satisfy the requirements of its members and regulators; (iii) retain financial flexibility by maintaining strong liquidity; and (iv) allocate capital efficiently to support growth and repatriate excess capital where appropriate.

### ***Regulatory risk***

RAC includes regulated companies which are required to hold sufficient capital to meet acceptable solvency levels based on applicable FCA and PRA regulations. Relevant capital and solvency regulations continue to be used to measure and report the financial strength of RAC's regulated companies. The regulatory capital tests verify that an adequate excess of solvency

capital above the required minimum level calculated is maintained using a series of prudent assumptions about the type of business that is underwritten. Regulatory requirements have been complied with throughout the periods under review.

### **Critical Accounting Policies**

The preparation of the financial statements in conformity with IFRS requires RAC to make estimates and judgments using assumptions that affect items reported in the statement of financial position and consolidated income statement and the disclosure of contingent assets and liabilities at the date of the financial statements. Estimates are based on management's best knowledge of current facts, circumstances and, to some extent, future events and actions. Actual results may differ from those estimates, possibly significantly.

#### ***Roadside services revenue recognition***

Revenue from roadside services is recognised on a straight line basis over the length of the underlying contractual arrangements with clients, usually 12 months. The unrecognised element of subscriptions relating to future periods is held within creditors as deferred income.

#### ***Goodwill and intangible assets***

##### ***Goodwill***

Goodwill represents the excess of the cost of an acquisition over the fair value of RAC's share of the net assets of the acquired subsidiary at the acquisition date. Goodwill is carried at cost, less any impairment subsequently incurred.

##### ***Brand***

The RAC brand has been assessed as having an indefinite life due to the strength and durability of the brand that has existed since 1897.

##### ***Customer list and other intangible assets***

Other intangible assets consist of IT projects and infrastructure, and contractual relationships such as access to distribution networks and customer lists. The economic lives are determined by relevant factors which include; usage of the asset, typical product life cycles, stability of the industry, competitive position and period of control over the assets. These intangibles are amortised over their useful lives, which range from two to ten years using the straight-line method.

The amortisation charge for the year is included separately within the income statement. A provision for impairment will be charged where evidence of such an impairment is observed. Intangibles with indefinite lives are subject to regular impairment testing, as described below.

##### ***Customer acquisition intangibles***

Customer acquisition intangible costs are written off in line with the recognition of premiums. Commissions and other acquisition costs that relate to serving new contracts and renewing existing contracts are capitalised as an intangible asset. All other costs are expensed when they are incurred. The asset is subsequently amortised over the life of the policy as the premium is earned.

##### ***Impairment testing***

For impairment testing, goodwill and intangibles with indefinite useful lives have been allocated to one cash-generating unit as this represents the lowest level within RAC at which goodwill is monitored for internal management purposes. The carrying amount of goodwill and intangibles with indefinite useful lives is reviewed at least annually or when circumstances or events indicate there may be uncertainty over this value. Goodwill and indefinite life intangibles are written down for impairment where the recoverable amount is insufficient to support its carrying amount.

### *Borrowings*

Borrowings are recognised initially at their issue proceeds less transaction costs incurred. Subsequently, borrowings are stated at amortised cost, and any difference between net proceeds and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method.

Upon extinguishment of borrowings, any remaining related transaction costs are charged to finance expenses in the income statement. If the terms of a debt instrument are modified the remaining fees are amortised over the life of the instrument. When the terms of a debt instrument are amended it is treated as an extinguishment rather than a modification if the revised terms are substantially different.

### *Derivative financial instruments*

RAC holds derivative financial instruments, which include interest and basis rate swaps, to hedge its interest rate exposures. Derivatives are recognised initially and subsequently at fair value. Any gains or losses arising from changes in fair value of derivative financial instruments are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in other comprehensive income remains separately in equity until the forecast transaction occurs.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the income statement.

### *Income taxes*

Income taxes include both current and deferred taxes. Income taxes are charged/(credited) to the income statement except where they relate to items charged/(credited) directly to other comprehensive income. In this instance, the income taxes are also charged/(credited) directly to other comprehensive income.

Deferred tax is provided using the liability method in respect of 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 when 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. 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. 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 income 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 to the year 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.

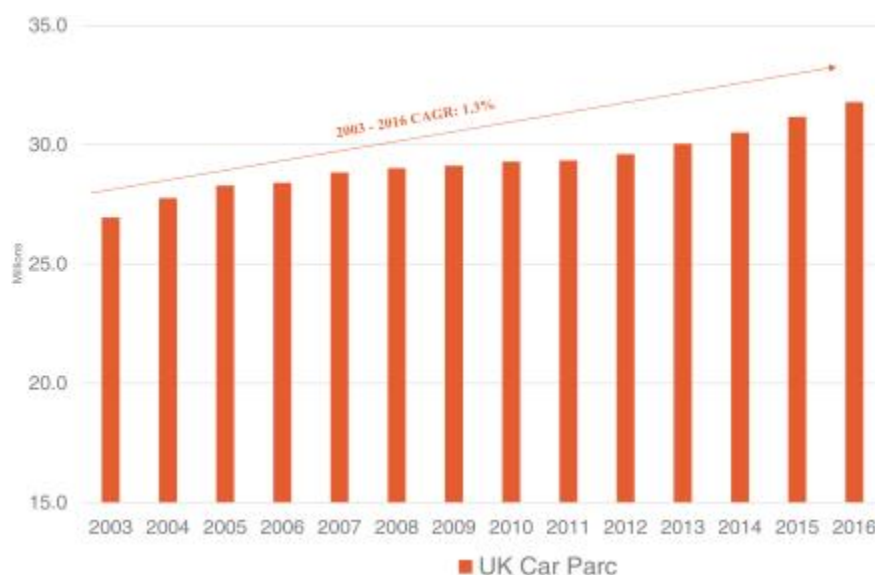
Current and deferred income tax assets and liabilities are offset where taxes are levied by the same taxation authority, there is a legal right of offset between the assets and liabilities and there is an intention to settle on a net basis.

## INDUSTRY

### The Automotive Services Market

The UK automotive services market covers a diverse set of motoring needs, including vehicle sales, motor insurance, vehicle maintenance (including breakdown) and fuel. The key underlying driver of the UK automotive services market is the number of vehicles licensed in the UK, including cars (the “**UK Car Parc**”), motorcycles and other vehicles. The UK Car Parc was approximately 31.8 million as at 31 December 2016, an increase of approximately 2.0 per cent. from approximately 31.2 million as at 31 December 2015, which in turn was an increase of approximately 2.2 per cent. from approximately 30.5 million as at 31 December 2014.<sup>(1)</sup> In addition, there were approximately 5.2 million motorcycles and light goods vehicles licenced in the UK as at 31 December 2016.<sup>(2)</sup> The growth in the UK Car Parc has been supported by growth in the UK’s population, which is estimated to be 65.6 million in 2016, compared with 65.1 million in 2015 and 64.6 million in 2014.<sup>(3)</sup> The total UK population is expected to continue growing at a CAGR of 0.7 per cent. from 2016 to 2019. In addition, there were approximately 38.6 million holders of full and provisional driving licences in Great Britain as at March 2016, compared with approximately 38.2 million as at March 2015 and approximately 37.8 million as at March 2014.<sup>(1)</sup> RAC expects this dynamic to continue in the near future.

The below table sets forth the evolution of the UK Car Parc from 2003.<sup>(1)</sup>



The structure of the UK automotive services market is also affected by the average age of the UK Car Parc. The average age of private cars (excluding cars over 30 years old) in the UK increased gradually between 2007 and 2014 from approximately 7.6 years to approximately 8.9 years and it is expected to remain at current levels until 2019.

RAC currently addresses four segments within this market, namely: (i) roadside; (ii) insurance broking; (iii) other motoring services (including online sales of parts and motor classifieds sales); and (iv) telematics and data services.

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#### Notes:

- (1) Source: UK Department for Transport.
- (2) Source: UK Department for Transport.
- (3) Source: UK Office for National Statistics.

### Roadside Assistance

#### Overview

Roadside assistance (also referred to as breakdown cover) is the provision of assistance to motorists whose vehicles have suffered mechanical failure or are otherwise unable to drive. There were approximately 29.4 million roadside assistance policies in the UK as at 31 December 2016. This includes approximately 8.6 million business-to-consumer (“**B2C**”) policies in relation to individuals who subscribe for services with roadside assistance providers directly; RAC refers to these buyers as

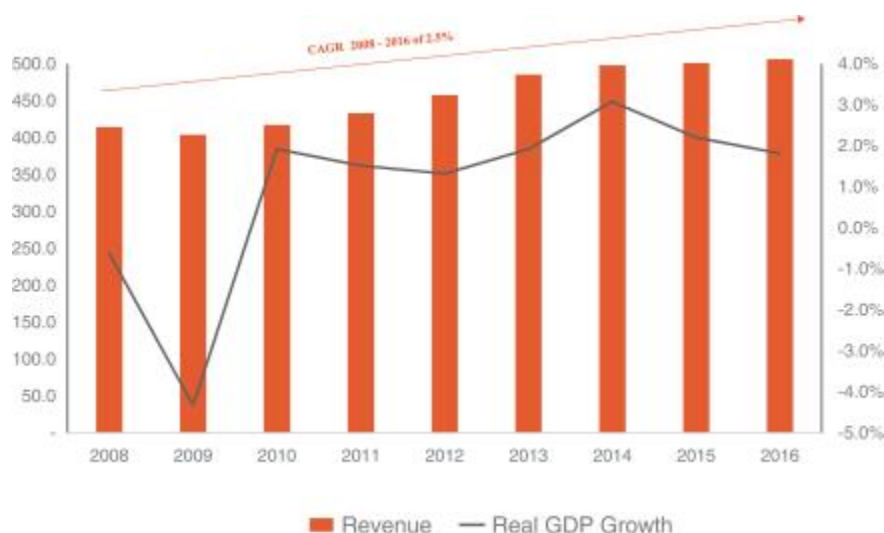
Individual Members. As at 31 December 2016, the market also comprised approximately 20.8 million business-to-business (“B2B”) policies for users or vehicles that receive roadside assistance through third party products or through commercial fleet policies. Buyers of B2B policies are other businesses (e.g. banks, insurance companies, motor manufacturers and fleet and leasing companies); RAC refers to these buyers as Corporate Partners and to end-users of B2B policies as Partner Members.

In addition, a relatively small portion of the market comprises non-members who request roadside assistance on an ad hoc basis, and these are usually covered by independent garages or specialist recovery agents that are contacted at the time of breakdown and paid on a per-use basis. Overall policy volumes across the market have been stable during the past 30 years. B2C policy volumes are expected to decline slightly at the rate of 0.4 per cent. per annum from 2015 to 2018. This decline is expected to be compensated by the growth of B2B policy volumes the rate of 0.7 per cent. per annum over the same period, resulting in the overall market growth at the rate of 0.4 per cent. per annum.

The overall value of the UK roadside assistance market was approximately £1.6 billion in 2016, comprising approximately £1.3 billion from B2C customers and approximately £372 million from B2B customers. The market includes approximately £305 million of ad hoc revenue from non-members who request roadside assistance and pay for this at point of use following a breakdown (and in many instances, this is a trigger to become a member).

The market has been highly stable historically; more recently, the value of the policy-based market grew at the rate of approximately 2.1 per cent. per annum from 2012 to 2014 and is expected to remain at current levels until 2018. In addition, the roadside assistance market has shown resilience especially through downturns in the economic cycle.

The table below sets forth the historic evolution of RAC’s revenue compared to real GDP rates since 2008.



Notes:

(1) RAC’s revenue is presented at the Opco Group level for 2008-2014 and at the Holdco Group level for 2015-2016.

In addition to membership fees, roadside assistance providers generate revenue from the sale of motoring goods such as auto batteries and auto parts at the roadside. The auto batteries market generated revenue of approximately £292 million in 2016. RAC was one of the largest sellers of car batteries in the UK in 2016.

### Operating model

The two largest roadside assistance providers in the UK, based on market share, are RAC and the AA. These providers primarily operate a branded model with a nationwide, in-house, branded vehicles network, typically restricting use of third party contractors to peak times and remote areas. RAC’s branded model provides for direct interaction with the customer through roadside assistance mechanics (known as “Patrol Specialists”), who strive to deliver on brand promise through technical and service excellence. In addition, unlike third party contractors, RAC’s branded patrol vehicles (“Patrols”) create regular sales opportunities for the business. For example, Patrol Specialists are able to sell spare parts such as tyres and batteries to existing members and acquire new members if they encounter breakdown incidents while on the road.

The branded model differs from that of smaller providers, which employ a contractor-dominated model. In contrast to the branded model, providers that operate a contract-dominated model employ a relatively small number of Patrol Specialists (or none at all) and, instead, rely heavily on third party contractors. As a result, such providers are unlikely to achieve the scale and quality of service offered by branded providers. Green Flag, which is the only roadside assistance provider (other than RAC and the AA) to have gained any scale in the market in the past 40 years, operates a contractor-only model.

### *Types of policies and cover levels*

Roadside assistance policies can either cover vehicles or individuals. Vehicle policies cover a single vehicle or, in some cases, multiple vehicles, while personal policies cover one or more individuals, including families, regardless of the vehicle they are driving. Typically, entry-level service includes roadside assistance for repair or for towing broken-down vehicles to a local garage if roadside repair is not possible. This service can be complemented by any of the following additional services:

- **Recovery service:** Recovery service provides policy holders with the ability to transport a broken-down vehicle to a destination of their choice.
- **Home service:** Home service provides policy holders with a call-out service for breakdowns while their vehicle is either parked at or within a certain distance of their home.
- **European cover:** Coverage can be extended to continental Europe. This is usually offered through arrangements with third party providers.
- **Replacement vehicle, transfer or accommodation service:** This service provides policy holders with a temporary replacement vehicle, transfer to a destination of their choice or overnight accommodation if their vehicle cannot be repaired.

### *Competition*

The competitive landscape in the UK roadside assistance market is very stable, with several customer segments valuing service over price. RAC, the AA and Green Flag are the only sizeable roadside assistance providers in the UK, accounting for approximately 89.5 per cent. of the policy-based market by value in 2016. The remaining market share is covered by smaller roadside assistance providers, a number of which are subsidiaries of larger insurance groups, including Britannia Rescue, Europe Assistance United Kingdom, Mondial Assistance and AXA Assistance, who either employ a contractor-dominated model or operate dedicated fleets for specific customer groups.

Market shares have historically been relatively stable. The investment required to build a trusted, nationwide brand and the cost of building, maintaining and effectively deploying a nationwide fleet of roadside assistance vehicles and qualified assistance specialists with high technical ability are significant barriers to entry. The two longest-established providers, RAC and the AA, accounted for approximately 29.4 per cent. and 47.9 per cent., respectively, of the overall number of policies in the UK in 2016. Green Flag, which entered the market in 1971, is the only other participant to have gained any scale in the market in the past 40 years. However, much of its presence has been driven by the wins of major contracts with subsidiaries of its owners (Direct Line Group) and its previous owners (The Royal Bank of Scotland Group plc). Green Flag accounted for approximately 12.2 per cent. of the overall number of policies in the UK in 2016.

### *B2C market*

In the B2C market, individuals primarily subscribe directly for membership with roadside assistance providers, such as RAC, the AA or Green Flag. In addition to generating fees for the provision of breakdown cover, these policies also present roadside assistance providers with revenue opportunities with respect to cross-selling and up-selling additional products and services, including cover for repair following a breakdown, European cover and other insurance products. Revenue generated in the B2C market is driven by membership volume, type of cover and price.

The core B2C roadside market (excluding cross-selling and up-selling) comprised approximately 8.7 million policies and generated revenue of approximately £927 million in 2015, representing approximately one-third of the overall roadside assistance market by volume and approximately two-thirds of the overall roadside assistance market by value. This reflects the higher prices achieved on B2C membership policies driven by higher risk rates and higher service requirements.



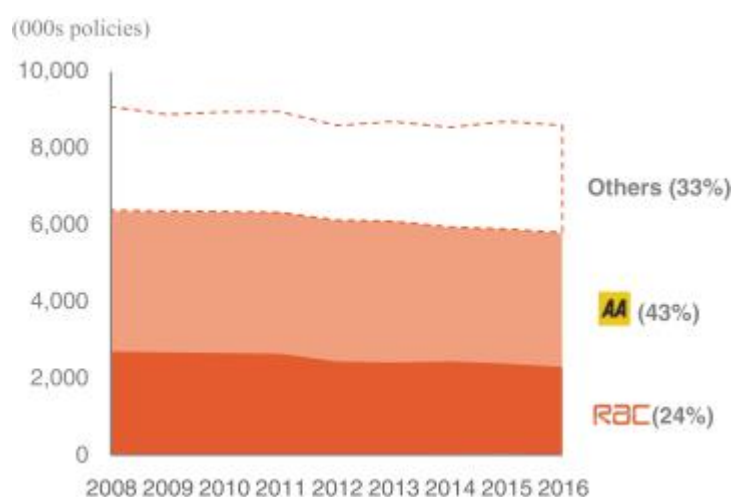
### *Sales channels*

B2C roadside assistance cover can be acquired through a number of channels. The majority of initial customer contact is made directly through the Internet or by telephone, typically in response to marketing activity. Face-to-face sales and “affinity” groups (i.e. referrals through other membership organisations with partnership arrangements) are also important channels.

### *Competition*

RAC, the AA and other service providers (including Green Flag) accounted for approximately 24 per cent., 43 per cent. and 33 per cent., respectively, of B2C policies in 2016. The competitive landscape within the B2C market has been very stable with limited fluctuations in market share. The majority of roadside members have been with their breakdown provider for many years and are highly loyal. Consequently, shifts in market share are typically small and slow.

The table below illustrates the evolution of RAC’s B2C market share development by volume in comparison with its principal competitors.



### *Market volume and value*

B2C market volume in the UK has historically been very resilient and is expected to remain stable over the coming years, with a potential of a very slight decrease at the rate of 0.4 per cent from 2015 to 2018. This volume is driven primarily by the size of the UK population, which is expected to grow at a CAGR of approximately 0.7 per cent. until 2019. It is also influenced by driving licence penetration (being the proportion of UK adults who hold driving licences), which is expected to remain relatively unchanged over the same period. The B2C market is also expected to grow as a result of the increasing affordability of roadside assistance cover as economic conditions improve. However, there is expected to be some negative pressures on growth from a slow reduction in perceived need of breakdown cover (as cars become more reliable), which is expected to be partially offset by the increasing complexity of vehicles. There is also a slight shift from B2C to B2B membership, where some members are covered through their motor insurance or bank account. Overall, the combination of these factors is expected to result in B2C policy volumes remaining broadly stable.

The B2C market value has demonstrated a strong growth at a CAGR of approximately 4.6 per cent. in the period from 2012 until 2015. Although the pace of this growth is expected to slow, it is still expected to be very solid at a CAGR of approximately 1.6-1.8 per cent. from 2016 to 2021.

### *Pricing*

In the B2C market, members are typically charged an annual fee, paid in advance, for roadside assistance cover. Additional fees are charged for other services on a use basis (e.g. battery purchases at the roadside). For new members, RAC and the AA charge an annual fee based on cover level, sales channel and any prevailing new business discounts. At renewal, pricing is reassessed to take into account the likelihood of the customer’s vehicle breaking down, based on past breakdown calls and other risk factors specific to the customer. Green Flag and some smaller market participants apply some level of risk pricing to both new business and at renewal.

B2C pricing has grown broadly in line with inflation over the past five years, and this trend is expected to continue over the next five years.

### ***B2B market***

In the B2B market, roadside assistance providers engage with partners, such as banks, insurance companies, fleet and leasing companies and motor manufacturers, which in turn offer access to roadside assistance cover to customers and other end-users. Usage rates are typically lower for B2B customers than for B2C customers, partly because B2B customers tend to own newer, more reliable vehicles. The B2B market comprised approximately 20.9 million policies and generated revenue of approximately £418 million in 2015, representing approximately two-thirds of the overall roadside assistance market by volume and one-third of the overall roadside assistance market by value.

### ***B2B sectors***

B2B roadside assistance cover is provided primarily in four sectors:

- **Banks:** Several banks offer customer accounts which provide their holders with roadside assistance cover, among other offerings, in connection with their account. Barclays, The Cooperative Bank, Lloyds Banking Group, RBS and HSBC all offer customer accounts that provide third party roadside assistance cover.
- **Insurance companies and brokers:** Insurance providers, including Aviva, RSA, Direct Line, Admiral, Tesco and NFU Mutual, offer third party roadside assistance cover as part of their motor insurance policy offerings, either sold separately or bundled with other products.
- **Motor manufacturers:** Many motor manufacturers, including Nissan, Renault, Mercedes, Volkswagen, BMW and Peugeot, offer third party roadside assistance cover (typically for one year) to purchasers of new or approved used vehicles through a franchised or approved dealer.
- **Fleet and leasing companies:** Several fleet and leasing companies provide indirect cover to customers who rent their vehicles. Rental car companies (such as Europcar, Avis and Hertz), commercial fleet companies (such as Hitachi, Royal Mail, BT and Centrica) and fleet managers (such as Lex Autolease and LeasePlan) use third party roadside assistance providers for their vehicles, where this is not already covered by a motor manufacturer agreement.

Banks accounted for approximately 7.9 million policies (approximately 37.9 per cent. of the B2B market volume), insurance companies accounted for approximately 3.9 million policies (approximately 18.8 per cent. of the B2B market volume), motor manufacturers accounted for approximately 7.6 million policies (approximately 36.5 per cent. of the B2B market volume) and fleet and leasing companies accounted for approximately 1.2 million policies (approximately 5.8 per cent. of the B2B market volume) in 2016.

### ***Competition***

RAC, the AA and Green Flag accounted for approximately 30.0 per cent., 47.6 per cent. and 9.5 per cent., respectively, of B2B policies in 2015. Market shares in the B2B roadside market tend to remain highly stable. AA and Green Flag each have exclusive relationships with financial institutions, while RAC is serving several institutions including Barclays, Tesco Bank and The Cooperative Bank. A significant proportion of the insurance market is served by smaller roadside assistance providers owned by the same group as the insurer, although Green Flag is constrained in the ability to serve other insurance customers due to its ownership by the Direct Line Group. Larger providers (including RAC) hold a significant majority of the fleet and leasing company market and compete with international providers (such as Mondial) in the motor manufacturer market.

### ***Market volume and value***

The B2B market volume increased at a CAGR of approximately 2.4 per cent. in the period from 2012 to 2015 and is expected to increase further at a CAGR of approximately 0.7 per cent. to 2018 due to a variety of factors. In the banking sector, the number of bank accounts offering roadside assistance is expected to decline slightly. In the insurance sector, the number of B2B policies is expected to largely remain stable. An increase in the volume of motor manufacturer policies is expected due to overall growth of UK's private car parc. The largest increase at the rate of approximately 4.9 per cent. per annum is expected in the fleet and leasing companies sector in accordance with the expected growth of UK's commercial car parc.

The B2B market value decreased slightly at a CAGR of approximately 1.0 per cent. in the period from 2012 to 2015. However, as a result of the anticipated growth in volumes, as well as the anticipated increase in prices discussed below, overall value of the B2B market is expected to increase.

### *Pricing*

Pricing within the B2B market tends to be more competitive than in the B2C market, where contracts are tendered periodically by B2B partners. However, competition on pricing can be mitigated by offering enhanced services to B2B partners. The largest breakdown providers tend to hold an advantage over smaller providers, due to their economies of scale. Prices are typically set on a “cost plus” basis, with revenue determined primarily by service costs. The rate of increase of prices in the B2B market has historically been in line with the rate of increase of service costs of roadside assistance providers in the B2B, and this trend is expected to continue in the coming years.

### **Insurance Broking**

RAC offers car, home, motorcycle, van and other specialist insurance policies. Unlike certain other insurance providers, RAC is primarily an insurance broker and underwrites a relatively small number of policies in certain categories of insurance. RAC is the fourth largest motor insurance broker in the UK (by number of policies as at 31 December 2016).

### *Insurance broker model*

An insurance broker acts as an intermediary between customers seeking an insurance policy and insurance underwriters, who take the risk on customers’ claims and provide cover for losses claimed under those policies. Insurance brokers administer policies and earn commissions based on a percentage of the premium paid by policy holders, without assuming any underwriting risk. Brokers typically generate increased customer value through the sale of ancillary products, including legal cover, accident plans, car hire, excess cover and breakdown and key cover. Ancillary products offer a significant revenue stream for brokers (and direct insurers), with a wide range of additional products available. More sophisticated brokers, such as RAC, will also add value to their underwriters’ policy offerings by enhancing the risk data available at the point of quote.

The insurance brokerage sector is led by a small number of large brokers who design policies and maintain a panel of underwriters who quote competitively for individuals risks. Most insurance brokers in the UK offer a range of insurance products, including motor and home insurance.

### *Personal motor insurance*

It is a legal requirement in the UK for drivers of motor vehicles to have motor insurance to cover legal liabilities for injuries to other people and damage to third party property. As such, motor insurance is a non-discretionary product, and total market volume is linked directly to the number of privately-registered vehicles on the road in the UK. The personal motor insurance market comprised an estimated 26.0 million policies generating approximately £10.0 billion of gross written premiums in 2016. The total number of motor insurance policies (through all distribution channels) increased by a CAGR of approximately 2.0 per cent. in the period from 2012 to 2015. Although the growth is expected to slow down, RAC still expects a stable moderate increase in the future. However, gross written premiums have been volatile historically due to the fluctuation of premiums.

The personal motor insurance market is relatively fragmented, with a large number of participants. Motor insurance is marketed and distributed to customers either directly or through intermediaries such as brokers, agents or banks. Insurance brokers, including RAC and the AA, compete against other brokers and direct insurers.

Both brokers and insurers use a range of acquisition channels, of which price comparison websites (“PCWs”) have become the largest. PCWs, including Moneysupermarket.com, Gocompare.com, Confused.com and Comparethemarket.com, have become increasingly important to the UK market in recent years. The emergence of PCWs, which allow consumers to compare multiple prices on the same website, has led to increasing price competition and margin pressure in the UK market. PCWs are now the most prominent acquisition channel in the overall UK market for motor insurance. In addition to use of PCWs, brokers solicit new business customers directly through online and offline marketing activities and seek to upsell and cross-sell products through more customer interaction. These other acquisition channels remain important notwithstanding the growth in PCWs.

### ***Home insurance***

Policy volumes in the home insurance market are largely driven by the number of households in the UK, with penetration of home insurance stable over the last decade. In order to increase customer value, home insurance providers typically also offer a range of related products, including home emergency as well as maintenance and repair cover for boiler breakdown, blocked pipes, roof damage, nest removal and other property related matters, such as home legal expenses cover. The home insurance market comprised an estimated 19.7 million policies generating approximately £5.0 billion of gross written premiums in 2015. There has been some volatility in the home insurance market over the past years, in terms of both market size and underlying broker volumes. Volatility in the underlying broker volumes has been affected by fluctuations in brokers' share of the market, which appears to have recently stabilized.

### **Motoring Services**

RAC provides a range of motoring services to its Members which are designed to support them through the lifetime of vehicle ownership – from buying a car to maintaining and repairing it, dealing with accidents and ultimately selling it. These services address four main markets: (i) the motor claims market; (ii) the car parts aftermarket; (iii) the online auto classifieds market; and (iv) small and medium enterprise (“SME”) fleet management services.

#### ***Motor claims market***

The motor claims market includes a range of services focused mainly on claim capture and accident management within the broader motor claims management industry. After an accident occurs, drivers contact a third party to report the first notification of loss. Revenue is generated through arrangements of service fulfilment firms (e.g. car repair firms or car hire firms) with accident management companies, which provide services such as claims handling, assessment and validation, investigation and resolution and fulfilment management. RAC participates in this market as a claims capture channel and partially as an accident management company. Historic growth in average claim values in the UK has been largely offset by an increase in road safety. However the improved macroeconomic context has positively impacted average miles driven and thus the number of claims in the period from 2013 to 2015, resulting in the growth by a CAGR of approximately 2.7 per cent. RAC expects the average miles driven to continue increasing in the near future.

#### ***Car parts aftermarket***

The car parts aftermarket includes car parts and related products. RAC addresses this market via its retail website for motoring products, RAC Shop ([www.racshop.co.uk](http://www.racshop.co.uk)) and through the sale of auto batteries as part of its Roadside segment.

#### ***Online auto classifieds market***

The auto classifieds market has been in decline as it goes through a period of transition to becoming a mainly online market. This trend is expected to continue in the future. RAC competes in this market through its website RAC Cars ([www.raccars.co.uk](http://www.raccars.co.uk)), which lists new or used vehicles for sale and addresses one of the key concerns in the online market – a lack of trust – by association with the RAC brand.

#### ***SME fleet management services***

The SME fleet management services market encompasses online fleet management platforms and a range of other services provided to SMEs. The main underlying driver of this market, SME fleet volumes, are expected to continue the steady growth witnessed in recent years.

### **Telematics and Data Services**

In the context of automotive services, telematics is the integrated use of telecommunications, positioning and information technology to monitor location, movements, status and behaviour of a vehicle or fleet of vehicles and to register accidents through crash detection software. It provides real-time vehicle and fleet information that can be used to improve efficiency or assess driving behaviour (thereby enabling insurance providers to assess risk more accurately and offer reduced premiums in some instances). The telematics market has three sectors: fleet, insurance and consumer. RAC believes that the majority of large fleets are either using or considering the use of telematics, and most fleet vehicles are expected to be equipped with telematics in the next 10 years. In the insurance sector, telematics was first introduced to the UK in the mid-2000s, but it has only recently started to gain traction with customers. According to industry sources, telematics is most successful with high-premium customers such as young drivers.

## BUSINESS

### Overview

RAC is the second-largest roadside assistance provider in the UK, representing approximately 29.4 per cent. of the UK policy based roadside assistance market by value and responding to approximately 2.2 million breakdowns in 2016. With 120 years of operating history, RAC has established itself as one of the most widely-recognised brands and one of the most trusted in automotive services in the UK, with a stable core membership base, and has successfully leveraged its brand to provide insurance broking, motoring and other products and services.

As at 31 March 2017, RAC had approximately 8.6 million Members (the equivalent of over one out of every four motorists in the UK). This included approximately 2.2 million Individual Members and approximately 6.4 million Partner Members.

RAC categorises its offerings into four segments:

- **Roadside:** This service provides assistance, or breakdown cover, to motorists whose vehicles have suffered mechanical failure or are otherwise unable to drive. The service is provided across the UK through approximately 1,475 Patrol Specialists driving RAC's branded Patrols. RAC also offers roadside assistance to Members travelling abroad through a network of contractors and partners across continental Europe. RAC also includes revenue generated by sale of certain ancillary products at the roadside, such as auto batteries and auto parts, in the Roadside segment results. This segment accounted for 79.4 per cent. and 82.4 per cent. of RAC's revenue for the three months ended 31 March 2017 and the year ended 31 December 2016, respectively.
- **Insurance broking:** RAC sells car, home, motorcycle, van and other specialist insurance to both Members and non-Members, using a diverse panel of third party underwriters for its car and home insurance offerings. RAC is the fourth largest motor insurance broker in the UK (by number of policies as at 31 March 2017) and one of the fastest growing amongst such brokers. This segment accounted for 12.2 per cent. and 11.3 per cent. of RAC's revenue for the three months ended 31 March 2017 and the year ended 31 December 2016, respectively.
- **Motoring services:** RAC offers various other products and services that address the broader requirements of motorists, including motoring claims and legal services and other ancillary motoring products. This segment accounted for 7.6 per cent. and 5.3 per cent. of RAC's revenue for the three months ended 31 March 2017 and the year ended 31 December 2016, respectively.
- **Telematics and data services:** RAC provides a telematics solution to fleet and insurance Corporate Partners. This provides real-time vehicle and fleet information that can be used to improve efficiency or assess driving behaviour. This segment accounted for 0.8 per cent. and 1.0 per cent. of RAC's revenue for the three months ended 31 March 2017 and the year ended 31 December 2016, respectively.

RAC generated revenue of £514 million, EBITDA before exceptional items of £185 million and EBITDA before exceptional items Margin of 36.0 per cent., in each case, for the twelve months ended 31 March 2017. It also had high Operating Cash Conversion averaging 82 per cent. in 2014-2016. See "*Summary Consolidated Financial, Operating and Other Data*". RAC has a strong working capital position as the majority of its Individual Members pay for services in advance and the majority of its suppliers are paid after the provision of products and services.

### History

RAC has its roots in the Automobile Club of Great Britain (the "**Club**"), which was founded by Charles Harrington Moore and Richard Simms in 1897. It began employing the first uniformed Patrol Specialists in the UK in 1901 and started offering legal services in 1905. The Club received Royal approval from King Edward VII and was renamed the Royal Automobile Club in 1907. The first roadside emergency telephone boxes were installed in 1926. RAC has had a history of innovation in motoring services, as exemplified by its development of rapid deployment trailers in 2000, which increased efficiency and enabled more Patrol (rather than contractor) tows. In 2013, a new generation of RACScan diagnostics equipment was introduced to enable Patrol vehicles to complete more repairs at the roadside. New tyre fitting vans were also launched in major cities and a "universal" spare wheel was introduced to reduce the number of instances of towing and provide improved customer service. In 2014 and 2015, RAC made significant investment in developing its telematics solutions, which, among other things, helps improve fuel consumption efficiency thus reducing the impact on the environment. Finally, in 2016 RAC introduced smaller towing vans that are capable of fully lifting a vehicle for short recoveries.

Originally the “Associate Section” of the Club, RAC was demutualised and incorporated as RAC Motoring Services Limited in 1978. This entity was re-registered as an unlimited company with the name RAC Motoring Services and sold to the motoring services business Lex Service plc in 1999. Lex Service plc was renamed RAC plc and sold to Aviva in 2005. In 2011, RAC plc was renamed RAC Limited and sold to The Carlyle Group. In 2014, Sphinx acquired approximately 41 per cent. of ordinary shares in RAC Group (Holdings) Limited, RAC’s ultimate parent company, from The Carlyle Group. In December 2015, a special purpose vehicle financed by certain CVC Funds entered into an agreement to acquire The Carlyle Group’s stake and become a co-investor in RAC with Sphinx. The CVC acquisition was successfully closed in April 2016.

## Strengths

### *One of the UK’s most recognised and trusted brands*

Over the last 120 years RAC has become the “The Motorist’s Champion” and an iconic British brand. RAC has invested significantly in its brand, making it one of the most recognised in the UK, with Unprompted Awareness of 82 per cent. and Prompted Awareness of 96 per cent. as at 31 December 2015. RAC’s brand position is reinforced principally through the quality of its roadside assistance service, as well as through its long-term relationships with Corporate Partners and Affinity Partners. RAC’s market-leading service levels, delivered through the call centre or at the roadside, drive high levels of customer satisfaction, evidenced by a Net Promoter Score of 94 for the year ended 31 December 2016.

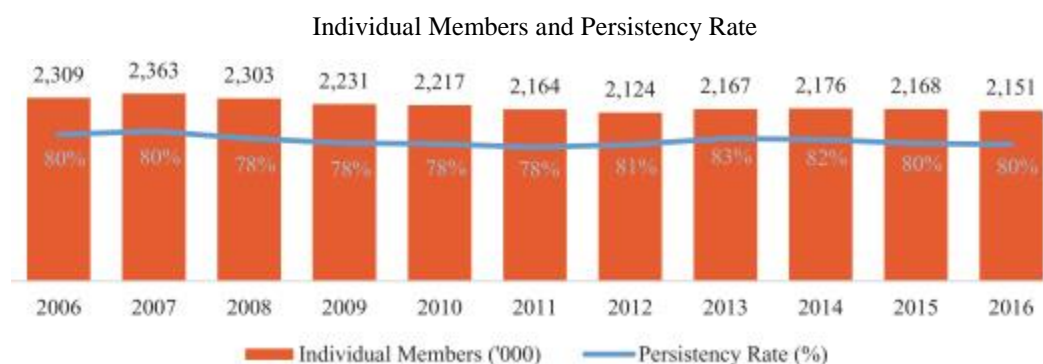
As a result, RAC’s brand and service leadership have been recognised by third parties. For example, RAC was awarded a five star rating by Defaqto in 2016 in relation to UK and Comprehensive European breakdown cover, was voted in the top 10 companies in the UK for trust and awarded the Consumer Intelligence Awards for Trust 2017.

### *An established membership base*

RAC has an established and highly stable membership base of 8.6 million Members, comprising approximately 2.2 million Individual Members and a number of Corporate Partners which provide access to RAC’s roadside assistance service to approximately 6.4 million Partner Members. In addition, RAC has approximately 0.4 million motor insurance customers, who have limited overlap with its roadside assistance Members, presenting a significant opportunity to leverage brand allegiance into cross-sales.

RAC’s Individual Membership base is characterised by a high degree of stability. These Members sign up to annual contracts and have an average membership duration of approximately nine years and a Persistency Rate of 79 per cent. and 80 per cent. for the twelve months ended 31 March 2017 and the year ended 31 December 2016. The Persistency Rate of RAC’s Individual Members has remained largely stable over the past three years, with a slight decrease to 80 per cent. for the year ended 31 December 2016 from 82 per cent. for the year ended 31 December 2014. This was primarily due to increased end-customer pricing, driven by increases to RAC’s prices, which delivered an increase in average roadside revenue per Individual Member from £119 for the year ended 31 December 2014 to £123 for the year ended 31 December 2016 and the three months ended 31 March 2017, and also by IPT rate increases from 6.0 per cent. as at 1 January 2014 to 9.5 per cent. as at 1 November 2015 and to 10.0 per cent. as at 1 October 2016.

The table below presents RAC’s historic Individual Member volumes Persistency Rates for the periods indicated.



Stable Persistency Rates have allowed RAC to maintain attractive margins as the costs associated with retaining existing Members are lower than the costs associated with acquiring new Members. The competitive landscape for Individual

Members, particularly with respect to market share, has also been very stable, as members typically remain with their provider for many years.

RAC's Corporate Partners typically sign up to three to five year contracts, providing a high degree of forward revenue visibility. Approximately 82 per cent. of Corporate Partner revenue in the year ended 31 December 2016 related to contracts, which, as at 30 June 2017, had remaining terms of more than one year, of which 23 per cent. was from contracts with a remaining tenure of two to three years and the remaining 59 per cent. was from contracts with more than three years left. The majority of RAC's Corporate Partner revenue is recurring in nature with contracts typically re-tendered or renegotiated upon expiry, thereby extending the relationship, in many cases, beyond the initial contract term. For example, Motability and Aviva, which are among RAC's top ten customers, have been Corporate Partners for over 10 years, representing multiple contract renewals and extensions. As at 31 March 2017, six of RAC's top ten Corporate Partners had relationships with RAC of ten or more years. RAC aims to retain its Corporate Partner contracts, having won seven of the eight tenders for its top 30 customers by value which were due for renewal in 2016.

The fact that most Individual Members pay upfront subscription fees, combined with high levels of customer persistency and longer-term arrangements with Corporate Partners, has offered continuous support to RAC's membership levels. Stable individual Persistency Rates have helped consistent Individual Member levels. A number of new Corporate Partner contract wins in 2016, as well as the Mercedes-Benz Cars (UK) Limited contract for three years (which commenced on 1 April 2017) and the esure contract (which commenced on 3 May 2017), have ensured consistently high levels of Partner Members, and more than offset a temporary File Size reduction due to the loss of the Volkswagen and Lex Autolease contracts in 2014 and 2016, respectively.

#### ***Operational excellence that drives Member satisfaction and profitability***

Operational excellence and quality of service are key to ensuring the long-term success of RAC's roadside assistance business. RAC believes that operational excellence leads to a higher quality of service, which leads to greater customer satisfaction and, ultimately, improved profitability. This proposition is delivered through approximately 1,475 branded, highly skilled and well equipped Patrol Specialists, as well as over 800 customer service professionals who staff RAC's contact centres and provide follow up service to Members.

In making deployment decisions, RAC seeks to maximise the proportion of breakdowns repaired at the roadside. RAC believes repairing vehicles at the roadside leads to high levels of customer satisfaction. It also drives profitability by minimising towing (which is significantly more expensive than repairing at the roadside) and other onward travel costs, as well as providing an opportunity to sell auto batteries, auto parts and Roadside Extras at the roadside (which led to an increase in average transaction value to approximately £58 in the year ended 31 December 2016, from £52 in the year ended 31 December 2015). RAC repaired a market leading approximately 80 per cent. of breakdowns at the roadside in the year ended 31 December 2016, with 86 per cent. of breakdowns attended by branded Patrol Specialists and the remainder by third party contractors.

To support the delivery of its roadside assistance service, RAC has made significant investments in technology to train and equip its Patrol Specialists, who, on average, have 13 years of experience with RAC. This high quality service is recognised and valued by members, as reflected in the Net Promoter Score of 94 and Persistency Rate of 80 per cent., in each case, in 2016.

#### ***Supported by growing and favourable market dynamics***

The UK's policy based roadside assistance market was worth approximately £1.6 billion in 2016 and its value has grown by 2.1 per cent. annually during the period from 1 January 2013 to 31 December 2016, underpinned by the resilient growth of the UK Car Parc and the number of UK driving licence holders. RAC is one of only two large-scale, nationwide, branded operators in this market and, according to its estimates, had an approximately 29.4 per cent. market share by value in roadside assistance services across Individual Members and Partner Members in 2016. By leveraging the quality of its roadside assistance offering, the non-discretionary nature of its core product and these favourable market dynamics, RAC has consistently delivered robust results.

### ***Significant recent investment in the business, laying the foundations for future growth***

Since the start of 2013, RAC has invested more than £80 million to lay the foundations for its growth strategy. This investment for future growth has focused on:

- Upgrading its core IT systems to enhance customer service and facilitate the provision and effective cross sale of a wider range of relevant products and services to Members. In particular, RAC is transferring its customer information database to new front office systems to manage customer information and sales for both Individual Members and Corporate Partners and expects to have all Members' data transferred to the new system by the end of 2017 (see "*Data and Insight*"). These systems provide RAC with a significantly enhanced ability to manage and administer its customer base, which it expects to enhance its acquisition and retention efforts.
- Investing in the RAC brand and data capabilities, with £15 million spent since 2012 (including investments in marketing, media and IT development).
- Developing a refreshed and updated website for RAC (which received approximately 2.4 million and 2.3 million unique hits per month in 2016 and 2015, respectively). RAC also restructured its contact centres and its direct and Corporate Partners sales force to improve its customer-facing sales and service offering.
- Enhancing RAC's product suite, including new product ventures such as the RAC Business Club for SMEs (which allows customers to manage their fleets and products through a central dashboard) and RAC's telematics offering.
- Collecting data from Members, third parties and public sources to develop a "prospect pool" of more than 44 million individuals and more than 27 million vehicles. Subject to data protection laws, this enables enhanced sales and marketing that RAC believes will drive new Member acquisition and multi-product penetration.

These investments are having a tangible, positive impact on RAC's membership. RAC has maintained its significant Individual Member base and has won new Corporate Partner contracts with leading firms such as Royal Mail, Renault, Arval, Hitachi, Mercedes-Benz Cars (UK) Limited and esure. Although the original term of the Renault contract has expired, a renewal until 2019 has been agreed in principal on the same terms and conditions and RAC continues to provide services to this customer as per usual practice pending finalisation of formal documentation, which is currently underway. RAC has also seen an increase in the cross-sale of roadside extras to its Members during the years ended 31 December 2016 and 2015, with 8.2 per cent. of Individual Members on the new front office system purchasing Roadside Extras.

### ***Significant cross-selling opportunities***

Over the last three years, RAC has developed significant capabilities to assess and meet the needs of its Members and potential Members, creating significant opportunities to cross-sell its other product lines, particularly insurance broking, motoring services and telematics and data services.

As part of its strategy to capitalise on these opportunities, RAC has implemented the "next best action" tool, which identifies and provides sales teams with the most appropriate product to offer to Members during every point of contact. RAC attended approximately 2.2 million breakdowns in 2016. RAC has multiple other touch points with Individual Members over their membership lifecycle through phone, email, direct mail and attendance at the roadside. Every contact point provides an opportunity to offer a targeted product or service identified as the "next best action". For example, in the Motoring services segment, Corporate Partners can benefit from (among other things) accident management, motor claims services and telematics in addition to core roadside services. In the Telematics and Data services segment, RAC has developed technology and software for telematics in the UK, offering diagnostic and monitoring capabilities at an attractive cost to, for example, insurance and fleet customers.

### ***Attractive financial characteristics deliver sustainable returns***

During the period covered by the historical financial information presented in this Offering Memorandum, RAC has delivered consistently robust financial results. RAC's revenue has remained broadly stable with a slight growth by 3.2 per cent. to £514 million generated by the Holdco Group for the twelve months ended 31 March 2017 from £498 million generated by the Opco Group for the year ended 31 December 2014. At the same time, RAC's EBITDA before exceptional items increased significantly by 9.5 per cent. to £185 million generated by the Holdco Group for the twelve months ended 31 March 2017 from £169 million generated by the Opco Group for the year ended 31 December 2014. Consequently, RAC's EBITDA before exceptional items Margin increased by 2.1 per cent. to 36.0 per cent. generated by the Holdco Group for the twelve months ended 31 March 2017 from 33.9 per cent. generated by the Opco Group for the year ended



31 December 2014, driven by operational leverage and efficiencies and cost-saving initiatives. See “*Presentation of Financial and Other Information*” and “*Overview—Summary Consolidated Financial, Operating and Other Data*”. RAC’s business is highly cash generative as the majority of its Individual Members pay for services in advance and the majority of its suppliers are paid after the provision of products and services.

These financial results are underpinned by sustainable characteristics such as RAC’s large, loyal and growing Member base and the increases in ARPU per Individual Member to £123 in 2016 from £104 in 2011.

### ***Highly experienced management complemented by a dedicated workforce***

RAC’s management team has a demonstrable track record of improving operational efficiency, margins and cash flows. The management team is supported by RAC’s highly experienced employee base (for example, Patrol Specialists, on average, have 13 years of experience with RAC) and an organisational culture of service and commitment to the Membership base.

### **Strategy**

RAC’s vision is to be the leading motoring services brand in the UK, positioning itself as “The Motorist’s Champion” under the strapline “*Motorists. We Salute You*”. With a reputation built on its iconic, trusted brand and its leading motoring-related product offering, RAC believes that it is well positioned to continue to develop its business through four key strategic objectives:

- maintain and grow the Individual Member base;
- strengthen relationships with existing Corporate Partners and win contracts with new Corporate Partners;
- increase cross-selling through an integrated multi-product, multi-channel approach; and
- leverage recent investments in its brand and data capabilities to drive growth in revenue and improvements in profitability.

### ***Maintain and grow the Individual Member base***

RAC’s 2.2 million Individual Members form a core and crucial part of its business. RAC is focused on retaining its existing stable base of Individual Members by (i) continuing to deliver a market-leading roadside assistance service and (ii) engaging in effective contact with existing Individual Members at various stages of the membership cycle, as well as gaining new Individual Members. In particular, RAC works to ensure that its web and mobile offerings and consumer communication are best-in-class to maintain customer engagement.

RAC believes that its Members’ experiences at the roadside are a key factor distinguishing RAC from its competitors. In particular, RAC has found that a high roadside repair rate (approximately 80 per cent. in the year ended 31 December 2016) is correlated with high levels of customer satisfaction, as measured by RAC’s Net Promoter Score (94 for the year ended 31 December 2016). RAC seeks to maintain its high roadside repair rate by ensuring that Patrol vehicles are equipped with the latest technology, tools and vehicle parts to support the expertise of its Patrol Specialists and to enable them to carry out effective repairs at the roadside. This enhances customer satisfaction, which ultimately drives Persistency Rates (80 per cent. for the year ended 31 December 2016) and creates a solid foundation for maintaining and growing RAC’s Individual Member base. Members are more likely to renew their membership after experiencing a breakdown.

In order to pursue the acquisition of new Individual Members, RAC has access to a large number of consumers through various sales channels, including online (such as RAC’s website), mobile applications, digital magazine and third party search engines (see “—*Products and Services*”). RAC also conducts seasonal sales campaigns, recruits and trains sales and marketing staff and develops relationships with Affinity Partners. RAC is also able to offer direct, targeted marketing through its customer database, utilising, for example, renewal data, to trigger timely and relevant marketing campaigns.

Following acquisition of Individual Members, and throughout the membership lifecycle, RAC engages with Individual Members through various forms of communication to nurture loyalty to the RAC brand and help maintain its high Persistency Rates.

### ***Strengthen relationships with existing Corporate Partners and win contracts with new Corporate Partners***

RAC intends to continue to pursue medium-term contracts for roadside assistance services with current and future Corporate Partners, including banks, insurance companies, motor manufacturers and fleet and leasing companies. While new Corporate Partner contracts are typically obtained through competitive tender processes, RAC believes that service quality and product innovation are key differentiating factors alongside price in such tenders. RAC seeks to win and renew contracts with Corporate Partners by combining its technical excellence in roadside assistance with complementary products and services that add value to its Corporate Partners. Since 1 January 2014, RAC has had several major contract wins, including Royal Mail, Renault, Arval, Hitachi and Mercedes-Benz Cars UK Limited. Although during the past three years a few clients, including Volkswagen and Lex Autolease, terminated their arrangements with RAC, it has managed to successfully substitute those clients with other Corporate Partner acquisitions.

As part of this strategy, RAC is continuing to enhance the suite of solutions it offers to existing and new Corporate Partners. For example, RAC provides accident management services to a number of its Corporate Partners and technical training to motor manufacturer engineers, as well as feedback and analysis on vehicle faults to motor manufacturers. For fleet and leasing companies, RAC now offers telematics solutions to improve the efficiency of fleet operations and an online fleet management tool for small and medium sized enterprises. While the majority of RAC's Corporate Partner business originates from its core roadside assistance service, with an increasing suite of motoring solutions, RAC seeks to offer (and has successfully offered) its roadside assistance service to corporate customers from its other product segments.

### ***Increase cross-selling through an integrated multi-product, multi-channel approach***

One of RAC's key priorities is to promote its various motoring solutions to its large customer base by transforming its business from a product-centric to a customer-centric one. RAC's sales, marketing and customer relationship strategy is now multi-product and multi-channel, providing a significant opportunity for the growth of multiple products per Member among both existing and new Members. RAC's significant data capability provides it with operational insight that it leverages to personalise its acquisition, retention and cross-selling efforts. The sale of additional products and services to new and existing Members drive increased revenue per Member and profitability of the business across RAC's four product segments.

Cross-selling also leads to increased persistency rates. For example, Individual Members who also held insurance policies with RAC tend to have Persistency Rates higher than average. In addition, RAC actively seeks Affinity Partners to market products jointly by way of cross-endorsements, shared incentives for participation among the organisations and an enhanced package of benefits for customers, which further enforces Member loyalty. RAC has seen an increase in cross-selling rates across Individual Members from approximately 6 per cent. for the year ended 31 December 2013 to approximately 9 per cent. for the year ended 31 December 2016. It believes that there is significant scope to enhance the progress already made in this area.

### ***Leverage recent investments in its brand and data capabilities to drive growth and improvements in revenue and profitability***

RAC has invested over £15 million in its brand and data capabilities since 2012 and intends to continue leveraging this investment to grow revenue and to grow profitability across its business to existing Members as well as create new opportunities with non-Members. In particular, RAC has developed a customer database of existing customers, with a prospect pool of 44 million individuals and 27 million vehicles, comprising data collated by RAC and other information. RAC seeks to use this system to:

- attract new Individual Members by targeting certain demographic groups and utilising data from Affinity Partners;
- cross-sell to existing Members by direct marketing through a personalised approach and a "next best action" tool, which identifies the most appropriate product for RAC's sales agents to cross-sell at the point of sale during a customer call;
- support Corporate Partners businesses by providing relevant vehicle and driver demographics data; and
- leverage the RAC brand and develop new opportunities with Members and non-Members for motoring related services not currently provided by RAC.

**The RAC Brand and Membership Base**

***The RAC brand***

The RAC brand is one of the most trusted brands in motoring services and enjoys high levels of Unprompted Awareness (82 per cent.) and Prompted Awareness (96 per cent.) in the UK. The brand has been developed over the past 120 years and has iconic status in the roadside assistance market. RAC seeks to position itself as “The Motorist’s Champion” under the strapline “*Motorists. We Salute You*”. Building on its core roadside assistance offering, RAC seeks to develop a multi-product offering under the RAC brand across all sales channels.

RAC has a framework to safeguard its brand and other intellectual property and protect them from unlicensed use by others. The majority of intellectual property rights, including trademarks, in the RAC brand are held by RAC Brand Enterprises LLP which licenses the use of the RAC brand and trademarks to other RAC entities as well as third parties. RAC monitors suspected infringements of its intellectual property and takes action to stop and prevent further infringement where appropriate. This may include sending a “cease and desist” communication to the infringer and, if necessary, pursuing proceedings for an injunction and/or damages.

***Individual Members***

RAC has approximately 8.6 million customers subscribed for its roadside assistance offerings, of which approximately 2.2 million are Individual Members who subscribe directly and approximately 6.4 million are Partner Members enjoying the benefit of the service via respective Corporate Partners. Individual Members have historically had relatively high renewal rates, which tends to increase with the tenure of the membership. The Persistency Rate among Individual Members was 80 per cent. in 2016, with a current average tenure of approximately nine years. On average, Individual Members require assistance for a vehicle breakdown approximately once every two years.

Individual Members accounted for approximately 50 and 52 per cent. of RAC’s revenue for the three months ended 31 March 2017 and the year ended 31 December 2016, respectively.

RAC employs a membership-based pricing model in which Individual Members are charged a fixed annual fee for the primary roadside assistance service. Individual Members pay a periodic fee rather than pay based on usage. Approximately 82 per cent. of Individual Members pay their membership fee annually in advance, while the remaining 18 per cent. pay monthly in advance. Non-members who request roadside assistance upon the occurrence of a breakdown are required to subscribe to RAC’s roadside assistance service and pay an additional amount due to their lack of a membership at the time of the breakdown.

***Corporate Partners***

RAC has over 280 Corporate Partners with approximately 6.4 million Partner Members.

The table below presents the evolution of RAC’s Partner Members’ numbers since 2012:



RAC’s Corporate Partners span large corporate entities, which account for the substantial majority of Corporate Partner revenue, but also mid-market companies and SMEs. RAC believes there are growth prospects across all these types. RAC offers its core roadside assistance service to Corporate Partners as well as a range of bespoke products and services. These include European cover, breakdown assistance for vehicles over 3.5 tonnes, separately branded customer contact centres (either on-site at the Corporate Partner’s location or at a RAC contact centre), vehicle inspections for manufacturers’ used car

programmes, on-delivery of vehicles to dealerships or fleet facilities and mechanic and apprentice training (either on-site at a manufacturer's or dealership's location or at RAC's facilities).

Corporate Partners accounted for approximately 30 per cent. of RAC's revenue for each of the three months ended 31 March 2017 and the year ended 31 December 2016. Corporate Partners are split across four sectors:

- **Banks:** RAC provides breakdown cover to customers of several banks as part of the banks' packages of benefits associated with customer accounts. RAC has exclusive relationships in this regard with several major financial institutions in the UK, including Barclays and Tesco banks. Banks accounted for approximately 21.0 and 23.5 per cent. of Corporate Partner revenue for the three months ended 31 March 2017 and the year ended 31 December 2016, respectively.
- **Insurance companies:** Insurance companies provide breakdown cover as part of their offer of insurance to customers (with or without premium increase). Insurance companies accounted for approximately 30.7 and 32.3 per cent. of Corporate Partner revenue for the three months ended 31 March 2017 and the year ended 31 December 2016, respectively.
- **Motor manufacturers:** Many motor manufacturers provide breakdown cover to their customers as part of new or used car warranties sold by franchised dealers, others engage RAC to provide specialized training to their technicians. RAC has relationships with 11 leading car manufacturers operating in the UK market, three of which have been in place for over 10 years and a further four of which have been in place for over five years. RAC's well-established relationships with these car manufacturers are partly due to its ability to provide them with important statistical data such as vehicle faults and performance information. RAC currently has contracts, among others, with Nissan, Renault and Mercedes-Benz Cars (UK) Limited (contract commenced on 1 April 2017), which are among the largest car manufacturers in Europe. Motor manufacturers accounted for approximately 19.6 and 15.9 per cent. of Corporate Partner revenue for the three months ended 31 March 2017 and the year ended 31 December 2016, respectively.
- **Fleet and leasing companies:** Commercial fleet companies and leasing companies offer breakdown cover to their customers for an additional fee. Cover is also provided for companies with large fleets of vehicles. RAC has relationships with over 190 fleet and leasing companies. Fleet and leasing companies accounted for approximately 28.6 and 27.7 per cent. of Corporate Partner revenue for the three months ended 31 March 2017 and the year ended 31 December 2016, respectively.

RAC typically enters into contracts with Corporate Partners for a duration of three to five years with options to extend the term of the contract. Two of RAC's top ten Corporate Partner contracts have been extended in the last six months. RAC has a degree of concentration among its Corporate Partners, with the top ten Corporate Partners (by value) accounting for 70.9 and 73.5 per cent. of RAC's total Corporate Partner revenue for the three months ended 31 March 2017 and the year ended 31 December 2016, respectively.

RAC has enjoyed long-standing relationships with several of its key Corporate Partners. Seven of RAC's top ten Corporate Partners have been with RAC for more than five years and six of the top ten have been with RAC for more than ten years. A significant portion of future Corporate Partner revenue is contracted, providing visibility on future revenue. Approximately 46 per cent. of RAC's revenue from the top 30 Corporate Partners in 2016 was generated from contracts with remaining tenures of more than one year as at 31 December 2016. RAC has also been active in bidding for, and successful in winning, new contracts with Corporate Partners in recent years (including Royal Mail, Renault, Arval, Hitachi, Mercedes-Benz Cars (UK) Limited and esure). Although the original term of the Renault contract has expired, a renewal until 2019 has been agreed in principal on the same terms and conditions and RAC continues to provide services to this customer as per usual practice pending finalisation of formal documentation, which is currently underway.

Contracts with Corporate Partners are individually priced on a risk-adjusted basis, taking into account anticipated usage and service delivery costs related to the contract. Contracts typically include mechanisms to allow price adjustment aligned to changes in risk profile (e.g. changes in usage). The pricing terms may be on a subscription basis (with additional fees payable if usage exceeds, or rebates payable if usage falls below, specified thresholds) or on a per-use basis. As at 31 March 2017, approximately 38 per cent. of Corporate Partner contracts by value were on a monthly subscription, approximately 24 per cent. were on an annual subscription and approximately 36 per cent. were pay-on-use.

## Products and Services

RAC offers a range of motoring and insurance products and services, with roadside assistance forming the core of its business. RAC categorises its offerings into four segments: (i) roadside; (ii) insurance broking; (iii) motoring services; and (iv) telematics and data services.

### *Roadside*

RAC is the second-largest provider of roadside assistance in the UK (in terms of the number of members and value, as at 31 December 2016). It provides breakdown cover for motor vehicles, including cars, vans, motorcycles and motorhomes. If the vehicle cannot be fixed at the roadside, it will be towed to the destination of the Member's choice, a local garage or a place of safety. RAC generated revenue of £104 million for the three months ended 31 March 2017 and £417 million for the year ended 31 December 2016 in this segment (in each case, including product and service revenue), which represented 79.4 per cent. and 82.4 per cent. of its total revenue during the relevant periods. The revenue generated in this segment for the three months ended 31 March 2017 comprised £65 million from Individual Members, which represented 49.6 per cent. of RAC's total revenue during the period, and £39 million from Corporate Partners, which represented 29.8 per cent. of RAC's total revenue during the period. The revenue generated in this segment for the year ended 31 December 2016 comprised £265 million from Individual Members, which represented 52.4 per cent. of RAC's total revenue during the period, and £152 million from Corporate Partners, which represented 30.0 per cent. of RAC's total revenue during the period.

RAC's roadside assistance centres operate 24 hours a day, seven days a week, 365 days a year. These centres handled approximately 3.7 million calls in 2016, with Patrol Specialists attending approximately 2.2 million breakdowns in the same period. Unlike other roadside assistance providers that only offer towing services or a third party garage network, RAC's Patrol Specialists are trained to assess and repair a variety of breakdowns at the roadside. Patrol vehicles are equipped with advanced equipment designed to enable a high roadside repair rate. RAC's Patrol Specialists successfully repaired approximately 80 per cent. of breakdowns at the roadside in 2016. RAC also provides roadside assistance to Members travelling abroad through a network of contractors operated by a partner across continental Europe.

For Individual Members, RAC offers single, joint and family memberships (up to five named members in a household) on a "personal" basis where the member is covered in any car regardless of whether as driver or passenger and regardless of ownership. Vehicle membership is also available with any driver or passenger covered in a specified vehicle. Cover for either type of membership is available in varying levels. Additional services include sales of replacement auto batteries, auto parts and fuel. The menu-based product set allows for up-selling to a more expensive product mix through most distribution channels. The following levels of breakdown cover are offered:

- **Roadside Rescue:** This is RAC's basic roadside assistance service, providing cover for breakdowns over a one-quarter of a mile from the home, and repair or transportation up to ten miles from the location of the breakdown to a destination of the member's choice, local garage or a place of safety.
- **Recovery:** The member, up to seven passengers and the vehicle are transported to the member's chosen destination anywhere in mainland UK.
- **At Home Rescue:** This provides cover if the vehicle breaks down at the member's home, or within a one-quarter of a mile from the member's home.
- **European Rescue:** This extends breakdown cover to 48 European countries. In the event of a mechanical breakdown, vehicles are fixed at the roadside, recovered to a local garage for repair or repatriated. Certain motor-related legal expenses incurred as a result of an incident in these countries are also covered.
- **Onward Travel:** If the vehicle cannot be repaired locally, the Member is offered a choice of replacement car hire, alternative transport costs or hotel accommodation.

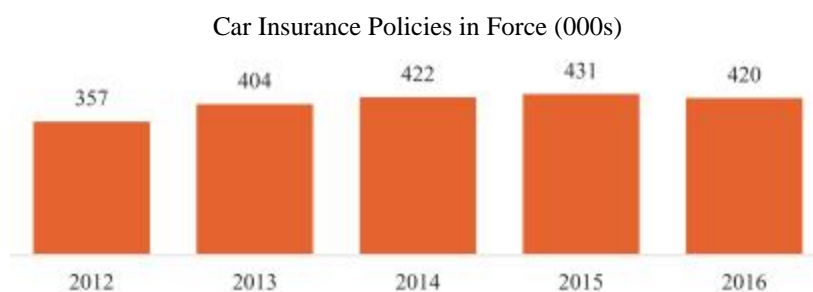
For an additional charge, RAC also offers several products, or breakdown extras, that supplement its core roadside assistance offering, including replacement auto parts and auto batteries and various forms of insurance such as misfuel insurance, tyre insurance and garage, parts and labour insurance.

As part of its promotion of membership, RAC has arrangements with Affinity Partners to jointly market and refer its products and services as well as to provide its Individual Members with offers, discounts and value-added benefits. These benefits are communicated and promoted through RAC's membership communications and website. Members can access these benefits by registering and signing into the member benefits website to download vouchers, booking online or calling RAC to redeem the benefits.

Through its technical capabilities, RAC is also able to provide feedback and analysis on vehicle faults, trends and causes directly to manufacturers, enabling them to save costs and help protect brand advocacy by reducing breakdown incidents. The capability to provide real-time information to customer manufacturing plants differentiates RAC from contractor-based competition. Similar services are provided to fleet management companies to help them choose the most cost-effective mix of vehicles in their fleet. These systems also allow for constant technical updates to be accessed by the Patrol Specialists on a specific vehicle and provide superior diagnostics to enable quicker and higher repair rates. This saves costs for the Corporate Partner, particularly motor manufacturers and fleet.

### ***Insurance broking***

RAC offers car, home, motorcycle, van and other specialist broking insurance services to both Members and non-Members. The policies are marketed predominantly by RAC. Most policies are administered by third parties and underwritten by a range of insurance companies. Under some of these arrangements, the RAC brand is used pursuant to licence arrangements with third party administrators and insurers. RAC is the fourth largest motor insurance broker in the UK (by number of policies as at 31 December 2016). For the three months ended 31 March 2017, RAC generated £16 million in this segment, which represented 12.2 per cent. of its total revenue during the period. For the year ended 31 December 2016, RAC generated £57 million in this segment, which represented 11.3 per cent. of its total revenue during the period. These results have largely been underpinned by the growth in car insurance policies in force, having increased at a CAGR of 4.1 per cent. in the period from 2012 to 2016.



RAC acts as a distributor of insurance products, working with intermediary brokers on a product-by-product basis. RAC earns commission on the sale of insurance policies and revenue from the sale of insurance extras, while the intermediary broker provides all of the operations (including policy issuance and renewal and call centre services). No underwriting risk is undertaken by RAC in its insurance broking business, however, there is some, immaterial underwriting risk taken on add-on products within the roadside assistance and the motoring services segments.

The main features of insurance policies distributed by RAC are as follows:

- **Motor and travel insurance:** RAC offers car insurance (the largest product in the insurance broking segment with revenue accounting for 87 per cent. of the total segment revenue for the three months ended 31 March 2017) as well as various other types of motor and travel insurance. RAC also sells a package of products that is designed to protect and reassure used car buyers. This package is branded as “RAC BuySure”, is provided by The Warranty Group to car dealers, and includes vehicle inspection, three month warranty cover, a minimum of three months roadside assistance cover and accident management services.
- **Home insurance:** RAC offers two home insurance packages: buildings insurance and contents insurance. Buildings insurance cover includes the structure of the home, loss or damage caused by fire, smoke and other elements, a 24-hour a day home emergency helpline, alternative accommodation costs, accidental damage and a variety of other items. The contents insurance cover includes household goods and valuables and personal belongings.
- **Other insurance:** RAC sells a range of other specialist insurance policies (such as van, bike and pet insurance). It also offers personal accident policies, which are underwritten and administered by Cigma and are designed to protect customers following an accident through the provision of lump sum or cash payments while in hospital.

RAC operates an insurance underwriting panel business model for car, home, motorbike and commercial vehicle insurance. Insurance policies are sold through online aggregators as well as through RAC’s website and contact centres. RAC’s primary insurance customers occupy a similar demographic to its roadside assistance Members, but with limited overlap. As at 31 March 2017, approximately 350,000 of RAC’s insurance customers had not purchased any of RAC’s other offerings.

Upon receipt of an enquiry from a potential customer, each underwriter determines its premium based on the individual's profile and the lowest premium is offered to the potential customer. This allows RAC to offer competitive prices by enabling access to a wide range of underwriters. RAC works closely with underwriters to ensure competitive pricing by supplementing the data provided by potential customers with RAC's own Individual Member data (including breakdown experience) as well as credit history information, identity checks and verified no claims history. This provides underwriters with a better understanding of the potential customer's risk profile, enabling them to offer RAC competitive prices to pass onto customers. This data also supports effective cross-selling of additional insurance products and insurance extras, which contribute significantly to RAC's insurance revenue.

The car and home insurance panels are administered by BGL. As at 31 March 2017, the car insurance panel consisted of ten underwriters and the home insurance panel consisted of eight underwriters.

### ***Motoring services***

RAC's motoring services segment comprises motoring claims and legal services and other ancillary motoring products. These complement RAC's other products and services and address the broader requirements of motorists. RAC generated revenue of £10 million in this segment for the three months ended 31 March 2017, which represented 7.6 per cent. of its total revenue during the period. For the year ended 31 December 2016, RAC generated £27 million of revenue in this segment, which represented 5.3 per cent. of its total revenue during the period.

The key services in this segment are as follows:

- **Motoring claims services:** RAC administers motoring claims on behalf of several corporate customers, including NFU Mutual, British Gas, Hitachi and Aviva. The level of services ranges from first notification of loss following an accident through to repair placement and repair management. RAC administers a national network of preferred independent bodyshops with rebate arrangements in place in relation to vehicle repairs.
- **Legal expenses insurance:** This is an insurance policy providing cover for legal costs incurred after an accident that was not the customer's fault and to defend a motoring prosecution where there is a reasonable chance of success. Unlike the policies provided under RAC's insurance segment, these policies are underwritten by RAC.
- **Legal services:** This provides 24-hour access to a team of expert legal advisers who can advise on a range of legal matters, including consumer issues and family law. This service is available to customers who are covered by the legal expenses insurance, Individual Members who subscribe to RAC's roadside assistance service and certain Corporate Partners (such as Aviva and Barclays).
- **Accident management:** This service is offered to Individual Members and several corporate customers. In the event of an accident, a replacement vehicle is provided for the duration of the repair, RAC collects and delivers the vehicle once it is repaired and a three-year warranty is available for repairs where RAC-approved bodyshops are used.

In addition, RAC has two websites, RAC Cars ([www.raccars.co.uk](http://www.raccars.co.uk)) and RAC Shop ([www.racshop.co.uk](http://www.racshop.co.uk)), that provide customers with motoring products and services. RAC Cars is a website aimed at consumers searching to purchase a new or used vehicle. It works with a large number of dealerships and franchisees which list their vehicles on the RAC Cars website free of charge, allowing RAC to benefit from the cross sale of its wider products. RAC Shop is a retail website for the sale of various motoring products.

RAC also provides certain Corporate Partners with an online fleet management tool for SMEs, known as RAC Business Club. The website enables SME Corporate Partners to manage their roadside assistance policy and fleet details online. In addition, the website provides customers with the ability to procure additional RAC products such as fuel cards, telematics and insurance by selecting the vehicles for which they wish to obtain products.

### ***Telematics and data services***

RAC offers a telematics solution to fleet and insurance Corporate Partners. This segment accounted for 0.8 per cent. and 1.0 per cent. of RAC's revenue for the three months ended 31 March 2017 and the year ended 31 December 2016, respectively.

The solution involves fitting a small and unobtrusive telematics box in vehicles and provides access to a portal into which the box feeds vehicle information. The portal can monitor driving behaviour and diagnostic information from the vehicle and

incorporates market leading crash detection software. The portal also offers a range of associated services in relation to (among other things) reporting, duty of care, fuel efficiency and geo-fencing. Telematics boxes have been installed with many of RAC's Corporate Partners, with approximately 41,000 boxes as at 31 March 2017. RAC has also developed a combined insurance and telematics offering. Telematics boxes have been fitted into all of RAC's own fleet of Patrol vehicles. This has contributed to fuel efficiency savings.

## Data and Insight

RAC believes that its data capability is a key competitive advantage across its business segments. RAC maintains a proprietary database with information on 44 million individuals and 27 million vehicles, which has been compiled from its own records, partner records and public information. Analysis of this information allows RAC to target its acquisition efforts effectively by focusing on the specific needs of particular types of potential customers. The database also enables a "next best action" feature with its existing Members, identifying appropriate cross-selling opportunities and optimising pricing.

A key part of RAC's data strategy involves the migration of its individual membership base onto a new IT platform, which will increase available data and allow further use of cross selling and "next best action" tools. The migration process commenced in 2014 and is expected to be complete by the end of 2017.

## Sales Channels

RAC sells its products and services through several channels. The principal channels are as follows:

- **Online:** RAC markets its products and services through its own website as well as on aggregator sites and social networks. RAC has also expanded its online presence through initiatives such as RAC Cars, RAC Shop and a "one-stop" mobile application. Approximately 57.2 per cent. and 58.5 per cent. of Individual Members acquired in the three months ended 31 March 2017 and the year ended 31 December 2016, respectively, were attributable to this channel.
- **Contact centre:** RAC's contact centre handles calls from and to existing and potential customers. Approximately 17.4 per cent. and 17.3 per cent. of Individual Members acquired in the three months ended 31 March 2017 and the year ended 31 December 2016, respectively, were attributable to this channel:
  - **Inbound calls:** When calls are received from new and existing customers near the time of policy renewal, the objective of the contact centre is to ensure retention and potential up-selling or cross-selling through a high level of customer service and the professional handling of the call. Certain customers are offered enhanced loyalty benefits and tiers of membership levels (see "*The RAC Brand and Membership Base—Individual Members*") in order to improve the likelihood of retention. This is the channel most impacted by RAC's media advertising.
  - **Outbound calls:** RAC reaches out to existing and potential customers through proactive acquisition and retention campaigns. These campaigns use RAC's customer database to improve their effectiveness.
- **Manufacturer conversions:** RAC has the opportunity to convert Partner Members, who have complementary roadside assistance cover through motor manufacturers, to Individual Members, who subscribe for roadside assistance with RAC directly. RAC's contact centre reaches out to such Partner Members towards the end of the period of their complimentary cover to offer them membership with RAC. Approximately 4.7 per cent. and 3.4 per cent. of Individual Members acquired in the three months ended 31 March 2017 and the year ended 31 December 2016, respectively, were attributable to this channel.
- **Affinities:** RAC has entered into arrangements to market its roadside assistance service to potential customers of Affinity Partners. For example, Tesco customers can exchange Tesco Clubcard vouchers for roadside assistance cover from RAC. Approximately 8.7 per cent. and 8.9 per cent. of Individual Members acquired in the three months ended 31 March 2017 and the year ended 31 December 2016, respectively, were attributable to this channel.
- **Direct sales team:** RAC has moved to a digital sales support platform for its direct sales team to professionalise and support continuous improvements to systems and controls enabling increased media and brand presentation. Approximately 11.1 per cent. of Individual Members acquired in each of the three months ended 31 March 2017 and the year ended 31 December 2016 were attributable to this channel.
- **Patrols:** RAC has face-to-face contact with customers through Patrol Specialists, typically in a breakdown situation, where Members may require parts or other services. RAC Patrol Specialists also encounter breakdown



incidents while on the road, which provides opportunities to acquire new Members. Approximately 0.9 per cent. and 0.8 per cent. of Individual Members acquired in the three months ended 31 March 2017 and the year ended 31 December 2016, respectively, were attributable to this channel.

### **Roadside Assistance Service Delivery**

RAC attended approximately 2.3 million breakdowns in 2016. Breakdowns are handled by RAC's roadside assistance service in four stages: (i) receiving initial inbound calls from Members upon the occurrence of a breakdown incident; (ii) deploying suitable resources and managing Members prior to the arrival of Patrol vehicles or recovery specialists; (iii) attending the incident and repairing or towing the vehicle; and (iv) gathering feedback.

#### ***Initial inbound call***

Roadside assistance contact centres, based in Walsall and Manchester, are responsible for receiving initial breakdown and assistance calls from Members. These two contact centres, with 842 dedicated call centre professionals as at 31 March 2017, receive and service calls 24 hours a day, 365 days a year. On receipt of a call, the roadside assistance contact centre team requests details of the Member and the circumstances of the incident, including vehicle information, the suspected fault and the location of the incident. Through a series of non-technical questions and answers, the contact centre moves through a decision tree allowing the right resources to be allocated to deal with the issue in approximately 93 per cent. of breakdowns. This information is fed into RAC's iCAD system to create a breakdown job record. The iCAD system applies an initial algorithm to calculate the likely time of arrival and the roadside assistance contact centre team communicates this to the Member.

#### ***Deployment of resources***

Once the breakdown job record is created, the iCAD system decides, based on the information in the job record, whether to automatically deploy a Patrol vehicle or hold for manual deployment. In 2016, automatic deployment decisions were made in approximately 87.8 per cent. of breakdown incidents. In these circumstances, the iCAD system identifies the response solution from RAC's roadside assistance resources that is most appropriate to the Member's requirements, including (if appropriate) the deployment of RAC's fleet such as Patrol and Specialist Recovery vehicles. The resources deployed will depend upon a number of factors including vehicle type, type of fault, resource availability, geography and the specific circumstances.

RAC's customer contact centres manage communications with the Member, the Patrol Specialists or Recovery Specialists and contractors as well as undertaking any manual deployment decisions. In the event that the iCAD system holds for manual deployment, RAC's customer contact centre team makes real-time decisions as to assistance and deployment solutions, including prioritisation judgments based on factors such as the perceived level of urgency and danger of the breakdown circumstances. For example, breakdowns on a motorway are prioritised and, as a result, have a lower average time to attend.

#### ***Provision of assistance***

Roadside assistance is provided by RAC's fleet which, as at 31 March 2017, comprised 1,475 RAC-branded Patrol Specialists and 109 Specialist Recovery drivers. The fleet is deployed in geographical clusters to maximise efficiency and optimise customer service. Great Britain is divided into two regions and each region is divided into geographical clusters. Northern Ireland is managed as a separate region and cluster. The number and size of clusters varies across the regions due to differences in density of demand and geography. Each cluster is assigned a level of Patrol resource which is appropriate to these circumstances. In addition, RAC has relationships with approximately 150 third party contractors which supplement RAC's Patrol network during peak times or in remote locations.

RAC repairs approximately 80 per cent. of breakdown incidents at the roadside. For the remaining incidents, RAC provides repair and maintenance services across the country through a network of approximately 700 approved garages. RAC works with its Patrol Specialists to ensure that approved garages are located in the appropriate geographical areas to match demand, are trusted by the Patrol Specialists and deliver a high quality of service to Members in need of garage repair. Each approved garage must also be inspected by RAC annually. RAC also reviews its approved garage network regularly and works with the local Patrol management team to identify garages to fill any gaps in the network.

### *Feedback and customer care*

RAC Patrol Specialists request feedback from Members at the end of a breakdown incident. In particular, RAC tracks its Net Promoter Score by asking Members, “How likely would you be to recommend RAC to friends or relatives?” Responses are recorded on a score from zero to 10 (with 10 being most likely), and the Net Promoter Score is calculated as a percentage of “promoters” (being those who responded nine or 10) less the percentage of “detractors” (being those who responded eight or below). This feedback is collated by RAC to assess and improve the quality of RAC’s roadside assistance service.

In addition, RAC’s customer care team responds to complaints and enquiries regarding the breakdown experience. The team deals with Individual Members and Partner Members, and there are service level agreements in place with certain Corporate Partners providing for minimum levels of service delivery by RAC (such as average time to attend breakdowns).

### *European cover*

Roadside assistance cover in continental Europe is provided by RAC’s chosen partner, Opteven, which manages breakdown incidents until repatriation to the UK. RAC pays Opteven a fixed amount per policy, with adjustments based on actual usage.

### **Property**

RAC’s head office is located in Bescot, Walsall, with its other principal operational centres in Bradley Stoke, Bristol and Stretford, Manchester.

In addition to being RAC’s head office, the Bescot site is the headquarters of RAC’s roadside assistance division. RAC also provides mechanic and apprentice training to its staff and Corporate Partners at the Bescot site. At the Bradley Stoke site, RAC houses several of its other core divisions, including its customer-facing sales and service call centre, and middle- and back-office functions, including sales and marketing, legal and finance. In Stretford, RAC has a secondary overflow contact centre for roadside assistance.

### **Information Technology**

RAC invested £43 million in upgrading its IT systems in the period from 1 January 2014 to 31 December 2016. Its key systems are as follows:

- **Front office:** RAC is in the process of migrating its customer information and sales systems for both Individual Members and Corporate Partners. The new systems have been tailored to meet RAC’s requirements and are designed to manage all Member data. These systems provide the ability to effectively manage and administer RAC’s customer base and enable enhanced sales and marketing functionality that allows RAC to increase its multi-product penetration as well as providing a modern and open platform for customer marketing and management. The migration of Member data is expected to be completed by the end of 2017.
- **Middle office:** iCAD is RAC’s main Patrol management and dispatch application for non-commercial vehicles. The system is used worldwide by roadside assistance and public safety organisations, including emergency, military and civil defence organisations. The system has been tailored to meet RAC’s requirements and provides an automated call capture and dispatch service, which reduces manual dispatching processes and drives efficient use of Patrol and Specialist Recovery Vehicle resources.
- **Back office:** RAC’s back office system acts as the main data warehouse for RAC’s data from operational systems and makes it available for management purposes through a variety of data-marts and reporting applications. The system is built on a modern, open, scalable architecture and provides a single view of all operational data to allow effective decision-making.

RAC operates a number of internal and external data centres. The internal data centres are located in RAC’s offices in Bescot, Bradley Stoke and Stretford. RAC has a business continuity plan in place in relation to these data centres. The business continuity plan is tested twice a year for each centre by (i) verifying that systems and data are operational and accessible and (ii) a team of call centre personnel and treasury personnel working from a backup office handling real calls and processing transactions to test business operations. The external data centres are located in the UK and the Republic of Ireland.

In May 2017, RAC experienced a legacy systems failure, which affected its Siebel solution, which hosts customer information in regard to its SME business and some of its B2B business. The failure made the system unavailable for a

period, whilst hardware repairs were undertaken. The incident was caused by a failure in power supply and UPS to the IT room concerned. RAC mitigated the incident by agreed workaround procedures and no detriment was suffered to its customers. In addition, between January and May 2017, RAC experienced a number of inbound telephony outages (approximately 8 hours in total over the five months) following the implementation of new telephony and network capabilities. Work around procedures were implemented which minimised customer impact. In response to these outages, a series of improvements to both technology and process have been implemented.

### Employees and Pensions Obligations

RAC had 3,656, 3,531, 3,513 and 3,447 full time employees as at 31 March 2017 and 31 December 2016, 2015 and 2014, respectively. The following table provides a breakdown of RAC's full time employees.

|                           | As at 31 December |              |              | As at 31 March |
|---------------------------|-------------------|--------------|--------------|----------------|
|                           | 2014              | 2015         | 2016         | 2017           |
| Roadside .....            | 3,053             | 3,072        | 3,071        | 3,168          |
| Insurance and claims..... | 137               | 137          | 137          | 145            |
| Support.....              | 257               | 304          | 323          | 343            |
| <b>Total .....</b>        | <b>3,447</b>      | <b>3,513</b> | <b>3,531</b> | <b>3,656</b>   |

As at 31 March 2017, all of RAC's full-time employees were located in the UK with the exception of 12 employees in the roadside assistance service delivery business who are located in the Republic of Ireland. RAC employed 187 temporary employees, on average, in 2016.

As at 31 March 2017, approximately 53 per cent. of RAC's employees were members of Unite the Union, which is the only trade union recognised by RAC. General terms of employment are regulated by a recognition agreement. RAC has not had any industrial action among its Patrol Specialists or administrative and call centres in recent years and believes that it has a positive relationship with its work force.

RAC operates three defined contribution schemes ("GPP 1", "GPP 2" and "GPP 3"). GPP 1 and GPP 2 are closed to new members. GPP 3 is open to all existing and new employees. RAC also operates a small defined contribution scheme in respect of RACMS (Ireland) Limited, its Irish subsidiary.

In addition to the above, RAC runs unfunded retirement benefit schemes for its former senior managers. These are individual contractual arrangements which were included in senior manager employment contracts in order to compensate for an earnings cap imposed by the HMRC on the level of benefits that could be provided from an approved pension plan. These arrangements provide benefits on a defined benefit basis (generally final salary). RAC also currently operates the Auto Windscreens Pension Scheme in the UK, which is a defined benefit pension arrangement. However, the benefit liabilities of the Auto Windscreens Pension Scheme were secured in full under a bulk annuity policy with Pension Insurance Corporation in 2013. All members have received individual policies which were issued by Pension Insurance Corporation in 2016. RAC intends to wind up the Auto Windscreens Pension Scheme in the near future. RAC has no other defined benefits schemes.

### Health and Safety

RAC takes its health and safety obligations to its Members and its employees seriously and is proud of its positive record in this area. RAC manages health and safety issues through day-to-day controls, annual audits of each Patrol and best practice processes, including ongoing review of accident rates and production and review of risk maps. RAC relies on internal function to monitor health and safety performance, applying its own, more relevant, internal experience to assess risks as compared to the more generic approach typically adopted by external consultants. Nevertheless, RAC uses external audit services as appropriate and in a targeted manner. In particular, RAC has used external audit services for its ISO9001 and ISO14001 certification.

RAC works with other organisations that operate in similar environments (including the police, the Highways England and other roadside assistance companies) to monitor and improve health and safety issues. For example, RAC is a founding member of the Safe Use of Roadside Verges in Vehicular Emergencies Group (the "SURVIVE Group"), a public-private sector partnership that aims to improve the safety of those who provide service at the roadside and of members of the public who find themselves at risk by virtue of having been involved in incidents such as accidents and breakdowns. RAC chairs the SURVIVE Group's working group that is responsible for the UK national standard for safe working of vehicle breakdown

and recovery operations (known as PAS43). A certification to this standard is required contractually by many businesses that procure roadside assistance services, and RAC requires all of its contractors to have a current PAS43 certificate.

### **Insurance**

RAC has insurance coverage under various insurance policies for, among other things, property damage, technical and office equipment and stock and Patrol vehicles, as well as coverage for business interruption, terrorism and directors and officers. RAC does not have insurance coverage for all interruption of operations risks because, in its view, these risks cannot be insured or can only be insured at unreasonable terms. RAC also has insurance policies covering employer and public liability, as well as for errors and omissions that may occur when broking insurance (professional indemnity, which is required under the FCA regulatory regime).

RAC believes that the existing insurance coverage, including the amounts of coverage and the conditions, provides reasonable protection, taking into account the costs for the insurance coverage and the potential risks to business operations. However, there can be no assurance that losses will not be incurred or that claims will not be filed against RAC which go beyond the type and scope of the existing insurance coverage.

### **Regulatory Environment**

RAC operates two insurance intermediary companies in the United Kingdom, RACMS and RACFS, which are both authorised and regulated by the FCA. These intermediaries are currently subject to limited minimum capital requirements (the higher of £5,000 and 2.5 per cent. of annual income from the regulated activities of each intermediary). Both RACMS and RACFS have capital resources in excess of their minimum capital requirements.

RAC also has one authorised insurance underwriting company in the United Kingdom, RACIL. This entity had reserves of £15 million as at 31 March 2017.

RACMS carries on the roadside assistance business of RAC under an exemption for breakdown assistance providers from needing authorisation as regulated insurers provided certain conditions are met (see “*Regulatory Overview—Breakdown Insurance Exemption*”). For further details on the regulatory regime affecting RAC, see “*Regulatory Overview*”.

## REGULATORY OVERVIEW

RAC's insurance intermediation and insurance underwriting businesses in the UK are subject to authorisation and regulation by the Financial Conduct Authority (the "FCA") and the Prudential Regulation Authority (the "PRA"). The majority of RAC's regulated activity is insurance intermediation, which is carried on through RAC Motoring Services ("RACMS") and RAC Financial Services Limited ("RACFS"). RAC's relatively minor direct insurance underwriting business is performed by RAC Insurance Limited ("RACIL"). Although RAC's core business, roadside assistance, is a form of insurance, it is not regulated insurance business.

The FCA, which is the lead regulator for RAC, has classified it as a flexible portfolio firm, which means that while the FCA may examine RAC's business model, supervision will generally be carried out via sectoral analysis and thematic reviews. The PRA has assessed RACIL as a category 5 firm, the lowest prudential category, due to its limited premium income.

The following discussion considers the principal features of the UK financial services regulatory regimes for insurance mediation and insurance underwriting as applicable to RAC (but does not consider more general regulation which may be applicable to those businesses).

### General

Regulation of the financial services industry in the UK is primarily under the Financial Services and Markets Act 2000 (the "FSMA"). Since April 2013 the FSMA's framework has been enforced by the PRA and the FCA. The PRA is responsible for the prudential regulation of banks, insurers and some designated investment firms. The FCA is the prudential regulator for all other financial services firms and also regulates the conduct of all entities subject to the FSMA. Consequently, while the FCA is the sole regulator for insurance intermediaries, insurers are subject to regulation by both authorities.

An authorised firm must comply with the requirements of the FSMA as well as the rules made under it by the PRA and/or the FCA, as the case may be. There are a number of regulatory handbooks, but some important sources of the rules, and accompanying guidance, relevant to the insurance and insurance intermediary businesses undertaken by RAC include the FCA Prudential Sourcebook for Mortgage and Home Finance Firms and Insurance Intermediaries, the FCA Insurance Conduct of Business Sourcebook, the PRA Rulebook for Solvency II firms as well as the PRA's Fundamental Rules and FCA's Principles for Businesses.

### Breakdown Insurance Exemption

RAC's core roadside assistance activity is a form of insurance. However, under Article 12 of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001, providers of breakdown insurance are exempt from the requirement to be authorised as insurers under the FSMA provided, broadly, that they comply with the following requirements:

- (a) the provider does not otherwise carry on any insurance business;
- (b) the cover is exclusively or primarily for the provision of benefits in kind in the event of accident or breakdown of a vehicle; and
- (c) the policy provides that the assistance:
  - (i) takes the form of repairs to or removal of the relevant vehicle;
  - (ii) is not available outside the UK and the Republic of Ireland, except where it is provided without the payment of additional premium by a person in the country concerned with whom the provider has entered into a reciprocal agreement; and
  - (iii) is provided in the UK or Republic of Ireland, in most circumstances, by the provider's own work force under its direction rather than through an outsourcing arrangement.

RACMS, which is the entity responsible for the provision of RAC's roadside assistance business, is compliant with the above requirements, and therefore benefits from this exemption and is not required to be, nor is it, an authorised insurer for the purposes of the FSMA.

## **Insurance Intermediaries**

Insurance intermediaries are authorised and regulated by the FCA and must comply with certain prudential requirements relating to capital and liquidity, corporate governance and risk management and controls, among others and conduct requirements relating to the conduct of their insurance mediation activities. These requirements are set out in Schedule 6 to the FSMA and further supplemented by the FCA Handbook. Due to the nature of intermediation business, lower prudential requirements apply to intermediaries than those applicable to insurers. The FCA has the power to cancel or vary a firm's permission, or to withdraw a firm's authorisation to act as an insurance intermediary, under the same regime applicable to insurers discussed below.

RAC has two insurance intermediary companies, RACMS and RACFS, which are both authorised and regulated by the FCA. Both RACMS and RACFS are subject to relatively limited minimum capital requirements (the higher of £5,000 and 2.5 per cent. of annual income from the regulated activities). Both RACMS and RACFS have capital resources in excess of those minimum requirements.

## **Appointed Representatives**

Each of RACMS and RACFS has appointed a number of appointed representatives to carry on insurance mediation business. The effect of this appointment is that the representatives do not themselves need to be authorised under FSMA. Each of RACMS and RACFS is responsible for the acts and omissions of its appointed representatives in relation to the regulated activities it permits them to undertake and is required to monitor the activities of its appointed representatives to ensure that they comply with the applicable FCA rules.

## **Consumer Credit**

Each of RACMS and RACFS have, in addition to permission to carry on insurance mediation business, permission as credit brokers which enables them to provide intermediary services to customers in connection with consumer credit. The conduct of credit broking business is subject to the conduct rules in the CONC module of the FCA rules.

## **Insurers**

Subject to certain exemptions, no person may carry on insurance business in the UK unless authorised to do so by the PRA (acting with the consent of the FCA). The PRA and FCA, in deciding whether to grant permission, are required to determine whether the applicant satisfies the threshold conditions set out in Schedule 6 to the FSMA to be engaged in insurance business including whether the applicant has and will continue to have appropriate resources, and that it is and will continue to be a fit and proper person having regard to the objectives of the PRA and the FCA (including whether those who manage the applicant's affairs have adequate skills and experience and have acted with probity). A permission to carry on insurance business may also be subject to such additional requirements as the PRA (with consent to the FCA) considers appropriate.

In specific circumstances, the PRA and/or the FCA may vary or cancel an insurer's permission under the FSMA to carry on a particular class or classes of business or insurance business generally. Such circumstances include a failure to meet the threshold conditions, or where such action is desirable in order to protect the interests of consumers or potential consumers.

RAC's sole authorised insurance underwriting company, RACIL, is regulated by the PRA. It is subject to minimum capital requirements under the UK rules implementing Solvency II and has capital resources in excess of those minimum requirements. The Solvency II Directive (2009/138/EC) is the prudential framework for insurance companies across the EU. It is based on the concept of three pillars: (i) minimum capital requirements; (ii) supervisory review of firms' assessment of risk; and (iii) enhanced disclosure requirements. Solvency II covers valuations, the treatment of insurance groups, the definition of capital and the overall level of capital requirements. A key aspect of Solvency II is that the assessment of risks and capital requirements are aligned more closely with economic capital methodologies, and allows an insurer to make use of internal capital models, if approved by its regulator.

## **Supervision and Enforcement**

The PRA and FCA have extensive powers to supervise, investigate and intervene in the affairs of an authorised person under the FSMA. For example, they can require firms to provide information or documents or prepare a "skilled persons" report (a power which has recently increased in scope under the FSMA and is likely to be increasingly used). The PRA and FCA have the power to take a range of disciplinary enforcement actions, including public censure, imposition of fines, withdrawing authorisation and seeking restitution orders.

The nature and extent of the PRA's supervisory relationship with a firm depends on how much of a risk the PRA considers it could pose to its statutory objectives. The PRA assigns firms to one of five "impact categories", based on its overall assessment of a firm's systemic importance, its proximity to failure, the context in which the firm operates and a bespoke selection of activities which supervisors deploy as they judge necessary. The PRA has assessed RACIL as a category 5 firm, the lowest prudential category. The PRA's supervisory interventions focus on reducing the likelihood of a firm failing and on ensuring that if it does fail, it does so in an orderly manner. The PRA uses the Proactive Intervention Framework ("PIF") to support early identification of risks to a firm's viability (and enable appropriate supervisory actions to be taken to address such risks if necessary) on the basis of information collected in risk assessments. A firm's position within PIF is reviewed at least annually and the PRA sends an annual letter to the firm's board, setting out the key risks on which the PRA requires action. The PRA has no set intervention programmes but may draw on a variety of tools to respond to the risks identified, including intervening at management level and setting additional capital requirements.

The FCA's supervisory approach is built around three pillars. Pillar 1 is Proactive Firm Supervision (also known as the Firm Systematic Framework) which is designed to be a forward-looking assessment of a firm's conduct risk and answer the question "Are the interests of customers and market integrity at the heart of how the firm is run?". This involves business model and strategy analysis that aims to identify the conduct risks that may be inherent in a business model, proactive engagement through meetings with senior management and the reviewing of management information, and "deep dive" reviews into certain areas of the business. Pillar 2 is Event Driven Work where the FCA reacts to what is actually happening at the firm. Pillar 3 relates to Products and Issues, where the FCA carries out thematic reviews and market studies across a particular sector or sectors. In the recent years the FCA has been increasing the number of such reviews and studies, as well as broadening their scope.

Although RACIL is regulated by the PRA, in practice the lead regulator for RAC is the FCA given its responsibility for supervision of RAC's larger insurance intermediation business. The FCA has classified RAC as a flexible portfolio firm, which means that while it may examine RAC's business model, supervision will generally be carried out via sectoral analysis and thematic reviews. The FCA has also assessed RAC's underwriting function as a P3 insurer, which means that the FCA considers RAC's underwriting function to be "prudentially non-significant" and will place greater reliance on RAC's own assessment of its capital requirements.

## Approved Persons

The FSMA gives the FCA and the PRA powers and responsibilities over individuals carrying on certain roles within the UK financial services industry. These roles are described as "controlled functions" and the individuals performing them are described as "approved persons" (once they are approved by the relevant regulator). Approved persons are typically individuals. However, a body corporate can be an approved person, for example, if the body corporate is a director of an authorised firm.

The controlled functions which an approved person performs are functions which have been identified by the FCA and PRA as being key to the operations of the approved persons regime in accordance with the provisions of Part V of the FSMA. FCA controlled functions are divided between "significant influence functions" and "the customer dealing function". PRA controlled functions are Senior Insurance Management Functions ("**SIMFs**") and are considered below under "*Senior Insurance Managers Regime*". Significant influence functions include governance functions, required functions, systems and controls or any significant management function. They are typically relevant to a firm's directors, non-executive directors, chief executive officer, compliance officer, chief risk officer and heads of significant departments, among others. The customer dealing function covers persons dealing with an authorised firm's customers. However, it does not apply to general insurance business and therefore is not relevant to the authorised RAC entities. A person must have regulatory approval before they can perform any of these controlled functions.

All relevant persons in RACIL, RACMS and RACFS are approved persons. As such, they are subject to certain ongoing obligations for which they are personally accountable to the FCA or the PRA. They are expected to be fit and proper persons, they must satisfy standards of conduct that are appropriate to the role they perform and, in particular, they must comply with the Statements of Principle and Codes of Practice for Approved Persons ("**APER**") issued by the FCA and contained in the FCA Handbook (or for RACIL, the COCON module of the FCA Handbook). The scope of the Statements of Principle in APER now extends to conduct expected of approved persons not just in relation to the controlled functions that they perform, but also in relation to other functions they perform in connection with their firms' regulated activities. The FCA and PRA have wide-ranging powers under the FSMA to act against any person who fails to satisfy these standards of conduct or who ceases to be fit and proper, including withdrawal of their approved status, granting a prohibition order, disciplinary action and/or fines.

## Senior Insurance Managers Regime

In early 2016 the PRA and the FCA introduced an enhanced individual accountability framework applicable to directors and senior managers of insurance underwriters. This enhanced individual accountability framework is reflected in the PRA's new Senior Insurance Managers Regime ("**SIMR**") and the application of the FCA Code of Conduct for Staff sourcebook (COCON).

The SIMR effectively introduced a new regulatory framework that aims to ensure that all insurance firms have a clear and effective governance structure and to clarify and enhance the accountability and responsibility of individual senior managers and directors. Among other things, it covers: the assessment of the fitness and propriety of senior insurance managers and directors; the allocation of certain responsibilities to senior individuals; the introduction of governance maps, which insurers will need to compile and maintain; and the application of relevant conduct rules to senior individuals. Under SIMR, insurers are required to have one or more persons performing each of the following mandatory SIMFs: chief executive function, chief finance function and chairman function.

The SIMR also introduced regulation governing individuals who are deemed key function holders ("**KFHs**"), but are not SIMF holders. The term "key function holder" derives from Solvency II and is defined by the PRA as "*any person who is responsible for discharging a key function*". The term "key function" is also derived from Solvency II and includes the risk management, compliance, internal audit and actuarial functions. KFHS that are not performing a SIMF do not require regulatory pre-approval before taking up their posts.

## Senior Managers and Certification Regime

The Senior Managers and Certification Regime ("**SM&CR**") presently applies only to banks and PRA designated investment firms. But the FCA has announced that it will be extended to apply to all authorised firms, including insurers and insurance brokers. The FCA & PRA will consult on this in 2017; with final proposals expected to become effective from late 2018. This is likely to require work in preparing for a revised individual accountability framework, in addition to ongoing requirements for RACMS and RACFS.



## MANAGEMENT

### The Issuer

The Issuer was incorporated under the Companies Act 2006 and registered in England and Wales on 24 March 2016 as a limited company with number 10084638. The Issuer's registered office is at RAC House, Brockhurst Crescent, Walsall, West Midlands, WS5 4AW, United Kingdom and its telephone number is +44(0)1922 437000. The memorandum and articles of association of the Issuer may be inspected at the registered office of the Issuer.

The table below sets forth the name, age and current position of each member of the board of directors of the Issuer as at 4 July 2017. The business address for all members of the board of directors of the Issuer is RAC House, Brockhurst Crescent, Walsall, West Midlands, WS5 4AW, United Kingdom.

| Name                      | Age | Position |
|---------------------------|-----|----------|
| Mr. Richard Fairman       | 50  | Director |
| Mr. Vinit Nagarajan       | 33  | Director |
| Mr. Timothy Gallico       | 38  | Director |
| Mr. Daniel Jonathan Wynne | 46  | Director |

The following is a summary of the business experience of the current board of directors of the Issuer.

**Mr. Richard Fairman** is RAC's Chief Financial Officer. He joined RAC in 2011 at the time of Carlyle's acquisition of the business and has been promoted to CFO from his former role of Director of Group Finance in 2016. Mr. Fairman's previous experience includes CFP roles at Central Trust plc, a sub-prime mortgage broker/lender and Virgin Money Group, at the time a financial services intermediary business. Mr. Fairman is a chartered accountant. He qualified with Ernst & Young and subsequently worked at PricewaterhouseCooper as a Senior Manager.

**Mr. Vinit Nagarajan** has been a Non-Executive Director of RAC since September 2015. He is a Vice President in GIC's Direct Investments Group. He is a Director on the Board of Rothesay HoldCo UK and was an observer on the Board of Avolon. Prior to joining GIC, he worked in investment banking at Deutsche Bank.

**Mr. Timothy Gallico** has been a Non-Executive Director of RAC since April 2016. Mr. Gallico is a Managing Director of CVC Capital Partners, where he has worked since 2005 and has held director roles in CVC's investments at Formula One, Hozelock, Merlin Entertainments and Virgin Active. Prior to joining CVC, Mr. Gallico worked as a consultant for Bain & Company.

**Mr. Daniel Jonathan Wynne** has been a Non-Executive Director of the Issuer since April 2017. He is currently a Director of Wilmington Trust SP Services (London) Limited. Prior to joining Wilmington in 2012, he worked at BNY Mellon, Citibank and JP Morgan.

### Holdco

Holdco is a limited liability company incorporated under the Companies Act 2006 and registered in England and Wales on 22 September 2014 with number 09229824. Holdco's registered office is at RAC House, Brockhurst Crescent, Walsall, West Midlands, WS5 4AW, United Kingdom and its telephone number is +44(0)1922 437000. The memorandum and articles of association of Holdco may be inspected at the registered office of Holdco.

The Board of Directors of Holdco (the "**Board of Directors**") is responsible for principal operational decisions within RAC. The business address for all members of the Board of Directors is RAC House, Brockhurst Crescent, Walsall, West Midlands, WS5 4AW, United Kingdom.

The table below sets forth the name, age and current position of each member of the board of directors of Holdco as at 4 July 2017.

| Name                 | Age | Position                                   |
|----------------------|-----|--|
| Mr. Robert Templeman | 59  | Chairman                                   |
| Mr. David Hobday     | 48  | Executive Director/Chief Executive Officer |
| Mr. Richard Fairman  | 50  | Executive Director/Chief Financial Officer |
| Mr. Mark Wood        | 63  | Non-Executive Director                     |
| Mr. Henry Ormond     | 44  | Non-Executive Director                     |
| Mr. Vinit Nagarajan  | 33  | Non-Executive Director                     |
| Mr. Pev Hooper       | 43  | Non-Executive Director                     |
| Mr. Timothy Gallico  | 38  | Non-Executive Director                     |
| Mr. Marc Boughton    | 53  | Non-Executive Director                     |

The following is a summary of the business experience of the current Board of Directors, other than those directors listed above under “—*The Issuer*”.

**Mr. Robert Templeman** is Chairman of the Board of Directors. He joined RAC in September 2011 from Debenhams where he was Chief Executive Officer for eight years. His previous roles also include Chief Executive Officer and Chairman of Halfords, Chief Executive Officer of Homebase and Harveys Furnishing Group and Chairman of the British Retail Consortium. Mr. Templeman is also Chairman of the Gala Coral Group and has a number of charitable interests.

**Mr. David Hobday** is RAC’s Chief Executive Officer. He joined RAC in February 2017 from Worldpay UK, a payments company where he was Managing Director for 5 years. He has previously worked at BT, Telewest, HBOS and Procter & Gamble in areas covering operations, customer service, marketing, sales and technology.

**Mr. Mark Wood** is Chairman of the Board of Directors’ Audit, Risk & Compliance Committee. He joined RAC in September 2011 and was previously Managing Director for Financial Services at the AA. His prior roles also include Chief Executive Officer of AXA UK, Chief Executive Officer of Prudential UK and Europe and Chief Executive Officer of Paternoster Pension Investment Company. Mr. Wood also serves as Chief Executive Officer of Jardine Lloyd Thompson Benefit Solutions and Chairman of the Trustees of the National Society for the Prevention of Cruelty to Children.

**Mr. Henry Ormond** has been a Non-Executive Director since September 2014. He is a Senior Vice President in GIC’s Direct Investments Group. Prior to joining GIC in 2012, Mr. Ormond was a Managing Director at Leeds Equity Partners and a Principal at Quadrangle Group. Mr. Ormond was formerly a director of EduK, Protection One, Ntelos Holdings and Datanet Communications Group.

**Mr. Pev Hooper** has been a Non-Executive Director since April 2016. Mr. Hooper is a Partner at CVC Capital Partners, and currently sits on the boards of Domestic & General 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.

**Mr. Marc Boughton** has been a Non-Executive Director since April 2016. Mr. Boughton is a Managing Partner at CVC Capital Partners and Co-Head responsible for CVC’s Strategic Opportunities investment platform. Mr. Boughton is also a main board director of CVC. He joined CVC in 1995, set up and managed CVC’s Financing Team, and founded in 2006 CVC Credit Partners as an independent private credit business. Mr. Boughton has held director roles in CVC’s investments among others, Acordis, Armacell, Amatek, Building & Property, Flint, Trench, and Wavin. Prior to CVC, Mr. Boughton worked for Electra Partners and at Deloitte Haskins & Sells (now PricewaterhouseCoopers) where he qualified as a Chartered Accountant and specialised in corporate recovery and investigations.

### Senior Management Team

RAC’s current senior management, in addition to the members of the Board of Directors, who are Executive Directors listed above, is as follows:

| <b>Name</b>       | <b>Age</b> | <b>Position</b>                                     |
|-------------------|------------|---|
| Mr. David Wallace | 62         | Managing Director, Roadside Business                |
| Ms. Diane Cougill | 53         | Managing Director, Insurance and Financial Services |
| Mr. Phil Ryan     | 50         | Operations Director                                 |
| Mr. Nick Walker   | 61         | Managing Director, Connected Solutions              |
| Mr. Steve Kircher | 50         | Information Technology Director                     |
| Mrs. Rachel Blay  | 49         | Chief People Officer                                |

**Mr. David Wallace** joined RAC in 2015 from Epyx, a company specialising in creating technology solutions for the automotive sector, where he was the Sales & Business Development Director for three years. Prior to that he was the B2B Sales Director at the AA for 12 years.

**Ms. Diane Cougill** joined RAC as Chief Financial Officer in 2010 and took up the role of Managing Director, Insurance and Financial Services in September 2016. Prior to joining RAC, she held senior positions in Aviva's UK general insurance business for seven years, including Chief Risk Officer, Financial Control Director and Portfolio Director. Prior to this Ms. Cougill worked in the energy sector where she held senior finance positions for TXU Europe and Yorkshire Electricity Group. Ms. Cougill is a chartered accountant.

**Mr. Phil Ryan** joined RAC in 2004 and prior to becoming Operations Director has held roles as Director of Technical, Head of Roadside Operations, Head of Call Centres and Head of Service Development. Before joining RAC Mr. Ryan was Sales and Marketing Director for Kingston Communications.

**Mr. Nick Walker** joined RAC in 2015 from Masternaut where he headed the telematics business in Central Europe. He has 28 years of experience in growing and developing technology companies including telematics, telecoms and dot.com business in Europe and the United States.

**Mr. Steve Kircher** joined RAC in August 2016. His previous roles include IT Director of Debenhams and Head of IT at Homebase. He has also held various interim/freelance roles including Chief Information Officer at Supergroup and Director of a Data Management Consultancy—DOT Group. Prior to that he was a Senior Manager at Accenture and was also an IT professional at M&S.

**Mrs. Rachel Blay** joined RAC in 2006 as HR Business Partner and was promoted to the role of the Chief People Officer in 2011 soon after the Carlyle Acquisition. Mrs. Blay has been an HR professional for 25 years, she is a generalist with specialisms in employee and industrial relations, reward and change management. Prior to joining RAC Mrs. Blay worked as both a general manager and an HR professional in various sectors including financial services, manufacturing, distribution and construction.

RAC expects to make a small number of appointments to its core management team shortly after the Class B1 Issue Date to further reinforce its sales and marketing capabilities.

## **Corporate Governance**

RAC's performance is supervised by the following committees of the Board of Directors:

### ***Audit, Risk and Compliance Committee***

RAC's Audit, Risk and Compliance Committee has responsibility for the monitoring of the integrity of the financial statements of RAC and the involvement of the auditors in that process as well as reviewing RAC's internal control and risk management systems. It focuses in particular on compliance with accounting policies and ensuring that an effective system of internal financial control is maintained. This committee includes RAC's Chief Financial Officer, as well as all Non-Executive Directors, and is currently chaired by Mr. Wood. Members of RAC's senior management team attend the committee's meetings as needed.

### ***Remuneration Committee***

The Remuneration Committee is responsible for reviewing Group remuneration policy and overseeing any major changes in employee benefit structures throughout the Group. The Remuneration Committee is also responsible for approving individual remuneration packages for each executive director and the senior executives of the Group's subsidiaries, chief executive officer of the Group, the Chairman, the company secretary and other senior management of the Group. This committee includes RAC's Chief Executive Officer, as well as all Non-Executive Directors, and is currently chaired by Mr. Templeman.

### **Executive Compensation and Indemnity**

For the year ended 31 December 2016, the aggregate compensation paid to the members of the Board of Directors and senior managers (in each case, including cash compensation for salary, bonuses, pensions and other benefits) was £2.8 million (2015: £4.3 million; 2014: £2.5 million). In addition, certain indemnities have been granted to the members of the Board of Directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 1985.

### **Management Employment Contracts**

All members of RAC's senior management team have permanent employment contracts of indefinite terms, terminable on six to 12 months' notice by the employer and six to 12 months' notice by the relevant employee. The contracts include a standard commitment not to compete during their employment as well as a six or 12-month non-compete post-contractual restrictive covenant. There are further six or 12-month non-solicit post-contractual restrictive covenants in relation to employees and suppliers.

### **Share Ownership**

For information on the share ownership of RAC's directors and other members of senior management, please see "*Principal Shareholders*".

## PRINCIPAL SHAREHOLDERS

The Issuer is a direct wholly-owned subsidiary of Holdco.

The table below sets forth the shareholdings in RAC Group (Holdings) Limited (including ordinary and preferred shares), RAC's ultimate parent, as at 30 April 2017:

| Name  | Number of<br>Shares | Percentage of<br>existing share<br>capital |
|---|---------------------|--|
| CVC Funds .....                                       | 227,424,193         | 42.4 per cent.                             |
| Sphinx .....  | 199,536,313         | 37.2 per cent.                             |
| Funds controlled by USS .....                         | 43,503,276          | 8.1 per cent.                              |
| Funds controlled by Invest PSP .....                  | 53,170,671          | 9.9 per cent.                              |
| The Management and RAC's Employee Benefit Trust ..... | 12,144,491          | 2.4 per cent.                              |

CVC is a leading private equity and investment advisory firm. Founded in 1981, CVC today has a network of 23 offices and approximately 400 employees throughout Europe, Asia and the U.S. To date, CVC has secured commitments of over US\$107 billion from some of the world's leading institutional investors across private equity and credit strategies. In total, CVC currently manages over US\$65 billion of assets. Today, funds or vehicles managed or advised by CVC are invested in 50 companies worldwide, employing around 310,000 people in numerous countries. Together, these companies have combined annual sales of over US\$70 billion.

GIC is a leading global investment firm with well over \$100 billion in assets under management. Established in 1981, to secure the financial future of Singapore, the firm manages Singapore's foreign reserves. A disciplined long-term value investor, GIC is uniquely positioned for long-term and flexible investments across a wide range of asset classes, including real estate, private equity, equities and fixed income. Headquartered in Singapore, GIC employs over 1,200 people across 10 offices in key financial cities worldwide.

## **CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS**

From time to time, RAC may enter into transactions with related parties in the ordinary course of business. The following summarises all such agreements or transactions that are material, save as disclosed in the notes to the Financial Statements, included elsewhere in this Offering Memorandum.

### **Dividends and other Distributions to Shareholders**

In May 2016, Holdco paid dividends of £25 million to RAC Midco II Limited, its immediate parent company as part of the WBS, followed by further dividends of £20 million each in November and December 2016 (2015: £nil). The proceeds of the Offering will be used to make certain payments to RAC's shareholders as described in "*Use of Proceeds*". In addition, RAC also plans to make a further distribution to its shareholders in the amount of up to £19.5 million in the future, in accordance with the Class B1 IBLA and the Common Terms Agreement.

### **The Carlyle Group and GIC monitoring fees**

During the year ended 31 December 2016, the Holdco Group paid £250,000 (2015: £1 million) in respect of a monitoring fee to The Carlyle Group and GIC. Until 12 April 2016, The Carlyle Group owned 41 per cent. of RAC.

## DESCRIPTION OF CERTAIN FINANCING ARRANGEMENTS

The following summary of the material terms of certain financing arrangements to which RAC and certain of our subsidiaries are a party does not purport to be complete and is subject to, and qualified in its entirety by reference to, the underlying documents.

Capitalised terms that are not defined below are either defined within the respective actual agreements or the glossary included elsewhere in this Offering Memorandum. See “*Definitions and Glossary*”.

### **Initial Senior Term Facility Agreement**

#### ***General***

The Borrower and the Initial STF Arrangers, amongst others, entered into the Initial Senior Term Facility Agreement on 6 May 2016. A credit facility with a principal amount of £280,000,000 was made available to the Borrower by the Initial STF Lenders under the Initial Senior Term Facility Agreement comprises a senior term facility (the “**Initial Senior Term Facility**” or the “**Initial STF Facility**”) to fund the partial refinancing of the Existing Indebtedness, the payment of fees, costs, expenses, stamp, registration and other Taxes incurred in connection with that refinancing and for general corporate purposes.

#### ***Maturity***

The facility made available under the Initial Senior Term Facility Agreement will mature on the date falling five years after the date of the Initial Senior Term Facility Agreement (the “**Initial STF Final Maturity Date**”).

#### ***Margin***

The margin of the Initial Senior Term Facility is 2.75 per cent. per annum.

#### ***Interest rate***

Interest accrues on the Initial Senior Term Facility at an interest rate of LIBOR plus the Margin.

#### ***Interest periods***

The Borrower may select interest periods of three or six months for the Initial STF Loan. A shorter interest period may be selected if necessary to implement any hedging in relation to the Initial STF Facility which is entered into in accordance with the Hedging Policy. Where the Borrower provides notice to the Initial STF Agent that it reasonably believes that further Class A Notes and/or Class B Notes will be issued or primary syndication of the Initial Senior Term Facility will close within three months of that notice, it may, in addition, select periods of one or two months or such other period as the Borrower and the Initial STF Agent (acting on the instructions of all of the Initial STF Lenders) may agree.

#### ***Representations, warranties and covenants***

The Obligors make representations and warranties, covenants and undertakings to (among others) the Initial STF Arrangers, the Initial STF Lenders and the Initial STF Agent on the terms set out in the CTA. Under the Initial Senior Term Facility the Obligors also make representations and warranties to the Initial STF Arrangers, Initial STF Lenders and the Initial STF Agent in relation to the accuracy of information given to them.

#### ***Change of Control***

In the event of a change of control (defined as any person or group of persons acting in concert (other than any of the Sponsors) gaining direct or indirect control), the Obligors shall (and Holdco shall procure that each other member of the Holdco Group will) promptly comply with the “know your customer” requirements as set out in the Common Terms Agreement.

If, as a result of the change of control, an Initial STF Lender is not, in its opinion (acting reasonably and in good faith), able to remain as an Initial STF Lender because it would cause such Initial STF Lender to breach, not comply with or otherwise not be satisfied with any applicable “know your customer” or similar identification requirements or Sanctions requirements, such Initial STF Lender may, following a period of thirty days after the date on which the change of control occurred in which such Initial STF Lender used its best endeavours to satisfy the applicable requirements, notify the Initial STF Agent that it wishes to cancel its commitments and declare its participation immediately due and payable. Following such notification, the Initial STF Agent shall, by not less than 15 Business Days’ and not more than 20 Business Days’ notice to the Borrower, cancel the commitments of that Initial STF Lender and declare the participation of that Initial STF Lender in the outstanding Initial STF Loans together with accrued interest and all other amounts accrued under the Initial STF Finance Documents immediately due and payable, at which time the commitments of that Initial STF Lender will be cancelled and all such outstanding amounts will become immediately due and payable.

### ***Mandatory prepayment***

Unless a Qualifying Public Offering has occurred, each of:

- (a) the Financial Year ended 31 December 2018;
- (b) the Financial Year ending 31 December 2019; and
- (c) the Financial Year ending 31 December 2020,

will be a Bank Debt Sweep Period, and the Required Sweep Percentage in respect of (i) the Bank Debt Sweep Period referred to in paragraph (a) above shall be 25 per cent.; (ii) the Bank Debt Sweep Period referred to in paragraph (b) above shall be 50 per cent.; and (iii) the Bank Debt Sweep Period referred to in paragraph (c) above shall be 100 per cent. Unless a Qualifying Public Offering has occurred, the Borrower shall prepay the Initial STF Loan in an amount equal to the relevant amount of Excess Cashflow in respect of each such Bank Debt Sweep Period provided for in the STID.

### ***Default of interest***

Prior to the Initial STF Final Maturity Date, if the Borrower fails to pay any amount payable by it under an Initial STF Finance Document on its due date, interest shall accrue on the overdue amount from the due date up to the date of actual payment (both before and after judgment) at a rate which is 1 per cent. per annum higher than the rate which would have been payable if that amount had been a loan under the Initial Senior Term Facility.

With effect from the Initial STF Final Maturity Date, interest shall accrue on each unpaid sum at a fixed rate per annum of 4.695 per cent.

### ***Events of default***

The CTA Events of Default will apply in respect of the Initial Senior Term Facility (see the section “*Description of Certain Financing Agreement—Common Terms Agreement—CTA Events of Default*”).

The ability of the Initial STF Lenders to accelerate any sums owing to them under the Initial Senior Term Facility Agreement upon or following the occurrence of a CTA Event of Default is subject to the STID.

### ***Voluntary prepayments***

The Borrower may, by giving not fewer than three Business Days prior notice to the Initial STF Agent, prepay amounts outstanding under the Initial Senior Term Facility in a minimum amount of £2 million (or such lesser amount as may be outstanding or as may be agreed by the relevant Facility Agent (acting on the instructions of the Initial STF Lenders holding, in aggregate, commitments under the Initial Senior Term Facility of more than 66 and 2/3 of the total commitments under the Initial Senior Term Facility)).

### ***Governing Law***

The Initial Senior Term Facility Agreement and any non-contractual obligations arising out of or in connection with it will be governed by and construed in accordance with English law.



## **Initial Working Capital Facility**

### ***General***

The Borrower and the Initial WCF Arrangers, amongst others, entered into the Initial Working Capital Facility Agreement on 6 May 2016. A credit facility made available to the Borrower by the Initial WCF Lenders under the Initial Working Capital Facility Agreement comprises a revolving working capital facility of up to £50 million (the “**Initial WC Facility**” or the “**Initial Working Capital Facility**”) (capable of being reborrowed as contemplated by the Initial Working Capital Facility Agreement) to fund working capital purposes. Up to £20,000,000 of the Initial WC Facility may be provided by way of ancillary facilities. As at the Class B1 Issue Date, the Initial WC Facility was undrawn.

### ***Maturity***

The Initial WC Facility will mature on 6 May 2021 (the “**Initial WCF Final Maturity Date**”). The Initial WC Facility will be available from and including 6 May 2016 to and including the date falling one month before the Initial WCF Final Maturity Date.

### ***Margin***

The margin for the Initial WC Facility is 2.75 per cent per annum.

### ***Interest rate***

Interest accrues on the Initial WC Facility at an interest rate of LIBOR plus the Margin.

### ***Fees***

The Borrower shall pay a commitment fee computed at the rate of 40 per cent. of the margin per annum on the undrawn commitments in respect of the Initial WC Facility. The accrued commitment fee is payable quarterly in arrear and at certain other times.

### ***Interest periods***

The Borrower may select interest periods of one, three or six months. Where the Borrower provides notice to the Initial WCF Agent that it reasonably believes that further Class A Notes and/or Class B Notes will be issued or primary syndication of the Initial WC Facility will close within three months of that notice, it may, in addition, select periods of one or two months or such other periods as the Borrower and the Initial WCF Agent (acting on the instructions of all the Initial WCF Lenders) may agree.

### ***Representations, warranties and covenants***

The Obligors will make representations and warranties, covenants and undertakings to (among others) the Initial WCF Arrangers, the Initial WCF Lenders and the Initial WCF Agent on the terms set out in the CTA.

Under the Initial Working Capital Facility, the Obligors also make representations and warranties to Initial WCF Arrangers, Initial WCF Lenders and the Initial WCF Agent in relation to the accuracy of information granted to them.

### ***Conditions to drawing***

All utilisations of the Initial WC Facility are subject to:

- (a) the Repeated Representations being true in all material respects; and
- (b) there being no CTA Default is continuing or which would result from that utilisation; and
- (c) following a change of control, in respect of any Initial WCF Lender, completion of KYC, Sanctions and other requirements,

*provided* that the conditions in (a), (b) and (c) above shall not apply to any rollover loan unless a Loan Acceleration Notice has been served in accordance with the STID.

### ***Change of control***

In the event of a change of control (defined as any person or group of persons acting in concert (other than any of the Sponsors) gaining direct or indirect control), the Obligors shall (and Holdco shall procure that each other member of the Holdco Group will) promptly comply with the “know your customer” requirements as set out in the Common Terms Agreement.

If, as a result of the change of control, an Initial WCF Lender is not, in its opinion (acting reasonably and in good faith), able to remain as an Initial WCF Lender because it would cause such Initial WCF Lender to breach, not comply with or otherwise not be satisfied with any applicable “know your customer” or similar identification requirements or Sanctions requirements, such Initial WCF Lender may, following a period of thirty days after the date on which the change of control occurred in which such Initial WCF Lender used its best endeavours to satisfy the applicable requirements, notify the Initial WCF Agent that it wishes to cancel its commitments and declare its participation immediately due and payable. Following such notification, the Initial WCF Agent shall, by not less than 15 Business Days’ and not more than 20 Business Days’ notice to the Borrower, cancel the commitments of that Initial WCF Lender and declare the participation of that Initial WCF Lender in the outstanding Initial WCF Loans together with accrued interest and all other amounts accrued under the Initial WCF Finance Documents immediately due and payable, at which time the commitments of that Initial WCF Lender will be cancelled and all such outstanding amounts will become immediately due and payable.

### ***Events of default***

The CTA Events of Default under the CTA will apply under the Initial Working Capital Facility Agreement (see the section “*Description of Certain Financing Arrangements—Common Terms Agreement—CTA Events of Default*”).

The ability of the Initial WCF Lenders to accelerate any sums owing to them under the Initial Working Capital Facility Agreement upon or following the occurrence of a CTA Event of Default is subject to the STID.

### ***Voluntary prepayment***

The Borrower may, by giving not fewer than three Business Days prior notice to the Initial WCF Agent, prepay the whole or any part of any the Initial WC Facility Loan in a minimum amount of £2,000,000 (or such lesser amount as may be outstanding or as may be agreed by the Initial WCF Agent (acting on the instructions of the Initial WCF Lenders holding, in aggregate, commitments under the Initial WCF Facility or more than 66 and 2/3 of the total commitments under the Initial WC Facility)).

### ***Mandatory prepayment***

There will be mandatory prepayments of the Initial WC Facility in respect of Disposal Proceeds, Excess Cashflow and Equity Cure Amounts in accordance with the provisions of the CTA (see “*Description of Certain Financing Arrangements—Common Terms Agreement—Cash Management—Mandatory Prepayment Account*” and “*Description of Certain Financing Arrangements—Common Terms Agreement—Covenants*”) and the STID (see “*Description of Certain Financing Arrangements—Security Trust and Intercreditor Deed—Obligor Priorities of Payments—Part B Excess Cashflow*”).

Any amount of Excess Cashflow, Equity Cure Amount or Disposal Proceeds and any other amount that is required to be applied in permanent prepayment of the Initial WC Facility pursuant to the CTA or the STID shall be applied:

- (a) *first*, in prepayment of Initial WCF Loans on a *pro rata* basis (and cancellation of corresponding commitments under the Initial WC Facility);
- (b) *second*, in prepayment of the outstanding amounts due under any ancillary facility (and cancellation of corresponding commitments under that ancillary facility) on a *pro rata* basis (and cancellation of corresponding commitments under the Initial WC Facility); and
- (c) to the extent that the amount to be prepaid exceeds the Initial WCF Loans and outstanding amounts due under ancillary facilities at that time, the prepayment shall be effected by cancelling unutilised commitments under the Initial WC Facility by an amount equal to the amount to be prepaid.

### ***Clean down***

The Borrower will be required to ensure that the aggregate amount of:

- (a) all the Initial WCF Loans, any overdraft or cash loan element outstanding in respect of the ancillary facilities; and
- (b) any cash loans covered by a letter of credit or guarantee issued under an ancillary facility less any amount of Cash or Cash Equivalent Investments of the Holdco Group (other than any amount standing to the credit of a Designated Account) that is freely available to the Borrower for the purpose of discharging such indebtedness,

shall be reduced to zero for a period of not less than three successive Business Days in the period between 6 May 2016 and the financial year ending 31 December 2016 and in each subsequent financial year thereafter. Not fewer than three months shall elapse between the end of one such clean down period and the beginning of the next.

### ***Governing law***

The Initial Working Capital Facility Agreement and any non-contractual obligations arising out of or in connection with it will be governed by and construed in accordance with English law.

## **Initial Liquidity Facility Agreement**

### ***General***

On 6 May 2016, the Issuer and the Borrower entered into the Initial Liquidity Facility Agreement with, among others, the Initial Liquidity Facility Providers, the Initial Liquidity Facility Agent, the Cash Manager, the Issuer Security Trustee and the Obligor Security Trustee, pursuant to which the Initial Liquidity Facility Providers agreed to make the Liquidity Facility available to meet certain Liquidity Shortfalls.

The Liquidity Facility was renewed on 20 April 2017. As at the Class B1 Issue Date, the Liquidity Facility was undrawn.

Under the terms of the Initial Liquidity Facility Agreement, the Initial Liquidity Facility Providers will provide a 364-day commitment in an aggregate amount equal to £90 million to permit drawings to be made (i) by the Issuer to enable the Issuer to service scheduled instalments of payments of principal (if any amortising debt exists), interest and fees payable in respect of the Class A Notes (but not any final payment on any Final Maturity Date and any Additional Class A Note Amounts) and certain payments under the Issuer Hedging Agreements (excluding any termination payments and all other unscheduled amounts payable to any Issuer Hedge Counterparty) together with other senior expenses of the Issuer, in the event of there being insufficient cash flow received from the Borrower under the Class A IBLA and (ii) by the Borrower to enable it to service scheduled instalments of payments of principal (if any amortising debt exists), interest and fees payable in respect of the Initial Senior Term Facility, certain payments under the Borrower Hedging Agreements (excluding any termination payments and all other unscheduled amounts payable to any Borrower Hedge Counterparty) and any Class A Authorised Credit Facility (other than any final payment on any Final Maturity Date and any Class A IBLA and any principal outstanding under a Working Capital Facility) together with certain other senior expenses of the Borrower.

### ***Renewal***

The Initial Liquidity Facility Agreement provides that not more than 60 days or fewer than 30 days before the end of the term (as extended from time to time), the Issuer or the Borrower may request each Initial Liquidity Facility Provider to extend the term for a further 364 days. If not renewed or replaced by any Initial Liquidity Facility Provider, the Borrower and Issuer will have the right to term out on a standby basis for the remaining term of the Class A Notes in respect of each Initial Liquidity Facility Provider who does not renew or is not replaced. There will not be an obligation on the Initial Liquidity Facility Provider to extend the facility.

In the event that there are four consecutive annual renewals of the Liquidity Facility by a Liquidity Facility Provider, unless the Initial Liquidity Facility Provider has agreed to renew its commitment for a further period, there will be a Standby Drawing of the entire available commitment of the relevant Initial Liquidity Facility Provider.

### ***Redrawing***

The Initial Liquidity Facility Agreement provides that the amounts drawn by the Issuer and the Borrower (as applicable) and repaid to the Initial Liquidity Facility Providers may be redrawn.

### ***Ratings requirement***

Each Initial Liquidity Facility Provider must be a bank or financial institution having a credit rating of at least BBB– from S&P or such lower rating *provided* that such lower rating does not negatively affect the then current rating of the Class A Notes (the “**Requisite Rating**”).

### ***Interest***

Interest will accrue on any drawing made under the Liquidity Facility in respect of (i) any Liquidity Drawing, at a rate equal to LIBOR plus 2.25 per cent. per annum subject to a step up of 0.50 per cent. per annum every six months on drawn amounts, and (ii) any Standby Drawing, at a rate equal to LIBOR plus 2.25 per cent. per annum (*provided* that from the date falling five years after the date of the Liquidity Facility Agreement, the rate will be subject to a step up of 0.50 per cent. per annum every six months on drawn amounts). Step up amounts are subordinated and a failure to pay the step up amount will not amount to an event of default under the Initial Liquidity Facility Agreement unless and until the Issuer or the Borrower (as the case may be) has sufficient amounts available to it to pay the unpaid step-up amounts on any scheduled interest payment date and the Issuer/Borrower (as the case may be) does not make such payment.

### ***Governing law***

The Initial Liquidity Facility Agreement and any non-contractual obligations arising out of or in connection with it will be governed by and construed in accordance with English law.

### ***Borrower Hedging Agreements***

The Borrower may enter into various interest rate and currency swap transactions with the Borrower Hedge Counterparties in conformity with the Hedging Policy (see “*Description of Certain Financing Arrangements—Common Terms Agreement—Hedging Policy*”).

### ***Issuer Hedging Agreements***

The Issuer may enter into various interest rate and currency swap transactions with the Issuer Hedge Counterparties in conformity with the Hedging Policy (see “*Description of Certain Financing Arrangements—Common Terms Agreement—Hedging Policy*”). As at the date of this Offering Memorandum, the Issuer has not entered into any Issuer Hedging Agreements.

### ***Class A Notes***

#### ***General***

The Issuer has established a multicurrency programme for the issuance of Class A Notes (the “**Programme**”). Class A Notes issued under the Programme are constituted under a trust deed (the “**Class A Note Trust Deed**”) between the Issuer and Deutsche Trustee Company Limited, in its capacity as note trustee for the holders of the Class A Notes (the “**Class A Note Trustee**”). The terms and conditions of the Class A Notes issued under the Programme are set out in the Class A Note Trust Deed, as completed by the Final Terms applicable to each Sub-Class of Class A Notes.

The Issuer shall use the proceeds of each issue of Class A Notes under the Programme to fund advances to the Borrower under the relevant Class A IBLA. See “*Class A Issuer/Borrower Loan Agreements*”.

Class A Notes issued under the Programme will form a single class and be issued in tranches on each Issue Date. Each Sub-Class may comprise one or more tranches issued on different issue dates. The Class A Notes will rank *pari passu* without preference or priority in point of security amongst themselves.

#### ***Currencies***

Class A Notes may be issued in sterling and, subject to any applicable legal or regulatory restrictions, any other currency agreed between the Issuer and the relevant Dealer.

### ***Maturities***

Subject to any applicable law or regulation, the Class A Notes will have such maturities as may be agreed between the Issuer and the relevant Dealer, as set out in the relevant Final Terms or Drawdown Prospectus.

### ***Interest***

Class A Notes will be interest-bearing and interest will be calculated (unless otherwise specified in the relevant Final Terms or Drawdown Prospectus) on the Principal Amount Outstanding of such Class A Notes. Interest will accrue at a fixed or floating rate and will be payable in arrear, as specified in the relevant Final Terms or Drawdown Prospectus.

### ***Expected Maturity***

Unless previously redeemed or cancelled, each Sub-Class of Class A Notes will be redeemed on the Expected Maturity Date for such Sub-Class of Class A Notes. However, if a Sub-Class of Class A Notes is not redeemed on the Expected Maturity Date, no Class A Note Event of Default will occur and such Sub-Class of Class A Notes may thereafter accrue interest at a different rate as set out in the Final Terms applicable to such Class A Notes.

### ***Final Redemption***

If a Sub-Class of Class A Notes has not previously been redeemed in full, such Sub-Class shall be finally redeemed at its Principal Amount Outstanding plus accrued interest on the Final Maturity Date as specified in the applicable Final Terms or Drawdown Prospectus. If a Sub-Class of Class A Notes is not redeemed in full by their Final Maturity Date there will be Class A Note Event of Default.

### ***Optional Redemption***

The Issuer may (prior to the Expected Maturity Date) redeem any Sub-Class of Class A Notes in whole or in part. An optional redemption of any Class A Notes which accrue interest at a fixed rate will be subject to the payment of a make-whole to the relevant Class A Noteholders.

### ***Early Redemption on Prepayment of Class A IBLA***

If (i) the Borrower gives notice to the Issuer under a Class A IBLA that it intends to prepay all or part of any advance thereunder or (ii) the Borrower is required to prepay all or part of any advance thereunder, the Issuer shall redeem all of the relevant Sub-Class of Class A Notes or (where part only of such advance is being prepaid) the proportion of the relevant Sub-Class of Class A Notes that the proposed prepayment amount bears to the amount of the relevant advance, subject to the payment of a make-whole to the relevant Class A Noteholders in certain circumstances.

### ***Redemption for Taxation Reasons or Illegality***

If the Issuer satisfies the Class A Note Trustee of the existence of certain specified circumstances, including in relation to withholding tax or a change in law resulting in the issue of any Sub-Class of Class A Notes or the advance under the related Class A IBLA being unlawful, the relevant Sub-Class of Class A Notes may be redeemed by the Issuer.

### ***Taxation***

All payments in respect of Class A Notes will be made without withholding or deduction for, or on account of, any present or future Taxes unless and save to the extent that the withholding or deduction of such Taxes is required by law. In that event, the Issuer will not be obliged to pay additional amounts in respect of any such withholding or deduction.

### ***Issuer Security***

The obligations of the Issuer under the Class A Notes are secured pursuant to the Issuer Deed of Charge. The Issuer will grant first ranking security (the “**Issuer Security**”) in respect of substantially all the Issuer’s property, assets and undertakings, including (i) assignments by way of security of its rights under the Class A IBLAs and the other Transaction Documents to which it is a party (including the CTA and the STID), (ii) a fixed charge over certain specified bank accounts and over investments and (iii) a floating charge over all its assets to the extent not effectively charged or assigned by way of fixed security, in each case in favour of the Issuer Security Trustee to be held on trust for the benefit of the Issuer Secured

Creditors, including the Class A Noteholders. The proceeds of the enforcement of the Issuer Security will be used to discharge the Issuer's indebtedness under the Class A Notes in accordance with the Issuer Deed of Charge.

### ***Covenants***

The Class A Note Trust Deed will contain customary covenants for the type of issuance, which are subject to caveats and limitations, including covenants (a) to notify the Class A Note Trustee in the event of a Class A Note Event of Default, (b) in relation to the provision of audited financial statements, (c) to ensure that there is at all times an independent director of the Issuer not affiliated with the Holdco Group or the Sponsors, (d) not to engage in any activity which is not incidental to, or necessary in connection with the activities envisaged by the Transaction Documents and (e) not to incur any financial indebtedness unless permitted under the Transaction Documents.

### ***Class A Note Events of Default***

The Class A Conditions provide for customary events of default for the type of issuance, which are subject to grace periods, including (a) a failure to pay any interest or principal on any Sub-Class of the Class A Notes when due (subject to a five Business Day grace period), (b) a default is made by the Issuer in the performance or observance of any other obligation, condition, provision, representation or warranty binding upon or made by it under the Class A Notes or the Issuer Class A Transaction Documents and, if such default is capable of being remedied, such default continues for a period of 30 business days (subject to the Class A Note Trustee determining that such event is materially prejudicial to the Class A Noteholders), (c) an insolvency event occurs with respect to the Issuer or (d) it is, or will become, unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Class A Notes or the Issuer Class A Transaction Documents.

### ***Governing Law***

Class A Notes and any and all non-contractual or other obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

### ***Class A Notes issued to date***

On 6 May 2016, the Issuer issued the first tranche of two separate Sub-Classes of Class A Notes comprised of:

- (a) £300,000,000 aggregate principal amount of 4.65 per cent. Class A-1 Notes due 6 May 2046 (the “**Sub-Class A-1 Notes**”); and and
- (b) £600,000,000 aggregate principal amount of 4.870 per cent. Class A-2 Notes due 6 May 2046 (the “**Sub-Class A-2 Notes**”).

The Expected Maturity Date of the Sub-Class A-1 Notes is 6 May 2028 and the Expected Maturity Date of the Sub-Class A-2 Notes is 6 May 2026.

## **Class A Issuer/Borrower Loan Agreements**

### **Initial Class A IBLA**

#### ***General***

On or prior to 6 May 2016, the Issuer, the Borrower, the Issuer Security Trustee and the Obligor Security Trustee entered into an Initial Class A IBLA. The aggregate proceeds of the issuance of the Sub-Class A-1 Notes and the Sub-Class A-2 Notes were on-lent to the Borrower under such Initial Class A IBLA. Each Class A IBLA Advance under the Initial Class A IBLA corresponds to the principal amount of Sub-Class A-1 Notes and Sub-Class A-2 Notes such that the economic terms of each Class A IBLA Advance match the economic terms of the corresponding Sub-Class of Class A Notes. If any future issuances of Class A Notes are fungible with the Sub-Class A-1 Notes and Sub-Class A-2 Notes, the Issuer will make available further facilities in an aggregate amount equal to the proceeds of each such issuance under the terms of the Initial Class A IBLA. Otherwise, a new Class A IBLA will be entered into for each new issuance by the Issuer of a Sub-Class of Class A Notes and the subsequent Class A IBLA Advance to the Borrower, on substantially the same terms as the Initial Class A IBLA. The making of each Class A IBLA Advance will be subject to the satisfaction of the conditions precedent set out in the Class A IBLA.

### ***Matching of obligations***

As each Class A IBLA Advance is structured and tranching to match the tenor and interest rate of each Sub-Class of Class A Notes, the obligations of the Borrower in respect of the Class A IBLA Advances have characteristics that demonstrate capacity to produce funds to service any payments due and payable under each Sub-Class of the Class A Notes.

### ***Class A IBLA Advances***

All Class A IBLA Advances made or to be made by the Issuer under the Initial Class A IBLA are or will be in amounts and at rates of interest corresponding to amounts and rates for the corresponding Sub-Class of Class A Notes set out in the relevant Final Terms or Drawdown Prospectus (after taking into account any applicable Issuer Hedging Agreements and/or Treasury Transactions entered into by the Issuer) and will have interest periods which match the Class A Note Interest Periods for the corresponding Sub-Class of Class A Notes but will have interest payment dates one Business Day prior to each Class A Note Interest Payment Date on the related Sub-Class. Interest on each Class A IBLA Advance made under the Initial Class A IBLA will accrue from the date of such Class A IBLA Advance.

Unless otherwise repaid, prepaid or otherwise discharged earlier, the Borrower shall repay each Class A IBLA Advance on the Final Maturity Date applicable to such Class A IBLA Advance.

If a Class A IBLA Advance is not repaid in full on its Final Maturity Date, on any Loan Interest Payment Date occurring after such Final Maturity Date whilst such Class A IBLA Advance is outstanding, cash standing to the credit of the Excess Cashflow Account and/or the Defeasance Account, as applicable, will be applied by the Borrower to mandatorily prepay the relevant Class A IBLA Advance, on the terms and subject to the conditions set out in the applicable Obligor Priorities of Payment and the CTA.

### ***Prepayments***

The Borrower will be entitled to effect a voluntary prepayment of all or any part of any Class A IBLA Advance subject to the giving of the requisite period of notice and subject to the payment of an amount equal to the amount required by the Issuer to pay any Additional Class A Note Amounts payable by the Issuer on the redemption of the corresponding Sub-Class of Class A Notes together with any accrued but unpaid interest and Facility Fees thereon.

In addition, the Borrower may (and in certain cases will be required to) repay a Class A IBLA Advance if the Issuer has the right to redeem the corresponding Sub-Class of Class A Notes for taxation reasons or illegality pursuant to Class A Condition 7 (*Redemption, Purchase and Cancellation*). Such prepayment by the Borrower shall be in an amount equal to the Outstanding Principal Amount of such Class A IBLA Advance together with any accrued but unpaid interest and Facility Fees thereon, in each case to the date of such prepayment.

The Borrower may prepay each Class A IBLA Advance in an amount equal to the amount of any Disposal Proceeds required to be applied in prepayment of the Obligor Senior Secured Liabilities pursuant to paragraph (m) of the definition of Permitted Disposal to the extent such proceeds are applied in prepayment of the Class A IBLAs as provided for in “*Overview of the Common Documents—Common Terms Agreement—Cash Management—Disposal Proceeds and Insurance Proceeds*” above.

The Borrower may prepay each Class A IBLA Advance in an amount equal to any amount of Excess Cashflow required to be applied in repayment of the Class A IBLAs pursuant to the STID.

The Borrower may prepay each Class A IBLA Advance in an amount up to the amount of any Equity Cure Amount which may be applied in prepayment of the Class A IBLAs pursuant to the CTA.

Accordingly, it is possible that the Borrower may elect or may be required to prepay Initial Class A IBLA Advances in whole or in part prior to the Final Maturity Date of such Class A IBLA Advance. In the event of a prepayment, the Borrower may be required to pay additional amounts to the Issuer to enable the Issuer to redeem the relevant Class A Notes including any Additional Class A Note Amounts.

However, in the circumstances permitted by the CTA and the STID, the Borrower may elect to deposit moneys into the Defeasance Account instead of prepaying a Class A IBLA Advances.

### ***Borrower Indemnities***

The Borrower undertakes to indemnify each of the Issuer, the Issuer Security Trustee and/or, as the case may be, the Obligor Security Trustee against, any claim, loss, cost, expense or liability (other than, in respect of the Issuer Security Trustee and the Obligor Security Trustee, any Excluded Tax) it may sustain or incur as a result of, amongst other things, (i) the occurrence of any CTA Event of Default in respect of the Borrower; (ii) its funding or making arrangements to fund a Class A IBLA Advance requested by the Borrower; (iii) the Issuer making a drawing under the Liquidity Facility Agreement as a result of any shortfall in payments by the Borrower under the Class A IBLA; and/or (iv) any breach by the Borrower of its obligations under the Senior Finance Documents.

### ***Fees***

The Borrower agreed to pay to the Issuer the initial and ongoing facility fees set out in the Class A Initial Class A IBLA to meet the ongoing costs, losses and expenses of the Issuer in respect of amounts owed to, *inter alios*, the Class A Note Trustee, the Issuer Security Trustee (and any receiver appointed by the Issuer Security Trustee), the Class A Agents, the Issuer Cash Manager, the Issuer Account Bank, the Issuer Corporate Officer Provider, the Liquidity Facility Providers, the Rating Agency, the Issuer's legal advisers, accountants and auditors.

### ***Secured obligations***

The obligations of the Borrower under each Class A IBLA will be secured pursuant to the Obligor Security Agreement, and such obligations will be guaranteed by each other Obligor in favour of the Obligor Security Trustee, who will hold the benefit of such security and guarantees on trust for the Obligor Secured Creditors (including the Issuer) on the terms of the STID.

### ***CTA Event of Default***

The Issuer's obligations to repay principal and pay interest on the Class A Notes are intended to be met primarily from the payments of principal and interest received from the Borrower under the Class A IBLAs and payments received under any related Issuer Hedging Agreements. Failure of the Borrower to repay a Class A IBLA Advance under the Class A IBLA on the Final Maturity Date in respect of such Class A IBLA Advance (which corresponds to the Expected Maturity Date of the corresponding Sub-Class of Class A Notes) will be a CTA Event of Default, although it will not, of itself, constitute a Class A Note Event of Default. The Final Maturity Date under the Class A Notes corresponding to the relevant Class A IBLA Advance may fall a number of years after the Final Maturity Date of the corresponding Class A IBLA Advance. In the event that a Class A IBLA Advance is not repaid in full on the Final Maturity Date of such Class A IBLA Advance, such Class A IBLA Advance (and the corresponding Sub-Class of Class A Notes) will accrue interest at a different rate. If the Class A Notes are not redeemed in full by their Final Maturity Date, there will be a Class A Note Event of Default.

### ***Withholding/deductions***

The Borrower agrees to make all payments to the Issuer free and clear of any withholding on account of Tax unless it is required by law to do so – in such circumstances the Borrower will gross-up such payments.

### ***Tax gross-up***

In addition, under the terms of the Class A IBLA, the Obligors are required to pay additional amounts if a withholding or deduction for or on account of Tax is imposed on payments required to be made to the Issuer.

### ***Subsequent Class A IBLAs***

On or prior to any further Issue Date on which the Issuer issues Class A Notes, the proceeds of which are intended to be on-lent to the Borrower, which are not fungible with an existing Sub-Class of Class A Notes, then a new Class A IBLA will be entered into by the Issuer, the Borrower, the Issuer Security Trustee and the Obligor Security Trustee. Such new Class A IBLA will be entered into substantially on the same terms as set out above (each of these subsequent Class A IBLAs along with the Initial Class A IBLA will constitute the "Class A IBLAs" and each a "Class A IBLA").



### ***Governing law***

Each Class A IBLA and any non-contractual obligations arising out of or in connection with it will be governed by English law.

### **Class B Agency Agreement**

Pursuant to the Class B Agency Agreement entered into on 14 July 2017 between the Issuer, the Class B Principal Paying Agent, the Class B Transfer Agent, the Class B Registrar and the Class B Note Trustee, provision will be made for, amongst other things, payment of principal and interest in respect of the Class B1 Notes.

The Issuer may (with the prior approval of the Class B Note Trustee) revoke the appointment of the Class B Principal Paying Agent upon not less than 45 days' prior written notice to the Class B Principal Paying Agent. The appointment of the Class B Principal Paying Agent will terminate if the Class B Principal Paying Agent becomes incapable of performing its obligations upon appointment of a successor or immediately upon the occurrence of certain insolvency-related events. In addition, the Class B Principal Paying Agent may resign from its role under the Class B Agency Agreement upon not less than 90 days' prior written notice to the Issuer and the Class B Note Trustee. The termination of the appointment of the Class B Principal Paying Agent (whether by the Issuer or by resignation) shall not be effective unless upon the expiry of the relevant notice there is a successor in place.

The Class B Agency Agreement, and any non-contractual obligations arising out of or in connection with it, are governed by, and shall be construed in accordance with, English law.

### **Topco Payment Undertaking**

Pursuant to the Topco Payment Undertaking entered into on 14 July 2017, Topco will undertake to pay to the Obligor Security Trustee an amount equal to the aggregate of:

- (a) the then principal balance outstanding under each Class B Authorised Credit Facility, including the Class B1 IBLA;
- (b) any accrued but unpaid interest outstanding in respect of each Class B Authorised Credit Facility, including the Class B1 IBLA;
- (c) any Additional Amounts; and
- (d) all other amounts (including, without limitation, any premium and interest on overdue amounts) outstanding under that Class B Authorised Credit Facility and any "Finance Documents" referred to in it,

(such aggregate amount, the "**Class B Payment Amount**"), on the date on which the Obligor Security Trustee serves a Demand Notice on Topco following the occurrence of a Share Enforcement Event or a Class B Event of Default, *provided* that if a Share Enforcement Event relating to the failure to pay outstanding amounts under the Class B1 IBLA by the close of business on the Class B1 Loan Maturity Date or outstanding amounts under any other Class B Authorised Credit Facility at maturity occurs, then the obligation to make such payment will arise without any requirement for the service of a Demand Notice.

For these purposes:

**"Demand Notice"** means a notice from the Obligor Security Trustee (on instruction from the Topco Secured Creditors in accordance with the STID) to Topco demanding the payment of the aggregate Class B Payment Amounts to a specified account in accordance with and subject to the terms of the Topco Payment Undertaking.

Failure by Topco to pay the aggregate Class B Payment Amount will give the right to the Obligor Security Trustee (on instruction from the Topco Secured Creditors in accordance with the STID) to enforce the Topco Security, subject to the satisfaction of certain conditions set forth in the STID. The proceeds from the enforcement of the Topco Security must be applied in the most tax efficient manner at the relevant time, currently expected to be as a subscription of shares in Holdco and the Borrower who would then use the funds to prepay the Class B Authorised Credit Facilities. Topco is required to procure that the Borrower will then apply such amounts in payment and/or prepayment of amounts outstanding under the Class B Authorised Credit Facilities.

See "*Description of Certain Financing Arrangements—Topco—Enforcement of the Topco Security*" for a description of the conditions to enforcement and the voting regime.

The Obligor Security Trustee will apply all amounts received by it from the Borrower or, as the case may be, Topco, in accordance with the terms of the STID. Topco will agree not to exercise any right of set-off or counterclaim which it might have under the Topco Payment Undertaking.

Topco's obligations under the Topco Payment Undertaking will be limited recourse to the Topco Security (as defined below) and if there is no Topco Security remaining which is capable of being realised or otherwise converted into cash and all amounts available from the Topco Security have been applied to meet Topco's obligations thereunder, then Topco's obligations under the Topco Payment Undertaking will be deemed to be discharged in full.

The Topco Payment Undertaking is governed by English law.

### **Topco Security Agreement**

Under the Topco Security Agreement entered into between Topco and the Obligor Security Trustee, Topco will grant first-ranking fixed security by way of legal mortgage (to take effect in equity pending delivery of a Topco Enforcement Instruction over the entire issued share capital of Holdco and by way of a fixed charge and/or assignment in respect of any loans from Topco to any of its subsidiaries and by way of first fixed security over any amounts deposited in the Class B Defeasance Account from time to time (the "**Topco Fixed Security**")). In addition, Topco granted a first floating charge over the whole of its undertaking and all of its property and assets whatsoever and wheresoever situate, present and future, other than any property or assets effectively charged pursuant to the Topco Fixed Security (together with the Topco Fixed Security, the "**Topco Security**"). The Topco Security is continuing security for the payment discharge and performance of all of Topco's present and future obligations and liabilities (whether actual or contingent) to any Topco Secured Creditor, including holders of the Class B1 Notes, under the Topco Payment Undertaking and each other Topco Transaction Document.

The proceeds of enforcement are to be applied by the Obligor Security Trustee pursuant to the terms of the Topco Security Agreement in accordance with the terms of the STID and, in respect of amounts received by the Issuer pursuant to the STID, by the Issuer Security Trustee in accordance with the terms of the Issuer Deed of Charge save that all amounts (if any) standing to the credit of the Class B Defeasance Account shall be applied by the Obligor Security Trustee or any Receiver (as applicable) in or towards repayment of the relevant Class B Authorised Credit Facilities to which they relate in respect of which such amounts were credited in accordance with the relevant Class B Authorised Credit Facility.

The Topco Security Agreement is governed by English law.

### **Issuer Deed of Charge**

#### ***General***

On 6 May 2016, the Issuer entered into the Issuer Deed of Charge with the Issuer Security Trustee, the Class A Note Trustee for itself and on behalf of the Class A Noteholders, the Initial Liquidity Facility Providers, the Initial Liquidity Facility Agent, the Issuer Account Bank, the Class A Registrar, the Class A Principal Paying Agent, the Class A Agent Bank, the Issuer Corporate Officer Provider, the Class A Transfer Agent, the Class A Exchange Agent, any receiver and any other creditor of the Issuer which accedes to the Issuer Deed of Charge (together the "**Issuer Secured Creditors**").

#### ***Priority of payments upon acceleration***

Except in certain specified circumstances, the Issuer Cash Manager (or any substitute cash manager appointed by the Issuer Security Trustee to act on its behalf) shall (to the extent that such funds are available) apply all moneys received or recovered by the Issuer Security Trustee (or any Receiver appointed hereunder) following the service of a Note Acceleration Notice, other than amounts standing to the credit of the Issuer Liquidity Facility Standby Accounts (which are to be paid directly and only to the relevant Liquidity Facility Provider in accordance with the relevant Liquidity Facility Agreement), in accordance with the following Issuer priority of payments (the "**Issuer Post-Acceleration Priority of Payments**") including in each case any amount of or in respect of VAT payable thereon:

- (a) *first*, in or towards satisfaction, *pari passu* and *pro rata*, of all amounts due and payable in respect of:
  - (i) the fees and other remuneration and indemnity payments (if any) payable to the Issuer Security Trustee, Class A Note Trustee and any Class B Note Trustee and other appointees (if any), other than a Receiver appointed under paragraph (a)(ii) below, appointed by any of them under the Issuer Deed of Charge, the Class A Note Trust Deed and any Class B Note Trust Deed respectively and any costs, charges, liabilities and expenses (including interest on any of the foregoing) incurred by any of the Issuer Security Trustee, Class A Note Trustee and any Class B

Note Trustee under the Issuer Deed of Charge, the Class A Note Trust Deed and any Class B Note Trust Deed respectively and any other amounts payable (other than amounts payable under the Class A Notes or any Class B Notes to the Issuer Security Trustee, Class A Note Trustee and any Class B Note Trustee under the Issuer Deed of Charge, the Class A Note Trust Deed and any Class B Note Trust Deed respectively, together with interest thereon as provided for therein; and

- (ii) the fees and other remuneration and indemnity payments (if any) payable to the Receiver under any Issuer Transaction Document and any costs, charges, liabilities and expenses incurred by the Receiver under the Issuer Deed of Charge, together with interest accrued thereon as provided for therein;
- (b) *second*, in or towards satisfaction, *pari passu* and *pro rata*, of all amounts due and payable by the Issuer in respect of:
  - (i) the fees, other remuneration, indemnity payments, costs, charges and expenses of the Issuer Corporate Officer Provider incurred under the Issuer Corporate Officer Agreement;
  - (ii) the fees, other remuneration, indemnity payments, costs, charges, liabilities and expenses of the Agents incurred under the Agency Agreements;
  - (iii) the fees, other remuneration, indemnity payments, costs, charges and expenses of the Issuer Account Bank incurred under the Issuer Account Bank Agreement; and
  - (iv) the fees, other remuneration, indemnity payments, costs, charges, liabilities and expenses of the Issuer Cash Manager incurred under the Issuer Cash Management Agreement;
- (c) *third*, in or towards satisfaction of payment of all amounts of interest, principal, fees, other remuneration, indemnity payments, costs, charges and expenses of each Liquidity Facility Provider and the Liquidity Facility Agent due and payable by the Issuer to each such Liquidity Facility Provider and the Liquidity Facility Agent under the Liquidity Facility Agreement (other than any Subordinated Liquidity Amounts and any Subordinated Increased Costs Amounts payable by the Issuer to a Liquidity Facility Provider);
- (d) *fourth*, in or towards satisfaction, *pari passu* and *pro rata*, of all amounts of interest due and payable under the Class A Notes;
- (e) *fifth*, in or towards satisfaction, *pari passu* and *pro rata*, of:
  - (i) all amounts of principal and any Additional Class A Note Amounts due and payable under the Class A Notes; and
  - (ii) all termination payments (excluding Subordinated Hedge Amounts), any payments due as a result of “**Optional Early Termination**” or “**Mandatory Early Termination**” (as defined in the 2006 ISDA Definitions or any replacement thereof), principal exchange amounts, final payments on cross-currency swaps or other unscheduled sums due and payable to each Issuer Hedge Counterparty under any Issuer Hedging Agreement;
- (f) *sixth*, in or towards satisfaction, *pari passu* and *pro rata*, of all amounts of interest, principal and any Additional Class B Note Amounts due and payable under the Class B Notes, if any;
- (g) *seventh*, in or towards satisfaction, *pari passu* and *pro rata* of:
  - (i) all Subordinated Liquidity Amounts due and payable by the Issuer under the Liquidity Facility Agreement;
  - (ii) Subordinated Hedge Amounts due and payable under any Issuer Hedging Agreement; and
  - (iii) all Subordinated Increased Costs Amounts payable by the Issuer under any Liquidity Facility Agreement; and
- (h) *eighth*, after retaining the Issuer Profit Amount (with any UK corporation tax due and payable to HM Revenue & Customs in respect of the Issuer Profit Amount to be paid out of the Issuer Profit Amount), any remaining amount to the Borrower by way of rebate of the Facility Fees pursuant to the terms of the IBLAs or to any other party entitled thereto.

### Issuer Corporate Officer Agreement

Wilmington Trust SP Services (London) Limited, which was appointed on or prior to 6 May 2016 (in such capacity, the “**Issuer Corporate Officer Provider**”), as corporate officer provider to the Issuer pursuant to a corporate officer agreement (the “**Issuer Corporate Officer Agreement**”), is a limited liability company incorporated in England and Wales (acting through its office at Third Floor, 1 King’s Arms Yard, London, EC2R 7AF, UK) and provides an independent director to the Issuer subject to and in accordance with the Issuer Corporate Officer Agreement.

The Issuer Corporate Officer Agreement and any non-contractual obligations arising out of or in connection with it is governed by and construed in accordance with English law.

## **Issuer Cash Management Agreement**

### ***General***

The Issuer has appointed RAC Group Limited as the Issuer Cash Manager pursuant to the Issuer Cash Management Agreement entered into on 6 May 2016. Pursuant to the Issuer Cash Management Agreement, the Issuer Cash Manager will undertake certain cash administration functions on behalf of the Issuer.

### ***Cash management functions***

As part of its duties under the Issuer Cash Management Agreement, the Issuer Cash Manager will, *inter alia*, (a) operate the Issuer Accounts and effect payments to and from the Issuer Accounts in accordance with the provisions of the relevant Issuer Transaction Documents *provided* that such moneys are at the relevant time available to the Issuer, (b) invest funds not immediately required by the Issuer in Cash Equivalent Investments in accordance with the provisions of the Issuer Cash Management Agreement, and (c) make determinations and perform certain obligations on behalf of the Issuer as set out in, and in accordance with, the provisions of the Liquidity Facility Agreement including directing the Issuer to make drawings (or making drawings on behalf of the Issuer) under the Liquidity Facility Agreement.

### ***Liquidity facility***

Allowing sufficient time to deliver any relevant drawdown notice under the Liquidity Facility Agreement, the Issuer Cash Manager shall determine the amount of any anticipated Issuer Liquidity Shortfall on the relevant Class A Note Interest Payment Date after taking into account the balance standing to the credit of the Issuer Debt Service Reserve Account which will be available to the Issuer on the next Class A Note Interest Payment Date. Any amounts standing to the credit of the Issuer Debt Service Reserve Account (if any) will be applied to decrease the amount which would otherwise constitute an Issuer Liquidity Shortfall by applying such amount towards payment of items 1 to 6 (inclusive) of the Issuer Pre-Acceleration Priority of Payments (excluding any final payment on any Final Maturity Date and any termination payments and all other unscheduled amounts payable to any Issuer Hedge Counterparty and any Additional Class A Note Amounts). The Issuer, or the Issuer Cash Manager on its behalf, will issue a notice of drawing to the facility agent under the Liquidity Facility Agreement to cover any such liquidity shortfall.

### ***Pre-Acceleration Priority of Payments***

Prior to the delivery of a Note Acceleration Notice by a Note Trustee in accordance with Class A Condition 10(b) (*Delivery of Class A Note Acceleration Notice*); Condition 9 (*Class B Note Events of Default*) of the Class B1 Conditions, as applicable; or the relevant Class B Conditions, as the case may be, amounts standing to the credit of the Issuer Transaction Accounts (subject to certain exceptions), will be applied by the Issuer Cash Manager (on behalf of the Issuer) in accordance with the following Issuer priority of payments (the “**Issuer Pre-Acceleration Priority of Payments**”):

1. *First*, in or towards satisfaction, *pari passu* and *pro rata*, of the amounts due and payable by the Issuer in respect of the fees, other remuneration, indemnity payments, costs, charges, liabilities and expenses of the Issuer Security Trustee and each Note Trustee (including any Appointee) under any Issuer Transaction Document.
2. *Second*, in or towards satisfaction, *pari passu* and *pro rata*, of the amounts due and payable by the Issuer in respect of:
  - (a) the fees, other remuneration, indemnity payments, costs, charges and expenses of the Issuer Corporate Officer Provider incurred under the Issuer Corporate Officer Agreement;
  - (b) the fees, other remuneration, indemnity payments, costs, charges, liabilities and expenses of the Agents incurred under any Agency Agreement;
  - (c) the fees, other remuneration, indemnity payments, costs, charges and expenses of the Issuer Account Bank incurred under the Issuer Account Bank Agreement;
  - (d) the fees, other remuneration, indemnity payments, costs, charges and expenses of the Issuer Cash Manager incurred under the Issuer Cash Management Agreement; and
  - (e) the fees, other remuneration, costs, charges, liabilities and expenses of the Rating Agency.

3. *Third*, in or towards satisfaction, *pari passu* and *pro rata* of:
  - (a) the amounts due and payable by the Issuer to any third party creditors of the Issuer (other than those creditors otherwise specifically provided for in this priority of payments), or to become due and payable to any third party creditors of the Issuer (other than those creditors otherwise specifically provided for in this priority of payments) prior to the next Note Interest Payment Date, which amounts have been incurred without breach by the Issuer of the Issuer Transaction Documents to which it is a party (and for which payment has not been provided elsewhere in this priority of payments);
  - (b) the amounts due and payable by the Issuer in respect of the fees, other remuneration, indemnity payments, costs, charges and expenses of the stock exchange where the Notes are listed (or any other listing authority) and the listing agent;
  - (c) an amount equal to the Issuer Profit Amount (with any UK corporation tax in respect of the Issuer Profit Amount to be paid out of the Issuer Profit Amount); and
  - (d) the amounts due and payable in respect of tax for which the Issuer is liable under the laws of any jurisdiction (other than corporation tax due and payable to HM Revenue & Customs in respect of the Issuer Profit Amount, which shall be met out of the Issuer Profit Amount).
4. *Fourth*, in or towards the satisfaction, *pari passu* and *pro rata*, of the amounts due and payable by the Issuer in respect of all amounts of interest, principal, fees, other remuneration, indemnity payments, costs, charges and expenses of each Liquidity Facility Provider and the Liquidity Facility Agent due and payable by the Issuer to each such Liquidity Facility Provider and the Liquidity Facility Agent under any Liquidity Facility Agreement (other than any Subordinated Liquidity Amounts or Subordinated Increased Costs Amounts payable by the Issuer to the Liquidity Facility Provider).
5. *Fifth*, in or towards satisfaction, *pari passu* and *pro rata*, of:
  - (a) all amounts of interest due and payable under the Class A Notes; and
  - (b) all scheduled amounts (other than principal exchange amounts, termination payments and final exchange payments on cross-currency swaps) due and payable to each Issuer Hedge Counterparty under any Issuer Hedging Agreement.
6. *Sixth*, in or towards satisfaction, *pari passu* and *pro rata*, of:
  - (a) all termination payments (excluding Subordinated Hedge Amounts), any payments due as a result of “Optional Early Termination” or “Mandatory Early Termination” (as defined in the 2006 ISDA Definitions or any replacement thereof), principal exchange amounts, final payments on cross-currency swaps, or other unscheduled sums due and payable to each Issuer Hedge Counterparty under any Issuer Hedging Agreement; and
  - (b) all scheduled amounts of principal under the Class A Notes and all Additional Class A Note Amounts.
7. *Seventh*, in or towards satisfaction, *pari passu* and *pro rata*, of all amounts of interest due and payable under any Class B Notes.
8. *Eighth*, in or towards satisfaction, *pari passu* and *pro rata*, of all amounts of principal and all other amounts due and payable under any Class B Notes.
9. *Ninth*, to the extent received from the Borrower under the Obligor Pre-Acceleration Priority of Payments, in or towards satisfaction, *pari passu* and *pro rata*, of:
  - (i) all Subordinated Liquidity Amounts and Subordinated Increased Costs Amounts due and payable by the Issuer under the Liquidity Facility Agreement; and
  - (ii) all Subordinated Hedge Amounts payable to the Issuer Hedge Counterparties under any Issuer Hedging Agreement.
10. *Tenth*, any remaining amount to the Borrower by way of rebate of the ongoing Facility Fees under the terms of the IBLAs.

### ***Mandatory Termination***

The Issuer may terminate the appointment of the Issuer Cash Manager (a) at any time with at least 30 days’ prior written notice and the consent of the Issuer Security Trustee, (b) if default is made by the Issuer Cash Manager in the performance or observance of any of its material covenants and material obligations under the Issuer Cash Management Agreement subject

to the applicable grace period, (c) if any Insolvency Event occurs in relation to the Issuer Cash Manager and (d) if an Issuer Security Enforcement Notice is given and the Issuer Security Trustee is of the opinion that the continuation of the appointment of the Issuer Cash Manager is materially prejudicial to the interests of the Issuer Secured Creditors.

Subject to certain conditions (including that a suitable successor Issuer Cash Manager has been appointed), the Issuer Cash Manager is entitled to resign upon giving 30 days' prior written notice of termination to the Issuer and the Issuer Security Trustee.

### **Issuer Account Bank Agreement**

Pursuant to the Issuer Account Bank Agreement entered into on 6 May 2016 between the Issuer, the Issuer Security Trustee, the Issuer Cash Manager and the Issuer Account Bank, the Issuer Account Bank will maintain the Issuer Transaction Account, Issuer Liquidity Facility Standby Account and the Issuer Debt Service Reserve Account opened with the Issuer Account Bank pursuant to the standard terms and conditions of the Issuer Account Bank (together, the “**Issuer Accounts**”), all such accounts in the name of the Issuer, but subject to the control of the Issuer Security Trustee.

If the Issuer Account Bank ceases to be an Acceptable Bank then the Issuer will be required to arrange for the transfer of such accounts to an Acceptable Bank on terms acceptable to the Issuer Security Trustee.

The Issuer Account Bank Agreement and any non-contractual obligations arising out of or in connection with it will be governed by and construed in accordance with English law.

### **Borrower Account Bank Agreement**

Pursuant to the Borrower Account Bank Agreement entered into on 6 May 2016 between the Borrower, the Obligor Security Trustee, the Cash Manager and the Borrower Account Bank, the Borrower Account Bank will maintain the Designated Accounts, all such accounts (other than the Maintenance Capex Reserve Account, which may be in the name of any Obligor) in the name of the Borrower, but subject to the control of the Obligor Security Trustee following the delivery of a Loan Enforcement Notice.

If the Borrower Account Bank ceases to be an Acceptable Bank then the Borrower will be required to arrange for the transfer of such accounts to an Acceptable Bank on terms acceptable to the Obligor Security Trustee.

The Borrower Account Bank Agreement and any non-contractual obligations arising out of or in connection with it will be governed by English law.

### **Security Trust and Intercreditor Deed**

#### ***General***

The intercreditor arrangements in respect of the Holdco Group, the Obligor Secured Creditors (including the Issuer), Topco and the Topco Secured Creditors (if any) (the “**Intercreditor Arrangements**”) are contained in the STID. The Intercreditor Arrangements bind each of the Obligor Secured Creditors (including the Issuer), each of the Obligors, Topco and the Topco Secured Creditors (if any).

The Obligor Secured Creditors will include all providers of Obligor Secured Liabilities that enter into or accede to the STID. Any new Authorised Credit Provider will be required to accede to the STID, the Master Definitions Agreement and, in the case of a Class A Authorised Credit Provider, the CTA. The STID also contains provisions regulating the rights of Subordinated Intragroup Creditors and Subordinated Investors.

The purpose of the Intercreditor Arrangements is to regulate, among other things (a) the claims of the Obligor Secured Creditors against the Obligors; (b) the exercise of rights by the Obligor Secured Creditors, including in relation to any enforcement and acceleration of the Obligor Secured Liabilities and the Obligor Security; (c) the rights of the Obligor Secured Creditors to instruct the Obligor Security Trustee; (d) the exercise and enforcement of rights by the Topco Secured Creditors in relation to the Topco Security; (e) the Entrenched Rights and the Reserved Matters of the Obligor Secured Creditors; and (f) the giving of consents and waivers and the making of modifications to the Common Documents, the Senior Finance Documents, the Junior Finance Documents, and the Topco Transaction Documents.

The Intercreditor Arrangements also provide for the ranking in point of payment of the claims of the Obligor Secured Creditors, both before and after the delivery of a Loan Acceleration Notice and for the subordination of all claims of Subordinated Intragroup Creditors and Subordinated Investors to the claims of the Obligor Secured Creditors in respect of the Obligor Secured Liabilities. Each Obligor Secured Creditor, each Obligor, each Subordinated Intragroup Creditor and each Subordinated Investor give certain undertakings in the STID, which serve to maintain the integrity of these arrangements. The STID also provides for the application of proceeds of the enforcement of the Topco Security. For further information on the ranking in point of payment of the claims of the Issuer Secured Creditors see the section “*Description of Certain Financing Arrangements—Issuer Cash Management Agreement*” and “*Description of Certain Financing Arrangements—Issuer Deed of Charge*”.

### ***Guarantee***

Pursuant to the terms of the STID, each Obligor irrevocably and unconditionally:

- (a) guarantees to the Obligor Security Trustee (for itself and on behalf of the other Obligor Secured Creditors) the punctual performance and observation by each other Obligor of the Obligor Secured Liabilities;
- (b) undertakes with the Obligor Security Trustee (for itself and on behalf of the other Obligor Secured Creditors) that whenever an Obligor does not pay any Obligor Secured Liabilities when due under or in connection with any Common Document or Finance Document, the Obligor shall immediately on demand by the Obligor Security Trustee pay that amount as if it was the principal obligor; and
- (c) agrees with the Obligor Security Trustee (for itself and on behalf of the other Obligor Secured Creditors) that if any obligation guaranteed by it is or becomes unenforceable, invalid or illegal, it will, as an independent and primary obligation, indemnify the Obligor Secured Creditors immediately on demand against any cost, loss or liability it incurs as a result of an Obligor not paying any amount which would, but for such unenforceability, invalidity or illegality, have been payable by it under any Common Document or Finance Document on the date when it would have been due. The amount payable by the Obligor under this indemnity will not exceed the amount it would have had to pay under the guarantee if the amount claimed had been recoverable on the basis of a guarantee.

If the shares in an Obligor are disposed of pursuant to a Permitted Disposal which is not otherwise restricted by the Finance Documents or pursuant to a Distressed Disposal or otherwise in accordance with the STID, the Obligor Security Trustee is authorised to release the guarantee granted by that Obligor being sold.

### ***Modifications, Consents and Waivers—Common Documents***

In relation to the Common Documents, the STID contains detailed provisions setting out the voting and instruction mechanics in respect of (a) Ordinary Voting Matters; (b) Extraordinary Voting Matters; and (c) Entrenched Rights and Reserved Matters (as further described below in “*Types of Voting Categories—Common Documents*”). Subject to Entrenched Rights and Reserved Matters (which will always require the consent of the relevant Obligor Secured Creditors who are affected by the proposed modification or request for consent or waiver, as applicable) and Extraordinary Voting Matters and, save as described below in “*Discretion Matters*” and “*Class B STID Proposal*”, the Obligor Security Trustee will only agree to any modification of, or grant any consent or waiver under any Common Document with the consent of or if so instructed by the relevant majority of Participating Qualifying Obligor Secured Creditors *provided* that the relevant Quorum Requirement has been met.

The Holdco Group Agent is entitled to provide the Obligor Security Trustee with written notice requesting any modification, consent or waiver it requires under or in respect of any Common Document (a “**STID Proposal**”). The notice will certify whether such STID Proposal is a Discretion Matter, an Ordinary Voting Matter, or an Extraordinary Voting Matter or whether it gives rise to an Entrenched Right (as further described in “*Types of Voting Categories—Common Documents*” below) and stating the Decision Period (as further described in “*Decision Periods*” below). If the STID Proposal is in relation to a Discretion Matter, the Holdco Group Agent must also provide a certificate setting out the basis on which the Holdco Group Agent believes the Obligor Security Trustee would be entitled to concur in making the proposed modification, giving the proposed consent or granting the proposed waiver and shall attach all such evidence in support of such belief that the Holdco Group Agent considers to be reasonably necessary and if the STID Proposal gives rise to an Entrenched Right, such STID Proposal shall contain information as to the Obligor Secured Creditors and/or the Issuer Secured Creditors who are affected by such Entrenched Right. The Obligor Security Trustee will, within five Business Days of receipt of a STID Proposal, send a request (the “**STID Voting Request**”) in respect of any Ordinary Voting Matter, Extraordinary Voting Matter or Entrenched Right to the Secured Creditor Representative of each Obligor Secured Creditor and to each of the Secured Creditor Representatives of the Issuer (on behalf of the Issuer Secured Creditors). If the STID Proposal gives rise to

an Entrenched Right, the STID Voting Request will contain a request that each relevant Affected Obligor Secured Creditor (including where the Issuer is an Affected Obligor Secured Creditor, each Issuer Secured Creditor who is affected), in each case, through its Secured Creditor Representative(s) confirm on or before the last day of the Decision Period whether or not it wishes to consent to the relevant STID Proposals that would affect the Entrenched Right.

The Qualifying Obligor Secured Creditors (acting through their Secured Creditor Representatives) representing at least 10 per cent. of the Outstanding Principal Amount of the Qualifying Obligor Secured Liabilities are able to challenge the Holdco Group Agent's determination of the voting category of a STID Proposal relating to an Ordinary Voting Matter and/or an Extraordinary Voting Matter. In addition, either:

- (i) any Obligor Secured Creditor (other than the Issuer) acting through its Secured Creditor Representative, if any; or
- (ii) the Issuer (acting through its Secured Creditor Representative) representing at least 10 per cent. of the Outstanding Principal Amount of the relevant class of Notes,

is able to challenge the Holdco Group Agent's determination as to whether there is an Entrenched Right. Such dissenting creditors must provide supporting evidence or substantiation to the Obligor Security Trustee for their disagreement with such determination. Challenging creditors that comply with the foregoing requirements (the "**Dissenting Creditors**") may instruct the Obligor Security Trustee to notify the Holdco Group Agent in writing within five Business Days of receipt of the relevant STID Proposal that they disagree with the Holdco Group Agent's determination and specifying, as applicable, the voting category they propose should apply or whose Entrenched Right is affected along with the required supporting evidence. The Holdco Group Agent and the relevant Qualifying Obligor Secured Creditors and/or relevant Obligor Secured Creditors will agree the voting category or whether there is an Entrenched Right within five Business Days from receipt by the Holdco Group Agent of the relevant notice from the Obligor Security Trustee. If they are unable to agree within this time, or if no agreement can be reached, then an appropriate expert will make a decision as to the voting category or whether there is an Entrenched Right, whose decision will be final and binding on each of the parties.

### ***Types of Voting Categories—Common Documents***

#### ***Ordinary Voting Matters***

Ordinary Voting Matters include all matters which are not designated as Extraordinary Voting Matters or Discretion Matters (see "*Extraordinary Voting Matters*" and "*Discretion Matters*" below). If the Quorum Requirement is met (see "*Quorum Requirements*" below), a resolution in respect of an Ordinary Voting Matter may be passed by a simple majority of the Voted Qualifying Obligor Secured Liabilities in accordance with the section entitled "*Qualifying Obligor Secured Liabilities*" below.

#### ***Extraordinary Voting Matters***

The STID also prescribes the treatment of Extraordinary Voting Matters. If the Quorum Requirement for an Extraordinary Voting Matter is met (see "*Quorum Requirements*" below), the majority required to pass a resolution in respect of an Extraordinary Voting Matter will be at least 66.67 per cent. of the Voted Qualifying Obligor Secured Liabilities in accordance with the section entitled "*Qualifying Obligor Secured Liabilities*" below.

#### ***Entrenched Rights***

Entrenched Rights are rights that cannot be modified or waived in accordance with the STID without the consent of the Affected Obligor Secured Creditor(s). When the Affected Obligor Secured Creditor is the Issuer, consent must be obtained from:

- (a) the holders of each Class or Sub—Class of Class A Notes then outstanding affected by the Entrenched Right by way of a Class A Extraordinary Resolution in accordance with the Class A Note Trust Deed;
- (b) the holders of each Class or Sub—Class of Class B Notes then outstanding affected by the Entrenched Right by way of a Class B Extraordinary Resolution in accordance with the Class B Note Trust Deed;
- (c) each Issuer Hedge Counterparty under an Issuer Hedging Agreement that is affected by the Entrenched Right; and/or
- (d) each other Issuer Secured Creditor that is affected by the Entrenched Right.



### *Reserved Matters*

Reserved Matters (“**Reserved Matters**”) are matters which, subject to the STID and the CTA, an Obligor Secured Creditor is free to exercise in accordance with its own debt instrument including:

- (a) to receive any sums owing to it for its own account in respect of premia, fees, costs, charges, liabilities, damages, proceedings, claims and demands in relation to any Finance Document to which it is a party as permitted pursuant to the terms of the CTA and the Finance Documents;
- (b) to make determinations of and require the making of payments due and payable to it under the provisions of the Authorised Credit Facilities to which it is a party as permitted by the terms of the CTA, the STID and the Finance Documents to the extent that the provisions of such Finance Documents are consistent with the relevant provisions of the STID;
- (c) to exercise the rights vested in it or permitted to be exercised by it under and pursuant to the terms of the CTA, the STID and the other Finance Documents to the extent that the provisions of such Finance Documents are consistent with the relevant provisions of the STID;
- (d) to receive notices, certificates, communications or other documents or information under the Finance Documents or otherwise, to direct that such notices, certificates, communications or other documents or information shall be provided (or shall not be provided) to it or, where applicable, to determine the form and content of any notice, certificate or communication;
- (e) to assign its rights or transfer any of its rights and obligations under any PP Note(s) or any other Authorised Credit Facility to which it is a party subject to certain provisions of the STID; and
- (f) in the case of each Hedge Counterparty, (i) to terminate the relevant Hedging Agreement or any transaction thereunder *provided* such termination is a Permitted Hedge Termination or, as may be agreed with Borrower or the Issuer (as applicable), terminate the relevant Hedging Agreement or any transaction thereunder in whole or in part and amend the terms of the Hedging Agreement to reflect such whole or partial termination or (ii) to exercise rights permitted to be exercised by it under a Hedging Agreement.

### *Discretion Matters*

The Obligor Security Trustee may (but is not obliged to) make modifications to the Common Documents without the consent of any other Obligor Secured Creditor where such modifications, consents or waivers:

- (a) in the opinion of the Obligor Security Trustee, are:
  - (i) to correct manifest errors or an error in respect of which an English court could reasonably be expected to make a rectification order; or
  - (ii) of a formal, minor, administrative or technical nature; or
- (b) would not, in the opinion of the Obligor Security Trustee, materially prejudice the interests of any of the Qualifying Obligor Secured Creditors (where “**materially prejudicial**” means that such modification, consent or waiver would have a material adverse effect on the ability of the Obligors to pay any amounts of principal or interest or any other amounts in respect of the Qualifying Obligor Secured Liabilities owed to the relevant Qualifying Obligor Secured Creditors on the relevant due date for payment thereof).

### *Quorum Requirements*

Pursuant to the terms of the STID, the “**Quorum Requirement**” is, in respect of an Ordinary Voting Matter or an Extraordinary Voting Matter, one or more Participating Qualifying Obligor Secured Creditors representing in aggregate at least 20 per cent. of the entire Outstanding Principal Amount of all Qualifying Obligor Secured Liabilities *provided* that if the Quorum Requirement has not been met within the Decision Period (as described further in “Decision Periods” below), the Quorum Requirement shall be reduced to one or more Participating Qualifying Obligor Secured Creditors representing, in aggregate, 10 per cent. of the aggregate Outstanding Principal Amount of all Qualifying Obligor Secured Liabilities and the Decision Period will be extended for a period of a further ten Business Days from the expiry of the initial Decision Period and the Holdco Group Agent shall promptly notify the Obligor Security Trustee and the Secured Creditor Representatives of each Obligor Secured Creditor of such reduction and extension.

### *Decision Periods*

The STID includes provisions specifying the relevant decision periods within which votes must be cast (each a “**Decision Period**”) which period must not be less than:

- (a) five Business Days from the date of delivery of the STID Proposal for any Discretion Matter;
- (b) 15 Business Days from the Decision Commencement Date for any Ordinary Voting Matter (which may be extended for a further period of ten Business Days if the Quorum Requirement for the relevant Ordinary Voting Matter has not been met within the initial Decision Period);
- (c) 15 Business Days from the Decision Commencement Date for any Extraordinary Voting Matter (which may be extended for a further period of ten Business Days if the Quorum Requirement for the relevant Extraordinary Voting Matter has not been met within the initial Decision Period); and
- (d) 15 Business Days from the Decision Commencement Date for an Entrenched Right. However, the Decision Period for an Entrenched Right for which the Issuer is the Affected Obligor Secured Creditor will not be less than 45 days from the Decision Commencement Date.

“**Decision Commencement Date**” means the earlier of:

- (a) if the Qualifying Obligor Secured Creditors, or, as the case may be, the Obligor Secured Creditors (including, in the case of the Issuer, the Issuer Secured Creditors) are deemed to have agreed to the voting category proposed in the STID Proposal or, as applicable, as to whether the STID Proposal gives rise to any Entrenched Right affecting an Obligor Secured Creditor and/or, as applicable, Issuer Secured Creditor pursuant to the STID, the date which is five Business Days from the receipt of the relevant STID Proposal;
- (b) the date on which the Dissenting Creditors and the Holdco Group Agent reach agreement on the applicable voting category; or
- (c) if the agreement or determination is such that the existing STID Proposal is incorrect, the date of receipt by each Obligor Secured Creditor (through its Secured Creditor Representative) and each of the Secured Creditor Representatives of the Issuer (on behalf of the Issuer Secured Creditors) of an appropriately amended STID Proposal from the Holdco Group Agent.

Modifications, consents and waivers will be passed by the requisite number of creditors as further described in “*Types of Voting Categories—Common Documents*” above.

### *Class B STID Proposal*

Notwithstanding the foregoing, at any time prior to the Obligor Senior Discharge Date, the Holdco Group Agent may request (a “**Class B STID Proposal**”) (with such request being copied to the Secured Creditor Representative of each Obligor Secured Creditor, unless the Class B STID Proposal is designated as being in respect of a Discretion Matter) the Obligor Security Trustee to concur with the Holdco Group Agent in making any modification, giving any consent or granting any waiver under or in respect of any Common Document, without the consent or approval of any Obligor Senior Secured Creditor, where such modification, granting of consent or waiver:

- (a) only relates to the Topco Security (in so far as the Topco Security is referred to in the Common Documents), the Class B Notes, the Class B Authorised Credit Facilities and/or the Topco Transaction Documents (in so far as the Topco Transaction Documents are referred to in the Common Documents);
- (b) does not give rise to an Entrenched Right which affects an Obligor Senior Secured Creditor; and
- (c) will not be materially prejudicial to any of the Obligor Senior Secured Creditors (where “**materially prejudicial**” means that such modification, consent or waiver would have a material adverse effect on the ability of the Obligors to pay any amounts of principal or interest or any other amounts in respect of the Obligor Senior Secured Liabilities owed to the relevant Obligor Senior Secured Creditors on the relevant due date for payment thereof).

The Obligor Security Trustee shall rely without further investigation on a certificate from the Holdco Group Agent signed by a director or two authorised signatories of the Holdco Group Agent confirming that the conditions in paragraphs (a) to (c) above have been satisfied.

Subject to the conditions in paragraphs (a) to (c) above being satisfied, the Obligor Security Trustee may, as requested by the Holdco Group Agent by way of a Class B STID Proposal designated by the Holdco Group Agent as being in respect of a

Discretion Matter, in its sole discretion concur with the Holdco Group Agent in making any modification to, giving any consent under, or granting any waiver in respect of any Common Documents, where such modifications, consents or waivers:

- (a) in the opinion of the Obligor Security Trustee, are:
  - (i) to correct manifest errors or an error in respect of which an English court could reasonably be expected to make a rectification order; or
  - (ii) of a formal, minor, administrative or technical nature; or
- (b) would not, in the opinion of the Obligor Security Trustee be materially prejudicial to the interests of any of the Obligor Junior Secured Creditors (where “**materially prejudicial**” means that such modification, consent or waiver would have a material adverse effect on the ability of the Obligors to pay any amounts of principal or interest or other amounts in respect of the Qualifying Obligor Secured Liabilities owed to the relevant Qualifying Obligor Junior Creditors on the relevant due date for payment thereof).

The Obligor Security Trustee shall be under no obligation to exercise its discretion in respect of any Class B STID Proposal designated by the Holdco Group Agent as a Discretion Matter.

In respect of any Class B STID Proposal that is not in respect of a Discretion Matter, the Obligor Security Trustee must, subject to the conditions to a Class B STID Proposal set out in this section, concur with the Holdco Group Agent in making any modification, giving any consent or granting any waiver as set out in the Class B STID Proposal if directed to do so by the Qualifying Obligor Junior Creditors pursuant to an Ordinary STID Resolution or an Extraordinary STID Resolution, as the case may be.

Where a Class B STID Proposal is in respect of an Ordinary Voting Matter or an Extraordinary Voting Matter, the quorum and voting thresholds will be as described in the sections entitled “*Ordinary Voting Matters*”, “*Extraordinary Voting Matters*” and “*Quorum Requirements*” above.

In respect of any Class B STID Proposal, if the Holdco Group Agent does not provide the Obligor Security Trustee with a certificate confirming the matters described in paragraph (c) above, the Obligor Security Trustee shall not implement the proposed modification to be made, consent to be given or waiver to be granted as set out in the Class B STID Proposal unless directed to do so by the Qualifying Obligor Senior Secured Creditors pursuant to an Ordinary STID Resolution.

### ***Modifications, Consents and Waivers—Finance Documents***

#### ***Senior Finance Documents***

Subject to the undertakings given by the Obligor Secured Creditors and the Obligors pursuant to the STID, each party to any Senior Finance Document (each a “**Relevant Senior Finance Document**”) may agree to any modification to, give its consent under or grant any waiver in respect of any breaches or proposed breaches under, any Relevant Senior Finance Document to which it is a party without the consent of the parties to the STID *provided* that:

- (a) if such modification, consent or waiver is inconsistent with any provisions of the Common Terms Agreement or the STID, the provision of the Common Terms Agreement or the STID shall prevail; and
- (b) if such modification, consent or waiver:
  - (i) would have the effect of:
    - (A) increasing the frequency of payments due (including in relation to any repayment or prepayment (mandatory or otherwise)) or change the circumstances in which interest and/or principal becomes due and payable;
    - (B) increasing the amount or rate of interest or fees payable; or
    - (C) increasing the amount of principal due or payable,under such Relevant Senior Finance Document; or
  - (ii) would have the effect of changing the definition of Final Maturity Date (or maturity date, however defined) or any termination event applicable to that Relevant Senior Finance Document; or
  - (iii) changes the currency of any payment obligation under that Relevant Senior Finance Document (excluding any change occasioned as a consequence of the euro being adopted as the lawful currency of the UK),

then that modification, consent or waiver (a “**Class A Relevant Matter**”) will only be permitted if the requirements set out in paragraph (a) of the definition of “Additional Financial Indebtedness” (applied *mutatis mutandis* to the Class A Relevant Matter) are satisfied, *provided* that if the effect of the Class A Relevant Matter results in incremental Financial Indebtedness or commitments in respect of Financial Indebtedness being incurred (in each case in excess of such amounts at that time), it will only be permitted if the requirements set out in paragraph (b) of the definition of “Additional Financial Indebtedness” (applied *mutatis mutandis* to the Class A Relevant Matter) are satisfied.

#### *Junior Finance Documents*

Subject to the undertakings given by the Obligor Secured Creditors and the Obligors pursuant to the STID, each party to any Junior Finance Document (each a “**Relevant Junior Finance Document**”) may agree to any modification to, give its consent under or grant any waiver in respect of any breaches or proposed breaches under, any Relevant Junior Finance Document to which it is a party without the consent of the parties to the STID *provided* that:

- (a) if such modification, consent or waiver is inconsistent with any provisions of the Common Terms Agreement or the STID, the provision of the Common Terms Agreement or the STID shall prevail; and
- (b) if such modification, consent or waiver:
  - (i) would have the effect of:
    - (A) increasing the frequency of payments due (including in relation to any repayment or prepayment (mandatory or otherwise)) or change the circumstances in which interest and/or principal becomes due and payable;
    - (B) increasing the amount or rate of interest or fees payable; or
    - (C) increasing the amount of principal due or payable,
 under such Relevant Junior Finance Document; or
  - (ii) would have the effect of changing the definition of Final Maturity Date (or maturity date, however defined) or any termination event applicable to that Relevant Junior Finance Document; or
  - (iii) changes the currency of any payment obligation under that Relevant Junior Finance Document (excluding any change occasioned as a consequence of the euro being adopted as the lawful currency of the UK),

in each case, at any time before the repayment in full or any acceleration of the Obligor Senior Secured Liabilities, then that modification, consent or waiver (a “**Class B Relevant Matter**”) will only be permitted if the requirements set out in paragraph (c) of the definition of “Additional Financial Indebtedness” (applied *mutatis mutandis* to the Class B Relevant Matter) are satisfied, *provided* that if the effect of the Class B Relevant Matter results in incremental Financial Indebtedness or commitments in respect of Financial Indebtedness being incurred (in each case in excess of such amounts at that time), it will only be permitted if the requirements set out in paragraph (d) of the definition of “Additional Financial Indebtedness” (applied *mutatis mutandis* to the Class B Relevant Matter) are satisfied.

#### *Consents of the Obligor Security Trustee in respect of the Finance Documents*

To the extent that the Obligor Security Trustee is a party to any Finance Document (other than an Issuer Borrower Loan Agreement), the Obligor Security Trustee will, only if instructed by the relevant Secured Creditor Representative and indemnified and/or secured and/or pre-funded to its satisfaction, agree to any proposed amendment, modification or waiver to such Finance Document or take any other action under such Finance Document *provided* that:

- (i) the relevant Secured Creditor Representative confirms that the requisite majority of the relevant Authorised Credit Provider(s) party to the relevant Authorised Credit Facility agrees to such modification, waiver or other action and/or, where the Issuer is a party to such Finance Documents, the relevant Note Trustee (in its capacity as Secured Creditor Representative of the Issuer on behalf of the relevant Noteholders) agrees to such amendment, modification or waiver or other action (in its discretion or, where applicable, upon the instructions of the requisite majority, each in accordance with the relevant Note Trust Deed); and
- (ii) such modification, waiver or other action does not contravene any provision of the Common Documents, *provided* that the Obligor Security Trustee shall not be obliged to make any modification, give any consent or grant any waiver to the extent that doing so would, in the opinion of the Obligor Security Trustee, have the effect of increasing the liabilities, obligations or duties or decreasing the rights or protections, of the Obligor Security Trustee.

If the Obligor Security Trustee is a party to an Issuer Borrower Loan Agreement, the Obligor Security Trustee will, only if instructed in writing by the relevant Note Trustee (in its capacity as Secured Creditor Representative of the Issuer on behalf of the relevant Noteholders) and indemnified and/or secured and/or pre-funded to its satisfaction, agree to any proposed amendment, modification or waiver to such Issuer Borrower Loan Agreement or take any other action under such Issuer Borrower Loan Agreement *provided* that:

- (i) the relevant Note Trustee (in its capacity as Secured Creditor Representative of the Issuer on behalf of the relevant Noteholders) confirms that the requisite majority of the relevant Class or Sub-Class of Noteholders agrees to such modification, waiver or other action (in its discretion in accordance with the relevant Note Trust Deed or acting on the instructions of the requisite majority (determined in accordance with the relevant Note Trust Deed) of the relevant Class or Sub-Class of Noteholders); and
- (ii) such modification, waiver or other action does not contravene any provision of the Common Documents, *provided* that the Obligor Security Trustee shall not be obliged to make any modification, give any consent or grant any waiver to the extent that doing so would, in the opinion of the Obligor Security Trustee, have the effect of increasing the liabilities, obligations or duties or decreasing the rights or protections, of the Obligor Security Trustee.

### ***Qualifying Obligor Secured Liabilities***

#### ***General***

Subject to Entrenched Rights and Reserved Matters, only the relevant Qualifying Obligor Secured Creditors that are owed, or deemed to be owed, Qualifying Obligor Secured Liabilities may vote (through their Secured Creditor Representatives) in respect of a STID Proposal.

#### ***Certification of amounts of Qualifying Obligor Secured Liabilities***

Each Qualifying Obligor Secured Creditor (acting through its Secured Creditor Representative) must certify to the Obligor Security Trustee within five Business Days of the date on which either (a) the Qualifying Obligor Secured Creditors have been notified of a STID Proposal, an Enforcement Instruction Notice, a Further Enforcement Instruction Notice, a Qualifying Obligor Secured Creditor Instruction Notice or a Direction Notice or (b) the Obligor Security Trustee requests such certification, the Outstanding Principal Amount of any Qualifying Obligor Secured Liabilities held by such Qualifying Obligor Secured Creditor. If any Qualifying Obligor Secured Creditor fails to provide such certification through its Secured Creditor Representative within the time prescribed, then the Obligor Security Trustee will notify the Holdco Group Agent of such failure. The Holdco Group Agent must promptly inform the Obligor Security Trustee of the Outstanding Principal Amount of Qualifying Obligor Secured Liabilities of such Qualifying Obligor Secured Creditor and such notification will be binding on the relevant Qualifying Obligor Secured Creditors except in the case of manifest error and without liability to the Holdco Group Agent.

#### ***Relationship between Qualifying Obligor Senior Secured Liabilities and Qualifying Obligor Junior Secured Liabilities***

Prior to the repayment in full of the Qualifying Obligor Senior Secured Liabilities (excluding Subordinated Hedge Amounts), only the Qualifying Obligor Senior Secured Creditors may vote (through their Secured Creditor Representatives) in respect of the Qualifying Obligor Senior Secured Liabilities they represent in relation to any STID Proposal, Enforcement Instruction Notice, Further Enforcement Instruction Notice, Direction Notice or Qualifying Obligor Secured Creditor Instruction Notice (other than in respect of an Entrenched Right) to the extent the relevant Obligor Secured Creditors (including the Qualifying Obligor Junior Creditors) and/or the relevant Issuer Secured Creditors in each case, through their Secured Creditor Representative, are entitled to vote).

Upon repayment in full of the Qualifying Obligor Senior Secured Liabilities (excluding Subordinated Hedge Amounts), only the Qualifying Obligor Junior Creditors may vote (through their Secured Creditor Representatives) in respect of the Qualifying Obligor Junior Secured Liabilities they represent in relation to any STID Proposal, Enforcement Instruction Notice, Further Enforcement Instruction Notice, Direction Notice or Qualifying Obligor Secured Creditor Instruction Notice (other than in respect of an Entrenched Right to the extent the relevant Obligor Secured Creditors and/or the relevant Issuer Secured Creditors, in each case, through their Secured Creditor Representative, are entitled to vote).

References to “**Qualifying Obligor Secured Liabilities**” or “**Qualifying Obligor Secured Creditors**” are references to:

- (a) Qualifying Obligor Senior Secured Liabilities or Qualifying Obligor Senior Creditors respectively prior to the repayment in full of the Obligor Senior Secured Liabilities (excluding Obligor Senior Secured Liabilities constituting Subordinated Hedge Amounts); and
- (b) Qualifying Obligor Junior Secured Liabilities or Qualifying Obligor Junior Creditors respectively only following the repayment in full of the Obligor Senior Secured Liabilities,

in each case, subject to the Entrenched Rights of each Obligor Secured Creditor (including, the relevant Issuer Secured Creditors).

“**Qualifying Obligor Senior Secured Liabilities**” are comprised of:

- (a) the Outstanding Principal Amount under any Class A IBLA at such time;
- (b) the Outstanding Principal Amount under each other Class A Authorised Credit Facility (including any PP Note Purchase Agreement where the Borrower is the PP Note Issuer or PPNIBLA constituting a Class A Authorised Credit Facility but excluding any Liquidity Facility Agreement and the Borrower Hedging Agreements) at such time;
- (c) subject to Entrenched Rights which apply at all times, in respect of each Issuer Hedge Counterparty and its voting entitlements as described under the heading “*Tranching of Qualifying Obligor Secured Liabilities and Determination of Voting Qualifying Obligor Secured Liabilities for which the Issuer is a Creditor*” below, the Outstanding Principal Amount under the Issuer Hedging Transactions of that Issuer Hedge Counterparty at such time; and
- (d) subject to Entrenched Rights which apply at all times, in respect of each Borrower Hedge Counterparty and its voting entitlements as described under the heading “*Voting in respect of Borrower Hedging Transactions by Borrower Hedge Counterparties*” below, the Outstanding Principal Amount under the Borrower Hedging Transactions of that Borrower Hedge Counterparty at such time.

“**Qualifying Obligor Junior Secured Liabilities**” are comprised of:

- (a) the Outstanding Principal Amount under any Class B IBLA at such time; and
- (b) the Outstanding Principal Amount under any other Class B Authorised Credit Facility at such time.

*Tranching of Qualifying Obligor Secured Liabilities and Determination of Voting Qualifying Obligor Secured Liabilities for which the Issuer is a Creditor*

As described in the section “*Qualifying Obligor Secured Liabilities*” above, amounts owed to the Issuer by the Borrower under the Class A IBLA and Class B IBLA are included in the Qualifying Obligor Senior Secured Liabilities and Qualifying Obligor Junior Secured Liabilities respectively. However, the Issuer Secured Creditors, as opposed to the Issuer itself, are entitled to vote in respect of such amounts. When the Class A Note Trustee (as the Issuer’s Secured Creditor Representative) casts its votes on the Issuer’s behalf in respect of the Class A IBLA, it will do as instructed by the relevant Issuer Secured Creditors (being the Class A Noteholders). When the Class B Note Trustee (as the Issuer’s Secured Creditor Representative) casts its votes on the Issuer’s behalf in respect of the Class B IBLA, it will do as instructed by the relevant Issuer Secured Creditors (being the Class B Noteholders).

In the case of paragraphs (a) and (b) of the Qualifying Obligor Senior Secured Liabilities summary as set out under the heading “*Qualifying Obligor Secured Liabilities*” above the Issuer will be divided into separate voting tranches comprising respectively:

- (a) a tranche for the holders of each Sub-Class of Class A Notes equal to the aggregate Principal Amount Outstanding of each Sub-Class of Class A Notes; and
- (b) subject to Entrenched Rights which apply at all times, only in relation to:
  - (i) forming part of the quorum and voting in relation to any resolution as described under the sections headed “*Quorum and voting requirements in respect of the delivery of a Loan Enforcement Notice etc.—Obligor Senior Secured Creditors*” or, as applicable “*Quorum and voting requirements in respect of the delivery of a Loan Acceleration Notice etc.—Obligor Senior Secured Creditors*” below on whether to instruct the Obligor Security Trustee to take any of the actions described below under “*Qualifying Obligor Secured Creditor Instructions*”; and

- (ii) having its Qualifying Obligor Secured Liabilities taken into account for the purposes of, and giving, a Qualifying Obligor Secured Creditor Instruction Notice only to instruct the Obligor Security Trustee to send a Further Enforcement Instruction Notice,

a tranche for each Issuer Hedge Counterparty equal to:

- (A) in relation to all Issuer Hedging Transactions arising under an Issuer Hedging Agreement in respect of which an Early Termination Date (as defined in the relevant Issuer Hedging Agreement) has been designated, the net amount, if any, payable to the relevant Issuer Hedge Counterparty as at the date such amount becomes payable under the relevant Issuer Hedging Agreement (and before taking into account any interest accrued on that amount since the date of termination or close-out) to the extent that amount is unpaid; plus
- (B) in relation to any other Issuer Hedging Transaction to which the Issuer Hedge Counterparty is a party, the net amount, if any, which would be payable to such Issuer Hedge Counterparty if the date on which the calculation is made were deemed to be an Early Termination Date (as defined in the relevant Issuer Hedging Agreement) on which that amount, if any, in respect of that termination or close-out has become due and payable in respect of which the Issuer is the “Defaulting Party” (as defined in the relevant Issuer Hedging Agreement),

such amount being the “**IHT Net Value**” in respect of such Issuer Hedging Transactions.

In respect of each Issuer Hedge Counterparty, the IHT Net Value (if greater than zero) of all Issuer Hedging Transactions arising under the Issuer Hedging Agreements of such Issuer Hedge Counterparty will be counted towards (a) any quorum requirement and a single vote by reference to such IHT Net Value will be counted for or against any resolution described under “*Quorum and voting requirements in respect of the delivery of a Loan Enforcement Notice etc.—Obligor Senior Secured Creditors*” or, as applicable “*Quorum and voting requirements in respect of the delivery of a Loan Acceleration Notice etc.—Obligor Senior Secured Creditors*” where that Issuer Hedge Counterparty is participating in such resolution or (b) the requisite aggregate Outstanding Principal Amount of Qualifying Obligor Secured Liabilities required to give a Qualifying Obligor Secured Creditor Instruction Notice.

#### *Voting of Notes by Noteholders*

The votes of the Noteholders of each Class or Sub-Class of Notes in respect of any STID Proposal, Class B STID Proposal, Enforcement Instruction Notice, Further Enforcement Instruction Notice, Direction Notice or Qualifying Obligor Secured Creditor Instruction Notice (other than a STID Proposal which relates to an Entrenched Right as to which the Issuer is an Affected Obligor Secured Creditor) will be cast by the Noteholders of such Class or Sub-Class (through the relevant Secured Creditor Representative) subject to and as required by the STID and the Class A Note Trust Deed or the Class B Note Trust Deed, as applicable, in respect of a Class or Sub-Class of Notes and such STID Proposal, Class B STID Proposal, Enforcement Instruction Notice, Further Enforcement Instruction Notice, Direction Notice or Qualifying Obligor Secured Creditor Instruction Notice as follows:

- (a) in an amount equal to the aggregate of the Principal Amount Outstanding of each Class A Note or Class B Note which voted in favour of the relevant STID Proposal, Class B STID, Enforcement Instruction Notice, Further Enforcement Instruction Notice, Direction Notice or Qualifying Obligor Secured Creditor Instruction Notice, in favour of such STID Proposal, Class B STID Proposal, Enforcement Instruction Notice, Further Enforcement Instruction Notice, Direction Notice or Qualifying Obligor Secured Creditor Instruction Notice both in respect of Quorum Requirements and the requisite majority; and
- (b) in an amount equal to the aggregate of the Principal Amount Outstanding of each Class A Note or Class B Note which voted against the relevant STID Proposal, Class B STID Proposal, Enforcement Instruction Notice, Further Enforcement Instruction Notice, Direction Notice or Qualifying Obligor Secured Creditor Instruction Notice, against such STID Proposal, Class B STID Proposal, Enforcement Instruction Notice, Further Enforcement Instruction Notice, Direction Notice or Qualifying Obligor Secured Creditor Instruction Notice both in respect of Quorum Requirements and the requisite majority,

and such votes shall be treated as votes cast in the same amounts in respect of the corresponding Outstanding Principal Amount under any Class A IBLA or Class B IBLA.

#### *Voting in respect of Borrower Hedging Transactions by Borrower Hedge Counterparties*

In respect of any matter to be determined by the Qualifying Obligor Secured Creditors pursuant to the STID, subject to Entrenched Rights which apply at all times, each Borrower Hedge Counterparty is only entitled to:

- (a) form part of the quorum and vote in relation to any resolution described under the headings “*Quorum and voting requirements in respect of the delivery of a Loan Enforcement Notice etc.—Obligor Senior Secured Creditors*” or, as applicable “*Quorum and voting requirements in respect of the delivery of a Loan Acceleration Notice etc.—Obligor Senior Secured Creditors*” below on whether to instruct the Obligor Security Trustee to take any of the actions set out under the heading “*Qualifying Obligor Secured Creditor Instructions*”; and
- (b) have its Qualifying Obligor Secured Liabilities taken into account for the purposes of, and give, a Qualifying Obligor Secured Creditor Instruction Notice to instruct the Obligor Security Trustee to send a Further Enforcement Instruction Notice as described under the heading “*Qualifying Obligor Secured Creditor Instructions*” below.

In relation to any vote by the Qualifying Obligor Secured Creditors on whether to instruct the Obligor Security Trustee to take any of the actions set out under “*Qualifying Obligor Secured Creditor Instructions*” below or send a Further Enforcement Instruction Notice, voting in respect of the Borrower Hedging Transactions will be made by each Borrower Hedge Counterparty in respect of:

- (a) in relation to all Borrower Hedging Transactions arising under a Borrower Hedging Agreement in respect of which an Early Termination Date (as defined in the relevant Borrower Hedging Agreement) has been designated, the net amount, if any, payable to the relevant Borrower Hedge Counterparty as at the date such amount becomes payable under the relevant Borrower Hedging Agreement (and before taking into account any interest accrued on that amount since the date of termination or close-out) to the extent that amount is unpaid; plus
- (b) in relation to any other Borrower Hedging Transaction to which the Borrower Hedge Counterparty is a party, the net amount, if any, which would be payable to such Borrower Hedge Counterparty if the date on which the calculation is made were deemed to be an Early Termination Date (as defined in the relevant Borrower Hedging Agreement) on which that amount, if any, in respect of that termination or close-out has become due and payable in respect of which the Borrower is the “**Defaulting Party**” (as defined in the relevant Borrower Hedging Agreement),

such amount being the “**BHT Net Value**” in respect of such Borrower Hedging Transaction.

In respect of each Borrower Hedge Counterparty, the BHT Net Value (if greater than zero) of all Borrower Hedging Transactions arising under the Borrower Hedging Agreements of such Borrower Hedge Counterparty will be counted towards (a) any quorum requirement and a single vote by reference to such BHT Net Value will be counted for or against any resolution described under “*Quorum and voting requirements in respect of the delivery of a Loan Enforcement Notice etc.—Obligor Senior Secured Creditors*” or, as applicable “*Quorum and voting requirements in respect of the delivery of a Loan Acceleration Notice etc.—Obligor Senior Secured Creditors*” where that Borrower Hedge Counterparty is participating in such resolution or (b) the requisite aggregate Outstanding Principal Amount of Qualifying Obligor Secured Liabilities required to give a Qualifying Obligor Secured Creditor Instruction Notice.

#### *Voting of Authorised Credit Facilities (other than PP Notes)*

If, in respect of any Authorised Credit Facility (other than any PP Notes) provided other than on a bilateral basis, the minimum quorum and voting majorities specified in the relevant Authorised Credit Facility:

- (a) are met, then all votes in respect of the relevant Authorised Credit Facility and any STID Proposal, Class B STID Proposal, Enforcement Instruction Notice, Further Enforcement Instruction Notice, Direction Notice or Qualifying Obligor Secured Creditor Instruction Notice (other than a STID Proposal which relates to an Entrenched Right) will be cast either in favour or against such STID Proposal, Class B STID Proposal, Enforcement Instruction Notice, Further Enforcement Instruction Notice, Direction Notice or Qualifying Obligor Secured Creditor Instruction Notice (both in respect of Quorum Requirements and the requisite majority) in accordance with the voting provisions contained in that Authorised Credit Facility; or
- (b) are not met, then votes in respect of the relevant Authorised Credit Facility and any STID Proposal, Enforcement Instruction Notice, Further Enforcement Instruction Notice, Direction Notice or Qualifying Obligor Secured Creditor Instruction Notice (other than a STID Proposal which relates to an Entrenched Right) will be divided between votes cast in favour and votes cast against, on a pound for pound basis in respect of the Qualifying Obligor Secured Liabilities then owed to Participating Qualifying Obligor Secured Creditors that vote on such STID Proposal, Enforcement Instruction Notice, Further Enforcement Instruction Notice, Direction Notice or Qualifying Obligor



Secured Creditor Instruction Notice (both in respect of Quorum Requirements and the requisite majority) within any applicable Decision Period. Votes cast in favour and votes cast against will then be aggregated by the Obligor Security Trustee with the votes cast for and against by the other Qualifying Obligor Secured Creditors.

#### *Voting of PP Notes*

Each PP Note Secured Creditor Representative appointed in connection with the issuance of any PP Notes must notify the Obligor Security Trustee at the time of its appointment whether:

- (a) the minimum quorum and voting majorities specified in the relevant PP Note SCR Agreement; or
- (b) the regime set out in paragraph (b) under the heading “*Voting of Authorised Credit Facilities (other than PP Notes)*” above,

will apply when determining the quorum requirements and/or votes cast in respect of the relevant PP Notes for any STID Proposal, Class B STID Proposal, Enforcement Instruction Notice, Further Enforcement Instruction Notice, Topco Proposal, Topco Demand Notice Instruction, Direction Notice, or Qualifying Obligor Secured Creditor Instruction Notice or Topco Secured Creditor Instruction Notice (other than a STID Proposal which relates to an Entrenched Right) has been satisfied.

If the relevant PP Note Secured Creditor Representative does not notify the Obligor Security Trustee at the time of its appointment whether paragraph (a) or (b) under this section applies, it shall be deemed to have elected that paragraph (b) applies.

#### ***Enforcement and Acceleration of Obligor Security***

##### *Notification of CTA Loan Events of Default*

If any Obligor or any Obligor Secured Creditor (other than the Obligor Security Trustee) becomes aware of the occurrence of a CTA Loan Event of Default or, following the Obligor Senior Discharge Date, a Class B Loan Event of Default, it must forthwith notify the Obligor Security Trustee and the Holdco Group Agent in writing and the Obligor Security Trustee must promptly thereafter notify the Secured Creditor Representatives on behalf of the Obligor Secured Creditors.

##### *Qualifying Obligor Secured Creditor Instructions*

At any time the Obligor Security Trustee has actual notice of the occurrence of a CTA Loan Event of Default or, following the Obligor Senior Discharge Date, a Class B Loan Event of Default, the Obligor Security Trustee shall promptly request by notice (“**Enforcement Instruction Notice**”) an instruction in the form of a resolution from the Qualifying Obligor Secured Creditors through their Secured Creditor Representatives, as to whether the Obligor Security Trustee should:

- (a) deliver a Loan Enforcement Notice to enforce all or any part of the Obligor Security and take any Enforcement Action (excluding those actions described in paragraphs (a), (b) and (f) of the definition of “Enforcement Action”, which relate to accelerating the Obligor Secured Liabilities and initiating certain proceedings, for example, to liquidate an Obligor); and/or
- (b) consent to or approve any Distressed Disposal (including the disposal of a Permitted Business or any shares in a member of the Holdco Group); and/or
- (c) deliver a Loan Acceleration Notice to accelerate all of the Obligor Secured Liabilities and take any Enforcement Action (including those actions described in paragraphs (a), (b) and (f) of the definition of “Enforcement Action”).

At any time following the delivery of a Loan Enforcement Notice, the Obligor Security Trustee will be entitled to request (and, if requested to do so pursuant to a Qualifying Obligor Secured Creditor Instruction Notice, shall promptly request (subject to being indemnified and/or secured and/or pre-funded to its satisfaction pursuant to the STID)) by notice (a “**Further Enforcement Instruction Notice**”) an instruction in the form of a resolution from the Qualifying Obligor Secured Creditors (through their Secured Creditor Representatives) as to whether the Obligor Security Trustee should, to the extent not already instructed to do so, take any of the actions described in sub-paragraphs (a) to (c) of the paragraph above.

The quorum and voting regimes under the STID in respect of the actions described in paragraphs (a) to (c) directly above, are described in more detail below.

***Quorum and voting requirements in respect of the delivery of a Loan Enforcement Notice etc—Obligor Senior Secured Creditors***

The quorum and voting requirements described below will apply in respect of a resolution to instruct the Obligor Security Trustee as to whether it should:

- (a) consent to or approve any Distressed Disposal (excluding the disposal of a Permitted Business or any shares or units in any member of the Holdco Group); and/or
- (b) deliver a Loan Enforcement Notice and take any Enforcement Action (excluding those actions described in paragraphs (a), (b) and (f) of the definition of “Enforcement Action”).

When voting on such a resolution following the request from the Obligor Security Trustee by way of an Enforcement Instruction Notice or a Further Enforcement Instruction Notice:

- (a) the quorum requirement shall be one or more Qualifying Obligor Senior Creditors representing, in aggregate, at least the Relevant Percentage of the aggregate Outstanding Principal Amount of all Qualifying Obligor Senior Secured Liabilities, where “**Relevant Percentage**” for the purposes of this paragraph (a) means (i) 40 per cent. or more in respect of any Enforcement Instruction Notice or Further Enforcement Instruction Notice delivered up to and including the date falling six months after the occurrence of the CTA Event of Default; (ii) 33.33 per cent. or more in respect of any Enforcement Instruction Notice or Further Enforcement Instruction Notice delivered during the period following the date falling six months after the occurrence of the CTA Event of Default up to and including the date falling 12 months after the occurrence of the CTA Event of Default; and (iii) 10 per cent. or more in respect of any Enforcement Instruction Notice or Further Enforcement Instruction Notice delivered at any time following the date falling 12 months after the occurrence of the CTA Event of Default;
- (b) the Decision Period will be 20 Business Days from the date of delivery of the Enforcement Instruction Notice or Further Enforcement Instruction Notice; and
- (c) the majority required to pass the resolution shall be the Qualifying Obligor Senior Creditors participating in the resolution on a pound for pound basis representing at least the “**Relevant Percentage**” of the Outstanding Principal Amount of Qualifying Obligor Senior Secured Liabilities actually voted, where “**Relevant Percentage**” for purposes of this paragraph (c) means (i) 66.67 per cent. or more in respect of any Enforcement Instruction Notice or Further Enforcement Instruction Notice delivered up to and including the date falling six months after the occurrence of the CTA Event of Default; (ii) 50 per cent. or more in respect of any Enforcement Instruction Notice or Further Enforcement Instruction Notice delivered during the period following the date falling six months after the occurrence of the CTA Event of Default up to and including the date falling 12 months after the occurrence of the CTA Event of Default; or (iii) 20 per cent. or more in respect of any Enforcement Instruction Notice or Further Enforcement Instruction Notice delivered at any time following the date falling twelve months after the occurrence of the CTA Event of Default.

***Quorum and voting requirements in respect of the delivery of a Loan Acceleration Notice etc—Obligor Senior Secured Creditors***

The quorum and voting requirements described below under this heading “*Quorum and voting requirements in respect of the delivery of a Loan Acceleration Notice etc.—Obligor Senior Secured Creditors*” will apply in respect of an instruction to the Obligor Security Trustee as to whether it should:

- (a) consent to or approve any Distressed Disposal of a Permitted Business and any shares or units in any member of the Holdco Group; and/or
- (b) deliver a Loan Acceleration Notice to accelerate all of the Obligor Secured Liabilities and take any Enforcement Action (including those actions described in paragraphs (a), (b) and (f) of the definition of “Enforcement Action”).

When voting on such a resolution following the request from the Obligor Security Trustee by way of an Enforcement Instruction Notice or a Further Enforcement Instruction Notice:

- (a) the Decision Period will be 20 Business Days from the date of delivery of the Enforcement Instruction Notice or Further Enforcement Instruction Notice (“**Relevant Time**”); and

- (b) any resolution to instruct the Obligor Security Trustee to carry out the enforcement actions described in this section “*Quorum and voting requirements in respect of the delivery of a Loan Acceleration Notice etc.—Obligor Senior Secured Creditors*” must be approved by the Class A Instructing Group, where:
- (i) the quorum requirement shall be one or more Qualifying Obligor Senior Creditors representing, in aggregate, at least 75 per cent. of the aggregate Outstanding Principal Amount of all Qualifying Obligor Senior Secured Liabilities; and
  - (ii) the majority required to pass the resolution shall be the Qualifying Obligor Senior Creditors participating in the resolution on a pound for pound basis representing at least 75 per cent. of the Outstanding Principal Amount of Qualifying Obligor Senior Secured Liabilities actually voted by the Qualifying Obligor Senior Creditors, *provided* that the Qualifying Obligor Senior Creditors voting in favour of the resolution must include (unless at the Relevant Time there is no Principal Amount Outstanding under any Class A IBLA) the Issuer acting through its Secured Creditor Representative under each Class A IBLA having been itself instructed by the Class A Noteholders pursuant to a resolution passed in accordance with the Class A Note Trust Deed (“**Noteholder Instruction Resolution**”), where:
    - (A) the quorum requirement in respect of such Noteholder Instruction Resolution shall be one or more Class A Noteholders representing, in aggregate, at least 75 per cent. of the aggregate Principal Amount Outstanding of all Class A Notes, and
    - (B) the majority required to pass the Noteholder Instruction Resolution shall be the Class A Noteholders participating in the Noteholder Instruction Resolution on a pound for pound basis representing at least 50 per cent. of the Principal Amount Outstanding of Class A Notes actually voted by the Class A Noteholders (*provided* that such Class A Noteholders also represent more than 50 per cent. of the aggregate Principal Amount Outstanding of all Class A Notes).

Alternatively, a Noteholder Instruction Resolution may be passed in writing signed by or on behalf of the holders of Class A Notes of not less than 75 per cent. of the aggregate Principal Amount Outstanding of all Class A Notes in accordance with Class A Condition 14.

***Quorum and voting requirements in respect of the delivery of a Loan Acceleration Notice etc—Obligor Junior Secured Creditors***

The quorum and voting requirements described below under this heading “*Quorum and voting requirements in respect of the delivery of a Loan Acceleration Notice etc.—Obligor Junior Secured Creditors*” will apply in respect of any resolution instructing the Obligor Security Trustee as requested pursuant to an Enforcement Instruction Notice or Further Enforcement Instruction Notice at a time when the Qualifying Obligor Secured Creditors are Qualifying Obligor Junior Creditors:

When voting on such a resolution following the request from the Obligor Security Trustee by way of an Enforcement Instruction Notice or a Further Enforcement Instruction Notice:

- (a) the Decision Period shall be 20 Business Days from the date of delivery of the Enforcement Instruction Notice or Further Enforcement Instruction Notice, as applicable;
- (b) there shall be no quorum requirement in respect of any vote for or against the resolution with respect to the Enforcement Instruction Notice or Further Enforcement Instruction Notice;
- (c) the Obligor Security Trustee shall act on the directions of one or more Qualifying Obligor Junior Creditors representing, in aggregate, at least 30 per cent. of the aggregate Outstanding Principal Amount of all Qualifying Obligor Junior Secured Liabilities as at the date of delivery of the Enforcement Instruction Notice or Further Enforcement Instruction Notice, as applicable; and
- (d) as soon as the Obligor Security Trustee has received votes in favour of a resolution relating to an Enforcement Instruction Notice or, as applicable, Further Enforcement Instruction Notice from the Participating Qualifying Obligor Junior Creditors representing at least the relevant percentage referred to in paragraph (c) above of all Qualifying Obligor Junior Secured Liabilities, no further votes will be counted by the Obligor Security Trustee or taken into account notwithstanding the fact that the Obligor Security Trustee has yet to receive votes from all Qualifying Obligor Junior Creditors (through their Secured Creditor Representatives) in respect of the relevant Qualifying Obligor Junior Secured Liabilities.

### ***Loan Enforcement Notice***

After delivery to the Holdco Group Agent on behalf of the Obligor of a Loan Enforcement Notice, the whole of the Obligor Security will become enforceable and the Obligor Security Trustee will if directed to do so in accordance with a resolution as described above under the heading “*Quorum and voting requirements in respect of the delivery of a Loan Enforcement Notice etc.—Obligor Senior Secured Creditors*” or, as applicable “*Quorum and voting requirements in respect of the delivery of a Loan Acceleration Notice etc.—Obligor Junior Secured Creditors*” take any Enforcement Action as it is so directed (subject to being indemnified and/or secured and/or pre-funded to its satisfaction pursuant to the STID), which may include:

- (a) enforcing all or any part of the Obligor Security (at the times, in the manner and on the terms as it is so directed) and taking possession of and holding or disposing of all or any part of the Obligor Secured Property;
- (b) instituting such proceedings against any Obligor and taking such action as it is so directed to enforce all or any part of the Obligor Security;
- (c) appointing or removing any Receiver; and/or
- (d) whether or not it has appointed a Receiver, exercising all or any of the rights, powers, authorities and discretions conferred by the Law of Property Act 1925 (as varied or extended by the STID or any Obligor Security Document) on mortgagees and by the STID and the Obligor Security Documents on any Receiver or otherwise conferred by law on mortgagees or Receivers.

### ***Obligor Priority of Payments following the delivery of a Loan Enforcement Notice***

Subject to certain matters and to certain exceptions, following the delivery of a Loan Enforcement Notice but prior to the delivery of a Loan Acceleration Notice, if the Obligor Security Trustee receives any Available Enforcement Proceeds, the Obligor Secured Liabilities shall be automatically accelerated in part in an amount equal to the amount of the Available Enforcement Proceeds that is available to be applied towards such Obligor Secured Liabilities in accordance with the Obligor Post—Acceleration Priority of Payments waterfall. See “—*Security Trust and Intercreditor Deed—Obligor Priorities of Payment—Obligor Post—Acceleration Priority of Payments*” for a detailed description.

### ***Obligor Priority of Payments following the delivery of a Loan Acceleration Notice***

Upon the delivery of a Loan Acceleration Notice by the Obligor Security Trustee, acting on the instructions of the Qualifying Obligor Secured Creditors, all of the Obligor Secured Liabilities shall be accelerated in full. For the avoidance of doubt, no Obligor Secured Liabilities (other than as a result of a Permitted Hedge Termination) may be accelerated other than by delivery of a Loan Acceleration Notice.

Subject to certain matters and to certain exceptions, following the delivery of a Loan Acceleration Notice, any Available Enforcement Proceeds or other monies held by the Obligor Security Trustee under the STID will be applied by the Obligor Security Trustee in accordance with the Obligor Post—Acceleration Priority of Payments waterfall. See “—*Security Trust and Intercreditor Deed—Obligor Priorities of Payment—Obligor Post—Acceleration Priority of Payments*” for a detailed description.

### ***General Provisions applicable to Obligor Priority of Payments following the delivery of a Loan Acceleration Notice***

Each party to the STID agrees that, following the delivery of a Loan Acceleration Notice:

- (a) if an amount referred to in the Obligor Post—Acceleration Priority of Payments constitutes Obligor Secured Liabilities, the amount so referred to shall be deemed to include any amount payable by any other Obligor under the guarantees in respect of such amount; and
- (b) if there are insufficient funds to discharge in full amounts due and payable in respect of an item and any other item(s) ranking *pari passu* with such item in the Obligor Post—Acceleration Priority of Payments, all items which rank *pari passu* with each other shall be discharged to the extent there are sufficient funds to do so and on a *pro rata* basis, according to the respective amounts thereof.

### ***Distressed Disposals***

If a Distressed Disposal is being effected pursuant to an instruction contained in a resolution (a “**Distressed Disposal Resolution**”) passed as described under the heading “*Quorum and voting requirements in respect of the delivery of a Loan Enforcement Notice etc.—Obligor Senior Secured Creditors*” or, as applicable “*Quorum and voting requirements in respect*

*of the delivery of a Loan Acceleration Notice etc.—Obligor Junior Secured Creditors*” above or pursuant to the exercise of any discretion of a Receiver as described under this section “*Distressed Disposals*”, subject to the paragraph “*Enforcement action if Obligor Junior Secured Liabilities are outstanding*” below, the Obligor Security Trustee is irrevocably authorised and instructed subject, if applicable, as provided in the relevant Distressed Disposal Resolution, without any consent from any Obligor Secured Creditor, Subordinated Intragroup Creditor, Subordinated Investor or Obligor, to, among other things, release any Obligor Security and dispose of all or any part of the Obligor Secured Liabilities as is required to effect the disposal in accordance with the STID.

The net proceeds of each Distressed Disposal shall be paid to, or to the order of, the Obligor Security Trustee for application:

- (a) if the Distressed Disposal was approved pursuant to a Distressed Disposal Resolution passed in the manner described under “*Quorum and voting requirements in respect of the delivery of a Loan Acceleration Notice etc.—Obligor Senior Secured Creditors*” or, as applicable, “*Quorum and voting requirements in respect of the delivery of a Loan Acceleration Notice etc.—Obligor Junior Secured Creditors*”, in accordance with the Obligor Post–Acceleration Priority of Payments (notwithstanding that a Loan Acceleration Notice may not have been served, in which case the relevant Obligor Secured Liabilities shall be deemed to be accelerated to the extent of such net proceeds to be applied in accordance with the Obligor Post–Acceleration Priority of Payments); or
- (b) in each other case, in accordance with the applicable Obligor Priorities of Payments and the STID,

and, to the extent that any transfer of Obligor Secured Liabilities owed by an Obligor has occurred as described in this section “*Distressed Disposals*”, as if that transfer of Obligor Secured Liabilities owed by an Obligor had not occurred.

Regardless of whether a Distressed Disposal Resolution has been passed, any Receiver appointed to an Obligor will, subject to the paragraph “*Enforcement action if Obligor Junior Secured Liabilities are outstanding*” below, have the full right, power and discretion to undertake any Distressed Disposal of a Permitted Business and any shares or units in any member of the Holdco Group at any time, with the net proceeds realised from such Distressed Disposal to be applied in accordance with the Obligor Post–Acceleration Priority of Payments (notwithstanding that a Loan Acceleration Notice may not have been served, in which case the Obligor Post–Acceleration Priority of Payments shall be construed as if (i) prior to the Obligor Senior Discharge Date, the Obligor Senior Secured Liabilities then outstanding, (ii) following the Obligor Senior Discharge Date, the Obligor Junior Secured Liabilities then outstanding, had been accelerated, in an amount equal to the net proceeds realised from such Distressed Disposal, but, for the purposes of calculating the amounts to be accelerated, taking into account (A) any Make–Whole Amounts or prepayment fees payable as a result of such prepayment or repayment of the Obligor Secured Liabilities as a result of the operation of this section “*Distressed Disposals*” and (B) any amounts that rank in priority to the Obligor Senior Secured Liabilities and/or the Obligor Junior Secured Liabilities (as applicable), and, to the extent that any disposal of Obligor Secured Liabilities has occurred as described in this section “*Distressed Disposals*”, as if that disposal had not occurred).

#### *Enforcement action if Obligor Junior Secured Liabilities outstanding*

If the Obligor Security Trustee has delivered either a Loan Enforcement Notice, or a Loan Acceleration Notice to the Holdco Group Agent or if a Distressed Disposal is being effected (including prior to the delivery of a Loan Enforcement Notice or a Loan Acceleration Notice) and, in each case, at such time there are both Obligor Senior Secured Liabilities and Obligor Junior Secured Liabilities outstanding, then, subject to the paragraph “*Obligor Security Trustee may dispose under a Sales Process*” below, the Obligor Security Trustee shall (or shall procure that any agent or Delegate appointed to act on behalf of the Obligor Security Trustee pursuant to the STID will) comply with the following conditions:

- (a) before any disposal or series of disposals of any Obligor Secured Property of an aggregate value of more than £10,000,000, the Obligor Security Trustee shall (acting in accordance with the directions to appoint a Financial Adviser pursuant to the STID) procure the provision to each Secured Creditor Representative in respect of any Class B Authorised Credit Provider of a Fairness Opinion (having asked at least three potential Financial Advisers for a quote in respect of the costs for the provision thereof);
- (b) such Fairness Opinion must be delivered to each Secured Creditor Representative in respect of any Class B Authorised Credit Facility at least two weeks before the proposed disposal;
- (c) subject to and in accordance with the paragraph “*Obligor Security Trustee may dispose under a Sales Process*” and paragraph (e)(ii) below, the Obligor Security Trustee shall be responsible for commissioning any Fairness Opinion;

- (d) no Secured Creditor Representative in respect of any Class B Authorised Credit Facility or Class B Authorised Credit Provider shall be entitled to raise any objections to any Fairness Opinion delivered by the Obligor Security Trustee in accordance with paragraph (b) above; and
- (e) the cost of commissioning any Fairness Opinion shall be for the account of the Obligor Security Trustee and such cost shall be paid as an expense of the Obligor Security Trustee in accordance with the applicable Obligor Priorities of Payments, except that if the cost is more than £500,000 (excluding VAT), then:
  - (i) the excess cost (plus the VAT referable to such excess cost) shall be for the account of the Class B Noteholders and any Class B Authorised Credit Provider other than the Issuer under any Class B IBLA (on a *pro rata* basis by reference to the Obligor Junior Secured Liabilities owing to such persons or, in the case of the Class B Noteholders, owing to the Issuer under any Class B IBLA), *provided that*:
    - (A) where one of the potential Financial Advisers offered to produce a Fairness Opinion for less than £500,000 (excluding VAT) but Participating Qualifying Obligor Secured Creditors (acting through their respective Secured Creditor Representatives) representing more than 10 per cent. of the aggregate Outstanding Principal Amount of all Qualifying Obligor Secured Liabilities direct the Obligor Security Trustee to select another Financial Adviser whose fees for providing the opinion are in excess of £500,000, all such fees shall be paid as an expense of the Obligor Security Trustee in accordance with the applicable Obligor Priorities of Payments (and not for the account of (i) the Class B Noteholders and the Class B Authorised Credit Providers); and
    - (B) if more than one potential Financial Adviser provides a quote and all the quotes provided are in excess of £500,000 (excluding VAT), the Class B Noteholders and any Class B Authorised Credit Provider (other than the Issuer under any Class B IBLA) will be required to pay for all fees in excess of £500,000 (plus the VAT referable to such excess fees) (on a *pro rata* basis by reference to the Obligor Junior Secured Liabilities owing to such persons or, in the case of the Class B Noteholders, owing to the Issuer under any Class B IBLA) save where Participating Qualifying Obligor Secured Creditors (acting through their respective Secured Creditor Representatives) representing more than 10 per cent. of the aggregate Outstanding Principal Amount of all Qualifying Obligor Secured Liabilities direct the Obligor Security Trustee to select a Financial Adviser which has provided a quote which is higher than another quote provided, in which case the excess of such fees over the lowest quote shall be paid as an expense of the Obligor Security Trustee in accordance with the applicable Obligor Priorities of Payments (and not for the account of the Class B Noteholders and the Class B Authorised Credit Providers); and
  - (ii) the Obligor Security Trustee shall not be obliged to commission any Fairness Opinion unless it is indemnified and/or secured and/or prefunded to its satisfaction in respect of any Liabilities incurred by it in connection with commissioning such Fairness Opinion.

*Obligor Security Trustee may dispose under a Sales Process*

If the Obligor Security Trustee:

- (a) is unable to appoint a Financial Adviser when requested or unable to obtain a Fairness Opinion within 20 Business Days of attempting to do so (including due to the Obligor Security Trustee not being indemnified and/or secured and/or prefunded to its satisfaction); or
- (b) is notified in writing by each Secured Creditor Representative in respect of each Class B Authorised Credit Facility that it does not require the procurement of a Fairness Opinion; or
- (c) is not able to dispose of the assets for at least a value that is equal to the proposed consideration specified in respect of such assets in a Fairness Opinion,

then:

- (i) subject to applicable law, the Obligor Security Trustee or any Receiver will take reasonable care to dispose of the relevant assets through a competitive marketing and sales process typical for such type of assets with a view to obtaining a fair market price in the prevailing market conditions (though the Obligor Security Trustee shall have no obligation to postpone any such disposal) ("**Sales Process**") and will be entitled to appoint any Financial Adviser, investment bank, accounting firm or any other third party professional organisation of international standing engaged in the marketing and sale of businesses and assets, to advise the Obligor Security Trustee or the Receiver in relation to such disposal; and

- (ii) the Obligor Security Trustee or any Receiver will be entitled to dispose of the assets under and in accordance with the Sales Process (including, at a value less than that stated in any Fairness Opinion), *provided* that if there is more than one party willing to acquire the assets, then the Obligor Security Trustee or the Receiver will be required to accept the highest executable offer.

The Obligor Security Trustee will not be liable to any person if it is unable to appoint a Financial Adviser when requested or unable to obtain a Fairness Opinion having used its reasonable endeavours to appoint such Financial Adviser or obtain such Fairness Opinion.

### ***Class B Call Option***

#### ***Class B Call Option in respect of Class A Authorised Credit Facilities (other than any Class A IBLA)***

If a Class B Call Option Trigger Event set out in paragraph (a) of the definition thereof occurs:

- (a) any one or more of the Class B Noteholders and/or Class B Authorised Credit Providers shall be entitled, pursuant to the Class B Call Option, to purchase all (but not some only) Class A Authorised Credit Facilities (other than a Class A IBLA) which have not been paid on their respective Final Maturity Dates within the Class B Call Option Period and at a price equal to the Class B Call Option Purchase Price, subject to the terms set out below; and
- (b) the relevant Class B Noteholders and/or Class B Authorised Credit Providers may surrender and cancel any amount outstanding under any purchased Class A Authorised Credit Facility (or enter into an alternative arrangement which achieves the same commercial objective), *provided* that the relevant Class B Authorised Credit Providers have provided a tax opinion from reputable tax counsel addressed to the relevant borrower under the relevant Class A Authorised Credit Facility and the Obligor Security Trustee to confirm that the surrender and cancellation of the relevant Class A Authorised Credit Facility or the entry into any alternative arrangements to achieve the same commercial objective, as the case may be, will not result in any adverse tax consequences for the relevant borrower under the relevant Class A Authorised Credit Facility.

If a Class B Call Option Trigger Event set out paragraph (b) of the definition thereof occurs, any one or more of the Class B Noteholders and/or Class B Authorised Credit Providers shall be entitled, pursuant to the Class B Call Option, to purchase each Class A Authorised Credit Facility (other than any Class A IBLA) which is then outstanding within the Class B Call Option Period and at a price equal to the Class B Call Option Purchase Price, subject to the terms set out below.

If the Class B Call Option is exercised in respect of any Class A Authorised Credit Facility:

- (a) each Class A Authorised Credit Provider under any such Class A Authorised Credit Facility agrees that it is obliged to sell and transfer its commitments under that Class A Authorised Credit Facility to the relevant Class B Noteholders and/or Class B Authorised Credit Providers in accordance with the Class B Call Option, subject to the terms set out below;
- (b) no Class A Authorised Credit Provider shall be obliged to the transfer, or consent to the transfer, of any such Class A Authorised Credit Facility unless:
  - (i) each Class B Noteholder and/or Class B Authorised Credit Provider that wishes to exercise its right to purchase any such Class A Authorised Credit Facility has first certified to the borrower under the relevant Class A Authorised Credit Facility and the Obligor Security Trustee at the time of the exercise of the Class B Call Option that it is not, and, following exercise of the Class B Call Option, will not be, connected with the relevant borrower under the relevant Class A Authorised Credit Facility for the purposes of section 363 of the Corporation Tax Act 2009; and
  - (ii) payment of the purchase price by all Class B Noteholders and/or relevant Class B Authorised Credit Providers in respect of any such purchased Class A Authorised Credit Facility in freely transferable funds has been received by the relevant Facility Agent (or the relevant Class A Authorised Credit Provider if the Class A Authorised Credit Facility is provided on a bilateral basis) unless otherwise agreed with the relevant Class A Authorised Credit Providers; and
- (c) subject to paragraph (b) above, the borrower under the relevant Class A Authorised Credit Facility and each Class A Authorised Credit Provider under any such Class A Authorised Credit Facility agrees that:
  - (i) any transfer or assignment restrictions contained in that Class A Authorised Credit Facility shall not apply in respect of the transfer of that Class A Authorised Credit Provider's commitments under that Class A Authorised

Credit Facility to the relevant Class B Noteholders and/or Class B Authorised Credit Providers pursuant to the Class B Call Option; and

- (ii) the relevant borrower of the relevant Class A Authorised Credit Facility and that Class A Authorised Credit Provider shall execute all documentation and do all other reasonable acts and things which are necessary or desirable in order to implement the transfer (at the cost of the relevant borrower) of that Class A Authorised Credit Provider's commitments under that Class A Authorised Credit Facility to the relevant Class B Noteholders and/or Class B Authorised Credit Providers pursuant to the Class B Call Option.

**"Class B Call Option Period"** means a 30-day period commencing on the date on which the Issuer publishes (or, where applicable, causes the Class B Principal Paying Agent to publish) a notice of the occurrence of a Class B Call Option Trigger Event to the Class B Noteholders in accordance with the Class B Conditions and the Holdco Group Agent notifies the Class B Authorised Credit Providers (other than the Issuer) of the occurrence of a Class B Call Option Trigger Event (whichever is the later).

**"Class B Call Option Purchase Price"** means, in respect of any Class A Authorised Credit Facility:

- (a) to be purchased in accordance with "*Security Trust and Intercreditor Deed-Class B Call Option-Class B Call Option in respect of Class A Authorised Credit Facilities (other than any Class A IBLA)*", an amount equal to the aggregate outstanding principal amount of such Class A Authorised Credit Facility together with accrued but unpaid interest thereon; or
- (b) to be purchased in accordance with "*Security Trust and Intercreditor Deed-Class B Call Option-Class B Call Option in respect of Class A Authorised Credit Facilities (other than any Class A IBLA)*", an amount equal to the aggregate outstanding principal amount of such Class A Authorised Credit Facility together with accrued but unpaid interest thereon and any Make-Whole Amount (if any) payable in accordance with the terms of that Class A Authorised Credit Facility as if the purchase in accordance with the Class B Call Option was treated as a voluntary prepayment thereunder.

**"Class B Call Option Trigger Event"** means any of the following events:

- (a) prior to the delivery of a Class A Note Acceleration Notice or the delivery of a Loan Acceleration Notice, either (i) the occurrence of an Expected Maturity Date with respect to any Sub-class of Class A Notes outstanding at any time and such Sub-class of Class A Notes is not redeemed in full at its Expected Maturity Date or (ii) the occurrence of the Final Maturity Date with respect to any Class A Authorised Credit Facility and such Class A Authorised Credit Facility is not repaid in full on its Final Maturity Date; or
- (b) the delivery of a Class A Note Acceleration Notice to the Issuer or the delivery of a Loan Acceleration Notice to the Borrower.

## **Obligor Priorities of Payment**

### ***Obligor Pre-Acceleration Priority of Payments***

Subject to the paragraphs below entitled "*Voluntary and mandatory permitted prepayments*" to "*Deemed Available Enforcement Proceeds*" (inclusive) and except where expressly provided elsewhere in the STID:

- (a) each Obligor Secured Creditor agrees and each of the Obligors and the Obligor Security Trustee acknowledges that each Obligor Secured Creditor's claims in respect of any Obligor Secured Liabilities owing to it will, prior to the delivery of a Loan Acceleration Notice, rank in right and priority of payment according to the Obligor Pre-Acceleration Priority of Payments; and
- (b) on each Loan Interest Payment Date prior to the delivery of a Loan Acceleration Notice, the Cash Manager shall instruct:
  - (i) the Borrower Account Bank to withdraw amounts from:
    - (A) the Debt Service Payment Account; and
    - (B) if Excess Cashflow is required to be applied in accordance with Part B of the Obligor Pre-Acceleration Priority of Payments, the Excess Cashflow Account; and



- (ii) following the delivery of a Loan Enforcement Notice, the account banks at which any Obligor Operating Accounts and any Designated Accounts (excluding the Defeasance Account, the Mandatory Prepayment Account and the Borrower Liquidity Facility Standby Account) are maintained to withdraw amounts from such accounts, in each case, to be applied by the Cash Manager in accordance with the Obligor Pre–Acceleration Priority of Payments.

*Voluntary and mandatory permitted prepayments*

Each Obligor will be permitted to make voluntary prepayments under any Authorised Credit Facility in accordance with the terms thereof irrespective of the Obligor Pre–Acceleration Priority of Payments, *provided* that:

- (a) such Obligor is not otherwise prohibited from making such voluntary prepayments at that time pursuant to the terms of, the CTA and/or the STID and/or the Finance Documents to the extent that the provisions of such Finance Documents are consistent with the relevant provisions of the CTA and/or the STID;
- (b) in respect of any voluntary prepayment under any Class A Authorised Credit Facility, no CTA Event of Default has occurred and is continuing, *provided* that this paragraph (b) will not apply to the extent an Obligor is pre-paying any Class A Authorised Credit Facility with the proceeds of a New Shareholder Injection or an Investor Funding Loan made by any Subordinated Investor to an Obligor;
- (c) in respect of any voluntary prepayment under any Class B Authorised Credit Facility, no (A) CTA Event of Default or Share Enforcement Event or, following the Obligor Senior Discharge Date, Class B Loan Event of Default or, (B) Trigger Event, has occurred and is continuing, *provided* that this paragraph (c) will not apply to the extent an Obligor is pre-paying any Class B Authorised Credit Facility with the proceeds of a New Shareholder Injection or an Investor Funding Loan made by any Subordinated Investor to an Obligor; and
- (d) the Cash Manager (acting reasonably) is satisfied that there will be sufficient available amounts in the Debt Service Payment Account, the Obligor Operating Accounts or, as the case may be, the Excess Cashflow Account to be withdrawn and applied on the immediately succeeding Loan Interest Payment Date in order to satisfy all payments scheduled to be due and payable on that date in accordance with the Obligor Pre–Acceleration Priority of Payments.

Each Obligor will be permitted to make mandatory prepayments under any Authorised Credit Facility in accordance with the terms of such Authorised Credit Facility and the CTA irrespective of the Obligor Pre–Acceleration Priority of Payments (a) in the event that it becomes unlawful for an Authorised Credit Provider to perform any of its obligations as contemplated by the relevant Authorised Credit Facility or to fund or maintain the relevant Authorised Credit Facility; or (b) if such mandatory prepayment is not otherwise expressly prohibited by the STID, the CTA or the applicable Finance Documents.

Without prejudice to the rights and remedies of a Class A Authorised Credit Provider under its Class A Authorised Credit Facility, if the Obligors are required to apply an amount in prepayment of one or more Class A Authorised Credit Facilities, then notwithstanding the terms of such Class A Authorised Credit Facilities, the Obligors shall apply such amount on a pro rata basis to prepay the outstanding principal amount under each Class A Authorised Credit Facility which is required to be prepaid less any amount which is required to pay any related swap termination amounts, break costs and any redemption premia (which amount shall be applied in satisfaction of such swap termination amounts, break costs and redemption premia).

Without prejudice to the rights and remedies of a Class B Authorised Credit Provider under its Class B Authorised Credit Facility, if the Obligors are required to apply an amount in prepayment of one or more Class B Authorised Credit Facilities, then notwithstanding the terms of such Class B Authorised Credit Facilities, the Obligors shall apply such amount on a *pro rata* basis to prepay the outstanding principal amount under each Class B Authorised Credit Facility which is required to be prepaid less any amount which is required to pay any related break costs and any redemption premia (which amount shall be applied in satisfaction of such break costs and redemption premia).

***Working Capital Facility Agreement, Senior Term Facility Agreement and Liquidity Facility Agreement permitted payments***

Prior to the occurrence of a Trigger Event, if an interest payment date (“**Facility Interest Payment Date**”) under any Class A Authorised Credit Facility (other than any IBLA) (each a “**Relevant Facility**”) does not fall on the same day as a Loan Interest Payment Date, the payment of any amounts due on that Facility Interest Payment Date in accordance with the Relevant Facility will be permitted irrespective of whether it coincides with a Loan Interest Payment Date.

If a Trigger Event has occurred and is continuing as at the last day of an interest period under any Relevant Facility, the Borrower must ensure that the immediately succeeding interest period and each interest period thereafter under any Relevant Facility (for so long as a Trigger Event is continuing) shall end on a day that is a Loan Interest Payment Date and any interest under each Relevant Facility will be payable in accordance with and subject to the Obligor Pre–Acceleration Priority of Payments.

#### *Deemed Available Enforcement Proceeds*

Following the occurrence of a CTA Event of Default which is continuing but prior to the delivery of a Loan Acceleration Notice, irrespective of whether a Loan Enforcement Notice has been delivered by the Obligor Security Trustee, if any Obligor, at the request, instruction, or with the agreement, of the Obligor Security Trustee disposes of any of its assets subject to the Obligor Security where such disposal is made as an alternative to the Obligor Security Trustee taking Enforcement Action pursuant to the STID and the Obligor Security Documents, the proceeds of that disposal received by the relevant Obligor (“**Deemed Available Enforcement Proceeds**”) will be immediately applied by the Cash Manager in accordance with Part A of the Obligor Pre–Acceleration Priority of Payments. For purposes of the application of any Deemed Available Enforcement Proceeds, (i) prior to the Obligor Senior Discharge Date, the Obligor Senior Secured Liabilities and (ii) following the Obligor Senior Discharge Date, the Obligor Junior Secured Liabilities, shall be automatically accelerated in part in an amount equal to the amount of the Deemed Available Enforcement Proceeds that is available to be applied towards such Obligor Secured Liabilities in accordance with Part A of the Obligor Pre–Acceleration Priority of Payments.

#### *Part A–Obligor Operating Accounts and certain Designated Account*

Prior to the delivery of a Loan Acceleration Notice by the Obligor Security Trustee, on each Loan Interest Payment Date (except in respect of paragraph 6 of this Part A below, which shall apply on the first Loan Interest Payment Date occurring in each year only) the Cash Manager shall instruct (a) the Borrower Account Bank to withdraw amounts from the Debt Service Payment Account; and (b) following the delivery of a Loan Enforcement Notice, instruct the account banks at which any Obligor Operating Accounts and any Designated Accounts (excluding the Defeasance Account, the Mandatory Prepayment Account, any Borrower Liquidity Facility Standby Account and the Excess Cashflow Account) are maintained to withdraw amounts from such accounts, in each case, to be applied by the Cash Manager in or towards paying or providing for the payment of the following amounts (including, in each case, where applicable in accordance with the relevant contractual provisions, any amount due in respect of VAT) in accordance with the applicable order of priority as follows, without double counting:

1. *first*, in or towards satisfaction, *pro rata* and *pari passu*, of:
  - (a) the fees, other remuneration, indemnity payments, costs, charges and expenses (including interest on any of the foregoing) due and payable by any Obligor to the Obligor Security Trustee or any Receiver or Delegate under any Transaction Document; and
  - (b) to the Issuer by way of the First Facility Fee, the amounts due and payable by the Issuer in respect of the fees, other remuneration, indemnity payments, costs, charges and expenses (including interest on any of the foregoing) of the Issuer Security Trustee and each Note Trustee or any Appointee under any Issuer Transaction Document;
2. *second*, in or towards satisfaction, *pro rata* and *pari passu*, of:
  - (a) the fees, other remuneration, indemnity payments, costs, charges and expenses of the Borrower Account Bank incurred under the Borrower Account Bank Agreement; and
  - (b) to the Issuer by way of the Second Facility Fee, the amounts due and payable by the Issuer in respect of:
    - (i) the fees, other remuneration, indemnity payments, costs, charges and expenses of the Issuer Corporate Officer Provider incurred under the Issuer Corporate Officer Agreement;
    - (ii) the fees, other remuneration, indemnity payments, costs, charges and expenses of the Agents incurred under any Agency Agreement;
    - (iii) the fees, other remuneration, indemnity payments, costs, charges and expenses of the Issuer Account Bank incurred under the Issuer Account Bank Agreement;
    - (iv) the fees, other remuneration, indemnity payments, costs, charges, liabilities and expenses of the Issuer Cash Manager incurred under the Issuer Cash Management Agreement; and
    - (v) the fees, other remuneration, costs, charges and expenses of the Rating Agency;

3. *third*, to the Issuer by way of the Third Facility Fee:
  - (a) the amounts due and payable by the Issuer to any third party creditors of the Issuer (other than those creditors otherwise specifically provided for in this priority of payments), or to become due and payable to any third party creditors of the Issuer (other than those creditors otherwise specifically provided for in this priority of payments) prior to the next Loan Interest Payment Date, which amounts have been incurred without breach by the Issuer of the Issuer Transaction Documents to which it is a party (and for which payment has not been provided elsewhere in this priority of payments);
  - (b) the amounts due and payable by the Issuer in respect of the fees, other remuneration, indemnity payments, costs, charges and expenses of the stock exchange where the Notes are listed (or any other listing authority) and the listing agent;
  - (c) an amount equal to the Issuer Profit Amount; and
  - (d) the amounts due and payable in respect of Tax for which the Issuer is liable under the laws of any jurisdiction (other than corporation tax due and payable to HM Revenue & Customs in respect of the Issuer Profit Amount, which shall be met out of the Issuer Profit Amount);
4. *fourth*, in or towards satisfaction, *pro rata* and *pari passu*, of:
  - (a) to the Issuer by way of the Fourth Facility Fee, the amounts due and payable by the Issuer in respect of all amounts of interest, principal, fees, other remuneration, indemnity payments, costs, charges and expenses of each Liquidity Facility Provider and the Liquidity Facility Agent due and payable by the Issuer to each such Liquidity Facility Provider and the Liquidity Facility Agent under any Liquidity Facility Agreement (other than any Subordinated Liquidity Amounts or Subordinated Increased Costs Amounts payable by the Issuer to a Liquidity Facility Provider); and
  - (b) all amounts due and payable by any Obligor in respect of all amounts of interest, principal, fees, other remuneration, indemnity payments, costs, charges and expenses of each Liquidity Facility Provider and Liquidity Facility Agent due and payable to such Liquidity Facility Provider and Liquidity Facility Agent under any Liquidity Facility Agreement (other than any Subordinated Liquidity Amounts or Subordinated Increased Costs Amounts payable by any Borrower to a Liquidity Facility Provider);
5. *fifth*, in or towards satisfaction, *pro rata* and *pari passu*, of:
  - (a) the fees, other remuneration, indemnity payments, costs, charges and expenses of each Facility Agent due and payable under each Class A Authorised Credit Facility (excluding any Liquidity Facility and any Hedging Agreement) (other than any Subordinated Increased Costs Amounts payable by the Borrower or any other Obligor (in its capacity as a borrower));
  - (b) all amounts of interest, fees, other remuneration, indemnity payments, costs, charges and expenses of each Class A Authorised Credit Provider (except in relation to principal) due and payable under any Class A Authorised Credit Facility (excluding any Liquidity Facility and any Hedging Agreement) (other than any Subordinated Increased Costs Amounts payable by the Borrower or any other Obligor (in its capacity as a borrower));
  - (c) all scheduled amounts (other than principal exchange amounts on cross-currency swaps, termination payments, and final exchange payments on cross-currency swaps) due and payable to each Borrower Hedge Counterparty under any Borrower Hedging Agreement; and
  - (d) to the Issuer by way of the Fifth Facility Fee (or pursuant to any back-to-back hedge agreement entered into between the Issuer and the Borrower), all scheduled amounts (other than principal exchange amounts on cross-currency swaps, termination payments, and final exchange payments on cross-currency swaps) due and payable to each Issuer Hedge Counterparty under any Issuer Hedging Agreement;
6. *sixth*, in or towards satisfaction of or otherwise to provide for all amounts required to be deposited into the Maintenance Capex Reserve Account pursuant to the CTA;
7. *seventh*, in or towards satisfaction, *pro rata* and *pari passu*, of:
  - (a) all scheduled instalment amounts of principal (excluding any bullet amount payable on the Final Maturity Date of any Class A Authorised Credit Facility) due and payable under any Class A Authorised Credit Facility (excluding any Liquidity Facility and any Hedging Agreement);

- (b) all termination payments (excluding Subordinated Hedge Amounts), any payments due as a result of “*Optional Early Termination*” or “*Mandatory Early Termination*” (as defined in the 2006 ISDA Definitions or any replacement thereof), principal exchange amounts on cross-currency swaps, final exchange payments on cross-currency swaps, or other unscheduled sums due and payable to each Borrower Hedge Counterparty under any Borrower Hedging Agreement; and
  - (c) to the Issuer by way of the Sixth Facility Fee (or pursuant to any back-to-back hedge agreement entered into between the Issuer and the Borrower), all termination payments (excluding Subordinated Hedge Amounts), any payments due as a result of “*Optional Early Termination*” or “*Mandatory Early Termination*” (as defined in the 2006 ISDA Definitions or any replacement thereof), principal exchange amounts on cross-currency swaps, final exchange payments on cross-currency swaps, or other unscheduled sums due and payable to each Issuer Hedge Counterparty under any Issuer Hedging Agreement;
8. eighth, if the Loan Interest Payment Date falls on or prior to the Final Maturity Date in respect of the relevant Class B Authorised Credit Facility and *provided* no Trigger Event has occurred and is continuing, all amounts of interest, fees, other remuneration, indemnity payments, costs, charges and expenses (except in relation to principal) due and payable under the relevant Class B Authorised Credit Facility;
9. ninth, if the Loan Interest Payment Date falls on a date following the Obligor Senior Discharge Date, in or towards satisfaction, pro rata and *pari passu*, of all amounts of principal and any Make-Whole Amount due and payable under any Class B Authorised Credit Facility; and
10. *tenth*, if the Loan Interest Payment Date falls on a date (i) following a Qualifying Public Offering; or (ii) when a Trigger Event is not subsisting and which is not a Cash Sweep Payment Date, in or towards satisfaction, *pro rata* and *pari passu*, of:
- (a) Subordinated Liquidity Amounts due and payable by the Borrower under any Liquidity Facility Agreement;
  - (b) Subordinated Hedge Amounts due and payable by the Borrower under any Borrower Hedging Agreement;
  - (c) Subordinated Increased Costs Amounts payable by the Borrower or any other Obligor (in its capacity as a borrower) under any Liquidity Facility Agreement or any other Class A Authorised Credit Facility; and
  - (d) to the Issuer by way of the Seventh Facility Fee;
    - (i) Subordinated Liquidity Amounts due and payable by the Issuer under the Liquidity Facility Agreement;
    - (ii) Subordinated Hedge Amounts due and payable by the Issuer under any Issuer Hedging Agreement; and
    - (iii) Subordinated Increased Costs Amounts payable by the Issuer under any Liquidity Facility Agreement,
- provided* that this paragraph 10 will not apply if any amounts remain outstanding under any Class A Authorised Credit Facility on or following its Final Maturity Date, or a Trigger Event subsists on the Loan Interest Payment Date.

## **Part B—Excess Cashflow**

On each relevant date specified in paragraphs 1 (*Payments in respect of a Bank Debt Sweep Period prior to a Qualifying Public Offering*), 2 (*Application if a Trigger Event is subsisting*), 3 (*Application of funds on a Final Maturity Date in respect of any Class A Authorised Credit Facility that specified the previous Financial Year as a Bank Debt Sweep Period*) or 4 (*Application of funds following a Final Maturity Date where the Obligor Secured Liabilities remain outstanding*) below, the Cash Manager shall instruct the Borrower Account Bank to withdraw amounts from the Excess Cashflow Account to be applied by the Cash Manager in or towards paying or providing for the payment of the specified amounts in accordance with the applicable order of priority, without double counting.

### **1. Payments in respect of a Bank Debt Sweep Period prior to a Qualifying Public Offering**

Prior to the delivery of a Loan Acceleration Notice by the Obligor Security Trustee and subject to paragraphs 2 (*Application if a Trigger Event is subsisting*) and 4 (*Application of funds following a Final Maturity Date where the Obligor Secured Liabilities remain outstanding*) below, the Cash Manager may and, in any event, shall on or before the relevant Cash Sweep Payment Date, instruct the Borrower Account Bank to withdraw amounts from the Excess Cashflow Account to be applied by the Cash Manager in or towards paying or providing for the payment of the following amounts in accordance with the following order of priority as follows, without double counting:

- (a) *first*, in respect of each Class A Authorised Credit Facility that had specified the preceding Financial Year as a Bank Debt Sweep Period, the Required Sweep Percentage applicable to that Class A Authorised Credit Facility of Excess

Cashflow for that Financial Year in or towards prepaying the outstanding principal amount under that Class A Authorised Credit Facility, *provided* that if:

- (i) the Required Sweep Percentage (applicable to that Class A Authorised Credit Facility) is 100 per cent. and break costs under any Hedging Transaction associated with that Class A Authorised Credit Facility will be payable as a result of such payment (“**Associated Break Costs**”);
- (ii) the Required Sweep Percentage (applicable to that Class A Authorised Credit Facility) is less than 100 per cent. but the remainder of Excess Cashflow for the relevant Bank Debt Sweep Period to be applied in accordance with paragraph (b)(i) below towards paying the Associated Break Costs would be insufficient to pay such amounts,

then the amount of Excess Cashflow required to be applied in prepayment of that Class A Authorised Credit Facility under this paragraph (a) will be reduced by an amount required to enable the Associated Break Costs to be satisfied and such amount shall be applied in satisfaction of paying those Associated Break Costs; and

(b) *second*, the remainder of Excess Cashflow in accordance with the following order of priority:

- (i) *first*, in or towards satisfaction, *pro rata* and *pari passu*, of any Associated Break Costs (to the extent not paid under paragraph (a) above);
- (ii) *second*, in or towards satisfaction, *pro rata* and *pari passu*, of:
  - (A) Subordinated Liquidity Amounts due and payable by the Borrower under any Liquidity Facility Agreement;
  - (B) Subordinated Hedge Amounts due and payable by the Borrower under any Borrower Hedging Agreement;
  - (C) Subordinated Increased Costs Amounts payable by the Borrower or any other Obligor (in its capacity as a borrower) under any Liquidity Facility Agreement or any other Class A Authorised Credit Facility; and
  - (D) to the Issuer by way of the Seventh Facility Fee:
    - (I) Subordinated Liquidity Amounts due and payable by the Issuer on the next Note Interest Payment Date under any Liquidity Facility Agreement;
    - (II) Subordinated Hedge Amounts due and payable by the Issuer on the next Note Interest Payment Date under any Issuer Hedging Agreement; and
    - (III) Subordinated Increased Costs Amounts payable by the Issuer on the next Note Interest Payment Date under any Liquidity Facility Agreement; and
- (iii) *third*, to the Borrower and/or any Obligor in or towards any purpose not restricted by the terms the Finance Documents;

## 2. Application if a Trigger Event is subsisting

Prior to the delivery of a Loan Acceleration Notice by the Obligor Security Trustee and subject to paragraphs 3 (*Application of funds on a Final Maturity Date in respect of any Class A Authorised Credit Facility that specified the previous Financial Year as a Bank Debt Sweep Period*) and 4 (*Application of funds following a Final Maturity Date where the Obligor Secured Liabilities remain outstanding*) below, if a Trigger Event is subsisting (as evidenced by the Compliance Certificate delivered with the most recent annual Financial Statements), then paragraph 1 (*Payments in respect of a Bank Debt Sweep Period prior to a Qualifying Public Offering*) will not apply and on the first Loan Interest Payment Date in each year, the Cash Manager shall instruct the Borrower Account Bank to withdraw amounts from the Excess Cashflow Account to be applied by the Cash Manager in or towards paying or providing for the payment of the following amounts in accordance with the following order of priority as follows, without double counting:

- (a) *first*, in respect of each Class A Authorised Credit Facility that had specified the preceding Financial Year as a Bank Debt Sweep Period, the Required Sweep Percentage applicable to that Class A Authorised Credit Facility of Excess Cashflow for that Financial Year in or towards prepaying the outstanding principal amount under that Class A Authorised Credit Facility, *provided* that if:
  - (i) the Required Sweep Percentage (applicable to that Class A Authorised Credit Facility) is 100 per cent. and Associated Break Costs will be payable as a result of such prepayment; or

- (ii) the Required Sweep Percentage (applicable to that Class A Authorised Credit Facility) is less than 100 per cent. but the remainder of Excess Cashflow for the relevant Bank Debt Sweep Period to be applied in accordance with paragraph (b)(i) below towards paying the Associated Break Costs would be insufficient to pay such amounts,

then the amount of Excess Cashflow required to be applied in prepayment of that Class A Authorised Credit Facility under this paragraph (a) will be reduced by an amount required to enable the Associated Break Costs to be satisfied and such amount shall be applied in satisfaction of paying those Associated Break Costs.

- (b) *second*, the remainder of Excess Cashflow in or towards satisfaction, *pro rata* and *pari passu*, of:

- (i) any Associated Break Costs (to the extent not paid under paragraph (a) above);
- (ii) prepaying on a *pro rata* basis the outstanding principal amount under each Class A Authorised Credit Facility (excluding any Class A Authorised Credit Facility referred to in paragraph (a) above, any Liquidity Facility and any Hedging Agreement) which bears interest at a floating rate less an amount which is required to pay the Associated Break Costs relating to that Class A Authorised Credit Facility, which amount shall be applied in or towards satisfaction of those Associated Break Costs; and
- (iii) the defeasance on a *pro rata* basis of the outstanding principal amount under each Class A Authorised Credit Facility (excluding any Class A Authorised Credit Facility referred to in paragraph (a) above, any Liquidity Facility and any Hedging Agreement) which bears interest at a fixed rate by depositing the relevant amounts into the Defeasance Account up to the outstanding principal amount under any such fixed rate Class A Authorised Credit Facility (*provided* that if the Trigger Event(s) subsisting on the relevant Loan Interest Payment Date was not a CTA Event of Default the Cash Manager (on the Borrower's behalf) will be entitled to withdraw such amounts deposited to the Defeasance Account in accordance with this paragraph (b)(iii) and apply such amounts towards a Defeased Cash Note Purchase); and

- (c) *third*, the remainder of Excess Cashflow for the most recent Financial Year in accordance with the order of priority set out in paragraph 1(b)(ii) (*Payments in respect of a Bank Debt Sweep Period prior to a Qualifying Public Offering*) above (regardless of whether a Bank Debt Sweep Period applies or not); and
- (d) *fourth*, the remainder of Excess Cashflow for the most recent Financial Year in accordance with paragraph 1(b)(iii) (*Payments in respect of a Bank Debt Sweep Period prior to a Qualifying Public Offering*) above (regardless of whether a Bank Debt Sweep Period applies or not);

3. *Application of funds on a Final Maturity Date in respect of any Class A Authorised Credit Facility that specified the previous Financial Year as a Bank Debt Sweep Period*

Prior to the delivery of a Loan Acceleration Notice by the Obligor Security Trustee and *provided* that Excess Cashflow in respect of the previous Financial Year has not already been applied in accordance with paragraph 1 (*Payments in respect of a Bank Debt Sweep Period prior to a Qualifying Public Offering*) above, on the Final Maturity Date in respect of any Class A Authorised Credit Facility that specified the previous Financial Year as a Bank Debt Sweep Period, the Cash Manager shall instruct the Borrower Account Bank to withdraw amounts from the Excess Cashflow Account (and, in respect of paragraph (a) below, the Defeasance Account) to be applied by the Cash Manager in or towards paying or providing for the payment of the following amounts in accordance with the applicable order of priority as follows, without double counting:

- (a) *first*, any amounts standing to the credit of the Defeasance Account referable to that maturing Class A Authorised Credit Facility shall be applied in or towards satisfaction, *pro rata* and *pari passu*, of repaying the outstanding principal amount under that maturing Class A Authorised Credit Facility and any Associated Break Costs, *provided* that where there is more than one Class A Authorised Credit Facility (excluding any Liquidity Facility) that specified the previous Financial Year as a Bank Debt Sweep Period maturing on that Final Maturity Date, to the extent the Class A Authorised Credit Providers under any other such Class A Authorised Credit Facility are also entitled to such amounts standing to the credit of the Defeasance Account, then all such amounts shall instead be applied in or towards satisfaction, *pro rata* and *pari passu*, of each relevant Class A Authorised Credit Facility (as reduced by an amount equal to any Associated Break Costs related to that Class A Authorised Credit Facility, which shall be applied towards satisfying those Associated Break Costs);

- (b) *second*, in respect of the Class A Authorised Credit Facility that had specified the preceding Financial Year as a Bank Debt Sweep Period, the Required Sweep Percentage applicable to that Class A Authorised Credit Facility of Excess Cashflow for that Financial Year in or towards prepaying the outstanding principal amount under that Class A Authorised Credit Facility, *provided* that if:
  - (i) the Required Sweep Percentage (applicable to that Class A Authorised Credit Facility) is 100 per cent. and Associated Break Costs will be payable as a result of such prepayment; or
  - (ii) the Required Sweep Percentage (applicable to that Class A Authorised Credit Facility) is less than 100 per cent. but the remainder of Excess Cashflow for the relevant Bank Debt Sweep Period to be applied in accordance with paragraph (c) below towards paying the Associated Break Costs would be insufficient to pay such amounts,
 then the amount of Excess Cashflow required to be applied in prepayment of that Class A Authorised Credit Facility under this paragraph (b) will be reduced by an amount required to enable the Associated Break Costs to be satisfied and such amount shall be applied in satisfaction of paying those Associated Break Costs;
- (c) *third*, the remainder of any relevant Excess Cashflow in accordance with paragraph 1(b)(ii) (*Payments in respect of a Bank Debt Sweep Period prior to a Qualifying Public Offering*) (regardless of whether a Bank Debt Sweep Period applies or not); and
- (d) *fourth*, the remainder of any relevant Excess Cashflow in accordance with paragraph 1(b)(iii) (*Payments in respect of a Bank Debt Sweep Period prior to a Qualifying Public Offering*) (regardless of whether a Bank Debt Sweep Period applies or not) above;

4. *Application of funds following a Final Maturity Date where the Obligor Secured Liabilities remain outstanding*

Prior to the delivery of a Loan Acceleration Notice by the Obligor Security Trustee, on each Loan Interest Payment Date that falls on a date following the Final Maturity Date of any Class A Authorised Credit Facility (excluding any Liquidity Facility) and any amount under that Class A Authorised Credit Facility remains outstanding (each such Class A Authorised Credit Facility being a “**Post FMD ACF**”), then paragraphs 1 (*Payments during a Bank Debt Sweep Period prior to a Qualifying Public Offering*), 2 (*Application if a Trigger Event is subsisting*) and 3 (*Application of funds on a Final Maturity Date in respect of any Class A Authorised Credit Facility that specified the previous Financial Year as a Bank Debt Sweep Period*) will not apply and the Cash Manager shall instruct the Borrower Account Bank to withdraw amounts from the Excess Cashflow Account to be applied by the Cash Manager in or towards paying or providing for the payment of the following amounts in accordance with the applicable order of priority as follows, without double counting:

- (a) *first*, in or towards, *pro rata* and *pari passu*:
  - (i) satisfaction of repaying the outstanding principal amount under each Post FMD ACF (as reduced by an amount equal to any Associated Break Costs related to that Class A Authorised Credit Facility, which shall be applied towards satisfying those Associated Break Costs);
  - (ii) if the relevant Loan Interest Payment Date falls on the Final Maturity Date of any other Class A Authorised Credit Facility (excluding any Liquidity Facility), satisfaction of repaying the outstanding principal amount under that Class A Authorised Credit Facility (as reduced by an amount equal to any Associated Break Costs related to that Class A Authorised Credit Facility, which shall be applied towards satisfying those Associated Break Costs); and
  - (iii) if a Trigger Event has occurred and is continuing (excluding a Trigger Event resulting from the failure to pay on a Final Maturity Date), being applied in accordance with paragraphs 2(a)(ii) and (iii) (*Application if a Trigger Event is subsisting*) (*provided* that if following the relevant Loan Interest Payment Date the Trigger Event ceases to continue and no other Trigger Event has since occurred and is continuing, then any amounts deposited to the Defeasance Account in accordance with this paragraph 4(a)(iii) shall be released and applied in accordance with this paragraph 4 as if that Trigger Event had not been subsisting);
- (b) *second*, the remainder of any Excess Cashflow in accordance with the order of priority set out in paragraph 1(b)(ii) (*Payments in respect of a Bank Debt Sweep Period prior to a Qualifying Public Offering*) (regardless of whether a Bank Debt Sweep Period applies or not); and
- (c) *third*, the remainder of any Excess Cashflow in accordance with paragraph 1(b)(iii) (*Payments in respect of a Bank Debt Sweep Period prior to a Qualifying Public Offering*) (regardless of whether a Bank Debt Sweep Period applies or not).

### **Obligor Post–Acceleration Priority of Payments**

Following the delivery of a Loan Acceleration Notice by the Obligor Security Trustee, all Available Enforcement Proceeds shall be applied (to the extent that it is lawfully able to do so), on each Distribution Date, in accordance with the following priority of payments (including, in each case, where applicable in accordance with the relevant contractual provisions, any amount due in respect of VAT) as set out below, without double counting:

1. *first*, in or towards satisfaction, *pari passu* and *pro rata*, of:
  - (a) the fees, other remuneration, indemnity payments, costs, charges and expenses (including interest on any of the foregoing) due and payable by any Obligor to the Obligor Security Trustee or any Receiver or any Delegate under any Transaction Document; and
  - (b) to the Issuer by way of the First Facility Fee, the amounts due and payable by the Issuer in respect of the fees, other remuneration, indemnity payments, costs, charges and expenses (including interest on any of the foregoing) of the Issuer Security Trustee, any Receiver and the Note Trustees (and Appointees, if any) under any Issuer Transaction Document;
2. *second*, in or towards satisfaction, *pari passu* and *pro rata*, of:
  - (a) the fees, other remuneration, indemnity payments, costs, charges and expenses of the Borrower Account Bank incurred under the Borrower Account Bank Agreement; and
  - (b) to the Issuer by way of the Second Facility Fee, the amounts due and payable by the Issuer in respect of:
    - (i) the fees, other remuneration, indemnity payments, costs, charges and expenses of the Issuer Corporate Officer Provider incurred under the Issuer Corporate Officer Agreement;
    - (ii) the fees, other remuneration, indemnity payments, costs, charges and expenses of the Agents incurred under any Agency Agreement;
    - (iii) the fees, other remuneration, indemnity payments, costs, charges and expenses of the Issuer Account Bank incurred under the Issuer Account Bank Agreement;
    - (iv) the fees, other remuneration, indemnity payments, costs, charges, liabilities and expenses of the Issuer Cash Manager incurred under the Issuer Cash Management Agreement; and
    - (v) prior to the delivery of a Note Acceleration Notice only, the fees, other remuneration, costs, charges and expenses of the Rating Agency;
3. *third*, prior to the delivery of a Note Acceleration Notice only, to the Issuer by way of the Third Facility Fee:
  - (a) the amounts due and payable by the Issuer to any third party creditors of the Issuer (other than those creditors otherwise specifically provided for in this priority of payments), or to become due and payable to any third party creditors of the Issuer (other than those creditors otherwise specifically provided for in this priority of payments), which amounts have been incurred without breach by the Issuer of the Issuer Transaction Documents to which it is a party (and for which payment has not been provided elsewhere in this priority of payments);
  - (b) the amounts due and payable by the Issuer in respect of the fees, other remuneration, indemnity payments, costs, charges and expenses of the stock exchange where the Notes are listed (or any other listing authority) and the listing agent;
  - (c) an amount equal to the Issuer Profit Amount; and
  - (d) the amounts due and payable in respect of Tax for which the Issuer is liable under the laws of any jurisdiction (other than corporation tax due and payable to HM Revenue & Customs in respect of the Issuer Profit Amount, which shall be met out of the Issuer Profit Amount);
4. *fourth*, in or towards satisfaction, *pari passu* and *pro rata*, of:
  - (a) to the Issuer by way of the Fourth Facility Fee, the amounts due and payable by the Issuer in respect of all amounts of interest, principal, fees, other remuneration, indemnity payments, costs, charges and expenses of each Liquidity Facility Provider and the Liquidity Facility Agent due and payable by the Issuer to each such Liquidity Facility Provider and the Liquidity Facility Agent under any Liquidity Facility Agreement (other than any Subordinated Liquidity Amounts or Subordinated Increased Costs Amounts payable by the Issuer to a Liquidity Facility Provider); and



- (b) all amounts due and payable by any Obligor in respect of all amounts of interest, principal, fees, other remuneration, indemnity payments, costs, charges and expenses of each Liquidity Facility Provider and Liquidity Facility Agent due and payable to such Liquidity Facility Provider and Liquidity Facility Agent under any Liquidity Facility Agreement (other than any Subordinated Liquidity Amounts or Subordinated Increased Costs Amounts payable by any Borrower to a Liquidity Facility Provider);
5. *fifth*, in or towards satisfaction, *pari passu* and *pro rata*, of:
- (a) the fees, other remuneration, indemnity payments, costs, charges and expenses of each Facility Agent due and payable under each Class A Authorised Credit Facility (excluding any Liquidity Facility and any Hedging Agreement) (other than any Subordinated Increased Costs Amounts payable by the Borrower or any other Obligor (in its capacity as a borrower));
  - (b) all amounts of interest, fees, other remuneration, indemnity payments, costs, charges and expenses of each Class A Authorised Credit Provider (except in relation to principal or any Make-Whole Amount) due and payable under any Class A Authorised Credit Facility (excluding any Liquidity Facility and any Hedging Agreement) (other than any Subordinated Increased Costs Amounts payable by the Borrower or any other Obligor (in its capacity as a borrower)); and
  - (c) prior to the delivery of a Note Acceleration Notice only, to the Issuer by way of the Fifth Facility Fee (or pursuant to any back-to-back hedge agreement entered into between the Issuer and the Borrower), all scheduled amounts (other than principal exchange amounts on cross-currency swaps, termination payments, and final exchange payments on cross-currency swaps) due and payable to each Issuer Hedge Counterparty under any Issuer Hedging Agreement;
6. *sixth*, in or towards satisfaction, *pari passu* and *pro rata*, of:
- (a) all amounts of principal and any Make-Whole Amount due and payable under any Class A Authorised Credit Facility (excluding any Liquidity Facility and any Hedging Agreement);
  - (b) all termination payments (excluding Subordinated Hedge Amounts), any payments due as a result of “*Optional Early Termination*” or “*Mandatory Early Termination*” (as defined in the 2006 ISDA Definitions or any replacement thereof), principal exchange amounts, final payments on cross-currency swaps, or other unscheduled sums due and payable to each Borrower Hedge Counterparty under any Borrower Hedging Agreement; and
  - (c) to the Issuer by way of the Sixth Facility Fee (or pursuant to any back-to-back hedge agreement entered into between the Issuer and the relevant Borrower(s)), all termination payments (excluding Subordinated Hedge Amounts), any payments due as a result of “*Optional Early Termination*” or “*Mandatory Early Termination*” (as defined in the 2006 ISDA Definitions or any replacement thereof), principal exchange amounts, final payments on cross-currency swaps, or other unscheduled sums due and payable to each Issuer Hedge Counterparty under any Issuer Hedging Agreement;
7. *seventh*, all amounts of interest, principal, Make-Whole Amount, fees, other remuneration, indemnity payments, costs, charges and expenses due and payable under any Class B Authorised Credit Facility;
8. *eighth*, in or towards satisfaction, *pari passu* and *pro rata*, of:
- (a) Subordinated Liquidity Amounts due and payable by any Borrower under any Liquidity Facility Agreement;
  - (b) Subordinated Hedge Amounts due and payable under any Borrower Hedging Agreement;
  - (c) Subordinated Increased Costs Amounts payable by the Borrower or any other Obligor (in its capacity as a borrower) under any Liquidity Facility Agreement or any other Class A Authorised Credit Facility; and
  - (d) to the Issuer by way of the Seventh Facility Fee:
    - (i) Subordinated Liquidity Amounts due and payable by the Issuer under any Liquidity Facility Agreement;
    - (ii) Subordinated Hedge Amounts due and payable by the Issuer under any Issuer Hedging Agreement; and
    - (iii) Subordinated Increased Costs Amounts payable by the Issuer under any Liquidity Facility Agreement; and
9. *ninth*, subject to all payments and liabilities of a higher order of priority having been satisfied in full, the surplus (if any) together with any amounts standing to the credit of the Obligor Operating Accounts shall be available to each Obligor entitled thereto to deal with as it sees fit.

## Topco

### *Prepayment of the Class B Authorised Credit Facilities–Topco Transaction Documents*

If and to the extent the Borrower receives funds from any person or persons that have acquired (or intend to acquire) the Topco Secured Property pursuant to the Topco Payment Undertaking or any other Topco Transaction Document (including, as a result of the enforcement of the Topco Security following the occurrence of a Share Enforcement Event or otherwise) and the Borrower receives such funds for the express purpose of enabling the Borrower to prepay amounts outstanding under each Class B Authorised Credit Facility, then such specified funds shall be applied by the Borrower to repay or prepay *pro rata* and *pari passu* each Class B Authorised Credit Facility in accordance with the terms thereof (after all Liabilities of the Obligor Security Trustee and any Receiver in relation to the enforcement of the Topco Security have been discharged in full) and such funds shall not be applied in accordance with the Obligor Pre–Acceleration Priority of Payments or the Obligor Post–Acceleration Priority of Payments.

### *Modifications, consents and waivers–Topco Transaction Documents*

If requested by Topco, the Obligor Security Trustee in its sole discretion may concur with Topco, in making any amendment to, give any consent under, or grant any waiver in respect of any breach or proposed breach of any Topco Transaction Document to which it is a party, if in the opinion of the Obligor Security Trustee it is required to correct any manifest error, or an error in respect of which an English court could reasonably be expected to make a rectification order, or it is of a formal, minor or administrative or technical nature or not materially prejudicial to the interests of the Topco Secured Creditors (where “**materially prejudicial**” means that such modification, consent or waiver would have a material adverse effect on the ability of Topco to pay any amounts of principal or interest or other amounts in respect of the Topco Secured Liabilities owed to the relevant Topco Secured Creditors on the relevant due date for payment thereof).

Save as described above, no proposed modification to be made, consent to be given or waiver to be granted in respect of any breach of any Topco Transaction Document (any such matter a “**Topco Proposal**”) shall be made, given, or granted unless and until a resolution has been passed by the Topco Secured Creditors.

## **Topco Secured Liabilities**

### *General*

Subject to Entrenched Rights and Reserved Matters, only the relevant Topco Secured Creditors that are owed, or deemed to be owed, Topco Secured Liabilities may vote (through their Secured Creditor Representatives) in respect of a Topco Proposal.

### *Certification of amounts of Topco Secured Liabilities*

Each Topco Secured Creditor (acting through its Secured Creditor Representative) must certify to the Obligor Security Trustee within five Business Days of the date on which either (a) the Topco Secured Creditors have been notified of a Topco Proposal, a Topco Demand Notice Instruction, a Topco Enforcement Instruction, a Topco Secured Creditor Instruction Notice or a Direction Notice or (b) the Obligor Security Trustee requests such certification, the Outstanding Principal Amount of any Topco Secured Liabilities held by such Topco Secured Creditor. If any Topco Secured Creditor fails to provide such certification through its Secured Creditor Representative within the time prescribed, then the Obligor Security Trustee will notify the Holdco Group Agent of such failure. The Holdco Group Agent must promptly inform the Obligor Security Trustee of the Outstanding Principal Amount of Topco Secured Liabilities of such Topco Secured Creditor and such notification will be binding on the relevant Topco Secured Creditors except in the case of manifest error and without liability to the Holdco Group Agent.

### *Tranching of Topco Secured Liabilities and Determination of Voting Topco Secured Liabilities for which the Issuer is a Creditor*

Pursuant to the terms of the STID, the Issuer has appointed a number of Secured Creditor Representatives in respect of the component elements of the Issuer’s Topco Secured Liabilities. The Topco Secured Liabilities forming the Class B Payment Amount (as defined in the Topco Payment Undertaking) will be divided into separate voting tranches comprising, a tranche for the holders of each Class or Sub–Class of Class B Notes equal to the aggregate Principal Amount Outstanding of each Class or Sub–Class of Class B Notes.

#### *Voting of Class B Notes by Noteholders*

The votes of the Class B Noteholders of each Class or Sub-Class of Class B Notes in respect of any Topco Proposal, Topco Demand Notice Instruction, Topco Enforcement Instruction, Direction Notice or Topco Secured Creditor Instruction Notice (other than a Topco Proposal which relates to an Entrenched Right as to which the Issuer is an Affected Obligor Secured Creditor) will be cast by the Class B Noteholders of such Class or Sub-Class (through the relevant Secured Creditor Representative) subject to and as required by the STID and the Class B Note Trust Deed in respect of a Class or Sub-Class of Class B Notes or Class and such Topco Proposal, Topco Demand Notice Instruction, Topco Enforcement Instruction, Direction Notice or Topco Secured Creditor Instruction Notice as follows:

- (a) in an amount equal to the aggregate of the Principal Amount Outstanding of each Class B Note which voted in favour of the relevant Topco Proposal, Topco Demand Notice Instruction, Topco Enforcement Instruction, Direction Notice or Topco Secured Creditor Instruction Notice, in favour of such Topco Proposal, Topco Demand Notice Instruction, Topco Enforcement Instruction, Direction Notice or Topco Secured Creditor Instruction Notice both in respect of Quorum Requirements and the requisite majority; and
- (b) in an amount equal to the aggregate of the Principal Amount Outstanding of each Class B Note which voted against the relevant Topco Proposal, Topco Demand Notice Instruction, Topco Enforcement Instruction, Direction Notice or Topco Secured Creditor Instruction Notice, against such Topco Demand Notice Instruction, Topco Enforcement Instruction, Direction Notice or Topco Secured Creditor Instruction Notice both in respect of Quorum Requirements and the requisite majority,

and such votes shall be treated as votes cast in the same amounts in respect of the corresponding outstanding principal amount under any Class B IBLA.

#### *Voting of Class B Authorised Credit Facilities (other than PP Notes and any Class B IBLA)—Topco*

If, in respect of any Class B Authorised Credit Facility (other than any PP Notes and any Class B IBLA) provided other than on a bilateral basis, the minimum quorum and voting majorities specified in the relevant Class B Authorised Credit Facility:

- (a) are met, then all votes in respect of the relevant Authorised Credit Facility and any Topco Proposal, Topco Demand Notice Instruction, Topco Enforcement Instruction, Direction Notice or Topco Secured Creditor Instruction Notice (other than a Topco Proposal which relates to an Entrenched Right) will be cast either in favour or against such Topco Proposal, Topco Demand Notice Instruction, Topco Enforcement Instruction, Direction Notice or Topco Secured Creditor Instruction Notice (both in respect of Quorum Requirements and the requisite majority) in accordance with the voting provisions contained in that Class B Authorised Credit Facility; or
- (b) are not met, then votes in respect of the relevant Class B Authorised Credit Facility and any Topco Proposal, Topco Demand Notice Instruction, Topco Enforcement Instruction, Direction Notice or Topco Secured Creditor Instruction Notice (other than a Topco Proposal which relates to an Entrenched Right) will be divided between votes cast in favour and votes cast against, on a pound for pound basis in respect of the Topco Secured Liabilities then owed to Participating Topco Secured Creditors that vote on such Topco Proposal, Topco Demand Notice Instruction, Topco Enforcement Instruction, Direction Notice or Topco Secured Creditor Instruction Notice (both in respect of Quorum Requirements and the requisite majority) within any applicable Decision Period. Votes cast in favour and votes cast against will then be aggregated by the Obligor Security Trustee with the votes cast for and against by the other Topco Secured Creditors.

#### *Topco Secured Creditor Instructions*

In respect of any matter which is not the subject of a Topco Proposal, Topco Demand Notice Instruction or a Topco Enforcement Instruction and except where expressly provided for otherwise in the STID, Topco Secured Creditors with at least 20 per cent. of the aggregate Outstanding Principal Amount of all Topco Secured Liabilities may instruct the Obligor Security Trustee (subject to providing the required indemnity and/or security and/or prefunding pursuant to the STID) to exercise any of the rights granted to the Obligor Security Trustee under the Topco Transaction Documents (save in respect of the taking of Enforcement Action or the delivery of a Topco Demand Notice Instruction or a Topco Enforcement Instruction) including to instruct the Obligor Security Trustee to send a Topco Enforcement Instruction.

## ***Enforcement of the Topco Security***

### ***Notification of Relevant Event***

If any Obligor, Topco, Obligor Secured Creditor or Topco Secured Creditor (other than the Obligor Security Trustee) becomes aware of the occurrence of any Relevant Event (as defined in the Topco Payment Undertaking), it shall forthwith notify the Obligor Security Trustee, the Issuer Security Trustee and the Holdco Group Agent in writing and the Obligor Security Trustee shall promptly thereafter notify the Secured Creditor Representatives of the Obligor Secured Creditors, the Issuer Secured Creditors and the Topco Secured Creditors.

### ***Demand Notice***

At any time at which the Obligor Security Trustee has actual notice of the occurrence of a Relevant Event (as defined in the Topco Payment Undertaking), it must promptly request by notice (which shall be copied to the Secured Creditor Representatives of the Obligor Secured Creditors) an instruction (a “**Topco Demand Notice Instruction**”) from the Topco Secured Creditors (through their Secured Creditor Representatives) as to whether the Obligor Security Trustee should serve a Demand Notice (as defined in the Topco Payment Undertaking) on Topco requiring Topco to pay on the date and to the account specified in the Demand Notice an amount equal to the aggregate Class B Payment Amounts (as defined in the Topco Payment Undertaking), determined as at the date of payment specified in the Demand Notice.

### ***Instructions to enforce***

If the Obligor Security Trustee receives actual notice from any Topco Secured Creditor of the failure by Topco to pay an amount equal to the aggregate Class B Payment Amounts (as defined in the Topco Payment Undertaking), in accordance with the Topco Payment Undertaking, the Obligor Security Trustee must promptly request by notice (which shall be copied to the Secured Creditor Representatives of the Obligor Secured Creditors) an instruction (a “**Topco Enforcement Instruction**”) from the Topco Secured Creditors (through their Secured Creditor Representatives) as to whether and/or how the Obligor Security Trustee should enforce the Topco Security, on the terms and subject to conditions of the Topco Transaction Documents, *provided* that the Topco Security Enforcement Condition (as defined below) is satisfied.

### ***When voting on a Topco Demand Notice Instruction or Topco Enforcement Instruction***

When voting on a Topco Demand Notice Instruction or Topco Enforcement Instruction:

- (a) there shall be no quorum requirement in respect of any vote for or against the resolution with respect to a Topco Demand Notice Instruction or Topco Enforcement Instruction;
- (b) the Decision Period will be 20 Business Days from the date of delivery of the Topco Demand Notice Instruction or Topco Enforcement Instruction;
- (c) the Obligor Security Trustee shall act on the directions of one or more Topco Secured Creditors representing, in aggregate, at least 30 per cent. of the aggregate outstanding principal amount of all Topco Secured Liabilities as at the date of delivery of the a Topco Demand Notice Instruction or Topco Enforcement Instruction, as applicable; and
- (d) as soon as the Obligor Security Trustee has received votes in favour of a resolution comprised in a Topco Demand Notice Instruction or Topco Enforcement Instruction, as applicable, pursuant to this paragraph entitled “*When voting on a Topco Demand Notice Instruction or Topco Enforcement Instruction*” from the participating Topco Secured Creditors representing at least the relevant percentage referred to in paragraph (c) above of all Topco Secured Liabilities, no further votes will be counted by the Obligor Security Trustee or taken into account notwithstanding the fact that the Obligor Security Trustee has yet to receive votes from all Topco Secured Creditors (through their Secured Creditor Representatives) in respect of the relevant Topco Secured Liabilities.

### ***Topco Security Enforcement Condition***

The “**Topco Security Enforcement Condition**” shall be satisfied if in connection with the enforcement of the Topco Security:

- (a) the Secured Creditor Representative of the relevant Topco Secured Creditors (excluding the Obligor Security Trustee in its capacity as such) provides the Obligor Security Trustee with a tax opinion from any reputable internationally recognised law or accounting firm or any other reputable internationally recognised independent expert which is engaged in providing tax opinions, that confirms that there would be no actual or contingent tax liability in the Holdco

Group and/or the Issuer as a result of the enforcement of the Topco Security (the “**Tax Liability**”) in an aggregate amount more than £10,000,000; or

- (b) if the actual or contingent Tax Liability is anticipated to be more than £10,000,000 in aggregate, the Obligor Security Trustee is provided:
- (i) with funds (whether from any prospective purchaser of any of the assets that are subject to the Topco Security, any of the Class B Noteholders or Authorised Credit Providers under any Class B Authorised Credit Facility or any other person) in an amount equal to the excess over £10,000,000 in respect of such Tax Liability; or
  - (ii) with such other collateral or support arrangement to mitigate such actual and/or contingent Tax Liability which is satisfactory to the Obligor Security Trustee (acting reasonably) in respect of the excess over £10,000,000.

#### *Topco enforcement proceeds*

Any proceeds of the enforcement of the Topco Security shall be applied (after all Liabilities of the Obligor Security Trustee and Receiver in relation to the enforcement of the Topco Security have been discharged in full) in or towards satisfaction of, *pro rata* and *pari passu*, (i) the repayment and/or prepayment, in full, of the Topco Secured Liabilities in accordance with the Topco Transaction Documents and such funds will not be applied in accordance with the Obligor Priorities of Payments.

#### *Topco distressed disposals*

If a disposal of Topco Secured Property is being effected following the enforcement of any Topco Security, the Obligor Security Trustee is irrevocably authorised (at the cost of Topco and without any consent, sanction, authority or further confirmation from any Topco Secured Creditor or Topco):

- (a) to release:
- (i) the assets subject to the disposal from the Topco Security and execute and deliver or enter into any release of those assets or claim and issue any letters of non-crystallisation of any floating charge or any consent to dealing that may, in the discretion of the Obligor Security Trustee, be considered necessary or desirable; and
  - (ii) Topco from all or any part of its Topco Secured Liabilities (including any liabilities arising by way of guarantee, indemnity, contribution or subrogation in relation thereto);
- on behalf of the relevant Topco Secured Creditors; and
- (b) to dispose of all or any part of the Topco Secured Liabilities, owed by Topco:
- (i) if the Receiver and any transferee of such Topco Secured Liabilities (the “**Transferee**”) have agreed that the Transferee should not be treated as a Topco Secured Creditor for the purposes of this Deed, to execute and deliver or enter into any agreement to dispose of all or part of such Topco Secured Liabilities *provided* that notwithstanding any other provision of any Topco Transaction Document or Junior Finance Document, the Transferee shall not be treated as a Topco Secured Creditor for the purposes of the STID; and
  - (ii) if the Receiver and any Transferee have agreed that the Transferee should be treated as a Topco Secured Creditor for the purposes of this Deed, to execute and deliver or enter into any agreement to dispose of all (and not part only) of the relevant Topco Secured Liabilities owed to the relevant Topco Secured Creditors.

#### **Governing Law**

The STID and any non-contractual obligations arising out of or in connection with it are governed by English law.

#### **Common Terms Agreement**

##### *Overview and Structure*

Each of the Obligor Security Trustee, the Issuer Security Trustee, the Issuer, Holdco, the Borrower, the Holdco Group Agent, the Cash Manager, and the Borrower Account Bank entered into the CTA on 6 May 2016. The CTA sets out the representations, covenants (positive, negative and financial), Trigger Events and CTA Events of Default that apply to each

Class A Authorised Credit Facility (including for the avoidance of doubt each Class A IBLA and any other document entered into in connection with each Class A Authorised Credit Facility, but excluding any Hedging Agreement).

It is a requirement of the CTA that future providers of Class A Authorised Credit Facilities and other Senior Finance Parties accede to the CTA, the Master Definitions Agreement and the STID.

The CTA will contain certain indemnities of the Obligors to the Senior Finance Parties in respect of losses caused, *inter alia*, by CTA Events of Default.

A summary of the covenants, Trigger Events and CTA Events of Default included in the CTA is set out below.

### ***Covenants***

The CTA contains customary operating and financial covenants, subject to certain agreed exceptions, including covenants restricting the ability of certain members of the Holdco Group to:

- (a) make acquisitions or investments;
- (b) make disposals;
- (c) incur financial indebtedness and enter into derivative transactions;
- (d) grant security or guarantees;
- (e) make loans or otherwise become a creditor;
- (f) enter into amalgamations, demergers, mergers, consolidations or corporate reconstructions;
- (g) issue shares, redeem share capital, pay dividends, (subject to exceptions) make payments under any Class B Authorised Credit Facility, purchase Notes or Authorised Credit Facilities;
- (h) change the nature of the business;
- (i) enter into transactions other than on arm's length;
- (j) change centre of main interest or maintain an establishment outside its jurisdiction of incorporation;
- (k) amend the Common Documents, Senior Finance Documents and constitutional documents;
- (l) change its accounting reference date; and
- (m) cancel any working capital facilities.

The CTA also requires certain members of the Holdco Group to observe certain positive covenants, subject to certain agreed exceptions, including:

- (a) maintenance of relevant authorisations;
- (b) compliance with laws, including environmental laws, pension laws, anti-money laundering rules, anti-bribery laws and sanctions;
- (c) provision of financial and other information and notification of defaults and Trigger Events;
- (d) payment of taxes;
- (e) maintenance of insurances, intellectual property and assets and minimum maintenance capital expenditure;
- (f) provision of access to premises, assets and records, if a CTA Default is continuing;
- (g) *pari passu* ranking;
- (h) creation of floating charge over the whole or substantially the whole of its property under the English law governed Obligor Security Documents;
- (i) preservation of holding company status of Holdco, Intermediate Holdco and the Borrower;
- (j) maintenance of a credit rating for the Class A Notes;
- (k) retention of reputable auditors;
- (l) provision of cash management services, maintenance of liquidity and application of mandatory prepayment;

- (m) receipt of all the services necessary to carry on their business, including the Permitted Business;
- (n) preserve and maintain the Secured Intellectual Property rights and registrations necessary to carry out their business, including the Permitted Business; and
- (o) maintenance of a guarantor coverage and accession of each material company as an Obligor.

The CTA requires the Holdco Group to comply with a Class A FCF DSCR of 1.10:1.00. The ratio is based on definitions in the Master Definitions Agreement, which may differ from the definitions in the Class B1 IBLA and the applicable definitions described in this Offering Memorandum. Any breach of the Class A FCF DSCR may be cured by injecting shareholder equity or loans to be used to prepay and or defease Class A Authorised Credit Facilities or Class A Notes as provided for in the CTA subject to there being no more than three equity cures in any rolling period of five Financial Years and subject to their being no equity cures made in respect of any consecutive Test Period.

### ***Mandatory prepayments***

Any mandatory prepayments are subject to the terms of the CTA and the STID.

Where more than one Class A Authorised Credit Facility (other than a Liquidity Facility) requires an amount to be applied in mandatory prepayment then such amount shall be applied pro rata in prepayment of the Obligor Senior Secured Liabilities under such Class A Authorised Credit Facilities (including any related swap termination amounts under any Hedging Agreement, break costs and redemption premia payable by the Obligors).

### ***Additional Financial Indebtedness***

The CTA allows the incurrence of Additional Financial Indebtedness by an Obligor *provided that*

- (A) if such Additional Financial Indebtedness is for the purpose of refinancing any existing Financial Indebtedness (including the Class B1 IBLA), certain conditions are met, including,
  - (i) the Class A FCF DSCR for the most recent Test Period prior to the date such Authorised Credit Facility is entered into not being less than 1.35:1.00 (calculated on a *pro forma* basis);
  - (ii) no CTA Event of Default being outstanding or continuing at the date the relevant Authorised Credit Facility is entered into and, on such date, there being no CTA Event of Default that would occur as a result of the utilisation in full of the relevant Authorised Credit Facility;
  - (iii) other than in relation to the refinancing or replacement of any Working Capital Facility with another Working Capital Facility for the same or a lesser principal amount and with an availability period which expires after the Final Maturity Date of the Working Capital Facility it refinances or replaces, the Rating Agency has confirmed that any Class A Notes then outstanding would immediately following (and taking into account) such refinancing or replacement be rated at least the lower of the then current rating of those Class A Notes and the Initial Rating of the first Series of Class A Notes from the Rating Agency; and
  - (iv) does not exceed the aggregate amount required to (a) refinance the relevant existing Financial Indebtedness and (b) pay all costs, fees and expenses (including any make whole premium, swap break costs, exit fees and redemption costs) incurred in connection with the refinancing of such existing Financial Indebtedness; and
- (B) if such Additional Financial Indebtedness is incremental Additional Financial Indebtedness or for the purpose of replacing or refinancing certain Permitted Financial Indebtedness, certain conditions are met, including,
  - (i) such Authorised Credit Facility ranking *pari passu* with any other Authorised Credit Facility of the same class (other than a Liquidity Facility);
  - (ii) the Class A FCF DSCR for the most recent Test Period prior to the date such Authorised Credit Facility is entered into not being less than the Trigger Event Ratio Level (calculated on a *pro forma* basis);
  - (iii) except were such Authorised Credit Facility is a Class B Authorised Credit Facility and all or part of the incremental Financial Indebtedness under that Class B Authorised Credit Facility is incurred in order to refinance existing Obligor Senior Secured Liabilities, there being no CTA Event of Default outstanding or continuing as at the date the relevant Authorised Credit Facility is entered into and, on such date, no CTA Event of Default occurring as a result of the utilisation in full of the relevant Authorised Credit Facility;

- (iii) utilising such Authorised Credit Facility in full not causing the ratio of Class A net leverage ratio to exceed 5.75:1, (calculated on a *pro forma* basis); and
- (iv) the Rating Agency having confirmed that the Class A Notes then outstanding would, immediately following (and having taken into account) the utilisation in full of such Authorised Credit Facility, be rated the greater of (x) the lower of the then current rating of those Class A Notes and the Initial Rating of the Class A Notes and (y) BBB–(sf) (or equivalent) from such Rating Agency.

### ***CTA Trigger Events and Lock Up***

The CTA only permits payments by the Holdco Group under or in connection with any Class B Authorised Credit Facility or Class B Notes:

- (a) in respect of payments of interest as permitted and in accordance with the STID; or
- (b) if funded from Additional Financial Indebtedness as described above under “—*Additional Financial Indebtedness*”, shareholder equity or loans or, to the extent permitted to be paid as a dividend or other distribution to shareholders at that time, Retained Excess Cashflow (as determined in accordance with the CTA and the Master Definitions Agreement).

If a Trigger Event occurs and until such Trigger Event has been remedied or waived in accordance with the CTA, among other things, no payments may be made by a member of the Holdco Group in respect of any Class B Authorised Credit Facility other than Permitted Payments.

The occurrence of any of the following events will be a Trigger Event:

- (a) the sum of the amount of commitments under any Liquidity Facility Agreements at any time and/or the amount credited to the Debt Service Reserve Account is, in aggregate, less than the Liquidity Required Amount;
- (b) the Class A FCF DSCR falls below 1.35:1.00;
- (c) the Borrower or the Issuer draws down under a Liquidity Facility (excluding any drawing or repayment any Standby Drawing) or withdraws sums credited to a Debt Service Reserve Account or a Liquidity Facility Standby Account, other than for the purpose of repaying any Standby Drawing, respectively, if the withdrawal of such amount is for the purposes of making scheduled debt service payments on the Obligor Senior Secured Liabilities or the Qualifying Issuer Senior Secured Debt;
- (d) subject to the expiry of any applicable grace period or remedy period, a CTA Event of Default has occurred and is continuing; or
- (e) there is a failure to deliver a Compliance Certificate for the relevant period within the required timeframe under the CTA.

### ***CTA Events of Default***

The CTA contains certain events of default, the occurrence of which would entitle the Obligor Security Trustee (at its discretion or on the instructions of the Qualifying Obligor Senior Creditors) to accelerate the debt or take an enforcement action in accordance with the provisions of the STID, including (subject in certain cases to agreed grace periods, financial thresholds and other qualifications) (the ***CTA Events of Default***):

- (a) failure to pay any amounts due under the Senior Finance Documents;
- (b) breach of financial covenant and equity cure;
- (c) failure to deliver financial statements;
- (d) breach of other obligations under the Common Documents or the Senior Finance Documents;
- (e) misrepresentation;
- (f) cross default (excluding under a Class B Authorised Credit Facility);
- (g) insolvency, insolvency proceedings or commencement of any creditors’ process such as expropriation, attachment, sequestration, distress or execution;



- (h) unlawfulness, invalidity, repudiation or recession of any Senior Finance Document or Common Document or any obligation under any Common Document or Senior Finance Document (subject to the Reservations) or Security Interest created under the Obligor Security Documents is not or ceases to be legal, valid, binding or enforceable or any Security Interest created under an Obligor Security Document ceases to be in full force and effect;
- (i) cessation of business;
- (j) commencement or threat of material litigation;
- (k) issue of contribution notice or financial support directive by the Pension Regulator;
- (l) cessation of ownership of intellectual property;
- (m) breach of the Tax Deed of Covenant (subject to certain limitations contained therein, as described in “*Description of Certain Financing Arrangements—Tax Deed of Covenant*”);
- (n) breach of the STID;
- (o) change of ownership of members of the Holdco Group; and
- (p) occurrence of an event of default under the Class A Notes.

### **Cash Management**

The CTA contains the following rules regarding the cash management of the Holdco Group.

#### *General*

- (a) Each Obligor shall open and maintain such Obligor Operating Accounts with an Acceptable Bank as it determines from time to time, acting reasonably, are required for the Permitted Business *provided* that RAC Motoring Services may open and maintain Obligor Operating Accounts with a reputable bank in Ireland whether or not it meets the rating requirements in the definition of Acceptable Bank.
- (b) The Borrower shall comply with the provisions of the Borrower Account Bank Agreement and the provisions of the CTA that apply to the Designated Accounts maintained by it from time to time. Each other Obligor shall comply with the provisions of the CTA that apply to the Designated Accounts and any Obligor Operating Accounts maintained by it from time to time.
- (c) Each Obligor shall ensure that all of its revenue (other than amounts required to be paid into a Designated Account) will be paid into an Obligor Operating Account in its name or the name of another Obligor.
- (d) The Obligor Operating Accounts shall be the sole current accounts of the Obligors through which all operating expenditure (including, for the avoidance of doubt, any Pensions Liabilities) and Capital Expenditure or any Taxes incurred by the Obligors and any other payment not prohibited pursuant to the Common Documents and/or the Senior Finance Documents shall be cleared.
- (e) The Cash Manager for the Borrower and the Issuer shall be the Holdco Group Agent and it will act as Cash Manager in respect of the accounts held by the Borrower and the Issuer. At all times prior to the delivery of any Loan Enforcement Notice, the Cash Manager shall be authorised by the Borrower and the Issuer and the Obligor Security Trustee to operate all such accounts in accordance with the Obligor Pre–Acceleration Priority of Payments under the STID.
- (f) Following the delivery of a Loan Enforcement Notice, the Cash Manager may only act on the instructions of the Obligor Security Trustee in respect of any accounts maintained by any member of the Holdco Group.
- (g) Following the delivery of a Loan Acceleration Notice by the Obligor Security Trustee any amounts standing to the credit of (i) the Obligor Operating Accounts and the Designated Accounts (other than the Mandatory Prepayment Account, the Defeasance Account and any Liquidity Facility Standby Account and, for the avoidance of doubt, any Borrower Hedge Replacement Premium in respect of a Hedging Transaction) may only be applied in accordance with the Obligor Post–Acceleration Priority of Payments under the STID; (ii) the Mandatory Prepayment Account or the Defeasance Account may only be applied by the Borrower (or the Cash Manager on its behalf), the Obligor Security Trustee or any Receiver (as appropriate) in or towards repayment of the relevant Authorised Credit Facility to which they relate in respect of which such amounts were credited in accordance with the Common Terms Agreement and any Authorised Credit Facility; and (iii) any Liquidity Facility Standby Account shall be repaid to the relevant Liquidity Facility Provider in accordance with the STID.

- (h) The Obligor (other than Holdco, Intermediate Holdco and the Borrower) may open accounts outside the United Kingdom and Ireland *provided* that (i) prior to £5,000,000 (or equivalent in the relevant local currency) being on deposit in such account, such Obligor grants a Security Interest over such account in form and substance substantially equivalent to the Security Interests granted over Obligor Operating Accounts in the United Kingdom (but taking into account the requirements and limitations of security interests over accounts in the relevant local jurisdiction); and (ii) on a weekly basis, all amounts in excess of £1,000,000 (or equivalent amount in the relevant local currency) standing to the credit of such account are transferred to an Obligor in the United Kingdom.
- (i) None of Holdco, Intermediate Holdco or the Borrower may open any bank accounts other than (in the case of the Borrower) the Designated Accounts required to be maintained by it pursuant to this section (“*Description of Certain Financing Arrangements—Common Terms Agreement—Cash Management*”).
- (j) Each Obligor shall promptly following the request of the Obligor Security Trustee deliver to it an updated list of the accounts (with details thereof) maintained by it.
- (k) Subject to paragraphs (a) above and (l) and (m) below of this section (“*Description of Certain Financing Arrangements—Common Terms Agreement—Cash Management—General*”), the Borrower and each other Obligor are required to procure that the Obligor Operating Accounts and the Designated Accounts are maintained with an Acceptable Bank. The Borrower may from time to time, appoint more than one account bank as a Borrower Account Bank on the terms of and subject to a Borrower Account Bank Agreement.
- (l) If an entity which is the Borrower Account Bank or the account bank in respect of any Designated Account or any Obligor Operating Account (other than any such entity in Ireland) ceases to have a credit rating for its long term unsecured and non-credit enhanced debt obligations of BBB– or higher by S&P, then the Cash Manager, Borrower or other relevant Obligor must use reasonable endeavours to transfer the affected Obligor Operating Accounts or Designated Accounts to another entity which is an Acceptable Bank, subject to and in accordance with the terms of the Borrower Account Bank Agreement and/or the Common Terms Agreement (as applicable).
- (m) A transfer of a Designated Account only becomes effective when:
  - (i) with respect to any Designated Account maintained by the Borrower, the proposed new Acceptable Bank enters into an agreement substantially on the same terms as the Borrower Account Bank Agreement;
  - (ii) the relevant new account is open and operational; and
  - (iii) a Security Interest satisfactory to the Obligor Security Trustee has been granted over such new Designated Account.
- (n) Prior to the delivery by the Obligor Security Trustee of a Loan Enforcement Notice, the Holdco Group shall be entitled to operate a cash-sweep or cash-pooling system as between the Operating Accounts in accordance with the Senior Finance Documents and the Common Documents.

#### *Designated Accounts*

- (a) The Borrower shall maintain the following bank accounts in its name, in each case (other than in respect of any Liquidity Facility Standby Accounts) with the Borrower Account Bank:
  - (i) from no later than immediately prior to 6 May 2016, as account designated the “**Debt Service Payment Account**”;
  - (ii) from a date no later than five Business Days prior to the date on which the first payment is required under the Senior Finance Documents to be made into such account, an account designated the “**Excess Cashflow Account**”;
  - (iii) from a date no later than five Business Days prior to the date on which the first payment is required under the Senior Finance Documents to be made into such account, an account designated the “**Defeasance Account**”;
  - (iv) from a date no later than five Business Days prior to the date on which any mandatory prepayment is required to be applied in prepayment of any Authorised Credit Facility, an account designated the “**Mandatory Prepayment Account**”;
  - (v) from no later than immediately prior to the date of any utilisation of any Liquidity Facility, an account designated a “**Liquidity Facility Standby Account**” in respect of each person that is a Liquidity Facility Provider under the relevant Liquidity Facility;
  - (vi) from a date at the Borrower’s discretion, an account designated the “**Financing Proceeds Account**”; and

- (vii) from a date at the Borrower's discretion, an account designated the "**Borrower Debt Service Reserve Account**", on the terms set out in the Borrower Account Bank Agreement, and
- (b) Holdco shall procure that from no late that immediately prior to 6 May 2016 an account designated the "**Maintenance Capex Reserve Account**" is maintained with an Acceptable Bank in the name of an Obligor that is an English Subsidiary of the Borrower, and each account under paragraphs (a) and (b) above, a "**Designated Account**".
- (c) No amount may be credited to or debited from a Designated Account other than as expressly provided in the CTA and the STID.
- (d) The Cash Manager, the Borrower and each other relevant Obligor (as applicable) must ensure that no Designated Account goes into overdraft.

#### *Debt Service Payment Account*

Prior to the delivery of a Loan Acceleration Notice by the Obligor Security Trustee, the Obligors undertake to credit the Debt Service Payment Account three Business Days prior to any Loan Interest Payment Date or, if applicable, any other interest payment date provided for in any Class A Authorised Credit Facility, with sufficient funds to enable the Borrower to make any required payments under the Finance Documents due on such Loan Interest Payment Date or, if different, such other interest payment date provided for in a Class A Authorised Credit Facility in accordance with the Obligor Pre-Acceleration Priority of Payments. If there are insufficient amounts standing to the credit of the Debt Service Payment Account on the relevant date to pay all amounts due under the Finance Documents, such unpaid amounts shall be paid from any of the Obligor Operating Accounts.

#### *Excess Cashflow Account*

- (a) Unless a Qualifying Public Offering has occurred or paragraph (b)(ii) below applies, the Borrower shall deposit into the Excess Cashflow Account within five Business Days after the earlier of (i) the date of delivery of the audited consolidated Annual Financial Statements of Holdco (and related Compliance Certificate) for that Financial Year and (ii) the required date of delivery of the audited consolidated Annual Financial Statements of Holdco (and related Compliance Certificate) for that Financial Year (where relevant net of any amount credited to the Excess Cashflow Account pursuant to paragraph (b)(i) below in respect of the first six months of the relevant Financial Year) 100 per cent. of the Excess Cashflow for each Financial Year that is a Bank Debt Sweep Period.
- (b) If a Trigger Event is continuing as evidenced by the most recent Compliance Certificate delivered with any Financial Statements, the Borrower shall be required to deposit into the Excess Cashflow Account within five Business Days after the date of required delivery of the relevant Compliance Certificate:
  - (i) 100 per cent. of Excess Cashflow for the six month period ending on the last day of the Test Period to which that Compliance Certificate relates if that Compliance Certificate is delivered with any Semi-Annual Financial Statements; and
  - (ii) 100 per cent. of Excess Cashflow for the 12 month period ending on the last day of the Test Period to which that Compliance Certificate relates if that Compliance Certificate is delivered with any Annual Financial Statements (where relevant net of any amount credited to the Excess Cashflow Account pursuant to paragraph (b)(i) above in respect of the first six months of the relevant Financial Year).
- (c) Prior to the delivery of a Loan Acceleration Notice by the Obligor Security Trustee, any amounts standing to the credit of the Excess Cashflow Account shall be applied in accordance with the Obligor Pre-Acceleration Priority of Payments under the STID.

#### *Maintenance Capex Reserve Account*

- (a) The Maintenance Capex Reserve Account shall be credited by the Obligors with any Unused Capital Maintenance Spend Amount within 30 days from the end of each Financial Year.
- (b) Prior to the delivery of a Loan Acceleration Notice by the Obligor Security Trustee any amounts standing to the credit of the Maintenance Capex Reserve Account may only be utilised by the Obligors to fund a payment of Maintenance Capital Expenditure.

### *Defeasance Account*

- (a) The Borrower:
- (i) shall, if a Trigger Event is subsisting at the relevant time, credit to the Defeasance Account any amount of Excess Cashflow standing to the credit of the Excess Cashflow Account required to be credited into the Defeasance Account in accordance with the Obligor Pre–Acceleration Priority of Payments under the STID. Once the Trigger Event is no longer continuing any amount credited to the Defeasance Account pursuant to this paragraph shall be released from the Defeasance Account and applied by the Cash Manager in accordance with the Obligor Pre–Acceleration Priority of Payments under the STID in the order in which it would have been applied had a Trigger Event not occurred and any excess amounts shall be credited to such Obligor Operating Account as the Cash Manager may elect and applied in accordance with the Senior Finance Documents;
  - (ii) may at its discretion pay any Equity Cure amounts into the Defeasance Account. Such amounts may only be released in accordance with such paragraph (e) below;
  - (iii) shall credit any amounts required to be paid into the Defeasance Account in accordance with the voluntary prepayment provisions in the CTA. Any such amounts standing to the credit of the Defeasance Account may only be applied in accordance with such voluntary prepayment provisions in the CTA and/or applied to refinance the relevant Class A Authorised Credit Facility;
  - (iv) prior to the occurrence of a Trigger Event, (with respect to any amounts it wishes to use for the defeasance of any Class A IBLA in respect of any Class A Notes) may or, following the occurrence of any Trigger Event, shall, deposit the proceeds of any Disposal Proceeds or Insurance Proceeds in the Defeasance Account in accordance with the CTA. Any Disposal Proceeds or Insurance Proceeds standing to the credit of the Defeasance Account may be released and applied only in accordance with “*Description of Certain Financing Arrangements—Common Terms Agreement—Cash Management—Prepayment/Defeasance from Disposal Proceeds and/or Insurance Proceeds*” and “*Mandatory Prepayment Account*”) below].
- (b) Pending application, amounts credited to the Defeasance Account shall be held for the benefit of the Class A Authorised Credit Providers under the fixed rate Class A Authorised Credit Facility in respect of which the relevant amounts were credited.
- (c) The Cash Manager shall maintain appropriate entries in respect of the Defeasance Account and any amounts credited to or debited from it which identify the fixed rate Class A Authorised Credit Facilities in respect of which those debits and credits are made. In the absence of manifest error such entries are conclusive evidence of the matters to which they relate.
- (d) On or following any Expected Maturity Date in respect of any Sub–Class of Class A Notes any amounts credited to the Defeasance Account in respect of the corresponding Class A IBLA Advance must be applied towards prepayment of such Class A IBLA Advance (including any redemption premia payable by the Obligor).
- (e) Following an Equity Cure, the Obligor Security Trustee must, as soon as is reasonably practicable after being so requested by the Borrower but in any event not earlier than the Business Day immediately following the relevant Test Date, consent to the release of funds from the Defeasance Account if and to the extent that, following such release, the Class A FCF DSCR (disregarding the Equity Cure Amount (if any), requested to be so released) remains at or greater than the Class A Default Ratio Level (as certified by the Holdco Group Agent in the Compliance Certificate to be provided in connection with such relevant Test Date).

### *Mandatory Prepayment Account*

- (a) Any amount (other than Excess Cashflow) required to be applied in prepayment of any Class A Authorised Credit Facility that bears interest at a floating rate may, if permitted under the relevant Class A Authorised Credit Facility, be credited to the Mandatory Prepayment Account for application in prepayment of amounts outstanding under that Class A Authorised Credit Facility at the time provided for in the relevant Class A Authorised Credit Facility (and pending such application shall be held for the benefit of the Class A Authorised Credit Providers under the Class A Authorised Credit Facility in respect of which the relevant amount was credited).
- (b) Subject to the terms of the STID, the proceeds of any Additional Financial Indebtedness which have been raised for the purpose of refinancing any Class A Authorised Credit Facility and are required to be applied in prepayment of such Class A Authorised Credit Facility may, if permitted under the terms of such Additional Financial Indebtedness, be credited to the Mandatory Prepayment Account (or such other account as the new Authorised Credit Providers require for the holding of the proceeds pending their application for repayment of the relevant Class A Authorised Credit

Facility) and held in it until such time as the Borrower elects to prepay or repay such Class A Authorised Credit Facility to be refinanced with such proceeds.

- (c) The Cash Manager shall maintain appropriate entries in respect of the Mandatory Prepayment Account and any amounts credited to or debited from it which identify the Class A Authorised Credit Facility in respect of which those debits and credits are made. In the absence of manifest error such entries are conclusive evidence of the matters to which they relate.

#### *Liquidity Facility Standby Account*

Subject to the terms of the STID and any Liquidity Facility Agreement, the Borrower shall pay the proceeds of any Standby Drawing into the Liquidity Facility Standby Account with the relevant Liquidity Facility Provider unless such Standby Drawing is made as a result of a downgrade of such Liquidity Facility Provider below the Requisite Rating in which case the proceeds of any Standby Drawing shall be paid into a Liquidity Facility Standby Account with the Borrower Account Bank.

#### *Borrower Debt Service Reserve Account*

- (a) Any member of the Holdco Group may credit the Borrower Debt Service Reserve Account with funds which shall be utilised by the Borrower to fund any Liquidity Shortfall.
- (b) No amount may be withdrawn from the Borrower Debt Service Reserve Account unless (i) the proceeds of such withdrawal will be applied for the purposes of reducing any Borrower Liquidity Shortfall Amount on any Loan Interest Payment Date or (ii) such withdrawal would not cause a Trigger Event in accordance with the provisions in the CTA to occur.

#### *Cash Pooling*

Each Obligor shall (and Holdco shall procure that each other member of the Holdco Group will) ensure that any netting and set off arrangements entered into by members of the Holdco Group in the ordinary course of its banking arrangements for the purposes of netting debit and credit balances of Obligor Operating Accounts of members of the Holdco Group shall only be netted in an account in the name of an Obligor and to the extent permitted by paragraph (c) of the definition of “Permitted Security”.

#### *Prepayment/Defeasance from Disposal Proceeds and/or Insurance Proceeds*

Subject to any mandatory prepayment provisions in respect of Disposal Proceeds or Insurance Proceeds in any Class A Authorised Credit Facility any Disposal Proceeds and/or Insurance Proceeds required to be applied in payment of the Obligor Senior Secured Liabilities may be applied, at the Borrower’s discretion to permanently repay, prepay, defease (by way of credit to the Defeasance Account) or purchase an Class A Notes and/or any amounts outstanding under any Class A Authorised Credit Facility (excluding any Liquidity Facility and any Hedging Agreement) and to pay any related swap termination amounts under any Hedging Agreement, break costs and redemption premia payable in connection therewith.

#### *Financing Proceeds Account*

The proceeds of any Additional Financial Indebtedness which have been raised for the purpose of refinancing any Authorised Credit Facility may be credited to the Financing Proceeds Account and held in it until such time as the Borrower elects to apply such proceeds to prepay or repay any Authorised Credit Facility.

### **Hedging Policy**

#### *Risks arising in the ordinary course of Business*

- (a) The Borrower and each other member of the Holdco Group may enter into unsecured Treasury Transactions for the purposes of hedging risks arising in the ordinary course of the Holdco Group’s business, including, amongst others, risks deriving from exposures to fluctuations in interest rates, currency exchange rates and fuel prices. The Issuer shall not enter into Treasury Transactions other than Hedging Transactions.
- (b) Treasury Transactions may be entered into with one or more counterparties. No member of the Holdco Group, the Borrower or the Issuer may enter into Treasury Transactions for the purpose of speculation. For the avoidance of doubt, any Treasury Transaction that is entered into and which is designated as hedging for hedge accounting purposes in the

accounts of Holdco Group, the Borrower or the Issuer shall not be deemed to be entered into for the purpose of speculation.

- (c) No member of the Holdco Group, the Borrower or the Issuer may enter into Treasury Transactions that are inflation swaps.

#### *Risks arising in connection with the Relevant Debt*

- (a) The Borrower and the Issuer may enter into Hedging Transactions for the purpose of hedging risks deriving from exposures to fluctuation in, inter alia, interest rates and currency exchange rates arising in connection with the Relevant Debt. Hedging Agreements and Hedging Transactions may be entered into with one or more Hedge Counterparties, subject to paragraph (a) under “*Description of Certain Financing Arrangements—Common Terms Agreement—Hedging Policy—Principles Relating to Hedge Counterparties*” below.
- (b) The Borrower and the Issuer may execute forward-starting hedging arrangements to mitigate interest rate and currency exchange rate risks associated with the incurrence (including expected future incurrence) of the Relevant Debt.
- (c) The aim of the Hedging Policy is to ensure that the Borrower’s and the Issuer’s economic exposure in respect of (i) the currency exchange rate risk in respect of the principal and interest payments in respect of Relevant Debt denominated in a Foreign Currency is fully hedged into Sterling, and (ii) the majority of the interest rate exposure in respect of Relevant Debt (including any Relevant Debt denominated in a Foreign Currency which has been hedged into effective Sterling debt) is, or is hedged into a fixed rate, in each case when determined by reference to the future interest periods and the maturity dates of the Relevant Debt. Overhedging may not exceed 5 per cent. in respect of interest rate hedging and 10 per cent. in respect of currency exchange rate hedging, in each case determined after taking into account any Overlay Transactions or Offsetting Transactions and disregarding any forward-starting hedging arrangements in respect of which (x) the “Effective Date” specified therein has not yet occurred and (y) the expected future debt it is intended to hedge has not yet been incurred.
- (d) In the event the Issuer enters into any Hedging Transactions under an Issuer Hedging Agreement, the economic effect of such Hedging Transactions shall be passed on to the Borrower either through the Class A IBLA or by way of back-to-back hedge agreements between the Borrower and the Issuer.
- (e) The Hedging Policy will be reviewed from time to time by the Borrower and the Issuer and may be amended as appropriate in line with market practice, regulatory developments and good industry practice in accordance with the provisions of the STID.
- (f) Subject to paragraph (g) under “—*Common Terms Agreement—Hedging Policy—Risks Arising in Connection with the Relevant Debt*” below, no amendment, waiver, modification or termination (in whole or in part) of any Hedging Agreement or Hedging Transaction will require the consent of any party other than the parties to such Hedging Agreement *provided* that such amendment, waiver, modification or termination (as the case may be) does not result in any breach of the Hedging Policy, in which case such amendment, waiver, modification or termination will be subject to the provisions of the STID.
- (g) No amendment, waiver, modification or termination (in whole or in part) of any Hedging Transaction or Hedging Agreement required to meet the criteria published by any Rating Agency from time to time) will require the consent of any party other than the parties to the relevant Hedging Agreement.
- (h) For the purpose of determining compliance with the currency exchange rate risk principles under paragraphs (a) and (b) of “—*Common Terms Agreement—Hedging Policy—Currency Risk Principles*” below and the interest rate risk principles under paragraphs (a), (b) and (c) of “—*Common Terms Agreement—Hedging Policy—Interest Rate Risk Principles*” below, (i) the notional amount and/or currency amount of a Hedging Transaction on any date shall be reduced by the notional amount and/or currency amount of a Hedging Transaction that is an Offsetting Transaction or an Overlay Transaction with respect thereto (as applicable) on that date, and (ii) the notional amount and/or currency amount of any forward-starting Hedging Transaction in respect of which (x) the “Effective Date” specified therein has not yet occurred and (y) the expected future debt it is intended to hedge has not yet been incurred, shall be disregarded, (together the “**Hedging Reduction Amounts**”).

#### *Currency Risk Principles*

- (a) The Borrower and the Issuer (taken together) will hedge currency exchange rate risk, in respect of the interest payable and the repayment of principal in relation to the total outstanding Relevant Debt which is denominated in a currency other than GBP (a “**Foreign Currency**”) to ensure that on any day, the net economic effect of such hedging for the

Borrower and the Issuer (taken together), determined by reference to the future interest periods and the maturity dates of the outstanding Relevant Debt on such day, is that:

- (i) a minimum of 100 per cent. of the currency exchange rate risk in respect of the total outstanding Relevant Debt denominated in such Foreign Currency is hedged into GBP pursuant to one or more XCCY Hedging Transactions, with each such XCCY Hedging Transaction having, when entered into, a term no less than the shorter of (x) the average maturity of the Relevant Debt denominated in a Foreign Currency; and (y) three years; and
  - (ii) not more than 110 per cent. of the currency exchange rate risk in respect of the total outstanding Relevant Debt denominated in such Foreign Currency that would otherwise have been hedged (disregarding, for these purposes, any applicable Hedging Reduction Amounts), is hedged pursuant to XCCY Hedging Transactions.
- (b) With respect to each Foreign Currency, in the event that on any day, the net economic effect for the Borrower and the Issuer (taken together) of the XCCY Hedging Transactions denominated in such Foreign Currency on such day is that more than 110 per cent. of the currency exchange rate risk in respect of the total outstanding Relevant Debt denominated in such Foreign Currency that would otherwise have been hedged (disregarding, for the purposes of making this determination, any Hedging Reduction Amounts) is hedged pursuant to such XCCY Hedging Transactions (a “**XCCY Overhedged Position**”), then the Borrower or the Issuer shall notify the relevant Borrower Hedge Counterparties or the relevant Issuer Hedge Counterparties (as applicable) of the XCCY Overhedged Position promptly upon becoming aware of the XCCY Overhedged Position and must, within 30 calendar days of becoming aware of the XCCY Overhedged Position, reduce the aggregate notional amount of the XCCY Hedging Transactions (which may be achieved by terminating one or more XCCY Hedging Transactions (in whole or in part), including reducing the aggregate notional amount thereof with effect from a future date) at the discretion of the Borrower or the Issuer, as applicable) and/or entering into Offsetting Transactions and/or Overlay Transactions so that it is in compliance with the parameters in paragraph (a) under “—*Common Terms Agreement—Hedging Policy—Currency Risk Principles*” above.
- (c) Currency exchange rate risk will be hedged through derivative instruments including but not limited to swaps, caps, options and collars in order to comply with paragraph (a) under “—*Common Terms Agreement—Hedging Policy—Currency Risk Principles*” above, *provided that*, the applicable exchange rate or strike in any such transactions is not more than 5 per cent. higher or lower than the prevailing market rate exchange rate for the relevant currency pair at the time such transaction is entered into.

#### *Interest Rate Risk Principles*

- (a) Subject to paragraph (b) below, the Borrower and the Issuer will (taken together) hedge the interest rate risk in relation to the total outstanding Relevant Debt to ensure that, on any day, the net economic effect of such hedging for the Borrower and the Issuer (taken together), determined by reference to the future interest periods and the maturity dates of the outstanding Relevant Debt on such day, is that:
- (i) a minimum of 75 per cent. of the interest rate risk in respect of the total outstanding Relevant Debt either
    - (A) bears a fixed rate of interest; or
    - (B) is hedged pursuant to one or more Interest Rate Hedging Transactions having when entered into a term no less than the shorter of (A) the average maturity of the Relevant Debt; and (B) three years; and
  - (ii) not more than 105 per cent. of interest rate risk in respect of the total outstanding Relevant Debt that would otherwise have been hedged (disregarding, for these purposes, any applicable Hedging Reduction Amounts), is hedged pursuant to Interest Rate Hedging Transactions.
- (b) Notwithstanding paragraph (b) under “—*Common Terms Agreement—Hedging Policy—Currency Risk Principles*” above, with effect as at 6 May 2016, the Borrower shall hedge the interest rate risk in relation to the Initial STF Facility to ensure that on any day, the net economic effect of such hedging for the Borrower, determined by reference to the future interest periods and the maturity date of the Initial STF Facility, is that a minimum of 100 per cent. of the interest rate risk in respect of the total amount outstanding under the Initial STF Facility is hedged pursuant to Interest Rate Hedging Transactions.
- (c) In the event that, on any day, the net economic effect for the Borrower and the Issuer (taken together) of the Interest Rate Hedging Transactions on such day is that more than 105 per cent. of the interest rate risk in respect of the total outstanding Relevant Debt that would otherwise have been hedged (disregarding, for the purposes of making this determination, any Hedging Reduction Amounts) is hedged pursuant to such Interest Rate Hedging Transactions (an “**Overhedged Position**”), then the Borrower or the Issuer shall notify the relevant Borrower Hedge Counterparties or the relevant Issuer Hedge Counterparties (as applicable) of the Overhedged Position promptly upon becoming aware of

the Overhedged Position and must, within 30 calendar days of becoming aware of the Overhedged Position, reduce the aggregate notional amount of the Interest Rate Hedging Transactions (which may be achieved by terminating one or more Interest Rate Hedging Transactions (in whole or in part), including reducing the aggregate notional amount thereof with effect from a future date) at the discretion of the Borrower or the Issuer, as applicable) and/or entering into Offsetting Transactions and/or Overlay Transactions so that it is in compliance with the parameters in (a) of “*Common Terms Agreement—Hedging Policy—Interest Rate Risk Principles*” above.

- (d) Interest rate risk on floating rate liabilities will be hedged through derivative instruments including but not limited to swaps, caps, options and collars in order to comply with paragraph (a) of “*Common Terms Agreement—Hedging Policy—Interest Rate Risk Principles*” above.

#### *Principles Relating To Hedge Counterparties*

- (a) The Borrower and the Issuer may only enter into Hedging Transactions with counterparties whose unsecured and unsubordinated debt obligations are assigned a rating by the Rating Agency which is no less than the Minimum Long Term Rating, or where a guarantee is provided by an institution which meets the requisite criteria of its Rating Agency with respect to its guarantees.
- (b) The counterparty principles under paragraph (a) above are to be tested only on the entry into each Hedging Transaction and, for the avoidance of doubt, shall not apply to any amendment, modification or waiver made in respect of such Hedging Transaction. Without prejudice to either the Borrower’s or the Issuer’s (as applicable) obligations to comply with the counterparty principles on entry into each Hedging Transaction, neither will have any obligation to take any action (or to cease to take any action) if a Hedge Counterparty subsequently ceases to satisfy the criteria set out in paragraph (a) above.

#### *Principles Relating To Hedging Agreements*

All Hedging Agreements must be entered into (whether by way of novation or otherwise) in the form, as amended by the parties thereto, of the 2002 ISDA Master Agreement or any successor thereto published by ISDA (an “**ISDA Master Agreement**”) unless otherwise agreed by the Obligor Security Trustee acting in accordance with the STID.

Notwithstanding any provision to the contrary in any Hedging Agreement the Borrower and/or the Issuer (as applicable) and each Hedge Counterparty will be required to agree that:

- (a) the Hedge Counterparty may only designate an Early Termination Date (as defined in the relevant ISDA Master Agreement) in respect of a Hedging Transaction if one or more of the following events has occurred and is continuing:
  - (i) with respect to any Borrower Hedging Agreements:
    - (A) a non-payment Event of Default (as defined in the relevant ISDA Master Agreement), if it relates to non-payment under any Borrower Hedging Agreement *provided* that at least five (5) Business Days have elapsed following the due date for such payment;
    - (B) a CTA Event of Default in respect of which a Loan Acceleration Notice is delivered;
    - (C) all Relevant Debt is irrevocably and unconditionally repaid, prepaid or cancelled in full, *provided* that the Hedge Counterparty shall not have the right to designate an “Early Termination Date” in these circumstances if the relevant payment, prepayment, repayment or discharge is as a result of, in contemplation of, or otherwise in connection with any prepayment, repayment or refinancing of Relevant Debt by any Permitted Financial Indebtedness which results in the incurring of new Relevant Debt by the Borrower; or
    - (D) any event outlined in Section 5(a)(vii) (Bankruptcy) of the Borrower Hedging Agreement (as amended by the relevant schedule to such Borrower Hedging Agreement to disapply, with respect to the Borrower, (i) section 5(a)(vii)(2), (7) and (9) of the standard ISDA Master Agreement, (ii) section 5(a)(vii)(3) of the standard ISDA Master Agreement to the extent that it refers to any assignment, arrangement or composition that is effected by any Senior Finance Document, (iii) section 5(a)(vii)(4) of the standard ISDA Master Agreement to the extent that it refers to any proceedings or petitions instituted or presented by any Borrower Hedge Counterparty or any Affiliate (as defined in the relevant Borrower Hedging Agreement) thereof, (iv) section 5(a)(vii)(6) of the standard ISDA Master Agreement to the extent that it refers to (1) any appointment that is contemplated or effected by any document to which the relevant Borrower Hedge Counterparty is a party in connection with the transactions contemplated by the



Common Documents or (2) any such appointment to which the Borrower has not yet become subject and (v) section 5(a)(vii)(8) of the standard ISDA Master Agreement to the extent that it applies to the provisions of section 5(a)(vii)(2), (3), (4), (6) and (7) of the standard ISDA Master Agreement which have been disapplied with respect to the Borrower) if it relates to an event that has occurred in relation to the Borrower;

(ii) with respect to the Issuer Hedging Agreements:

- (A) a non-payment Event of Default (as defined in the relevant ISDA Master Agreement), if it relates to non-payment under any Issuer Hedging Agreement *provided* that at least five Business Days have elapsed following the due date for such payment;
  - (B) a Class A Note Event of Default in respect of which a Class A Note Acceleration Notice is delivered; or
  - (C) all Relevant Debt is irrevocably and unconditionally repaid, prepaid or cancelled in full, *provided* that the Hedge Counterparty shall not have the right to designate an “Early Termination Date” in these circumstances if the relevant payment, prepayment, repayment or discharge is as a result of, in contemplation of, or otherwise in connection with any prepayment, repayment or refinancing of Relevant Debt by any Permitted Financial Indebtedness which results in the incurring of new Relevant Debt by the Issuer; or
  - (D) any event outlined in section 5(a)(vii) (*Bankruptcy*) of the Issuer Hedging Agreement (as amended by the relevant schedule to such Issuer Hedging Agreement to disapply, with respect to the Issuer, (i) section 5(a)(vii)(2), (7) and (9) of the standard ISDA Master Agreement, (ii) section 5(a)(vii)(3) of the standard ISDA Master Agreement to the extent that it refers to any assignment, arrangement or composition that is effected by any Issuer Transaction Document, (iii) section 5(a)(vii)(4) of the standard ISDA Master Agreement to the extent that it refers to any proceedings or petitions instituted or presented by any Issuer Hedge Counterparty or any Affiliate (as defined in the relevant Issuer Hedging Agreement) thereof, (iv) section 5(a)(vii)(6) of the standard ISDA Master Agreement to the extent that it refers to (1) any appointment that is contemplated or effected by any document to which the relevant Issuer Hedge Counterparty is a party in connection with the transactions contemplated by the Note Trust Deed or (2) any such appointment to which the Issuer has not yet become subject and (v) section 5(a)(vii)(8) of the standard ISDA Master Agreement to the extent that it applies to the provisions of section 5(a)(vii)(2), (3), (4), (6) and (7) which have been disapplied with respect to the Issuer) if it relates to an event that has occurred in relation to the Issuer;
- (iii) a Hedging Transaction is entered into which does not comply with the Hedging Policy (“*Common Terms Agreement—Hedging Policy*”) on the date such Hedging Transaction is entered into, *provided* that the Hedge Counterparty to such Hedging Transaction may only designate an Early Termination Date in respect of such Hedging Transaction;
- (iv) an ISDA Distressed Disposal Event occurs, *provided* that the Hedge Counterparty to such Hedging Transaction may only designate an Early Termination Date in respect of the relevant portion of such Hedging Transaction equal to the proportion that the amount of the Obligor Senior Secured Liabilities which are automatically accelerated or deemed accelerated pursuant to Clause 12.5, Clause 30.14, Clause 30.15 or Clause 30.18 of the STID (as applicable) bears to the total outstanding amount of the Obligor Senior Secured Liabilities (excluding the obligations of the Borrower under the Borrower Hedging Agreements);
- (v) an XCCY Overhedged Position exists, *provided* such XCCY Overhedged Position has continued to exist for a period of 30 consecutive calendar days from the date on which the Borrower or the Issuer (as applicable) became aware of such XCCY Overhedged Position, and *provided* further that the Hedge Counterparty to such Hedging Transaction may only designate an Early Termination Date in respect of the relevant portion of such Hedging Transaction which, when terminated, would cause the Borrower or the Issuer (as applicable) to be in compliance with the parameters set out in paragraph (a) under “*Common Terms Agreement—Hedging Policy—Currency Risk Principles*” above;
- (vi) an Overhedged Position exists, *provided* such Overhedged Position has continued to exist for a period of 30 consecutive calendar days from the date on which the Borrower or the Issuer (as applicable) became aware of such Overhedged Position, and *provided* further that the Hedge Counterparty to such Hedging Transaction may only designate an Early Termination Date in respect of the relevant portion of such Hedging Transaction which, when terminated, would cause the Borrower or the Issuer (as applicable) to be in compliance with the parameters set out in paragraphs (a) and (b) under “*Common Terms Agreement—Hedging Policy—Interest Risk Principles*” above;

- (vii) an Additional Termination Event (as defined in the relevant ISDA Master Agreement) outlined in paragraph (iii)(2) of the EMIR NFC Representation Protocol and the Borrower or the Issuer (as applicable) is the sole Affected Party (as defined in the relevant ISDA Master Agreement);
  - (viii) an event outlined in section 5(b)(i) (Illegality) of the Issuer Hedging Agreement or the Borrower Hedging Agreement (as applicable);
  - (ix) an event outlined in section 5(b)(ii) (Force Majeure Event) of the Issuer Hedging Agreement or the Borrower Hedging Agreement (as applicable);
  - (x) an event outlined in section 5(b)(iii) (Tax Event) of the Issuer Hedging Agreement or the Borrower Hedging Agreement (as applicable); and
  - (xi) an event outlined in section 5(b)(iv) (Tax Event upon Merger) of the Issuer Hedging Agreement or the Borrower Hedging Agreement (as applicable).
- (b) If rights of “**Optional Early Termination**” or “**Mandatory Early Termination**” (each as defined in the 2006 ISDA Master Definitions or any replacement thereof) are included in a Hedging Transaction, the Issuer or the Borrower (as applicable) and the relevant Hedge Counterparty shall specify that “Cash Settlement” (as defined in the applicable Hedging Transaction incorporating the 2006 ISDA Definitions or any replacement thereof) shall be applicable.
- (c) Save as set out in paragraph (a) above, no other Event of Default (as defined in the ISDA Master Agreement) shall apply in relation to the Issuer or the Borrower or any member of the Holdco Group and no other Termination Event (as defined in the ISDA Master Agreement) in respect of which the Hedge Counterparty would have a right to terminate the relevant Hedging Agreement shall apply.
- (d) Each Hedge Counterparty will be required to acknowledge in the relevant Hedging Agreement that such Hedging Agreement is subject to the provisions of the Common Terms Agreement, the STID and the Issuer Deed of Charge, as the case may be and that all amounts payable or expressed to be payable by the Issuer or the Borrower (as the case may be) under or in connection with such Hedging Agreement shall only be recoverable (and all rights of the relevant Hedge Counterparty under such Hedging Agreement shall only be exercisable) subject to and in accordance with the STID, the Common Terms Agreement, the Issuer Cash Management Agreement or the Issuer Deed of Charge as applicable.
- (e) The Issuer or the Borrower (as applicable) will certify upon entry into each Hedging Transaction that such transaction complies with “—*Common Terms Agreement—Hedging Policy*”.

#### *Tax*

- (a) The Issuer and the Borrower may only enter into Treasury Transactions with counterparties who represent as an Additional Representation for the purposes of section 3 (Representations) of the Issuer Hedging Agreement or Borrower Hedging Agreement (as applicable) that they are party to such transactions otherwise than as agent or nominee of another person and either:
- (i) are and will remain a company resident for tax purposes in (and only in) the United Kingdom; or
  - (ii) be and remain a party to the contract comprising the relevant Treasury Transaction solely for the purposes of a trade or part of a trade carried on by it in the United Kingdom through (in the case of a company) a permanent establishment or (otherwise) a branch or agency; or
  - (iii) are and will remain resident for tax purposes in a jurisdiction with which the United Kingdom has a double taxation convention which makes provision, whether for relief or otherwise, in relation to interest.
- (b) Each Hedge Counterparty and the Issuer or the Borrower will be obliged to make payments under the Hedging Agreements without any withholding or deduction of Taxes, unless required by law.
- (c) Notwithstanding the definition of “Indemnifiable Tax” in section 14 of each Hedging Agreement, in relation to any payments made by a Hedge Counterparty, subject to paragraph (e) below, any Tax shall be an Indemnifiable Tax, and in relation to payments by the Issuer or the Borrower, no Tax shall be an Indemnifiable Tax.
- (d) If a withholding or deduction is required due to any action by a Tax Authority or brought in a court of competent jurisdiction or change in Tax law after the date on which a Treasury Transaction is entered into, and such withholding or deduction cannot be avoided in accordance with the relevant Hedging Agreement then:
- (i) the Hedge Counterparty if required to make such withholding or deduction; or

- (ii) where a payment made under the relevant Hedging Agreement is not grossed-up to compensate for such withholding or deduction, the Issuer or the Borrower (as applicable) or the Hedge Counterparty (as the case may be) to whom such payment is made,

may, subject to and to the extent provided in the terms and conditions of the relevant Hedging Agreement, terminate the relevant Treasury Transaction.

- (e) “**Tax**” as used in part 2(a) of the Schedule (Payer Tax Representation) to each Hedging Agreement and “**Indemnifiable Tax**” as defined in section 14 of each Hedging Agreement shall not include any U.S. federal withholding tax imposed or collected pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”), any current or future regulations or official interpretations thereof, any agreement entered into pursuant to section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such sections of the Code (a “**FATCA Withholding Tax**”). For the avoidance of doubt, a FATCA Withholding Tax is a Tax the deduction or withholding of which is required by applicable law for the purposes of section 2(d) of each Hedging Agreement.

### **Governing Law**

The CTA and any non-contractual obligations arising out of or in connection with it will be governed by English law.

### **Obligor Security Agreement**

Pursuant to the Obligor Security Agreement between the Obligors (comprising the Borrower, Holdco and the other Obligors) and the Obligor Security Trustee, the obligations set forth thereunder became effective on 6 May 2016. Under the Obligor Security Agreement the Obligors will guarantee the obligations of each other Obligor in respect of the Obligor Secured Liabilities and each of the Obligors will grant a security interest over all of their assets (subject to certain limited exceptions).

The Obligors will comprise subsidiaries of Holdco (other than RACIL) at all times with an aggregate EBITDA of 90 per cent of the consolidated EBITDA of the Holdco Group (other than RACIL). In addition, any member of the Holdco Group which represents 5 per cent of the consolidated EBITDA of the Holdco Group, plus each of that subsidiary’s holding companies that is a member of the Holdco Group, shall be required to become a Obligor.

Each Obligor will covenant to pay as primary obligor all of Obligor Secured Liabilities.

Subject to certain acknowledged prior ranking security interests (described below), each Obligor will grant the following security under the Obligor Security Agreement:

- (a) a charge by way of first legal mortgage over:
  - (i) certain identified Real Property in England or Wales;
  - (ii) shares or membership units (as applicable) in any member of the Holdco Group belonging to it on the date the Obligor becomes party to the Obligor Security Agreement to take effect in equity pending delivery of a Loan Enforcement Notice;
- (b) first fixed charges over:
  - (i) Real Property (to the extent not the subject to the legal mortgage referred to above);
  - (ii) its shares in any member of the Holdco Group (to the extent not subject to the legal mortgage referred to above);
  - (iii) each Designated Account and each Obligor Operating Account;
  - (iv) to the extent not effectively assigned as referred to below, the Hedging Agreements;
  - (v) any goodwill and rights in relation its uncalled capital;
  - (vi) the benefit of all consents and agreements held by it in connection with the use of any of its assets;
  - (vii) the Secured Intellectual Property; and
  - (viii) monetary claims.
- (c) an assignment of rights in respect of the Insurance Policies and Hedging Agreements; and

- (d) a first floating charge (being a “qualifying floating charge”, for the purposes of paragraph 14 Schedule B1 of the Insolvency Act 1986)) over the whole of its undertaking and all of its property and assets whatsoever and wheresoever situated, present and future, other than any property or assets from time to time or for the time being effectively charged by way of legal mortgage, fixed charge or otherwise assigned as security referred to above.

Any entity, whether acquired or established by a member of the Holdco Group or an existing member of the Holdco Group, which at any time following 6 May 2016 becomes an Obligor will be required to accede to the Obligor Security Agreement as an Obligor and provide supplementary security and a guarantee of the Obligors’ obligations under the Obligor Secured Liabilities.

The Obligor Security Trustee holds the benefit of the Obligor Security Agreement on trust for itself and each of the other Obligor Secured Creditors.

The Obligor Security Agreement and any non-contractual obligations arising out of or in connection with it will be governed by English law.

### **Additional Authorised Credit Facilities**

The Borrower will be permitted to incur Financial Indebtedness under Authorised Credit Facilities with an Authorised Credit Provider subject to any applicable financial covenants and the terms of the CTA and the STID. Each Authorised Credit Provider will be party to the STID and, the case of a Class A Authorised Credit Provider, the CTA.

### **Tax Deed of Covenant**

The Tax Deed of Covenant dated 6 May 2016 and the First Supplemental Tax Deed of Covenant dated 14 July 2017 were entered into by the Tax Covenantors, each member of the TD Security Group, and the Security Trustees (together, the “**Tax Deed of Covenant**”).

The Tax Deed of Covenant has two main purposes:

- (a) to protect the TD Security Group from certain tax-related risks, including risks relating to secondary tax liabilities, group tax matters (including matters relating to VAT grouping, capital gains elections, group relief, group payment arrangements, transfer pricing and the worldwide debt cap), degrouping charges, and the Issuer’s status as a securitisation company for the purposes of the Taxation of Securitisation Companies Regulations 2006, as amended; and
- (b) mitigate the risk that other unexpected tax liabilities arise in the TD Security Group and reduce the cash flow available to fund payments on the Notes, the Initial Class A IBLA, the Class B1 IBLA, and various other facilities to which a member of the TD Security Group is a party, by providing for (i) various representations and warranties to be given the Tax Covenantors (in favour of the TD Security Group and each Security Trustee) and each member of the TD Security Group (in favour of each Security Trustee) regarding certain matters, including tax and accounting positions of the members of the TD Security Group, and (ii) various covenants given by the Tax Covenantors to procure that the members of the TD Security Group are compensated in respect of any secondary and certain other tax liabilities.

The Tax Deed of Covenant also contains provisions in respect of surrenders of amounts by way of group relief and similar transactions, so that an entry into such a transaction by a member of the TD Security Group does not result in a loss of value to the TD Security Group.

A breach of a covenant, representation, warranty or other obligation contained in the Tax Deed of Covenant would generally constitute a “**TDC Breach**”, which in turn would generally constitute a CTA Event of Default. However, the Tax Deed of Covenant contains limitations and exclusions, including that a matter or circumstance giving rise to a breach will not give rise to a TDC Breach where:

- (a) the Tax Covenantors either (i) compensate or procure the compensation of the relevant member of the TD Security Group for the financial costs of the breach, or (ii) secure the relevant member of the TD Security Group (or procure that it is secured) against the financial costs of the breach, subject to the additional security being satisfactory to the Security Trustees, in each case in such a way that the relevant member of the TD Security Group is left or would be placed in the same overall economic position as it would have been in had the breach not occurred;

- (b) the aggregate financial costs for which any member of the TD Security Group has or is reasonably likely to (including, without limitation and where relevant, upon a subsequent enforcement over the shares in any member of the TD Security Group) become liable as a result of the breach (together with any other matters or circumstances arising in the period of three years prior to the breach which would, disregarding this limb (b), result in a TDC Breach) are equal to or less than £6,000,000; or
- (c) the Security Trustees have consented or give their consent to any action undertaken by any person which gives or gave rise to the breach in writing in response to a request for consent setting out all material details of the nature of the breach (or potential breach) and a quantification of the financial costs relating to Tax that would arise or have arisen in consequence of such breach.

The Tax Deed of Covenant and any non-contractual obligations arising out of or in connection with it will be governed by English law.

“**Security Trustees**” means the Issuer Security Trustee, the Obligor Security Trustee, the Class A Note Trustee (in respect of the Tax Deed of Covenant dated 6 May 2016), and the Class B Note Trustee (in respect of the First Supplemental Tax Deed of Covenant dated 14 July 2017).

“**Tax Covenantors**” means RAC Group (Holdings) Limited, RAC Midco Limited, and Topco.

“**TD Security Group**” means the Issuer and each member of the Holdco Group.

## DESCRIPTION OF THE CLASS B1 NOTES

The £275,000,000 5.000% Class B1 Fixed Rate Secured Notes due 2046 (the “**Class B1 Notes**”) of RAC Bond Co plc (the “**Issuer**”) are constituted by a note trust deed dated on or about 14 July 2017 (the “**Class B1 Issue Date**”) (the “**Class B Note Trust Deed**” which expression includes such note trust deed as from time to time modified in accordance with the provisions therein contained and any deed or other document expressed to be supplemental thereto, as from time to time so modified) and made between the Issuer and Deutsche Trustee Company Limited (in such capacity, the “**Class B Note Trustee**”, which expression includes its successors or any other trustee appointed pursuant to the Class B Note Trust Deed) as trustee for the holders of the Class B Notes (the “**Class B Noteholders**” including the holders of the Class B1 Notes, the “**Class B1 Noteholders**”).

### Certain Defined Terms

“**Business Day**” means, in relation to any place, a day (other than a Saturday or a Sunday) on which commercial banks are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and Dublin.

“**Class B1 IBLA**” means the loan agreement entered into between the Issuer and the Borrower on or around the Class B1 Issue Date which ranks subordinate to the Obligor Senior Secured Liabilities and *pari passu* with any other Class B Authorised Credit Facility then outstanding.

“**Class B1 IBLA Advance**” means any advance made under the Class B1 IBLA.

“**Class B1 Note Expected Maturity Date**” means the Class B Note Interest Payment Date falling in 6 November 2022.

“**Class B1 Note Final Maturity Date**” means the Class B Note Interest Payment Date falling in 6 May 2046.

“**Class B1 Note Adjustment Date**” means the Class B Note Interest Payment Date falling in 6 November 2022.

“**Class B1 Noteholder**” means a holder of a Class B1 Note.

“**Class B Call Option Period**” means the period commencing on the later of the date on which the Issuer publishes (or, where applicable, causes any Class B Principal Paying Agent to publish) a notice of the occurrence of a Class B Call Option Trigger Event to the Class B Noteholders (as further described in Condition 20 (*Class B Call Option*)) and the date on which the Holdco Group Agent notifies the Class B Authorised Credit Providers (other than the Issuer) of the occurrence of a Class B Call Option Trigger Event and ending on the date expiring 30 days following such delivery.

“**Class B Call Option Trigger Event**” means any of the following events:

- (a) prior to the delivery of a Class A Note Acceleration Notice or the delivery of a Loan Acceleration Notice, either (i) the occurrence of an Expected Maturity Date with respect to any Sub-Class of Class A Notes outstanding at any time and such Sub-Class of Class A Notes is not redeemed in full on its Expected Maturity Date or (ii) the occurrence of the Final Maturity Date with respect to any Class A Authorised Credit Facility and such Class A Authorised Credit Facility is not repaid in full on its Final Maturity Date; or
- (b) the delivery of a Class A Note Acceleration Notice to the Issuer.

“**Class B1 Issue Date**” means 14 July 2017.

“**Class B Extraordinary Resolution**” means, in respect of a Class B Voting Matter (a) a resolution approved by the holders of not less than 90% of the aggregate Principal Amount Outstanding of the Class B Notes or (b) a resolution in writing signed by or on behalf of the holders of not less than 90% of the aggregate Principal Amount Outstanding of the Class B Notes, which resolution in writing may be contained in one document or in several documents in like form each signed by or on behalf of one or more of the Class B Noteholders.

“**Class B Voting Matter**” means any matter other than a STID Decision Matter which is required to be approved by the Class B Noteholders including, without limitation:

- (a) any Entrenched Right STID Proposal;

- (b) any request by the Issuer or the Borrower to amend or waive the terms of any Class B1 IBLA, which is not capable of being approved by Class B Note Trustee under the Class B Note Trust Deed;
- (c) any directions required or entitled to be given by Class B Noteholders pursuant to the Issuer Class B Transaction Documents or the Issuer Common Documents; and
- (d) any other matter which requires the approval of or consent of the Class B Noteholders.

**“Decision Period”** means the period of time within which the approval of the Obligor Security Trustee is sought as specified in relation to each type of voting matter in the STID.

**“Entrenched Right STID Proposal”** means any STID Proposal the business of which gives rise to an Entrenched Right in relation to which the Issuer is an Affected Obligor Secured Creditor.

**“FATCA”** means (a) sections 1471 through 1474 of the Code as of the date of the Class B1 Offering Memorandum and any current or future regulations promulgated thereunder or official interpretations thereof; (b) any treaty, law or regulation of any other jurisdiction, or relating to an intergovernmental agreement between the U.S. and any other jurisdiction, which (in either case) facilitates the implementation of any law or regulation referred to in (a); or (c) any agreement pursuant to the implementation of any treaty, law or regulation referred to in paragraphs (a) or (b) above with the U.S. Internal Revenue Service, the US government or any governmental or taxation authority in any other jurisdiction.

**“FFI”** means a “foreign financial institution” as such term is defined pursuant to Section 1471(d) of the Code and any regulations or other official guidance issued thereunder.

**“Insolvency Official”** means, in connection with any Insolvency Proceedings in relation to a company, a liquidator, provisional liquidator, administrator, examiner, Administrative Receiver, Receiver, manager, nominee, supervisor, trustee, conservator, guardian, or other similar official or any equivalent or analogous official under the applicable laws of any jurisdiction in respect of such company or in respect of all (or substantially all) of the company’s assets or in respect of any arrangement or composition with creditors.

**“Insolvency Proceedings”** means, in respect of any company, the winding up, liquidation, dissolution or administration, bankruptcy of such company, or any equivalent or analogous proceedings under the law of the jurisdiction in which such company is incorporated or of any jurisdiction in which such company, carries on business including the seeking of liquidation, winding up, reorganisation, dissolution, administration, arrangement, adjustment, protection or relief of debtors.

**“Issuer Insolvency Event”** means:

- (a) the Issuer is unable or admits inability to pay its debts as they fall due, or suspends making payments on any of its debts after taking into account amounts available to it under the Liquidity Facility Agreement at the relevant time;
- (b) a moratorium is declared in respect of any indebtedness of the Issuer;
- (c) the commencement of negotiations by the Issuer with one or more creditors of the Issuer with a view to rescheduling any indebtedness of the Issuer;
- (d) any corporate action, legal proceedings or other procedure or step is taken (whether out of court or otherwise) in relation to:
  - (i) the appointment of an Insolvency Official (excluding the Issuer Security Trustee or a Receiver appointed by the Issuer Security Trustee pursuant to the Issuer Deed of Charge) in relation to the Issuer or in relation to the whole or any part of the undertaking of the Issuer;
  - (ii) an encumbrancer (excluding the Issuer Security Trustee or any Receiver appointed by the Issuer Security Trustee pursuant to the Issuer Deed of Charge) taking possession of the whole or any part of the undertaking or assets of the Issuer;
  - (iii) the making of an arrangement, composition or compromise (whether by way of voluntary arrangement, scheme of arrangement or otherwise) with any creditors (or any class of creditors) of the Issuer, a reorganisation of the Issuer, the winding up of the Issuer, a conveyance to or assignment for the benefit of creditors of the Issuer (or any class of creditors) or the making of an application to a court of competent jurisdiction for protection from the creditors of the Issuer (or any class of creditors);
  - (iv) any analogous procedure or step is taken in any jurisdiction; or

- (e) any distress, execution, diligence, attachment or other process being levied or enforced or imposed upon or against the whole or any part of the undertaking or assets of the Issuer (excluding by the Issuer Security Trustee or any Receiver appointed by the Issuer Security Trustee pursuant to the Issuer Deed of Charge) and such order, appointment, possession or process (as the case may be) is not discharged or otherwise ceasing to apply within 30 days.

“outstanding” means:

- (a) in relation to the Class A Notes of all or any Sub-Class, all the Notes of such Sub-Class issued other than:
- (i) those Class A Notes which have been redeemed in full or purchased, and cancelled, in accordance with Class A Condition 7 (*Redemption, Purchase and Cancellation*) or otherwise under the Class A Note Trust Deed;
  - (ii) those Class A Notes in respect of which the date (including, where applicable, any deferred date) for redemption in accordance with the Class A Conditions has occurred and the redemption monies for which (including premium (if any) and all interest payable thereon) have been duly paid to the Class A Note Trustee or to the Class A Principal Paying Agent or Class A Registrar, as applicable, in the manner provided in the Class A Agency Agreement (and where appropriate notice to that effect has been provided or published in accordance with the relevant Class A Condition and remain available for payment against presentation of the relevant Class A Notes and/or Class A Coupons and/or Class A Receipts;
  - (iii) those Class A Notes which have become void or in respect of which claims have become prescribed, in each case, under Class A Condition 12 (*Prescription*);
  - (iv) in the case of Class A Bearer Notes, those mutilated or defaced Class A Notes which have been surrendered and cancelled and in respect of which replacements have been issued pursuant to Class A Condition 13 (*Replacement of Class A Notes, Class A Coupons, Class A Receipts and Class A Talons*);
  - (v) in the case of Class A Bearer Notes (for the purpose only of ascertaining the Principal Amount Outstanding of the Class A Notes and without prejudice to the status for any other purpose of the relevant Class A Notes) those Class A Notes which are alleged to have been lost, stolen or destroyed and in respect of which replacements have been issued pursuant to Class A Condition 13 (*Replacement of Class A Notes, Class A Coupons, Class A Receipts and Class A Talons*);
  - (vi) the Class A Temporary Bearer Global Notes to the extent that they have been exchanged for Class A Permanent Bearer Global Notes or Class A Definitive Notes pursuant to the provisions contained therein;
  - (vii) the Class A Permanent Bearer Global Notes that remain in escrow pending exchange of the Class A Temporary Bearer Global Notes therefor, pursuant to the provisions contained therein;
  - (viii) the Class A Permanent Bearer Global Notes to the extent that they have been exchanged for Class A Bearer Definitive Notes pursuant to the provisions contained therein; and
  - (ix) the Class A Bearer Notes to the extent that they have been exchanged for Class A Registered Notes pursuant to the provisions contained therein;

provided that for each of the following purposes, namely:

- (A) the right to vote on a Class A Voting Matter as envisaged by paragraph 1 (*Definitions and Interpretations*) of Schedule 5 (*Provisions for Voting*) of the Class A Note Trust Deed;
- (B) the determination of how many and which Class A Notes are for the time being outstanding for the purposes of the Class A Note Trust Deed and the Class A Conditions;
- (C) any discretion, power or authority (whether contained in the Class A Note Trust Deed or vested by operation of law) which the Class A Note Trustee is required, expressly or impliedly, to exercise in or by reference to the interests of the Class A Noteholders or any of them;
- (D) the determination by the Class A Note Trustee whether any of the events specified in Class A Condition 10 (*Class A Note Events of Default*) is materially prejudicial to the interests of the holders of the Class A Notes then outstanding,

those Class A Notes of the relevant Sub-Class (if any) which are for the time being held by or on behalf of or for the benefit of the Issuer, the Borrower or any member of the Holdco Group, in each case as beneficial owner, shall (unless and until ceasing to be so held) be deemed not to remain outstanding; and



- (b) in relation to any Class B Notes, all the Class B Notes other than:
- (i) those Class B Notes which have been redeemed in full or purchased, and cancelled, in accordance with the Class B1 Condition 5 (*Redemption, Purchase and Cancellation*), the equivalent Class B Condition or otherwise under the Class B Note Trust Deed;
  - (ii) those Class B Notes in respect of which the date (including, where applicable, any deferred date) for redemption in accordance with the Class B Conditions has occurred and the redemption monies for which (including premium (if any) and all interest payable thereon) have been duly paid to the Class B Note Trustee or to the Class B Registrar in the manner provided in the Class B Agency Agreement (and where appropriate notice to that effect has been provided or published in accordance with Class B1 Condition 17 (*Notice to Class B1 Noteholders*)) or the equivalent provision in the applicable Class B Conditions and remain available for payment against presentation of the relevant Class B Notes;
  - (iii) those Class B Notes which have become void or in respect of which claims have become prescribed, in each case, under Class B1 Condition 8 (*Prescription*) or the equivalent provision in the applicable Class B Conditions;
  - (iv) the Principal Amount Outstanding of (and without prejudice to the status for any other purpose of the relevant Class B Notes) those Class B Notes which are alleged to have been lost, stolen or destroyed and in respect of which replacements have been issued pursuant to Class B1 Condition 16 (*Replacement of Class B1 Notes*) or the equivalent provision in the applicable Class B Conditions;

provided that for each of the following purposes, namely:

- (A) the right to vote on a Class B Voting Matter as envisaged by the definitions in Schedule 5 (*Provisions for Voting*) of the Class B Note Trust Deed;
- (B) the determination of how many and which Class B Notes are for the time being outstanding for the purposes of the Class B Note Trust Deed and the Class B Conditions;
- (C) any discretion, power or authority (whether contained in the Class B Note Trust Deed or vested by operation of law) which the Class B Note Trustee is required, expressly or impliedly, to exercise in or by reference to the interests of the Class B Noteholders or any of them;
- (D) the determination by the Class B Note Trustee whether any of the events specified in Class B1 Condition 9 (*Class B Note Events of Default*) or the equivalent provision in the applicable Class B Conditions is materially prejudicial to the interests of the holders of the Class B Notes then outstanding,

those Class B Notes which are for the time being held by or on behalf of or for the benefit of the, the Issuer, the Borrower or any other member of the Holdco Group, in each case as beneficial owner, shall (unless and until ceasing to be so held) be deemed not to remain outstanding.

For the purpose of sub-paragraph (a) of this definition, all capitalised terms shall have the meaning given to them in the Class A Conditions.

**“Participating FFI”** means an FFI that, as from the effective date of any rules requiring withholding on “passthru payments” (as such term is defined pursuant to FATCA), meets the requirements of Sections 1471(b) of the Code and any regulations or other official guidance issued thereunder and that has not elected withholding pursuant to Section 1471(b)(3) of the Code.

**“STID Decision Matter”** means any instruction, resolution or approval sought from the Qualifying Obligor Secured Creditors through their Secured Creditor Representatives pursuant to the STID including, without limitation, in connection with:

- (a) any Ordinary Voting Matter;
- (b) any Extraordinary Voting Matter;
- (c) any Class B STID Proposal;
- (d) any Topco Proposal;
- (e) Direction Notice from the Qualifying Obligor Secured Creditors;
- (f) any Enforcement Instruction Notice;
- (g) any Further Enforcement Instruction Notice;

- (h) any Qualifying Obligor Secured Creditor Instruction Notice; or
- (i) any Distressed Disposal Resolution.

“**STID Direction Matter**” means any matter on which the Class B Note Trustee may be instructed pursuant to the voting provisions set out in the Class B Note Trust Deed.

“**STID Discretion Matter**” means any Discretion Matter.

“**Topco Proposal**” means a proposed modification, consent or waiver in respect of any breach of any Topco Transaction Document.

“**Voting Closure Date**” means:

- (a) in relation to an Ordinary STID Resolution, the earlier of (i) the date on which the Obligor Security Trustee has received votes sufficient to pass such Ordinary STID Resolution pursuant to the STID; and (ii) the Voting Date; and
- (b) in relation to an Extraordinary STID Resolution, the earlier of (i) the date on which the Obligor Security Trustee has received votes sufficient to pass such Extraordinary STID Resolution pursuant to the STID; and (ii) the Voting Date.

“**Voting Date**” means:

- (a) in respect of a STID Decision Matter:
  - (i) in respect of a Decision Period, the Business Day immediately preceding the last day of such Decision Period; and
  - (ii) in respect of a Decision Period that is extended in respect of an Ordinary Voting Matter or an Extraordinary Voting Matter in accordance with the relevant provisions of the STID, means the last date of such extended Decision Period; and
- (b) in respect of any other Voting Matter, the date set out in the relevant Voting Notice.

“**Voting Matter**” means a Class A Voting Matter or a Class B Voting Matter, as the context may require.

“**Voting Period**” means the period ending on the Voting Date or, if earlier, the Voting Closure Date.

For the purposes of the Common Documents and/or the Issuer Common Documents, references in this Conditions to:

- (a) “Class B1 Condition” shall be construed as a “Class B Condition”;
- (b) “Class B1 Definitive Note” shall be construed as a “Class B Definitive Note”;
- (c) “Class B1 Global Note” shall be construed as a “Class B Global Note”;
- (d) “Class B1 Noteholder” shall be construed as a “Class B Noteholder”;
- (e) “Class B1 Note” shall be construed as a “Class B Note”;
- (f) “Class B1 Regulation S Global Note” shall be construed as a “Class B Regulation S Global Note”;
- (g) “Class B1 Rule 144A Global Note” shall be construed as a “Class B Rule 144A Global Note”;
- (h) “Class B1 IBLA” shall be construed as a “Class B IBLA”;
- (i) “Class B1 IBLA Advance” shall be construed as a “Class B IBLA Advance”;
- (j) “Class B1 Offering Memorandum” shall be construed as a “Class B Offering Circular”;
- (k) “Class B1 Note Expected Maturity Date” shall be construed as, to the extent applicable to the Class B Notes, an “Expected Maturity Date”; and
- (l) “Class B1 Note Final Maturity Date” shall be construed as a “Class B Note Final Maturity Date”.

The expression Class B1 Notes shall in these Conditions (the “**Class B1 Conditions**”), unless the context otherwise requires, include any Further Class B1 Notes (as defined below) issued pursuant to Class B1 Condition 19.1 (*Further Class B1 Notes and New Class B Notes*) and forming a single class with the Class B1 Notes.

The security for the Class B1 Noteholders and other Issuer Secured Creditors is constituted by a deed of charge (the “**Issuer Deed of Charge**”, which expression includes such deed of charge as from time to time modified in accordance with the provisions therein contained and any deed or other document expressed to be supplemental thereto, as from time to time so modified) dated 6 May 2017 and made between the Issuer and Deutsche Trustee Company Limited (in such capacity the “**Issuer Security Trustee**”, which expression includes its successors or any other security trustee under the Issuer Deed of Charge).

In addition, the obligations of the Issuer under the Class B1 Notes, including the amounts owing to the Class B Note Trustee under the Class B Note Trust Deed, will also be secured (indirectly) by security created by the Topco Security Documents in favour of the Obligor Security Trustee.

Pursuant to an agency agreement dated the Class B1 Issue Date (the “**Class B Agency Agreement**”, which expression includes such agency agreement as from time to time modified in accordance with the provisions therein contained and any deed or other document expressed to be supplemental thereto, as from time to time so modified) and made between, amongst others, the Issuer, the Class B Note Trustee, Deutsche Bank Luxembourg S.A. as registrar (the “**Class B Registrar**”), Deutsche Bank AG, London Branch as principal paying agent (the “**Class B Principal Paying Agent**”, which expression includes its successors and, together with such additional or other paying agents, if any, appointed from time to time in respect of the Class B Notes pursuant to the Class B Agency Agreement, the “**Class B Paying Agents**”) provision is made for, among other things, the payment of principal, premium (if any) and interest in respect of the Class B1 Notes.

Certain statements in these Class B1 Conditions include summaries of, and are subject to, the detailed provisions of the Class B Note Trust Deed, the Issuer Deed of Charge, the STID, the Class B Agency Agreement and the master definitions agreement entered into, amongst others, by the Issuer and the Obligors on 6 May 2016 (the “**Master Definitions Agreement**”).

The Issuer has appointed RAC Group Limited as its cash manager (the “**Issuer Cash Manager**”) pursuant to an Issuer Cash Management Agreement dated 6 May 2016. The Issuer Cash Manager has agreed to provide certain services to the Issuer and (as applicable) the Issuer Security Trustee to effect payments to and from the Issuer Accounts in accordance with the Issuer Pre-Acceleration Priority of Payments and, in support thereof, certain other services in accordance with the Issuer Cash Management Agreement, the Issuer Account Bank Agreement and the provisions of the other Issuer Transaction Documents to which it is party.

Copies of the Class B Note Trust Deed, the Issuer Deed of Charge, the Class B Agency Agreement, the Class B1 IBLA, the Issuer Cash Management Agreement, the Issuer Account Bank Agreement, the Tax Deed of Covenant, the First Supplemental Tax Deed of Covenant, the STID, the Issuer Corporate Services Agreement, the Topco Transaction Documents (all as defined in the Master Definitions Agreement) and the Master Definitions Agreement are obtainable during normal business hours at the specified office of the Class B Principal Paying Agent, being at the date hereof located at Winchester House, Winchester House, 1 Great Winchester Street, London EC2N 2DB.

The Class B1 Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Class B Note Trust Deed, the Issuer Deed of Charge, the Topco Security Documents, the STID, the Class B Agency Agreement and the other Issuer Class B Transaction Documents or Issuer Common Documents, as the case may be.

In these Class B1 Conditions, each reference to (a) “**Class B1 Notes**” shall include the Class B1 Global Notes and the Class B1 Definitive Notes, and (b) the “**Holder**” of a Class B1 Note means the person in whose name such Class B1 Note is for the time being registered in the Class B Register (or, in the case of a joint holding, the first named thereof) and “**Class B1 Noteholder**” shall be construed accordingly.

Certain statements in these Class B1 Conditions are summaries of the detailed provisions appearing on the face of the Class B1 Notes (which expression shall include the body thereof), the Class B Note Trust Deed, the Issuer Deed of Charge and the other Issuer Class B Transaction Documents or Issuer Common Documents to which the Class B Note Trustee is a party for the benefit of the Class B1 Noteholders.

Capitalised terms not otherwise defined in these Class B1 Conditions shall bear the meaning given to them in the Master Definitions Agreement obtainable as described above. These Class B1 Conditions shall be construed in accordance with the principles of construction set out in the Master Definitions Agreement. In these Class B1 Conditions, words denoting the singular number only shall include the plural number also and vice versa.

## 1. Form, Denomination, Title and Class B Register

1.1 Class B1 Notes sold within the United States to qualified institutional buyers in reliance on Rule 144A under the Securities Act will initially be represented by one or more global notes in fully registered form without interest coupons attached (the “**Class B1 Rule 144A Global Notes**”). Class B1 Notes sold to non-U.S. persons outside the United States in reliance on Regulation S will be represented by a global note in fully registered form without interest coupons attached (the “**Class B1 Regulation S Global Note**” and, together with the Class B1 Rule 144A Global Notes, the “**Class B1 Global Notes**”). The Class B1 Global Notes have been deposited on behalf of the subscribers of the relevant Class B1 Notes with, and registered in the name of a nominee for, a common depository (the “**Common Depository**”) for Clearstream Banking, société anonyme (“**Clearstream, Luxembourg**”) and Euroclear Bank S.A./N.V., (“**Euroclear**” and, together with Clearstream, Luxembourg, the “**Clearing Systems**”) on the Class B1 Issue Date. Upon deposit of the Class B1 Global Notes, the Clearing Systems credited each subscriber of Class B1 Notes with the principal amount of Notes of the relevant class equal to the aggregate principal amount thereof for which it had subscribed and paid.

1.2 For so long as the Class B1 Notes are represented by a Class B1 Global Note and the Clearing Systems so permit, the Class B1 Notes will be tradeable only in the minimum authorised denomination of £100,000 and higher integral multiples of £1,000.

1.3 The Class B Registrar shall maintain a register in respect of the Class B1 Notes (the “**Class B Register**”) outside the United Kingdom at the specified office for the time being of the Class B Registrar in accordance with the provisions of the Class B Agency Agreement and shall record in the Class B Register the names and addresses of the Holders of the Class B1 Notes, particulars of the Class B1 Notes and all transfers and redemptions thereof.

1.4 Title to the Class B1 Notes will pass by and upon registration in the Class B Register. The Holder of each Class B1 Note shall (except as otherwise required by a court of competent jurisdiction or applicable law) be treated as the absolute owner of such Class B1 Note for all purposes.

1.5 Interests in a Class B1 Global Note will be transferable in accordance with the rules and procedures for the time being of the relevant Clearing Systems and the regulations concerning the transfer of Class B1 Notes set out in the Class B Agency Agreement.

1.6 If, while any of the Class B Notes are represented by a Class B1 Global Note (a) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Class B1 Notes represented by such Class B1 Global Note in definitive form and a certificate to such effect signed by two directors of the Issuer has been given to the Class B Note Trustee; or (b) the Issuer has been notified that Euroclear and/or Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, whether statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system satisfactory to the Class B Note Trustee is available, then the Issuer will (i) authenticate the Class B1 Definitive Notes in accordance with the provisions of the Class B Note Trust Deed; (ii) deliver the Class B1 Notes as the Class B Registrar may be directed by the holder of the Class B1 Definitive Notes; (iii) make all appropriate entries on the relevant Class B1 Global Note and in the Class B Register; and (iv) upon the exchange in full of any Class B1 Global Note, cancel and destroy such Class B1 Global Note.

1.7 Class B1 Definitive Notes, if issued, will only be printed and issued in denominations of £100,000 and integral multiples of £1,000 in excess thereof. Such Class B1 Notes will be serially numbered and will be issued in registered form.

1.8 The Issuer may from time to time (but subject always to the provisions of the Class B1 Conditions and the Class B Note Trust Deed), without the consent of the Class B1 Noteholders, create and issue Further Class B1 Notes (in accordance with Class B1 Condition 19.1 (*Further Class B1 Notes and New Class B Notes*)) having the same terms and conditions as the Class B1 Notes in all respects (or in all respects except for the first Class B Note Interest Payment Date, the issue date, first coupon and/or initial Principal Amount Outstanding). Such Further Class B1 Notes shall be consolidated with the Class B1 Notes issued on the Class B1 Issue Date and form one series and rank *pari passu* with the outstanding Class B1 Notes. In addition, the Issuer may, from time to time, create and issue New Class B Notes (in accordance with Class B1 Condition 19.1 (*Further Class B Notes and New Class B1 Notes*)) having terms and conditions that differ from the Class B1 Notes and do not form a single series with any Class B Notes then in issue.

1.9 Accordingly the Class B1 Notes may comprise a number of issues in addition to the initial issue of Class B1 Notes on the Class B1 Issue Date and the Class B Notes may comprise one or more issues of New Class B Notes in addition to the initial issue of the Class B1 Notes on the Class B1 Issue Date.

## 2. Status, Priority and Security

### *Status and relationship between the Class B1 Notes*

- 2.1(a) The Class B1 Notes constitute direct, secured, limited recourse and unconditional obligations of the Issuer and are secured by the same security over the assets of the Issuer (as described below in Class B1 Condition 2.2 (*Security*)) as the Class A Notes. The Class B1 Notes rank *pari passu* without preference or priority amongst themselves but are subordinated to the Class A Notes only as to payment provisions and as to the ranking of their interest in the security provided for, and pursuant to, the Issuer Deed of Charge, the STID, and the Class B Note Trust Deed.
- (b) The Class B Note Trust Deed contains provisions requiring the Class B Note Trustee to have regard to the Class B Noteholders equally as regards all rights, powers, trusts, authorities, duties and discretions of the Class B Note Trustee (except where expressly provided otherwise). If there is more than one sub-class of Class B Notes outstanding, the Class B Note Trustee shall have regard to the interests of the Class B Noteholders as a class, subject to Class B1 Condition 14 (*Voting by Class B Noteholders, Amendment, Supplement and Waiver*) or the equivalent provision in the applicable Class B Conditions.
- (c) In the event of an issue of Further Class B1 Notes or New Class B Notes, the provisions of the Class B Note Trust Deed, these Class B1 Conditions (and if applicable, any other applicable Class B Conditions), the Issuer Deed of Charge and the other Issuer Class B Transaction Documents and Issuer Common Documents, including (in the case of New Class B Notes) those concerning:
- (i) the basis on which the Class B Note Trustee and/or the Issuer Security Trustee (as applicable) will be required to exercise or perform their respective rights, powers, trusts, authorities, duties and discretions (including in circumstances where, in the opinion of the Class B Note Trustee, there is a conflict between the interests of any of the Issuer Secured Creditors);
  - (ii) the circumstances in which the Class B Note Trustee and/or the Issuer Security Trustee (as applicable) will become bound to take action, as referred to in Class B1 Condition 9 (*Class B Note Events of Default*) and Class B1 Condition 11 (*Enforcement*) (or the equivalent provisions in the applicable Class B Conditions);
  - (iii) the passing of effective Class B Extraordinary Resolutions; and
  - (iv) the order of the Issuer Pre-Acceleration Priority of Payments or the Issuer Post-Acceleration Priority of Payments so as to enable the Further Class B1 Notes or New Class B Notes, as the case may be, to share *pari passu* with the existing Class B1 Noteholders in the security and the payments under the Issuer Payment Priorities,
- will be modified in such manner and otherwise in accordance with the Issuer Class B Transaction Documents and/or the Issuer Common Documents as the Class B Note Trustee considers necessary to reflect the issue of such Further Class B1 Notes or, as the case may be, New Class B Notes and any new Issuer Class B Transaction Documents entered into in connection with such Further Class B1 Notes or, as the case may be, New Class B Notes and the ranking thereof and of the claims of any party to any of such new Issuer Class B Transaction Documents in relation to the Class B1 Notes.
- (d) The Class B Note Trustee and the Issuer Security Trustee shall be entitled to assume without liability, for the purpose of exercising any right, power, trust, authority, duty or discretion under or in relation to these Class B1 Conditions or any of the Issuer Class B Transaction Documents or the Issuer Common Documents, that such exercise will not be materially prejudicial to the interests of the Class B1 Noteholders (or any class thereof) if the Rating Agency has provided a Ratings Confirmation with respect thereto.
- (e) The Class B1 Notes are solely the obligation of the Issuer and are not the obligation of, nor guaranteed by, any of the Class B Note Trustee, the Issuer Security Trustee, the Issuer Account Bank, the Issuer Cash Manager, the Class B Principal Paying Agent or any Issuer Hedge Counterparty.
- (f) (i) For so long as any Class A Notes are outstanding, prior to the delivery of a Class A Note Acceleration Notice, the Issuer shall be required to apply all amounts standing to the credit of the Issuer Transaction Account in accordance with the Issuer Pre-Acceleration Priority of Payments and, following the delivery of a Class A Note Acceleration Notice, the Issuer Post-Acceleration Priority of Payments and (ii) following repayment in full of the Class A Notes, prior to the delivery of a Class B Note Acceleration Notice pursuant to Class B1 Condition 9 (*Class B Note Events of Default*) or the equivalent provision in the applicable Class B Conditions, the Issuer shall be required to apply all amounts standing to the credit of the Issuer Transaction Account in accordance with the Issuer Pre-Acceleration

Priority of Payments, and following delivery of a Class B Note Acceleration Notice, the Issuer Post-Acceleration Priority of Payments.

### ***Security***

- 2.2(a) As continuing security for the payment or discharge of the Issuer Secured Liabilities (including, without limitation, all monies payable in respect of the Class B Notes and otherwise under the Class B Note Trust Deed and the Issuer Deed of Charge (including, without limitation, any remuneration, expenses and other claims of the Class B Note Trustee, the Issuer Security Trustee and any Receiver appointed thereunder)), the Issuer has entered into the Issuer Deed of Charge to create as far as permitted by and subject to compliance with any applicable law, the following security (the “**Issuer Security**”) in favour of the Issuer Security Trustee for itself and on trust for the other Issuer Secured Creditors:
- (i) an assignment by the Issuer by way of first fixed security of its right, title, interest and benefit, present and future, in, to and under each of the Issuer Charged Documents;
  - (ii) a first fixed charge over the Issuer Accounts, and amounts standing to the credit of the Issuer Accounts and charges over investments;
  - (iii) a first fixed charge over all the rights of the Issuer in respect of all investments in Cash Equivalent Investments of the Issuer; and
  - (iv) a first floating charge over all the Issuer’s assets, including, without limitation, the Issuer’s uncalled capital other than any assets at the time otherwise effectively charged or assigned by way of the first fixed charge or assignment above,
- all as more particularly set out in the Issuer Deed of Charge.
- (b) Holdco, as first fixed continuing security for the payment or discharge of the Issuer Secured Liabilities by the Issuer charges and agrees to charge in favour of the Issuer Security Trustee by way of a first legal mortgage all of its right, title, interest and benefit, present and future, in and to the Issuer Shares belonging to it from time to time, as more particularly set out in the Issuer Deed of Charge.
  - (c) The Class B1 Notes will share in the Issuer Security constituted by the Issuer Deed of Charge, upon and subject to the terms thereof.
  - (d) In addition RAC Midco II Limited (“**Topco**”) has entered into the Topco Security Documents to create, as far as permitted by and subject to compliance with any applicable law, in favour of the Obligor Security Trustee for itself and the other Topco Secured Creditors, a first fixed charge over all shares held by Topco in RAC Bidco Limited.
  - (e) The Class B1 Noteholders will indirectly share the benefit of the Topco Security constituted by the Topco Security Documents, upon and subject to the terms thereof.

### ***Enforceable Security***

- 2.3(a) The Class B Note Trustee shall, in the event of the Issuer Security becoming enforceable as provided in and subject to the Issuer Deed of Charge (if directed by the Class B Noteholders), direct the Issuer Security Trustee to enforce its rights with respect to the Issuer Security (subject in all cases to the Class A Notes having been redeemed in full), but without any liability as to the consequence of such action and without having regard to the effect thereof on, or being required to account for such action to, any particular Class B Noteholder, provided that neither the Issuer Security Trustee nor the Class B Note Trustee shall be obliged to take any action unless it is indemnified and/or secured and/or prefunded to its satisfaction.
- (b) After enforcement of the Issuer Security, the Issuer Security Trustee shall (to the extent that such funds are available) use funds standing to the credit of the Issuer Transaction Account and proceeds of the enforcement of the Issuer Security to make payments or procure payments are made in accordance with the Issuer Post-Acceleration Priority of Payments (as set out in the Issuer Deed of Charge).
  - (c) Subject to the terms of the STID, the Class B Note Trustee or the Issuer Security Trustee (as the case may be) may upon the occurrence of a Class B Trigger Event, for and on behalf of the Class B Noteholders, be entitled to direct the Obligor Security Trustee to (i) make a demand under the Topco Payment Undertaking, and (ii) if such demand is not met in full, to enforce the Topco Security (including, but not limited to, the enforcement of the security granted under the Topco Security Agreement).

- (d) The rights of the Class B Note Trustee or the Issuer Security Trustee (as the case may be) to direct the Obligor Security Trustee to enforce the Topco Security in accordance with Clause 34 (*Topco Payment Undertaking and Enforcement of Topco Security*) of the STID will in all cases be subject to there being no actual or contingent tax liability in excess of £10 million in the Holdco Group as a result of the enforcement of the Topco Security as certified by a reputable, internationally recognised firm in accordance with the terms of the STID.

### 3. Covenants

3.1 So long as any of the Class B1 Notes remain outstanding, the Issuer has agreed to comply with the covenants set out in the Class B Note Trust Deed. The Class B Note Trustee shall be entitled to rely absolutely on a certificate of any director of the Issuer in relation to any matter relating to such covenants and to accept without liability any such certificate as sufficient evidence of the relevant fact or matter stated in such certificate.

### 4. Class B Interest

#### *Period of accrual*

4.1 Each Class B1 Note will bear interest from the Class B1 Issue Date and each Class B1 Note (or, in the case of the redemption of part only of a Class B1 Note, that part only of such Class B1 Note) will cease to bear interest from (and including) the due date for redemption unless, upon due presentation in accordance with Class B1 Condition 6 (*Payments*), payment of the principal in respect of the Class B1 Note is improperly withheld or refused or default is otherwise made in respect of the payment, in which event interest shall continue to accrue as provided in the Class B Note Trust Deed.

#### *Class B1 Note Interest Rate and Class B1 Note Interest Payment Dates*

- 4.2(a) The Class B1 Notes bear interest on their respective Principal Amount Outstanding (i) from (and including) the Class B1 Issue Date until (but excluding) the Class B1 Note Adjustment Date at 5.000% per annum and (ii) from (and including) the Class B1 Note Adjustment Date to (and including) the Class B1 Note Final Maturity Date, at 4.500% per annum (in each case, the applicable “**Class B1 Note Interest Rate**”).
- (b) The period from and including the Class B1 Issue Date to (but excluding) the first Class B Note Interest Payment Date and each successive period from (and including) a Class B Note Interest Payment Date to (but excluding) the next succeeding Class B Note Interest Payment Date is called a **Class B Note Interest Period**. For the purposes of the foregoing, the Class B Note Interest Payment Dates will be 6 May and 6 November of each year (each a “**Class B Note Interest Payment Date**”), commencing on 6 November 2017. If, however, any such day is not a Business Day, the Class B Note Interest Payment Date will instead be the next Business Day in that calendar month (if there is one) or the preceding Business Day (if there is not).
- (c) If on any Class B Note Interest Payment Date, the Issuer receives a payment of interest (whether in whole or in part) on the Class B1 IBLA Advance from the Borrower in accordance with the Class B1 IBLA, then the Issuer will be obliged to make a corresponding payment of interest (in whole or in part, as the case may be) on the Class B1 Notes on such Class B Note Interest Payment Date. If on any Class B Note Interest Payment Date, the amount received by the Issuer in respect of a payment of interest on the Class B1 IBLA is not sufficient to pay the interest accrued on the Class B1 Notes during the immediately preceding Class B Note Interest Period in full, the amount of interest accrued up to any such Class B Note Interest Payment Date that is not paid by the Issuer on such Class B Note Interest Payment Date will be deferred (any such accrued but deferred interest being a “**Deferred Interest Amount**”) and such Deferred Interest Amount shall continue to accrue interest at the then applicable Class B1 Note Interest Rate until it is paid by the Issuer in full.
- (d) If on any Class B Note Interest Payment Date:
- (i) the Issuer receives a payment of interest on the Class B1 IBLA Advance from the Borrower in accordance with the Class B1 IBLA in excess of the amount of interest accrued on the Class B1 Notes during the immediately preceding Class B1 Note Interest Period; and
  - (ii) on such Class B Note Interest Payment Date, a Deferred Interest Amount in respect of any prior Class B Note Interest Period remains outstanding,

then the Issuer shall apply such excess to reduce the then outstanding Deferred Interest Amount. Interest and the aggregate amount of all Deferred Interest Amounts then unpaid on the Class B1 Notes and any accrued but unpaid interest thereon shall be due and payable by the Issuer in pounds sterling on the Class B1 Note Final Maturity Date.

### ***Calculation of Class B Interest***

4.3 Interest in respect of the Class B1 Notes and any interest payable in respect of overdue amount of principal or Deferred Interest Amount shall be calculated by applying the applicable Class B1 Note Interest Rate to the aggregate Principal Amount Outstanding of the Class B1 Notes or the aggregate amount of any overdue amount of principal or Deferred Interest Amount, as the case may be, and on the basis of (a) the actual number of days in the period from (and including) the date from which interest begins to accrue (being the Class B1 Issue Date (in respect of the first such period) or a Class B Note Interest Payment Date (in respect of subsequent such periods)) (the “**Class B Accrual Date**”) to (but excluding) the next following Class B Note Interest Payment Date divided by (b) the actual number of days from (and including) the Class B Accrual Date to (but excluding) the next following Class B Note Interest Payment Date multiplied by two, provided that in respect of accrued interest to any day which is not a Class B Note Interest Payment Date or is the first Class B Note Interest Payment Date, interest shall be calculated on the basis of (x) the actual number of days from (and including) the Class B Accrual Date to (but excluding) such day divided by (y) (A) in respect of a day in the first Class B Note Interest Period, the actual number of days from (and including) 14 July 2017 to (but excluding) 6 November 2017 or (B) in respect of a day in any other Class B Note Interest Period, the actual number of days from (and including) the relevant Class B Accrual Date to but excluding the next following 6 May or 6 November, multiplied by two. The resulting figure shall be rounded down to the nearest penny.

## **5. Redemption, Purchase and Cancellation**

### ***Final Redemption***

- 5.1(a) Unless previously redeemed in full or repurchased and surrendered for cancellation as provided in this Class B1 Condition 5 (*Redemption, Purchase and Cancellation*), the Issuer shall redeem the Class B1 Notes at their aggregate Principal Amount Outstanding together with any accrued but unpaid interest, Deferred Interest Amounts and any accrued but unpaid interest thereon and Additional Amounts, if any, on the Class B1 Note Final Maturity Date.
- (b) The Issuer may not redeem the Class B1 Notes in whole or in part prior to the Class B1 Note Final Maturity Date except as provided below in Class B1 Condition 5.2 (*Redemption*), Class B1 Condition 5.3 (*Optional Redemption for taxation or other reasons*) or Class B1 Condition 5.4 (*Early redemption following a Loan Enforcement Event*) but without prejudice to Class B1 Condition 9 (*Class B Note Events of Default*).

### ***Redemption***

- 5.2(a) The aggregate Principal Amount Outstanding on each of the Class B1 Notes shall be repaid by the Issuer, if the Issuer has sufficient funds to enable it to do so, on the Class B1 Note Expected Maturity Date, subject to Class B1 Condition 5.3 (*Optional Redemption for taxation or other reasons*), Class B1 Condition 5.4 (*Early redemption following a Loan Enforcement Event*) and Class B1 Condition 5.5 (*Principal Amount Outstanding*), as applicable.
- (b) A failure of the Issuer to redeem in full any Class B1 Notes on the Class B1 Note Expected Maturity Date in accordance with these Class B1 Conditions and/or the occurrence of a Class B Note Event of Default (or any event which would constitute a Class B Note Event of Default but for Class B1 Condition 9.2) (each, a “**Class B Trigger Event**”) will result in the Class B Note Trustee having the right (subject to the Class B Note Trust Deed and the STID) at its discretion to, or the obligation, upon (i) the written instruction of holders of at least 30% of the aggregate Principal Amount Outstanding of the Class B Notes or (ii) being directed or requested to do so by a Class B Extraordinary Resolution (subject, in each case, to being indemnified and/or secured and/or prefunded to its satisfaction) to direct the Obligor Security Trustee to exercise its rights under the Topco Payment Undertaking and the Topco Security Documents. The non-payment on the Class B1 Note Expected Maturity Date of any principal amount which would otherwise be payable under this Class B1 Condition 5.2 (*Redemption*) shall not constitute a Class B Note Event of Default pursuant to Class B1 Condition 9 (*Class B Note Events of Default*) including, for the avoidance of doubt, where such non-payment occurs as a result of the Issuer not receiving any payment due under the Class B1 IBLA on such Class B1 Note Expected Maturity Date. If the Issuer receives (or is to receive) any monies from the Borrower under the Topco Payment Undertaking or the proceeds realised from any enforcement of the Topco Security Documents, the Issuer shall upon giving not more than 10 nor less than 5 Business Days’ notice (which notice may, at the Issuer’s discretion, be subject to the satisfaction of one or more conditions precedent) to the Class B1 Noteholders in accordance with Class B1 Condition 17 (*Notice to Class B1 Noteholders*), apply such monies to redeem the Class B1 Notes at their Principal Amount Outstanding together with accrued but unpaid interest, Deferred Interest Amounts and any accrued but unpaid interest thereon and Additional Amounts, if any. In the event that there are insufficient amounts to redeem all of the Class B1 Notes then outstanding, the Class B1



Notes shall be redeemed in part in the proportion with which the repayment amount bears to the aggregate Principal Amount Outstanding of the Class B1 Notes then outstanding.

- (c) If the proceeds realised following a Class B Trigger Event are insufficient to satisfy all amounts scheduled to be paid under paragraph (a) above, the Issuer will be obliged to apply any amounts it receives as a result of and pursuant to the Class B1 IBLA in accordance with the relevant Issuer Payment Priorities to repay any outstanding amounts on the Class B1 Notes until the earlier of the Class B1 Note Final Maturity Date or the date on which the Class B1 Notes have been discharged in full.
- (d) In addition, promptly upon receipt by the Issuer of a notice of prepayment from the Borrower under the Class B1 IBLA of its intention to make prepayment in whole or in part of the Class B1 IBLA Advance in accordance with the Class B1 IBLA, the Issuer shall give not more than 60 nor less than 10 days' notice to the Class B1 Noteholders, the Class B Note Trustee, the Class B Registrar and the Class B Principal Paying Agent that it will apply the principal funds received from the prepayment of the Class B1 IBLA Advance to redeem a corresponding Principal Amount Outstanding of the Class B Notes together with accrued but unpaid interest, Deferred Interest Amounts and any accrued but unpaid interest thereon and Additional Amounts, if any, on the aggregate Principal Amount Outstanding of such Class B Notes at the applicable redemption prices set out in the Class B1 IBLA (and as described in "*Description of the Class B1 IBLA—Prepayment—Optional Prepayment*"); *provided* that the Issuer may delay giving such notice if the proceeds of the prepayment of the Class B1 IBLA are deposited into the Refinancing Escrow Account which is secured for the Class B1 Noteholders and the Issuer shall give at least the required notice under this Class B1 Condition 5.2(d) to the Class B1 Noteholders prior to the intended date of redemption. Any redemption or notice under this Class B1 Condition 5.2(d) may, at the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent.
- (e) In the case of a partial redemption of Class B1 Notes, the Class B1 Notes to be redeemed (the "**Class B1 Redeemed Notes**") will be selected individually by lot, in the case of Class B1 Redeemed Notes represented by Class B1 Definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion) in the case of Class B1 Redeemed Notes represented by a Class B1 Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection, the "**Selection Date**"). In the case of Class B1 Redeemed Notes represented by Class B1 Definitive Notes, a list of the serial numbers of such Class B1 Redeemed Notes will be published in accordance with Class B1 Condition 17 (*Notice to Class B1 Noteholders*) not less than 15 days prior to the date fixed for redemption. No exchange of the relevant Class B1 Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this Class B1 Condition 5.2(e) to that effect shall be given by the Issuer to the Class B1 Noteholders in accordance with Class B1 Condition 17 (*Notice to Class B1 Noteholders*) at least five days prior to the Selection Date.

#### ***Optional Redemption for taxation or other reasons***

5.3(a) In addition, if at any time the Issuer satisfies the Class B Note Trustee:

- (i) that the Issuer would become obliged to pay additional amounts pursuant to Class B1 Condition 7 (*Taxation*) in respect of the Class B1 Notes for or on account of any Taxes imposed under the laws, treaties or regulations of (A) the UK or any political subdivision thereof, or any other authority thereof or (B) any jurisdiction from or through which payment is made by or on behalf of the Issuer or any political subdivision or authority thereof or therein (each, a "**Relevant Taxing Jurisdiction**"), by reason of any change in or amendment to the laws, treaties or regulations of such Relevant Taxing Jurisdiction or any change in or amendment to the application or official interpretation of such laws, treaties or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the Class B1 Issue Date;
- (ii) that the Issuer or any Paying Agent would be required to deduct or withhold any amount from any payment pursuant to FATCA;
- (iii) that, by reason of a change in law (or the application or official interpretation thereof), which change becomes effective on or after the Class B1 Issue Date, the Issuer is no longer a "securitisation company" (as defined in the Taxation of Securitisation Companies Regulations 2006 (SI 2006/3296) (for the purposes of this Class B1 Condition 5.3(a)(ii), the "**Regulations**")) and is otherwise unable to claim a Tax treatment in the United Kingdom that would prevent a material increase in the Tax liabilities of the Issuer compared to the treatment previously provided to the Issuer under the Regulations;

- (iv) by reason of a change in law, treaty or regulation (or the application or official interpretation thereof), which change becomes effective on or after the Class B1 Issue Date that the relevant Obligor would on the next interest payment date under the Class B1 IBLA be required to pay additional amounts for or on account of any Taxes withheld or deducted from payments in respect of the Class B1 IBLA; or
- (v) by reason of a change in law (or the application or official interpretation thereof), which change becomes effective on or after the Class B1 Issue Date that it has or will have the result that it will become unlawful for the Issuer to perform any of its obligations under any Class B1 IBLA or to fund or to maintain its participation in the Class B1 IBLA Advances,

then the Issuer shall, in consultation with the Borrower and the Class B Note Trustee, take reasonable measures to avoid the relevant event described in (i), (ii), (iii), (iv) or (v) above, (including, without limitation, appointing a Class B Paying Agent in another jurisdiction and/or using its reasonable endeavours to arrange the substitution of a company incorporated and/or tax resident in another jurisdiction (approved in writing by the Class B Note Trustee) as principal debtor under the Class B1 Notes and as lender under the Class B1 IBLA, provided that such measures do not cause materially adverse tax or other legal consequences to the Issuer; provided further that the Class B Note Trustee is satisfied that taking such measures will not be materially prejudicial to the interests of the Class B1 Noteholders and has received a Ratings Confirmation in respect thereto).

- (b) If the Issuer satisfies the Class B Note Trustee immediately before giving the notice referred to below, that one or more of the events described in (a) above is continuing and that the effect of the relevant event cannot be avoided by the Issuer taking reasonable measures available to it, then the Issuer may, on any Class B Note Interest Payment Date and having given not more than 60 nor less than 5 days' notice (or, in the case of an event described in (a)(v) above, such shorter period expiring on or before the latest date permitted by relevant law) to the Class B Note Trustee and the Class B1 Noteholders in accordance with Class B1 Condition 17 (*Notice to Class B1 Noteholders*), redeem all, but not some, of the Class B1 Notes at their respective Principal Amount Outstanding together with accrued but unpaid interest and Deferred Interest Amounts and any accrued but unpaid interest thereon, if any, up to but excluding the date of redemption. Prior to giving any notice of redemption pursuant to this Class B1 Condition 5.3 (*Optional Redemption for taxation or other reasons*), the Issuer shall deliver to the Class B Note Trustee (A) a certificate signed by two directors of the Issuer stating that (x) one or more of the events described in (a) above is continuing and that the effect of the relevant event cannot be avoided by the Issuer taking reasonable measures available to it; and (y) the Issuer will have the necessary funds to pay all principal, accrued but unpaid interest and Deferred Interest Amounts scheduled to be paid, if any, in respect of the Class B1 Notes on the relevant Class B Note Interest Payment Date and to discharge all other amounts required to be paid by it on the relevant Class B Note Interest Payment Date in priority to, or *pari passu* with, the Class B1 Notes under the Issuer Priority of Payments; and (B) if required by the Class B Note Trustee, an opinion (in form and substance satisfactory to the Class B Note Trustee) of independent legal advisors of recognised standing opining on the change in law, treaty or regulation described in (a). The Class B Note Trustee shall be entitled, without further enquiry, to accept such certificate as sufficient evidence of the satisfaction of the conditions precedent set out in (x) and (y) above, and it shall be conclusive and binding on the Class B1 Noteholders.
- (c) Notwithstanding paragraph 5.3(a) above, if:
  - (i) any of the events described in 5.3(a)(i) occurs; and
  - (ii) the corresponding obligation of the Borrower to gross up any amounts in respect of which a deduction or withholding is required or is triggered as set out in Clause 10.1 (*Additional Amounts*) of the Class B1 IBLA, then the Issuer will pay all such Additional Amounts (as defined in the Class B1 IBLA) which it receives from the Borrower under Clause 10.1 (*Additional Amounts*) of the Class B1 IBLA, to the Class B1 Noteholders.

#### ***Early redemption following a Loan Enforcement Event***

5.4 If the Issuer receives (or is to receive) any monies from any Obligor following the service of a Loan Enforcement Notice or the application of any Deemed Available Enforcement Proceeds or the proceeds of any Distressed Disposal in accordance with the STID in repayment of all or any part of the Class B1 IBLA Advance, the Issuer shall, upon giving not more than 60 days' nor less than five Business Days' notice to the Class B Note Trustee, the Issuer Secured Creditors and the Class B1 Noteholders in accordance with Class B1 Condition 17 (*Notice to Class B1 Noteholders*), apply such monies in accordance with the relevant Issuer Payment Priorities, and redeem (to the extent of such monies as are available in accordance with the relevant Issuer Payment Priorities), each Class B1 Note then outstanding at its aggregate Principal Amount Outstanding plus accrued but unpaid interest, Deferred Interest Amounts and any accrued but unpaid interest thereon and Additional Amounts,

if any, on the relevant date for payment. In the event there are insufficient monies to redeem, all the Class B1 Notes, the Class B1 Notes shall be redeemed in part in the proportion with which the repayment amount bears to the aggregate Principal Amount Outstanding of the Class B1 Notes then outstanding.

### ***Principal Amount Outstanding***

- 5.5(a) The Principal Amount Outstanding of a Class B1 Note on any date shall be its original principal amount less the amount of all principal payments (excluding premium payable in accordance with Class B1 Condition 5.2 (*Redemption*)), in respect of such Class B1 Note which have been repaid since the Class B1 Issue Date except if and to the extent that any such payment has been improperly withheld or refused.
- (b) Each determination by or on behalf of the Issuer of any Class B1 Note principal payment and the aggregate Principal Amount Outstanding of a Class B1 Note shall in each case (in the absence of wilful default, bad faith or manifest error) be final and binding on all persons. As soon as practicable following a determination of a Class B1 Note principal payment and/or the aggregate Principal Amount Outstanding of a Class B1 Note, the Issuer will cause such determination of a Class B1 Note principal payment and/or the aggregate Principal Amount Outstanding of each Class B1 Note to be notified to the Class B Note Trustee and the Class B Principal Paying Agent and will cause notice of each such determination to be given to Class B1 Noteholders in accordance with Class B1 Condition 17 (*Notice to Class B1 Noteholders*).

### ***Notice of Redemption***

5.6 Any such notice as is referred to in Class B1 Condition 5.3 (*Optional Redemption for taxation or other reasons*), Class B1 Condition 5.4 (*Early redemption following a Loan Enforcement Event*) and Class B1 Condition 5.5 (*Principal Amount Outstanding*) shall be irrevocable and, upon the expiration of such notice, the Issuer shall be bound to redeem the relevant Class B1 Notes at the applicable amounts specified in these Class B1 Conditions.

### ***Purchase of Class B1 Notes***

- 5.7(a) **Provided that** no Class B Note Event of Default has occurred and is continuing, the Issuer, the Borrower and any other members of the Holdco Group will be permitted, subject, in the case of the Borrower and any other member of the Holdco Group to the terms of the CTA, to purchase any of the Class B1 Notes in the open market. If the purchaser of the Class B1 Notes is the Issuer, it shall cancel such Class B1 Notes and, if the purchaser of the Class B1 Notes is the Borrower or any other member of the Holdco Group, it shall surrender such Class B1 Notes to the Issuer and the Issuer shall cancel such Class B1 Notes and, in each case, a corresponding amount of the advances made under the Class B1 IBLA will be treated as prepaid at par.
- (b) Any Class B1 Note purchased by or on behalf of the Issuer, the Borrower or any other member of the Holdco Group shall, for so long as it is held by or on behalf of the Issuer, the Borrower or any member of the Holdco Group, cease to have any voting rights attributed thereto and shall be excluded from any quorum or voting calculations set out in these Class B1 Conditions, the Class B Note Trust Deed, the Issuer Deed of Charge or the STID, as the case may be.

### ***Cancellation***

5.8 Any Class B1 Notes redeemed or surrendered in accordance with Class B1 Condition 5.6 (*Notice of Redemption*), Class B1 Condition 5.7 (*Purchase of Class B1 Notes*) or Class B1 Condition 16 (*Replacement of Class B1 Notes*) by the Issuer will be cancelled forthwith. Any Class B1 Notes so redeemed or surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Class B1 Notes shall be discharged.

## **6. Payments**

### ***General***

- 6.1(a) Payments of principal or premium (if any) in respect of the Class B1 Notes will be made to the holder (or the first named of joint holders) of such Class B1 Note against presentation and surrender of the relevant Class B1 Note at the specified office of the Class B Registrar by transfer to an account denominated in sterling with, or (in the case of Class B1 Notes in definitive form only and at the option of the payee) a cheque payable in that currency drawn on, a bank in London.

- (b) Interest, Deferred Interest Amounts and Additional Amounts, if any, on the Class B1 Notes scheduled to be paid on any Class B Note Interest Payment Date will be paid to the holder (or the first named if joint holders) on the fifteenth day before the date scheduled for payment thereof (the “**Record Date**”). Payment of interest, Deferred Interest Amounts and Additional Amounts, if any, on each Class B1 Note will be made by transfer to an account denominated in sterling with, or (in the case of Class B1 Notes in definitive form only and at the option of the payee) a cheque payable in that currency drawn on, a bank in London.
- (c) A record of each payment so made will be endorsed on the schedule to the Class B1 Global Note by or on behalf of the Class B Principal Paying Agent or the Class B Registrar, as the case may be, which endorsement shall be prima facie evidence that such payment has been made.

### ***Method of Payment***

6.2 Payments will be made by credit or transfer to an account in sterling maintained by the payee with or, at the option of the payee, by a cheque in sterling drawn on a bank in London.

### ***Payments subject to Applicable Laws***

6.3 All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives. No commission or expenses shall be charged to the Class B1 Noteholders in respect of such payments. All payments are also subject to any FATCA Withholding (as defined below).

6.4 The holder of a Class B1 Global Note shall be the only person entitled to receive payments of principal and interest on the Class B1 Global Note (as the case may be) and the Issuer will be discharged by payment to, or to the order of, the holder of such Class B1 Global Note in respect of each amount paid.

### ***Payment only on a Class B Payment Business Date***

6.5 Where payment is to be made by transfer to an account, payment instructions (for value the date scheduled for payment, or, if the date scheduled for payment is not a Class B Payment Business Day, for value the next succeeding Class B Payment Business Day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Class B1 Note is surrendered (or, in the case of part payment only, endorsed) at the specified office of a Class B Paying Agent and (ii) (in the case of payments of interest to be paid other than on redemption) on the date scheduled for payment. A Holder of a Class B1 Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from (A) the due date for a payment not being a Class B Payment Business Day or (B) a cheque mailed in accordance with this Class B1 Condition 6.5 arriving after the due date for payment or being lost in the mail.

### ***Class B Payment Business Day means:***

- (a) a day on which banks in the relevant place of presentation are open for presentation and payment of debt securities and for dealings in foreign currencies; and
- (b) in the case of payment by transfer to an account, a day on which dealings in foreign currencies may be carried on in London.

### ***Initial Class B Paying Agents***

6.6 The names of the initial Class B Principal Paying Agent and Class B Registrar and their respective initial specified offices are set out at the end of these Class B1 Conditions. The Issuer reserves the right, subject to the prior written approval of the Class B Note Trustee, at any time to vary or terminate the appointment of any Class B Paying Agent or Class B Registrar and to appoint additional or other Class B Paying Agents or Class B Registrars (including in circumstances where the Principal Paying Agent, any Paying Agent or the Class B Registrar does not become, or ceases to be, a Participating FFI or otherwise exempt from withholding or deduction of any Taxes (as that term is defined in Condition 7 (*Taxation*) below) in respect of FATCA at a time when the Issuer would be required to withhold or deduct any amount from any payment made by it to the Principal Paying Agent, any Paying Agent or the Class B Registrar pursuant to FATCA) provided that:

- (a) there will at all times be a person appointed to perform the obligations of the Class B Registrar and the Class B Principal Paying Agent;

- (b) so long as the Class B1 Notes are listed on an exchange, there will at all times be at least one Class B Paying Agent (which may be the Class B Principal Paying Agent) having its specified office in such place as may be required by the rules and regulations of the relevant stock exchange and competent authority; and
- (c) the Issuer will use all reasonable endeavours to ensure that at any time the Issuer would otherwise be required to withhold tax on payments to the Principal Paying Agent or any other Paying Agent pursuant to FATCA, the Principal Paying Agent and any other Paying Agents are Participating FFIs or are otherwise exempt from withholding or deduction of any Taxes (as that term is defined in Condition 7 (*Taxation*) below) in respect of FATCA.

6.7 Notice of any termination, variation or appointment and of any changes in specified offices will be given to the Class B1 Noteholders promptly by the Issuer in accordance with Class B1 Condition 17 (*Notice to Class B1 Noteholders*).

## 7. Taxation

7.1 All payments in respect of the Class B1 Notes by or on behalf of the Issuer will be made free and clear of, and without withholding or deduction for, or on account of, any present or future Taxes unless such withholding or deduction is required by applicable law. In that event, the Issuer, such Class B Paying Agent, the Class B Registrar or the Class B Note Trustee, as the case may be, shall account to the relevant authorities for the amount so required to be withheld or deducted. If any such withholding or deduction for or on account of Taxes is required under the laws of the Relevant Taxing Jurisdiction, the Issuer will pay such additional amounts as may be necessary in order that the net amounts received by the Class B1 Noteholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Class B1 Notes in the absence of such withholding or deduction; provided that no such additional amounts will be paid on account of:

- (a) any Taxes that would not have been imposed but for the existence of any actual or deemed (pursuant to applicable Tax law of the Relevant Taxing Jurisdiction) present or former connection between the Class B1 Noteholder or the beneficial owner of the Class B1 Notes (including, if applicable, a connection between partners (in the case of a partnership) or shareholders (in the case of a corporation)) and the Relevant Taxing Jurisdiction (including being a resident of such jurisdiction for Tax purposes), other than holding of such Class B1 Note, the enforcement of rights under such Class B1 Note or the receipt of any payments in respect of such Class B1 Note;
- (b) any Taxes imposed as a result of the presentation of a Class B1 Note for payment more than 30 days after the relevant payment is first made available for payment to the Class B1 Noteholder (except to the extent that the holder would have been entitled to additional amounts had the Class B1 Note been presented on the last day of such 30 day period);
- (c) any estate, inheritance, gift, sales, excise, personal property, transfer or similar Taxes;
- (d) any Taxes payable other than by deduction or withholding from payments under, or with respect to, the Class B1 Notes;
- (e) any Taxes imposed or withheld by reason of the failure of the Class B1 Noteholder or beneficial owner of Class B1 Notes, to comply with any reasonable written request of the Issuer or the Class B Paying Agent addressed to the Class B1 Noteholders and made at least 30 days before any such withholding or deduction would be payable to satisfy any certification, identification, information or other reporting requirements, whether required by statute, treaty, regulation or administrative practice of a Relevant Taxing Jurisdiction, as a precondition to exemption from, or reduction in the rate of deduction or withholding of, Taxes imposed by the Relevant Taxing Jurisdiction (including, without limitation, a certification that the Class B1 Noteholder or beneficial owner is not resident in the Relevant Taxing Jurisdiction), but in each case, only to the extent the Class B1 Noteholder or beneficial owner is legally entitled to provide such certification or documentation;
- (f) any Taxes imposed on or with respect to any payment to the Class B1 Noteholder if such Class B1 Noteholder is a fiduciary or partnership or person other than the sole beneficial owner of such payment to the extent that Taxes would not have been imposed on such payment had such Class B1 Noteholder been the sole beneficial owner of such Class B1 Notes;
- (g) any Taxes payable under Section 1471 through 1474 of the U.S. Internal Revenue Code 1986 (the “**Code**”) as at the date of the Class B1 Offering Memorandum (or any amended or successor version that is substantially comparable and not materially more onerous to comply with) any current or future regulations or official interpretation thereof and any agreements (including intergovernmental agreements) entered into pursuant thereto (a “**FATCA Withholding**”); or
- (h) any combination of items (a) through (g) above.

## 8. Prescription

8.1 Claims in respect of principal and interest on the Class B1 Notes will be prescribed after ten years (in the case of principal) and five years (in the case of interest) from the Class B Note Relevant Date in respect of the relevant payment.

8.2 In this Class B1 Condition 8 (*Prescription*), the “**Class B Note Relevant Date**”, in respect of a payment, is the date on which such payment first becomes due or (if the full amount of the monies payable on that date has not been duly received by the Class B Principal Paying Agent or the Class B Note Trustee on or prior to such date) the date on which, the full amount of such monies having been received, notice to that effect is duly given to the relevant Class B1 Noteholders in accordance with Class B1 Condition 17 (*Notice to Class B1 Noteholders*).

## 9. Class B Note Events of Default

9.1 Subject to the Issuer Deed of Charge, the Class B Note Trustee at its absolute discretion may, and if so directed in writing by the holders of at least 30% of the aggregate Principal Amount Outstanding of the Class B Notes then outstanding or if so directed by a Class B Extraordinary Resolution of the Class B Noteholders shall (subject, in each case, to being indemnified and/or secured and/or prefunded to its satisfaction in accordance with the Class B Note Trust Deed) give a notice (a “**Class B Note Acceleration Notice**”) to the Issuer declaring all of the Class B Notes immediately due and repayable at any time after the occurrence of any of the following events or circumstances specified below (each such event or circumstance, a “**Class B Note Event of Default**”):

- (a) default being made in the payment of principal or other amounts (other than those set out in paragraph (b) below) on any Class B1 Notes, when due; or
- (b) default being made for a period of 30 days or more in the payment of interest, Deferred Interest Amounts and any accrued but unpaid interest thereon or Additional Amounts (if any), on the Class B1 Notes, when due; or
- (c) default under any other Class B Notes issued by the Issuer, which default:
  - (i) is caused by a failure to pay interest, deferred interest and any accrued but unpaid interest thereon or any Additional Amounts (if any) on such Class B Notes when due (after giving effect to any relevant grace periods provided in such Class B Notes); or
  - (ii) results in the acceleration of such Class B Notes prior to their maturity; or
- (d) the Issuer failing to duly perform or observe any other obligation, condition, provision, representation or warranty binding on it under the Class B1 Notes, the Class B Note Trust Deed, the Issuer Deed of Charge or any of the other Issuer Class B Transaction Documents or Issuer Common Documents and such failure being in the opinion of the Class B Note Trustee (or, in the case of the Issuer Deed of Charge, the Issuer Security Trustee), capable of remedy, but which remains unremedied for a period of 21 days following the giving of notice by the Class B Note Trustee (or the Issuer Security Trustee, as applicable) to the Issuer requiring the same to be remedied and, in either case, *provided* that the Class B Note Trustee shall have determined that such event is, in its opinion, materially prejudicial to the interests of the Class B Noteholders; or
- (e) an Issuer Insolvency Event; or
- (f) the delivery of the Class A Note Acceleration Notice in accordance with Class A Condition 10(b) (*Delivery of Class A Note Acceleration Notice*) of the Class A Conditions; or
- (g) it is or will become unlawful for the Issuer to perform or comply with its obligations under or in respect of these Class B1 Conditions or any Issuer Class B Transaction Documents and the Issuer Common Documents to which it is a party.

9.2 Subject to the Issuer Deed of Charge, until the earlier of (i) the date on which all Class A Notes are redeemed in full and (ii) the date on which the Class A Notes are accelerated, the occurrence of any of the events or circumstances described in Class B1 Condition 9.1 above, which otherwise give rise to a Class B Note Event of Default, will not constitute a Class B Note Event of Default, but will constitute a Class B Trigger Event under Class B1 Condition 5.2(b).

## 10. Acceleration

10.1 Subject to the Issuer Deed of Charge, upon delivery of a Class B Note Acceleration Notice in accordance with Class B1 Condition 9 (*Class B Note Events of Default*), the Class B1 Notes shall become immediately due and repayable at their Principal Amount Outstanding together with accrued interest, if any, and any other amounts payable in accordance with these Class B1 Conditions.

## 11. Enforcement

### *Service of notice*

- 11.1(a) Subject to the terms of the STID and the Issuer Deed of Charge, the Class B Note Trustee may at any time, at its discretion and without notice: (i) take such action, proceedings and/or other steps as it may think fit against or in relation to the Issuer or any other person to enforce its obligations under the Class B Note Trust Deed, these Class B1 Conditions, the Class B1 Notes or any other Issuer Class B Transaction Document or Issuer Common Document to which the Class B Note Trustee is a party; (ii) exercise any of its rights under, or in connection with, the Class B Note Trust Deed, these Class B1 Conditions or any other Issuer Class B Transaction Document to which it is a party; and/or (iii) give any directions to the Issuer Security Trustee under or in connection with any Issuer Class B Transaction Document or Issuer Common Document to which it is a party. Notwithstanding the provisions of any other Issuer Class B Transaction Document or any Issuer Common Document, the Issuer Security shall only become enforceable upon the delivery of an Issuer Security Enforcement Notice. Only the Class B Note Trustee may enforce the provisions of the Class B1 Notes or the Class B Note Trust Deed and no Class B1 Noteholder shall be entitled to proceed directly against the Issuer unless the Class B Note Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.
- (b) Under the terms of the Issuer Deed of Charge, if the Class B Note Trustee provides the Issuer Security Trustee with a copy of a Class B Note Acceleration Notice and instructs it to take enforcement steps in relation to the Issuer Security, the Issuer Security Trustee is required to give a notice (the “**Issuer Security Enforcement Notice**”) to the Issuer declaring the whole of the Issuer Security to be enforceable.

### *No Class B Note Events of Default*

11.2 The Issuer, pursuant to the terms of the Class B Note Trust Deed, shall provide on a semi-annual basis written confirmation to the Class B Note Trustee that no Class B Note Event of Default has occurred.

## 12. Limited Recourse

Notwithstanding any other Class B1 Condition or any provision of any Issuer Class B Transaction Document or Issuer Common Document, all obligations of the Issuer to the Class B1 Noteholders are limited in recourse to the property, assets and undertakings of the Issuer that are the subject of any security created by the Issuer Deed of Charge (the “**Issuer Secured Property**”). If:

- (a) there is no Issuer Secured Property remaining which is capable of being realised or otherwise converted into cash;
- (b) all amounts available from the Issuer Secured Property have been applied to meet or provide for the relevant obligations specified in, and in accordance with, the provisions of the Issuer Deed of Charge; and
- (c) there are insufficient amounts available from the Issuer Secured Property to pay in full, in accordance with the provisions of the Issuer Deed of Charge, all amounts outstanding under the Class B1 Notes (including payments of principal and interest),

then the Class B1 Noteholders shall have no further claim against the Issuer in respect of any amounts owing to them which remain unpaid (including, for the avoidance of doubt, payments of principal and/or premium (if any) and/or interest in respect of the Class B1 Notes) and such unpaid amounts shall be discharged in full and any relevant payment rights shall be deemed to cease.

## 13. Non-Petition

13.1 No Class B1 Noteholder nor any person acting on behalf of a Class B1 Noteholder (other than the Class B Note Trustee or the Issuer Security Trustee or a Receiver), shall have any right to take or initiate any proceedings or steps against the Issuer to enforce rights under the Issuer Class B Transaction Documents including without limitation by way of attachment, execution or diligence, provided that nothing shall prevent a Class B1 Noteholder from proving for the full amount owed to it by the Issuer in the insolvency of the Issuer.

13.2 No Class B1 Noteholder, nor any person acting on behalf of a Class B1 Noteholder (other than the Issuer Security Trustee or any Receiver appointed by the Issuer Security Trustee), shall initiate or join any person in initiating howsoever an Issuer Insolvency Event and it shall not be entitled to take any steps or proceedings which would result in any of the provisions described in the Issuer Deed of Charge or this Class B1 Condition not being observed.

#### **14. Voting by Class B Noteholders, Amendment, Supplement and Waiver**

14.1 No physical meetings will be required in respect of any Class B Voting Matter and a Class B Noteholder may only Vote in respect of any Class B Voting Matter by means of a Block Voting Instruction. However, the Class B Note Trustee may, without the consent of the Issuer or the Class B Noteholders, prescribe such further regulations regarding voting by the Class B Noteholders in respect of all Class B Voting Matters except Obligor STID Proposals as the Class B Note Trustee may in its sole discretion think fit, including the calling of one or more meetings of Class B Noteholders in order to approve any resolution to be put to the Class B Noteholders where the Class B Note Trustee, in its sole discretion, considers it to be appropriate to hold a meeting.

#### ***STID Decision Matters***

14.2 In respect of any STID Decision Matter:

- (a) on receipt of a STID Voting Request, the Class B Note Trustee shall promptly send a copy of such STID Voting Request to the Class B1 Noteholders in accordance with Class B1 Condition 17 (*Notice to Class B1 Shareholders*);
- (b) each Class B1 Noteholder may only vote on such STID Decision Matter by way of Block Voting Instruction and each Class B1 Noteholder shall have one vote in respect of each £1 of the Principal Amount Outstanding of Class B1 Notes held or represented by it;
- (c) each Class B1 Noteholder must vote on or prior to the time specified by the Class B Principal Paying Agent or, as the case may be, Class B Registrar and/or relevant clearing system in order to enable the Class B Principal Paying Agent or, as the case may be, a Class B Paying Agent or the Class B Registrar to issue a Block Voting Instruction on the Voting Date, provided that if a Class B1 Noteholder does not vote in sufficient time to allow the Class B Principal Paying Agent, or, as the case may be, a Class B Paying Agent or the Class B Registrar to issue a Block Voting Instruction in respect of its Class B1 Notes prior to the end of the Voting Period, the Votes of such Class B1 Noteholder shall not be counted;
- (d) in respect of such STID Decision Matter, the Class B Note Trustee shall vote as the Secured Creditor Representative of the Class B Noteholders in respect of the Class B Notes then outstanding by notifying the Obligor Security Trustee, the Issuer and the Issuer Security Trustee, in accordance with the STID promptly following the receipt by it of such Votes (and in any case not later than the Business Day following receipt of each such Vote), of each Vote comprised in a Block Voting Instruction received by it from a Class B Paying Agent or the Class B Registrar on or prior to the Voting Date (or, if earlier the relevant Voting Closure Date); and
- (e) such STID Decision Matter duly approved by the Qualifying Obligor Secured Creditors, the Qualifying Obligor Junior Creditors or the Topco Secured Creditors, as the case may be, in accordance with the STID shall be binding on all Class B Noteholders (subject as provided in the STID, including in respect of an Entrenched Right STID Proposal). The Issuer shall, following receipt of the result of any vote in respect of such STID Decision Matter, promptly notify the Class B1 Noteholders in accordance with Class B1 Condition 17 (*Notice to Class B1 Noteholders*).

#### ***STID Direction Matters***

14.3 In respect of any STID Direction Matters, the Class B Note Trustee shall notify the Obligor Security Trustee, the Issuer and the Issuer Security Trustee, in accordance with the STID of any instruction it receives from a Class B1 Noteholder whether in writing (accompanied by a proof of holding as to the Principal Amount Outstanding of the Class B1 Notes that it holds) or by way of a Vote, which in either case requests the Obligor Security Trustee to:

- (a) deliver a Determination Dissenting Notice to the Holdco Group Agent in accordance with the STID; and/or
- (b) object to any consequential amendment, consent or waiver proposed pursuant to and in accordance with clause 27 of the STID.

14.4 The Class B Note Trustee shall if directed to do so by Class B1 Noteholders representing not less than 10 per cent of the Outstanding Principal Amount of the Class B1 Notes whether in writing (accompanied by a proof of holding as to the Principal Amount Outstanding of the Class B1 Notes that it holds) or by way of a Vote instruct the Obligor Security Trustee



to deliver an Entrenched Right Dissenting Notice to the Holdco Group Agent with respect to any Entrenched Right STID Proposal in accordance with the STID.

14.5 Any such notification or instruction shall be made promptly following the receipt by the Class B Note Trustee of such written instruction or Vote, as the case may be (and in any case not later than the Business Day following receipt of each such written instruction or Vote).

#### ***Issuer Deed of Charge Direction Matters***

14.6 The Class B Note Trustee shall notify the Issuer and the Issuer Security Trustee of any instruction it receives from a Class B1 Noteholder whether in writing (accompanied by a proof of holding as to the Principal Amount Outstanding of the Class B1 Notes that it holds) or by way of a Vote, in either case in connection with any objection to any amendment, consent or waiver proposed pursuant to and in accordance with the Issuer Deed of Charge as summarised in Class B1 Condition 14.24 below.

14.7 Any such notification shall be made promptly following the receipt by the Class B Note Trustee of such written instruction or Vote, as the case may be (and in any case not later than the Business Day following receipt of each such written instruction or Vote).

#### **Other Class B Voting Matters**

14.8 In respect of any Class B Voting Matter, the Issuer or the Class B Note Trustee may at any time, and the Class B Note Trustee must if (a) it receives an Entrenched Right STID Proposal; or (b) directed to do so by Class B1 Noteholders representing not less than 10% of the aggregate Principal Amount Outstanding of the Class B1 Notes, request that such Other Class B Voting Matter be considered by the Class B Noteholders. The Issuer or the Class B Note Trustee (as applicable) shall send a notice (a “**Voting Notice**”) to the Class B1 Noteholders, specifying the Voting Date (which shall initially be set with at least 5 Business Days’ notice) and the Class B Voting Matter(s) including the terms of any resolution to be proposed;

14.9 Each Class B1 Noteholder shall have one vote in respect of each £1 of Principal Amount Outstanding of the Class B1 Notes held or represented by it;

14.10 each Class B1 Noteholder must vote prior to the close of business (London time) 24 hours prior to the Voting Date so that his votes can be included in a Block Voting Instruction which needs to be deposited at least 24 hours before the Voting Date; and

14.11 If the Class B Voting Matter relates to an Entrenched Right STID Proposal, on or before the Business Day immediately preceding the last day of the Decision Period, the Class B Note Trustee shall notify the Obligor Security Trustee, the Issuer and the Issuer Security Trustee in writing as to whether or not the holders of the Class B1 Notes then outstanding have passed a Class B Extraordinary Resolution approving the relevant Entrenched Right STID Proposal.

14.12 Except as provided below, the terms of the Class B1 Notes may be modified with the consent of the holders of a majority of the aggregate Principal Amount Outstanding of Class B1 Notes.

14.13 Without the consent of the holders of at least 90% of the aggregate Principal Amount Outstanding of Class B1 Notes, the Class B1 Notes may not be modified to:

- (a) reduce the principal amount of the Class B1 Notes whose holders must consent to an amendment, supplement or waiver;
- (b) reduce the principal or interest on, or to change the fixed maturity of, any Class B1 Notes or to alter the provisions with respect to the redemption of the Class B1 Notes;
- (c) reduce the rate of, or change the timing for the payment of interest, including default interest or make any Class B1 Note payable in a currency other than sterling;
- (d) impair the right of any Class B1 Noteholder to receive payment of principal and interest on such Class B1 Notes on or after the due date therefor;
- (e) waive a redemption payment with respect to any Class B1 Notes;

- (f) make any change in the Class B1 Conditions relating to waivers of defaults or Share Enforcement Events or the rights of holders of Class B Notes to receive payments of principal of, or interest, or Additional Amounts or premium, if any, on the Class B1 Notes;
- (g) impair the rights of the Class B1 Noteholders to institute a suit for the enforcement of any payment on or with respect to the Class B1 Notes or the Topco Security;
- (h) release Topco from its obligations under the Topco Payment Undertaking, except as provided in the Class B Note Trust Deed, the Class B1 IBLA or other Issuer Class B Transaction Documents or Issuer Common Documents;
- (i) release any Issuer Security, except as provided in the Class B Note Trust Deed, the Issuer Deed of Charge or other security documents;
- (j) amend, change or modify the Topco Payment Undertaking in a manner that adversely affects the Class B1 Noteholders;
- (k) except as provided for in Class B1 Condition 14.8 and clause 20.1(a) of the Class B Note Trust Deed, waive a default or an event of default in the payment of principal of and/or interest on the Class B1 Notes; or
- (l) make any change to this definition,

each, a “**Class B Basic Terms Modification**”.

14.14 Any resolution, howsoever passed, shall be binding on all the Class B1 Noteholders.

14.15 The powers of modification, consent, waiver and substitution described in Class B1 Condition 14.16 shall not apply in respect of any modification to the Class B Note Trust Deed, these Class B1 Conditions, the Class B1 Notes and/or the other Issuer Class B Transaction Documents and/or Issuer Common Documents and/or the Class B1 IBLA or other document to which the Class B Note Trustee or the Issuer Security Trustee is a party or in respect of which the Issuer Security Trustee holds security that results from any modification which constitutes a STID Discretion Matter, a STID Decision Matter, or a STID Direction Matter that, in each case, is duly approved in accordance with the provisions of the STID and, in the case of a STID Decision Matter or a STID Direction Matter, the provisions described in Class B1 Condition 14.2 (*STID Decision Matters*) and Class B1 Condition 14.3 (*STID Direction Matters*) above, and pursuant to the terms of the Class B Note Trust Deed and the Issuer Deed of Charge, the Class B Note Trustee and the Issuer Security Trustee are authorised and empowered to, concur with the Issuer or any other person in making such modification or, as applicable, provide the consent or waiver or make the authorisation or determination, made or given in respect of the Class B1 Conditions, the Class B Notes or the other Issuer Class B Transaction Documents and/or Issuer Common Document, in each case without any further consent or sanction of the Class B1 Noteholders or any other Issuer Secured Creditor, to give effect to the relevant modification, waiver, authorisation, determination or direction granted pursuant to the STID Discretion Matter, STID Decision Matter or STID Direction Matter and to execute and deliver on behalf of each Issuer Secured Creditor all documentation required to implement any such modification, waiver, authorisation, consent or approval. For the avoidance of doubt, the consent of the Class B Note Trustee or the Issuer Security Trustee (as applicable) will not be required for amendments to an Issuer Hedging Agreement that are made in accordance with the Hedging Policy.

14.16 Subject to the terms of the Issuer Deed of Charge, the Class B Note Trustee may agree, or may direct the Issuer Security Trustee to agree, without the consent of the Class B1 Noteholders, or (subject as provided below) any other Issuer Secured Creditor to any modification to the Class B Note Trust Deed, these Class B1 Conditions, the Class B1 Notes, the Issuer Class B Transaction Documents and/or the Issuer Common Documents and/or the Class B1 IBLA or any other document to which it is a party or in respect of which the Issuer Security Trustee holds security which, in the opinion of the Class B Note Trustee is:

- (a) to correct a manifest error or an error in respect of which an English court could reasonably be expected to make a rectification order or the modification is of a formal, minor, administrative or technical nature;
- (b) (other than in respect of a Class B Basic Terms Modification or a Class B Conditions Relevant Matter) not materially prejudicial (where “materially prejudicial” means that such modification would have a material adverse effect on the ability of the Issuer to pay any amounts of principal or interest in respect of the Class B1 Notes on the relevant date scheduled for payment therefor),

*provided that* (A) if any such modification relates to an Issuer Secured Creditor Entrenched Right (other than a Class B Basic Terms Modification), each of the Affected Issuer Secured Creditors has consented to the relevant event, matter or thing in accordance with the Issuer Deed of Charge or, where any Class B Noteholders are Affected Issuer Secured Creditors, the holders of the Class B Notes affected thereby have sanctioned the relevant modification in accordance with the provisions for

voting set out in the Class B Note Trust Deed and (B) if any such modification relates to a Class B Conditions Relevant Matter, the conditions set out in the Issuer Deed of Charge in connection therewith have been satisfied.

14.17 Subject to the terms of the Issuer Deed of Charge, the Class B Note Trustee may, without the consent or sanction of the Class B Noteholders or (subject as provided below) any other Issuer Secured Creditor and without prejudice to its rights in respect of any subsequent breach or Class B Note Event of Default or Potential Class B Note Event of Default, from time to time and at any time but only if and in so far as in its opinion the interests of the holders of the Class B1 Notes then outstanding shall not be materially prejudiced thereby (where materially prejudiced means that such waiver, authorisation or determination would have a material adverse effect on the ability of the Issuer to pay any amounts of principal or interest in respect of the Class B1 Notes on the relevant due date for payment therefor):

- (a) waive or authorise any breach or proposed breach by the Issuer of any of the covenants or provisions contained in the Class B1 Conditions, the Class B1 Notes, any Issuer Class B Transaction Document or any Issuer Common Document to which it is a party or in respect of which the Issuer Security Trustee holds security;
- (b) determine that any event which would otherwise constitute a Class B Note Event of Default or Potential Class B Note Event of Default shall not be treated as such;
- (c) subject to the terms of the Issuer Deed of Charge, direct the Issuer Security Trustee to waive or authorise any breach or proposed breach by the Issuer or any other person of any of the covenants or provisions contained in any Issuer Class B Transaction Document,

*provided that* to the extent such event, matter or thing relates to an Issuer Secured Creditor Entrenched Right, each of the Affected Issuer Secured Creditors has given its prior written consent to the Issuer Security Trustee in accordance with the Issuer Deed of Charge or, where any Class B Noteholders are Affected Issuer Secured Creditors, the holders of Class B Notes affected thereby have sanctioned such event matter or thing in accordance with provisions for voting set out in the Class B Note Trust Deed and provided further that the Class B Note Trustee shall not exercise such powers in contravention of (i) any express direction given by a Class B Extraordinary Resolution of the holders of the Class B1 Notes then outstanding or (ii) a request in writing made by holders of not less than 30 per cent. in aggregate of the principal amount of the Class B Notes then outstanding, but no such direction or request shall affect any waiver or authorisation previously given or made or so as to authorise or waive any such proposed breach or breach relating to any Class B Basic Terms Modification.

14.18 Any such modification, waiver, authorisation or determination shall be binding on the Class B1 Noteholders and, unless the Class B Note Trustee agrees otherwise, any such modification, waiver, authorisation or determination shall be notified by the Issuer to the Class B1 Noteholders as soon as practicable thereafter in accordance with Class B1 Condition 17 (*Notice to Class B1 Noteholders*).

14.19 The Class B Note Trustee shall be entitled to take into account, for the purpose of exercising or performing any right, power, trust, authority, duty or discretion under or in relation to these Class B1 Conditions or any of the Issuer Class B Transaction Documents, among other things, to the extent that it considers, in its sole and absolute discretion, it is necessary and/or appropriate, and/or relevant, any Ratings Confirmation (whether or not such confirmation is addressed to, or provides that it may be relied upon by, the Class B Note Trustee and irrespective of the method by which such confirmation is conveyed).

14.20 Subject to the terms of the Issuer Deed of Charge in connection with any such substitution of principal debtor as is referred to in Class B1 Condition 5.3 (*Optional Redemption for taxation or other reasons*), the Class B Note Trustee and the Issuer Security Trustee may also agree, without the consent of the Class B1 Noteholders, to a change in the laws governing the Class B1 Notes, these Class B1 Conditions and/or the Issuer Class B Transaction Documents, provided that such change would not, in the opinion of the Class B Note Trustee be materially prejudicial to the interests of the Class B1 Noteholders (where “materially prejudicial” means that such change would have a material adverse effect on the ability of the Issuer to pay any amounts of principal or interest in respect of the Class B1 Notes on the relevant date scheduled for payment therefor).

14.21 Where the Class B Note Trustee is required to have regard to the interests of the Class B Noteholders, it shall have regard to the interests of such Class B Noteholders as a class and, in particular but without prejudice to the generality of the foregoing, shall not have regard to, or be in any way liable for, the interests arising from circumstances particular to individual Class B Noteholders (whatever their number) and in particular but without limitation shall not have regard to the consequences of such exercise for individual Class B Noteholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory, and the Class B Note Trustee shall not be entitled to require, nor shall any Class B Noteholder be entitled to claim, from the

Issuer, the Class B Note Trustee, the Issuer Security Trustee or any other person, any indemnification or payment in respect of any tax consequence (including, for the avoidance of doubt, any stamp duty consequence) of any such exercise upon individual Class B1 Noteholders.

14.22 If and wherever the Issuer shall have issued and have outstanding more than one sub-class of Class B Notes, the provisions of this Class B1 Condition 14 shall have effect subject to the following modifications:

- (a) subject to sub-clause (e) below, a resolution which in the opinion of the Class B Note Trustee affects only one sub-class of Class B Notes shall be deemed to be duly approved if approved through a single vote of the holders of that sub-class of Class B Notes;
- (b) subject to paragraph (e) below, a resolution which in the opinion of the Class B Note Trustee affects the holders of more than one sub-class of Class B Notes but does not give rise to a conflict of interest between the holders of any sub-class of Class B Notes so affected shall be deemed to have been duly approved if approved through a vote of the holders of all the sub-classes of Class B Notes so affected;
- (c) subject to paragraph (e) below, a resolution which in the opinion of the Class B Note Trustee affects the holders of more than one sub-class of Class B Notes and gives or may give rise to a conflict of interest between the holders of one sub-class of Class B Notes so affected and the holders of another sub-class of Class B Notes so affected shall be deemed to have been duly approved only if approved through a separate vote of the holders of each such sub-class of Class B Notes;
- (d) in respect of all approvals all the preceding provisions of this Condition shall apply *mutatis mutandis* as though references to Class B Notes and Class B Noteholders were references to the sub-class of Class B Notes in question or to the holders of such sub-class of Class B Notes, as the case may be; and
- (e) no Class B Extraordinary Resolution involving a Class B Basic Terms Modification (other than a Class B Basic Terms Modification of the kind specified in limbs (a), (b), (c), (d) and (e) of the definition thereof, which must be passed by the holders of each affected Sub-Class of the Class B Notes in accordance with (f) below) that is approved by the holders of one Sub-Class of the Class B Notes shall be effective unless it is sanctioned by a Class B Extraordinary Resolution of the holders of each of the other Sub-Classes of the Class B Notes (to the extent that there are Class B Notes outstanding in such other Sub-Class); and
- (f) a Class B Extraordinary Resolution involving a Class B Basic Terms Modification of the kind specified in limbs (a), (b), (c), (d) and (e) of the definition thereof must be approved by the holders of each Sub-Class of Class B Notes adversely affected by such Class B Basic Terms Modification (but need not be approved by the holders of Sub-Classes of Class B Notes which are not adversely affected thereby).

***Certain consequential amendments, consents and waivers in respect of the Issuer Class B Transaction Documents and the Issuer Common Documents***

14.23 Pursuant to the terms of the Issuer Deed of Charge, any consequential amendments, consents or waivers required to be made or granted pursuant to any Issuer Class B Transaction Document or Issuer Common Document:

- (a) in connection with and to give effect to the issue of any Notes; or
- (b) in connection with and to give effect to the entry into any Authorised Credit Facility; or
- (c) in connection with the issuance of any Class B Additional Notes (for so long as any other Sub-Class of Class B Notes is not, or will not be, outstanding on the effective date of any amendments), to give effect to any amendments to the provisions of any Issuer Common Document relating to the enforcement of the Issuer Security by the Class B Noteholders (and any definitions related thereto) at a point in time when the Class B Noteholders would be the Qualifying Issuer Creditors; or
- (d) to give effect to any increase of the minimum rating requirements in any Issuer Class B Transaction Document or Issuer Common Document where the Rating Agency is to upgrade the rating of the Class A Notes to a rating which is higher than BBB-(sf),

shall not constitute a Class B Voting Matter (notwithstanding that such amendment, consent or waiver would be a Class B Voting Matter were it not for this limitation) and there shall be no requirement to obtain the consent of any Issuer Secured Creditor (that would be an Affected Issuer Secured Creditor, were it not for this limitation) or any Qualifying Issuer Senior Creditor, to give effect to such amendment, consent or waiver, provided that the provisions of the Issuer Class B Transaction

Documents and Issuer Common Documents and the relevant conditions precedent set out in any Issuer Class B Transaction Document and/or Issuer Common Document to give effect to the issue of any Class B Notes are satisfied.

14.24 If the Holdco Group Agent certifies in writing (such certificate to be signed by a director or two authorised signatories of the Holdco Group Agent) to the Issuer Security Trustee that the conditions in Class B1 Condition 14.23 are satisfied, then the Issuer Security Trustee shall, at the cost of the Issuer, execute and deliver any deeds, documents or notices as may be required to be executed and/or delivered and which are provided to the Issuer Security Trustee in order to give effect to any such consequential amendments, consents or waivers.

14.25 To the extent that a consequential amendment, consent or waiver is proposed to be effected in accordance with Class B1 Condition 14.23 to (i) the Class B Note Trust Deed, (ii) the Class B Agency Agreement or (iii) any other Issuer Transaction Document to which the Class B Note Trustee (but not the Issuer Security Trustee) is a party, Class B1 Conditions 14.23 and 14.24 shall apply *mutatis mutandis* to such amendment, consent or waiver (as applicable) as if all references to the Issuer Security Trustee in such paragraphs were references to the Class B Note Trustee, then the Class B Note Trustee shall, at the cost of the Issuer, execute and deliver any deeds, documents or notices as may be required to be executed and/or delivered and which are provided to the Class B Note Trustee in order to give effect to any such consequential amendments, consents or waivers.

14.26 The Issuer Security Trustee shall not be obliged to consent to any such amendment, consent or waiver to the extent that doing so would, in the opinion of the Issuer Security Trustee, have the effect of increasing the liabilities, obligations or duties or decreasing the rights or protections, of the Issuer Security Trustee.

***Specific amendments, consents and waivers without consent***

14.27 Pursuant to the terms of the Issuer Deed of Charge, any consequential amendments, consents or waivers required to be made or granted pursuant to any Issuer Transaction Document:

- (a) for the purpose of complying with, or implementing or reflecting, any change in the criteria of the Rating Agency which may be applicable from time to time; or
- (b) in order to enable the Issuer and/or any Issuer Hedge Counterparty to comply with:
  - (i) any obligation which applies to it under Articles 9, 10 and 11 of Regulation (EU) 648/2012 of the European Parliament and of the Council of OTC derivatives, central counterparties and trade repositories dated 4 July 2012 (including, without limitation, any associated regulatory technical standards and advice, guidance or recommendations from relevant supervisory regulators) (“**EMIR**”); or
  - (ii) any other obligation which applies to it under EMIR; or
- (c) for the purpose of enabling the Class B Notes to be (or to remain) listed on the Stock Exchange; or
- (d) for the purposes of enabling the Issuer or any of the other Parties to the Issuer Transaction Documents to comply with FATCA (or any voluntary agreement entered into with a taxing authority in relation thereto), the new automatic exchange of information regime to be implemented under Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as the same may be amended from time to time) or any other legislation or voluntary agreement implementing the Common Reporting Standard released by the Organisation for Economic Co-operation and Development in July 2014 (as the same may be amended from time to time),

shall not constitute a Class B Voting Matter (notwithstanding that such amendment, consent or waiver would be a Class B Voting Matter were it not for this limitation) and there shall be no requirement to obtain the consent of any Issuer Secured Creditor (that would be an Affected Issuer Secured Creditor, were it not for this limitation) or any Qualifying Issuer Creditor, to give effect to such amendment, consent or waiver, provided that:

- (e) the Holdco Group Agent certifies in writing to the Issuer Security Trustee that such proposed amendment, consent or waiver does not give rise to an Issuer Secured Creditor Entrenched Right and is required solely for the purpose contemplated in the relevant aforementioned paragraph and has been drafted solely to such effect (a “**Modification Certificate**”), and:
  - (i) at least 30 days’ prior written notice of any such proposed modification has been given to the Issuer Security Trustee and the Class B Note Trustee;

- (ii) the Modification Certificate in relation to such modification is provided to the Issuer Security Trustee both at the time the Issuer Security Trustee is notified of the proposed modification and on the date that such modification takes effect;
  - (iii) save for the amendments described in Class B1 Condition 14.27(b) above, the Holdco Group Agent:
    - (A) obtains from the Rating Agency written confirmation (or certifies in the Modification Certificate that it has been unable to obtain written confirmation, but has received oral confirmation from an appropriately authorised person at the Rating Agency) that such modification would not result in (x) a downgrade, withdrawal or suspension of the then current ratings assigned the Class B Notes or any Sub-Class thereof by the Rating Agency; or (y) the Rating Agency placing any Class B Notes on rating watch negative (or equivalent); or
    - (B) certifies in the Modification Certificate that it has informed the Rating Agency of the proposed modification and the Rating Agency has not indicated that such modification would result in (x) a downgrade, withdrawal or suspension of the then current ratings assigned to the Class B Notes or any Sub-Class thereof by such Rating Agency or (y) such Rating Agency placing any Class B Notes on rating watch negative (or equivalent); and
  - (iv) Class B1 Noteholders (if then forming part of the then Qualifying Issuer Creditors) representing at least 25 per cent. of the Outstanding Principal Amount of the Qualifying Issuer Secured Liabilities have not objected to such amendment, consent or waiver within 30 days of receipt by the Issuer Security Trustee and the Class B Note Trustee of the written notice of any such proposed modification as contemplated in this Class B1 Condition 14.27(e).
- (f) If the conditions set forth in Class B1 Condition 14.27(e) above (as applicable) are satisfied and there has been no objection to such amendment, consent or waiver, as contemplated in Class B1 Condition 14.27(e)(iv) above, then the Issuer Security Trustee shall, at the cost of the Issuer, execute and deliver any deeds, documents or notices as may be required to be executed and/or delivered and which are provided to the Issuer Security Trustee in order to give effect to any such consequential amendments, consents or waivers and the Issuer Security Trustee is authorised by the Issuer Secured Creditors to execute and deliver on their behalf all documentation required to implement any modification or the terms of any waiver or consent granted by the Issuer Security Trustee in respect to this Class B1 Condition and such execution and delivery by the Issuer Security Trustee shall bind the Issuer Secured Creditors.
- (g) To the extent that a consequential amendment, consent or waiver is proposed to be effected in accordance with Class B1 Condition 14.27, the Class B Note Trust Deed, the Class B Agency Agreement or any other Issuer Transaction Document to which the Class B Note Trustee (but not the Issuer Security Trustee) is a party, the provisions described in the paragraph above shall apply *mutatis mutandis* to such amendment consent or waiver as if all references to the Issuer Security Trustee were to the Class B Note Trustee. The Class B Note Trustee shall, at the cost of the Issuer, execute and deliver any deed, documents or notices as may be required and which are provided to the Class B Note Trustee in order to give effect to such consequential amendments, consents or waivers and is hereby authorised by each other Issuer Secured Creditor to execute and deliver on its behalf all documentation required to implement any modification of the terms of any waiver or consent granted by the Class B Note Trustee and such execution and delivery by the Class B Note Trustee shall bind each Issuer Secured Creditor as if such documentation had been duly executed by it.
- (h) The Issuer Security Trustee shall not be obliged to consent to any such amendment, consent or waiver pursuant to the extent that doing so would, in the opinion of the Issuer Security Trustee, have the effect of increasing the liabilities, obligations or duties or decreasing the rights or protections, of the Issuer Security Trustee.

#### ***Class B Note Trustee Protections***

14.28 Subject to the STID and the Issuer Deed of Charge, in connection with the exercise by it of any of its rights, trusts, powers, authorities or discretions under the Class B Note Trust Deed (including, without limitation, any modification, waiver, authorisation, determination or substitution) or any other Issuer Class B Transaction Document, Common Document and/or Issuer Common Document, the Class B Note Trustee shall have regard to the general interests of the Class B Noteholders as a class (but shall not have regard to any interests arising from circumstances particular to individual Class B Noteholders whatever their number) and, in particular but without limitation, shall not have regard to the consequences of such exercise for individual Class B Noteholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Class B Note Trustee shall not be entitled to require, nor shall any Class B Noteholder be entitled to claim, from the Issuer, the Class B Note Trustee or any other person any indemnification or payment in respect of any Tax or stamp duty

consequences of any such exercise upon individual Class B Noteholders, except to the extent provided for in Class B1 Condition 7 (*Taxation*) or the equivalent provision in the applicable Class B Conditions and/or in any undertaking or covenant given in addition thereto or in substitution therefor under the Class B Note Trust Deed.

14.29 Subject as provided in these Class B Conditions, the STID and the Class B Note Trust Deed, the Class B Note Trustee will exercise its rights under, or in relation to the Class B Note Deed, the Class B1 Conditions and any Issuer Class B Transaction Documents or Issuer Common Documents in accordance with the directions of the relevant Class B1 Noteholders, but the Class B Note Trustee shall not be bound to take any action unless it has (i) (been so requested in writing by the holders of at least 30% of the aggregate Principal Amount Outstanding of the Class B Notes or (ii) being directed or requested to do so by a Class B Extraordinary Resolution (subject, in each case, to being indemnified and/or secured and/or prefunded to its satisfaction)

## **15. Indemnification and Exoneration of the Class B Note Trustee and the Issuer Security Trustee**

15.1 The Class B Note Trust Deed and the Issuer Deed of Charge contain provisions governing the responsibility (and relief from responsibility) of the Class B Note Trustee and the Issuer Security Trustee, respectively, and providing for their indemnification in certain circumstances, including provisions relieving them from taking action or, in the case of the Issuer Security Trustee, enforcing the Issuer Security unless indemnified and/or prefunded and/or secured to their satisfaction.

15.2 The Class B Note Trust Deed and the Issuer Deed of Charge also contain provisions pursuant to which the Class B Note Trustee and the Issuer Security Trustee and their related companies are entitled, amongst other things, to (a) enter into business transactions with the Issuer and/or any other party to any of the Issuer Class B Transaction Documents or Issuer Common Documents and to act as trustees for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any other party to any of the Issuer Class B Transaction Documents or Issuer Common Documents, (b) exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Class B1 Noteholders, and (c) retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

15.3 The Class B Note Trustee, in the absence of its own wilful default, gross negligence or fraud, and in all cases when acting as directed by or subject to the agreement of the Class B Noteholders shall not in any way be responsible for any loss, costs, damages or expenses or other liability, which may result from the exercise or non-exercise of any consent, waiver, right, power, trust, authority of discretion vested in the Class B Note Trustee pursuant to these Class B1 Conditions, any Issuer Class B Transaction Document or Issuer Common Document or any ancillary document.

## **16. Replacement of Class B1 Notes**

16.1 If any Class B1 Note is mutilated, defaced, lost, stolen or destroyed, it may be replaced at the specified office of the Class B Principal Paying Agent. Replacement of any mutilated, defaced, lost, stolen or destroyed Class B1 Note will only be made on payment of such costs, by the respective Class B1 Noteholder, as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Class B1 Notes must be surrendered before new ones will be issued.

## **17. Notice to Class B1 Noteholders**

17.1 Any notice shall be deemed to have been duly given to the Class B1 Noteholders if sent to the Clearing Systems for communication by them to the holders of the Class B1 Notes and shall be deemed to be given on the date on which it was so sent and shall also be published in the following manner. In respect of Class B1 Definitive Notes, any notice to the Class B1 Noteholders shall be validly given if published in accordance with the relevant listing rules and regulations.

17.2 Class B1 Noteholders will be deemed for all purposes to have notice of the contents of any notice given to the holders of Class B1 Notes in accordance with this Class B1 Condition 17 (*Notice to Class B1 Noteholders*).

17.3 A copy of each notice given in accordance with this Class B1 Condition 17 (*Notice to Class B1 Noteholders*) shall be provided to the Rating Agency, and so long as the Class B1 Notes are listed on the Irish Stock Exchange, to the Irish Stock Exchange (to the extent required by the Global Exchange Market of the Irish Stock Exchange).

17.4 The Class B Note Trustee shall be at liberty to sanction some other method of giving notice to the Class B1 Noteholders if, in its opinion, such other method is reasonable having regard to market practice then prevailing and to the requirements of the stock exchange on which the relevant Class B1 Notes are then admitted to trading and listed and provided that notice of such other method is given to the Class B1 Noteholders in such manner as the Class B Note Trustee shall require.

## 18. Notification

18.1 As soon as practicable after becoming aware that any part of a payment of interest or principal on the Class B1 Notes will be deferred or that a payment previously deferred will be made in accordance with these Class B1 Conditions, the Issuer will give notice thereof to the Class B Note Trustee and the Class B1 Noteholders in accordance with Class B1 Condition 17 (*Notice to Class B1 Noteholders*), and so long as the Class B1 Notes are listed on the Irish Stock Exchange, to the Irish Stock Exchange (to the extent required by the Global Exchange Market of the Irish Stock Exchange).

## 19. Further Notes and New Notes

### *Further Class B1 Notes and New Class B Notes*

- 19.1 (a) The Issuer may from time to time, but subject always to the provisions of these Class B1 Conditions and the Class B Note Trust Deed (including the conditions precedent set out therein), without the consent of the Class B1 Noteholders create and issue:
- (i) further Class B1 Notes carrying the same terms and conditions in all respects (or in all respects except in relation to the first Class B Note Interest Payment Date, the issue date, first coupon and initial Principal Amount Outstanding) as, and so that the same shall be consolidated and form a single series and rank *pari passu* with, the Class B1 Notes issued on the Class B1 Issue Date (the “**Further Class B1 Notes**”); and/or
  - (ii) new Class B Notes which may have terms and conditions that differ from the Class B1 Notes and which do not form a single series with the Class B1 Notes (the “**New Class B Notes**”).
- (b) It shall be a condition precedent to issue any Further Class B1 Notes and/or New Class B Notes (together, the “**Class B Additional Notes**”) that:
- (i) the aggregate principal amount of all such Class B Additional Notes to be issued on such date is not less than £5.0 million;
  - (ii) an amount equal to the gross proceeds of such Further Class B1 Notes or, as the case may be, the New Class B Notes (with an amount in respect of any issue expenses or commissions agreed to be paid by way of fee by the Borrower pursuant to the Class B1 IBLA) is applied by the Issuer to make a loan to the Borrower pursuant to the Class B1 IBLA or a new Class B IBLA, as the case may be, and the conditions precedent therein for an advance under any the Class B1 IBLA or such new Class B IBLA, as the case may be, are satisfied; and
  - (iii) the Class B Note Trustee has received a legal opinion addressed to it in relation to, inter alia, the issue of the Further Class B1 Notes, or as the case may be, the New Class B Notes from a reputable international law firm.
- (c) Nothing in this Class B1 Condition 19 (*Further Class B1 Notes and New Class B Notes*) prohibits the Issuer from issuing Class A Notes under the Programme.

### *Deeds and Security*

19.2 Any such Further Class B1 Notes or New Class B Notes will be constituted by a further deed or deeds supplemental to the Class B Note Trust Deed and have the benefit of the security constituted by the Issuer Deed of Charge. Any of the Issuer Class B Transaction Documents may be amended as provided in Class B1 Condition 2.1(c) (*Status and relationship between the Class B Notes*) or otherwise, and further Issuer Class B Transaction Documents may be entered into, in connection with the issue of such Further Class B1 Notes or New Class B Notes and the claims of any of the parties to any amended Issuer Class B Transaction Document or any further Issuer Class B Transaction Document may rank *pari passu* with or behind, the Class B1 Notes, provided, in each case, that the conditions set out in Class B1 Condition 19.1(a) have been satisfied, *mutatis mutandis*, in respect of such issue of Further Class B1 Notes or New Class B Notes.



## 20. Class B Call Option

20.1 The Class B Notes will have the benefit of the Class B Call Option (as defined in and set out in the Issuer Deed of Charge).

20.2 If a Class B Call Option Trigger Event set out in paragraph (a) of the definition thereof occurs, then subject to and in accordance with the terms of the Class B Call Option and the other terms of the Issuer Deed of Charge:

- (a) any one or more of the Class B Noteholders or any Class B Authorised Credit Provider will be entitled (but not obliged) to purchase all (but not some only) of (x) the Sub-Class of Class A Notes which have not been paid on their Expected Maturity Date within the Class B Call Option Period and at a price equal to the aggregate Principal Amount Outstanding of such Sub-Class of Class A Notes together with accrued but unpaid interest thereon and (y) any Class A Authorised Credit Facility (other than a Class A IBLA) which has not been paid on its Final Maturity Date within the Class B Call Option Period and at a price equal to the Outstanding Principal Amount of such Class A Authorised Credit Facility together with accrued but unpaid interest thereon; provided that, in the case of (y) above, each Class B Noteholder or Class B Authorised Credit Provider, as applicable, that wishes to exercise its right to purchase any Class A Authorised Credit Facility certifies to the borrower under the relevant Class A Authorised Credit Facility and the Obligor Security Trustee at the time of the exercise of the Class B Call Option that it is not, and, following exercise of the Class B Call Option, will not be, connected with the borrower under the relevant Class A Authorised Credit Facility for the purposes of section 363 of the Corporation Tax Act 2009; and
- (b) the relevant Class B Noteholder(s) or Class B Authorised Credit Provider(s), as the case may be, may:
  - (i) surrender such Class A Notes to the Issuer for cancellation (and a corresponding amount of the Advances made under the relevant Class A IBLA attributable to the relevant Sub-Class of Class A Note will be treated as prepaid) (or enter into an alternative arrangement which achieves the same commercial objective) and surrender and cancel any amount outstanding under any purchased Class A Authorised Credit Facility (or enter into an alternative arrangement which achieves the same commercial objective); provided that in each case, the relevant Class B Noteholder(s) or Class B Authorised Credit Provider(s), as the case may be, shall provide a tax opinion from reputable tax counsel addressed to (x) the Issuer, the Class A Note Trustee, the Issuer Security Trustee, the Borrower and the Obligor Security Trustee in the case of the surrender of the Class A Notes and the deemed prepayment of the corresponding Class A IBLA and (y) the borrower under the relevant Class A Authorised Credit Facility and the Obligor Security Trustee, in the case of any cancellation of amounts outstanding under any Class A Authorised Credit Facility, to confirm that the surrender and cancellation of the Class A Notes, the Class A IBLA and/or the relevant Class A Authorised Credit Facility, or the entry into any alternative arrangements to achieve the same commercial objective, as the case may be, will not result in any adverse tax consequences for the Issuer, the Borrower or the borrower under the relevant Class A Authorised Credit Facility, as applicable; or
  - (ii) purchase all (but not some only) of any other Sub-Class of Class A Notes then outstanding at a price equal to:
    - (A) in the case of Fixed Rate Class A Notes denominated in Sterling, at a price equal to the Redemption Amount of such Class A Notes determined in accordance with Class A Condition 7(c) or as otherwise specified in the relevant Final Terms or drawdown prospectus, as the case may be;
    - (B) in the case of Fixed Rate Class A Notes denominated in Euro, U.S. dollar or any other currency (other than Sterling), at a price equal to the Redemption Amount of such Class A Notes as determined in accordance with Class A Condition 7(c) or as otherwise specified in the relevant Final Terms or drawdown prospectus, as the case may be; and
    - (C) in the case of Floating Rate Class A Notes, at a price equal to the Redemption Amount of such Class A Notes as determined in accordance with Class A Condition 7(c) or as otherwise specified in the relevant Final Terms or relevant drawdown prospectus, as the case may be.

20.3 If a Class B Call Option Trigger Event set out in paragraph (b) of the definition thereof occurs and the Class B Call Option is exercised under the terms of the Issuer Deed of Charge, any one or more of the Class B Noteholders or any Class B Authorised Credit Provider, as applicable, will be entitled (but not obliged) to purchase all (but not some) of (x) the Class A Notes then outstanding in respect of which the Expected Maturity Date has not yet occurred within the Class B Call Option Period and at a price equal to the aggregate Principal Amount Outstanding of the Class A Notes together with accrued but unpaid interest thereon and (y) each Class A Authorised Credit Facility (other than any Class A IBLA) which is then

outstanding within the Class B Call Option Period and at a price equal to the Outstanding Principal Amount of such Class A Authorised Credit Facility together with accrued but unpaid interest thereon; provided that, in the case of (y) above, each Class B Noteholder or Class B Authorised Credit Provider, as the case may be, that wishes to exercise its right to purchase any Class A Authorised Credit Facility certifies to the borrower under the relevant Class A Authorised Credit Facility and the Obligor Security Trustee at the time of the exercise of the Class B Call Option that it is not, and, following exercise of the Class B Call Option, will not be, connected with the borrower under the relevant Class A Authorised Credit Facility for the purposes of section 363 of the Corporation Tax Act 2009.

20.4 Following notification of the occurrence of any Class B Call Option Trigger Event by the Issuer to the Class B Noteholders and the Class B Authorised Credit Providers (such notification, the “**Class B Call Option Notice**”) and following notification by the Issuer following the end of the Class B Call Option Period of whether or not a Class B Noteholder or Class B Authorised Credit Provider has exercised its right to purchase the Class A Notes or any Class A Authorised Credit Facility (such notification, the “**Class B Option Exercise Notice**”) each in accordance with the Issuer Deed of Charge and Condition 17 (*Notice to the Class B1 Noteholders*), any Class B Noteholders or Class B Authorised Credit Providers who wish to exercise the Class B Call Option must comply with the terms (as to procedures and timing for payment and settlement) set out in the Class B Call Option Notice and the Class B Option Exercise Notice in order to purchase the Class A Notes and any Class A Authorised Credit Facility in such proportions as the terms of the Issuer Deed of Charge may specify.

## 21. Satisfaction and Discharge

21.1 The Class B1 Notes and the rights of the Class B Note Trustee and the Class B1 Noteholders under the STID and the Issuer Security Documents, will be discharged and cease to be of further effect as to all outstanding Class B1 Notes when (1) (i) all the Class B1 Notes of such sub-class have become due and payable or (ii) are scheduled to be redeemed at the Class B1 Note Expected Maturity Date in accordance with Condition 5.2(a) (*Redemption*) within one year, or (iii) will become due and payable at the relevant Class B1 Note Final Maturity Date within one year; (2) the Issuer has deposited or caused to be deposited with the Class B Note Trustee (or another entity designated or appointed as agent by the Class B Note Trustee for this purpose), an amount in Sterling sufficient to pay and discharge the entire outstanding principal amount on the relevant sub-class of Class B1 Notes, together with any redemption premium, if any, accrued and unpaid interest, any Deferred Interest Amounts in respect of the Class B1 Notes, if any, and any accrued but unpaid interest thereon, to the date of deposit (in the case of Class B1 Notes that have become due and payable), or to the relevant Class B1 Note Expected Maturity Date or the relevant Class B1 Note Final Maturity Date, as the case may be; (3) the Issuer has paid or caused to be paid all other sums payable under the Class B1 Conditions or any Issuer Class B Transaction Documents with respect to the Class B1 Notes; (4) the Issuer has requested the Class B Note Trustee to apply the funds deposited towards the payment of the relevant sub-class of Class B1 Notes and all other amounts payable in respect thereof, at maturity or on the redemption date, as the case may be; and (5) the Class B Note Trustee shall (subject as provided in Condition 21.2(a) below) apply such funds to effect the redemption of the relevant Class B1 Notes or cause the redemption to be effected following the receipt from the Issuer of a certificate (which the Class B Note Trustee shall rely on without further inquiry and without liability) which confirms that all conditions precedent under these Class B1 Conditions relating to the satisfaction and discharge of the Class B1 Notes have been complied with.

21.2 (a) All money deposited with the Class B Note Trustee (or the other entity designated or appointed as agent by the Class B Note Trustee for this purpose) pursuant to Condition 21.1 above shall be held on trust and applied by it, in accordance with these Conditions and the Class B1 Notes, toward payment (either directly or through any Class B Paying Agent as the Class B Note Trustee may determine) to the persons entitled thereto, of the principal, premium (if any) and interest in respect of the applicable Class B1 Notes and Additional Amounts, if any, for whose payment such money has been deposited with the Class B Note Trustee, however such money need not be segregated from other funds except to the extent required by law.

(b) If the Class B Note Trustee or the Class B Paying Agent (or any other entity designated or appointed as agent by the Class B Note Trustee for this purpose) is unable to apply any amounts with respect to certain Class B1 Notes (the “**Affected Class B1 Notes**”) in accordance with Condition 21.1 by reason of any legal proceeding or by reason of any order or judgement of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, the Issuer’s obligations under these Conditions and the Affected Class B1 Notes shall be revived and reinstated as through no deposit had occurred pursuant to Condition 21.1, provided that if the Issuer had made any payment of principal, premium (if any) and interest and Additional Amounts on the Affected Class B1 Notes because of the reinstatement of its obligations, the Issuer shall be subrogated to the rights of the relevant Class B1 Noteholders to receive such payment.

## **22. No Personal Liability of Directors, Officers, Employees and Shareholders**

22.1 No director, officer, employee, incorporator or shareholder of Topco or its Subsidiaries or any of their respective Affiliates, as such, shall have any liability for any obligations of the Topco, Issuer or any Guarantor under the Junior Finance Documents or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Class B1 Noteholder by accepting a Class B1 Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Class B1 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.

## **23. Rights of Third Parties**

23.1 No rights are conferred under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Class B1 Notes or these Class B1 Conditions, but this does not affect any right or remedy of a third party which exists or is available apart from the Contracts (Rights of Third Parties) Act 1999.

## **24. Governing Law**

24.1 Each of the Issuer Class B Transaction Documents, the Issuer Common Documents, the Class B1 Global Notes and these Class B1 Conditions (and, in each case, any contractual or non-contractual obligations arising out of or in connection with the relevant document) are governed by, and shall be construed in accordance with, English law.

## **25. Jurisdiction**

25.1 The courts of England are to have exclusive jurisdiction to settle any dispute including any dispute as to any non-contractual obligations that may arise out of or in connection with the Class B1 Notes, the Issuer Class B Transaction Documents and the Issuer Common Documents to which the Issuer is party and, accordingly, any legal action or proceedings arising out of or in connection with the Class B1 Notes, the Issuer Class B Transaction Documents and/or the Issuer Common Documents may be brought in such courts. The Issuer has in each of the Issuer Class B Transaction Documents and Issuer Common Documents to which it is a party irrevocably submitted to the jurisdiction of such courts. To the extent permitted by law, the Class B Note Trustee and the Issuer Security Trustee may take proceedings in any other court and concurrent proceedings in any number of jurisdictions.

## DESCRIPTION OF THE CLASS B1 IBLA

Under the terms of the Class B1 IBLA, the Issuer will agree to make available to the Borrower on the Issue Date the facilities as described below. The following is a summary of certain provisions of the Class B1 IBLA. It is qualified in its entirety by reference to the detailed provisions of the Class B1 IBLA. Capitalised terms used, but not defined in this “Description of the Class B1 IBLA” shall have the meaning given to them in the Class B1 IBLA or the section “Definitions and Glossary”, as applicable.

On the Issue Date, the proceeds of the issue of the Class B1 Notes will be applied by the Issuer to make advances to the Borrower in an aggregate principal amount of £275 million pursuant to the terms of the Class B1 IBLA. Pursuant to that agreement, the Issuer will provide to the Borrower a secured facility in an aggregate principal amount of £275 million (the “**Class B1 Facility**” and the advance thereunder, the “**Class B1 Loan**”) which will be contractually subordinated to any Class A Authorised Credit Facility.

The economic terms and conditions of the Class B1 Facility (including, among other things, in relation to the payment of interest and the repayment and prepayment of principal) will be broadly similar to the terms and conditions of the Class B1 Notes.

On the Issue Date, the Issuer will be an Unrestricted Subsidiary.

## REPAYMENT

The Borrower must repay the Class B1 Loan in full on 6 November 2022 (the “**Class B1 Loan Maturity Date**”) to the extent not repaid, prepaid or otherwise discharged in full prior to such date.

If on the Class B1 Loan Maturity Date the Class B1 Loan remains outstanding, Topco will be required, under the terms of the Topco Payment Undertaking, to procure the payment of an amount equal to the aggregate of: (a) the principal balance then outstanding under each Class B Authorised Credit Facility; (b) accrued but unpaid interest outstanding under that Class B Authorised Credit Facility; (c) any Additional Amounts; and (d) all other amounts (including, without limitation, fees, premium and interest on overdue amounts) outstanding under that Class B Authorised Credit Facility and any document that is a Junior Finance Document for purposes of that Class B Authorised Credit Facility, in each case taking into account all amounts paid on or before that date in respect of the above amounts by or on behalf of the Obligor to any Topco Secured Creditor under that Class B Authorised Credit Facility. Failure by Topco to pay such amount will give the right to the Obligor Security Trustee to enforce the Topco Security granted to it (on trust for the Topco Secured Creditors) by Topco over the shares Topco holds in Holdco in accordance with the STID.

## PREPAYMENT

### Optional Prepayment

At any time prior to 14 July 2019, the Borrower may on any one or more occasions prepay up to 40% of the aggregate principal amount of the Class B1 Loan at a prepayment price equal to 105.000% of the principal amount of the Class B1 Loan prepaid upon not less than 10 nor more than 60 days’ notice, plus accrued and unpaid interest and Additional Amounts, if any, to the date of prepayment (subject to the rights of the Issuer to receive interest on the relevant Loan Interest Payment Date), with the net cash proceeds of one or more Equity Offerings, *provided* that:

- (i) at least 50% of the original aggregate principal amount of the Class B1 Loan remains outstanding immediately after the occurrence of such prepayment; and
- (ii) the prepayment occurs within 180 days of the date of the closing of such Equity Offering.

At any time prior to 14 July 2019, the Borrower may on any one or more occasions, at its option, prepay all or a part of the Class B1 Loan upon not less than 10 nor more than 60 days’ prior notice, at a prepayment price equal to 100% of the principal amount of the Class B1 Loan prepaid, plus the Applicable Premium and accrued and unpaid interest and Additional Amounts, if any, to the date of prepayment (subject to the rights of the Issuer to receive interest due on the relevant Loan Interest Payment Date).

Except as described above and set out under “—*Taxes—Repayment for taxation reasons*”, the Class B1 Loan will not be prepayable at the Borrower’s option prior to 14 July 2019.

On or after 14 July 2019, the Borrower may on any one or more occasions prepay all or a part of the Class B1 Loan upon not less than 10 nor more than 60 days' prior notice, at the prepayment prices (expressed as percentages of principal amount) set out below, plus accrued and unpaid interest and Additional Amounts, if any, on the Class B1 Loan prepaid, to (but excluding) the applicable date of prepayment, if prepaid during the 12-month period beginning on 14 July of the years indicated below, subject to the rights of the Issuer to receive interest on the relevant Loan Interest Payment Date:

| <b>Year</b>               | <b>Prepayment Price</b> |
|---------------------------|-------------------------|
| 2019 .....                | 102.500%                |
| 2020 .....                | 101.250%                |
| 2021 and thereafter ..... | 100.000%                |

Unless the Borrower defaults on the payment of the prepayment price, interest will cease to accrue on the Class B1 Loan or portions thereof called for prepayment on the applicable prepayment date.

Any prepayment or notice may, at the Borrower's discretion, be subject to the satisfaction of one or more conditions precedent. If any such condition precedent is not satisfied on the date of the prepayment originally specified by the Borrower, the Borrower shall be entitled, at its sole discretion, to postpone the date of the prepayment until such condition precedents are satisfied; *provided* that the Borrower shall not be entitled to postpone the date of the prepayment beyond the final date otherwise permitted under the Class B1 IBLA.

Upon any prepayment of the Class B1 Loan pursuant to this covenant, the Issuer will redeem a *pro rata* portion of the Class B1 Notes in accordance with the Class B1 Conditions.

### **Mandatory Prepayment**

Subject to the STID, the Borrower shall, within one Business Day of receipt of any monies received by the Borrower under the Topco Payment Undertaking, apply such monies to prepay the maximum amount of the Class B1 Loan (together with all accrued and unpaid interest and Additional Amounts, if any) that may be prepaid with such monies.

## **INTEREST**

### **Calculation of interest**

The rate of interest on the Class B1 Loan for each Loan Interest Period (as defined below) is the percentage per annum as follows:

- (a) in respect of any Loan Interest Period falling in the period starting on (and including) the Issue Date and terminating on (and excluding) the Class B1 Loan Adjustment Date, 5.000% per annum; and
- (b) in respect of any Loan Interest Period falling after (and including) the Class B1 Loan Adjustment Date, 4.500% per annum,

(each, the applicable "**Class B Interest Rate**").

The period from (and including) the Issue Date to (but excluding) the first Loan Interest Payment Date and each successive period from (and including) a Loan Interest Payment Date to (but excluding) the next succeeding Loan Interest Payment Date, is called a "**Loan Interest Period**".

### **Payment of interest**

The Borrower must pay accrued interest on the Class B1 Loan on each Loan Interest Payment Date. For the avoidance of doubt, any failure to pay interest on a Loan Interest Payment Date will not constitute a Class B1 Loan Event of Default for as long as any Class A Authorised Credit Facility remains outstanding but will constitute a Share Enforcement Event.

If the Borrower fails to pay any principal or interest (including Additional Amounts, if any) under the Class B1 Loan on the respective due date therefor, interest will accrue on such overdue amount of principal or interest (including Additional Amounts, if any) from the relevant due date up to the date of payment by the Borrower at the then applicable Class B Interest Rate. Interest accruing on any overdue amount shall be immediately due and payable.

## PAYMENTS

Unless an Issuer Class B Transaction Document or a Class B1 Finance Document specifies that payments under it are to be made in another manner, all payments by any Obligor to the Issuer under the Issuer Class B Finance Documents or the Class B1 Finance Documents must be made to the Issuer Transaction Account (or such other account as the Issuer or, following a Class B1 Loan Event of Default, the Obligor Security Trustee may specify to the Borrower by not less than 10 Business Days' prior written notice).

## TAXES

### Additional Amounts

In the event that (i) any deduction or withholding for, or on account of, any Taxes is required to be made from payments made by the Issuer under or with respect to the Class B1 Notes and (ii) the Issuer is required under the Class B1 Conditions to pay additional amounts on the Class B1 Notes such that the net amounts received by each holder of Class B1 Notes after such withholding or deduction (including any such withholding or deduction in respect of such additional amounts) will equal the respective amounts that would have been received in respect of such payments in the absence of such withholding or deduction, the Issuer shall promptly give written notice of such requirement to the Borrower and the Borrower will pay for the Issuer an amount equal to such additional amounts as specified in such notice as may be necessary for the Issuer to comply with its obligations under the Class B1 Conditions (the "**Additional Amounts**").

All payments to be made by an Obligor to the Issuer under the Class B1 IBLA shall be made free and clear of and without deduction or withholding for or on account of Tax unless the deduction or withholding is required by law, in which case the Borrower shall:

- (a) ensure that the deduction or withholding does not exceed the minimum amount required by law; and
- (b) pay to the relevant Tax Authority, within the period for payment permitted by applicable law without any interest or penalties arising, an amount equal to the full amount of the deduction or withholding (including, but without prejudice to the generality of the foregoing, the full amount of any deduction or withholding from any additional amount paid pursuant to this paragraph); and
- (c) furnish to the Issuer, within the period for payment permitted by the relevant law, either:
  - (i) an official receipt (or certified copy thereof) of the relevant Tax Authority in respect of all amounts so deducted or withheld; or
  - (ii) if such receipts are not issued by the Tax Authority on payment to it of amounts so deducted or withheld, a certificate of deduction or equivalent evidence (or certified copy thereof) of the relevant deduction or withholding; and
- (d) pay to the Issuer an increased amount such that the amount received by the Issuer is equal, after all deductions and withholdings for or on account of Tax which are required to be made from the payment, to the full amount which the Issuer would have been entitled to receive had no deduction or withholding been required to be made.

### Repayment for taxation reasons

The Borrower may repay the Class B1 Loan in whole, but not in part, at any time upon giving not less than 10 nor more than 60 days' notice to the Issuer and the Obligor Security Trustee (which notice will be irrevocable) at a repayment price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed for repayment (a "**Tax Repayment Date**") (subject to the right of the Issuer to receive interest due on the relevant Loan Interest Payment Date) and all Additional Amounts, if any, then due and which will become due on the Tax Repayment Date as a result of the repayment or otherwise, if any, if the Issuer, Borrower or Guarantors determine in good faith that, the Issuer has the right to redeem the Class B1 Notes upon the occurrence of any of the events listed in Condition 5.3 of the Class B1 Conditions as set out in the Class B Note Trust Deed. The Borrower will promptly notify the Issuer and the Obligor Security Trustee if it elects to repay the Class B1 Loan pursuant to this covenant. If the Borrower so elects to repay the Class B1 Loan, the Borrower will deliver to the Obligor Security Trustee an Officer's Certificate stating that it is entitled to effect such repayment and setting forth a statement of facts showing that the conditions precedent to its right so to repay have been satisfied. The Obligor Security Trustee will accept such Officer's Certificate 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 Borrower and thereafter the Borrower must repay or prepay the Class B1 Loan in full on the date specified in the next paragraph below and the Issuer will redeem all of the Class B1 Notes in accordance with the Class B1 Conditions.

The date for repayment or prepayment of the Class B1 Loan will be the earlier of:

- (i) the Loan Interest Payment Date in respect of the then current Loan Interest Period; or
- (ii) the date specified by the Borrower in its notification.

### **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 Borrower to purchase all or any part of such Holder’s Class B1 Notes at a purchase price in cash equal to 101% of the principal amount of the Class B1 Notes, plus accrued and unpaid interest to (but not including) the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided, however*, that the Borrower shall not be obligated to purchase any series of Class B1 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 Class B1 Notes of such series as described under “—*Optional Redemption*” or all conditions to such redemption have been satisfied or waived.

Unless the Borrower has unconditionally exercised its right to repay all of the Class B1 Loan in full as set out in “—*Prepayment—Optional prepayment*” (and all of the Class B1 Notes have been correspondingly redeemed by the Issuer) or all conditions to such repayment have been satisfied or waived, no later than the date that is 60 days after any Change of Control, the Borrower will deliver a notice (the “**Change of Control Offer**”) to each Holder of any such Class B1 Notes, with a copy to the Issuer and the Class B Note Trustee:

- (1) stating that a Change of Control has occurred or may occur and that such Holder has the right to require the Borrower to purchase all or any part of such Holder’s Class B1 Notes at a purchase price in cash equal to 101% of the principal amount of such Class B1 Notes plus accrued and unpaid interest to, but not including, the date of purchase (subject to the right of Holders of record on a record date to receive interest on the relevant interest payment date) (the “**Change of Control Payment**”);
- (2) stating the purchase date (which shall be no earlier than 10 days nor later than 60 days from the date such notice is mailed) and the record date (the “**Change of Control Payment Date**”);
- (3) stating that any Class B1 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 Class B1 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 Borrower, consistent with the Class B1 IBLA, that a Holder must follow in order to have its Class B1 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 Borrower will, to the extent lawful:

- (1) accept for payment all Class B1 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 Class B1 Notes so tendered;
- (3) deliver or cause to be delivered to the Class B Note Trustee an Officer’s Certificate stating the aggregate principal amount of Class B1 Notes or portions of the Class B1 Notes being purchased by the Borrower in the Change of Control Offer;
- (4) in the case of Global Notes, deliver, or cause to be delivered, to the Paying Agent the Global Notes in order to reflect thereon the portion of such Class B1 Notes or portions thereof that have been tendered to and purchased by the Borrower; 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 Borrower.

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 Class B1 Notes, and the Class B Registrar (or an authenticating agent) will, at the cost of the Borrower, 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 Class B1 Notes surrendered, if any; *provided* that each such new Class B1 Note will be in a principal amount that is at least £100,000 and integral multiples of £1,000 in excess thereof.

The Issuer will cooperate with the Borrower in connection with any Change of Control Offer (including, without limitation, by delivering such notices to the Class B Note Trustee and Holders as the Borrower may require in order to enable the Borrower to comply with the foregoing provisions of this paragraph), and the Borrower will bear the cost of any such Change of Control Offer. Upon the purchase of any Class B1 Notes pursuant to a Change of Control Offer, the Issuer will discharge a *pro rata* portion of the Class B1 Loan.

For so long as the Class B1 Notes are listed on the Irish Stock Exchange and the rules of such exchange so require, the Borrower will publish notices relating to the Change of Control Offer to the extent and in the manner required by such rules.

Except as described above with respect to a Change of Control, the Class B1 IBLA does not contain provisions that permit the Holders to require that the Issuer or the Borrower purchase or redeem the Class B1 Notes in the event of a takeover, recapitalisation or similar transaction. The existence of a Holder's right to require the Borrower to purchase such Holder's Class B1 Notes upon the occurrence of a Change of Control may deter a third party from seeking to acquire Topco or its Subsidiaries in a transaction that would constitute a Change of Control.

The Borrower 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 Class B1 IBLA applicable to a Change of Control Offer made by the Borrower and purchases all Class B1 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 Borrower 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 purchase of Class B1 Notes pursuant to this covenant. To the extent that the provisions of any securities laws or regulations conflict with provisions of the Class B1 IBLA, the Borrower 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 Class B1 IBLA by virtue of the conflict.

The Borrower's ability to purchase Class B1 Notes issued by it pursuant to a Change of Control Offer may be limited by a number of factors. The occurrence of certain of the events that constitute a Change of Control would require a mandatory prepayment of Indebtedness under the Senior Credit Facilities. In addition, certain events that may constitute a change of control under the Senior Credit Facilities and require a mandatory prepayment of Indebtedness under such agreement may not constitute a Change of Control under the Class B1 IBLA. Future Indebtedness of Topco or its Subsidiaries may also contain prohibitions of certain events that would constitute a Change of Control or require such Indebtedness to be purchased upon a Change of Control. Moreover, the exercise by the Holders of their right to require the Borrower to purchase the Class B1 Notes could cause a default under, or require a purchase of, such Indebtedness, even if the Change of Control itself does not, due to the financial effect of such purchase on the Borrower. Finally, the Borrower's ability to pay cash to the Holders upon a purchase may be limited by the Borrower's then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make any required purchases. See "*Risk Factors—Risks Related to the Class B1 Notes—RAC may be unable to obtain funds required to finance an offer to purchase the Class B1 Notes upon the occurrence of certain events constituting a change of control as required by the Class B1 IBLA*".

The definition of "Change of Control" includes a disposition of all or substantially all of the property and assets of Topco 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 or assets of a Person. As a result, it may be unclear as to whether a Change of Control has occurred and whether a Holder may require the Borrower to make an offer to purchase the Class B1 Notes as described above.



The provisions of the Class B1 IBLA relating to the Borrower's obligation to make an offer to purchase the Class B1 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 Class B1 Notes.

## **Certain Covenants**

### **Class B1 Financial Covenant**

#### ***Required Class B1 FCF DSCR***

Subject to “*Cure Right*” as set out below, the Borrowers must ensure that, on each Financial Covenant Test Date, the ratio of Class B1 FCF to the Class B1 Total Debt Service Charges (such ratio, expressed as a percentage, the “**Class B1 FCF DSCR**”) for the applicable FCF DSCR Period is equal to or greater than 100%.

In respect of the calculation of the Class B1 FCF DSCR on the first and second Financial Covenant Test Date, the Class B1 Total Debt Service Charges will be deemed to be equal to the actual annualised Consolidated Financial Interest Expense payable by Topco and its Restricted Subsidiaries from the Issue Date to the first Financial Covenant Test Date.

Topco shall supply a compliance certificate, which shall include the Class B1 FCF DSCR and calculations thereof in reasonable detail in accordance with the Class B1 IBLA.

#### ***Cure Right***

If:

- (1) as at a Financial Covenant Test Date (as described in this paragraph, the “**Relevant Financial Covenant Test Date**”), the Class B1 FCF DSCR is less than 100%;
- (2) within the period of 30 days thereafter, the Borrowers procure that either:
  - (A) the loans outstanding under any Class A Authorised Credit Facility and/or the Class B1 Loans are prepaid in part; and/or
  - (B) funds are deposited by Topco into (or remain in) the Class B Defeasance Account, using or having been funded by New Equity Funds (the amount so prepaid or deposited, the “**Class B1 Specified Amount**”); and
- (3) the Recalculated Class B1 FCF DSCR is not less than 100%,

then for all purposes thereafter (including, without limitation, as to any determination of the occurrence of a Share Enforcement Event or a Class B1 Loan Event of Default) the Class B1 FCF DSCR as at the Relevant Financial Covenant Test Date shall be deemed to have been the same as the Recalculated Class B1 FCF DSCR.

The Obligor Security Trustee must, as soon as is reasonably practicable after being so requested, but in any event not earlier than the Business Day immediately following the Relevant Financial Covenant Test Date, consent to the release of funds from the Class B Defeasance Account (deposited in the Class B Defeasance Account pursuant to the preceding paragraph) if and to the extent that, following such release, the Recalculated Class B1 FCF DSCR (disregarding the Class B1 Specified Amount (if any) requested to be so released) remains at or greater than 100% (as certified by the Holdco Group Agent in the compliance certificate to be provided in connection with such Relevant Financial Covenant Test Date).

#### ***Change in Accounting Principles***

The Holdco Group Agent must notify the Obligor Security Trustee of any material change to the basis on which its financial statements are prepared (including a change of Accounting Principles of the accounting practices). If the Holdco Group Agent notifies the Obligor Security Trustee of such change, it shall deliver a description of any change necessary to reflect the Accounting Principles and sufficient information to determine the Class B1 FCF DSCR. If the change in accounting practices results in or could reasonably be expected to result in a deviation of equal to or greater than 3% from the result of calculation of the Class B1 FCF DSCR, the Holdco Group Agent may, or to result in a deviation of at least 5%, the Holdco Group Agent shall appoint an international firm of auditors (acting as experts and not as arbitrator) the identity of which is approved by the Obligor Security Trustee (such approval not to be unreasonably withheld or delayed), or failing that approval, nominated (on the application of the Obligor Security Trustee) by the President for the time being of the Institute of

Chartered Accountants of England and Wales (the costs of that nomination and of the auditors being payable by the Obligors) to determine the amendments required to be made to the Class B1 FCF DSCR contained in the Class B1 IBLA to place the Holdco Group Agent and the Obligor Security Trustee in a comparable position to that in which they would have been if the change notified above had not happened and the determination of any such auditors shall be final and binding upon the parties to the Class B1 IBLA. Prior to the Holdco Group Agent appointing auditors as described above, the Obligor Security Trustee shall, if directed in accordance with Clause 23 (*Extraordinary Voting Matters*) of the STID (and subject as provided in the STID), enter into discussions for a period of not more than 60 days with a view to agreeing any amendments required to be made to the Class B1 FCF DSCR (and associated definitions) contained within the Class B1 IBLA to place the Holdco Group and the Obligor Security Trustee in a comparable position to that in which they would have been if the change notified under clause (ii)(B) above had not happened. Any agreement between the Holdco Group Agent and the Obligor Security Trustee in respect of such calculation will be subject to receipt by the Obligor Security Trustee of a direction given in accordance with Clause 23 (*Extraordinary Voting Matters*) of the STID and will be binding on all the Parties.

## Restrictive Covenants

### *Limitation on Indebtedness*

Topco will not, and will not permit any of its Restricted Subsidiaries to, Incur any Indebtedness (including Acquired Indebtedness); *provided, however*, that Topco and any Restricted Subsidiary may Incur Indebtedness (including Acquired Indebtedness) if:

(a) on the date on which such additional Indebtedness is Incurred, the Fixed Charge Coverage Ratio of Topco and its Restricted Subsidiaries would have been at least 2.0 to 1.0 determined on a *pro forma* basis (including a *pro forma* application of the net proceeds therefrom); and

(b) if the Indebtedness is *Pari Passu* Indebtedness, the Issuer obtains a Ratings Confirmation in respect of the Class B1 Notes.

The first paragraph of this covenant will not prohibit the Incurrence of the following Indebtedness (“**Permitted Debt**”):

- (1) Indebtedness Incurred 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)(A) £420.0 million plus (B) the greater of (x) £80.0 million and (y) 43.5% of Consolidated EBITDA, *plus* (ii) in the case of any refinancing of any Indebtedness permitted under this clause (1) or any portion thereof, the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses Incurred in connection with such refinancing;
- (2) (a) Guarantees by Topco or any Restricted Subsidiary of Indebtedness (including Refinancing Indebtedness) of Topco or any Restricted Subsidiary, so long as the Incurrence of such Indebtedness is permitted under the terms of the Class B1 IBLA; or
- (b) without limiting the covenant described under “—*Limitation on Liens*”, Indebtedness arising by reason of any Lien granted by or applicable to any Person securing the Indebtedness of Topco or any Restricted Subsidiary so long as the Incurrence of such Indebtedness is permitted under the terms of the Class B1 IBLA;
- (3) Indebtedness of Topco owing to and held by any Restricted Subsidiary or Indebtedness of a Restricted Subsidiary owing to and held by Topco or any Restricted Subsidiary; *provided, however*, that:
  - (a) in the case of Indebtedness owing to and held by any Restricted Subsidiary that is not an Obligor (except in respect of intercompany current liabilities incurred in the ordinary course of business in connection with cash management positions of Topco and its Restricted Subsidiaries), such Indebtedness shall be unsecured and expressly subordinated in right of payment to the prior payment in full in cash of all obligations with respect to the Class B1 IBLA, in the case of Topco, and the respective Guarantee, in the case of a Guarantor to the extent required by the STID; and
  - (b) (i) 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 Topco or a Restricted Subsidiary; and (ii) any sale or other transfer of any such Indebtedness to a Person other than Topco or a Restricted Subsidiary, shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (3) by Topco or such Restricted Subsidiary, as the case may be;

- (4) (a) Indebtedness represented by (i) the amounts outstanding under the Class A IBLAs and the Class B1 Loan outstanding on the Issue Date (other than any further Advances under the Class A IBLAs and any other Class B Authorised Credit Facility) and (ii) guarantees with respect to the amounts outstanding under the Class A IBLAs and the Class B1 Loan outstanding on the Issue Date, (b) any Indebtedness (other than Indebtedness described in clause (3) of this paragraph) outstanding on the Issue Date, (c) Refinancing Indebtedness Incurred in respect of any Indebtedness described in this clause (4) or clauses (5) and (13) of this paragraph or Incurred pursuant to the first paragraph of this covenant, (d) Management Advances, and (e) any loan or other instrument contributing the proceeds of any Indebtedness Incurred in accordance with the Class B1 IBLA;
- (5) Indebtedness of any Person (i) outstanding on the date on which such Person becomes a Restricted Subsidiary or any Restricted Subsidiary or is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) Topco or any Restricted Subsidiary or (ii) Incurred to provide or refinance all or a portion of the funds utilised to consummate the transaction or series of related transactions pursuant to which any Person became a Restricted Subsidiary or was otherwise acquired by Topco or a Restricted Subsidiary or otherwise in connection with or contemplation of such acquisition; *provided, however*, with respect to this clause (5), that at the time of such acquisition or other transaction (x) Topco would have been able to Incur £1.00 of additional Indebtedness pursuant to clause (a) of the first paragraph of this covenant after giving *pro forma* effect to the relevant acquisition and the Incurrence of such Indebtedness pursuant to this clause (5) or (y) the Fixed Charge Coverage Ratio of Topco and its Restricted Subsidiaries would not be less than it was immediately prior to giving effect to such acquisition or other transaction;
- (6) Indebtedness under Currency Agreements, Interest Rate Agreements and Commodity Hedging Agreements not for speculative purposes (as determined in good faith by the Board of Directors or an Officer of Topco);
- (7) Indebtedness consisting of (A) Capitalised 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 and Guarantees in respect of (A) or (B), in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (7) and then outstanding, will not exceed at any time outstanding the greater of £50.0 million and 27.2% of Consolidated EBITDA; so long as 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 Topco or a Restricted Subsidiary or relating to liabilities, obligations or guarantees Incurred in the ordinary course of business or in respect of any governmental requirement, (b) letters of credit, bankers' acceptances, guarantees or other similar instruments or obligations issued or relating to liabilities or obligations Incurred in the ordinary course of business or in respect of any governmental requirement, *provided, however*, that upon the drawing of such letters of credit or other similar instruments, the obligations are reimbursed within 30 days following such drawing, (c) the financing of insurance premiums in the ordinary course of business and (d) any customary treasury and/or cash management services, including treasury, depository, overdraft, credit card processing, credit or debit card, purchase card, electronic funds transfer, the collection of cheques and direct debits, cash pooling and other cash management arrangements, in each case, 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*, in the case of a disposition, the maximum liability of Topco 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 Topco and its Restricted Subsidiaries in connection with such disposition;

- (10)(a) Indebtedness arising from the honouring by a bank or other financial institution of a cheque, draft or similar instrument drawn against insufficient funds in the ordinary course of business; *provided, however*, that such Indebtedness is extinguished within 60 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 60 Business Days to banks and other financial institutions Incurred in the ordinary course of business of Topco and its Restricted Subsidiaries with such banks or financial institutions that arises in connection with ordinary banking arrangements to manage cash balances of Topco and its Restricted Subsidiaries; and
- (d) Indebtedness Incurred by a Restricted Subsidiary in connection with bankers acceptances, discounted bills of exchange or the discounting or factoring of receivables for credit management of bad debt purposes, in each case Incurred or undertaken in the ordinary course of business;
- (11) Indebtedness in an aggregate outstanding principal amount which, when taken together with any Refinancing Indebtedness and Guarantees in respect thereof and the principal amount of all other Indebtedness Incurred pursuant to this clause (11) and then outstanding, will not exceed the greater of £50.0 million and 27.2% of Consolidated EBITDA;
- (12) Indebtedness Incurred (a) by a Receivables Subsidiary in a Qualified Receivables Financing and (b) under other receivables financings in an amount, in the case of clause (b) not to exceed £15.0 million outstanding at any one time;
- (13) Indebtedness of Topco and the Obligors 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 Topco from the issuance or sale (other than to a Restricted Subsidiary) of its Subordinated Shareholder Funding or Capital Stock (other than Disqualified Stock, Designated Preference Shares, a Parent Debt Contribution, or an Excluded Contribution) or otherwise contributed to the equity (other than through the issuance of Disqualified Stock, Designated Preference Shares, a Parent Debt Contribution, or an Excluded Contribution) of Topco, in each case, subsequent to the Issue Date; *provided, however*, that to the extent such Indebtedness Incurred under this clause (13) remains outstanding, (i) any such Net Cash Proceeds that are so received or contributed shall be excluded for the purposes of making Class B1 Restricted Payments under the first paragraph and clauses (1), (6) and (10) of the fourth paragraph of the covenant described below under “—*Limitation on Class B1 Restricted Payments*” to the extent Topco 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 Topco or any of its Restricted Subsidiaries makes a Class B1 Restricted Payment under the first paragraph and clauses (1), (6) and (10) of the fourth paragraph of the covenant described below under “—*Limitation on Class B1 Restricted Payments*” in reliance thereon;
- (14) Indebtedness in connection with Investments in Associates not exceeding, at any time outstanding, £10.0 million; and
- (15) Indebtedness under daylight borrowing facilities incurred in connection with Transactions or any refinancing of Indebtedness (including by way of set-off or exchange) so long as any such Indebtedness is repaid within three days of the date on which such Indebtedness is Incurred.

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, Topco, in its sole discretion, will classify, and may from time to time reclassify, such item of Indebtedness and only be required to include the amount and type of such Indebtedness in one of the clauses of the second paragraph or the first paragraph of this covenant;
- (2) all Indebtedness outstanding on the Issue Date under the Senior Term Facility Agreement, the Liquidity Facility and the Working Capital Facility shall be deemed initially Incurred under clause (1) of the second paragraph of this covenant and not the first paragraph or clause (4)(b) of the second paragraph of this covenant, and may not be reclassified;
- (3) Guarantees of, or obligations in respect of letters of credit, bankers’ acceptances or other similar instruments relating to, or Liens securing, Indebtedness that is otherwise included in the determination of a particular amount of Indebtedness shall not be included;

- (4) if obligations in respect of letters of credit, bankers' acceptances or other similar instruments are Incurred pursuant to any Credit Facility and are being treated as Incurred pursuant to clause (1), (7), (11) 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;
- (5) the principal amount of any Disqualified Stock of Topco or a Restricted Subsidiary, or Preferred Stock of a Restricted Subsidiary, will be equal to the greater of the maximum mandatory redemption or repurchase price (not including, in either case, any redemption or repurchase premium) or the liquidation preference thereof;
- (6) Indebtedness permitted by this covenant need not be permitted solely by reference to one provision permitting such Indebtedness but may be permitted in part by one such provision and in part by one or more other provisions of this covenant permitting such Indebtedness;
- (7) for the purposes of determining "Consolidated EBITDA" (x) *pro forma* effect shall be given to Consolidated EBITDA on the same basis as for calculating the Consolidated Net Leverage Ratio for Topco and its Restricted Subsidiaries and (y) in relation to clause (1)(ii) of the second paragraph of this covenant, Consolidated EBITDA shall be measured on the most recent date on which new commitments are obtained (in the case of revolving facilities) or the date on which new Indebtedness is Incurred (in the case of term facilities) and for the period of the most recent four consecutive fiscal quarters ending prior to such date for which such internal consolidated financial statements of Topco are available; and
- (8) the amount of Indebtedness issued at a price that is less than the principal amount thereof will be equal to the amount of the liability in respect thereof determined on the basis of IFRS.

Accrual of interest, accrual of dividends, the accretion of accreted value, the accretion or amortisation 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*". Except as otherwise specified, the amount of any Indebtedness outstanding as of any date shall be (a) the accreted value thereof in the case of any Indebtedness issued with original issue discount and (b) the principal amount, or liquidation preference thereof, in the case of any other Indebtedness.

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

For purposes of determining compliance with any sterling-denominated restriction on the Incurrence of Indebtedness, the Sterling Equivalent of the principal amount of Indebtedness denominated in another currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term Indebtedness, or, at the option of Topco, first committed, in the case of Indebtedness Incurred under a revolving credit facility; *provided* that (a) if such Indebtedness is Incurred to refinance other Indebtedness denominated in a currency other than sterling, and such refinancing would cause the applicable sterling-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such sterling-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such Refinancing Indebtedness does not exceed the 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 Issue Date shall be calculated based on the relevant currency exchange rate in effect on the Issue Date; and (c) if any such Indebtedness that is denominated in a different currency is subject to a Currency Agreement (with respect to the sterling) covering principal amounts payable on such Indebtedness, the amount of such Indebtedness expressed in 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 Topco or a Restricted Subsidiary may Incur under the provisions of the Class B1 IBLA 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.

Topco will not, and will not permit any of its Obligors to, Incur any Indebtedness (including Permitted Debt) that is contractually subordinated in right of payment to any Class A Authorised Credit Facility unless such Indebtedness is also contractually subordinated in right of payment to or ranks *pari passu* with the Class B1 Loan to the same extent.

No Indebtedness will be deemed to be contractually subordinated in right of payment to any other Indebtedness of Topco or any Guarantor solely by virtue of being unsecured or by virtue of being secured on a first or junior Lien basis.

#### ***Limitation on Class B1 Restricted Payments***

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

- (1) declare or pay any dividend or make any other distribution on or in respect of Topco's or any Restricted Subsidiary's Capital Stock (including any payment in connection with any merger or consolidation involving Topco or any of its Restricted Subsidiaries) except:
  - (a) dividends or distributions payable in Capital Stock of Topco (other than Disqualified Stock) or in options, warrants or other rights to purchase such Capital Stock of Topco or in Subordinated Shareholder Funding; and
  - (b) dividends or distributions payable to Topco 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 Topco or another Restricted Subsidiary on no more than a *pro rata* basis, measured by value);
- (2) purchase, redeem, retire or otherwise acquire for value any Capital Stock of Topco or any direct or indirect Parent of Topco held by Persons other than Topco or a Restricted Subsidiary (other than in exchange for Capital Stock of Topco (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) a scheduled payment of interest or a payment of principal at Stated Maturity thereof, (b) 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 (c) any Indebtedness Incurred pursuant to clause (3) of the second paragraph of the covenant described under "*—Limitation on Indebtedness*");
- (4) make any payment (other than by capitalisation of interest) on or with respect to, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value, any Subordinated Shareholder Funding; or
- (5) make any Restricted Investment in any Person,

(any such dividend, distribution, payment, purchase, redemption, repurchase, defeasance, other acquisition, retirement or Restricted Investment referred to in clauses (1) through (5) are referred to herein as a "Class B1 Restricted Payment"), if at the time Topco or such Restricted Subsidiary makes such Class B1 Restricted Payment:

- (a) a Class B1 Loan Default, Share Enforcement Event or Class B1 Loan Event of Default shall have occurred and be continuing (or would result immediately thereafter therefrom);
- (b) Topco is not able to Incur an additional £1.00 of Indebtedness pursuant to clause (a) of the first paragraph of the covenant described under "*—Limitation on Indebtedness*" after giving effect, on a *pro forma* basis, to such Class B1 Restricted Payment; or
- (c) the aggregate amount of such Class B1 Restricted Payment and all other Class B1 Restricted Payments made subsequent to the Issue Date (and not returned or rescinded) (including Permitted Payments permitted below by clauses (5), (9), (10), (11), (15) and (17) of the second succeeding paragraph, but excluding all other Class B1 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 Issue Date to the end of the most recent fiscal quarter ending prior to the date of such Class B1 Restricted Payment for which internal consolidated financial statements of Topco 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 of property or assets or marketable securities, received by Topco from the issue or sale of its Capital Stock (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding subsequent to the Issue Date or otherwise contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of Topco subsequent to the Issue Date (other than (w) Subordinated Shareholder Funding or Capital Stock in each case sold to a Subsidiary of Topco, (x) Net Cash Proceeds or property or assets or marketable securities received from an issuance or sale of such Capital Stock to a Restricted Subsidiary or an employee stock ownership plan or trust established by Topco or any Subsidiary of Topco for the benefit of its employees to the

extent funded by Topco or any Restricted Subsidiary, (y) Net Cash Proceeds or property or assets or marketable securities to the extent that any Class B1 Restricted Payment has been made from such proceeds in reliance on clause (6) of the second succeeding paragraph and (z) Excluded Contributions or Parent Debt Contributions);

- (iii) 100% of the aggregate Net Cash Proceeds, and the fair market value of property or assets or marketable securities, received by Topco or any Restricted Subsidiary from the issuance or sale (other than to Topco or a Restricted Subsidiary or an employee stock ownership plan or trust established by Topco or any Subsidiary of Topco for the benefit of its employees to the extent funded by Topco or any Restricted Subsidiary) by Topco or any Restricted Subsidiary subsequent to the Issue Date of any Indebtedness that has been converted into or exchanged for Capital Stock of Topco (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding (plus the amount of any cash, and the fair market value of property or assets or marketable securities, received by Topco or any Restricted Subsidiary upon such conversion or exchange) but excluding (w) Disqualified Stock or Indebtedness issued or sold to a Subsidiary of Topco, (x) Net Cash Proceeds to the extent that any Class B1 Restricted Payment has been made from such proceeds in reliance on clause (6) of the second succeeding paragraph, and (y) Excluded Contributions or Parent Debt Contributions;
- (iv) 100% of the aggregate Net Cash Proceeds, and the fair market value of property or assets or marketable securities, received by Topco or any Restricted Subsidiary (other than to Topco or a Restricted Subsidiary or an employee stock ownership plan or trust established by Topco or any Subsidiary of Topco for the benefit of its employees to the extent funded by Topco or any Restricted Subsidiary) from the disposition of any Unrestricted Subsidiary or the disposition or repayment of any Investment constituting a Class B1 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 Topco or a Restricted Subsidiary, or the Unrestricted Subsidiary is merged or consolidated into Topco or a Restricted Subsidiary, 100% of such amount received in cash and the fair market value of any property or marketable securities received by Topco or any Restricted Subsidiary in respect of such redesignation, merger, consolidation or transfer of assets, excluding the amount of any Investment in such Unrestricted Subsidiary that constituted a Permitted Investment made pursuant to clause (11) of the definition of “Permitted Investment”; and
- (vi) 100% of any dividends or distributions received by Topco or a Restricted Subsidiary after the Issue Date from an Unrestricted Subsidiary,

*provided, however*, that no amount will be included in Consolidated Net Income for purposes of the preceding clause (i) to the extent that it is (at Topco’s option) included in the foregoing clause (iv), (v) or (vi).

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

- (1) any Class B1 Restricted Payment made in exchange (including any such exchange pursuant to the exercise of a conversion right or privilege in connection with which cash is paid in lieu of the issuance of fractional shares) for, or out of the proceeds of the substantially concurrent sale (other than to a Subsidiary of Topco) of, Capital Stock of Topco (other than Disqualified Stock or Designated Preference Shares), Subordinated Shareholder Funding or a substantially concurrent contribution to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution, or Parent Debt Contribution) of Topco; *provided, however*, that to the extent so applied, the Net Cash Proceeds, or fair market value of property or assets or of marketable securities, from such sale of Capital Stock or Subordinated Shareholder Funding or such contribution will be excluded from clause (c)(ii) of the preceding paragraph;
- (2) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness made in exchange for, or out of the proceeds of the substantially concurrent Incurrence of, Refinancing Indebtedness permitted to be Incurred pursuant to the covenant described under “—*Limitation on Indebtedness*” above;
- (3) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Disqualified Stock or Preferred Stock of Topco or a Restricted Subsidiary made in exchange for or out of the proceeds of the substantially concurrent sale of Disqualified Stock or Preferred Stock of Topco or a Restricted Subsidiary, as the case may be, that, in each case, is permitted to be Incurred pursuant to the covenant described under “—*Limitation on Indebtedness*” above, and that in each case, constitutes Refinancing Indebtedness;
- (4) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness:
  - (a) (i) from Net Available Cash to the extent permitted under “—*Limitation on Sales of Assets and Subsidiary Stock*” below, but only if Topco shall have first complied with the terms described under “—*Limitation on Sales of*

*Assets and Subsidiary Stock*” if required and purchased all Class B1 Notes tendered pursuant to any offer to repurchase all the Class B1 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 Topco shall have first complied with the terms described under “—*Change of Control*” and purchased all Class B1 Notes tendered pursuant to the offer to repurchase all the Class B1 Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness and (ii) at a purchase price not greater than 101% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest; or
  - (c) (i) consisting of Acquired Indebtedness and (ii) at a purchase price not greater than 100% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest and any premium required by the terms of any 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 Topco, any Restricted Subsidiary or any Parent (including any options, warrants or other rights in respect thereof) and loans, advances, dividends or distributions by Topco to any Parent or to any entity formed for the purpose of investing in Capital Stock of Topco, any Restricted Subsidiary or any Parent to permit any Parent or such entity to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of Topco, 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 Topco, 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 (1) £10.0 million, plus £1 million multiplied by the number of calendar years that have commenced since the Issue Date per calendar year, plus (2) the Net Cash Proceeds received by Topco 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 Topco from, the issuance or sale to Management Investors of Capital Stock (including any options, warrants or other rights in respect thereof), plus (3) the Net Cash Proceeds of any key man life insurance policies, to the extent such Net Cash Proceeds are not included in any calculation under clause (c)(ii) of the first paragraph describing this covenant; *provided further* that cancellation of Indebtedness owing to Topco or any Restricted Subsidiary from members of management, directors, employees or consultants of Topco, or any Parent or Restricted Subsidiaries in connection with a repurchase of Capital Stock of Topco or any Parent will not be deemed to constitute a Class B1 Restricted Payment for purposes of this covenant or any other provision of the Class B1 IBLA;
- (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 any Affiliates or other payments by Topco or any Restricted Subsidiary in amounts equal to (without duplication):
- (a) the amounts required or reasonably expected to be required in the next 12 months (as determined in good faith by the Board of Directors or an Officer of Topco) for any Parent to pay any Parent Expenses or any Related Taxes;
  - (b) amounts constituting or to be used for the purposes of making payments of fees, expenses and other payments (i) in connection with the Transactions or otherwise disclosed in the Offering Memorandum or (ii) to the extent specified in clauses (2), (3), (5), (7), (11), (13) and (21) of the second paragraph under “—*Limitation on Affiliate Transactions*”; or
  - (c) any payments pursuant to a Permitted Tax Transaction;
- (10) so long as no Class B1 Loan Default, Share Enforcement Event or Class B1 Loan Event of Default has occurred and is continuing (or would result therefrom), the declaration and payment by Topco of, or loans, advances, dividends or



distributions to any Parent to pay, dividends on the common stock or common equity interests of Topco 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 Topco from such Public Offering or contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution or a Parent Debt Contribution) of Topco or loaned or contributed as Subordinated Shareholder Funding to Topco and (b) following the Initial Public Offering, an amount equal to the greater of (i) the greater of (A) 7% of the Market Capitalisation and (B) 7% of the IPO Market Capitalisation; *provided* that in the case of this 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 5.5 to 1.0 and (ii) the greater of (A) 5% of the Market Capitalisation and (B) 5% of the IPO Market Capitalisation; *provided* that in the case of this 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 6.0 to 1.0;

- (11) so long as no Class B1 Loan Default, Share Enforcement Event or Class B1 Loan Event of Default has occurred and is continuing (or would result therefrom), Class B1 Restricted Payments (including loans or advances) in an aggregate amount outstanding at any time not to exceed the greater of £50.0 million and 27.2% of Consolidated EBITDA;
- (12) payments by Topco, or loans, advances, dividends or distributions to any Parent to make payments, to holders of Capital Stock of Topco or any Parent in lieu of the issuance of fractional shares of such Capital Stock, *provided, however*, that any such payment, loan, advance, dividend or distribution shall not be for the purpose of evading any limitation of this covenant or otherwise to facilitate any dividend or other return of capital to the holders of such Capital Stock (as determined in good faith by the Board of Directors or an Officer of Topco);
- (13) Class B1 Restricted Payments in an aggregate amount outstanding at any time not to exceed the greater of the aggregate cash amount and the fair market value of Excluded Contributions, or consisting of non-cash Excluded Contributions, or Investments in exchange for or using as consideration Investments previously made under this clause (13);
- (14) any payment made in connection with a Qualified Receivables Financing;
- (15) (i) the declaration and payment of dividends to holders of any class or series of Designated Preference Shares of Topco issued after the Issue Date; and (ii) the declaration and payment of dividends to any Parent or any Affiliate thereof, the proceeds of which will be used to fund the payment of dividends to holders of any class or series of Designated Preference Shares of such Parent or Affiliate issued after the Issue Date; *provided, however*, that, in the case of clauses (i) and (ii), the amount of all dividends declared or paid pursuant to this clause (15) shall not exceed the Net Cash Proceeds received by Topco or the aggregate amount contributed in cash to the equity (other than through the issuance of Disqualified Stock or an Excluded Contribution or a Parent Debt Contribution or, in the case of Designated Preference Shares by Parent or an Affiliate the issuance of Designated Preference Shares) of Topco or contributed as Subordinated Shareholder Funding to Topco, 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) dividends or other distributions in amounts required for a direct or indirect parent of Topco to pay interest on Indebtedness the proceeds of which have been contributed to Topco or any of its Restricted Subsidiaries and that has been Guaranteed by, or is otherwise considered Indebtedness of, Topco or any of its Restricted Subsidiaries Incurred in accordance with the covenant described under “—*Limitation on Indebtedness*”;
- (18) so long as no Class B1 Loan Default, Share Enforcement Event or Class B1 Loan Event of Default has occurred and is continuing (or would result from), any Class B1 Restricted Payment; *provided* that the Consolidated Net Leverage Ratio does not exceed 7.5 to 1.0 on a *pro forma* basis after giving effect to any such Class B1 Restricted Payment; and
- (19) advances or loans to (a) any future, present or former officer, director, employee or consultant of Topco or a Restricted Subsidiary to pay for the purchase or other acquisition for value of Capital Stock of Topco 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 Topco or any Parent (other than Disqualified Stock or Designated Preference Shares); *provided, however*, that the total aggregate amount of Class B1 Restricted Payments made under this clause (19) does not exceed £5.0 million at any time outstanding (with unused amounts in any calendar year being carried over to the succeeding calendar years).

The amount of all Class B1 Restricted Payments (other than cash) shall be the fair market value on the date of such Class B1 Restricted Payment of the asset(s) or securities proposed to be paid, transferred or issued by Topco or such Restricted Subsidiary, as the case may be, pursuant to such Class B1 Restricted Payment. The fair market value of any cash Class B1 Restricted Payment shall be its face amount, and the fair market value of any non-cash Class B1 Restricted Payment shall be determined conclusively by the Board of Directors of Topco acting in good faith.

For the purposes of calculating “Consolidated EBITDA” *pro forma* effect shall be given to Consolidated EBITDA on the same basis as for calculating the Consolidated Net Leverage Ratio for Topco and its Restricted Subsidiaries.

#### ***Limitation on Liens***

Topco will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create, incur or suffer to exist any Lien upon any of its property or assets (including Capital Stock of a Restricted Subsidiary), whether owned on the Issue Date or acquired after that date, or any interest therein or any income or profits therefrom, which Lien is securing any Indebtedness (such Lien, the “**Initial Lien**”), except (a) in the case of any property or asset that does not constitute Collateral, (1) Permitted Liens or (2) Liens on property or assets that are not Permitted Liens if the Class B1 Loan and the Class B1 IBLA are directly secured equally and ratably with, or prior to, the Indebtedness secured by such Initial Lien for so long as such Indebtedness is so secured, (b) in the case of any property or assets of Topco that does not constitute Collateral, Permitted Topco Liens and (c) in the case of any property or asset that constitutes Collateral, Permitted Collateral Liens.

Any such Lien created in favour of the Class B1 Loan 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 “—*Share Enforcement Event and Class B1 Loan Event of Default—Release of Liens*”.

#### ***Limitation on Restrictions on Distributions from Restricted Subsidiaries***

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

- (A) pay dividends or make any other distributions to Topco or an Obligor in cash or otherwise on its Capital Stock or pay any Indebtedness or other obligations owed to Topco or an Obligor;
- (B) make any loans or advances to Topco or an Obligor; or
- (C) sell, lease or transfer any of its property or assets to Topco or an Obligor,

*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 Topco or any Restricted Subsidiary to other Indebtedness Incurred by Topco or any Restricted Subsidiary shall not be deemed to constitute such an encumbrance or restriction.

The provisions of the preceding paragraph will not prohibit:

- (1) any encumbrance or restriction pursuant to (a) any Credit Facility (including the Senior Term Facility Agreement, the Liquidity Facility Agreement and the Working Capital Facility Agreement) or (b) any other agreement or instrument, in each case, in effect at or entered into on the Issue Date including the Class A IBLAs, the Class B1 IBLA, the Senior Finance Documents and the Junior Finance Documents;
- (2) any encumbrance or restriction pursuant to an agreement or instrument of a Person or relating to any Capital Stock or Indebtedness of a Person, entered into on or before the date on which such Person was acquired by or merged, consolidated or otherwise combined with or into Topco or any Restricted Subsidiary, or on which such agreement or instrument is assumed by Topco 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 utilised to consummate, the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was acquired by Topco or was merged, consolidated or otherwise combined with or into Topco or any Restricted Subsidiary entered into or in connection with such transaction) and outstanding on such date; *provided* that, for the purposes of this clause (2), if another Person is the Successor Company (as defined under “—*Merger and Consolidation*”), any Subsidiary thereof or agreement or instrument of such Person or any such Subsidiary shall be deemed acquired or assumed by Topco or any Restricted Subsidiary when such Person becomes the Successor Company;

- (3) any encumbrance or restriction pursuant to an agreement or instrument effecting a refinancing of Indebtedness Incurred pursuant to, or that otherwise refinances, an agreement or instrument referred to in clause (1) or (2) of this paragraph or this clause (3) (an “**Initial Agreement**”) or contained in any amendment, supplement or other modification to an agreement referred to in clause (1) or (2) of this paragraph or this clause (3); *provided, however*, that the encumbrances and restrictions with respect to such Restricted Subsidiary contained in any such agreement or instrument are no less favourable in any material respect to the Holders taken as a whole than the encumbrances and restrictions contained in the Initial Agreement or Initial Agreements to which such refinancing or amendment, supplement or other modification relates (as determined in good faith by the Board of Directors or an Officer of Topco);
- (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, licence or similar contract, or the assignment or transfer of any lease, licence or other contract;
  - (b) contained in mortgages, charges, pledges or other security agreements permitted under the Class B1 IBLA or securing Indebtedness of Topco or a Restricted Subsidiary permitted under the Class B1 IBLA 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 Topco or any Restricted Subsidiary;
- (5) any encumbrance or restriction pursuant to Purchase Money Obligations and Capitalised Lease Obligations permitted under the Class B1 IBLA, in each case, that impose encumbrances or restrictions on the property so acquired, or any encumbrance or restriction pursuant to a joint venture agreement that imposes restrictions on the 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, licences, joint venture, concession, authorisation, franchise or permit 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, including any insurance regulations, rules or orders;
- (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 favourable to the holders of the Class B1 Notes than (i) the encumbrances and restrictions contained in the CTA, together with the security documents associated therewith as in effect on the Issue Date; (ii) any encumbrance or restriction contained in the Senior Term Facility Agreement, the Working Capital Facility Agreement or the Liquidity Facility Agreement, together with the security documents associated therewith as in effect on the Issue Date or (iii) as is customary in comparable financings (as determined in good faith by the Board of Directors or an Officer of Topco);
- (12) restrictions effected in connection with a Qualified Receivables Financing that, in the good faith determination of the Board of Directors or an Officer of Topco, are necessary or advisable to effect such Qualified Receivables Financing; or
- (13) any encumbrance or restriction existing by reason of any Lien permitted under “—*Limitation on Liens*”.

### ***Limitation on Sales of Assets and Subsidiary Stock***

Topco will not, and will not permit any Restricted Subsidiary to, consummate any Asset Disposition unless:

- (1) the consideration Topco or such Restricted Subsidiary receives (including by way of relief from or by any other Person assuming responsibility for any liabilities contingent or otherwise) for such Asset Disposition is not less than the fair market value (such fair market value to be determined on the date of contractually agreeing to such Asset Disposition) of the shares and assets sold (including for the avoidance of doubt if such Asset Disposition is in exchange for Replacement Assets); and
- (2) at least 75% of the consideration (excluding any consideration by way of relief from or by any other Person assuming responsibility for any liabilities contingent or otherwise other than Indebtedness) Topco or such Restricted Subsidiary receives in respect of such Asset Disposition consists of:
  - (i) 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);
  - (ii) Cash Equivalents or Temporary Cash Investments;
  - (iii) the assumption by the purchaser of (x) any liabilities recorded on Topco's or such Restricted Subsidiary's balance sheet or Class B1 Notes thereto (or, if incurred since the date of the latest balance sheet, that would be recorded on the next balance sheet) (other than Subordinated Indebtedness), as a result of which neither Topco nor any of the Restricted Subsidiaries remains obligated in respect of such liabilities or (y) Indebtedness of a Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Disposition, if Topco and each other Restricted Subsidiary is released from any guarantee of such Indebtedness as a result of such Asset Disposition;
  - (iv) Replacement Assets;
  - (v) any Capital Stock or assets of the kind referred to in clause (D) or (F) in the second paragraph of this covenant;
  - (vi) consideration consisting of Indebtedness of Topco or any Guarantor received from Persons who are not Topco or any Restricted Subsidiary, but only to the extent that such Debt (i) has been extinguished by Topco or the applicable Guarantor and (ii) is not Subordinated Indebtedness of Topco or such Guarantor;
  - (vii) any Designated Non-Cash Consideration received by Topco 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 £20.0 million and 11.0% of Consolidated EBITDA (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
  - (viii) a combination of the consideration specified in clauses (i) through (vii) of this clause (2).

If Topco or any Restricted Subsidiary consummates an Asset Disposition, the Net Cash Proceeds of the Asset Disposition, within 365 days (or 545 days in the circumstances described in clause (H) below) 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 Topco or such Restricted Subsidiary to:

- (A) to the extent Topco or any Restricted Subsidiary, as the case may be, elects (or is required by the terms of any Indebtedness of a Restricted Subsidiary), (i) prepay, repay, purchase or redeem any Indebtedness under any Senior Indebtedness, Class A Authorised Credit Facility or Incurred under clause (1) of the second paragraph of the covenant described under "*—Limitation on Indebtedness*" or any Refinancing Indebtedness in respect thereof; (ii) unless included in (A)(i), prepay, repay, purchase or redeem Class B1 Notes or Indebtedness that is secured by a Lien on the Collateral that is not subordinated in right of payment to the Class B1 Notes at a price of no more than 100% of the principal amount of the Class B1 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 Topco or a Guarantor or Indebtedness owed to Topco or any Restricted Subsidiary); *provided* that Topco or such Restricted Subsidiary shall prepay, repay, purchase or redeem Public Debt (other than the Class B1 Notes) pursuant to clause (ii) only if Topco makes (at such time or in compliance with this covenant) an offer to Holders to purchase their Class B1 Notes in accordance with the provisions set forth below for an Asset Disposition Offer for an aggregate principal amount of Class B1 Notes equal to the proportion that (x) the total aggregate principal amount of Class B1 Notes outstanding bears to (y) the sum total aggregate principal amount

of the Class B1 Notes outstanding plus the total aggregate principal amount outstanding of such Indebtedness (other than the Class B1 Notes);

- (B) purchase any series of Class B1 Notes pursuant to an offer to all Holders of such series of Class B1 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 redeem any series of Class B1 Notes pursuant to the redemption provisions of the Class B1 IBLA or by making an Asset Disposition Offer to all Holders of Class B1 Notes (in accordance with the procedures set out below);
- (C) invest in any Replacement Assets;
- (D) 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;
- (E) make a capital expenditure;
- (F) acquire other assets (other than Capital Stock and cash or Cash Equivalents) that are used or useful in a Similar Business;
- (G) consummate any combination of the foregoing; or
- (H) enter into a binding commitment to apply the Net Cash Proceeds pursuant to clause (A), (C), (D), (E) or (F) 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, Topco shall pledge or shall cause the applicable Restricted Subsidiary to pledge any acquired Capital Stock or assets (to the extent such assets were of a category of assets included in the Collateral as of the Issue Date) referred to in this covenant in favour of the Obligor Security Trustee 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, Topco may temporarily reduce Indebtedness or otherwise invest such Net Cash Proceeds in any manner that is not prohibited by the terms of the Class B1 IBLA.

On the 366th day (or the 546th day if a binding commitment as described in clause (H) is entered into) after an Asset Disposition, or such earlier time if the Borrower elects, if the aggregate amount of Excess Proceeds exceeds £20.0 million, the Borrower will be required within 10 Business Days thereof to make an offer (“**Asset Disposition Offer**”) to all Holders and, to the extent the Borrower elects, to all holders of other outstanding *Pari Passu* Indebtedness, to purchase, prepay or redeem the maximum principal amount of Class B1 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 Class B1 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 Class B1 Notes and 100% of the principal amount of *Pari Passu* Indebtedness, in each case, plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the date of purchase, in accordance with the procedures set forth in the Class B1 IBLA 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 Topco or a Restricted Subsidiary, as the case may be, may make an Asset Disposition Offer prior to the 366<sup>th</sup> day.

To the extent that the aggregate amount of Class B1 Notes and *Pari Passu* Indebtedness so validly tendered and not properly withdrawn pursuant to an Asset Disposition Offer is less than the Excess Proceeds, Topco or the relevant Restricted Subsidiary may use any remaining Excess Proceeds for general corporate purposes, subject to other covenants contained in the Class B1 IBLA. If the aggregate principal amount of the Class B1 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 Class B1 Notes and *Pari Passu* Indebtedness to be repaid or purchased on a *pro rata* basis on the basis of the aggregate principal amount of tendered Class B1 Notes and *Pari Passu* Indebtedness. For the purposes of calculating the principal amount of any such Indebtedness not denominated in sterling, such Indebtedness shall be calculated by converting any such principal amounts into their Sterling Equivalent determined as of a date selected by Topco 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 Class B1 Notes is denominated in a currency other than the currency in which the relevant Class B1 Notes are denominated, the amount thereof payable in respect of such Class B1 Notes shall not exceed the net amount of funds in the currency in which such Class B1 Notes are denominated that is actually received by the Borrower 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 Class B1 Notes, will remain open for a period of not less than 20 Business Days following its commencement (the “**Asset Disposition Offer Period**”). No later than five Business Days after the termination of the Asset Disposition Offer Period (the “**Asset Disposition Purchase Date**”), the Borrower will purchase the principal amount of Class B1 Notes and, to the extent it elects, *Pari Passu* Indebtedness required to be repaid or 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 Class B1 Notes and *Pari Passu* Indebtedness validly tendered in response to the Asset Disposition Offer.

On or before the Asset Disposition Purchase Date, the Borrower will, to the extent lawful, accept for payment, on a *pro rata* basis to the extent necessary, the Asset Disposition Offer Amount of Class B1 Notes and *Pari Passu* Indebtedness or portions of Class B1 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 Class B1 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. Topco will deliver to the Obligor Security Trustee an Officer’s Certificate stating that such Class B1 Notes or portions thereof were accepted for payment by Topco in accordance with the terms of this covenant. Topco or the Paying Agent, as the case may be, will promptly (but in any case not later than five Business Days after termination of the Asset Disposition Offer Period) mail or deliver to each tendering Holder an amount equal to the purchase price of the Class B1 Notes so validly tendered and not properly withdrawn by such Holder, and accepted by Topco for purchase, and Topco will promptly issue a new Class B1 Note (or amend the applicable Global Note), and the Class B Registrar (or an authenticating agent), upon delivery of an Officer’s Certificate from Topco, will authenticate and mail or deliver (or cause to be transferred by book-entry) such new Class B1 Note to such Holder, in a principal amount equal to any unpurchased portion of the Class B1 Note surrendered; *provided* that each such new Class B1 Note will be in a principal amount with a minimum denomination of £100,000. Any Class B1 Note not so accepted will be promptly mailed or delivered (or transferred by book-entry) by Topco to the Holder thereof.

The Borrower 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 purchase of Class B1 Notes pursuant to the Class B1 IBLA. To the extent that the provisions of any securities laws or regulations conflict with provisions of this covenant, the Borrower will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Class B1 IBLA by virtue of such compliance.

#### ***Limitation on Affiliate Transactions***

Topco 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 Topco (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 favourable to Topco or such Restricted Subsidiary, as the case may be, than those that could be obtained in a comparable transaction at the time of such transaction or the execution of the agreement providing for such transaction in arm’s-length dealings with a Person who is not such an Affiliate; and
- (2) in the event such Affiliate Transaction involves an aggregate value in excess of £20.0 million, the terms of such transaction or series of related transactions have been approved by a majority of the members of the Board of Directors of Topco resolving that such transaction complies with clause (1) above.

The provisions of the preceding paragraph will not apply to:

- (1) any Class B1 Restricted Payment permitted to be made pursuant to the covenant described under “—*Limitation on Class B1 Restricted Payments*”, any Permitted Payments (other than pursuant to clause (9)(b)(ii) of the fourth paragraph of the covenant described under “—*Limitations on Class B1 Restricted Payments*”) or any Permitted Investment;

- (2) any issuance or sale of Capital Stock, options, other equity-related interests or other securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, or entering into, or maintenance of, any employment, consulting, collective bargaining or benefit plan, programme, agreement or arrangement, related trust or other similar agreement and other compensation arrangements, options, warrants or other rights to purchase Capital Stock of Topco, 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, programmes or arrangements) or indemnities provided on behalf of officers, employees, directors or consultants approved by the Board of Directors of Topco, 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 Topco and any Restricted Subsidiary (or entity that becomes a Restricted Subsidiary as a result of such transaction), or between or among Restricted Subsidiaries or any Receivables Subsidiary;
- (5) the payment of reasonable fees and reimbursement of expenses to, and customary indemnities (including under customary insurance policies) and employee benefit and pension expenses provided on behalf of, directors, officers, consultants or employees of Topco, any Restricted Subsidiary or any Parent (whether directly or indirectly and including through any Person owned or controlled by any of such directors, officers or employees);
- (6) (i) the Transactions, (ii) the entry into and performance of obligations of Topco or any of its Restricted Subsidiaries under the terms of any transaction pursuant to or contemplated by, and any payments pursuant to or for purposes of funding, any agreement or instrument in effect as of or on the Issue Date or described in the Offering Memorandum, as these agreements and instruments may be amended, modified, supplemented, extended, renewed, replaced or refinanced from time to time in accordance with the other terms of this covenant or to the extent not more disadvantageous to the Holders in any material respect, and (iii) the entry into and performance of any registration rights or other listing agreement;
- (7) the execution, delivery and performance of any Tax Sharing Agreement or any arrangement or payment pursuant to which any Affiliate of Topco, Topco or any Restricted Subsidiary 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;
- (8) transactions with customers, clients, providers of employees or other labour (including, without limitation, with respect to the management, development, maintenance or refurbishment of Real Property and other related services), suppliers or purchasers or sellers of goods or services (including without limitation, with respect to insurance and reinsurance services), in each case in the ordinary course of business, which are fair to Topco or the relevant Restricted Subsidiary in the reasonable determination of the Board of Directors or an officer of Topco or the relevant Restricted Subsidiary, or are on terms no less favourable 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 Topco or any Restricted Subsidiary and any Affiliate of Topco or an Associate or similar entity that would constitute an Affiliate Transaction solely because Topco or a Restricted Subsidiary or any Affiliate of Topco or a Restricted Subsidiary or any Affiliate of any Permitted Holder owns an equity interest in or otherwise controls such Affiliate, Associate or similar entity;
- (10) (a) issuances or sales of Capital Stock (other than Disqualified Stock or Designated Preference Shares) of Topco 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 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 Class B1 IBLA or STID, as applicable;
- (11) customary payments by Topco or any Restricted Subsidiary to any Parent or 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 the Board of Directors or an Officer in good faith;
- (12) any transactions for which Topco or a Restricted Subsidiary delivers to the Obligor Security Trustee a letter from an Independent Financial Advisor stating that such transaction is (i) fair to Topco or such Restricted Subsidiary from a financial point of view or (ii) on terms not less favourable than might have been obtained in a comparable transaction at such time on an arm's length basis from a Person who is not an Affiliate;

- (13) investments by any of the Investors in securities of any of Topco's Restricted Subsidiaries (and the payment of reasonable out of pocket expenses of the Investors in connection therewith) so long as (i) the investment complies with clause (1) of the preceding paragraph, (ii) the investment is being offered generally to other investors on the same or more favourable terms and (iii) the investment constitutes less than 5% of the proposed issue amount of such class of securities;
- (14) any transaction effected as part of a Qualified Receivables Financing;
- (15) any participation in a public tender or exchange offers for securities or debt instruments issued by Topco or any of its Subsidiaries that are conducted on arms' length terms and provide for the same price or exchange ratio, as the case may be, to all holders accepting such tender or exchange offer;
- (16) pledges of Capital Stock of Unrestricted Subsidiaries;
- (17) the Incurrence or amendment of any Subordinated Shareholder Funding;
- (18) any Affiliate Transaction with the Issuer provided it complies with the covenants set forth in the Class B Note Trust Deed;
- (19) any Affiliate Transaction with or for the benefit of a lender under any Authorised Credit Facility;
- (20) any Permitted Transaction;
- (21) payment to any Parent or Permitted Holder of all reasonable expenses Incurred or reasonably expected to be Incurred in the next 12 months (as determined in good faith by the Board of Directors or an Officer of Topco) by such Parent or Permitted Holder in connection with its direct or indirect investment in Topco and its Subsidiaries; and
- (22) transactions between any of the Obligors and any person, a director of which is also a director of the relevant Obligor or any direct or indirect parent of such Obligor; *provided, however*, that such director abstains from voting as a director of the relevant Obligor or such direct or indirect parent, as the case may be, on any matter involving such other person.

### **Reports**

So long as any Class B1 Loans are outstanding, Topco will furnish to the Obligor Security Trustee, the Class B Note Trustee and the Issuer (for the benefit of the Holders) the following reports:

- (1) within 180 days after the end of Holdco's fiscal year beginning with the fiscal year ended December 31, 2017, annual reports containing, to the extent applicable: (i) an operating and financial review of the audited financial statements, including a discussion of the results of operation, financial condition and liquidity and capital resources; (ii) unaudited *pro forma* income statement and balance sheet information of Holdco, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalisations 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 Holdco will provide, in the case of a material acquisition, acquired company financials; (iii) the audited consolidated balance sheet of Holdco as at the end of the most recent fiscal year and audited consolidated income statements and statements of cash flow of Holdco for the most recent two fiscal years, including appropriate footnotes to such financial statements, for and as at the end of such fiscal years and the report of the independent auditors on the financial statements; (iv) a description of the management and shareholders of Holdco, material affiliate transactions; and a description of all material debt instruments, (v) a description of material operational risk factors and material subsequent events; and (vi) consolidated EBITDA; *provided* that the information described in clauses (iv), (v) and (vi) may be provided in the footnotes to the audited financial statements;
- (2) within 90 days following the end of the second fiscal quarter in each fiscal year of Holdco, semi-annual financial statements containing the following information: (i) Holdco's unaudited condensed consolidated balance sheet as at the end of such semi-annual period and unaudited condensed statements of income and cash flow for the most recent semi-annual year to date period ending on the unaudited condensed balance sheet date and the comparable prior period, together with condensed footnote disclosure; (ii) unaudited *pro forma* income statement and balance sheet information of Holdco, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalisations that have occurred since the beginning of the most recently completed fiscal year as to which such semi-annual report relates (*provided* that such *pro forma* financial information will be provided only to the extent available without unreasonable expense, in which case Holdco will provide, in the case of a material acquisition, acquired company financials); (iii) 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 Holdco; (iv) a discussion of material changes in material debt instruments since the most recent report; and (v) 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 (iv) and (v) may be provided in the footnotes to the unaudited financial statements; and

- (3) promptly after the occurrence of a material event that Topco announces publicly or any acquisition, disposition or restructuring, merger or similar transaction that is material to Topco and the Restricted Subsidiaries, taken as a whole, or a senior executive officer or director changes at Topco or a change in auditors of Topco, a report containing a description of such event.

In addition, Topco 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 Class B1 Notes are not freely transferable under the Exchange Act by persons who are not “affiliates” under the Securities Act.

Topco shall also make available to Holders and prospective holders of Class B1 Notes copies of all reports furnished to the Obligor Security Trustee on Holdco’s website and if and so long as Class B1 Notes are listed on the Official List and trading on the Global Exchange Market of the Irish Stock Exchange and to the extent that the rules and regulations of the Irish Stock Exchange so require, by posting such reports on the official website of the Irish Stock Exchange ([www.ise.ie](http://www.ise.ie)).

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 Topco 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 U.S. generally accepted accounting principles.

Notwithstanding the foregoing, Topco may satisfy its obligations under clauses (1) and (2) of the first paragraph of this covenant by delivering the corresponding consolidated annual and semi-annual reports of any Parent. To the extent that material differences exist between the management, business, assets, shareholding or results of operations or financial condition of the Parent that is the reporting entity, the annual and semi-annual reports shall include an explanation and an unaudited reconciliation of such material differences.

For the purposes of this covenant, Topco will be deemed to have furnished the reports required by this covenant if Topco has posted such reports on [www.raccorporate.co.uk](http://www.raccorporate.co.uk) (or any successor website thereto).

At any time that any of Topco’s subsidiaries are Unrestricted Subsidiaries (other than the Issuer) and any such Unrestricted Subsidiary or a group of Unrestricted Subsidiaries, taken as a whole, constitutes a Significant Subsidiary of Topco, then the semi-annual and annual financial information required by the first paragraph of this “*Reports to Holders*” 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 Topco and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of Topco.

All reports provided pursuant to this “*Reports*” covenant shall be made in the English language.

In the event that (i) Topco 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) Topco elects to provide to the Obligor Security Trustee and the Class B Note Trustee reports which, if filed with the SEC, would satisfy (in the good faith judgment of Topco) the reporting requirements of Section 13(a) or 15(d) of the Exchange Act (other than the provision of U.S. GAAP information, certifications, exhibits or information as to internal controls and procedures), for so long as it elects, Topco will make available to the Obligor Security Trustee and the Class B Note Trustee such annual reports, information, documents and other reports that Topco is, or would be, required to file with the SEC pursuant to such Section 13(a) or 15(d). Upon complying with the foregoing requirement, Topco will be deemed to have complied with the provisions contained in the preceding paragraphs.

Subject to compliance with the following paragraph of this covenant, in the event that, and for so long as, the equity securities of Topco or any Parent or IPO Entity are listed on an Acceptable Foreign Exchange and Topco or such Parent or IPO Entity, for so long as it elects, Topco will make available to the Obligor Security Trustee and the Class B Note Trustee such annual reports, information, documents and other reports that Topco or such Parent or IPO Entity is, or would be,

required to file with the Acceptable Foreign Exchange. Upon complying with the foregoing requirements, and provided that such requirements require Topco or any Parent or IPO Entity to prepare and file annual reports, information, documents and other reports with the Acceptable Foreign Exchange, as applicable, the Issuer will be deemed to have complied with the provisions contained in the preceding paragraphs.

No separate financial or other information shall be required with respect to the Issuer under this covenant. For purposes of this covenant and any calculation to be made under the Class B Note Trust Deed, Topco may use financial statements of a predecessor of Topco for reporting or making calculations with respect to periods commencing prior to the Issue Date.

### ***Merger and Consolidation***

#### ***Topco***

Topco will not consolidate with or merge with or into, or assign, convey, transfer, lease or otherwise dispose of all or substantially all the assets of Topco and its Restricted Subsidiaries, taken as a whole, in one transaction or a series of related transactions to, any Person, unless:

- (1) the resulting, surviving or transferee Person (the “**Successor Company**”) will be a Person organised and existing under the laws of any member state of the European Union, or the United States of America, 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 Topco) expressly assumes all the obligations of Topco under the Class B1 Notes, the Class B1 Loan, the Class B1 IBLA, the STID and the Obligor Security Documents;
- (2) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the Successor Company or any Subsidiary of the Successor Company as a result of such transaction as having been Incurred by the Successor Company or such Subsidiary at the time of such transaction), no Class B1 Loan Default, Share Enforcement Event or Class B1 Loan 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 (a) of the first paragraph of the covenant described under “—*Limitation on Indebtedness*” or (b) the Fixed Charge Coverage Ratio would not be less than it was immediately prior to giving effect to such transaction; and
- (4) Topco shall have delivered to the Obligor Security Trustee and the Class B Note Trustee an Officer’s Certificate and an Opinion of Counsel, each to the effect that such consolidation, merger or transfer and assumption of Topco’s obligations under the Class B1 Notes, the Class B1 Loan, the Class B1 IBLA, the STID and the Topco Security Documents comply with the Class B1 IBLA and an Opinion of Counsel to the effect that such assumption of Topco’s obligations under the Class B1 Notes, the Class B1 Loan, the Class B1 IBLA, the STID and the Topco Security Documents has been duly authorised, 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 Obligor Security Trustee), *provided* that in giving an Opinion of Counsel, counsel may rely on an Officer’s Certificate as to any matters of fact.

Any Indebtedness that becomes an obligation of Topco or any Restricted Subsidiary (or that is deemed to be Incurred by any Restricted Subsidiary that becomes a Restricted Subsidiary) as a result of any such transaction undertaken in compliance with this covenant, and any Refinancing Indebtedness with respect thereto, shall be deemed to have been Incurred in compliance with the covenant described under “—*Limitation on Indebtedness*”.

For purposes of this covenant, the sale, lease, conveyance, assignment, transfer, or other disposition of all or substantially all of the properties and assets of one or more Subsidiaries of Topco, which properties and assets, if held by Topco instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of Topco on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the properties and assets of Topco.

The Successor Company will succeed to, and be substituted for, and may exercise every right and power of, Topco under the Class B1 Notes, the Class B1 Loan, the Class B1 IBLA, the STID and the Topco Security Documents but in the case of a lease of all or substantially all its assets, the predecessor company will not be released from its obligations under the Class B1 Notes and the Class B1 IBLA.

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*” covenant) shall not apply to (i) any transactions which constitute an Asset Disposition if Topco has complied with the covenant described under “—*Limitation on Sales of Assets and Subsidiary Stock*” or (ii) the creation of a new subsidiary as a Restricted Subsidiary.

#### *Borrower*

A Borrower will not consolidate with or merge with or into, or assign, convey, transfer, lease or otherwise dispose of all or substantially all of its assets, in one transaction or a series of related transactions to, any Person, unless:

- (1) the resulting, surviving or transferee Person (the “**Successor Company**”) will be a Person organised and existing under the laws of any member state of the European Union, or the United States of America, 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 Topco) expressly assumes all the obligations of such Borrower under the Class B Note Trust Deed;
- (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 Class B1 Loan Default, Share Enforcement Event or Class B1 Loan Event of Default shall have occurred and be continuing; and
- (3) Topco shall have delivered to the Obligor Security Trustee and the Class B Note Trustee an Officer’s Certificate and an Opinion of Counsel, each to the effect that such consolidation, merger or transfer and assumption of Topco’s obligations under the Class B Note Trust Deed complies with the Class B Note Trust Deed and an Opinion of Counsel to the effect that such assumption of Topco’s obligations under the Class B Note Trust Deed and the Topco Security Documents has been duly authorised, 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 Obligor Security Trustee), *provided* that in giving an Opinion of Counsel, counsel may rely on an Officer’s Certificate as to any matters of fact.

The Successor Company will succeed to, and be substituted for, and may exercise every right and power of, Topco under the Class B1 Notes, the Class B1 Loan, the Class B1 IBLA, the STID and the Topco Security Documents but in the case of a lease of all or substantially all its assets, the predecessor company will not be released from its obligations under the Class B1 Notes and the Class B1 IBLA.

The foregoing provisions (other than the requirements of clause (2) of the first paragraph of this “*Merger and Consolidation—Borrower*” covenant) shall not apply to (i) any transactions which constitute an Asset Disposition if the Topco or any Restricted Subsidiary has complied with the covenant described under “—*Limitation on Sales of Assets and Subsidiary Stock*” or (ii) the creation of a new subsidiary as a Restricted Subsidiary.

#### *The Guarantors*

No Guarantor (other than a Guarantor whose guarantee is to be released in accordance with the terms of the Class B1 IBLA or the STID) may:

- (1) consolidate with or merge with or into any Person (whether or not such Guarantor is the surviving corporation);
- (2) sell, assign, convey, transfer, lease or otherwise dispose of, all or substantially all of the assets of such Guarantor and its Restricted Subsidiaries taken as a whole, 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 Topco or any Restricted Subsidiary that is a Guarantor or becomes a Guarantor;
  - (B) (1) either (x) a Guarantor is the continuing Person or (y) the resulting, surviving or transferee Person expressly assumes all of the obligations of the Guarantor under the Class B1 Notes, the Class B1 Loan, the Class B1 IBLA, the STID and the Obligor Security Documents; and (2) immediately after giving effect to the transaction, no Class B1 Loan Default, Share Enforcement Event or Class B1 Loan 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 Guarantor or the sale or disposition of all or substantially all the assets of a Guarantor (in each case other than to Topco or a Restricted Subsidiary) otherwise permitted by the Class B1 IBLA,

*provided, however*, that the prohibition in clauses (1), (2) and (3) of this covenant shall not apply to the extent that compliance with clauses (A) and (B)(1) could give rise to or result in: (1) any breach or violation of statutory limitations, corporate benefit, financial assistance, fraudulent preference, thin capitalisation rules, capital maintenance rules, guidance and coordination rules or the laws rules or regulations (or analogous restriction) of any applicable jurisdiction; (2) any risk or liability for the officers, directors or (except in the case of a Restricted Subsidiary that is a partnership) shareholders of such Restricted Subsidiary (or, in the case of a Restricted Subsidiary that is a partnership, directors or shareholders of the partners of such partnership); or (3) any cost, expense, liability or obligation (including with respect to any Taxes) other than reasonable out of pocket expenses.

The provisions set forth in this “Merger and Consolidation” covenant shall not restrict (and shall not apply to): (i) any Restricted Subsidiary that is not a Guarantor from consolidating with, merging or liquidating into or transferring all or substantially all of its properties and assets to Topco, a Guarantor or any other Restricted Subsidiary that is not a Guarantor; (ii) a Guarantor from merging or liquidating into or transferring all or part of its properties and assets to Topco or another Guarantor; (iii) a Guarantor transferring all or part of its properties and assets to a Restricted Subsidiary that is not a Guarantor in order to comply with any law, rule, regulation or order, recommendation or directions of, or agreement with, any regulatory authority having jurisdiction over Topco or any of its Restricted Subsidiaries; (iv) any consolidation or merger of Topco into any Guarantor; *provided* that, if Topco is not the surviving entity of such merger or consolidation, the relevant Guarantor will assume the obligations of Topco under the Class B1 Notes, the Class B1 Loan, the Class B1 IBLA, the STID and the Topco Security Documents and clauses (1) and (4) under the heading “—Topco” shall apply to such transaction; and (v) Topco or any Guarantor consolidating into or merging or combining with an Affiliate incorporated or organised 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 “—Topco” or clauses (3)(A) and (3)(B) under the heading “—The Guarantors”, as the case may be, shall apply to any such transaction.

#### ***Additional Guarantees***

Notwithstanding anything to the contrary in this covenant, no Restricted Subsidiary shall Guarantee the Indebtedness outstanding under the Senior Credit Facilities, any Credit Facility or any other Public Debt exceeding £5.0 million in principal amount outstanding, in each case of Topco or a Guarantor unless such Restricted Subsidiary is or becomes a Guarantor on the date on which the Guarantee is incurred and, if applicable, simultaneously executes and delivers an accession deed to the Class B1 IBLA providing for the Guarantee of the payment of the Class B1 Loan by such Restricted Subsidiary, which 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 Guarantee could give rise to or result in: (1) any breach or violation of statutory limitations, corporate benefit, financial assistance, fraudulent preference, thin capitalisation rules, capital maintenance rules, guidance and coordination rules or the laws rules or regulations (or analogous restriction) of any applicable jurisdiction, including any insurance regulations, rules or orders; (2) any risk or liability for the officers, directors or (except in the case of a Restricted Subsidiary that is a partnership) shareholders of such Restricted Subsidiary (or, in the case of a Restricted Subsidiary that is a partnership, directors or shareholders of the partners of such partnership); or (3) any cost, expense, liability or obligation (including with respect to any Taxes) other than reasonable out of pocket expenses. At the option of Topco, any Guarantee may contain limitations on Guarantor liability to the extent reasonably necessary.

Future Guarantees granted pursuant to this provision shall be released as set forth under “—Releases of the Guarantees”. A Guarantee of a future Guarantor may also be released at the option of Topco if at the date of such release either (i) there is no Indebtedness of such Guarantor outstanding which was Incurred after the Issue Date and which could not have been Incurred in compliance with the Class B1 IBLA if such Guarantor had not been designated as a Guarantor, or (ii) there is no Indebtedness of such Guarantor outstanding which was Incurred after the Issue Date and which could not have been Incurred in compliance with the Class B1 IBLA as at the date of such release if such Guarantor were not designated as a Guarantor as at that date. The Class B Note Trustee and the Obligor Security Trustee shall each take all necessary actions, including the granting of releases or waivers under the STID, to effectuate any release of a Guarantee in accordance with these provisions, subject to customary protections and indemnifications.

The validity and enforceability of the 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”.

### ***Impairment of Security Interest***

Topco shall not, and shall not permit any Restricted Subsidiary to, take or knowingly or negligently omit to take any action that would have the result of materially impairing the security interest with respect to the Collateral (it being understood, subject to the proviso below, that the Incurrence of Permitted Collateral Liens shall under no circumstances be deemed to materially impair the security interest with respect to the Collateral) for the benefit of the Obligor Security Trustee and the Holders, and Topco shall not, and shall not permit any Restricted Subsidiary to, grant to any Person other than the Obligor Security Trustee, for the benefit of the Obligor Security Trustee and the Holders and the other beneficiaries described in the Obligor Security Documents and STID, any interest whatsoever in any of the Collateral, except that (i) Topco and its Restricted Subsidiaries may Incur Permitted Collateral Liens and may effect a Permitted Reorganisation and the Collateral may be amended, discharged and released and retaken, if applicable, in accordance with the Class B1 IBLA, the applicable Obligor Security Documents or STID and (ii) the applicable Obligor Security Documents may be amended, extended, renewed, restated, supplemented or otherwise modified or replaced, from time to time to cure any ambiguity, mistake, omission, defect or inconsistency therein; *provided, however*, that in the case of clause (i) above, except with respect to any discharge or release in accordance with the Class B1 IBLA or the STID, a Permitted Reorganisation, the Incurrence of Permitted Collateral Liens or any action expressly permitted by the Class B1 IBLA or the STID, the Obligor Security Documents may not be amended, extended, renewed, restated, supplemented, released and retaken, if applicable, or otherwise modified or replaced, unless contemporaneously with any such action, Topco delivers to the Obligor Security Trustee, either (1) a solvency opinion, in form and substance reasonably satisfactory to the Obligor Security Trustee (subject to customary exceptions and qualifications) from an Independent Financial Advisor confirming the solvency of Topco 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, modification or replacement, or (3) an Opinion of Counsel, in form and substance reasonably satisfactory to the Obligor Security Trustee, confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or replacement, the Lien or Liens securing the Class B1 Loan created under the Obligor Security Documents, so amended, extended, renewed, restated, supplemented, 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, modification or replacement.

Topco shall not 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 Topco Security granted under the relevant Topco Security Document (it being understood, subject to the proviso below, that the Incurrence of Permitted Topco Liens shall under no circumstances be deemed to materially impair the security interest with respect to the Topco Security) for the benefit of the Obligor Security Trustee and the Holders, and Topco shall not grant to any Person other than the Obligor Security Trustee, for the benefit of the Obligor Security Trustee and the Issuer and the other beneficiaries described in the Topco Security Document and STID, any interest whatsoever in the Topco Security, except that (i) Topco may Incur Permitted Topco Liens and may effect a Permitted Reorganisation and the Topco Security may be amended, discharged and released and retaken, if applicable, in accordance with the Class B1 IBLA, the applicable Topco Security Document or STID and (ii) the applicable Topco Security Document may be amended, extended, renewed, restated, supplemented or otherwise modified or replaced, from time to time to cure any ambiguity, mistake, omission, defect or inconsistency therein; *provided, however*, that in the case of clause (i) above, except with respect to any discharge or release in accordance with the Class B1 IBLA or the STID, a Permitted Reorganisation, the Incurrence of Permitted Topco Liens or any action expressly permitted by the Class B1 IBLA or the STID, the Topco Security Document may not be amended, extended, renewed, restated, supplemented, released and retaken, if applicable, or otherwise modified or replaced, unless contemporaneously with any such action, Topco delivers to the Obligor Security Trustee, either (1) a solvency opinion, in form and substance reasonably satisfactory to the Obligor Security Trustee (subject to customary exceptions and qualifications) from an Independent Financial Advisor confirming the solvency of Topco 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, modification or replacement, or (3) an Opinion of Counsel, in form and substance reasonably satisfactory to the Obligor Security Trustee, confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, modification or replacement, the Lien or Liens securing the Topco Payment Undertaking (or other relevant Topco Security Document) created under the Topco Security Documents, so amended, extended, renewed, restated, supplemented, 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, modification or replacement.

In the event that Topco complies with the requirements of this covenant, the Class B Note Trustee and the Obligor Security Trustee shall (subject to customary protections and indemnifications) consent to such amendments without the need for instructions from the Holders.

#### ***Financial Calculations for Limited Condition Acquisitions.***

When calculating the availability under any basket or ratio under the Class B1 IBLA, in each case in connection with a Limited Condition Acquisition, the date of determination of such basket or ratio and of any Class B1 Loan Default, Share Enforcement Event or Class B1 Loan Event of Default shall, at the option of Topco, be the date the definitive agreements for such Limited Condition Acquisition are entered into and such baskets or ratios shall be calculated on a *pro forma* basis 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 reference 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). For the avoidance of doubt, (x) if any of such baskets or ratios are exceeded as a result of fluctuations in such basket or ratio (including due to fluctuations in Consolidated EBITDA of Topco 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 and the related transactions are permitted hereunder and (y) 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 Topco 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 thereof) shall be deemed to have occurred on the date the definitive agreements are entered into and outstanding thereafter for purposes of calculating any baskets or ratios under the Class B1 IBLA after the date of such agreement and before the consummation of such Limited Condition Acquisition.

#### **Obligor Senior Discharge Date**

The Obligors will not permit the Obligor Senior Discharge Date to occur unless the Issuer has received a confirmation from the Rating Agency that the then current rating of the Class B1 Notes would not be reduced immediately following (and taking into account the occurrence of) the proposed Obligor Senior Discharge Date.

#### **CTA Covenants**

From the date on which a Share Enforcement Event also constitutes a Class B1 Loan Event of Default (described in “—*Share Enforcement Event—Class B1 Loan Event of Default*” below), the covenants set out under “*Appendix: Common Terms Agreement Description*” (the “**CTA Covenants**”) shall be deemed to be incorporated into the Class B1 IBLA *mutatis mutandis* as further described below, until such time as the Issuer receives a confirmation from the Rating Agency that the then current rating of the Class B1 Notes would not be reduced immediately following (and taking into account) the disapplication of the CTA Covenants.

Where the CTA Covenants are incorporated into the Class B1 IBLA as described above:

- (i) capitalised terms used in the CTA Covenants shall have the same meaning and construction as in the Masters Definitions Agreement, subject to paragraphs (ii) to (v) below;
- (ii) references to “Class A Authorised Credit Facility”, “Class A IBLA” and “Class A Notes” shall be deemed to be references to “Class B Authorised Credit Facility”, “Class B1 IBLA” and “Class B1 Notes”, respectively;
- (iii) references to a “CTA Event of Default” and/or a “Trigger Event” shall be deemed to be references to a “Class B1 Loan Event of Default”;
- (iv) where a CTA Covenant (or a defined term referred to in a CTA Covenant) refers to both “Class A” and “Class B”, the references to “Class B” shall be deemed to be deleted and the references to “Class A” shall be deemed to be references to “Class B”;
- (v) the Obligor Security Trustee shall have the power to enforce the CTA Covenants on behalf of the Issuer and (indirectly) the Class B1 Noteholders as if the Class B1 Loan constituted a Class A Authorised Credit Facility and the Issuer was a Class A Authorised Credit Facility Provider on the terms of the CTA and in accordance with the STID.

The CTA may be amended by the parties thereto in accordance with the CTA and the STID from time to time without the consent of the Class B1 Noteholders. To the extent any CTA Covenants are amended following the Class B1 Issue Date, the CTA Covenants incorporated into the Class B1 IBLA in the manner described above, shall be the CTA covenants as amended, restated or supplemented on the date of such incorporation into the Class B1 IBLA.

If the CTA Covenants are amended following the Class B1 Issue Date, the Holdco Group Agent shall notify the Issuer and the Class B Note Trustee of such amendments, and the Issuer shall give notice to the Class B1 Noteholders in the manner described under “*Description of the Class B1 Notes—Notice to Class B1 Noteholders*”.

## SHARE ENFORCEMENT EVENT AND CLASS B1 LOAN EVENT OF DEFAULT

### Share Enforcement Event

Each of the following is a “**Share Enforcement Event**” under the Class B1 IBLA:

- (1) default in any payment of interest on any Class B1 Loan when due and payable, continued for 30 days;
- (2) if any amount (including, without limitation, any principal amount or premium of the Class B1 Loan) remains outstanding (whether or not then due and payable) under the Class B1 IBLA as at the close of business on the Class B1 Loan Maturity Date;
- (3) default in the payment of the principal amount of or premium, if any, on any Class B1 Loan when due at its Stated Maturity, upon optional redemption, upon required purchase, upon declaration or otherwise;
- (4) failure by Topco or any of its Restricted Subsidiaries to comply for 60 days after notice by the Obligor Security Trustee with its other agreements contained in the Class B1 IBLA or any Topco Transaction Document, subject to the cure rights described in “*Certain Covenants—Class B Financial Covenant—Cure right*”;
- (5) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness (other than Indebtedness which is expressly subordinated to the Class A Authorised Credit Facility pursuant to the STID) for money borrowed by Topco or any of its Restricted Subsidiaries (or the payment of which is Guaranteed by Topco or any of its Restricted Subsidiaries) other than Indebtedness owed to Topco 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;
- (6) Topco or any Restricted Subsidiary that is a Significant Subsidiary or any group of Restricted Subsidiaries that taken as a whole constitutes a Significant Subsidiary pursuant to or within the meaning of Bankruptcy Law (other than in relation to a Permitted Reorganisation within the meaning of clause (a) thereof):
  - (a) commences a voluntary case;
  - (b) consents to the entry of an order for relief against it in an involuntary case;
  - (c) consents to the appointment of a custodian of it or for all or substantially all of its property; or
  - (d) makes a general assignment for the benefit of its creditors;
- (7) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that (other than in relation to a Permitted Reorganisation within the meaning of clause (a) thereof):
  - (a) is for relief against Topco or any Restricted Subsidiary that is a Significant Subsidiary or any group of Restricted Subsidiaries that taken as a whole constitutes a Significant Subsidiary in an involuntary case;
  - (b) appoints a custodian of Topco or any Restricted Subsidiary that is a Significant Subsidiary or any group of Restricted Subsidiaries that taken as a whole constitutes a Significant Subsidiary or for all or substantially all of the property of Topco or any Restricted Subsidiary that is a Significant Subsidiary or any group of Restricted Subsidiaries that taken as a whole constitutes a Significant Subsidiary; or

(c) orders the liquidation of Topco or any Restricted Subsidiary that is a Significant Subsidiary or any group of Restricted Subsidiaries that taken as a whole constitutes a Significant Subsidiary,

and the order or decree remains unstayed and in effect for 60 consecutive days (the Share Enforcement Events described under clause (5) or this clause (7), the “**bankruptcy provisions**”);

- (8) failure by Topco or any Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for Topco 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**”);
- (9) any security interest under the Obligor Security Documents on any material Collateral or under the Topco Security Document on any material Topco Security shall, at any time, cease to be in full force and effect (other than in accordance with the terms of the relevant Obligor Security Document, the Topco Security Document and the Class B1 IBLA) for any reason other than the satisfaction in full of all obligations under the Class B1 IBLA or the Topco Payment Undertaking (or other relevant Topco Transaction Documents), as the case may be, or the release or amendment of any such security interest in accordance with the terms of the Class B1 IBLA or such Obligor Security Document or Topco Security Document or any such security interest created thereunder shall be declared invalid or unenforceable or Topco shall assert in writing that any such security interest is invalid or unenforceable and any such Class B1 Loan Default continues for 20 Business Days;
- (10) any Class B1 Guarantee of a Significant Subsidiary ceases to be in full force and effect (other than in accordance with the terms of such Class B1 Guarantee or the Class B1 IBLA) or is declared invalid or unenforceable in a judicial proceeding or any Guarantor denies or disaffirms in writing its obligations under its Class B1 Guarantee and any such Class B1 Loan Default continues for 10 days; and
- (11) a Class B Note Event of Default (not giving effect, for these purposes, to the provisions of Condition 9 of the Class B1 Conditions) or a Class B1 Trigger Event has occurred under the Class B1 Notes (subject to any relevant grace period or cure rights).

However, a default under clauses (4), (5) or (8) of this paragraph will not constitute a Share Enforcement Event until the Obligor Security Trustee notifies Topco of the default and, with respect to clauses (4), (5) and (8) Topco does not cure such default within the time specified in clauses (4), (5) or (8), as applicable, of this paragraph after receipt of such notice.

If a Share Enforcement Event occurs and is continuing, the Obligor Security Trustee acting upon the instructions of the Topco Secured Creditors under and in accordance with the STID, may by written notice to Topco enforce the Topco Payment Undertaking and Topco Security Documents in accordance with their terms and the terms of the STID.

Holders may not enforce the Class B1 IBLA or the Class B1 Notes except as provided in the Class B1 IBLA and/or the Class B1 Notes and may not enforce the Security Documents except as provided in such Security Documents and the STID.

The Issuer (acting on the instructions of the Holders holding a majority in principal amount of the outstanding Class B1 Notes may waive all past or existing Share Enforcement Events (except with respect to nonpayment of principal, premium, interest or Additional Amounts, if any).

Subject to certain restrictions, the Holders of a majority in principal amount of the outstanding Class B1 Notes are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the Obligor Security Trustee or of exercising any trust or power conferred on the Obligor Security Trustee.

The Class B1 IBLA will provide that, in the event a Share Enforcement Event has occurred and is continuing, the Obligor Security 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 Obligor Security Trustee, however, may refuse to follow any direction that conflicts with law or the Class B1 IBLA or that the Obligor Security Trustee determines is unduly prejudicial to the rights of any other Holder or that would involve the Obligor Security Trustee in personal liability. Prior to taking any action under the Class B1 IBLA, the Obligor Security 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 Class B1 IBLA will provide that if a Share Enforcement Event occurs and is continuing and the Obligor Security Trustee is informed of such occurrence by Topco, the Obligor Security Trustee must give notice of the Share Enforcement Event to the Holders within 60 days after being notified by Topco. Except in the case of a default in the payment of principal of, or premium, if any, or interest on the Class B1 Loan, the Obligor Security Trustee may withhold notice if and so long as the Obligor Security Trustee determines that withholding



notice is in the interests of the Holders. Topco is required to deliver to the Obligor Security Trustee, within 120 days after the end of each fiscal year, an Officer's Certificate indicating whether the signers thereof know of any Share Enforcement Event that occurred during the previous year. Topco is required to deliver to the Obligor Security Trustee, within 30 days after the occurrence thereof, written notice of any events of which it is aware which would constitute certain Share Enforcement Events, their status and what action Topco is taking or proposes to take in respect thereof.

The Class B1 IBLA will provide that (i) if a Share Enforcement Event occurs for a failure to deliver a required certificate in connection with another Share Enforcement Event (an "**Initial Share Enforcement Event**") then at the time such Initial Share Enforcement Event is cured, such Share Enforcement Event for a failure to report or deliver a required certificate in connection with the Initial Share Enforcement Event will also be cured without any further action and (ii) any Share Enforcement Event for the failure to comply with the time periods prescribed in the covenant entitled "*—Reports*" or otherwise to deliver any notice or certificate pursuant to any other provision of the Class B1 IBLA 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 Class B1 IBLA.

### **Class B1 Loan Event of Default**

If at any time either (i) no amounts remain outstanding under any Class A Authorised Credit Facility or (ii) an acceleration of the amounts outstanding under any Class A Authorised Credit Facility has occurred, each of the Share Enforcement Events set out in "*—Share Enforcement Event*" above will also constitute a "Class B1 Loan Event of Default".

In addition, whether or not any amounts remain outstanding under any Class A Authorised Credit Facility, any default in the payment of the principal amount of or premium, if any, on any Class B1 Loan borrowed under the Class B1 IBLA if continuing on 6 May 2046 shall be a Class B1 Loan Event of Default.

If a Class B1 Loan Event of Default (other than a Class B1 Loan Event of Default described in clause (5) or (6) of "*—Share Enforcement Event*" above) occurs and is continuing, the Obligor Security Trustee by notice to Topco on the written instruction of the Issuer Security Trustee in accordance with the terms of the STID, may declare the principal or premium, if any, and accrued and unpaid interest and Additional Amounts, if any, on all the Class B1 Loan to be due and payable. Upon such a declaration, such principal, premium and accrued and unpaid interest and Additional Amounts, if any, will be due and payable immediately.

If a Class B1 Loan Event of Default described in clause (4) or (5) of "*—Share Enforcement Event*" above occurs and is continuing, the principal of, premium, if any, and accrued and unpaid interest and Additional Amounts, if any, on the Class B1 Loan will become and be immediately due and payable without any declaration or other act on the part of the Obligor Security Trustee or any holders of Class B1 Notes.

No Class B1 Loan Event of Default may occur with respect to the Class B1 Loan while any amounts are outstanding under any Class A Authorised Credit Facility (until after an acceleration of any Class A Authorised Credit Facility) although this is without prejudice to the ability of the Obligor Security Trustee, at the direction of the holders of the Class B1 Notes, to enforce the security granted pursuant to the Topco Security Documents in certain circumstances including, without limitation, where there has been a failure to pay cash interest on the Class B1 Loan prior to the Class B1 Loan Maturity Date or a failure to repay principal and accrued interest on such date. Where there is such a failure to pay and for so long as the Class B1 Loan remains outstanding thereafter (whether or not security is being enforced), any overdue amount of principal or interest and the Class B1 Loan will bear interest at the interest rates set out in the second and third paragraphs under "*—Interest—Payment of interest*" above.

### **Amendments and Waivers**

Any term of the Class B1 Finance Documents may be amended or waived with the agreement of the Borrower, the Obligor Security Trustee and/or the Issuer (as applicable) in accordance with the STID.

Each Guarantor agrees to (and authorises any Borrower to execute on its behalf) any amendment or waiver allowed by this covenant which is agreed to by the Borrower. This includes any amendment or waiver which would, but for this paragraph, require the consent of each Guarantor if the Class B1 Guarantee under the Class B1 Finance Documents is to remain in full force and effect.

## Release of Liens

Subject to the STID, liens on the Collateral securing the obligations under the Class B1 Finance Documents (or if other Obligor Secured Liabilities remain outstanding, all claims of the Issuer in respect of those Liens to the extent of its claims under the Class B1 Finance Documents) will be automatically and unconditionally released:

- (i) upon payment in full of principal, interest and all other obligations on the Class B1 Loan under the Class B1 IBLA or discharge thereof;
- (ii) upon release of a Guarantee in accordance with the Class B1 IBLA (with respect to the Liens securing the assets, property and Capital Stock of the Guarantor that is released from such Guarantee);
- (iii) in connection with any disposition of Collateral to any Person other than Topco or any of its Restricted Subsidiaries (but excluding any transaction subject to the provisions described under “—*Certain Covenants—Merger, Consolidation or Sale of Assets*”) that is permitted by the Class B1 IBLA (with respect to the Liens on such Collateral);
- (iv) in connection with any sale, assignment, transfer, conveyance or other disposition of such property or assets to a Person that is not (either before or after giving effect to such transaction) Topco or any Restricted Subsidiary, if the sale or other disposition that is not prohibited by, or does not otherwise violate the provisions of the Class B1 IBLA relating to asset sales;
- (v) if Topco designates any Restricted Subsidiary to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Class B1 IBLA;
- (vi) as provided under the STID;
- (vii) as provided under “—*Certain Covenants—Impairment of Security Interests*”; or
- (viii) otherwise permitted under the Class B1 IBLA.

The Obligor Security Trustee will, subject to its receipt of an Officer’s certificate or opinion of counsel, take all necessary action required to effectuate any release of Collateral securing the obligations under the Class B1 Finance Documents in accordance with the provisions of the Class B1 IBLA, the STID and the relevant Obligor Security Documents. Each of the releases set forth above shall be effected by the Obligor Security Trustee without the consent of the Issuer.

## Release of Guarantees

The Guarantee of a Guarantor will terminate and release:

- (1) upon a sale or other disposition (including by way of consolidation or merger) of the Capital Stock of the relevant Guarantor (whether by direct sale or sale of a holding company) or the sale or disposition of all or substantially all the assets of the Guarantor (other than to the Issuer or a Restricted Subsidiary) otherwise permitted by the Class B1 IBLA;
- (2) upon the designation in accordance with the CLASS B1 IBLA of the Guarantor as an Unrestricted Subsidiary;
- (3) with respect to a Guarantor that is not a Significant Subsidiary, so long as no Event of Default has occurred and is continuing, to the extent that such Guarantor (i) is unconditionally released and discharged from its liability with respect to the Senior Term Facility Agreement and (ii) does not guarantee any other Credit Facility or Public Debt;
- (4) in accordance with an enforcement action pursuant to the STID;
- (5) as described under “—*Amendments and Waivers*”;
- (6) as described in the first paragraph of the covenant described below under “—*Certain Covenants—Additional Guarantees*”;
- (7) as a result of a transaction permitted by “—*Merger and Consolidation—The Guarantors*”; or
- (8) in connection with a Permitted Reorganisation.

Upon the request of the Issuer, the Obligor Security Trustee shall take all necessary actions, including the granting of releases or waivers under the STID, to effectuate any release of a Guarantee in accordance with these provisions, subject to customary

protections and indemnifications. Each of the releases set forth above shall be effected by the Obligor Security Trustee without the consent of the Holders or any other action or consent on the part of the Obligor Security Trustee.

### **Governing Law**

The Class B1 IBLA, the Class B1 Notes and the STID will be governed by, and shall be construed in accordance with, English law.

### **Certain Definitions**

For the purposes of the Common Documents and/or the Issuer Common Documents, references to:

- (a) “Class B1 IBLA” shall be construed as a “Class B IBLA”;
- (b) “Class B1 Loan” shall be construed as a “Class B IBLA Advance”;
- (c) “Class B1 Conditions” shall be construed as the “Class B Conditions”;
- (d) “Class B1 Notes” shall be construed as “Class B Notes”;
- (e) “Class B1 FCF DSCR” shall be construed as “Class B FCF DSCR”;
- (f) “Class B1 Restricted Payment” shall be construed, the extent applicable to the Class B1 IBLA, as “Restricted Payment”;
- (g) “Class B1 Loan Event of Default” shall be construed as “Class B Loan Event of Default” for the purpose of construing the definition of “Class B Event of Default”;
- (h) “Class B1 Guarantee” shall be construed, to the extent applicable to the Class B1 IBLA, as the “Guarantee”; and
- (i) “Class B1 Note Expected Maturity Date” shall be construed, to the extent applicable to the Class B1 Notes, as the “Expected Maturity Date”.

“*Acceptable Foreign Exchange*” means the Main Market of the London Stock Exchange, or one or more of the equivalent regulated markets of the Frankfurt Stock Exchange, Euronext, the Irish Stock Exchange or the Luxembourg Stock Exchange, in each case, including any successor thereof.

“*Accounting Period*” means each quarterly accounting period of Topco and its Restricted Subsidiaries.

“*Accounting Principles*” means generally accepted accounting principles or accounting practices in the United Kingdom in each case as at the date of this Agreement or such other accounting principles and accounting practices as may be the basis for any amendments made pursuant to, and in accordance with, the covenant described under the heading “—*Certain Covenants—Class B1 Financial Covenant—Change in Accounting Principles*” above;

“*Acquired Indebtedness*” means Indebtedness (1) of a Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary, or (2) assumed in connection with the acquisition of assets from such Person, in each case whether or not Incurred by such Person in connection with such Person becoming a Restricted Subsidiary or such acquisition or (3) of a Person at the time such Person merges with or into or consolidates or otherwise combines with Topco or any Restricted Subsidiary. Acquired Indebtedness shall be deemed to have been Incurred, with respect to clause (1) of the preceding sentence, on the date such Person becomes a Restricted Subsidiary and, with respect to clause (2) of the preceding sentence, on the date of consummation of such acquisition of assets and, with respect to clause (3) of the preceding sentence, on the date of the relevant merger, consolidation or other combination.

“*Affiliate*” of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, “control” when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms “controlling” and “controlled” have meanings correlative to the foregoing.

“*Applicable Premium*” means, with respect to any Class B1 Loan on any payment date, the greater of:

- (a) 1% of the principal amount of such Class B1 Loan; and

- (b) the excess (to the extent positive) of:
- (A) the present value at such prepayment date of (1) the prepayment price of such Class B1 Loan at 14 July 2019 (such prepayment price (expressed in percentage of principal amount) being set forth in the table under the heading “*Optional Prepayment*” (excluding accrued and unpaid interest)), plus (2) all required interest payments due on such Class B1 Loan to and including 14 July 2019 (excluding accrued but unpaid interest), computed upon the prepayment date using a discount rate equal to the Gilt Rate at such prepayment date plus 50 basis points; over
  - (B) the outstanding principal amount of such Class B1 Loan,

as calculated by Topco or on behalf of Topco by such Person as Topco shall designate.

For the avoidance of doubt, calculation of Applicable Premium shall not be an obligation or duty of the Obligor Security Trustee, the Class B Note Trustee or any Paying Agent or Registrar.

“*Asset Disposition*” means any direct or indirect sale, lease (other than an operating lease entered into in the ordinary course of business), transfer, issuance or other disposition, or a series of related sales, leases (other than operating leases entered into in the ordinary course of business), transfers, issuances or dispositions that are part of a common plan, of shares of Capital Stock of a Subsidiary (other than directors’ qualifying shares), property or other assets (each referred to for the purposes of this definition as a “disposition”) by Topco or any of its Restricted Subsidiaries, including any disposition by means of a merger, consolidation or similar transaction; *provided* that the sale, conveyance or other disposition of all or substantially all of the assets of Topco and its Restricted Subsidiaries taken as a whole will be governed by the provisions of the Class B1 IBLA described pursuant to “—*Change of Control*” and/or the provisions described under “—*Certain Covenants—Merger and Consolidation*” and not by the provisions of “—*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*”. Notwithstanding the preceding provisions of this definition, the following items shall not be deemed to be Asset Dispositions:

- (1) a disposition by a Restricted Subsidiary to Topco or by Topco or a Restricted Subsidiary to a Restricted Subsidiary;
- (2) a disposition of cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;
- (3) a disposition of inventory, trading stock, security equipment or other equipment or assets in the ordinary course of business;
- (4) a disposition of obsolete, damaged, retired, surplus or worn out equipment or assets or equipment, facilities or other assets that are no longer useful in the conduct of the business of Topco and its Restricted Subsidiaries and any transfer, termination, unwinding or other disposition of hedging instruments or arrangements not for speculative purposes;
- (5) transactions permitted under “—*Certain Covenants—Merger and Consolidation*” or a transaction that constitutes a Change of Control;
- (6) an issuance of Capital Stock by a Restricted Subsidiary to Topco or to another Restricted Subsidiary or as part of or pursuant to an equity incentive or compensation plan approved by the Board of Directors 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 of less than the greater of £10.0 million and 5.4% of Consolidated EBITDA;
- (8) any Class B1 Restricted Payment that is permitted to be made, and is made, under the covenant described above under “—*Certain Covenants—Limitation on Class B1 Restricted Payments*” and the making of any Permitted Payment or Permitted Investment or, solely for the 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 Class B1 Restricted Payments or Permitted Investments;
- (9) the granting of or dispositions in connection with 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 and exclusive of factoring or similar arrangements or any sale of assets received by Topco or a Restricted Subsidiary upon the foreclosure of a Lien granted in favour of Topco or any Restricted Subsidiary;
- (11) the licensing or sub-licensing of intellectual property or other general intangibles and licences, sub-licences, leases or subleases of other property, in each case, in the ordinary course of business;

- (12) foreclosure, condemnation, taking by eminent domain or any similar action with respect to any property or other assets;
- (13) the sale or discount (with or without recourse, and on customary or commercially reasonable terms) of accounts receivable or notes receivable arising in the ordinary course of business, or the conversion or exchange of accounts receivable for notes receivable;
- (14) sales or dispositions of receivables in connection with any Qualified Receivables Financing or any factoring transaction or in the ordinary course of business;
- (15) any issuance, sale or disposition of Capital Stock, Indebtedness or other securities or assets 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 Topco 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 Topco or any Restricted Subsidiary to such Person; *provided, however*, that the Board of Directors or an Officer of Topco shall certify that in the opinion of the Board of Directors or such Officer, the outsourcing transaction will be economically beneficial to Topco and its Restricted Subsidiaries (considered as a whole);
- (19) an issuance of Capital Stock by a Restricted Subsidiary to Topco or to another Restricted Subsidiary, an issuance or sale by a Restricted Subsidiary of Preferred Stock or Redeemable Capital Stock that is permitted by the covenant described above under “—*Limitation on Indebtedness*” or an issuance of Capital Stock by Topco pursuant to an equity incentive or compensation plan approved by the Board of Directors;
- (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 “—*Limitation on Sales of Assets and Subsidiary Stock*” covenant;
- (21) any disposition with respect to property built, owned or otherwise acquired by the Issuer, Topco or any Restricted Subsidiary pursuant to customary sale and lease-back transactions, asset securitizations and other similar financings permitted by the Class B Note Trust Deed or Class B1 IBLA;
- (22) the sale, lease or other transfer of products, services, equipment, accounts receivable, inventory, shares and other assets (including any real or personal property) in the ordinary course of business (including the abandonment or other disposition of intellectual property that is, in the reasonable judgment of Topco, no longer economically practicable to maintain or useful in the conduct of the business of Topco and its Restricted Subsidiaries taken as a whole);
- (23) any disposition by RAC Insurance Limited, RACMS (Island) Limited or any of their Subsidiaries if any applicable law or any applicable rule, regulation or order, or any applicable regulatory authority would limit or prohibit Topco or any Restricted Subsidiary from complying with Clause 19 (Limitation on Sales of Assets and Subsidiary Stock);
- (24) any disposal of assets in exchange for other assets used in a Similar Business and comparable or superior as to type, value and quality; and
- (25) dispositions pursuant to a Permitted Tax Transaction or in connection with the entry into a Capitalised Lease Obligation.

“Associate” means (i) any Person engaged in a Similar Business of which Topco or its Restricted Subsidiaries are the legal and beneficial owners of between 20% and 50% of all outstanding Voting Stock and (ii) any joint venture entered into by Topco or any Restricted Subsidiary.

“Bankruptcy Law” means the U.K. Insolvency Act 1986, as amended (together with the rules and regulations made pursuant thereto), Title 11 of the U.S. Code or the laws of any other jurisdiction or any political subdivision thereof relating to bankruptcy, insolvency, receivership, winding up, liquidation, reorganisation or relief of debtors.

“*Board of Directors*” means (1) with respect to Topco or any corporation, the board of directors or managers, as applicable, of the corporation, or any duly authorised 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 authorised committee thereof; and (3) with respect to any other Person, the board or any duly authorised committee of such Person serving a similar function. Whenever any provision of the Class B1 IBLA 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). The obligations of the “Board of Directors of Topco” under the Class B1 IBLA may be exercised pursuant by the Board of Directors of a Restricted Subsidiary or a Parent pursuant to a delegation of powers of the Board of Directors of Topco.

“*Business Day*” means each day that is not a Saturday, Sunday or other day on which banking institutions in London, United Kingdom are authorised or required by law to close.

“*Capital Stock*” of any Person means any and all shares of, rights to purchase, warrants or options for, or other equivalents of or partnership or other interests in (however designated), equity of such Person, including any Preferred Stock, but excluding any debt securities convertible into such equity.

“*Capitalised Lease Obligations*” means an obligation that is required to be classified and accounted for as a capitalised lease for financial reporting purposes on the basis of IFRS (as in effect on the Issue Date for the purposes of determining whether a lease is a capitalised lease). The amount of Indebtedness will be, at the time any determination is to be made, the amount of such obligation required to be capitalised 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 Permissible Jurisdiction, Switzerland or Norway or, in each case, any agency or instrumentality thereof (*provided* that the full faith and credit of such country or such member state is pledged in support thereof), having maturities of not more than two years from the date of acquisition;
- (2) certificates of deposit, time deposits, eurodollar time deposits, overnight bank deposits or bankers’ acceptances having maturities of not more than one year from the date of acquisition thereof (a “**Deposit**”) or cash in credit balance or deposit which are freely transferable or convertible within 90 days issued or held by any lender party to a credit facility or by any bank or trust company (a) if at any time since January 1, 2007 Topco or any of its Subsidiaries held Deposits with such bank or trust company (or any branch or subsidiary thereof), (b) whose commercial paper is rated at least “A-3” or the equivalent thereof by S&P or at least “P-3” 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 (c) (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-3” or the equivalent thereof by S&P or “P-3” 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, a Permissible Jurisdiction, 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 Permissible Jurisdiction, Switzerland, Norway or Japan eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialised equivalent);
- (8) interests in any investment company, money market or enhanced high yield fund which invests 95% or more of its assets in instruments of the type specified in clauses (1) through (7) above; and
- (9) for purposes of clause (2) of the definition of “Asset Disposition”, the marketable securities portfolio owned by Topco and its Subsidiaries on the Issue Date.

“*Change of Control*” means the occurrence of any of the following:

- (1) Topco becoming aware of (by way of a report or any other filing pursuant to Section 13(d) of the Exchange Act, proxy, vote, written notice or otherwise) any “person” or “group” of related persons (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act as in effect on the Issue Date), other than one or more Permitted Holders, is or becomes the “beneficial owner” (as defined in Rules 13d-3 and 13d-5 under the Exchange Act as in effect on the Issue Date), directly or indirectly, of more than 50% of the total voting power of the Voting Stock of Topco, *provided* that for the purposes of this clause, (x) no Change of Control shall be deemed to occur by reason of Topco becoming a Subsidiary of a Successor Parent; and (y) any Voting Stock of which any Permitted Holder is the “beneficial owner” (as so defined) shall not be included in any Voting Stock of which any “person” or “group of related persons” is the “beneficial owner” (as so defined) unless that person or group is not an Affiliate of a Permitted Holder and has greater voting power with respect to that Voting Stock; or
- (2) the sale, lease, transfer, conveyance or other disposition (other than by way of merger, consolidation or other business combination transaction), in one or a series of related transactions, of all or substantially all of the assets of Topco and its Restricted Subsidiaries taken as a whole to a Person, other than a Restricted Subsidiary or one or more Permitted Holders,

*provided* that, in each case, a Change of Control shall not be deemed to have occurred if such a Change of Control is also a Specified Class B1 Change of Control.

Notwithstanding the preceding or any provision of Rule 13d-3 of the Exchange Act, (i) a Person or group shall not be deemed to beneficially own securities subject to an equity or asset purchase agreement, merger agreement or similar agreement (or voting or option or similar agreement related thereto) until the consummation of the transactions contemplated by such agreement, (ii) if any group includes one or more Permitted Holders, the issued and outstanding Voting Stock of Topco beneficially owned, directly or indirectly, by any Permitted Holders that are part of such group shall not be treated as being beneficially owned by any other member of such group for purposes of determining whether a Change of Control has occurred and (iii) a Person or group will not be deemed to beneficially own the Voting Stock of another person as a result of its ownership of Voting Stock or other securities of such other Person’s Parent (or related contractual rights) unless it owns 50% or more of the total voting power of the Voting Stock of such Parent. For purposes of this definition and any related definition to the extent used for purposes of this definition, at any time when 50% or more of the total voting power of the Voting Stock of the Company is directly or indirectly owned by a Parent, all references to Topco shall be deemed to refer to its ultimate Parent (but excluding any Permitted Holder) that directly or indirectly owns such Voting Stock.

“*Class B Defeasance Account*” means an account established by Topco in its name from a date no later than five Business Days prior to the date on which funds are to be deposited into such account in respect of any equity cure under “—*Class B1 Financial Covenant—Cure Right*” above.

“*Class B1 FCF*” means, in relation to any period, the amount equal to the difference between:

- (1) the aggregate of:
  - (a) Maintenance EBITDA for such period; and
  - (b) the amount of any royalty payments and any other income from a Joint Venture not included in Maintenance EBITDA received in cash by any member of the Holdco Group during such period from Joint Ventures in which a member of the Holdco Group has an interest; and
- (2) (unless already taken into account in calculating Maintenance EBITDA) the aggregate of:
  - (a) any cash tax actually paid (including any purchase of tax losses) or irrecoverable VAT suffered by the Holdco Group during such period less the amount of any rebate, refund or credit in respect of any tax on profits, gains or income actually received in cash by any member of the Holdco Group during such period;

- (b) any increase in Working Capital for the relevant period (*provided* that, in the event that there has been a decrease in Working Capital, such decreased amount shall be deducted from the aggregate amount calculated under this clause (2));
- (c) an amount equal to the Minimum Capital Maintenance Spend Amount required to be spent or reserved in relation to that period; and
- (d) any increase in restricted cash required to be held by any Special Regulated Entity to satisfy regulatory capital requirements imposed by the Financial Conduct Authority and/or the Prudential Regulation Authority (provided that any decrease in such cash shall be deducted from the aggregate amount calculated under this clause (2)) in that period;
- (e) to the extent not included in Maintenance EBITDA, any real estate related lease payments made by members of the Holdco Group in respect of real estate not occupied by members of the Holdco Group in that period; and
- (f) the difference between (A) the amount of any increase in provisions, other non-cash debits and other non-cash charges (which are not current assets or current liabilities) and (B) the amount of any non-cash credits (which are not current assets or current liabilities) in each case to the extent taken into account in establishing Maintenance EBITDA for such period, and so that no amount shall be added (or deducted) more than once.

“*Class B Note Trustee*” means Deutsche Trustee Company Limited or any other or additional trustee appointed pursuant to the Class B Note Trust Deed, for and on behalf of the Holders.

“*Class B1 Total Debt Service Charges*” means, in respect of any relevant period, the amount equal to any scheduled amortisation of principal (whether paid or not) payable in respect of any Indebtedness of Topco and its Restricted Subsidiaries and the Consolidated Financial Interest Expense of Topco and its Restricted Subsidiaries.

“*Class B1 Finance Document*” means:

- (a) the Class B1 IBLA;
- (b) the Obligor Security Documents;
- (c) the Master Definitions Agreement;
- (d) the Borrower Account Bank Agreement;
- (e) the Tax Deed of Covenant; or
- (f) any other document relating to the offering of the Class B1 Notes designated in writing as such by the Issuer, the Obligor Security Trustee and the Borrower.

“*Class B1 Guarantee*” means the Guarantee given by each Guarantor in the STID of each Obligor’s obligations under the Common Documents and the Finance Documents, to the extent such Obligations are pursuant to the Class B1 Loan.

“*Class B1 Loan Adjustment Date*” means the Loan Interest Payment Date falling on 6 November 2022.

“*Class B1 Loan Default*” means any event which is, or after notice or passage of time or both would be, a Share Enforcement Event or a Class B1 Loan Event of Default, as the case may be.

“*Class B1 Note Final Maturity Date*” means the Class B1 Note Interest Payment Date falling on 6 May 2046.

“*Clearstream*” means Clearstream Banking, *société anonyme*, as currently in effect or any successor securities clearing agency.

“*Collateral*” means the rights, property and assets securing the Class B1 Loan and the Class B1 Guarantee as described in the Obligor Security Documents and any rights, property or assets over which a Lien has been granted to secure the Obligations of the Obligors under the Class B1 Loan, the Class B1 Guarantees and/or the Class B1 IBLA which, as of the Issue Date, includes all rights, property and assets securing the obligations under the Class A IBLAs.

“*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.



“*Consolidated EBITDA*” for the period of the four most recent fiscal quarters ending prior to the relevant date of measurement for which internal consolidated financial statements are available, means, without duplication, the Consolidated Net Income for such period, plus the following to the extent deducted in calculating such Consolidated Net Income:

- (1) Consolidated Interest Expense;
- (2) Consolidated Income Taxes;
- (3) consolidated depreciation expense;
- (4) consolidated amortisation or impairment expense;
- (5) any expenses, charges or other costs related to any issuance of Capital Stock, listing of Capital Stock, Investment, acquisition (including amounts paid in connection with the acquisition or retention of one or more individuals comprising part of a management team retained to manage the acquired business and any expenses, charges or other costs related to deferred or contingent payments), disposition, recapitalisation or the Incurrence, issuance, redemption or refinancing of any Indebtedness permitted by the Class B Note Trust Deed or any amendment, waiver, consent or modification to any document governing any such Indebtedness (whether or not successful) (including any such fees, expenses or charges related to the Transactions (including any expenses in connection with related due diligence activities)), in each case, as determined in good faith by the Board of Directors or an Officer of Topco;
- (6) any minority interest expense (whether paid or not) consisting of income attributable to minority equity interests of third parties in such period or any prior period or any net earnings, income or share of profit of any Associates, associated company or undertaking;
- (7) the amount of management, monitoring, consulting, employment and advisory fees and related expenses paid in such period to the Permitted Holders to the extent permitted by the covenant described under “—*Certain Covenants—Limitation on Affiliate Transactions*”;
- (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 Topco as special, extraordinary, exceptional, unusual or nonrecurring items less other non-cash items of income increasing Consolidated Net Income (other than any non-cash items increasing such Consolidated Net Income pursuant to clauses (1) through (13) of the definition of Consolidated Net Income and excluding any such non-cash item of income to the extent it represents a receipt of cash expected to be paid in any future period);
- (9) the proceeds of any business interruption insurance received or that become receivable during such period to the extent the associated losses arising out of the event that resulted in the payment of such business interruption insurance proceeds were included in computing Consolidated Net Income;
- (10) payments received or that become receivable with respect to, expenses that are covered by the indemnification provisions in any agreement entered into by such Person in connection with an acquisition to the extent such expenses were included in computing Consolidated Net Income;
- (11) any Receivables Fees and discounts on the sale of accounts receivables in connection with any Qualified Receivables Financing representing, in Topco’s reasonable determination, the implied interest component of such discount for such period; and
- (12) Fines, penalties or similar amounts owed or paid to regulators or authorities or pursuant to court orders, judgments or decisions (excluding, for the avoidance of doubt, any taxes paid to such authorities in the ordinary course of business).

“*Consolidated Financial Interest Expense*” means, for any period (in each case, determined on the basis of IFRS), the sum of:

- (1) consolidated net interest income/expense of Topco and its Restricted Subsidiaries related to Indebtedness (including (a) amortization of debt discount or premium, (b) all commissions, discounts and other fees and charges owed with respect to letters of credit or bankers acceptances, (c) the interest component of Capitalised Lease Obligations, and (d) net payments, if any, pursuant to interest rate Hedging Obligations with respect to Indebtedness) but not including any Pension Items, debt issuance costs and premiums, commissions, discounts and other fees and charges owed or paid with respect to financings, or costs associated with Hedging Obligations (other than those described in (d));
- (2) dividends on 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 Topco or a subsidiary of Topco; and

- (3) any interest on Indebtedness of another Person that is guaranteed by Topco or any of its Restricted Subsidiaries or secured by a Lien on assets of Topco or any of its Restricted Subsidiaries.

“*Consolidated Income Taxes*” means taxes or other payments, including deferred Taxes, based on income, profits or capital (including withholding taxes) of any of Topco 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 Topco 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 Capitalised Lease Obligations;
- (2) amortization of original issue discount but excluding amortization of debt issuance costs, fees and expenses and the expensing of any finance costs;
- (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 Topco and all Preferred Stock of any Restricted Subsidiary, to the extent held by Persons other than the Issuer or a subsidiary of Topco, multiplied by (b) a fraction, the numerator of which is one and the denominator of which is one minus the then current combined national, state and local statutory tax rate of such Person, expressed as a decimal, as estimated in good faith by a responsible accounting or financial officer of the Issuer;
- (6) the consolidated interest expense that was capitalised during such period; and
- (7) interest actually paid by Topco 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, (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 and (iv) any Additional Amounts with respect to the Notes included in interest expense under IFRS or other similar tax gross up on any Indebtedness included in interest expense under IFRS. Consolidated Interest Expense shall not include any interest expenses relating to Subordinated Shareholder Funding.

“*Consolidated Net Income*” means, for any period, the net income (loss) of Topco and its Restricted Subsidiaries determined on a consolidated basis on the basis of IFRS; *provided, however*, that there will not be included in such Consolidated Net Income:

- (1) subject to the limitations contained in clause (3) below, any net income (loss) of any Person if such Person is not a Restricted Subsidiary, except that Topco’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 Topco or a Restricted Subsidiary as a dividend or other distribution or return on investment or could have been distributed, as reasonably determined by an Officer (subject, in the case of a dividend or other distribution or return on investment to a Restricted Subsidiary, to the limitations contained in clause (2) below);
- (2) solely for the purpose of determining the amount available for Class B1 Restricted Payments under clause (c)(i) of the first paragraph of the covenant described under “—*Certain Covenants—Limitation on Class B1 Restricted Payments*”, any net income (loss) of any Restricted Subsidiary (other than a Guarantor) if such Subsidiary is subject to restrictions on the payment of dividends or the making of distributions by such Restricted Subsidiary to Topco 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 Class B1 Notes or the Class B1 IBLA, (c) contractual restrictions in effect on the Issue Date with respect to a Restricted Subsidiary (including pursuant to the Senior Credit Facilities and the STID), and other restrictions with respect to such Restricted Subsidiary that, taken as a whole, are not materially less favourable to the Holders than such restrictions in effect on the Issue Date, and (d) restrictions specified in clause (11) of the fourth paragraph of the covenant described under “—*Certain Covenants—Limitation on Restrictions on Distributions from Restricted Subsidiaries*”, except that Topco’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 Topco or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend to another Restricted Subsidiary, to the limitation contained in this clause);

- (3) any net gain (or loss) realised upon the sale or other disposition of any asset or disposed operations of Topco 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 Topco);
- (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, system establishment, software or information technology implementation or development, costs related to governmental investigations and curtailments or modifications to pension or post-retirement benefits schemes, litigation or any asset impairment charges or the financial impacts of natural disasters (including fire, flood and storm and related events);
- (5) the cumulative effect of a change in accounting principles;
- (6) any non-cash compensation charge or expense arising from any grant of stock, stock options or other equity based awards, 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 Class B1 Restricted Payments*”;
- (7) all deferred financing costs written off and premiums paid or other expenses incurred directly in connection with any early extinguishment of Indebtedness or Hedging Obligations and any net gain (loss) from any write-off or forgiveness of Indebtedness;
- (8) any unrealised gains or losses in respect of Hedging Obligations or other financial instruments or any ineffectiveness recognised in earnings related to qualifying hedge transactions or the fair value or changes therein recognised in earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of Hedging Obligations;
- (9) any unrealised foreign currency transaction gains or losses in respect of Indebtedness or other obligations of Topco or any Restricted Subsidiary denominated in a currency other than the functional currency of such Person and any unrealised foreign exchange gains or losses resulting from remeasuring assets and liabilities denominated in foreign currencies;
- (10) any unrealised foreign currency translation or transaction gains or losses in respect of Indebtedness or other obligations of Topco or any Restricted Subsidiary owing to Topco or any Restricted Subsidiary;
- (11) any one-time non-cash charges or any amortisation or depreciation, in each case to the extent related to the Transactions or any acquisition of another Person or business or resulting from any reorganisation or restructuring or incurrence of Indebtedness involving Topco or its Restricted Subsidiaries;
- (12) any goodwill or other intangible asset impairment charge or write-off or write-down; and
- (13) the impact of capitalised, 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 Topco and its Restricted Subsidiaries (excluding Hedging Obligations) less cash and Cash Equivalents of Topco 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 Topco are available. In the event that Topco 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 Topco) 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 Class B1 Restricted Payment pursuant to clause (18) of the fourth paragraph of the covenant described under “*Certain Covenants—Limitation on Class B1 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 “*—Limitation on Indebtedness*” or (ii) the discharge on the Calculation Date of any Indebtedness to the extent that such discharge results from the proceeds incurred pursuant to the provisions described in the second paragraph under “*—Limitation on Indebtedness*”.

In addition, for purposes of calculating the Consolidated Net Leverage Ratio:

- (1) asset dispositions, acquisitions reorganizations, restructurings, Investments or operational changes (each, a “Activity”) that have been made by Topco 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 Topco 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 Topco 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 an Activity 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 Activity (including anticipated synergies and cost savings) as if such Activity had occurred on the first day of such period, even if the Activity 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 Topco);
- (3) the Consolidated Financial 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 Financial Interest Expense will not be obligations of Topco 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 Topco’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 Topco responsible for accounting or financial reporting) projected to result from actions taken by Topco 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 realised 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 Financial Interest Expense and Consolidated Net Income, calculations will be determined in accordance with the terms set forth above and calculations will be as determined in good faith by a responsible financial or accounting officer of the Company, including in respect of synergies and expenses and cost savings, as though the full effect of such synergies and expenses and cost savings were realized on the first day of the relevant period and shall also include the reasonably anticipated full run rate costs savings effect (as calculated in good faith by a responsible financial or chief accounting officer of the Company) of cost savings programs that have been initiated or are reasonably expected to be initiated by the Company or its Restricted Subsidiaries.

“*Consolidated Senior Secured Net Leverage*” means the sum of the aggregate outstanding Senior Secured Indebtedness of Topco and its Restricted Subsidiaries (excluding Hedging Obligations) less cash and Cash Equivalents of Topco and its Restricted Subsidiaries, as of the relevant date of calculation on a consolidated basis on the basis of 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 Topco are available, in each case calculated with such *pro forma* and other adjustments as are consistent with the *pro forma* provisions set forth in the definition of Consolidated Net Leverage Ratio.

“*Contingent Obligations*” means, with respect to any Person, any obligation of such Person guaranteeing in any manner, whether directly or indirectly, any operating lease, dividend or other obligation that does not constitute Indebtedness (“**primary obligations**”) of any other Person (the “**primary obligor**”), including any obligation of such Person, whether or not contingent:

- (1) to purchase any such primary obligation or any property constituting direct or indirect security therefor;
- (2) to advance or supply funds:
  - (a) for the purchase or payment of any such primary obligation; or
  - (b) to maintain the working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor; or
- (3) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof.

“*Credit Facility*” means, with respect to Topco or any of its Subsidiaries, one or more facilities, arrangements, instruments, indentures, trust deeds or note purchase agreements (including the Senior Credit Facilities or commercial paper facilities and overdraft facilities) with banks, institutions, funds or investors providing for revolving credit loans, term loans, performance guarantees, 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 trustees or agents or other banks, institutions or investors and whether provided under the original Senior Credit Facilities or one or more other credit or other agreements, indentures, financing agreements or otherwise) and in each case including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including any notes and letters of credit issued pursuant thereto and any Guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other Guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term “Credit Facility” shall include any agreement or instrument (1) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (2) adding Subsidiaries of the Issuer or Topco 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.

“*Designated Non-Cash Consideration*” means the fair market value of non-cash consideration received by Topco 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 Topco or any Parent, Preferred Stock (other than Disqualified Stock)

- (a) that is issued for cash (other than to Topco or a Subsidiary of Topco or an employee stock ownership plan or trust

established by Topco or any such Subsidiary for the benefit of their employees to the extent funded by Topco or such Subsidiary) and (b) that is designated as “Designated Preference Shares” pursuant to an Officer’s Certificate of Topco at or prior to the issuance thereof, the Net Cash Proceeds of which are excluded from the calculation set forth in clause (c)(ii) of the first paragraph of the covenant described under “—*Certain Covenants—Limitation on Class B1 Restricted Payments*”.

“*Disqualified Stock*” means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable, in each case, at the option of the holder of the Capital Stock), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder of the Capital Stock, in whole or in part, in each case on or prior to the date that is 90 days after the earlier of (a) the Stated Maturity of Class B1 Loan or (b) the date on which there are no Notes outstanding. Notwithstanding the preceding sentence, any Capital Stock that would constitute Disqualified Stock solely because the holders of the Capital Stock have the right to require Topco 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 Topco thereof may not repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or redemption complies with the covenant described above under the caption “—*Certain Covenants—Class B1 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 Class B1 IBLA, and if such price is based upon, or measured by, the fair market value of such Disqualified Stock, such fair market value to be determined as set forth herein. Only the portion of Capital Stock which so matures or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to such date will be deemed to be Disqualified Stock.

“*Equity Offering*” means (x) a sale of Capital Stock of a Parent, Topco or a Restricted Subsidiary (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 and other than offerings to Topco or any Restricted Subsidiary), or (y) the sale of Capital Stock or other securities by any Person (other than to Topco or a Restricted Subsidiary), 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 an Excluded Contribution or a Parent Debt Contribution) of Topco or any of its Restricted Subsidiaries.

“*Escrowed Proceeds*” means the proceeds from the offering of any debt securities or other Indebtedness paid into escrow accounts with an independent escrow agent on the date of the applicable offering or incurrence pursuant to escrow arrangements that permit the release of amounts on deposit in such escrow accounts upon satisfaction of certain conditions or the occurrence of certain events. The term “*Escrowed Proceeds*” shall include any interest earned on the amounts held in escrow.

“*Euroclear*” means Euroclear Bank SA/NV or any successor securities clearing agency.

“*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 Net Cash Proceeds or property or assets received by Topco as capital contributions to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of Topco 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 Topco or any Subsidiary of Topco for the benefit of its employees to the extent funded by Topco or any Restricted Subsidiary) of Capital Stock (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding of Topco, in each case, to the extent designated as an Excluded Contribution pursuant to an Officer’s Certificate of Topco.

“*Facilities*” means the Class A Authorised Credit Facilities and the Class B Authorised Credit Facilities.

“*fair market value*” may be conclusively established by means of an Officer’s Certificate or a resolution of the Board of Directors of Topco setting out such fair market value as determined by such Officer or such Board of Directors in good faith.

“*FCF DSCR Period*” means, in relation to each Financial Covenant Test Date, the period starting on (and including) 12 months before such Financial Covenant Test Date and ending on (but excluding) such Financial Covenant Test Date.

“*Financial Covenant Test Date*” means 31 December and 30 June in each year, (commencing on 31 December 2017) or such other date as may be agreed as a result of a change in Accounting Reference Date and associated change in the calculation of financial covenants. For purposes of the covenant “—*Certain Covenants—Limitation on Indebtedness*” only, the Financial Covenant Test Date means any determination date. In each case, any calculation required to be made on each Financial Covenant Test Date will be based on the Obligor Group’s management accounts in respect of the 12 months ending on the Accounting Period end date immediately preceding such Financial Covenant Test Date.

“*Fixed Charge Coverage Ratio*” means, as of any date of determination, the ratio of (x) the aggregate amount of Consolidated EBITDA of such Person for the period of the four most recent fiscal quarters prior to the date of such determination for which internal consolidated financial statements are available to (y) the Consolidated Financial Interest Expense of such Person for such four fiscal quarters.

In the event that the specified Person or any of its Restricted Subsidiaries incurs, assumes, guarantees, repays, repurchases, redeems, defeases, retires, extinguishes or otherwise discharges any Indebtedness (other than Indebtedness incurred under any revolving credit facility unless such Indebtedness has been permanently repaid and has not been replaced) or issues, repurchases or redeems Disqualified Stock or Preferred Stock subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Fixed Charge Coverage Ratio is made (the “Calculation Date”), then the Fixed Charge Coverage Ratio will be calculated giving *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of such Person), including in respect of anticipated expense and cost reduction synergies, to such incurrence, assumption, guarantee, repayment, repurchase, redemption, defeasance, retirement, extinguishment or other discharge of Indebtedness, or such issuance, repurchase or redemption of Disqualified Stock or Preferred Stock, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the applicable four-quarter reference period; *provided, however*, that the *pro forma* calculation of Fixed Charges shall not give effect to (i) any Indebtedness incurred on the Calculation Date pursuant to the provisions described in the second paragraph of the covenant described above under “—*Certain Covenants—Limitation on Indebtedness*” (other than for the purposes of the calculation of the Fixed Charge Coverage Ratio under clause (5) thereunder) or (ii) the discharge on the Calculation Date of any Indebtedness to the extent that such discharge results from the proceeds incurred pursuant to the provisions described in the second paragraph of the covenant described above under “—*Certain Covenants—Limitation on Indebtedness*”.

In addition, for purposes of calculating the Fixed Charge Coverage Ratio:

- (1) acquisitions or Investments (each, a “Purchase”) 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; *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 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);

- (7) Interest on a Capitalised Lease Obligation shall be deemed to accrue at an interest rate reasonably determined by a responsible financial or accounting officer of Topco to be the rate of interest implicit in such Capitalised Lease Obligation in accordance with IFRS; and
- (8) the reasonably anticipated full run rate effect of expense and cost reduction synergies (as determined in good faith by a responsible accounting or financial Officer) projected to result from actions taken by Topco 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 realised during such period from such actions, *provided* such synergies (A) are reasonably identifiable and factually supportable and (B) are not duplicative of any costs savings, reductions or synergies already included for the period.

“*Fixed Charges*” means, with respect to any specified Person for any period, the sum, without duplication, of:

- (1) the Consolidated Financial Interest Expense of such Person for such period; plus
- (2) all dividends, whether paid or accrued and whether or not in cash, on or in respect of all Disqualified Stock of Topco or any series of Preferred Stock of any Restricted Subsidiary, other than dividends on equity interests payable to Topco or a Restricted Subsidiary.

“*Gilt Rate*” means, with respect to any prepayment date, the yield to maturity as of such prepayment date of UK Government Securities with a fixed maturity (as compiled by the Office for National Statistics and published in the most recent Financial Statistics that have become publicly available at least two Business Days in London prior to such prepayment date (or, if such Financial Statistics are no longer published, any publicly available source of similar market data)) most nearly equal to the period from such prepayment date to 2019; *provided, however*, that if the period from such redemption date to 2019 is less than one year, the weekly average yield on actually traded UK Government Securities 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.

“*Guarantor*” means any Restricted Subsidiary that Guarantees the Class B1 Loan.

“*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 Class B1 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.

“*Holdco*” means RAC Bidco Limited.

“*Holdco Group*” means Holdco and each Subsidiary of Holdco (other than the Issuer).

“*IFRS*” means International Financial Reporting Standards (formerly International Accounting Standards) (“IFRS”) endorsed from time to time by the European Union or any variation thereof with which Topco or its Restricted Subsidiaries are, or may be, required to comply. Except as otherwise set forth in the Class B1 IBLA, all ratios and calculations based on IFRS



contained in the Class B1 IBLA shall be computed in accordance with IFRS as in effect on the Issue Date; *provided* that at any date after the Issue Date Topco may make an irrevocable election to establish that “IFRS” shall mean, except as otherwise specified herein, IFRS as in effect on a date that is on or prior to the date of such election.

“*Incur*” means issue, create, assume, enter into any Guarantee of, incur or otherwise become liable for; *provided, however*, that any Indebtedness or Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (whether by merger, consolidation, acquisition or otherwise) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and the terms “Incurred” and “Incurrence” have meanings correlative to the foregoing and any Indebtedness pursuant to any revolving credit or similar facility shall only be “Incurred” at the time any funds are borrowed thereunder.

“*Indebtedness*” means, with respect to any Person on any date of determination (without duplication):

- (1) the principal of indebtedness of such Person for borrowed money;
- (2) the principal of obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;
- (3) all reimbursement obligations of such Person in respect of letters of credit, bankers’ acceptances or other similar instruments (the amount of such obligations being equal at any time to the aggregate then undrawn and unexpired amount of such letters of credit or other instruments plus the aggregate amount of drawings thereunder that have been reimbursed) (except to the extent that 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) Capitalised Lease Obligations of such Person;
- (6) the principal component of all obligations, or liquidation preference, of such Person with respect to any Disqualified Stock or, with respect to any Restricted Subsidiary, any Preferred Stock (but excluding, in each case, any accrued dividends);
- (7) the principal component of all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided, however*, that the amount of such Indebtedness will be the lesser of (a) the fair market value of such asset at such date of determination (as determined in good faith by the Board of Directors or an Officer of Topco) 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 and Interest Rate Agreements (the amount of any such obligations to be equal at any time to the termination value of such agreement or arrangement giving rise to such obligation that would be payable by such Person at such time).

The term “Indebtedness” shall not include (i) Subordinated Shareholder Funding, (ii) any lease, concession or licence of property (or Guarantee thereof) which would be considered an operating lease under IFRS as in effect on the Issue Date, (iii) prepayments of deposits received from clients or customers in the ordinary course of business, (iv) obligations under any licence, permit or other approval (or Guarantees given in respect of such obligations) Incurred prior to the Issue Date or in the ordinary course of business, (v) any asset retirement obligations or (vi) any income tax or other payables, social security or tax obligations.

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 Class B1 IBLA, 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) Contingent Obligations Incurred in the ordinary course of business, obligations under or in respect of Qualified Receivables Financings and accrued liabilities Incurred in the ordinary course of business that are not more than 90 days past due;
- (2) in connection with the purchase by Topco or any Restricted Subsidiary of any business, any post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing; *provided, however*, that, at the time of closing, the amount of any such payment is not determinable and, to the extent such payment thereafter becomes fixed and determined, the amount is paid within 30 days thereafter;
- (3) for the avoidance of doubt, any obligations in respect of workers' compensation claims, early retirement or termination obligations, pension fund obligations or contributions or similar claims, obligations or contributions or social security or wage Taxes; or
- (4) deferred payments or similar amounts owed in respect of taxes or concessions (including Guarantees in respect thereof that would not appear on the balance sheet of such person (excluding any notes thereto)) or any other payment obligation owed by Topco or any Restricted Subsidiary pursuant to any law, regulation or agreement under which a percentage of the income of, or any other amounts relating to, any gross revenue or turnover or betting amounts must be paid out to a third party.

*"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 Topco.

*"Initial Investors"* means (i) CVC Capital Partners Limited and CVC Capital Partners SICAV-FIS S.A. and each of their respective Affiliates, funds and limited partnerships advised or managed by the foregoing (including, without limitation, subsidiaries and investors in those funds and limited partnerships but excluding, in each case, any portfolio companies in which such funds or limited partnerships hold an investment and excluding CVC Credit Partners Group Holding Foundation and its direct and indirect subsidiaries) and (ii) Sphinx Investment Pte Ltd and GIC Special Investments Pte Ltd and each of their respective Affiliates, funds and limited partnerships advised or managed by the foregoing (including, without limitation, subsidiaries and investors in those funds and limited partnerships but excluding, in each case, any portfolio companies in which such funds or limited partnerships hold an investment).

*"Initial Public Offering"* means an Equity Offering of common stock or other common equity interests of Topco or any Parent or any successor of Topco 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 recognised exchange or traded on an internationally recognised market.

*"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 Topco 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 Topco 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 above under the caption "*—Certain Covenants—Limitation on Class B1 Restricted Payments*".

For purposes of “*Certain Covenants—Limitation on Class B1 Restricted Payments*”:

- (1) “Investment” will include the portion (proportionate to Topco’s equity interest in a Restricted Subsidiary to be designated as an Unrestricted Subsidiary) of the fair market value of the net assets of such Restricted Subsidiary at the time that such Restricted Subsidiary is designated an Unrestricted Subsidiary; and
- (2) any property transferred to or from an Unrestricted Subsidiary will be valued at its fair market value at the time of such transfer, in each case as determined in good faith by the Board of Directors or an Officer of Topco.

The amount of any Investment outstanding at any time shall be the original cost of such Investment, reduced (at Topco’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 Permissible Jurisdiction, Switzerland or Norway or any agency or instrumentality thereof (other than Cash Equivalents);
- (3) debt securities or debt instruments with a rating of “BBB–” or higher from S&P or the equivalent of such rating by such rating organization or, if no rating of S&P then exists, the equivalent of such rating by any other Nationally Recognised Statistical Ratings Organization, but excluding any debt securities or instruments constituting loans or advances among Topco and its Subsidiaries;
- (4) investments in any fund that invests exclusively in investments of the type described in clauses (1), (2) and (3) above which fund may also hold cash and Cash Equivalents pending investment or distribution; and
- (5) any investment in repurchase obligations with respect to any securities of the type described in clauses (1), (2) and (3) above which are collateralised at par or over.

“*Investor Funding Loan*” means any loan made or deemed to be made by any Investor to Holdco, *provided* that the Investor is party to the STID as a Subordinated Investor.

“*IPO Entity*” has the meaning given it in the definition of Initial Public Offering.

“*IPO Market Capitalisation*” means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity at the time of closing of the Initial Public Offering multiplied by (ii) the price per share at which such shares of common stock or common equity interests are sold in such Initial Public Offering.

“*Issue Date*” means 14 July 2017.

“*Joint Venture Investment*” means each amount subscribed for shares in, lent to, or invested in all such Joint Ventures by any member of the Holdco Group and the contingent liabilities of any member of the Holdco Group under any guarantee given in respect of the liabilities of any such Joint Venture.

“*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 Topco or one or more of its Restricted Subsidiaries the consummation of which is not conditioned upon the availability of, or on obtaining, third-party financing.

“*Loan Interest Payment Date*” means 6 May and 6 November in each year.

“*Maintenance EBITDA*” means, for any relevant period, the consolidated operating profits of the Holdco Group arising from ordinary activities for that period before taxation:

- (a) before deducting Class B1 Total Debt Service Charges and any interest or equivalent finance charge in respect of Permitted Debt not comprised within Class B1 Total Debt Service Charges for which any member of the Holdco

Group is liable and including any implied interest on balance sheet provisions in the Holdco consolidated financial statements;

- (b) before taking into account any accrued interest owing to any member of the Holdco Group;
- (c) before taking into account any items (positive or negative) of a one-off, non-recurring, extraordinary, unusual or exceptional nature (including without limitation the restructuring of the activities of an entity and reversals of any provisions for the cost of restructuring, disposals, revaluations or impairment of non-current assets, disposals of assets associated with discontinued operations and the costs associated with any aborted acquisitions permitted under the Finance Documents or aborted equity or debt securities offering);
- (d) before deducting any amount attributable to the amortisation of goodwill or intangible assets or acquisition costs or the depreciation of tangible assets;
- (e) before adding or deducting any amount attributable to any movement in the fair value of financial instruments held by any member of the Holdco Group (except to the extent provided for in clause (n) below);
- (f) [Reserved];
- (g) [Reserved];
- (h) before taking into account the agreed transaction costs associated with the financing contemplated by the Transaction Documents;
- (i) before taking into account any gain arising from any Debt Purchase Transaction entered into by any member of the Holdco Group;
- (j) after deducting (to the extent otherwise included) any gain over book value arising in favour of a member of the Holdco Group in the disposal of any asset (not being any disposal made in the ordinary course of trading) during such period and any gain arising on any revaluation of any asset during such period;
- (k) after adding back (to the extent otherwise deducted) any loss against book value incurred by a member of the Holdco Group on the disposal or write down of any asset (not being any disposals made in the ordinary course of trading) during such period and any loss arising on any revaluation of any asset during such period;
- (l) after adding (to the extent not otherwise included) the amount of any dividends or other profit distributions (net of withholding tax) received in cash by any member of the Holdco Group during such period from joint ventures in which a member of Holdco Group has an interest;
- (m) after adding (to the extent not otherwise included) the realised gains or deducting (to the extent not otherwise deducted) the realised losses arising at maturity or on termination of forward foreign exchange and currency hedging contracts entered into with respect to the operational cash flows of the Holdco Group (but taking no account of any unrealised gains or loss on any hedging or other derivative instrument whatsoever and excluding any IAS 39 timing differences relating to changes in the unrealised par value of derivatives);
- (n) after adding back (to the extent otherwise deducted) any fees, costs or charges of a non-recurring nature related to any compensation payments to departing management, investments (including any Joint Venture Investment) or Permitted Debt (whether or not successful);
- (o) after adding back (to the extent otherwise deducted) any costs or provisions relating to any share option or management incentive schemes of the Holdco Group;
- (p) after adding (to the extent not otherwise included) any insurance proceeds received in cash by any member of the Holdco Group in respect of business interruption loss (to be applied to cover operating losses in respect of which the relevant insurance claim was made) or third party liability (to the extent that such amounts are not subsequently paid to a third party);
- (q) after deducting any profit and adding back any loss attributable solely to exchange rate movements on translation of balance sheet assets and liabilities in the Holdco consolidated financial statements; and
- (r) for the avoidance of doubt, before deducting the amount of any Capital Expenditure (to the extent deducted in calculating consolidated operating profits),

in each case, to the extent added, deducted or taken into account, as the case may be, for the purposes of determining operating profits of the Holdco Group from its ordinary activities.

“*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, Topco or any Restricted Subsidiary:

- (1) (a) in respect of travel, entertainment or moving related expenses Incurred in the ordinary course of business or (b) for purposes of funding any such person’s purchase of Capital Stock or Subordinated Shareholder Funding (or similar obligations) of Topco, its Subsidiaries or any Parent with (in the case of this sub-clause (b)) the approval of the Board of Directors;
- (2) in respect of moving related expenses Incurred in connection with any closing or consolidation of any facility or office; or
- (3) (in the case of this clause (3)) not exceeding £5.0 million in the aggregate outstanding at any time.

“*Management Investors*” means the officers, directors, employees and other members of the management of or consultants to any Parent, Topco or any of their respective Subsidiaries, or spouses, family members or relatives thereof, or any trust, partnership or other entity for the benefit of or the beneficial owner of which (directly or indirectly) is any of the foregoing, or any of their heirs, executors, successors and legal representatives, who at any date beneficially own or have the right to acquire, directly or indirectly, Capital Stock of Topco, any Restricted Subsidiary or any Parent.

“*Market Capitalisation*” means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity on the date of the declaration of the relevant dividend multiplied by (ii) the arithmetic mean of the closing prices per share of such common stock or common equity interests for the 30 consecutive trading days immediately preceding the date of declaration of such dividend.

“*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 recognised statistical rating organization within the meaning of Section 3(a)(62) under the Exchange Act.

“*Non-Obligor Group Entity*” means any company which is:

- (a) an Affiliate of the Group; but
- (b) not an Obligor.

“*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, Topco 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 Topco or any Restricted Subsidiary after such Asset Disposition.

“*Net Cash Proceeds*”, with respect to any issuance or sale of Capital Stock or Subordinated Shareholder Funding, means the cash proceeds of such issuance or sale net of attorneys’ fees, accountants’ fees, underwriters’ or placement agents’ fees, listing fees, discounts or commissions and brokerage, consultant and other fees and charges actually Incurred in connection with such issuance or sale and net of taxes paid or payable as a result of such issuance or sale (after taking into account any available tax credit or deductions and any Tax Sharing Agreements).

“*New Equity Funds*” means either:

- (a) the proceeds received by Topco from the issue of its share capital (other than Designated Preference Shares or Disqualified Stock), including any Equity Offering; or
- (b) any Subordinated Shareholder Funding.

“*Obligations*” means any principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing any Indebtedness.

“*Obligor*” means a Borrower or a Guarantor.

“*Obligor Security Documents*” means:

- (a) the Obligor Security Agreement; and
- (b) any other document designated as such in writing by the Obligor Security Trustee and the Borrower.

“*Offering Memorandum*” means this offering memorandum in relation to Class B1 Notes.

“*Officer*” means, with respect to any Person, (1) any member of the Board of Directors, the Chief Executive Officer, the President or the Chief Financial Officer (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 Class B1 IBLA by the Board of Directors of such Person. The obligations of an “Officer of Topco” may be exercised by the Officer of any Restricted Subsidiary who has been delegated such authority by the Board of Directors of Topco.

“*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 Class B Note Trustee or Obligor Security Trustee, as applicable.

“*Parent*” means any Person of which Topco at any time is or becomes a Subsidiary after the Issue Date and any holding companies established by any Permitted Holder for purposes of holding its investment in any Parent.

“*Parent Debt Contribution*” means a contribution to the equity of Topco or any of its Restricted Subsidiaries pursuant to which dividends or other distributions may be paid pursuant to clause (17) of the fourth paragraph under “—*Limitation on Class B1 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 Class B1 IBLA or any other agreement or instrument relating to Indebtedness of Topco 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 Topco and its Subsidiaries;
- (3) obligations of any Parent in respect of director and officer insurance (including premiums therefor) to the extent relating to Topco and its Subsidiaries;
- (4) fees and expenses payable by any Parent in connection with the Transactions;
- (5) general corporate overhead expenses, including (a) professional fees and expenses and other operational expenses of any Parent or any Permitted Holder or any of its Affiliates related to the ownership or operation of the business of Topco or any of its Restricted Subsidiaries and Permitted Holders or any of its Affiliates (including, without limitation, accounting, legal, corporate reporting, and administrative expenses as well as payments made pursuant to operating partner arrangements or secondment, employment or similar agreements entered into between Topco and/or any of its Restricted Subsidiaries and/or any Parent and any Permitted Holder or any of its Affiliates or any employee thereof), (b) costs and expenses with respect to the ownership, directly or indirectly, by any Parent, (c) any taxes and other fees and expenses required to maintain such Parent’s corporate existence and to provide for other ordinary course operating

costs, including customary salary, bonus and other benefits payable to, and indemnities provided on behalf of, officers and employees of such Parent and (d) to reimburse reasonable out of pocket expenses of the Board of Directors of such Parent;

- (6) other fees, expenses and costs relating directly or indirectly to activities of Topco and its Subsidiaries or any Parent or any other Person established for purposes of or in connection with the Transactions or which holds directly or indirectly any Capital Stock or Subordinated Shareholder Funding of Topco, in an amount not to exceed £5.0 million in any fiscal year;
- (7) any income taxes, to the extent such income taxes are attributable to the income of Topco 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 *provided, however*, that the amount of such payments in any fiscal year do not exceed the amount that Topco and its consolidated Subsidiaries would be required to pay in respect of such taxes for such fiscal year were Topco and each of these Subsidiaries to pay such taxes on a consolidated basis on behalf of an affiliated group consisting only of Topco and such 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 Topco 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 Topco or the relevant Restricted Subsidiary out of the proceeds of such offering promptly if completed.

“*Parent Obligor*” means as of the Issue Date, Topco and its successors and assigns and following a Permitted Parent Reorganisation, shall mean New Holdco.

“*Pari Passu Indebtedness*” means (a) any Indebtedness of the Borrower that ranks equally in right of payment with the Class B1 IBLA or (b) with respect to any Class B1 Guarantee by a Guarantor, any Indebtedness that ranks equally in right of payment with such Guarantee.

“*Paying Agent*” means any Person authorised by Topco to pay the principal of (and premium, if any) or interest on any Note on behalf of Topco.

“*Pension Items*” means any costs, charges or liabilities, including contributions, made in respect of any pension funds or post-retirement benefit schemes, other than administration costs.

“*Permissible Jurisdiction*” means any member state of the European Union as of the Issue Date (excluding Greece).

“*Permitted Collateral Liens*” means Liens on the Collateral:

- (a) that are Permitted Liens;
- (b) Liens to secure Indebtedness permitted to be Incurred as described in the first paragraph of “—*Certain Covenants — Limitation on Indebtedness*”; *provided* that (i) if such Indebtedness is *Pari Passu* Indebtedness, such Liens rank equal to or junior to the Liens securing the Class B1 Notes and (ii) if such Indebtedness is Subordinated Indebtedness, such Liens rank junior to the Liens securing the Class B1 Notes;
- (c) Liens to secure Indebtedness that is permitted to be Incurred under clause (1) of the definition of Permitted Debt; *provided* that (i) if such Indebtedness is *Pari Passu* Indebtedness, such Liens rank equal to or junior to the Liens securing the Class B1 Notes and (ii) if such Indebtedness is Subordinated Indebtedness, such Liens rank junior to the Liens securing the Class B1 Notes;
- (d) Liens to secure Indebtedness permitted to be Incurred under (i) clause (2)(A) of the definition of Permitted Debt (to the extent such Guarantee is in respect of Indebtedness otherwise permitted to be secured and specified in this definition of Permitted Collateral Liens), (ii) clause (4)(b), (c) and (e) of the definition of Permitted Debt (if the original Indebtedness was so secured), (iii) clause (5) of the definition of Permitted Debt (provided that in the case of this clause (iii), at the time of the acquisition or other transaction pursuant to which such Indebtedness was Incurred (a) Topco would have been able to incur £1.00 of additional Indebtedness pursuant to the first paragraph of “—*Certain*

*Covenants—Limitation on Indebtedness*”, after giving effect to the Incurrence of such Indebtedness, calculated on a *pro forma* basis or (b) the Fixed Charge Coverage Ratio would not be less than it was immediately prior to giving effect to such acquisition or transaction on a *pro forma* basis and, in the case of any *Pari Passu* Indebtedness, the Issuer obtains a Ratings Confirmation in respect of the Class B1 Notes) and Refinancing Indebtedness in respect thereof; *provided* that, in such case, all property and assets (including, without limitation, the Collateral) securing such Indebtedness also secures the Class B1 Loan, (iv) clauses (6) and (7), (11), (12) or (13) of the definition of Permitted Debt; *provided further*, that each of the parties thereto will have entered into the STID; and

- (e) any Refinancing Indebtedness in respect of Indebtedness referred to in the foregoing clauses (a) to (d).

“*Permitted Holders*” means, collectively, (1) the Initial Investors, (2) the Management Investors, (3) any Affiliate or Related Person of any Persons specified in clause (1) or (2), (4) any one or more Persons whose beneficial ownership constitutes or results in a Change of Control in respect of which a Change of Control Offer is made in accordance with the requirements of the Class B1 IBLA, (5) any Person who is acting as an underwriter in connection with a public or private offering of Capital Stock of any Parent or Topco, acting in such capacity and (6) any group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act or any successor provision) of which any of the foregoing (or any Persons mentioned in the following sentence) are members; *provided* that, in the case of such group and without giving effect to the existence of such group or any other group, the Initial Investors and such Persons referred to in the following sentence, collectively, have beneficial ownership of more than 50% of the total voting power of the Voting Stock of Topco 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 Class B1 IBLA or (2) a Change of Control which is a Specified Class B1 Change of Control Event, will thereafter, together with its Affiliates, constitute an additional Permitted Holder.

“*Permitted Investment*” means (in each case, by Topco or any of its Restricted Subsidiaries):

- (1) Investments in (a) a Restricted Subsidiary (including the Capital Stock of a Restricted Subsidiary) or Topco 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, Topco or a Restricted Subsidiary;
- (3) Investments in cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;
- (4) Investments in receivables owing to Topco or any Restricted Subsidiary created or acquired in the ordinary course of business, including Investments in connection with any Qualified Receivables Financing;
- (5) Investments in payroll, travel, relocation, entertainment and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;
- (6) Management Advances and any advances or loans not to exceed £5.0 million at any one time outstanding 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 Topco or a Parent of Topco;
- (7) Investments in Capital Stock, obligations or securities received in settlement of debts created in the ordinary course of business and owing to Topco 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 reorganisation or similar arrangement including upon the bankruptcy or insolvency of a debtor;
- (8) Investments made as a result of the receipt of non-cash consideration from a sale or other disposition of property or assets, including an Asset Disposition, in each case, that was made in compliance with “—*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*”;
- (9) Investments in existence on, or made pursuant to legally binding commitments in existence on, the Issue Date, and any extension, modification or renewal of any such Investment; *provided* that the amount of the Investment may be increased (i) as required by the terms of the Investment as in existence on the Issue Date or (b) as otherwise permitted under the Class B1 IBLA;



- (10) Currency Agreements, Interest Rate Agreements, Commodity Hedging Agreements and related Hedging Obligations, which transactions or obligations are Incurred in compliance with “—*Certain Covenants—Limitation on Indebtedness*”;
- (11) Investments, taken together with all other Investments made pursuant to this clause (11) and at any time outstanding, in an aggregate amount at the time of such Investment (net of any distributions, dividends, payments or other returns in respect of such Investments) not to exceed the greater of £50.0 million and 27.2% of Consolidated EBITDA; *provided* that, if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to the covenant described under “—*Certain Covenants—Limitation on Class B1 Restricted Payments*”, such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (2) of the definition of “Permitted Investments” and not this clause;
- (12) pledges or deposits with respect to leases or utilities provided to third parties in the ordinary course of business or Liens otherwise described in the definition of “Permitted Liens” or made in connection with Liens permitted under the covenant described under “—*Certain Covenants—Limitation on Liens*”;
- (13) any Investment to the extent made using Capital Stock of Topco (other than Disqualified Stock), Subordinated Shareholder Funding or Capital Stock of any Parent as consideration;
- (14) any transaction to the extent constituting an Investment that is permitted and made in accordance with the provisions of the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Affiliate Transactions*” (except those described in clauses (1), (3), (8), (9) and (12) of that paragraph);
- (15) Guarantees not prohibited by the covenant described under “—*Certain Covenants—Limitation on Indebtedness*” and (other than with respect to Indebtedness) guarantees, keepwells and similar arrangements in the ordinary course of business;
- (16) Investments consisting of purchases and acquisitions of inventory, supplies, materials and equipment or licences or leases of intellectual property, in any case, in the ordinary course of business and in accordance with the Class B1 IBLA;
- (17) Investments in Associates or Unrestricted Subsidiaries in an aggregate amount when taken together with all other Investments made pursuant to this clause (17) that are at any time outstanding not to exceed the greater of £40.0 million and 22.0% of Consolidated EBITDA; *provided* that, if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to the Class B1 IBLA, 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;
- (18) Investments in any Class B Authorised Credit Facility and any other Indebtedness of the Issuer, Topco or any Restricted Subsidiary;
- (19) Investments acquired after the Issue Date as a result of the acquisition by Topco or any of its Restricted Subsidiaries of another Person, including by way of a merger, amalgamation or consolidation with or into Topco 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; and
- (20) Investments in licences, concessions, authorizations, franchises, permits or similar arrangements that are related to Topco’s or any Restricted Subsidiary’s business.

“*Permitted Liens*” means, with respect to any Person:

- (1) Liens on assets or property of any Restricted Subsidiary that is not a Guarantor securing Indebtedness of any Restricted Subsidiary that is not a Guarantor;
- (2) pledges, deposits or Liens under workmen’s compensation laws, unemployment insurance laws, social security laws or similar legislation, or insurance related obligations (including pledges or deposits securing liability to insurance carriers under insurance or self-insurance arrangements), or in connection with bids, tenders, completion guarantees, contracts (other than for borrowed money) or leases, or to secure utilities, licences, public or statutory obligations, trade obligations, or to secure surety, indemnity, judgment, appeal or performance bonds, guarantees of government or regulatory contracts or obligations (or other similar bonds, instruments or obligations), or as security for contested

taxes or import or customs duties or for the payment of rent, or other obligations of like nature, in each case Incurred in the ordinary course of business;

- (3) Liens imposed by law, including carriers', warehousemen's, mechanics', landlords', materialmen's and repairmen's or other 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 favour 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 Topco 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, licences, 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 Topco 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 Topco and its Restricted Subsidiaries;
- (7) Liens on assets or property of Topco or any Restricted Subsidiary (other than Collateral) securing Hedging Obligations permitted under the Class B1 IBLA relating to Indebtedness permitted to be Incurred under the Class B1 IBLA and which is secured by a Lien on the same assets or property that secures such Indebtedness;
- (8) leases, licences, subleases and sublicences 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 a Share Enforcement Event or Class B1 Loan 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 Topco or any Restricted Subsidiary for the purpose of securing Capitalised Lease Obligations or Purchase Money Obligations, or securing the payment of all or a part of the purchase price of, or securing other Indebtedness Incurred to finance or refinance the acquisition, improvement or construction of, assets or property; *provided* that (a) the aggregate principal amount of Indebtedness secured by such Liens is otherwise permitted to be Incurred under the covenant described above under "*Certain Covenants—Limitation on Indebtedness*" and (b) any such Lien may not extend to any assets or property of Topco or any Restricted Subsidiary other than assets or property acquired, improved, constructed or leased with the proceeds of such Indebtedness and any improvements or accessions to such assets and property or rents or other income or assets associated with such assets or property;
- (11) Liens arising by virtue of any statutory or common law provisions or standard terms and procedures relating to banker's Liens, rights of set-off or similar rights and remedies as to deposit accounts, securities accounts or other funds maintained with a depositary or financial institution;
- (12) Liens arising from Uniform Commercial Code financing statement filings (or similar filings in other applicable jurisdictions) regarding operating leases entered into by Topco and its Restricted Subsidiaries in the ordinary course of business;
- (13) Liens existing on, or provided for or required to be granted under written agreements existing on, the Issue Date;
- (14) Liens on property, other assets or shares of stock of a Person at the time such Person becomes a Restricted Subsidiary (or at the time Topco 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 Topco or any Restricted Subsidiary); *provided, however*, that such Liens are not created, Incurred or assumed in anticipation of or in connection with such other Person becoming a Restricted Subsidiary (or such acquisition of such property, other assets or stock); *provided*, 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 Topco or any Restricted Subsidiary securing Indebtedness or other obligations of Topco or such Restricted Subsidiary owing to Topco or another Restricted Subsidiary, or Liens in favour of Topco or any Restricted Subsidiary;
- (16) Liens securing Refinancing Indebtedness Incurred to refinance Indebtedness that was previously so secured, and permitted to be secured under the Class B1 IBLA; *provided* that any such Lien is limited to all or part of the same property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof) that secured (or, under the written arrangements under which the original Lien arose, could secure) the Indebtedness being refinanced or is in respect of property that is or could be the security for or subject to a Permitted Lien hereunder;
- (17) any interest or title of a lessor under any Capitalised Lease Obligation or operating lease;
- (18) (a) mortgages, liens, security interest, restrictions, encumbrances or any other matters of record that have been placed by any government, statutory or regulatory authority, developer, landlord or other third party on property over which Topco 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 favour of a contractor or developer or arising from progress or partial payments by a third party relating to such property or assets;
- (21) Liens on Receivables Assets Incurred in connection with a Qualified Receivables Financing;
- (22) Liens on assets or property of RAC Insurance Limited, RACMS (Island) Limited or any of their Subsidiaries if any applicable law or any applicable rule, regulation or order, or any applicable regulatory authority would limit or prohibit RAC Insurance Limited, RACMS (Island) Limited or any of their Subsidiaries from securing the Class B1 Loan;
- (23) Liens arising under general business conditions in the ordinary course of business, including without limitation the general business conditions of any bank or financial institution with whom Topco or any of its Restricted Subsidiaries maintains a banking relationship in the ordinary course of business (including arising by reason of any treasury and/or cash management, cash pooling, netting or set-off arrangement 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;
- (25) Liens securing Indebtedness or other obligations of a Receivables Subsidiary;
- (26) Liens on Capital Stock or other securities or assets of any Unrestricted Subsidiary that secure Indebtedness of such Unrestricted Subsidiary;
- (27) any security granted over the marketable securities portfolio described in clause (9) of the definition of “Cash Equivalents” in connection with the disposal thereof to a third party;
- (28) (a) Liens created for the benefit of or to secure, directly or indirectly, Class B1 Notes or the Class B1 Loan, (b) Liens pursuant to the STID and the senior security documents entered into pursuant to the Senior Credit Facilities, (c) Liens in respect of property and assets securing Indebtedness if the recovery in respect of such Liens is subject to loss-sharing or sharing of recoveries as among the Holders and the creditors of such Indebtedness pursuant to the STID and (d) Liens securing Indebtedness under clause (1) of the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*”;
- (29) [Reserved];
- (30) 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 £20.0 million and 10.9% of Consolidated EBITDA;
- (31) 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 government securities purchased with such cash, in either case to the extent such cash or government securities prefund the payment of interest on such Indebtedness and are held in escrow accounts or similar arrangement to be applied for such purpose;
- (32) 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;
- (33) [Reserved];

- (34) Liens to secure Indebtedness permitted to be Incurred under (i) clause (2)(a) of the definition of Permitted Debt (to the extent such Guarantee is in respect of Indebtedness otherwise permitted to be secured and specified in this definition of Permitted Liens) and (ii) clause (4)(a) and (c) of the definition of Permitted Debt (if the original Indebtedness was so secured);
- (35) Liens on cash accounts securing Indebtedness Incurred with local financial institutions in the ordinary course of business;
- (36) Liens arising as a result of agreements to enter into a sale and leaseback transaction and not securing Financial Indebtedness, *provided* that such Lien shall not extend beyond the property that is the subject of such sale and leaseback transaction;
- (37) Liens on insurance policies and proceeds thereof, or other deposits, to secure insurance premium financings;
- (38) Liens on any proceeds loan made by any Obligor in connection with any future Incurrence of any Class B Authorised Credit Facility permitted under the Class B1 IBLA and securing such Class B Authorised Credit Facility; and
- (39) Liens on assets or property of any Restricted Subsidiary securing any Senior Indebtedness permitted to be Incurred by the covenant described under “—*Certain Covenants—Limitation on Indebtedness*”.

“*Permitted Topco Liens*” means:

- (1) Liens securing the Topco Payment Undertaking;
- (2) Liens securing the Class B1 Loan;
- (3) Liens securing the Existing Class B1 Loan;
- (4) Liens securing any Additional Class B1 Facility;
- (5) Liens securing Indebtedness which ranks *pari passu* with the Class B1 Loan;
- (6) Liens securing Subordinated Indebtedness; *provided* that such Liens rank junior to the Liens securing the Class B1 Notes;
- (7) Liens on the Topco Security described in one or more of clauses (2), (3), (4), (5), (6), (7), (8), (9), (11), (17), (18), (20), (21), (23), (24), (30), (31), (35), (37) and (38) of the definition of Permitted Liens and, in each case, arising from operation of law or that would not materially interfere with the ability of the Obligor Security Trustee to enforce the Liens in the Topco Secured Property; and
- (8) any Refinancing Indebtedness in respect of Indebtedness referred to in the foregoing clauses (1) to (7).

“*Permitted Reorganisation*” means any Permitted Subsidiary Reorganisation or Permitted Parent Reorganisation.

“*Permitted Parent Reorganisation*” means a reorganisation transaction comprising the incorporation of a new direct Parent of Topco (“*New Holdco*”) and the transfer of the Capital Stock or receivables of Topco held by the Parent Obligor to New Holdco; *provided* that (1) New Holdco shall be a person organised and existing under a Permissible Jurisdiction; (2) New Holdco will acquire the Capital Stock and receivables of Topco held by the Parent Obligor and shall have entered into a confirmation deed or similar instrument confirming the first-priority pledge of such Capital Stock and receivables in favour of the Holders of Class B1 Notes and assuming all relevant obligations of the Parent Obligor under any Security Document and the STID and granting, if relevant, a first-priority pledge over any intercompany receivables payable by Topco to New Holdco, (3) Topco will provide to the Obligor Security Trustee an Officer’s Certificate confirming that no Default is continuing or would arise as a result of such Permitted Parent Reorganisation and (4) Topco will provide to the Obligor Security Trustee a certificate from the Board of Directors of New Holdco which confirms the solvency of New Holdco after giving effect to the Permitted Parent Reorganisation. Upon such Permitted Parent Reorganisation, the Parent Obligor shall be released from its obligations under the Finance Documents.

“*Permitted Subsidiary Reorganisation*” means any amalgamation, demerger, merger, voluntary liquidation, consolidation, reorganisation, winding up or corporate reconstruction involving Topco or any of its Restricted Subsidiaries and the assignment, transfer or assumption of intragroup receivables and payables among Topco and its Restricted Subsidiaries in connection therewith that is made on a solvent basis; *provided* that, after giving effect to such Permitted Subsidiary Reorganisation: (a) all of the business and assets of Topco or such Restricted Subsidiaries remain owned by Topco or its Restricted Subsidiaries, (b) any payments or assets distributed in connection with such Permitted Subsidiary Reorganisation remain within Topco and its Restricted Subsidiaries, (c) if any shares or other assets form part of the Collateral, substantially equivalent Liens must be granted over such shares or assets of the recipient such that they form part of the Collateral,

(d) Topco will provide to the Obligor Security Trustee an Officer's Certificate confirming that no Default is continuing or would arise as a result of such Permitted Subsidiary Reorganisation; and (e) Topco will provide to the Obligor Security Trustee a certificate from the Board of Directors of the relevant pledgor which confirms the solvency of the relevant pledgor after giving effect to the Permitted Subsidiary Reorganisation.

*"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.

*"Preferred Stock"*, as applied to the Capital Stock of any Person, means Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

*"Public Debt"* means any Indebtedness consisting of bonds, debentures, notes or other similar debt securities issued in (1) a public offering registered under the Securities Act or (2) a private placement to institutional investors that is underwritten for resale in accordance with Rule 144A or Regulation S under the Securities Act, whether or not it includes registration rights entitling the holders of such debt securities to registration thereof with the SEC for public resale.

*"Public Market"* means any time after:

- (1) an Equity Offering has been consummated; and
- (2) shares of common stock or other common equity interests of the IPO Entity having a market value in excess of £100 million on the date of such Equity Offering have been distributed pursuant to such Equity Offering.

*"Public Offering"* means any offering, including an Initial Public Offering, of shares of common stock or other common equity interests that are listed on an exchange or publicly offered (which shall include an offering pursuant to Rule 144A or Regulation S under the Securities Act to professional market investors or similar persons).

*"Purchase Money Obligations"* means any Indebtedness Incurred to finance or refinance the acquisition, leasing, construction or improvement of property (real or personal) or assets (including Capital Stock), and whether acquired through the direct acquisition of such property or assets or the acquisition of the Capital Stock of any Person owning such property or assets, or otherwise.

*"Qualified Receivables Financing"* means any Receivables Financing of a Receivables Subsidiary that meets the following conditions: (1) the Board of Directors or an Officer of Topco shall have determined in good faith that such Qualified Receivables Financing (including financing terms, covenants, termination events and other provisions) is in the aggregate economically fair and reasonable to Topco and the Receivables Subsidiary, (2) all sales of accounts receivable and related assets to the Receivables Subsidiary are made at fair market value, and (3) the financing terms, covenants, termination events and other provisions thereof shall be on market terms (as determined in good faith by the Board of Directors or an Officer of Topco) and may include Standard Securitization Undertakings.

The grant of a security interest in any accounts receivable of Topco or any of its Restricted Subsidiaries (other than a Receivables Subsidiary) to secure Indebtedness under a Credit Facility or Indebtedness in respect of the Class B1 Loan shall not be deemed a Qualified Receivables Financing.

*"Rating Agencies"* means S&P or, in the event that S&P no longer assigns a rating to Class B1 Notes, any other "nationally recognised statistical rating organization" within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the Exchange Act selected by Topco as a replacement agency.

*"Recalculated Class B1 FCFDSCR"* means, in respect of a Financial Covenant Test Date, the Class B1 FCF DSCR as at that date recalculated on the assumption that the aggregate principal balance under any Class A Authorised Credit Facility and the Class B1 Loan (on which Class B1 Total Debt Service Charges were calculated) was:

- (a) the actual aggregate balance of the amounts outstanding under any Class A Authorised Credit Facility and the Class B1 Loan; less
- (b) the Class B1 Specified Amount,

calculated (A) using the weighted average interest rate then applicable to any such Class A Authorised Credit Facility and the Class B1 Loan and (B) on the assumption that the principal balance of the amounts outstanding under any Class A Authorised Credit Facility and the Class B1 Loan had been reduced by an amount equal to the Class B1 Specified Amount as at the beginning of the relevant FCF DSCR Period.

*“Receivables Assets”* means any assets that are or will be the subject of a Qualified Receivables Financing.

*“Receivables Fees”* means distributions or payments made directly or by means of discounts with respect to any participation interest issued or sold in connection with, and other fees paid to a Person that is not a Restricted Subsidiary in connection with, any Receivables Financing.

*“Receivables Financing”* means any transaction or series of transactions that may be entered into by Topco or any of its Subsidiaries pursuant to which Topco or any of its Subsidiaries may sell, convey or otherwise transfer to (a) a Receivables Subsidiary (in the case of a transfer by Topco or any of its Subsidiaries), or (b) any other Person (in the case of a transfer by a Receivables Subsidiary), or may grant a security interest in, any accounts receivable (whether now existing or arising in the future) of Topco or any of its Subsidiaries, and any assets related thereto, including all collateral securing such accounts receivable, all contracts and all guarantees or other obligations in respect of such accounts receivable, proceeds of such accounts receivable and other assets which are customarily transferred or in respect of which security interest are customarily granted in connection with asset securitization transactions involving accounts receivable and any Hedging Obligations entered into by Topco or any such Subsidiary in connection with such accounts receivable.

*“Receivables Repurchase Obligation”* means any obligation of a seller of receivables in a Qualified Receivables Financing to repurchase receivables arising as a result of a breach of a representation, warranty or covenant or otherwise, including as a result of a receivable or portion thereof becoming subject to any asserted defense, dispute, off-set or counterclaim of any kind as a result of any action taken by, any failure to take action by or any other event relating to the seller.

*“Receivables Subsidiary”* means a Subsidiary of Topco (or another Person formed for the purposes of engaging in a Qualified Receivables Financing with Topco in which Topco or any Subsidiary of Topco makes an Investment and to which Topco or any Subsidiary of Topco transfers accounts receivable and related assets) which engages in no activities other than in connection with the financing of accounts receivable of Topco and its Subsidiaries, all proceeds thereof and all rights (contractual or other), collateral and other assets relating thereto, and any business or activities incidental or related to such business, and which is designated by the Board of Directors of Topco (as provided below) as a Receivables Subsidiary and:

- (1) no portion of the Indebtedness or any other obligations (contingent or otherwise) of which (i) is guaranteed by Topco or any other Restricted Subsidiary (excluding guarantees of obligations (other than the principal of, and interest on, Indebtedness) pursuant to Standard Securitization Undertakings), (ii) is subject to terms that are substantially equivalent in effect to a guarantee of any losses on securitised or sold receivables by Topco or any other Restricted Subsidiary, (iii) is recourse to or obligates Topco or any other Restricted Subsidiary in any way other than pursuant to Standard Securitization Undertakings, or (iv) subjects any property or asset of Topco or any other Restricted Subsidiary, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings;
- (2) with which neither Topco nor any other Restricted Subsidiary has any contract, agreement, arrangement or understanding other than on terms which Topco reasonably believes to be no less favourable to Topco or such Restricted Subsidiary than those that might be obtained at the time from Persons that are not Affiliates of Topco; and
- (3) to which neither Topco nor any other Restricted Subsidiary has any obligation to maintain or preserve such entity’s financial condition or cause such entity to achieve certain levels of operating results.

Any such designation by the Board of Directors of Topco shall be evidenced to the Obligor Security Trustee by filing with the Obligor Security Trustee a copy of the resolution of the Board of Directors of Topco giving effect to such designation and an Officer’s Certificate certifying that such designation complied with the foregoing conditions.

*“refinance”* means refinance, refund, replace, renew, repay, modify, restate, defer, substitute, supplement, reissue, resell, extend or increase (including pursuant to any defeasance or discharge mechanism) and the terms “refinances”, “refinanced” and “refinancing” as used for any purpose in the Class B1 IBLA 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 Issue Date or Incurred in compliance with the Class B1 IBLA (including Indebtedness of Topco that refinances Indebtedness of any

Restricted Subsidiary and Indebtedness of any Restricted Subsidiary that refinances Indebtedness of Topco 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 Class B1 Note Expected Maturity Date;
- (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);
- (3) if the Indebtedness being refinanced is expressly subordinated to the Class B1 Loan and Class B1 Notes, such Refinancing Indebtedness is subordinated to the Class B1 Loan and Class B1 Notes on terms at least as favourable to the Issuer or the Holders, as applicable, as those contained in the documentation governing the Indebtedness being refinanced,

*provided, however*, that Refinancing Indebtedness shall not include Indebtedness of Topco or a Restricted Subsidiary that refinances Indebtedness of an Unrestricted Subsidiary.

Refinancing Indebtedness in respect of any Credit Facility or any other Indebtedness may be Incurred 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, licence, capital, registration, business, customs, net worth, gross receipts, excise, occupancy, intangibles or similar Taxes (other than (x) Taxes measured by income and (y) withholding imposed on payments made by any Parent), required to be paid (*provided* such Taxes are in fact paid) by any Parent by virtue of its:

- (a) being incorporated or otherwise being established or having Capital Stock outstanding (but not by virtue of owning stock or other equity interests of any corporation or other entity other than, directly or indirectly, Topco or any of Topco’s Subsidiaries);
- (b) issuing or holding Subordinated Shareholder Funding;
- (c) being a holding company parent, directly or indirectly, of Topco or any of Topco’s Subsidiaries;
- (d) receiving dividends from or other distributions in respect of the Capital Stock of, directly or indirectly, Topco or any of Topco’s Subsidiaries; or
- (e) having made any payment with respect to any of the items for which Topco or any Restricted Subsidiary is permitted to make payments to any Parent pursuant to “—*Certain Covenants—Limitation on Class B1 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 Topco’s business or in that of the Restricted

Subsidiaries or any and all businesses that in the good faith judgment of the Board of Directors or any Officer of Topco are reasonably related.

“*Restricted Investment*” means any Investment other than a Permitted Investment.

“*Restricted Subsidiary*” means any Subsidiary of Topco other than an Unrestricted Subsidiary.

“*S&P*” means Standard & Poor’s Investors Ratings Services or any of its successors or assigns that is a Nationally Recognised Statistical Rating Organization.

“*SEC*” means the U.S. Securities and Exchange Commission.

“*Securities Act*” means the U.S. Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder, as amended.

“*Security Documents*” means the security agreements, pledge agreements, collateral assignments, and any other instrument and document executed and delivered pursuant to the Class B1 IBLA 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 Class B1 IBLA.

“*Senior Credit Facilities*” means any Class A Authorised Credit Facility.

“*Senior Indebtedness*” means, whether outstanding on the Issue Date or thereafter Incurred, all amounts payable by, under or in respect of all other Indebtedness of the Borrower, Topco or any Guarantor, including premiums and accrued and unpaid interest (including interest accruing on or after the filing of any petition in bankruptcy or for reorganization relating to the Borrower, Topco or such Guarantor at the rate specified in the documentation with respect thereto whether or not a claim for post filing interest is allowed in such proceeding) and fees relating thereto; *provided, however*, that Senior Indebtedness will not include:

- (1) any Indebtedness Incurred in violation of the Class B1 IBLA;
- (2) any obligation of the Borrower, Topco or any Guarantor to any Restricted Subsidiary;
- (3) any liability for taxes owed or owing by Topco or any Restricted Subsidiary;
- (4) any accounts payable or other liability to trade creditors arising in the ordinary course of business (including guarantees thereof or instruments evidencing such liabilities);
- (5) any Indebtedness, guarantee or obligation of the Borrower, Topco or any Guarantor that is expressly subordinated or junior in right of payment to any other Indebtedness, guarantee or obligation of the Borrower, Topco or such Guarantor; or
- (6) any Capital Stock.

“*Senior Term Facility Agreement*” means the senior term credit facility entered into on or about 6 May 2016 between, among others, the Borrower and the agent, arrangers and lenders thereunder.

“*Senior Secured Indebtedness*” means, with respect to any Person as of any date of determination, any Indebtedness for borrowed money that is secured by a first-priority Lien on the Collateral and is Incurred under the first paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*” or clauses (1), (4), (5), (11) or (13) of the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*” and any Refinancing Indebtedness in respect thereof.

“*Significant Subsidiary*” means any Restricted Subsidiary that meets any of the following conditions:

- (1) Topco’s and its Restricted Subsidiaries’ investments in and advances to the Restricted Subsidiary exceed 10% of the total assets of Topco and its Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year;



- (2) Topco's and its Restricted Subsidiaries' proportionate share of the total assets (after intercompany eliminations) of the Restricted Subsidiary exceeds 10% of the total assets of Topco and its Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year; or
- (3) Topco's and its Restricted Subsidiaries' proportionate share of the Consolidated EBITDA of the Restricted Subsidiary exceeds 10% of the Consolidated EBITDA of Topco and its Restricted Subsidiaries on a consolidated basis for the most recently completed fiscal year.

"*Similar Business*" means (a) any businesses, services or activities engaged in by Topco or any of its Subsidiaries or any Associates on the Issue Date and (b) any businesses, services and activities that are related, complementary, incidental, ancillary or similar to, or will enhance (in the reasonable opinion of Topco), any of the foregoing or are extensions or developments of any thereof.

"*Specified Class B1 Change of Control*" means the occurrence of any event that would constitute a Change of Control pursuant to the definition thereof; *provided* that within the period beginning on the earlier to occur of (x) a public announcement of such proposed Change of Control and (y) such Change of Control, and ending 60 days from and including such date, a downgrade of the then current rating of the relevant sub-class of Class B1 Notes has not occurred.

"*Standard Securitization Undertakings*" means representations, warranties, covenants, indemnities and guarantees of performance entered into by Topco or any Subsidiary of Topco which Topco has determined in good faith to be customary in a Receivables Financing, including those relating to the servicing of the assets of a Receivables Subsidiary, it being understood that any Receivables Repurchase Obligation shall be deemed to be a Standard Securitization Undertaking.

"*Stated Maturity*" means, with respect to any security, the date specified in such security as the fixed date on which the payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision, but shall not include any contingent obligations, including those described in "*Change of Control*" and the covenant under "*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 sterling, at any time of determination thereof by Topco, the amount of sterling obtained by converting such currency other than sterling involved in such computation into sterling at the spot rate for the purchase of sterling with the applicable currency other than sterling as published in The Financial Times in the "Currency Rates" section (or, if The Financial Times is no longer published, or if such information is no longer available in The Financial Times, such source as may be selected in good faith by Topco) on the date of such determination.

"*Subordinated Indebtedness*" means, with respect to any person, any Indebtedness (whether outstanding on the Issue Date or thereafter Incurred) which is expressly subordinated in right of payment to the Class B1 IBLA pursuant to a written agreement, it being understood that any Indebtedness outstanding with respect to the Class B1 Notes or Class B1 Loan shall not constitute Subordinated Indebtedness for purposes of the Class B1 IBLA.

"*Subordinated Shareholder Funding*" means, collectively, any funds provided to Topco or any Restricted Subsidiary 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 amortisation, redemption or other repayment of principal or any sinking fund payment prior to the first anniversary of the Class B1 Note Expected Maturity Date (other than through conversion or exchange of such funding into Capital Stock (other than Disqualified Stock) of Topco or any funding meeting the requirements of this definition) or the making of any such payment prior to the first anniversary of the Class B1 Note Expected Maturity Date is restricted by the STID or another intercreditor agreement;
- (2) does not require, prior to the first anniversary of the Class B1 Note Expected Maturity Date, 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 first anniversary of the Class B1 Note Expected Maturity Date is restricted by the STID;
- (3) contains no change of control or similar provisions and does not accelerate and has no right to declare a default or event of default or take any enforcement action or otherwise require any cash payment, in each case, prior to the first

anniversary of the Class B1 Note Expected Maturity Date 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 first anniversary of the Class B1 Note Expected Maturity Date is restricted by the STID;

- (4) does not provide for or require any security interest or encumbrance over any asset of Topco or any of its Subsidiaries; and
- (5) pursuant to its terms or to the STID or another intercreditor agreement, is fully subordinated and junior in right of payment to the Class B1 Loan and the Class B1 IBLA pursuant to subordination, payment blockage and enforcement limitation terms which are customary in all material respects for similar funding or are no less favourable in any material respect to Holders than those contained in the STID as in effect on the Issue Date with respect to the “Investor Funding Loan” (as defined therein).

“*Subsidiary*” means, with respect to any Person:

- (1) any corporation, association, or other business entity (other than a partnership, joint venture, limited liability company or similar entity) of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time of determination owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof; or
- (2) any partnership, joint venture, limited liability company or similar entity of which:
  - (a) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general or limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof whether in the form of membership, general, special or limited partnership interests or otherwise; and
  - (b) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

“*Successor Parent*” with respect to any Person means any other Person with more than 50% of the total voting power of the Voting Stock of which is, at the time the first Person becomes a Subsidiary of such other Person, “beneficially owned” (as defined below) by one or more Persons that “beneficially owned” (as defined below) more than 50% of the total voting power of the Voting Stock of the first Person immediately prior to the first Person becoming a Subsidiary of such other Person. For purposes hereof, “beneficially own” has the meaning correlative to the term “beneficial owner”, as such term is defined in Rules 13d-3 and 13d-5 under the Exchange Act (as in effect on the Issue Date).

“*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 its 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 Class B1 IBLA.

“*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) a Permissible Jurisdiction, (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 Topco 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 recognised by the United States of America 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 Recognised Statistical Rating Organization);
- (2) overnight bank deposits, and investments in time deposit accounts, certificates of deposit, bankers’ acceptances and money market deposits (or, with respect to foreign banks, similar instruments) maturing not more than one year after the date of acquisition thereof issued by:
  - (a) any lender under the Senior Term Facility Agreement, the Working Capital Facility or the Liquidity Facility;
  - (b) any institution authorised to operate as a bank in any of the countries or member states referred to in subclause (1)(a) above; or

- (c) any bank or trust company organised 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 Recognised 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 Topco 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 Recognised 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, a Permissible Jurisdiction 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 Recognised Statistical Rating Organization);
- (6) bills of exchange issued in the United States, Canada, a Permissible Jurisdiction, Switzerland, Norway or Japan eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialised equivalent);
- (7) any money market deposit accounts issued or offered by a commercial bank organised 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 Recognised 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, as amended.

“*Transactions*” means the actions, payments and distributions described in this Offering Memorandum under the caption “Use of Proceeds”.

“*U.S. GAAP*” means generally accepted accounting principles in the United States of America as in effect from time to time.

“*UK Government Securities*” means direct obligations of, or obligations guaranteed by, the United Kingdom, and the payment for which the United Kingdom pledges its full faith and credit.

“*Unrestricted Subsidiary*” means:

- (1) (a) any Subsidiary of Topco that at the time of determination is an Unrestricted Subsidiary (as designated by the Board of Directors of Topco in the manner provided below); and (b) any Subsidiary of an Unrestricted Subsidiary; and
- (2) notwithstanding the foregoing, any entity listed under Schedule 6 (List of Unrestricted Subsidiaries) of the Class B1 IBLA.

The Board of Directors of Topco may designate any Subsidiary of Topco (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, Topco or any other Subsidiary of Topco 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 Topco in such Subsidiary complies with “—*Certain Covenants—Limitation on Class B1 Restricted Payments*”.

Any such designation by the Board of Directors of Topco shall be evidenced to the Obligor Security Trustee by filing with the Obligor Security Trustee a copy of the resolution of the Board of Directors of Topco giving effect to such designation and an Officer’s Certificate certifying that such designation complies with the foregoing conditions.

The Board of Directors of Topco may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that immediately after giving effect to such designation (1) no Default, Share Enforcement Event or Class B1 Loan Event of Default would result therefrom and (2)(x) Topco could Incur at least £1.00 of additional Indebtedness under the first paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*” or (y) the Fixed Charge Coverage Ratio would not be less than it was immediately prior to giving effect to such designation, in each case, on a *pro forma* basis taking into account such designation. Any such designation by the Board of Directors shall be evidenced to the Obligor Security Trustee by promptly filing with the Obligor Security Trustee a copy of the resolution of the Board of Directors giving effect to such designation or an Officer’s Certificate certifying that such designation complied with the foregoing provisions.

“*Uniform Commercial Code*” means the New York Uniform Commercial Code.

“*Voting Stock*” of a Person means all classes of Capital Stock of such Person then outstanding and normally entitled to vote in the election of directors.

## BOOK-ENTRY, DELIVERY AND FORM

### General

The Class B1 Notes sold to qualified institutional buyers (“QIBs”) in reliance on Rule 144A will initially be represented by a global note in registered form without interest coupons attached (the “**Rule 144A Global Note**”). The Class B1 Notes sold to non-U.S. persons outside the United States in reliance on Regulation S will be represented by a global note in registered form without interest coupons attached (the “**Regulation S Global Note**” and, together with the Rule 144A Global Note, the “**Global Notes**”). The Global Notes will be deposited on the Class B1 Issue Date with a common depository and registered in the name of the nominee of the common depository for the accounts of Euroclear and Clearstream.

Ownership of interests in the Rule 144A Global Note (“**Rule 144A Book-Entry Interests**”) and ownership of interests in the Regulation S Global Note (the “**Regulation S Book-Entry Interests**” and, together with the Rule 144A Book-Entry Interests, the “**Book-Entry Interests**”) will be limited to persons that have accounts with Euroclear and/or Clearstream, or persons that hold interests through such participants.

Except under the limited circumstances described below, Book-Entry Interests will not be held in definitive form. Instead, Euroclear and/or Clearstream will credit on their respective book-entry registration and transfer systems a participant’s account with the interest beneficially owned by such participant.

Book-Entry Interests will be shown on, and transfers thereof will only be effected through, records maintained by Euroclear and Clearstream and their participants. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of such securities in definitive certificated form. The foregoing limitations may impair the ability to own, transfer or pledge Book-Entry Interests. In addition, while Class B1 Notes are in global form, owners of interest in the Global Notes will not have Class B1 Notes registered in their names, will not receive physical delivery of Class B1 Notes in certificated form and will not be considered the registered owners or “holder” of Class B1 Notes for any purpose (other than for certain tax purposes).

So long as the Class B1 Notes are held in global form, Euroclear and/or Clearstream, as applicable (or their respective nominees), as applicable, will be considered the sole holders of the Global Notes for all purposes under the Class B Note Trust Deed governing the Class B1 Notes. In addition, participants must rely on the procedures of Euroclear and/or Clearstream, and indirect participants must rely on the procedures of Euroclear, Clearstream and the participants through which they own Book-Entry Interests, to transfer their interests or to exercise any rights of holders under the Class B Note Trust Deed.

Book Entry Interests may only be transferred or exchanged in whole or in part in minimum denominations of £100,000 and integral multiples of £1,000 in excess thereof. For the purposes of the International Central Securities Depositories, the denomination of the Class B1 Notes will be considered as £1 and Euroclear and Clearstream will not be required to monitor or enforce the minimum denomination/tradable amount of £100,000. The holders of book entry interests in the Class B1 Notes will have the responsibility to monitor and adhere to the minimum denomination of £100,000 and multiples of £1,000 in excess thereof when trading/transferring book entry interests in the Class B1 Notes.

By acquiring a Class B1 Note (or interest therein), each purchaser and transferee (and if the purchaser is a Plan (as defined in “*Certain ERISA Considerations*”), its fiduciary) is deemed to represent, warrant and covenant (and will be required to represent, warrant and covenant in writing, in the case of an Approved Plan) that (a) either (1) it is not a Plan and is not acting on behalf of any Plan or (2)(i) it is an Approved Plan and (ii) its purchase and holding of the Class B1 Note (or any interest therein) will not (A) constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or (B) result in a violation of any Similar Law, and (b) it will not transfer the Class B1 Note (or interest therein) to any transferee that is a Plan or any person acting on behalf of any Plan.

To the extent permitted by law, the Issuer, the Class B Note Trustee, the Class B Principal Paying Agent, the Class B Transfer Agent and the Class B 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 Class B1 Notes.

Neither the Issuer nor the Class B Note Trustee will have any responsibility, or be liable, for any aspect of the records relating to the Book-Entry Interests.

## Redemption of Global Notes

In the event that any Global Note (or any portion thereof) is redeemed, Euroclear and/or Clearstream, as applicable, will distribute the amount received by it in respect of the Global Note so redeemed to the holders of the Book-Entry Interests in such Global Note. The redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by Euroclear and Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Issuer understands that, under the existing practices of Euroclear and Clearstream, if fewer than all the Class B1 Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or on such other basis as they deem fair and appropriate; *provided*, however, that no Book-Entry Interest of less than £100,000 principal amount may be redeemed in part.

## Payments on Global Notes

The Issuer will make payments of any amounts owing in respect of the Global Notes (including principal, premium, if any, and interest) to the common depositary or its nominee for Euroclear and Clearstream, which will distribute such payments to participants in accordance with their customary procedures. The Issuer will make payments of all such amounts without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law and as described under the caption "*Description of the Class B1 Notes—Taxes—Additional Amounts*". If any such deduction or withholding is required to be made, then, to the extent described under the caption "*Description of the Class B1 Notes—Taxes—Additional Amounts*", the Issuer will pay Additional Amounts as may be necessary in order that the net amounts received by any holder of the Global Notes or owner of Book-Entry Interests after such deduction or withholding will equal the net amounts that such holder or owner would have otherwise received in respect of such Global Note or Book-Entry Interest, as the case may be, absent such withholding or deduction. The Issuer expects that standing customer instructions and customary practices will govern payments by participants to owners of Book-Entry Interests held through such participants.

Under the terms of the Class B Note Trust Deed, the Issuer and the Class B Note Trustee will treat the registered holder of the Global Notes (e.g. Euroclear or Clearstream (or their respective nominees)) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Issuer, the Class B Note Trustee or any of their respective agents has or will have any responsibility or liability for (1) any aspect of the records of (or maintaining, supervising or reviewing the records of) Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest or 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, (2) Euroclear, Clearstream or any participant or indirect participant or (3) the records of the common depositary.

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 of Payment for the Global Notes

The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Global Notes will be paid to the holders of interest in such Class B1 Notes through Euroclear and/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 Class B1 Notes (including the presentation of Class B1 Notes for exchange as described herein) only at the direction of one or more participants to whose account the Book-Entry Interests are credited and only in respect of such portion of the aggregate principal amount of Class B1 Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes. However, if there is an event of default under the Class B Note Trust Deed, each of Euroclear and Clearstream reserves the right to exchange the Global Notes for definitive registered notes in certificated form ("**Definitive Registered Notes**") and to distribute Definitive Registered Notes to its participants.

## Transfers

Transfers between participants in Euroclear and Clearstream will be effected in accordance with Euroclear and Clearstream rules and will be settled in immediately available funds. If a holder requires physical delivery of Definitive Registered Notes

for any reason, including to sell Class B1 Notes to persons in jurisdictions that require physical delivery of securities or to pledge such Class B1 Notes, such holder must transfer its interests in the Global Notes in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the procedures set out in the Class B Note Trust Deed.

The Global Note for Rule 144A Book-Entry Interests will have a legend to the effect set out under “*Notice to Investors*”. Book-Entry Interests in the Global Notes will be subject to the restrictions on transfers and certification requirements discussed under “*Notice to Investors*”.

Transfers of Rule 144A Book-Entry Interests to persons wishing to take delivery of Rule 144A Book-Entry Interests will at all times be subject to such transfer restrictions.

Rule 144A Book-Entry Interests may be transferred to a person who takes delivery in the form of a Regulation S Book-Entry Interest only upon delivery by the transferor of a written certification (in the form provided in the Class B Note Trust Deed) to the effect that such transfer is being made in accordance with Regulation S or Rule 144A or any other exemption (if available) under the U.S. Securities Act.

Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of 144A Book-Entry Interests only upon delivery by the transferor of a written certification (in the form provided in the Class B Note Trust Deed) to the effect that such transfer is being made to a person who the transferor reasonably believes is a QIB 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 laws of any other jurisdiction. In connection with transfers involving an exchange of a Regulation S Book-Entry Interest for a Rule 144A Book-Entry Interest, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S Global Note and a corresponding increase in the principal amount of the Rule 144A Global Note.

Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in any other Global Note will, upon transfer, cease to be a Book-Entry Interest in the first mentioned Global Note and become a Book-Entry Interest in such other Global Note, and accordingly will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it remains such a Book-Entry Interest.

### **Definitive Registered Notes**

Under the terms of the Class B Note Trust Deed, owners of the Book-Entry Interests will receive Definitive Registered Notes:

- if the Issuer has been notified that Euroclear or Clearstream have been closed for business for a continuous period of 14 days (other than by reason of holiday, whether statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system satisfactory to the Class B Note Trustee is available; or
- if the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Class B1 Note represented by the Global Note in definitive form and a certificate to such effect is signed by two directors of the Issuer and has been given to the Class B Note Trustee.

In the case of the issue of Definitive Registered Notes, the holder of a Definitive Registered Note may transfer such Note by surrendering it to the Class B Registrar or Class B Transfer Agent. In the event of a partial transfer or a partial redemption of a holding of Definitive Registered Notes represented by one Definitive Registered Note, a Definitive Registered Note will be issued to the transferee in respect of the part transferred and a new Definitive Registered Note in respect of the balance of the holding not transferred or redeemed will be issued to the transferor or the holder, as applicable, *provided* that no Definitive Registered Note in a denomination less than £100,000 will be issued. The Issuer will bear the cost of preparing, printing, packaging and delivering the Definitive Registered Notes.

The Issuer will not be required to register the transfer or exchange of Definitive Registered Notes for a period of 15 calendar days preceding (i) the record date for any payment of interest on the Class B1 Notes, (ii) any date fixed for redemption of the Class B1 Notes or (iii) the date fixed for selection of the Class B1 Notes to be redeemed in part. Also, the Issuer is not required to register the transfer or exchange of any Class B1 Notes selected for redemption or which the holder has tendered (and not withdrawn) for purchase in connection with a change of control offer. In the event of the transfer of any Definitive Registered Note, the Class B Note Trustee may require a holder, among other things, to furnish appropriate endorsements and

transfer documents as described in the Class B Note Trust Deed. The Issuer may require a holder to pay any taxes and fees required by law and permitted by the Class B Note Trust Deed and the Class B1 Notes.

If Definitive Registered Notes are issued and a holder thereof claims that such Definitive Registered Note has been lost, destroyed or wrongfully taken, or if such Definitive Registered Note is mutilated and is surrendered to the Class B Registrar or at the office of the Class B Transfer Agent, the Issuer will issue and the Class B Registrar will authenticate a replacement Definitive Registered Note if the Class B Registrar's and the Issuer's requirements are met. The Issuer or the Class B Registrar may require a holder requesting replacement of a Definitive Registered Note to furnish an indemnity bond sufficient in the judgment of both to protect themselves, the Class B Registrar or the Class B Paying Agents appointed pursuant to the Class B Note Trust Deed from any loss which any of them may suffer if a Definitive Registered Note is replaced. The Issuer may charge for any expenses incurred by us in replacing a Definitive Registered Note.

In case any such mutilated, destroyed, lost or stolen Definitive Registered Note has become or is about to become due and payable, or is about to be redeemed or purchased by the Issuer pursuant to the provisions of the Class B Note Trust Deed, the Issuer, in its discretion, may, instead of issuing a new Definitive Registered Note, pay, redeem or purchase such Definitive Registered Note, as the case may be.

Definitive Registered Notes may be transferred and exchanged only after the transferor first delivers to the Class B Note Trustee a written certification (in the form provided in the Class B Note Trust Deed) to the effect that such transfer will comply with the transfer restrictions applicable to such Class B1 Notes. See "*Notice to Investors*".

### **Information Concerning Euroclear and Clearstream**

All Book-Entry Interests will be subject to the operations and procedures of Euroclear and Clearstream, as applicable. The Issuer provides the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of each settlement system are controlled by that settlement system and may be changed at any time. Neither the Issuer nor the Initial Purchasers are responsible for those operations or procedures and neither the Issuer nor the Initial Purchasers have any duty to update this summary.

The Issuer understands as follows with respect to Euroclear and Clearstream. Euroclear and Clearstream hold securities for participating organisations. They also facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide various services to their participants, including the safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organisations. Indirect access to Euroclear and Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Because Euroclear and Clearstream can only act on behalf of participants, who, in turn, act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledge such interest to persons or entities that do not participate in the Euroclear or Clearstream systems, or otherwise take actions in respect of such interest, may be limited by the lack of a definite certificate for that interest. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such persons may be limited. In addition, owners of beneficial interests through the Euroclear or Clearstream systems will receive distributions attributable to the 144A Global Notes only through Euroclear or Clearstream participants.

### **Global Clearance and Settlement under the Book-Entry System**

The Class B1 Notes represented by the Global Notes are expected to be listed on the Official List of the Irish Stock Exchange and admitted for trading on the Global Exchange Market of the Irish Stock Exchange. Transfers of interests in the Global Notes between participants in Euroclear and Clearstream will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Although Euroclear and Clearstream currently follow the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants in Euroclear or Clearstream, as the case may be, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or modified at any time. None of us, the Class B Note Trustee or the Class B Principal Paying Agent will have any responsibility for the performance by Euroclear or



Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

### **Initial Settlement**

Initial settlement for the Class B1 Notes will be made in pounds sterling. Book-Entry Interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional notes in registered form. Book-Entry Interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

### **Secondary Market Trading**

The Book-Entry Interests will trade through participants of Euroclear or Clearstream and will settle in same-day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book-Entry Interests where both the purchaser's and the seller's accounts are located to ensure that settlement can be made on the desired value date.

## TAXATION

If you are a prospective investor, you should consult your tax advisor on the possible tax consequences of buying, holding or selling any Class B1 Notes under the laws of your country of citizenship, residence or domicile, including the effect of any local taxes applicable to you. The discussions that follow do not purport to be a comprehensive description of all tax considerations which may be relevant to a decision to purchase, hold or sell the Class B1 Notes. In particular, these discussions do not consider any specific facts or circumstances that may apply to you. The discussions that follow for each jurisdiction are based upon the applicable laws and interpretations thereof as in effect as at the date of this Offering Memorandum. These tax laws and interpretations are subject to change, possibly with retroactive or retrospective effect.

### U.S. Taxation

#### *Certain United States Federal Income Tax Considerations*

The following discussion is a summary based on present law of certain U.S. federal income tax considerations relevant to the purchase, ownership and disposition of the Class B1 Notes. This discussion is not a complete description of all U.S. tax considerations relating to the purchase, ownership and disposition of the Class B1 Notes. It does not address the tax treatment of investors subject to special rules, such as banks, dealers, traders that elect to mark-to-market, insurance companies, investors liable for the alternative minimum tax, U.S. expatriates, tax-exempt entities or persons holding the Class B1 Notes as part of a hedge, straddle, conversion or other integrated financial transaction or holding the Class B1 Notes in connection with a permanent establishment outside of the United States. It also does not address U.S. federal taxes other than income tax (e.g., estate and gift taxes), U.S. state and local, or non-U.S. tax considerations.

For purposes of this discussion, a “**U.S. Holder**” is a beneficial owner that is, for U.S. federal income tax purposes, (i) a citizen or resident of the United States, (ii) a corporation or other business entity treated as a corporation created or organized under the laws of the United States, any state thereof or the District of Columbia, (iii) a trust subject to the control of a U.S. person and the primary supervision of a U.S. court or (iv) an estate the income of which is subject to U.S. federal income taxation regardless of its source.

The U.S. federal income tax treatment of a partner in a partnership (or other entity or arrangement treated as a partnership for U.S. federal income tax purposes) that acquires or holds Class B1 Notes generally will depend upon the status of the partner and the activities of the partnership. Partners in a partnership that acquires or holds Class B1 Notes should consult their own tax advisors regarding the specific tax consequences to them of the partnership acquiring, owning and disposing of the Class B1 Notes.

#### *Characterization of the Class B1 Notes*

Although the proper characterization of the Class B1 Notes for U.S. federal income tax purposes is not entirely free from doubt, the Issuer intends to treat the Class B1 Notes as indebtedness for U.S. federal income tax purposes. This characterization will be binding on all U.S. Holders unless the holder discloses on its U.S. federal income tax return that it is treating the Class B1 Notes in a manner inconsistent with the Issuer’s characterization. However, the Issuer’s characterization is not binding on the U.S. Internal Revenue Service (the “**IRS**”) or the courts, and no ruling is being requested or could be obtained from the IRS with respect to the proper characterization of the Class B1 Notes for U.S. federal income tax purposes. No assurance can be given that the IRS will not assert that the Class B1 Notes should be treated as equity interests in the Issuer rather than indebtedness nor that a court would not sustain that position if asserted. The following discussion assumes that the Class B1 Notes will be characterized as indebtedness for U.S. federal income tax purposes. Prospective purchasers of the Class B1 Notes should consult their own tax advisors regarding the consequences in the event that the Class B1 Notes are treated as equity for U.S. federal income tax purposes.

In general, if the amount or timing of any payment on a debt instrument is contingent and the contingency is neither remote nor incidental, the debt instrument could be subject to special rules that apply to contingent payment debt instruments (such debt instruments, “**CPDIs**”). If, however, a debt instrument provides for alternative payment schedules but, based on all the facts and circumstances as of its issue date, one of those payment schedules is significantly more likely than not to occur, the yield and maturity of the debt instrument are determined based on that payment schedule, and the debt instrument is not treated as a CPDI. Although the interest rate on the Class B1 Notes will step down if they are still outstanding after the Class B1 Note Expected Maturity Date and although the Class B1 Notes provide for a payment of additional interest in the event of a Change in Control, the Issuer has determined that it is significantly more likely than not that the Class B1 Notes will be redeemed on their Class B1 Note Expected Maturity Date and that there will not be a Change in Control prior to

redemption. Thus, the Issuer believes that it is significantly more likely than not that a payment schedule that does not include either (i) a step down in the rate of interest on the Class B1 Notes or (ii) a Change in Control resulting in a premium payment would occur and, thus intends to treat the Class B1 Notes, for purposes of determining their maturity and yield, as though they will be redeemed on the Class B1 Note Expected Maturity Date and thus as not providing for any such step down or premium. Moreover, the Issuer believes that the possibility of a Change in Control is a remote contingency. Accordingly, the Issuer intends to treat the Class B1 Notes for U.S. federal income tax purposes as maturing on the Class B1 Note Expected Maturity Date and as having a yield determined without regard to the step down in interest after that date and without regard to the possible payment in the event of a Change in Control, and thus as not CPDIs. The following discussion assumes that this position is correct. No opinion has been received and no rulings have been, or will be, sought from the IRS regarding the characterisation of the Class B1 Notes as not CPDIs and no assurance can be given that the IRS would not assert, or that a court would not uphold, a characterisation of the Class B1 Notes as CPDIs. The Issuer's treatment of the Class B1 Notes as not CPDIs will be binding on each U.S. Holder unless such holder discloses on its U.S. federal income tax return that it is treating the Class B1 Notes in a manner inconsistent with the Issuer's treatment. No assurance can be given that the IRS will not assert, or a court would not sustain, a position regarding the characterisation of the Class B1 Notes that is contrary to the Issuer's treatment. If the Class B1 Notes were to be treated as CPDIs, adverse consequences—including treatment of any gain on sale as ordinary income—could result for U.S. Holders of Class B1 Notes. If, contrary to expectations, the Class B1 Notes do not in fact mature on the Class B1 Note Expected Maturity Date, the Class B1 Notes would be treated as retired and reissued on that date for purposes of determining the accrual of original issue discount (“OID”) going forward. In addition, if contrary to expectations, a Change in Control event occurs and a premium payment is made, the premium payment would be treated as ordinary income taken into account at the time of payment (or, if the U.S. Holder uses an accrual method of accounting, when all events have occurred to fix the right to the payment). Prospective purchasers are urged to consult their tax advisors about the proper treatment of the Class B1 Notes, the consequences if the Class B1 Notes were to be treated as CPDIs in their particular circumstances and the consequences if the Class B1 Notes do not mature on the Class B1 Note Expected Maturity Date and thus are deemed retired and reissued for purposes of accruing OID.

### *Interest*

In general, any stated interest on a Class B1 Note that is considered “qualified stated interest” will be includible in the gross income of a U.S. Holder as ordinary interest income at the time it accrues or is received in accordance with the U.S. Holder's regular method of accounting for U.S. federal income tax purposes. In contrast, any stated interest that is not qualified stated interest will be subject to rules that generally require such interest to be accrued by a U.S. Holder as OID using the yield to maturity on the Class B1 Notes, regardless of such U.S. Holder's regular method of accounting for U.S. federal income tax purposes. Qualified stated interest generally is interest that is unconditionally payable at least annually at a single fixed rate or qualified floating rate. If payments of stated interest are permitted to be deferred, those payments generally are not qualified stated interest unless the possibility of deferral is remote. Because the Issuer has not determined that deferral of payments of stated interest on the Class B1 Notes is a remote possibility, the Issuer does not intend to treat any interest payable on the Class B1 Notes as qualified stated interest and, therefore, intends to treat all interest on the Class B1 Notes as OID, and the discussion below assumes that treatment is correct.

A U.S. Holder generally must include in income the sum of the “daily portions” of OID with respect to a Class B1 Note for each day during the taxable year or portion of the taxable year in which such holder held that Class B1 Note. The daily portion is determined by allocating to each day in any “accrual period” a pro rata portion of the OID allocable to that accrual period. The “accrual period” for a debt instrument issued with OID may be of any length and may vary in length over the term of the debt instrument, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs on the first day or the final day of an accrual period. OID for any accrual period will be determined in pounds sterling and then translated into U.S. dollars, as described below. The amount of OID allocable to any accrual period other than the final accrual period is an amount equal to the product of the Class B1 Note's “adjusted issue price” at the beginning of the accrual period and its yield to maturity, determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period. OID allocable to a final accrual period is the difference between the amount payable at maturity and the adjusted issue price at the beginning of the final accrual period. Special rules will apply for calculating OID for an initial short accrual period.

As explained above, the Issuer intends to treat the Class B1 Notes as maturing on the Class B1 Note Expected Maturity Date for purposes of determining their yield to maturity. Thus, if the Class B1 Notes are not issued at a discount to their stated principal amount, under this treatment their yield to maturity would be the stated interest rate in effect before the Class B1 Note Expected Maturity Date. The “**adjusted issue price**” of a note at the beginning of any accrual period is equal to its issue price increased by the accrued OID for each prior accrual period, and reduced by any payments previously made on the note.

The “**issue price**” of a note is the first price at which a substantial portion of the class of such note is sold to investors (other than bond houses, brokers or similar persons or persons or organisations acting in the capacity of underwriters, placement agents or wholesalers).

Assuming that all interest on the Class B1 Notes will be OID, a U.S. Holder (whether using the cash method or an accrual method of accounting) generally must include in income a U.S. dollar amount based on the average exchange rate of pounds sterling for dollars during the accrual period (or, for an accrual period that spans two taxable years, the partial accrual period within each taxable year). Upon receipt of a payment in pounds sterling (including, upon the sale, redemption or other disposition of a Class B1 Note, the receipt of proceeds which include accrued OID), U.S. Holders that have accrued OID will recognize exchange gain or loss equal to any difference between the U.S. dollar amount accrued and the U.S. dollar value of the payment received at the spot exchange rate on the date of receipt. Exchange gain or loss will be U.S. source ordinary income or loss.

Notwithstanding this general rule, however, a U.S. Holder accruing interest on the Class B1 Notes as OID may elect to translate accrued interest into U.S. dollars at the spot exchange rate on the last day of the accrual period (or, for an accrual period that spans two taxable years, in the case of the first partial period, the last day of the taxable year) or, with respect to interest received within five business days of the last day of an interest accrual period, the spot exchange rate on the date of receipt. Currency translation elections apply to all debt instruments that the electing U.S. Holder holds or acquires, and they cannot be revoked without the consent of the IRS.

For purposes of this discussion, the “**spot exchange rate**” generally means a rate that reflects a fair market rate of exchange available to the public for currency under a “spot contract” in a free market and involving representative amounts. A “**spot contract**” is a contract to buy or sell a currency other than the U.S. dollar on or before two business days following the date of the execution of the contract. If such a spot rate cannot be demonstrated, the IRS has the authority to determine the spot rate. The “**average rate**” for an accrual period (or partial period) is the average of the spot exchange rates for each business day of such period or other average exchange rate for the period reasonably derived and consistently applied by a U.S. Holder.

#### *Sale, Redemption or other Disposition*

A U.S. Holder generally will recognize gain or loss on the sale, redemption or other disposition of a Class B1 Note in an amount equal to the difference between the U.S. dollar value of the amount realized and the U.S. Holder’s adjusted tax basis in the Class B1 Note, determined in U.S. dollars. The U.S. dollar amount realized will be the value of the pounds sterling received at the spot exchange rate on the date of disposition (or, if the Class B1 Notes are traded on an established securities exchange and the holder is a cash basis or an electing accrual basis U.S. Holder, the settlement date). A U.S. Holder’s adjusted tax basis in a Class B1 Note generally will be the amount paid for the Class B1 Note, increased by the U.S. dollar amount of OID included in the U.S. Holder’s income with respect to the Class B1 Note and less the U.S. dollar value of any payments previously received by the holder. The amount paid for a Class B1 Note denominated in sterling will be the U.S. dollar value of the currency on the date of purchase (or, if the Class B1 Notes are traded on an established securities exchange and the U.S. Holder is a cash basis or an electing accrual basis holder, the settlement date) determined at the spot rate.

Gain or loss on disposition of a Class B1 Note generally will be U.S. source and will, except to the extent of any foreign currency exchange gain or loss, be capital gain or loss. A U.S. Holder generally will recognize foreign currency exchange gain or loss on disposition of a Class B1 Note equal to the difference between the U.S. dollar value of the principal amount of the Class B1 Note on the date of acquisition and the date of disposition. Foreign currency exchange gain or loss cannot exceed overall gain or loss realized on disposition of the Class B1 Note. Any capital gain or loss will be long-term capital gain or loss if the U.S. Holder has held the Class B1 Note for more than one year. The long-term capital gains of non-corporate U.S. Holders may be taxed at lower rates. Deductions for capital losses are subject to limitations.

#### *Foreign Currency Exchange Gain or Loss*

A U.S. Holder will have a tax basis in pounds sterling received as interest on the Notes equal to the U.S. dollar value of the pounds sterling received translated at the spot exchange rate on the date of receipt. A U.S. Holder will have a tax basis in pounds sterling received on the disposition of a Class B1 Note equal to the U.S. dollar value of the pounds sterling received on the settlement date. Any gain or loss realized by a U.S. Holder on a sale or other disposition of the pounds sterling generally will be U.S. source ordinary income or loss.

### *Medicare Tax on Net Investment Income*

Certain non-corporate U.S. Holders whose income exceeds certain thresholds generally will be subject to a 3.8 per cent. surtax tax on their “net investment income” (which generally includes, among other things, interest and capital gain from the sale or other disposition of securities such as the Class B1 Notes). Non-corporate U.S. Holders should consult their own tax advisors regarding the possible effect of such tax on their ownership and disposition of Class B1 Notes.

### *Reportable Transactions*

U.S. Treasury regulations meant to require the reporting of certain tax shelter transactions could be interpreted to cover transactions generally not regarded as tax shelters, including certain foreign currency transactions. Under these U.S. Treasury regulations, certain transactions are required to be reported to the IRS, including, in certain circumstances, a sale, exchange, retirement or other taxable disposition of a debt instrument or foreign currency received in respect of a debt instrument to the extent that such sale, exchange, retirement or other taxable disposition results in a tax loss in excess of \$50,000, in the case of an individual holder and certain higher threshold amounts in the case of other holders. Prospective investors should consult their own tax advisors about the possibility of becoming subject to the reportable transactions rules.

### *Information reporting and backup withholding*

Payments of interest (including accruals of OID) and proceeds from the sale, redemption or other disposition of a Class B1 Note may be reported to the IRS unless the holder is a corporation or otherwise establishes a basis for exemption. Backup withholding tax may apply to amounts subject to reporting if the holder fails to provide an accurate taxpayer identification number or fails to report all interest and dividends required to be shown on its U.S. federal income tax returns. A U.S. Holder can claim a credit against its U.S. federal income tax liability for the amount of any backup withholding tax and a refund of any excess. Prospective investors should consult their tax advisors as to their qualification for exemption from backup withholding and the procedure for establishing an exemption.

Certain non-corporate U.S. Holders are required to report information with respect to their investment in Class B1 Notes not held through an account with a financial institution to the IRS. Investors who fail to report required information could become subject to substantial penalties. Potential investors are encouraged to consult with their own tax advisors regarding the possible implications of these rules and any other reporting requirements on their investment in Class B1 Notes.

**THE DISCUSSION ABOVE IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE OF IMPORTANCE TO A PARTICULAR INVESTOR. EACH PROSPECTIVE INVESTOR IS URGED TO CONSULT ITS OWN TAX ADVISOR ABOUT THE TAX CONSEQUENCES TO IT OF AN INVESTMENT IN CLASS B1 NOTES IN LIGHT OF THE INVESTOR’S OWN CIRCUMSTANCES.**

### *Certain UK taxation considerations*

The following is a general description of certain UK tax considerations relating to the Class B1 Notes based on current law and practice in the UK. It does not purport to be a complete analysis of all tax considerations relating to the Class B1 Notes. It relates to the position of persons who are the absolute beneficial owners of Class B1 Notes and some aspects do not apply to certain classes of taxpayer (such as dealers and holders of the Class B1 Notes who are connected or associated with the Issuer for relevant tax purposes). Prospective holders of the Class B1 Notes who may be subject to tax in a jurisdiction other than the UK or who may be unsure as to their tax position should seek their own professional advice.

### *UK Withholding Tax on UK Source Interest*

The Class B1 Notes issued by the Issuer will constitute “quoted Eurobonds” within the meaning of section 987 of the Income Tax Act 2007 *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 Irish Stock Exchange has been designated as a recognised stock exchange for these purposes. The Issuer’s understanding of current HMRC practice is that the Class B1 Notes will be treated as listed on the Irish Stock Exchange if they are included in the Official List of the Irish Stock Exchange and are admitted to trading on the Global Exchange Market of the Irish Stock Exchange. While the Class B1 Notes are and continue to be quoted Eurobonds, payments of interest on the Class B1 Notes may be made without withholding or deduction for or on account of UK income tax.

In all cases falling outside the exemption described above, payments in respect of interest on the Class B1 Notes will be paid under deduction of UK income tax at the basic rate (currently 20 per cent.) subject to such relief as may be available under

the provisions of any applicable double taxation treaty or, in certain circumstances, where an exemption contained in section 930 of the Income Tax Act 2007 applies (including, in particular, an exemption for payments to certain UK companies).

#### ***Other Rules relating to UK Withholding Tax***

Where Class B1 Notes are to be, or may fall to be, redeemed at a premium, then any element of such premium may constitute a payment of interest. Payments of interest are subject to UK withholding tax and reporting requirements as outlined above.

Where interest has been paid under deduction of UK income tax, holders of the Class B1 Notes who are not resident in the UK may be able to recover all or part of the tax deducted if there is an appropriate provision in any applicable double taxation treaty.

The references to “interest” above mean “interest” as understood in UK 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 Class B1 Notes or any related documentation.

The above description of the UK withholding tax position assumes that there will be no substitution of the Issuer pursuant to Class B1 Condition 5.3 (*Optional redemption for taxation or other reasons*) of the Class B1 Notes and does not consider the tax consequences of any such substitution.

#### ***Stamp duty/stamp duty reserve tax***

No United Kingdom stamp duty or stamp duty reserve tax is payable on the issue of the Class B1 Notes, or on a transfer of, or agreement to transfer, any of the Class B1 Notes.

#### **The proposed financial transaction tax (“FTT”)**

On 14 February 2013, the European Commission published a proposal (the “**Commission’s Proposal**”) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (each, other than Estonia, a “**participating Member State**”). However, Estonia has ceased to participate.

The Commission’s Proposal has very broad scope and could, if introduced, apply to certain dealings in the Class B1 Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of the Class B1 Notes should, however, be exempt.

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 Class B1 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.

However, 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 Class B1 Notes are advised to seek their own professional advice in relation to the FTT.

#### **Foreign Account Tax Compliance Act**

Pursuant to Sections 1471 through 1474 of the Code (provisions commonly known as “**FATCA**”), a “foreign financial institution” may be required to withhold U.S. tax on certain passthru payments made after December 31, 2016 to the extent such payments are treated as attributable to certain U.S. source payments. Obligations issued on or prior to the date that is six months after the date on which applicable final regulations defining foreign passthru payments are filed generally would be “grandfathered” unless materially modified after such date. Accordingly, if the Issuer is treated as a foreign financial institution, FATCA would apply to payments on the Class B1 Notes only if there is a significant modification of the Class B1 Notes for U.S. federal income tax purposes after the expiration of this grandfathering period. However, if Further Class B1 Notes are issued after the expiration of the grandfather period, have the same CUSIP or ISIN as the original Class B1 Notes issued hereby and are subject to withholding under FATCA, then withholding agents may treat all notes in such series,

including the original Class B1 Notes issued hereby, as subject to withholding under FATCA. Non-U.S. governments have entered into agreements with the United States (and additional non-U.S. governments are expected to enter into such agreements) to implement FATCA in a manner that alters the rules described herein. Holders should consult their own tax advisors on how these rules may apply to their investment in the Class B1 Notes. In the event any withholding under FATCA is imposed with respect to any payments on the Class B1 Notes, there will be no additional amounts payable to compensate for the withheld amount.

## CERTAIN ERISA CONSIDERATIONS

The following is a summary of certain considerations associated with the purchase and holding of Class B1 Notes by (i) “employee benefit plans” that are subject to Title I of the Employee Retirement Income Security Act of 1974, as amended (“**ERISA**”), (ii) “plans” (including individual retirement accounts) as defined in and subject to Section 4975 of the Code, (iii) any plan, account or arrangement (including, without limitation, governmental, church and non-U.S. plans) that, while not subject to Title I of ERISA or Section 4975 of the Code, is subject to other federal, state, local or non-U.S. laws or regulations that are substantially similar to the foregoing provisions of ERISA and the Code (“**Similar Laws**”), and (iv) entities whose underlying assets are considered to include “plan assets” (within the meaning of ERISA or Similar Law) of any such plans, accounts and arrangements described in (i), (ii), (iii) or (iv) (each, a “**Plan**”). This summary is general in nature and is not intended to be all-inclusive. Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries, or other persons considering purchasing the Class B1 Notes on behalf of, or with the assets of, any Plan, consult with their own counsel to determine whether such Plan is subject to Title I of ERISA, Section 4975 of the Code or any other Similar Law, in which case you may be prohibited from purchasing, acquiring or holding the Class B1 Notes.

In analysing these considerations with your own counsel, prospective purchasers of the Class B1 Notes should consider, among other things, the discussion under “*Taxation*”. While such discussion assumes the Class B1 Notes will be treated as debt for U.S. federal income tax purposes, such characterisation is not entirely clear, and no assurances can be given that the IRS would not assert, or that a court would not uphold, a different characterisation of the Class B1 Notes.

None of the Issuer, the Sponsor, the Registrars, the Issuer Security Trustee, any Initial Purchasers of the Class B1 Notes nor any of their respective affiliates (collectively, the “**Transaction Parties**”) is undertaking to provide impartial investment advice, or to give advice in a fiduciary capacity, in connection with the acquisition of any of the Class B1 Notes by any Plan.

### General Fiduciary Considerations

ERISA and the Code impose certain duties on persons who are fiduciaries of a Plan subject to Title I of ERISA or Section 4975 of the Code (an “**ERISA Plan**”) and prohibit certain transactions involving the assets of an ERISA Plan and its fiduciaries or other interested parties. Under ERISA and the Code, any person who exercises any discretionary authority or control over the administration of such an ERISA Plan or the management or disposition of the assets of such an ERISA Plan, or who renders investment advice for a fee or other compensation, direct or indirect, to such an ERISA Plan, is generally considered to be a fiduciary of the ERISA Plan.

When considering an investment in the Class B1 Notes of a portion of the assets of any Plan, a fiduciary should determine whether the investment is in accordance with the documents and instruments governing the Plan and the applicable provisions of ERISA, the Code or any other Similar Law relating to the fiduciary’s duties to the Plan including, without limitation, the prudence, diversification, delegation of control and prohibited transaction provisions of ERISA, the Code and any other Similar Law.

### Prohibited Transaction Considerations

Section 406 of ERISA and Section 4975 of the Code prohibit ERISA Plans from engaging in specified transactions involving plan assets with persons or entities who are “parties in interest”, within the meaning of Section 3(14) of ERISA, or “disqualified persons”, within the meaning of Section 4975 of the Code, unless a statutory or administrative exemption or exception is applicable to the transaction. A party in interest or disqualified person who engages in a non-exempt prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code.

The acquisition or holding of the Class B1 Notes by an ERISA Plan with respect to which the Issuer, RAC and any of its affiliates are considered a party in interest or a disqualified person may constitute or result in a direct or indirect prohibited transaction under Section 406 of ERISA and/or Section 4975 of the Code, unless the investment is acquired and is held in accordance with an applicable statutory or administrative exemption or exception. In this regard, the U.S. Department of Labor (the “**DOL**”) has issued prohibited transaction class exemptions (“**PTCEs**”) that may apply to the acquisition and holding of the Class B1 Notes. These exemptions include, without limitation, PTCE 91-38 (relating to investments by bank collective investment funds), PTCE 84-14 (relating to transactions effected by an “independent qualified professional asset manager”), PTCE 95-60 (relating to investments by an insurance company general account), PTCE 96-23 (relating to transactions directed by an in-house asset manager) and PTCE 90-1 (relating to investments by insurance company pooled



separate accounts). In addition, Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code could provide relief from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code for certain transactions between an ERISA Plan and non-fiduciary service providers to the ERISA Plan; *provided* that neither the issuer of the securities nor any of its affiliates (directly or indirectly) have or exercise any discretionary authority or control or render any investment advice with respect to the assets of any ERISA Plan involved in the transaction and *provided* further that the ERISA Plan pays no more than adequate consideration in connection with the transaction. There can be no assurance that any of the PTCEs or any other exemption or exception will be available with respect to any particular transaction involving the Class B1 Notes, or that, if any of the PTCEs or another exemption or exception is available, it will cover all aspects of any particular transaction.

Because of the foregoing, the Class B1 Notes should not be purchased, transferred to, held by or disposed of by any Plan or any person acting on behalf of any Plan, unless (i) such Plan or person has obtained the written approval of the Issuer to subscribe for and purchase the Class B1 Notes in the offering directly from the Initial Purchasers (an “**Approved Plan**”) and (ii) such purchase, transfer, holding or disposition, as applicable, would not constitute or result in a non-exempt prohibited transaction under ERISA, the Code or any other Similar Law.

### **Plan Asset Considerations**

Regulations promulgated under ERISA by the DOL, as modified by Section 3(42) of ERISA (together, the “**Plan Asset Regulations**”), provide that when an ERISA Plan acquires an “equity interest” in an entity that is neither a “publicly offered security” nor a security issued by an investment company registered under the Investment Company Act, the ERISA Plan’s assets include both the equity interest and an undivided interest in each of the underlying assets of the entity unless it is established either that equity participation in the entity by “benefit plan investors” is not “significant” or that the entity is an “operating company”, in each case as defined in the Plan Asset Regulations. For purposes of the Plan Asset Regulations, equity participation in an entity by benefit plan investors will not be significant if benefit plan investors hold, in the aggregate, less than 25 per cent. of the value of each class of equity interests of such entity, excluding equity interests held by any person (other than a benefit plan investor) who has discretionary authority or control with respect to the assets of the entity or who provides investment advice for a fee (direct or indirect) with respect to such assets, and any affiliates of such person. For purposes of this 25 per cent. test, “benefit plan investors” include ERISA Plans, “plans” (as defined in and subject to Section 4975 of the Code), and any entity whose underlying assets include, or are deemed for purposes of ERISA or the Code to include, their “plan assets” by reason of such plan’s investment in the entity under the Plan Asset Regulations, but exclude governmental and non- U.S. plans.

While the discussion under “*Taxation*” assumes the Class B1 Notes will be treated as debt for U.S. federal income tax purposes, such characterisation is not entirely clear, and no assurances can be given that the IRS would not assert, or that a court would not uphold, a different characterisation of the Class B1 Notes. In addition, it is anticipated that (i) the Class B1 Notes will not constitute “publicly offered securities” for purposes of the Plan Asset Regulations and (ii) the Issuer will not be an investment company registered under the Investment Company Act.

If the Issuer’s assets were deemed to be “plan assets” of an ERISA Plan holding the Class B1 Notes, this would result in, among other things, (i) the application of the prudence and other fiduciary responsibility standards of ERISA to investments made by the Issuer, and (ii) the possibility that 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 Section 406 of ERISA and/or Section 4975 of the Code and might have to be rescinded.

Because of the foregoing, the Class B1 Notes may not be purchased by, transferred to held by or disposed of by any Plan or any person acting on behalf of any Plan, unless such Plan is an Approved Plan and such purchase, transfer, holding or disposition, as applicable, of the Class B1 Notes would not constitute or result in a non-exempt prohibited transaction under ERISA, the Code or any other Similar Law. In no case, however, shall benefit plan investors be authorised by the Issuer to subscribe for and purchase, in the aggregate, 25 per cent. or more of any class of equity interests of the Issuer. Any purported purchase, transfer, holding or disposition in violation of these limitations will be void. If such purchase, transfer, holding or disposition is not treated as being void for any reason, the Class B1 Notes will automatically be transferred to a charitable trust for the benefit of a charitable beneficiary and the Plan will acquire no right in the Class B1 Notes.

### **Representations**

Accordingly, each purchaser and holder of the Class B1 Notes (or any interest therein) will be deemed to have represented (and will be required to represent in writing, in the case of an Approved Plan) that (A) either (i) it is not a Plan and is not

acting on behalf of any Plan, or (ii) (1) it is an Approved Plan, and (2) its purchase, transfer, holding and disposition of the Class B1 Notes (or any interest therein) will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or under any other Similar Law for which an exemption is not available, and (B) it will not transfer the Class B1 Notes to any transferee that is a Plan or any person acting on behalf of any Plan. In addition, if a Plan is permitted to purchase Class B1 Notes, such Plan or a fiduciary purchasing the Class B1 Notes on behalf of such Plan (a “**Plan Fiduciary**”), should consider the impact of the new Department of Labor regulations promulgated at 29 C.F.R. Section 2510.3-21 on April 8, 2016 (81 Fed. Reg. 20,997) (the “**Fiduciary Rule**”). If a Plan is permitted to purchase Class B1 Notes, such Plan purchaser of the Class B1 Notes, including any Plan Fiduciary will be deemed to have represented by its purchase of the Class B1 Notes that: (1) none of the Transaction Parties has provided or will provide advice with respect to the acquisition of the Class B1 Notes by the Plan and the Plan Fiduciary that is independent of the Transaction Parties either: (a) is a bank as defined in Section 202 of the Investment Advisers Act of 1940 (the “**Advisers Act**”), or similar institution that is regulated and supervised and subject to periodic examination by a state or federal agency; (b) is an insurance carrier which is qualified under the laws of more than one state to perform the services of managing, acquiring or disposing of assets of a Plan; (c) is an investment adviser registered under the Advisers Act, or, if not registered as an investment adviser under the Advisers Act by reason of paragraph (1) of Section 203A of the Advisers Act, is registered as an investment adviser under the laws of the state in which it maintains its principal office and place of business; (d) is a broker-dealer registered under the Securities Exchange Act of 1934, as amended; or (e) has, and at all times that the Plan is invested in the Class B1 Notes will have, total assets of at least U.S. \$50,000,000 under its management or control (*provided* that this clause (e) shall not be satisfied if the Plan Fiduciary is either (i) the owner or a relative of the owner of an investing individual retirement account or (ii) a participant or beneficiary of the Plan investing in the Class B1 Notes in such capacity); (2) the Plan Fiduciary is capable of evaluating investment risks independently, both in general and with respect to particular transactions and investment strategies, including without limitation the acquisition by the Plan of the Class B1 Notes; (3) the Plan Fiduciary is a “fiduciary” with respect to the Plan within the meaning of Section 3(21) of ERISA, Section 4975 of the Code, or both, and is independent of the Transaction Parties for purposes of the Fiduciary Rule and responsible for exercising independent judgment in evaluating the Plan’s acquisition of the Class B1 Notes; (4) none of the Transaction Parties has exercised any authority to cause the Plan to invest in the Class B1 Notes or to negotiate the terms of the Plan’s investment in the Class B1 Notes; and (5) the Plan Fiduciary has been informed by the Transaction Parties: (a) that none of the Transaction Parties has undertaken or will undertake to provide impartial investment advice or has given or will give advice in a fiduciary capacity in connection with the Plan’s acquisition of the Class B1 Notes; and (b) of the existence and nature of the Transaction Parties’ fees, compensation arrangements and/or financial interests in the Plan’s acquisition of the Class B1 Notes. The above representations in this paragraph are intended to comply with the Fiduciary Rule. If the Fiduciary Rule is revoked, repealed or no longer effective, these representations shall be deemed to not be in effect.

Any purported purchase, transfer, holding or disposition in violation of these representations will be void. If such purchase, transfer, holding or disposition is not treated as being void for any reason, the Class B1 Notes will automatically be transferred to a charitable trust for the benefit of a charitable beneficiary and the purported holder will acquire no right in the Class B1 Notes.

This Offering Memorandum is not directed to any particular purchaser, nor does it address the needs of any particular purchaser. None of the Transaction Parties or any of their affiliates will provide any advice or recommendation with respect to the management of any interests in Class B1 Notes or the advisability of acquiring, holding, disposing or exchanging of any such interest.

## LIMITATION ON VALIDITY AND ENFORCEABILITY OF THE SECURITY INTERESTS

Set out below is a summary of certain limitations on the enforceability of the security interests in each of the jurisdictions in which collateral is being provided in connection with the Topco Security, the Class B1 Loan, the Class A Loans, the Initial STF Facility, the Initial WC Facility, certain hedging arrangements and pension liabilities. It is a summary only, and bankruptcy or insolvency proceedings or a similar event could be initiated in any of these jurisdictions and in the jurisdiction of incorporation of a future Obligor of the Class B1 Loan. The application of these various laws in multiple jurisdictions could trigger disputes over which jurisdiction's law should apply and could adversely affect your ability to enforce your rights and to collect payment in full under the Class B1 Notes and the security interests in connection with the Topco Security.

### European Union

All of the Obligors are incorporated under the laws of Member States of the European Union.

Pursuant to Council Regulation (EC) no. 2015/848 on insolvency proceedings (the “**EU Insolvency Regulation**”), which applies within the European Union (other than Denmark and other than in respect of certain insurance, credit institution and investment undertakings) in respect of insolvencies which commence on or after 26 June 2017, the courts of the Member State in which a company's “centre of main interests” (as that term is used in Article 3(1) of the EU Insolvency Regulation) is situated have jurisdiction to open main insolvency proceedings. The determination of where a company has its centre of main interests is a question of fact on which the courts of the different Member States may have differing and even conflicting views.

The term “centre of main interests” is not a static concept and may change from time to time but is determined for the purposes of deciding which courts have competent jurisdiction to open insolvency proceedings at the time of the filing of the insolvency application. In the case of a company or legal person, the centre of main interests is presumed to be located in the country of the registered office in the absence of proof to the contrary. That presumption shall only apply if the registered office has not been moved to another EU member state within the three-month period prior to the request for the opening of insolvency proceedings. Specifically, the presumption of the centre of main interests being at the place of the registered office should be rebuttable if the company's central administration is located in an EU member state other than the one where it has its registered office, and where a comprehensive assessment of all the relevant factors establishes, in a manner that is ascertainable by third parties, that the company's actual centre of management and supervision and the centre of the management of its interests is located in that other EU member state. The courts have taken into consideration a number of factors in determining the centre of main interests of a company, including in particular where board meetings are held, the location where the company conducts the majority of its business or has its head office and the location where the majority of the company's creditors are established.

If the centre of main interests of a company, at the time an insolvency application is made, is located in an EU member state (other than Denmark), only the courts of that EU member state have jurisdiction to open “main insolvency proceedings” in respect of that company under the EU Insolvency Regulation. The types of insolvency proceedings which may be opened as main proceedings in the relevant jurisdiction are listed in Annex A to the EU Insolvency Regulation.

If the centre of main interests of a company 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) may have jurisdiction to open secondary and territorial insolvency proceedings against that company only if such company has an “establishment” (within the meaning and as defined in Article 2(10) of the EU Insolvency Regulation) in the territory of such other EU member state. Secondary proceedings may be any insolvency proceeding listed in Annex A of the Insolvency Regulation. Territorial proceedings are insolvency proceedings which are commenced prior to the opening of main proceedings. Territorial insolvency proceedings can be opened in another Member State where the company has an establishment only where either: (a) insolvency proceedings cannot be opened in the Member State in which the company's centre of main interests is situated as a result of conditions laid down by that Member State's law; or (b) the territorial insolvency proceedings are opened at the request of either a creditor whose claim arises from or is in connection with the operation of that establishment or a public authority which has the right to request the opening of such proceedings. An “establishment” is defined to mean any place of operations where the company carries out or has carried out in the three-month period prior to the request to open main insolvency proceedings a non-transitory economic activity with human means and assets. The effects of those secondary or territorial proceedings opened in that other EU member state are restricted to the assets of the company which are situated in such other EU member state.

The courts of all Member States (other than Denmark) must recognise the judgment of the court opening main proceedings and, subject to any exceptions provided for in the EU Insolvency Regulation, that judgment will be given the same effect in the other Member States so long as no secondary proceedings have been opened there. The insolvency officeholder appointed by a court in a Member State that has jurisdiction to open main proceedings (because the company's centre of main interests is there) may exercise the powers conferred on him by the law of that Member State in another Member State (such as to remove assets of the company from that other Member State), subject to certain limitations, so long as no insolvency proceedings have been opened in that other Member State or any preservation measure taken to the contrary further to a request to open insolvency proceedings in that other Member State where the company has assets.

It remains to be seen what impact the recent vote by the United Kingdom to leave the EU will have on the regulatory environment in the EU and the United Kingdom, and on the applicability of EU law in the United Kingdom.

## **England and Wales**

A number of the Obligors are companies incorporated under the laws of England and Wales. Therefore, any main insolvency proceedings in respect of an English Obligor would likely be commenced in England and conducted in accordance with the requirements of English insolvency laws. However, pursuant to the EU Insolvency Regulation, where an English company conducts business in another member state of the European Union, the jurisdiction of the English courts may be limited if the company's "centre of main interests" is found to be in another Member State (please see "*—European Union*"). There are a number of factors that are taken into account to ascertain the centre of main interests. The centre of main interests should correspond to the place where the company conducts the administration of its interests on a regular basis and is therefore ascertainable by third parties. The place of the registered office of the company is presumed to be the centre of main interests in the absence of proof to the contrary. The point at which this issue falls to be determined is at the time that the relevant insolvency proceedings are opened.

Similarly, the Cross-Border Insolvency Regulations 2006, which implement the UNCITRAL Model Law on Cross Border Insolvency in the United Kingdom, provide that a foreign (i.e. non European) court may have jurisdiction where an English Company has its centre of main interests in such foreign jurisdiction, or where it has an "establishment".

Formal insolvency proceedings under the laws of England and Wales may be initiated in a number of ways, including by the company or a creditor making an application for administration in court, the company or the holder of a "qualifying floating charge" (discussed below) appointing administrators 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 amongst other grounds 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 (see below). 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 deemed 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). Such insolvency is presumed if, among other matters, the company fails either to satisfy a creditor's statutory demand for a debt exceeding £750 or to satisfy in full a judgment debt (or similar court order).

## ***Fixed and floating charges***

There are a number of ways in which fixed charge security has an advantage over floating charge security: (a) an administrator appointed to a charging company can convert floating charge assets to cash and use such cash, or use cash subject to a floating charge, to meet certain 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, even if created after the date of a floating charge, may have priority as against the floating charge over the charged assets (*provided* that the floating charge has not crystallised at the time the fixed charge was granted); (c) general costs and expenses (including the insolvency officeholder's remuneration) properly incurred in a winding up or administration are payable out of the company's assets (including the assets that are the subject of the floating charge) in priority to floating charge claims; (d) until the floating charge security crystallises, a company is entitled to deal with assets that are subject to floating charge security in the ordinary course of business, meaning that such assets can be effectively disposed of by the charging company so as to give a third party good title to the assets free of the floating charge and so as to give rise to the risk of security being granted over such assets in priority to the floating charge security; (e) floating charge security is subject to certain challenges under English insolvency law (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) and to ring-fencing for unsecured creditors (see "*—Administration, administrative receivership and floating*").

*charges*”); and (g) an administrator may dispose of or take action relating to property subject to a floating charge without the prior permission of the charge holder or court but the floating charge holder retains the same priority in respect of the acquired property as he had in respect of the property disposed of. An administrator may deal with property subject to a fixed charge with the permission of the court (or the consent of the charge holder) on the condition that there be applied towards discharging the sum secured by the security: (a) the net proceeds of disposal of the property; and (b) any additional money required to be added to the net proceeds so as to produce the amount determined by the court as the net amount which would be realized on a sale of the property at market value.

Under English law there is a possibility that a court could recharacterise fixed security interests purported to be created by a security document as floating charges; the description given to security interests by the parties is not determinative. Whether security interests labelled as fixed will be upheld as fixed security interests rather than floating security interests will depend on, among other things, whether the chargee has the requisite degree of control over the relevant chargor’s ability to deal in the relevant assets and the proceeds thereof and, if so, whether such control is exercised by the chargee in practice. Where the chargor is free to deal with the secured assets without the consent of the chargee prior to crystallisation, the court is likely to hold that the security interest in question constitutes a floating charge, notwithstanding that it may be described as a fixed charge in the security documents.

### ***Administration, administrative receivership and floating charges***

The relevant English insolvency statute empowers English courts to make an administration order in respect of an English company or a company with its “centre of main interests” in England in certain circumstances. An administrator can also be appointed out of court by the company, its directors or the holder of a qualifying floating charge (*provided* that the floating charge has become enforceable) and different procedures apply according to the identity of the appointor. Regardless of how an administrator is appointed, the administrator will need to consent to act as administrator and to state that, in his or her opinion, one of the following statutory objectives can be satisfied (the second objective can only be considered if the first objective cannot be satisfied and similarly for the third objective): (i) to rescue the company as a going concern; (ii) to achieve a better result for creditors as a whole than would be likely if the company were wound up without first being in administration; or (iii) to realise property to make a distribution to one or more secured or preferential creditors. During the administration, in general no proceedings or other legal process may be commenced or continued against the company in administration, or security enforced over that company’s property, except with leave of the court or the consent of the administrator. Certain creditors of a company in administration may be able to realise their security over that company’s property notwithstanding the statutory moratorium. This is by virtue of the disapplication of the administration moratorium in relation to a “security financial collateral agreement” (generally, a charge over cash or financial instruments such as shares, bonds or tradable capital market debt instruments) under the Financial Collateral Arrangements (No. 2) Regulations 2003, as amended (the “**Financial Collateral Regulations**”). If an English Obligor were to enter into administration, it is likely that the security granted by it or the Guarantee granted by it may not be enforced while it is in administration (although, subject to the qualifications below on invalidity of certain security and on the operation of floating charges, the administration must still account to security holders for the realisation of secured assets). In addition, other than in limited circumstances, no administrative receiver can be appointed by a secured creditor in preference to an administrator, and any already appointed receiver must resign if requested to do so by the administrator. Where the company is already in administration no other receiver may be appointed.

An administration does not itself terminate any contracts and, unlike a liquidator, an administrator does not have the power to disclaim or terminate contracts (although he or she can choose to breach a contract if he or she considers it to be in the best interests of the creditors as a whole, in which case the resulting damages will rank as an unsecured debt). Conversely, contractual terms providing for automatic termination or a right of termination by the counterparty upon the occurrence of an insolvency event (such as administration) will generally be enforceable as they are not considered to be against public policy as a matter of English law. However, there are exceptions to this general approach, most notably in the context of contractual supplies of services which the legislature has considered to be essential. As at 1 October 2015, counterparties may not terminate these contracts (or the supplies they govern) simply because the company enters administration, except with the consent of the administrator or the permission of the court.

In order to empower the Obligor Security Trustee to appoint an administrative receiver or an administrator to the company, the floating charge granted by the relevant English Obligor must constitute a “qualifying floating charge” for the purposes of the Insolvency Act and, in the case of the ability to appoint an administrative receiver, the qualifying floating charge must, unless the security document pre-dates 15 September 2003, fall within one of the exceptions in the Insolvency Act 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 Obligor Security Trustee will be the holder of a qualifying floating charge if such floating charge security, together (if necessary) with the fixed charge security interests, relates to the whole or substantially the whole of the relevant English Obligor's property and at least one such security interest is a qualifying floating charge. 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 will apply if an English Obligor creates a debt of at least £50 million for the relevant company during the life of the arrangement and the arrangement involves the issue of a "capital markets investment" (which is defined more particularly in the Insolvency Act, but is generally a rated, listed or traded debt instrument). An administrator, receiver (including administrative receiver) or liquidator of the company will be required to ring-fence a certain percentage of the proceeds of enforcement of floating charge security (after making full provision for preferential creditors and expenses out of floating charge realisations) for the benefit of unsecured creditors. Under current law, this applies to 50 per cent. of the first £10,000 of floating charge realisations and 20 per cent. of the remainder over £10,000, with a maximum aggregate cap to the ring-fenced fund of £600,000. Whether the assets that are subject to the floating charges and other security will constitute substantially the whole of the relevant English Obligor's assets at the time that the floating charges are enforced will be a question of fact at that time.

### ***Liquidation/winding-up***

Liquidation is a terminal procedure under which the assets of the company are realised and distributed by the liquidator to creditors in the statutory order of priority prescribed by the Insolvency Act. There are two forms of winding-up: (a) compulsory liquidation, by order of the court; and (b) voluntary liquidation, by resolution of the company's members (which in turn is divided into members' voluntary liquidation and creditors' voluntary liquidation). The primary ground for the compulsory winding-up of an insolvent company is that it is unable to pay its debts (as defined in Section 123 of the Insolvency Act). A creditor's voluntary liquidation (other than as an exit from administration) is initiated by a resolution of the members, not the creditors, but once in place operates under the control of the creditors. At the end of the liquidation process the company will normally be dissolved. In the case of compulsory winding-up, 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). Unlike compulsory liquidation, when a creditors' voluntary liquidation commences there is no automatic moratorium on proceedings against the company. The liquidator, any creditor or shareholder may, however, apply to the court for a stay of proceedings.

Under English insolvency law, a liquidator has the power to disclaim any onerous property by serving the prescribed notice on the relevant party. Onerous property, for these purposes, is any unprofitable contract and any other property of the company which is unsaleable or not readily saleable or is such that it may give rise to a liability to pay money or perform any other onerous act. A contract may be unprofitable if it gives rise to prospective liabilities and imposes continuing financial obligations on the company which may be regarded as detrimental to creditors. A contract will not be unprofitable merely because it is financially disadvantageous, or because the company could have made, or could make, a better bargain. 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.

A liquidator has the power to bring or defend legal proceedings on behalf of the company; to carry on the business of the company as far as it is necessary for its beneficial winding up; to sell the company's property and execute documents in the name of the company; and to challenge antecedent transactions.

There are circumstances under English insolvency law in which the granting by an English company of security and guarantees can be challenged. In most cases this will only arise if the company is placed into administration or liquidation within a specified period (as set out in more detail below) of the granting of the guarantee or security. Therefore, if during the specified period an administrator or liquidator is appointed to an English company, he may challenge the validity of the guarantee or security given by such company.

The following potential grounds for challenge may apply under English law to guarantees and security interests:

### ***Transaction at an Undervalue***

Under English insolvency law, a liquidator or administrator of an English company could apply to the court for an order to set aside the creation of a security interest or a guarantee if such liquidator or administrator believes that the creation of such security interest or guarantee constituted a transaction at an undervalue. There will only be a transaction at an undervalue, if

at the time of the transaction or as a result of the transaction, the English company was or becomes unable to pay its debts (as defined in section 123 the Insolvency Act). The transaction can be challenged if the English company enters into liquidation or administration proceedings within a period of two years from the date the English company grants the security interest or the guarantee. A transaction might be subject to being set aside as a transaction at an undervalue if the company makes a gift to a person, if the company receives no consideration or if the company receives consideration of significantly less value, in money or money's worth, than the consideration given by such company. However, a court generally will not intervene if it is satisfied that the company entered into the transaction in good faith and for the purpose of carrying on its business and that, at the time it did so, there were reasonable grounds for believing the transaction would benefit it. If the court determines that the transaction was a transaction at an undervalue, the court can make such order as it thinks fit to restore the position to what it would have been in if the transaction had not been entered into. In any proceedings, it is for the administrator or liquidator to demonstrate that the English company was insolvent unless a beneficiary of the transaction was a connected person (as defined in the Insolvency Act), in which case there is a presumption of insolvency and the connected person must demonstrate the solvency of the English company in such proceedings.

### ***Preference***

Under English insolvency law, a liquidator or administrator of an English company could apply to the court for an order to set aside the creation of a security interest or a guarantee if such liquidator or administrator believes that the creation of such security interest or such guarantee constituted a preference. There will only be a preference if, at the time the transaction was entered into, the English company was unable to pay its debts (as defined in section 123 of the Insolvency Act) or the English company becomes unable to pay its debts (as defined in the Insolvency Act) as a consequence of its entry into the transaction. The transaction can be challenged if the English company enters into liquidation or administration proceedings within a period of six months (if the beneficiary of the security or the guarantee is not a connected person) or two years (if the beneficiary is a connected person) from the date the English company grants the security interest or makes the guarantee ending with the onset of insolvency. A transaction will constitute a preference if it has the effect of putting a creditor of the English company (or a surety or guarantor for any of the company's debts or liabilities) in a better position (in the event of the company going into insolvent liquidation) than such creditor, guarantor or surety would otherwise have been in had that transaction not been entered into. If the court determines that the transaction constituted such a preference, the court has very wide powers for restoring the position to what it would have been if that preference had not been given, which could, in this case, include reducing payments under the Class B1 Notes and the guarantees in connection with the Class B1 Loan (although there is protection for a third party who enters into one of the transactions in good faith and without notice). However, for the court to do so, it must be shown that in deciding to give the preference the English company was influenced by a desire to produce the preferential effect. In any proceedings, it is for the administrator or liquidator to demonstrate that the English company was insolvent at the relevant time and that the company was influenced by a desire to produce the preferential effect, unless the beneficiary of the transaction was a connected person, in which case there is a presumption that the company was influenced by a desire to produce the preferential effect and the connected person must demonstrate in such proceedings that there was no such influence.

### ***Transaction Defrauding Creditors***

Under English insolvency law, where it can be shown that a transaction was at an undervalue and was made for the purposes of putting assets beyond the reach of a person who is making, or may make, a claim against a company, or of otherwise prejudicing the interests of a person in relation to the claim which that person is making or may make, the transaction may be set aside by the court as a transaction defrauding creditors. An application to the court for an order to set aside the transaction may be made by an administrator, a liquidator and, subject to certain conditions, the UK Financial Services Authority and the UK Pensions Regulator. In addition, any person who is, or who is capable of being, prejudiced by the transaction may (with the leave of the court in the case of a company in administration or liquidation) also bring an application to set aside such transaction. There is no time limit in the English insolvency legislation within which the challenge must be made (subject to the normal statutory limitation periods) and the relevant company does not need to be insolvent at the time of the transaction. If the court determines that the transaction was a transaction defrauding creditors, the court can make such orders as it thinks fit to restore the position to what it would have been if the transaction had not been entered into and to protect the interests of the victims of the transaction. The relevant court order may affect the property of, or impose any obligation on, any person, whether or not he is the person with whom the transaction was entered into. However, such an order will not prejudice any interest in property which was acquired from a third party in good faith, for value and without notice of the relevant circumstances and will not require a person who received a benefit from the transaction in good faith, for value and without notice of the relevant circumstances, to pay any sum unless such person was a party to the transaction.

An administrator or a liquidator can apply to court to set aside an extortionate credit transaction. The court can review extortionate credit transactions entered into by an English company up to three years before the day on which the English company in the period 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 Obligor is unable to pay its debts at the time of (or as a result of) granting the floating charge, and the floating charge was granted within the specified period referred to below, then such floating charge is invalid except to the extent of the value of the money paid to, or goods or services supplied to, or any discharge or reduction of any debt of, the relevant English Obligor at the same time as or after the creation of the floating charge.

The requirement for the English Obligor to be insolvent at the time of (or as a result of) granting the floating charge does not apply where the floating charge is granted to a connected person. If the floating charge is granted to a connected person, and the floating charge was granted within the specified period referred to below, then the floating charge is invalid except to the extent of the value of the money paid to, or goods or services supplied to, or any discharge or reduction of any debt of, the relevant English Obligor at the same time as or after the creation of the floating charge, whether the relevant English Obligor is solvent or insolvent.

The granting of the floating charge can be challenged only if the relevant English Obligor enters into liquidation or administration proceedings within a period of one year (if the beneficiary is not a connected person) or two years (if the beneficiary is a connected person) from the date the relevant English Obligor grants the floating charge. However, if the floating charge qualifies as a “security financial collateral agreement” under the Financial Collateral Regulations, the floating charge will not be subject to challenge as described in this paragraph.

### ***Limitation on enforcement***

The grant of a guarantee or collateral by any English Obligor in respect of the obligations of another group company must satisfy certain legal requirements. More specifically, such a transaction must be allowed by the respective company’s memorandum and articles of association. To the extent that these documents do not allow such an action, there is the risk that the grant of the guarantee and the subsequent security can be found to be void and the respective creditor’s rights unenforceable. Some comfort may be obtained for third parties if they are dealing with an English company in good faith; however, the relevant legislation is not without difficulties in its interpretation. Further, corporate benefit must be established for each English company in question by virtue of entering into the proposed transaction. Section 172 of the Companies Act 2006 provides that a director must act in the way that he considers, in good faith, would be most likely to promote the success of the English company for the benefit of its members as a whole. If the directors enter into a transaction where there is no or insufficient commercial benefit, they may be found as abusing their powers as directors and such a transaction may be vulnerable to being set aside by a court.

### ***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 Regulations and will not prevent a close-out netting provision taking effect in accordance with its terms.

### ***Security over shares***

Security over shares granted by an English Obligor or over shares of an English Obligor are, under English law, equitable charges, not legal charges. An equitable charge arises where a chargor creates an encumbrance over the property in favor of the chargee but the chargor retains legal title to the shares. Remedies in relation to equitable charges may be subject to equitable considerations or are otherwise at the discretion of the court.



### *Security over bank accounts*

With respect to any security over bank accounts (each an “**Account Charge**”) granted by an English Obligor, the banks with which some of those accounts are held (each an “**Account Bank**”) may hold a right at any time (at least prior to them being notified of a crystallisation event under the Account Charge) to exercise the rights of netting or set-off to which they are entitled under their cash pooling or other arrangements with that guarantor. As a result, and if the security granted over those accounts is merely a floating (rather than fixed) charge, the collateral constituted by those bank accounts will be subject to the relevant Account Bank’s rights to exercise netting and set-off with respect to the bank accounts charged under the relevant Account Charge. Once the floating charge has crystallised and converted into a fixed charge (as it would on enforcement or the occurrence of certain insolvency events with respect to the relevant English Obligor) and the Account Bank has been formally notified of that fact, the collateral will no longer be subject to the relevant Account Bank’s netting and set-off rights.

### *“People with significant control” regime*

Pursuant to Part 21A of the Companies Act 2006 (“**CA06**”) (and related Schedules 1A and 1B to the CA06), from 6 April 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): (i) any transfer of (or agreement to transfer) the interest is void; (ii) no rights are exercisable in respect of the interest; (iii) no shares may be issued in right of the interest or in pursuance of an offer made to the interest-holder; and (iv) except in a liquidation, no payment may be made of sums due from the relevant company in respect of the interest, whether in respect of capital or otherwise. Such restrictions could adversely affect the validity of the Topco Security and the ability of the relevant secured parties to enforce their rights under or in respect of the Class B1 Notes.

## PLAN OF DISTRIBUTION

The Issuer and the Initial Purchasers have entered into a purchase agreement dated 7 July 2017 (the “**Purchase Agreement**”), pursuant to which the Issuer has agreed to sell to the Initial Purchasers, and the Initial Purchasers have agreed, severally and not jointly, to purchase from the Issuer, the entire principal amount of the Class B1 Notes offered hereby, subject to the terms and conditions set forth therein.

The Class B1 Notes will initially be offered at the price set forth on the cover page hereof. After the initial offering of the Class B1 Notes, the offering price and other selling terms of the Class B1 Notes may, from time to time, be varied by the Initial Purchasers without notice. Sales of the Class B1 Notes may be made through affiliates of the Initial Purchasers or through registered broker-dealers under applicable law, including in respect of sales into the U.S..

The Purchase Agreement provides that the several obligations of the Initial Purchasers to pay for and accept delivery of the Class B1 Notes are subject to, among other conditions, the delivery of certain legal opinions by their counsel. The Purchase Agreement also provides that the Issuer will indemnify the Initial Purchasers against certain liabilities, including liabilities under the U.S. Securities Act, and will contribute to payments that the Initial Purchasers may be required to make in respect thereof.

Persons who purchase Class B1 Notes from the Initial Purchasers may be required to pay stamp duty, taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the offering price set forth on the cover page hereof.

### No Registration

The Class B1 Notes have not been and will not be registered under the U.S. Securities Act and are only being offered or sold within the United States or to, or for the account or benefit of, U.S. persons that are qualified institutional buyers in reliance on Rule 144A under the U.S. Securities Act and to certain persons in offshore transactions in reliance on Regulation S under the U.S. Securities Act. In addition, with respect to the Class B1 Notes initially sold outside the United States in reliance on Regulation S, until 40 days after the later of (i) the commencement of the Offering and (ii) the Class B1 Issue Date, an offer or sale of Class B1 Notes within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or another exemption from registration under the U.S. Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the U.S. Securities Act. Resales of the Class B1 Notes are restricted as described under “*Notice to Investors*”.

Each Initial Purchaser has represented that it (i) 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 Class B1 Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer and (ii) has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Class B1 Notes in, from or otherwise involving the United Kingdom.

No action has been taken in any jurisdiction, including the United States and the United Kingdom, by the Issuer or the Initial Purchasers that would permit a public offering of the Class B1 Notes or the possession, circulation or distribution of this Offering Memorandum or any other material relating to us or the Class B1 Notes in any jurisdiction where action for this purpose is required. Accordingly, the Class B1 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 Class B1 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, the distribution of this Offering Memorandum and resale of Class B1 Notes. See “*Notice to Certain Investors*”.

The Issuer has also agreed that it will not at any time offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any securities under circumstances in which such offer, sale, pledge, contract or disposition would cause the

exemption afforded by Section 4(a)(2) of the U.S. Securities Act or the safe harbour of Rule 144A and Regulation S under the U.S. Securities Act to cease to be applicable to the offer and sale of the Class B1 Notes.

### **No Sale of Similar Securities**

The Issuer has agreed that, except for the Class A Notes or otherwise except with the consent of the representatives of the Initial Purchasers, neither the Issuer, the Borrower or Topco, nor any of their respective subsidiaries, will offer or sell any debt securities issued or guaranteed by any of the Issuer, the Borrower or Topco or any of their respective subsidiaries or securities of the Issuer, the Borrower or Topco or any of their respective subsidiaries that are convertible into, or exchangeable with, the Class B1 Notes or such other debt securities, for a period of 60 days after the date of this Offering Memorandum.

### **New Issue of Securities**

There is currently no established trading market for the Class B1 Notes. In addition, the Class B1 Notes are subject to certain restrictions on resale and transfer as described under “*Notice to Investors*”. The Issuer will apply for the Class B1 Notes to be listed to the Official List of the Irish Stock Exchange and to admit the Class B1 Notes for trading on the Global Exchange Market; however, the Issuer cannot assure you that the Class B1 Notes will be approved for listing or that such listing will be maintained. The Initial Purchasers have advised the Issuer that they presently intend to make a market in the Class B1 Notes as permitted by applicable laws and regulations. The Initial Purchasers are not obligated, however, to make a market in any Class B1 Notes and any such market making may be discontinued at any time at the sole discretion of the Initial Purchasers. In addition, any such market making activity will be subject to the limits imposed by the U.S. Securities Act and the U.S. Exchange Act. Accordingly, no assurance can be given as to the liquidity of, or trading markets for, the Class B1 Notes, nor that you will be able to sell your Class B1 Notes at a particular time or that the prices that you receive when you sell will be favourable. See “*Risk Factors—Risks relating to the Class B1 Notes—The Class B1 Notes will be new securities for which there is no established trading market. Accordingly, your ability to sell the Class B1 Notes may be limited*”.

### **Settlement**

The Issuer expects that delivery of the Class B1 Notes will be made against payment on the respective Class B1 Notes on or about the date specified on the cover page of this Offering Memorandum, which will be five business days (as such term is used for purposes of Rule 15c6-1 of the U.S. Exchange Act) following the date of pricing of the Class B1 Notes (this settlement cycle is being referred to as “T+5” (U.S.)). Under Rule 15c6-1 of the U.S. Exchange Act, trades in the secondary market generally are required to settle in two business days unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Class B1 Notes on the date of this Offering Memorandum or the next two succeeding business days will be required to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Class B1 Notes who wish to make such trades should consult their own advisors.

### **Price Stabilisation and Short Positions**

In connection with the Offering, Deutsche Bank AG, London Branch (the “**Stabilising Manager**”), or persons acting on its behalf, may engage in transactions that stabilise, maintain or otherwise affect the price of the Class B1 Notes. Specifically, the Stabilising Manager, or persons acting on its behalf, may bid for and purchase Class B1 Notes in the open markets to stabilise the price of the Class B1 Notes. The Stabilising Manager, or persons acting on its behalf, may also over-allot the Offering, creating a syndicate short position, and may bid for and purchase Class B1 Notes in the open market to cover the syndicate short position. In addition, the Stabilising Manager, or persons acting on its behalf, may bid for and purchase Class B1 Notes in market-making transactions as permitted by applicable laws and regulations and impose penalty bids. These activities may stabilise or maintain the respective market price of the Class B1 Notes above market levels that may otherwise prevail. The Stabilising Manager is not required to engage in these activities, and may end these activities at any time. Accordingly, no assurances can be given as to the liquidity of, or trading markets for, the Class B1 Notes.

The Initial Purchasers may engage in over allotment, stabilising transactions, covering transactions and penalty bids in accordance with Regulation M under the U.S. Exchange Act.

Over allotment involves sales in excess of the offering size, which creates a short position for the relevant Initial Purchasers. Stabilising transactions permit bidders to purchase the underlying security so long as the stabilising bids do not exceed a specified maximum. Covering transactions involve purchase of the Class B1 Notes in the open market after the distribution has been completed in order to cover short positions. Penalty bids permit the Initial Purchasers to reclaim a selling concession

from a broker or dealer when the Class B1 Notes originally sold by that broker or dealer are purchased in a stabilising or covering transaction to cover short positions.

These stabilising transactions, covering transactions and penalty bids may cause the price of the Class B1 Notes to be higher than it would otherwise be in the absence of these transactions. These transactions, if commenced, may be discontinued at any time.

### **Other Relationships**

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, consulting and financial advisory services to RAC and its affiliates in the ordinary course of business for which they have received or may receive customary advisory and transaction fees, commissions and expense reimbursement. Certain of the Initial Purchasers or affiliates thereof are lenders, arrangers and agents under the Initial Senior Term Facility Agreement, the Initial Working Capital Facility Agreement and the Liquidity Facility Agreement and have undertaken hedging transactions in connection therewith. Certain of the Initial Purchasers or their respective affiliates have in the past acted, and in the future may act, as arrangers or dealers in connection with issuances of Class A Notes.

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 or instruments of RAC and its affiliates. For example, certain of the Initial Purchasers or their affiliates that have a lending relationship with RAC or its affiliates may routinely hedge their credit exposure consistent with their customary risk management policies. Typically, such Initial Purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in RAC's securities, including potentially the Class B1 Notes offered hereby. Any such short positions could adversely affect future trading prices of the Class B1 Notes offered hereby. The Initial Purchasers and their respective affiliates may also make investment recommendations or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long or short positions in such securities and instruments.

## NOTICE TO INVESTORS

You are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of any of the Class B1 Notes offered hereby.

The Class B1 Notes have not been and will not be registered under the U.S. Securities Act or the securities laws of any other applicable jurisdiction and, unless so registered, they may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable securities laws of any other applicable jurisdiction. Accordingly, the Class B1 Notes offered hereby are being offered and sold only to qualified institutional buyers (“**QIBs**”) in reliance on Rule 144A and to non-U.S. persons outside the United States in offshore transactions (as defined in Regulation S) in reliance on Regulation S.

In addition, until 40 days after the later of the commencement of the Offering and the Class B1 Issue Date, an offer or sale of the Class B1 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 Class B1 Notes, by its acceptance thereof, will be deemed to have acknowledged, represented to and agreed with the Issuer and the Initial Purchasers as follows:

(1) It understands and acknowledges that the Class B1 Notes have not been registered under the U.S. Securities Act or any other applicable securities law, are being offered for resale in transactions not requiring registration under the U.S. Securities Act or any other 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 U.S. 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 out in paragraph (5) below.

(2) It is not an “affiliate” (as defined in Rule 144 under the U.S. Securities Act) of the Issuer or acting on the Issuer’s behalf and it is either:

(i) a QIB and is aware that any sale of Class B1 Notes to it will be made in reliance on Rule 144A and the acquisition of Class B1 Notes will be for its own account or for the account of another QIB; or

(ii) a non-U.S. person purchasing the Class B1 Notes outside the United States in an offshore transaction in accordance with Regulation S.

(3) It acknowledges that none of the Issuer or the Initial Purchasers, nor any person representing any of them, has made any representation to it with respect to the offering or sale of any Class B1 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 Class B1 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 has had access to such financial and other information concerning us and the Issuer, the Class B Note Trust Deed, the Class B1 Notes and the relevant security documents as you deemed necessary in connection with your decision to purchase any of the Class B1 Notes, including an opportunity to ask questions of, and request information from, the Issuer and the Initial Purchasers.

(4) It is purchasing the Class B1 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 U.S. Securities Act or any other securities laws, subject to any requirement of law that the disposal 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 Class B1 Notes pursuant to Rule 144A, Regulation S or any other exemption from registration available under the U.S. Securities Act.

(5) It agrees on its own behalf and on behalf of any investor account for which it is purchasing the Class B1 Notes, and each subsequent holder of the Class B1 Notes by its acceptance thereof will be deemed to agree, to offer, sell or otherwise transfer such Class B1 Notes, prior to (x) the date which is one year (in the case of Rule 144A Global Notes) or 40 days (in the case of Regulation S Global Notes) after the later of the date of the original issue of the Class B1 Notes and the last date on which the Issuer or any of its affiliates was the owner of such Class B1 Notes (or any predecessor thereto) or (y) such later date, if any, as may be required by applicable law (the “**Resale Restriction Termination Date**”) only (i) to the Issuer, (ii) pursuant to a registration statement

that has been declared effective under the U.S. Securities Act, (iii) for so long as the Class B1 Notes are eligible for resale pursuant to Rule 144A, 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, (iv) pursuant to offers and sales to non-U.S. persons that occur outside the United States in compliance with Regulation S, or (v) pursuant to any other available exemption from the registration requirements of the U.S. Securities Act, subject in each of the foregoing cases to any requirement of law that the disposal 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 Class B Note Trustee's rights prior to any such offer, sale or transfer (I) 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 and (II) in each of the foregoing cases, to require that a certificate of transfer in the form appearing on the other side of the security is completed and delivered by the transferor to the Class B Note Trustee. The foregoing restrictions on resale will not apply subsequent to the Resale Restriction Termination Date.

Each purchaser acknowledges that each Class B1 Note will contain a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**U.S. SECURITIES ACT**") OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. 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, PRIOR TO THE DATE (THE "**RESALE RESTRICTION TERMINATION DATE**") WHICH IS IN THE CASE OF REGULATION S NOTES: 40 DAYS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE DATE ON WHICH THIS SECURITY WAS FIRST OFFERED TO PERSONS OTHER THAN DISTRIBUTORS (AS DEFINED IN RULE 902 OF REGULATION S) IN THE CASE OF RULE 144A NOTES: ONE YEAR AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF THIS SECURITY), ONLY (A) TO THE ISSUER OR THE GUARANTORS, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE U.S. SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE U.S. SECURITIES ACT ("**RULE 144A**"), TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES TO NON U.S. PERSONS THAT OCCUR OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, 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 CLASS B NOTE TRUSTEE'S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (I) PURSUANT TO CLAUSE (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM, (II) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS SECURITY IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE CLASS B NOTE TRUSTEE AND (III) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

BY ACQUIRING THIS SECURITY (OR INTEREST HEREIN), EACH PURCHASER AND TRANSFEREE (AND IF THE PURCHASER OR TRANSFEREE IS A PLAN (AS DEFINED BELOW), ITS FIDUCIARY) IS DEEMED TO REPRESENT, WARRANT AND COVENANT (AND WILL BE REQUIRED TO REPRESENT,

WARRANT AND COVENANT IN WRITING, IN THE CASE OF AN APPROVED PLAN (AS DEFINED BELOW)) THAT (a) EITHER (1) IT IS NOT A PLAN AND IS NOT ACTING ON BEHALF OF ANY PLAN OR (2)(I) IT IS AN APPROVED PLAN AND (II) ITS PURCHASE, TRANSFER, HOLDING AND DISPOSITION OF THIS SECURITY (OR ANY INTEREST HEREIN) WILL NOT (A) CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (“**ERISA**”), OR SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE “**CODE**”), OR (B) RESULT IN A VIOLATION OF ANY SIMILAR LAW (AS DEFINED BELOW), AND (b) IT WILL NOT TRANSFER THIS SECURITY (OR INTEREST HEREIN) TO ANY TRANSFEREE THAT IS A PLAN OR ANY PERSON ACTING ON BEHALF OF ANY PLAN. THE TERM “**PLAN**” MEANS ANY “EMPLOYEE BENEFIT PLAN” AS DEFINED IN SECTION 3(3) OF ERISA THAT IS SUBJECT TO TITLE I OF ERISA, ANY “PLAN” AS DEFINED IN AND SUBJECT TO SECTION 4975 OF THE CODE, ANY OTHER PLAN, ACCOUNT OR ARRANGEMENT THAT IS SUBJECT TO ANY LAW THAT IS SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (“**SIMILAR LAW**”), AND ANY ENTITY WHOSE UNDERLYING ASSETS ARE CONSIDERED TO INCLUDE THE “PLAN ASSETS” (AS DEFINED IN SECTION 3(42) OF ERISA) OF ANY OF THE FOREGOING. AN “**APPROVED PLAN**” IS A PLAN THAT HAS OBTAINED THE WRITTEN APPROVAL OF THE ISSUER TO SUBSCRIBE FOR AND PURCHASE THIS SECURITY (OR AN INTEREST HEREIN) DIRECTLY FROM THE INITIAL PURCHASERS (AS DEFINED IN THE OFFERING MEMORANDUM).

IN ADDITION, IF A PLAN IS PERMITTED TO PURCHASE THIS SECURITY, EACH PLAN THAT PURCHASES THIS SECURITY, INCLUDING ANY FIDUCIARY PURCHASING THIS SECURITY ON BEHALF OF A PLAN (A “**PLAN FIDUCIARY**”) WILL BE DEEMED TO HAVE REPRESENTED BY ITS PURCHASE OF THIS SECURITY THAT:

(1) NONE OF THE ISSUER, THE SPONSOR, THE REGISTRARS, THE ISSUER SECURITY TRUSTEE, ANY INITIAL PURCHASER OF CLASS B1 NOTES, NOR ANY OF THEIR RESPECTIVE AFFILIATES (COLLECTIVELY, THE “**TRANSACTION PARTIES**”) HAS PROVIDED OR WILL PROVIDE ADVICE WITH RESPECT TO THE ACQUISITION OF THIS SECURITY BY THE PLAN, AND THE PLAN FIDUCIARY EITHER:

(A) IS A BANK AS DEFINED IN SECTION 202 OF THE INVESTMENT ADVISERS ACT OF 1940 (THE “**ADVISERS ACT**”), OR SIMILAR INSTITUTION THAT IS REGULATED AND SUPERVISED AND SUBJECT TO PERIODIC EXAMINATION BY A STATE OR FEDERAL AGENCY;

(B) IS AN INSURANCE CARRIER WHICH IS QUALIFIED UNDER THE LAWS OF MORE THAN ONE STATE TO PERFORM THE SERVICES OF MANAGING, ACQUIRING OR DISPOSING OF ASSETS OF A PLAN;

(C) IS AN INVESTMENT ADVISER REGISTERED UNDER THE ADVISERS ACT, OR, IF NOT REGISTERED AN AS INVESTMENT ADVISER UNDER THE ADVISERS ACT BY REASON OF PARAGRAPH (1) OF SECTION 203A OF THE ADVISERS ACT, IS REGISTERED AS AN INVESTMENT ADVISER UNDER THE LAWS OF THE STATE IN WHICH IT MAINTAINS ITS PRINCIPAL OFFICE AND PLACE OF BUSINESS;

(D) IS A BROKER-DEALER REGISTERED UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED; OR

(E) HAS, AND AT ALL TIMES THAT THE PLAN IS INVESTED IN THIS SECURITY WILL HAVE, TOTAL ASSETS OF AT LEAST U.S. \$50,000,000 UNDER ITS MANAGEMENT OR CONTROL (*PROVIDED* THAT THIS CLAUSE (E) SHALL NOT BE SATISFIED IF THE PLAN IS EITHER (I) THE OWNER OR A RELATIVE OF THE OWNER OF AN INVESTING INDIVIDUAL RETIREMENT ACCOUNT OR (II) A PARTICIPANT OR BENEFICIARY OF THE PLAN INVESTING IN THIS SECURITY IN SUCH CAPACITY);

(2) THE PLAN FIDUCIARY IS CAPABLE OF EVALUATING INVESTMENT RISKS INDEPENDENTLY, BOTH IN GENERAL AND WITH RESPECT TO PARTICULAR TRANSACTIONS AND INVESTMENT STRATEGIES, INCLUDING WITHOUT LIMITATION THE ACQUISITION BY THE PLAN OF THIS SECURITY;

(3) THE PLAN FIDUCIARY IS A “FIDUCIARY” WITH RESPECT TO THE PLAN WITHIN THE MEANING OF SECTION 3(21) OF ERISA, SECTION 4975 OF THE CODE, OR BOTH THAT IS INDEPENDENT OF THE TRANSACTION PARTIES FOR PURPOSES OF DEPARTMENT OF LABOR

REGULATION SECTION 29 C.F.R. 2510.3-21(C) PROMULGATED ON APRIL 8, 2016 (81 FED. REG. 20,997) (THE “**FIDUCIARY RULE**”), AND IS RESPONSIBLE FOR EXERCISING INDEPENDENT JUDGMENT IN EVALUATING THE PLAN’S ACQUISITION OF THIS SECURITY;

(4) NONE OF THE TRANSACTION PARTIES HAS EXERCISED ANY AUTHORITY TO CAUSE THE PLAN TO INVEST IN THIS SECURITY OR TO NEGOTIATE THE TERMS OF THE PLAN INVESTMENT IN THIS SECURITY; AND

(5) THE PLAN FIDUCIARY HAS BEEN INFORMED BY THE TRANSACTION PARTIES: (A) THAT NONE OF THE TRANSACTION PARTIES HAS UNDERTAKEN OR WILL UNDERTAKE TO PROVIDE IMPARTIAL INVESTMENT ADVICE OR HAS GIVEN OR WILL GIVE ADVICE IN A FIDUCIARY CAPACITY IN CONNECTION WITH THE PLAN’S ACQUISITION OF THIS SECURITY; AND (B) OF THE EXISTENCE AND NATURE OF THE TRANSACTION PARTIES’ FEES, COMPENSATION ARRANGEMENTS AND/OR FINANCIAL INTERESTS IN THE PLAN’S ACQUISITION OF THIS SECURITY.

If it purchases Class B1 Notes, it will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in these Class B1 Notes as well as to holders of these Class B1 Notes.

(6) It agrees that it will, and each subsequent holder is required to, give to each person to whom it transfers the Class B1 Notes notice of any restrictions on transfer of such Class B1 Notes.

(7) It acknowledges that until 40 days after the commencement of this Offering, any offer or sale of the Class B1 Notes within the United States by a dealer (whether or not participating in this Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

(8) If it is a non-U.S. person in a sale that occurs outside the United States within the meaning of Regulation S, it acknowledges that until the expiration of the “distribution compliance period” (as defined below), it shall not make any offer or sale of the Class B1 Notes to a U.S. person or for the account or benefit of a U.S. person within the meaning of Rule 902 under the U.S. Securities Act. The “distribution compliance period” means the 40-day period following the Class B1 Issue Date.

(9) It acknowledges that the Class B Registrar will not be required to accept for registration of transfer any Class B1 Notes except upon presentation of evidence satisfactory to us and the Class B Note Trustee that the restrictions set out therein have been complied with.

(10) 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 Class B1 Notes are no longer accurate, it shall promptly notify us and the Initial Purchasers in writing. If it is acquiring any Class B1 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.

(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 Class B1 Notes or the possession, circulation or distribution of this Offering Memorandum or any other material relating to us or the Class B1 Notes in any jurisdiction where action for such purpose is required. Consequently, any transfer of the Class B1 Notes will be subject to the selling restrictions set out under the caption “*Plan of Distribution*”.

(12) By acquiring a Class B1 Note (or interest therein), each purchaser and transferee (and if the purchaser or transferee is a Plan, its fiduciary) is deemed to represent, warrant and covenant (and will be required to represent, warrant and covenant in writing, in the case of an Approved Plan) that (a) either (1) it is not a Plan and is not acting on behalf of any Plan or (2)(i) it is an Approved Plan and (ii) its purchase and holding of the Class B1 Note (or any interest therein) will not (A) constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or (B) result in a violation of any Similar Law, and (b) it will not transfer the Class B1 Note (or interest therein) to any transferee that is a Plan or any person acting on behalf of any Plan.



(13) In addition, if Plans are permitted to purchase Class B1 Notes, any Plan Fiduciary, should consider the impact of the Fiduciary Rule. If Plans are permitted to purchase Class B1 Notes, each purchaser of the Class B1 Notes that is a Plan, including any Plan Fiduciary will be deemed to have represented by its purchase of the Class B1 Notes that:

(1) none of Transaction Parties has provided or will provide advice with respect to the acquisition of the Class B1 Notes by the Plan, and the Plan Fiduciary that is independent of the Transaction Parties either:

(a) is a bank as defined in Section 202 of the Advisers Act, or similar institution that is regulated and supervised and subject to periodic examination by a state or federal agency;

(b) is an insurance carrier which is qualified under the laws of more than one state to perform the services of managing, acquiring or disposing of assets of a Plan;

(c) is an investment adviser registered under the Advisers Act, or, if not registered as an investment adviser under the Advisers Act by reason of paragraph (1) of Section 203A of the Advisers Act, is registered as an investment adviser under the laws of the state in which it maintains its principal office and place of business;

(d) is a broker-dealer registered under the Securities Exchange Act of 1934, as amended; or

(e) has, and at all times that the Plan is invested in the Class B1 Notes will have, total assets of at least U.S. \$50,000,000 under its management or control (provided that this clause (e) shall not be satisfied if the Plan Fiduciary is either (i) the owner or a relative of the owner of an investing individual retirement account or (ii) a participant or beneficiary of the Plan investing in the Class B1 Notes in such capacity);

(2) the Plan Fiduciary is capable of evaluating investment risks independently, both in general and with respect to particular transactions and investment strategies, including without limitation the acquisition by the Plan of the Class B1 Notes;

(3) the Plan Fiduciary is a “fiduciary” with respect to the Plan within the meaning of Section 3(21) of ERISA, Section 4975 of the Code, or both, and is independent of the Transaction Parties for purposes of the Fiduciary Rule and responsible for exercising independent judgment in evaluating the Plan’s acquisition of the Class B1 Notes;

(4) none of the Transaction Parties has exercised any authority to cause the Plan to invest in the Class B1 Notes or to negotiate the terms of the Plan’s investment in the Class B1 Notes; and

(5) the Plan Fiduciary has been informed by the Transaction Parties:

(a) that none of the Transaction Parties has undertaken or will undertake to provide impartial investment advice or has given or will give advice in a fiduciary capacity in connection with the Plan’s acquisition of the Class B1 Notes; and

(b) of the existence and nature of the Transaction Parties’ fees, compensation arrangements and/or financial interests in the Plan’s acquisition of the Class B1 Notes.

The above representations in this paragraph (13) are intended to comply with the Fiduciary Rule. If the Fiduciary Rule is revoked, repealed or no longer effective, these representations shall be deemed to not be in effect.

## **LEGAL MATTERS**

Certain legal matters in connection with the Offering will be passed on for us by Freshfields Bruckhaus Deringer LLP, as to matters of United States federal and New York state law and as to matters of English law.

Certain legal matters in connection with the Offering will be passed on for the Initial Purchasers by Clifford Chance LLP, as to matters of United States federal and New York state law and as to matters of English law.

## INDEPENDENT AUDITORS

The audited consolidated financial statements of the Holdco Group as at and for the years ended 31 December 2016, 2015, and 2014, included elsewhere in this Offering Memorandum, have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) issued by the International Accounting Standards Board (“**IASB**”) as adopted for use in the European Union, and audited by Holdco’s independent auditors, Deloitte LLP, as set forth in their audit report included elsewhere in this Offering Memorandum; and (ii) the consolidated financial statements of the Opco Group as at and for the year ended 31 December 2015, have been prepared in accordance with IFRS as adopted by the European Union and audited by Opco’s independent auditors, Deloitte LLP, as set forth in their audit report included elsewhere in this Offering Memorandum.

Deloitte LLP is registered to carry out audit work by the Institute of Chartered Accountants in England and Wales.

## WHERE TO FIND ADDITIONAL INFORMATION

Each purchaser of Class B1 Notes from an Initial Purchaser 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 and any related amendments or supplements to the Offering Memorandum acknowledges that:

- (1) such person has been afforded an opportunity to request from us and to review, and has received, all additional information considered by it to be necessary to verify the accuracy and completeness of the information herein;
- (2) such person has not relied on any of the Initial Purchasers or any person affiliated with any of the Initial Purchasers in connection with its investigation of the accuracy of such information or its investment decision; and
- (3) except as provided pursuant to clause (1) above, no person has been authorised to give any information or to make any representation concerning the Class B1 Notes offered hereby other than those contained herein and, if given or made, such other information or representation should not be relied upon as having been authorised by either us or any of the Initial Purchasers.

For so long as any of the Class B1 Notes remain outstanding and are “restricted securities” within the meaning of Rule 144(a)(3) under the U.S. Securities Act, the Issuer will, during any period in which it is not subject to Section 13 or 15(d) under the U.S. Exchange Act, nor exempt from reporting thereunder pursuant to Rule 12g3-2(b), make available to any holder or beneficial holder of a Class B1 Note, or to any prospective purchaser of a Class B1 Note designated by such holder or beneficial holder, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the U.S. Securities Act upon the written request of any such holder or beneficial owner. Any such request should be directed to the Issuer at RAC House, Brockhurst Crescent, Walsall, West Midlands, WS5 4AW, United Kingdom.

The Issuer is not currently subject to the periodic reporting and other information requirements of the U.S. Exchange Act. However, pursuant to the Class B Note Trust Deed, the Issuer will agree to furnish periodic information to the holders of the Class B1 Notes. See “*Description of the Class B1 IBLA—Certain Covenants—Reports*”.

## SERVICE OF PROCESS AND ENFORCEMENT OF FOREIGN JUDGMENTS

The Issuer is a public limited liability company incorporated under the laws of England and Wales. The Guarantors are all private companies or limited liability partnerships incorporated under the laws of England and Wales. The assets of the Issuer and the Guarantors are located outside of the United States. In addition, none of the directors or officers and other executives of the Issuer or the Guarantors is a resident or citizen of the United States and all of their respective assets are located outside of the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Issuer, the Guarantors or such persons, or to enforce against them actions or judgments of U.S. federal or state courts, including those predicated upon the civil liability provisions of U.S. federal or state securities laws or otherwise despite the fact that, pursuant to the terms of the Class B Note Trust Deed, the Issuer and the Guarantors have appointed, or will appoint, an agent for the service of process in New York.

If a judgment is obtained in a U.S. federal or state court against any of the Issuer, any of the Guarantors, or any of their respective directors, officers, or other executives, investors will need to enforce such judgment in jurisdictions where the relevant company, partnership or individual has assets. Whilst the enforceability of U.S. federal or state court judgments outside the United States is summarised in part below for England and Wales, you should consult with your own advisors in any relevant jurisdictions for advice on enforcing a judgment in those countries or elsewhere outside the U.S..

### England and Wales

The following discussion with respect to the enforceability of certain U.S. court judgments in England and Wales is based upon advice provided to us by RAC's English law advisors. The United States and the United Kingdom currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments (as opposed to arbitration awards) in civil and commercial matters. Consequently, a final judgment of a U.S. federal or state court, whether or not predicated solely upon U.S. federal securities law, will not automatically be recognised or directly enforceable in England and Wales. In order to enforce any such U.S. judgment in England, proceedings must first be initiated before a court of competent jurisdiction in England. In such an action, the English court would not generally reinvestigate the merits of the original matter decided by the U.S. court (subject to what is described below) and it would usually be possible to obtain summary judgment on such a claim (assuming that there is no good defence to it). Recognition and enforcement of a U.S. judgment by an English court in such an action is conditional upon (among other things) the following:

- the U.S. court being recognised by the English court as having had, at the time when proceedings were served, jurisdiction over the original proceedings, and the party against whom judgment was given having properly submitted to the jurisdiction, including by presence, of the U.S. court, according to English rules of private international law;
- the U.S. judgment being final and conclusive on the merits in the sense of being final and unalterable in the court which pronounced it and establishing a debt or being for a definite sum of money;
- the U.S. judgment not having been obtained by fraud or in breach of English principles of natural or substantial justice;
- the U.S. judgment not being for a sum payable in respect of taxes, or other charges of a like nature or in respect of a penalty or fine or other penalty or otherwise based on a U.S. law that an English court considers to be a penal, revenue or other public law;
- recognition of the U.S. judgment not being contrary to public policy or statute in England and Wales;
- recognition of the U.S. judgment not violating the Human Rights Act 1998;
- the U.S. judgment is (i) not a judgment on a matter previously determined by an English court or another court whose judgment is entitled to recognition in England; or (ii) conflicts with an earlier judgment of such court;
- the U.S. judgment was not given in proceedings brought in breach of an agreement for the settlement of disputes, including in breach of a binding arbitration agreement (as provided by section 32 of the Civil Jurisdiction and Judgments Act 1982);
- enforcement of the U.S. judgment would not contravene the Protection of Trading Interests Act 1980, particularly Section 5 of which precludes, among other things, the enforcement in the United Kingdom of any judgment given by a court of an overseas country which is a judgment for multiple loss or damages which exceed the compensatory element of the judgment award; and

- the English enforcement proceedings being commenced within the relevant limitation period.

Subject to the foregoing, investors may be able to enforce in England and Wales judgments in civil and commercial matters that have been obtained from U.S. federal or state courts. However, RAC cannot assure you that those judgments will be recognised or enforceable in England and Wales. In addition, an English court may decline to accept jurisdiction and impose civil liability if the original action was commenced in England and Wales, instead of the United States, and was predicated solely (or non-exclusively) upon a law other than the law of England and Wales. Furthermore, it may not be possible to obtain an English judgment or to enforce that judgment if the judgment debtor is or becomes subject to any insolvency or similar proceedings, or if the judgment debtor has any set off or counterclaim against the judgment creditor.

There are risks, including risks similar to those described above, in relation to enforcing judgments from a U.S. federal or state court in other jurisdictions. Accordingly, we cannot assure you that such risks do not and will not exist in other jurisdictions, including those in which the assets of some or all of our subsidiaries that may guarantee the Notes in the future are located.

## LISTING AND GENERAL INFORMATION

### Listing

Application has been made for the Class B1 Notes to be listed on the Official List of the Irish Stock Exchange and admitted to trading on the Global Exchange Market. The Issuer does not intend to provide to the public post-issuance transaction information regarding the securities to be admitted to trading or the performance of the underlying assets. For so long as the Class B1 Notes are listed on the Official List of the Irish Stock Exchange and admitted to trading on the Global Exchange Market and the rules of that exchange require, physical copies of the following documents may be inspected and obtained at the office of the Issuer at RAC House, Brockhurst Crescent, Walsall, West Midlands, WS5 4AW, United Kingdom, during normal business hours on any weekday:

- the organisational documents of the Issuer and the Borrower;
- the audited financial statements for the year ended 31 December 2016 of the Issuer and the audited financial statements for the years ended 31 December 2015 and 31 December 2016 of the Borrower, and any interim financial statements published by us; and
- the Class B Note Trust Deed relating to the Class B1 Notes (which includes the form of the Class B1 Notes).

The Issuer has appointed Arthur Cox Listing Services Limited as Irish listing agent with address at Ten Earlsfort Terrace, Dublin 2, Ireland, Deutsche Bank Luxembourg S.A. as transfer agent and registrar and Deutsche Bank AG, London Branch as principal paying agent. The Class B Note Trustee is Deutsche Trustee Company Limited and its address is Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom. The Class B Note Trustee will be acting in its capacity of trustee for the holders of the Class B1 Notes and will provide such services to the holders of the Class B1 Notes as described in the Class B Note Trust Deed. The Issuer reserves the right to change these appointments.

Application may be made to the Irish Stock Exchange to have the Class B1 Notes removed from listing on the Irish Stock Exchange, including if necessary to avoid any new withholding taxes in connection with the listing. No assurance can be given that this application will be granted, and the Issuer and RAC cannot assure you that an active trading market for the Class B1 Notes will develop.

Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in relation to the Class B1 Notes and is not itself seeking admission to the Official List of the Irish Stock Exchange or to trading on the Global Exchange Market of the Irish Stock Exchange.

So long as the Class B1 Notes are listed on the Irish Stock Exchange, the Class B1 Notes will be freely transferable and negotiable in accordance with the rules of the Irish Stock Exchange.

### Clearing Reference Numbers

The Class B1 Notes have been accepted for clearance through the facilities of Euroclear and Clearstream. The ISIN and Common Codes for the Class B1 Notes are as follows:

| Note                           | ISIN         | Common Code |
|--------------------------------|--------------|-------------|
| Rule 144A Global Note .....    | XS1645523819 | 164552381   |
| Regulation S Global Note ..... | XS1645523579 | 164552357   |

### Interests of Natural and Legal Persons Involved in the Issuance of the Class B1 Notes

Save as discussed in "*Plan of Distribution*", so far as the Issuer is aware, no person involved in the offer of the Class B1 Notes has an interest material to such offer.

### Incorporation of the Issuer

RAC Bond Co plc, a public limited liability company incorporated under the laws of England and Wales, has its registered office at RAC House, Brockhurst Crescent, Walsall, West Midlands, WS5 4AW, United Kingdom. The Issuer was incorporated on 24 March 2016. The issuer was registered with the Companies House in the United Kingdom under registration number 10084638 and its telephone number is +44 (0)1922 437000.

## **Corporate Authority**

The Issuer obtained all necessary consents, approvals and authorisations in connection with the issuance and performance of the Class B1 Notes on 6 July 2017.

## **Persons Responsible**

The Issuer and the Borrower accept responsibility for the information contained in this Offering Memorandum. To the best of the Issuer's and the Borrower's 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. However, the information set forth under the headings "*Exchange Rate Information*", "*Overview*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*", "*Industry*" and "*Business*" includes extracts from information and data, including industry and market data, released by publicly available sources in the United Kingdom and elsewhere. While the Issuer accepts responsibility for the accurate extraction and summarisation of such information and data, the Issuer has not independently verified the accuracy of such information and data and does not accept further responsibility in respect thereof. As far as the Issuer is aware and able to ascertain from information published by such sources, no facts have been omitted which would render such information inaccurate or misleading.

## **Absence of Significant Changes**

Since the date of its incorporation, the Issuer has not entered into any contract or arrangement not being in the ordinary course of business other than the Issuer Transaction Documents.

Since 31 December 2016, the date of the last published audited financials of the Issuer and the Borrower, there has been:

- (a) (i) no material adverse change in the financial position or prospects of the Issuer and (ii) no significant change in the financial or trading position of the Issuer.
- (b) (i) no material adverse change in the financial position or prospects of the Borrower and (ii) no significant change in the financial or trading position of the Borrower.

There has been (a) no significant change in the financial or trading position of the Company since 31 March 2017 and (b) no material adverse change in the prospects of the Company since 31 March 2017.

There has been (a) no significant change in the financial or trading position of the Group since 31 March 2017 and (b) no material adverse change in the prospects of the Group since 31 March 2017.

## **Third-Party Information**

The information contained in this Offering Memorandum which has been sourced from third parties has been correctly reproduced, and, as far as the Issuer is aware and able to ascertain from information published by that third-party, no facts have been omitted that could render the reproduced information inaccurate or misleading. See "*Industry and Market Data*".

## **Periodic Reporting Under the Exchange Act**

The Issuer is not currently subject to the periodic reporting and other information requirements of the Exchange Act.

## **Litigation**

There are no governmental, legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Issuer or the Borrower are aware) which may have or have had in the 12 months preceding the date of this Offering Memorandum a significant effect on the financial position or profitability of the Issuer or the Borrower.



## DEFINITIONS AND GLOSSARY

The following terms used in this Offering Memorandum have the meaning assigned to them below (unless the context requires otherwise):

**“Acceptable Bank”** means a bank or financial institution which has a rating for its long term unsecured and non-credit enhanced debt obligations of BBB- or higher by S&P or a lower rating *provided* that any such lower rating would not lead to any downgrade, withdrawal or the placing on “credit watch negative” (or equivalent) of the then current ratings of the Class A Notes.

**“Accounting Period”** means, for the purposes of the Common Documents and the Finance Documents, each quarterly accounting period of the Obligor.

**“Accounting Principles”** means generally accepted accounting principles or accounting practices in the United Kingdom as at the date of this Offering Memorandum or such other accounting principles and accounting practices as may be the basis for any amendments made pursuant to, and in accordance with the Common Terms Agreement.

**“Accounting Reference Date”** means 31 December in each year, except as adjusted in accordance with the CTA.

**“Additional Amounts”** has the meaning given to that term in relation to a Class B Authorised Credit Facility, (if applicable) in such term or any analogous term in any Class B Authorised Credit Facility.

**“Additional Class A Note Amount”** means all Make-Whole Amounts and all other amounts (that do not constitute interest or principal) payable by the Issuer under any Class A Conditions.

**“Additional Financial Indebtedness”** means Financial Indebtedness incurred by an Obligor under an Authorised Credit Facility and provided by an Obligor Secured Creditor in accordance with the terms of the Common Terms Agreement and the STID (excluding any Liquidity Facility) *provided* that:

- (a) to the extent such Authorised Credit Facility is for the purpose of refinancing any then existing Financial Indebtedness or replacing any then existing commitments in respect of Financial Indebtedness:
  - (i) the Class A FCF DSCR for the most recent Test Period (in respect of which a Compliance Certificate has been delivered) prior to the date such Authorised Credit Facility is entered into shall not be less than the Trigger Event Ratio Level, calculated on a *pro forma* basis (w) assuming such refinancing and/or replacement took place at the beginning of that Test Period (and in respect of any refinancing or replacement of a Working Capital Facility with another Working Capital Facility, that such replacement Working Capital Facility was utilised to the same extent as that refinanced or replaced Working Capital Facility during that period) (x) assuming that any other Authorised Credit Facility entered into during such Test Period was utilised in full at the beginning of the Test Period (y) assuming that any other Authorised Credit Facility which was repaid or refinanced during such Test Period was repaid or refinanced at the beginning of that Test Period and (z) assuming that any Permitted Acquisition entered into during such Test Period took place at the beginning of the Test Period;
  - (ii) there is no CTA Event of Default outstanding or continuing at the date the relevant Authorised Credit Facility is entered into and, on such date, no CTA Event of Default would occur as a result of the utilisation in full of the relevant Authorised Credit Facility;
  - (iii) other than in relation to the refinancing or replacement of any Working Capital Facility with another Working Capital Facility for the same or a lesser principal amount and with an availability period which expires after the Final Maturity Date of the Working Capital Facility it refinances or replaces, the Rating Agency has confirmed that any Class A Notes then outstanding would immediately following (and taking into account) such refinancing or replacement be rated at least the lower of the then current rating of those Class A Notes and the Initial Rating of the first Series of Class A Notes from the Rating Agency; and
  - (iv) does not exceed the aggregate amount required to (a) refinance the relevant existing Financial Indebtedness and (b) pay all costs, fees and expenses (including any make whole premium, swap break costs, exit fees and redemption costs) incurred in connection with the refinancing of such existing Financial Indebtedness;
- (b) to the extent such Authorised Credit Facility is for the purpose of providing incremental Financial Indebtedness or commitments in respect of Financial Indebtedness (in each case in excess of such amounts at that time) or is for the

purpose of refinancing or replacing Financial Indebtedness referred to in paragraph (c) of the definition of Permitted Financial Indebtedness:

- (i) such Authorised Credit Facility shall rank *pari passu* with any other Authorised Credit Facility of the same class (other than a Liquidity Facility);
- (ii) the Class A FCF DSCR for the most recent Test Period (in respect of which a Compliance Certificate has been delivered) prior to the date such Authorised Credit Facility is entered into shall not be less than the Trigger Event Ratio Level, calculated on a *pro forma* basis (w) assuming utilisation in full of such Authorised Credit Facility at the beginning of that Test Period (x) assuming that any other Authorised Credit Facility entered into during such Test Period was utilised in full at the beginning of the Test Period on the same basis as the calculations provided in respect of that Authorised Credit Facility pursuant to the CTA, (y) assuming that any other Authorised Credit Facility which was repaid or refinanced during such Test Period was repaid or refinanced at the beginning of that Test Period and (z) assuming that any Permitted Acquisition entered into during such Test Period took place at the beginning of the Test Period;
- (iii) except where such Authorised Credit Facility is a Class B Authorised Credit Facility and all or part of the incremental Financial Indebtedness under that Class B Authorised Credit Facility is incurred in order to refinance existing Obligor Senior Secured Liabilities, there is no CTA Event of Default outstanding or continuing as at the date the relevant Authorised Credit Facility is entered into and, on such date, no CTA Event of Default would occur as a result of the utilisation in full of the relevant Authorised Credit Facility;
- (iv) utilising such Authorised Credit Facility in full would not cause the ratio of Total Class A Net Debt as at the most recent Test Date (in respect of which a Compliance Certificate has been delivered) to EBITDA for the Test Period ending on that date to exceed 5.75:1, calculated on a *pro forma* basis (w) assuming utilisation in full of such Authorised Credit Facility on that Test Date and only taking account of any proceeds of that Authorised Credit Facility as Cash or Cash Equivalent Investments if such proceeds are credited to the Financing Proceeds Account, (x) assuming that any other Authorised Credit Facility entered into during such Test Period was utilised in full at the beginning of the Test Period and only taking account of any proceeds of that Authorised Credit Facility as Cash or Cash Equivalent Investments if such proceeds are credited to the Financing Proceeds Account, (y) assuming that any Authorised Credit Facility which was repaid or refinanced during such Test Period was repaid or refinanced at the beginning of that Test Period and (z) assuming that any Permitted Acquisition entered into during such Test Period took place at the beginning of the Test Period; and
- (v) the Rating Agency has confirmed the Class A Notes then outstanding would immediately following (and having taken into account) the utilisation in full of such Authorised Credit Facility, be rated the greater of (x) the lower of the then current rating of those Class A Notes and the Initial Rating of the Class A Notes and (y) BBB- (sf) (or equivalent) from such Rating Agency;

**“Additional Obligor”** means any wholly owned subsidiary of a member of the Holdco Group wishing or required to become an Obligor who accedes to the CTA and the STID.

**“Administrative Receiver”** means an administrative receiver as defined in Section 29(2) of the Insolvency Act 1986.

**“Affected Obligor Secured Creditor”** means each Obligor Secured Creditor (and where the Issuer is the relevant Affected Obligor Secured Creditor, each Issuer Secured Creditor (the **“Affected Issuer Secured Creditor”**)) who is affected by an Entrenched Right.

**“Affiliate”** means, in relation to any person, a Subsidiary of that person or a Holding Company of that person or any other Subsidiary of that Holding Company (other than in any Hedging Agreement when used in relation to the Hedge Counterparty, where Affiliate has the meaning given to it in that Hedging Agreement), *provided* that in relation to The Royal Bank of Scotland plc, the term “Affiliate” shall not include (i) the UK government or any member or instrumentality thereof, including Her Majesty’s Treasury and UK Financial Investments Limited (or any directors, officers, employee or entities thereof) or (ii) any persons or entities controlled by or under common control with the UK government or any members or instrumentality thereof (including Her Majesty’s Treasury and UK Financial Investments Limited) and which are not part of The Royal Bank of Scotland Group plc and its subsidiaries or subsidiary undertakings.

**“Agency Agreement”** means the Class A Agency Agreement or the Class B Agency Agreement (if applicable).

**“Agent”** means each of the Principal Paying Agents, the Transfer Agents, the Calculation Agent, the Class A Agent Bank, the Registrars or any other agent appointed by the Issuer pursuant to any Agency Agreement or a Calculation Agency Agreement and **“Agents”** means all of them.

**“Annual Financial Statements”** means the audited annual financial statements delivered pursuant to the information covenants set out in the Common Terms Agreement.

**“Anti-Corruption Laws”** means all laws, rules, and regulations from time to time, as amended, of any jurisdiction applicable to an Obligor or its Subsidiaries from time to time concerning or relating to bribery or corruption, including but not limited to the U.S. Foreign Corrupt Practices Act of 1977, the UK Bribery Act 2010 and all other anti-bribery and corruption laws to which any Obligor or any member of the Holdco Group is subject.

**“Authorisations”** means an authorisation, consent, approval, resolution, licence, exemption, filing, notarisation or registration.

**“Authorised Credit Facility”** means any Class A Authorised Credit Facility or any Class B Authorised Credit Facility.

**“Authorised Credit Provider”** means a Class A Authorised Credit Provider or a Class B Authorised Credit Provider.

**“Auto Windscreens Pension Scheme”** means the pension scheme known as the Auto Windscreens Pension Scheme which is governed by a definitive trust deed and rules dated 29 November 2006 (as amended from time to time).

**“Available Enforcement Proceeds”** means, on any date, all monies received or recovered by the Obligor Security Trustee (or any Receiver or Administrative Receiver or administrator appointed by it) in respect of the Obligor Security and under the guarantees from the Obligors (but excluding any amounts standing to the credit of or recovered by the Obligor Security Trustee from the Defeasance Account, the Mandatory Prepayment Account, any Liquidity Facility Standby Account and, for the avoidance of doubt, any Borrower Hedge Replacement Premium in respect of a Hedging Transaction).

**“Bank Debt Sweep Period”** means each period ending on the last day of a Financial Year specified in a Class A Authorised Credit Facility in respect of which Excess Cashflow is required to be applied towards prepaying the outstanding principal amount under that Class A Authorised Credit Facility on each Cash Sweep Payment Date, subject to and in accordance with the Obligor Pre-Acceleration Priority of Payments.

**“Basel II”** means the “International Convergence of Capital Measurement and Capital Standards, a Revised Framework” published by the Basel Committee on Banking Supervision in June 2004 in the form existing on the date of this Agreement but excluding any amendment taking account of or incorporating any measure from Basel III.

**“Basel III”** means:

- (a) the agreements on capital requirements, a leverage ratio and liquidity standards contained in “*Basel III: A global regulatory framework for more resilient banks and banking systems*”, “*Basel III: International framework for liquidity risk measurement, standards and monitoring*” and “*Guidance for national authorities operating the countercyclical capital buffer*” published by the Basel Committee on Banking Supervision in December 2010, each as amended, supplemented or restated;
- (b) the rules for global systemically important banks contained in “Global systemically important banks: assessment methodology and the additional loss absorbency requirement—Rules text” published by the Basel Committee on Banking Supervision in November 2011, as amended, supplemented or restated; and
- (c) any further guidance or standards published by the Basel Committee on Banking Supervision relating to “Basel III”.

**“Borrower”** means RAC Limited, a limited liability company registered in England and Wales with registered number 07665596 and having its registered office at RAC House, Brockhurst Crescent, Walsall, West Midlands, WS5 4AW, United Kingdom.

**“Borrower Account Bank”** means Barclays Bank PLC and any additional account bank or any successor account bank appointed pursuant to a Borrower Account Bank Agreement.

**“Borrower Account Bank Agreement”** means:

- (a) the account bank agreement dated 6 May 2016 between the Borrower, the Borrower Account Bank and the Obligor Security Trustee; and
- (b) any other account bank agreement entered into between the Borrower, a Borrower Account Bank and the Obligor Security Trustee.

**“Borrower Hedge Counterparty”** means each Initial Borrower Hedge Counterparty under the Common Terms Agreement and the Master Definitions Agreement and any entity which becomes a Party as a Hedge Counterparty to a Borrower Hedging Agreement and accedes as a Hedge Counterparty to the STID and the Common Terms Agreement.

**“Borrower Hedge Replacement Premium”** means a premium or upfront payment received by the Borrower from a replacement hedge counterparty under a replacement hedge agreement entered into with the Borrower to the extent of any termination payment due to a Borrower Hedge Counterparty under a Borrower Hedging Agreement.

**“Borrower Hedging Agreement”** means each ISDA Master Agreement entered into by the Borrower and a Borrower Hedge Counterparty in accordance with the Hedging Policy (in the form in effect at the time each relevant Borrower Hedging Transaction is entered into) and which governs the Borrower Hedging Transactions between such parties, and such term includes the schedule to the relevant ISDA Master Agreement and the confirmations evidencing the Borrower Hedging Transactions entered into under such ISDA Master Agreement.

**“Borrower Hedging Transaction”** means any Treasury Transaction with respect to the Relevant Debt governed by a Borrower Hedging Agreement and, in each case, entered into with the Borrower in accordance with the Hedging Policy.

**“Borrower Liquidity Facility Standby Account”** means any Liquidity Facility Standby Account in the name of Borrower.

**“Business Day”** means a day (other than a Saturday or a Sunday) on which banks are open for general business in London and Dublin.

**“Capital Expenditure”** means expenditure which, in accordance with the Accounting Principles and accounting practices, is treated as capital expenditure.

**“Cash”** means, at any time, cash denominated in sterling, dollars or euro in hand or at bank and (in the latter case) credited to an account in the name of the Borrower or another Obligor with an Acceptable Bank and to which the Borrower or other Obligor is beneficially entitled and for so long as:

- (a) that cash is repayable on demand or within 90 days after demand;
- (b) repayment of that cash is not contingent on the prior discharge of any other indebtedness of the Borrower or other Obligor or of any other person whatsoever or on the satisfaction of any other condition;
- (c) there is no Security Interest over that cash except under the Obligor Security Documents or any Permitted Security (i) constituted by a netting or set-off arrangement entered into by the Borrower or other Obligor in the ordinary course of their banking arrangements or (ii) granted to secure other Permitted Financial Indebtedness;
- (d) that cash is freely and (except as referred to in paragraph (a) above) immediately available to be applied in repayment or prepayment of the Obligor Secured Liabilities; and
- (e) that cash is not Restricted Cash.

**“Cash Equivalent Investments”** means at any time:

- (a) certificates of deposit issued by an Acceptable Bank;
- (b) any investment in marketable debt obligations issued or guaranteed by the government of the United States of America, the United Kingdom, any member state of the European Economic Area or any Participating Member State (other than Greece and any other country that is agreed prior to the date of this Agreement) or by an instrumentality or agency of any of them having an equivalent credit rating and not convertible or exchangeable to any other security, *provided* that, in each case, for so long as the Notes are rated by S&P such investments have a long-term credit rating from S&P at least equal to or higher than the then current rating of the Class A Notes or such other rating as is consistent with the criteria applied by S&P from time to time;

- (c) commercial paper not convertible or exchangeable to any other security:
  - (i) for which a recognised trading market exists;
  - (ii) issued by an issuer incorporated in the United States of America or the United Kingdom, or any member state of the European Economic Area or any Participating Member State (other than Greece and any other country that is agreed prior to the date of this Agreement); and
  - (iii) which has a credit rating of A-1 or higher by S&P, or, if no rating is available in respect of the commercial paper, the issuer of which has, in respect of its long-term unsecured and non-credit enhanced debt obligations, an equivalent rating from S&P;
- (d) sterling bills of exchange eligible for rediscount at the Bank of England and accepted by an Acceptable Bank (or their dematerialised equivalent);
- (e) any investment in money market funds which:
  - (i) have a credit rating of A-1 or higher by S&P (or equivalent);
  - (ii) invest substantially all their assets in securities of the types described in paragraphs (a) to (d) above; and
  - (iii) can be turned into cash on not more than 90 days' notice; and
- (f) in the case of the Obligors, any other debt security approved by the Obligor Security Trustee in accordance with the STID and in the case of the Issuer, any other debt security approved by the Issuer Security Trustee in accordance with the Issuer Deed of Charge *provided* that, in each case, such investments have a long-term credit rating from S&P at least equal to or higher than the then current rating of the Class A Notes or such other rating as is consistent with the criteria applied by S&P from time to time,

in each case:

- (i) to which any member of the Holdco Group (or together with other members of the Holdco Group) or the Issuer, as the case may be, is alone beneficially entitled at that time and which is not issued or guaranteed by any member of the Holdco Group, the Issuer or any of their respective Affiliates or subject to any Security Interest (other than in the case of the Obligors a Security Interest arising under the Obligor Security Documents and in the case of the Issuer a Security Interest arising under the Issuer Deed of Charge); and
- (ii)
  - (A) in the case of any Cash Equivalent Investments made with funds standing to the credit of any Designated Account (other than the Borrower Debt Service Payment Account, the Excess Cashflow Account, any Borrower Liquidity Facility Standby Account, any Borrower Debt Service Reserve Account and the Defeasance Account), have a tenor of no more than 365 days;
  - (B) in the case of any Cash Equivalent Investments made with funds standing to the credit of any Obligor Operating Account, the Borrower Debt Service Payment Account, the Excess Cashflow Account, any Borrower Liquidity Facility Standby Account or any Borrower Debt Service Reserve Account, mature on a date no later than the next Loan Interest Payment Date;
  - (C) in respect of any Cash Equivalent Investments made with funds standing to the credit of the Defeasance Account, mature on a date no later than the earlier of:
    - (1) 365 days after the date of such investment; and
    - (2) the Expected Maturity Date of the relevant Class or Sub-Class of Notes; and
  - (D) in respect of any Cash Equivalent Investments made with funds standing to the credit of any Issuer Account, mature on a date no later than the next Note Interest Payment Date.

**“Cash Manager”** means RAC Group Limited, a company registered in England and Wales with registered number 00229121 and having its registered office at RAC House, Brockhurst Crescent, Walsall, West Midlands, WS5 4AW, United Kingdom, or any substitute cash manager.

**“Cash Sweep Payment Date”** means, in respect of each Class A Authorised Credit Facility that had specified the preceding Financial Year as a Bank Debt Sweep Period, the first interest payment date occurring after the date on which Excess Cashflow for such preceding Financial Year was deposited into the Excess Cashflow Account pursuant to the CTA (or, if that day is not a Business Day, the preceding Business Day).

“**Class**” means with respect to each class of Notes, Class A Notes and Class B Notes.

“**Class A Agent**” has the meaning set out in the Class A Agency Agreement.

“**Class A Agent Bank**” means, in relation to the Class A Notes of any relevant Sub-Class, the bank initially appointed as agent bank in relation to such Sub-Class of Class A Notes by the Issuer pursuant to the Class A Agency Agreement or, if applicable, any Successor agent bank in relation to such Class A Notes.

“**Class A Authorised Credit Facility**” means any credit agreement entered into by an Obligor and any other agreement under which an Obligor incurs any Financial Indebtedness (excluding any Class B Authorised Credit Facility) with one or more persons as permitted by the terms of the Common Terms Agreement the providers of which are parties to or have acceded to the STID, the Common Terms Agreement and the Master Definitions Agreement, including any Class A IBLA, the Initial WC Facility Agreement, the Initial Senior Term Facility Agreement, the Initial Liquidity Facility Agreement, the Borrower Hedging Agreements and any fee letter, arrangement letter or commitment letter entered into in connection with the foregoing facilities or agreements or the transactions contemplated in the foregoing facilities, which in each case (other than a Liquidity Facility Agreement) ranks *pari passu* with the Initial Class A IBLA, the Initial WC Facility Agreement or the Initial STF Facility Agreement and has been designated as a document that should be deemed to be a Class A Authorised Credit Facility for the purposes of this definition by the parties thereto.

“**Class A Authorised Credit Provider**” means a lender or other provider of credit or financial accommodation under any Class A Authorised Credit Facility.

“**Class A Conditions**” means in relation to the Class A Notes of any Sub-Class, the terms and conditions endorsed on or incorporated by reference into the Class A Note or Class A Notes constituting such Sub-Class, such terms and conditions being substantially in the form set out in the Class A Note Trust Deed or in such other form, having regard to the terms of the Class A Notes of the relevant Sub-Class, as may be agreed between the Issuer, the Class A Note Trustee and the relevant Dealer(s) as completed by the Final Terms applicable to the Class A Notes of the relevant Sub-Class, in each case as from time to time modified in accordance with the provisions of the Class A Note Trust Deed and any reference in the Class A Note Trust Deed to a particular specified Class A Condition or paragraph of a Class A Condition shall be construed accordingly.

“**Class A Default Ratio Level**” means 1.10:1.00.

“**Class A Exchange Agent**” means Deutsche Bank AG, London Branch with a registered office at Winchester House, 1 Great Winchester Street, London, EC2N 2DB, UK.

“**Class A FCF DSCR**” means the ratio of FCF to Class A Total Debt Service Charges.

“**Class A IBLA**” means the Initial Class A IBLA and any additional loan agreement entered into between the Issuer and the Borrower which ranks *pari passu* with the Initial Class A IBLA.

“**Class A IBLA Advance**” means any advance made under a Class A IBLA.

“**Class A Initial Interest Rate**” means the rate specified as such in the relevant Final Terms or Drawdown Prospectus.

“**Class A Instructing Group**” means the Qualifying Obligor Senior Creditors.

“**Class A Loans**” means one or more term loans under the Class A IBLAs.

“**Class A Note Interest Period**” has the meaning ascribed to it in Class A Condition 21 (*Definitions*).

“**Class A Note**” means a Note issued pursuant to the Programme and denominated in such currency or currencies as may be agreed between the Issuer and the relevant Dealer(s) which has such maturity and denomination as may be agreed between the Issuer and the relevant Dealer(s) and issued or to be issued by the Issuer pursuant to the Class A Dealership Agreement or any other agreement between the Issuer and the relevant Dealer(s) relating to the Programme, the Class A Agency Agreement and the Class A Note Trust Deed and which shall, in the case of a Class A Bearer Note, either (a) initially be represented by, and comprised in, a Class A Temporary Bearer Global Note which may (in accordance with the terms of such Class A Temporary Bearer Global Note) be exchanged for a Class A Bearer Definitive Note or a Class A Permanent Bearer Global

Note which Class A Permanent Bearer Global Note may (in accordance with the terms of such Permanent Bearer Global Note) in turn be exchanged for a Class A Bearer Definitive Note or (b) be represented by, and comprised in, a Class A Permanent Bearer Global Note which may (in accordance with the terms of such Class A Permanent Bearer Global Note) be exchanged for a Class A Bearer Definitive Note (all as indicated in the applicable Final Terms) and which may, in the case of the Class A Registered Notes, either be in definitive form or be represented by, and comprised in, one or more Class A Regulation S Global Notes or Class A Rule 144A Global Notes each of which may (in accordance with the terms of such Class A Regulation S Global Note or Class A Rule 144A Global Note) be exchanged for Class A Registered Definitive Notes or another Class A Regulation S Global Note or Class A Rule 144A Global Note (all as indicated in the applicable Final Terms) and includes any replacements for a Class A Note (whether a Class A Bearer Note or a Class A Registered Note, as the case may be) issued pursuant to Class A Condition 13 (*Replacement of Class A Notes, Class A Coupons, Class A Receipts and Class A Talons*) and “**Class A Notes**”, shall be construed accordingly.

“**Class A Note Acceleration Notice**” has the meaning given to that term in Class A Condition 10 (*Class A Note Events of Default*).

“**Class A Note Event of Default**” means any of the events set out in Class A Condition 10 (*Class A Note Events of Default*) of the Class A Conditions.

“**Class A Note Interest Payment Date**” means, in respect to each Sub-Class of Class A Notes, Interest Payment Date as set out in Class A Condition 21 (*Definitions*) of the Terms and Conditions of the Class A Notes or otherwise means the date(s) specified in the relevant Final Terms.

“**Class A Note Interest Period**” means the period beginning on (and including) the Class A Interest Commencement Date and ending on (but excluding) the first Class A Interest Payment Date and each successive period beginning on (and including) a Class A Interest Payment Date and ending on (but excluding) the next succeeding Class A Interest Payment Date.

“**Class A Note Trust Deed**” means the note trust deed entered into on 6 May 2016 between the Issuer and the Class A Note Trustee in respect of the Class A Notes.

“**Class A Note Trustee**” means Deutsche Trustee Company Limited or any other or additional trustee appointed pursuant to the Class A Note Trust Deed, for and on behalf of the Class A Noteholders, the Class A Receiptholders and the Class A Couponholders.

“**Class A Noteholder**” means the several persons who are for the time being holders of the outstanding Class A Notes (being, in the case of Class A Bearer Notes, the bearers thereof and, in the case of Class A Registered Notes, the several persons whose names are entered in the register of holders of the Class A Registered Notes as the holders thereof) save that, in respect of the Class A Notes of any Sub-Class for so long as such Class A Notes or any part thereof are represented by Class A Global Note deposited with a common depository (in the case of a CGB) or common safekeeper (in the case of a NGB or a Class A Regulation S Global Note held under the NSS) for Euroclear and Clearstream, Luxembourg or, each person who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg (other than Clearstream, Luxembourg, if Clearstream, Luxembourg shall be an accountholder of Euroclear, and Euroclear, if Euroclear shall be an accountholder of Clearstream, Luxembourg) as the holder of a particular nominal amount of the Class A Notes of such Sub-Class shall be deemed to be the holder of such principal amount of such Class A Notes (and the holder of the relevant Class A Global Note shall be deemed not to be the holder) for all purposes of the Class A Note Trust Deed other than with respect to the payment of principal or interest on such nominal amount of such Class A Notes and, the rights to which shall be vested, as against the Issuer and the Class A Note Trustee, solely in such common depository, common safekeeper or its nominee and for which purpose such common depository, common safekeeper or its nominee shall be deemed to be the holder of such nominal amount of such Class A Notes in accordance with and subject to its terms and the provisions of the Class A Note Trust Deed and the Class A Conditions; and the expressions “**holder**” and “**holder of the Class A Notes**” and related expressions shall (where appropriate) be construed accordingly.

“**Class A Principal Paying Agent**” means Deutsche Bank AG, London Branch or, if applicable, any Successor principal paying agent appointed in relation to the Class A Notes.

“**Class A Registrar**” means, in relation to any Sub-Class of Class A Registered Notes, Deutsche Bank Trust Company Americas or, if applicable, any Successor registrar appointed in relation to any Sub-Class of Class A Notes.

**“Class A Transfer Agents”** means Deutsche Bank Trust Company Americas.

**“Class B Agency Agreement”** means the agreement entered into on or about the Class B1 Issue Date as amended and/or supplemented and/or restated from time to time, pursuant to which the Issuer appoints the Class B Principal Paying Agent, the other Class B Paying Agents, the Class B Registrar and Class B Transfer Agents in relation to all or any Class B Notes, and any other agreement in force from time to time appointing further or other Class B Paying Agents or Class B Transfer agents or other Class B Principal Paying Agent or Class B Registrar in relation to all or any sub-Class of Class B Notes, together with any agreement in force from time to time amending or modifying any of the aforesaid agreements.

**“Class B Authorised Credit Facility”** means any credit agreement entered into by the Borrower and any other agreement under which the Borrower incurs any Financial Indebtedness (excluding any Class A Authorised Credit Facility) with one or more persons as permitted by the terms of the Common Terms Agreement the providers of which are parties to or have acceded to the STID and the Master Definitions Agreement and any fee letter, arrangement letter or commitment letter entered into in connection with the foregoing facilities or agreements or the transactions contemplated in the foregoing facilities, which in each case ranks *pari passu* with any other Class B IBLA and has been designated as a document that should be deemed to be a Class B Authorised Credit Facility for the purposes of this definition by the parties thereto.

**“Class B Authorised Credit Provider”** means a lender or other provider of credit or financial accommodation under any Class B Authorised Credit Facility.

**“Class B Basic Terms Modification”** means any modification to the Class B Notes to:

- (a) reduce the principal amount of the Class B Notes whose holders must consent to an amendment, supplement or waiver;
- (b) reduce the principal or interest on, or change the fixed maturity of, any Class B Notes or altering the provisions with respect to the redemption of the Class B Notes;
- (c) reduce the rate of, or change the timing for the payment of interest, including default interest or making any Class B Note payable in a currency other than sterling;
- (d) impair the right of any Class B Noteholder to receive payment of principal and interest on such Class B Notes on or after the due date therefor;
- (e) waive a redemption payment with respect to any Class B Notes;
- (f) make any change in the Class B Conditions relating to waivers of defaults or Share Enforcement Events or the rights of holders of Class B Notes to receive payments of principal of, or interest, or Additional Amounts or premium, if any, on the Class B Notes;
- (g) impair the rights of the Class B Noteholders to institute a suit for the enforcement of any payment on or with respect to the Class B Notes or the Topco Security;
- (h) release Topco from its obligations under the Topco Payment Undertaking, except as provided in the Class B Note Trust Deed, the Class B IBLA or other Issuer Class B Transaction Documents;
- (i) release any Issuer Security, except as provided in the Class B Note Trust Deed, the Issuer Deed of Charge or other security documents;
- (j) amend, change or modify the Topco Payment Undertaking in a manner that adversely affects the Class B Noteholders;
- (k) except as provided for in the Class B Conditions and the Class B Note Trust Deed, waive a default or an event of default in the payment of principal of or interest on the Class B Notes; or
- (l) make any change in to this definition.

**“Class B Conditions”** means in relation to any Class B Notes, the terms and conditions endorsed on or incorporated by reference into the Class B Note or Class B Notes, in each case as modified from time to time in accordance with the provisions of the relevant Class B Note Trust Deed and any reference in the Issuer Transaction Documents to a particular specified Class B Condition or paragraph of a Class B Condition shall be construed accordingly.

**“Class B Conditions Relevant Matter”** has the meaning set out in the Issuer Deed of Charge.



**“Class B Event of Default”** means:

- (a) a Class B Note Event of Default; or
- (b) a Class B Loan Event of Default as defined under any Class B Authorised Credit Facility.

**“Class B Extraordinary Resolution”** has the meaning given to it in any Class B Note Trust Deed (if applicable).

**“Class B FCF DSCR”** has the meaning given to it in relation to a Class B Authorised Credit Facility, in such Class B Authorised Credit Facility.

**“Class B IBLA”** means any loan agreement entered into between the Issuer and the Borrower after 6 May 2016 which ranks subordinate to the Obligor Senior Secured Liabilities and *pari passu* with any other Class B IBLA.

**“Class B Interest Rate”** has the meaning given to that term in respect of a Class B IBLA, the rate of interest set out in such Class IBLA.

**“Class B Loan Event of Default”** has the meaning given to it in any Class B Authorised Credit Facility.

**“Class B Note Event of Default”** means any of the events set out as events of default in the relevant Class B Conditions.

**“Class B Note Trust Deed”** means any note trust deed entered into on or about the Class B1 Issue Date between the Issuer and the Note Trustee in respect of any Class B Notes.

**“Class B Note Trustee”** means the trustee to be appointed pursuant to any Class B Note Trust Deed, for an on behalf of any Class B Noteholders, and who accedes to the STID in accordance with clause 2.11 (Accession of Class B Note Trustee) of the STID.

**“Class B Noteholder”** means any holder of any Class B Note.

**“Class B Notes”** means any notes issued by the Issuer after 6 May 2016 which rank junior to the Class A Notes and *pari passu* with any other Class B Notes then outstanding.

**“Class B Paying Agent”** means Deutsche Bank AG, London Branch.

**“Class B Principal Paying Agent”** means the principal paying agent to be appointed in respect of the Class B Notes.

**“Class B Registrar”** means the party appointed as such under a Class B Agency Agreement or any registrar to be appointed in respect of the Class B Notes.

**“Class B Relevant Matter”** has the meaning given to it under the STID.

**“Class B Transfer Agents”** means any transfer agent(s) appointed in connection with an issuance of Class B Notes.

**“Class B1 Conditions”** means the terms and conditions in relation to the Class B1 Notes.

**“Class B1 Definitive Note”** means a Class B Regulation S Definitive Note and/or a Class B Rule 144A Definitive Note, as the context requires.

**“Class B1 IBLA”** means the Class B IBLA entered into on 14 July 2017.

**“Class B1 Loan”** Class B1 Loan means the term loan under the Class B1 IBLA to be entered into on the Class B1 Issue Date between the Issuer and the Borrower.

**“Class B1 Loan Maturity Date”** means 6 November 2022.

**“Class B1 Note Adjustment Date”** means 6 November 2022.

“**Class B1 Note Expected Maturity Date**” means 6 November 2022, the date on which the Class B1 Notes are expected to be redeemed in full.

“**Class B1 Note Final Maturity Date**” means 6 May 2046, the final legal maturity date for the Class B1 Notes.

“**Class B1 Notes**” means the Class B Notes constituted by the Class B Note Trust Deed on the Class B1 Issue Date.

“**Class B1 Noteholder**” means any holder of a Class B1 Note.

“**Class B1 Issue Date**” means 14 July 2017.

“**Clearstream, Luxembourg**” means Clearstream Banking, Luxembourg *société anonyme*.

“**Code**” means the United States Internal Revenue Code of 1986 and the regulations promulgated and rulings issued thereunder.

“**Commitment**” has the meaning given to such term:

- (a) in relation to a Liquidity Facility, in the relevant Liquidity Facility Agreement.
- (b) in relation to the Initial WC Facility, in the Initial Working Capital Facility Agreement.
- (c) in relation to the Initial STF Facility, in the Initial Senior Term Facility Agreement; and
- (d) in relation to any other Authorised Credit Facility, in that Authorised Credit Facility.

“**Common Documents**” means the Obligor Security Documents, the Common Terms Agreement, the Master Definitions Agreement, the STID, the Borrower Account Bank Agreement and the Tax Deed of Covenant.

“**Common Terms Agreement**” or “**CTA**” means the common terms agreement between, among others, the Obligors, the Cash Manager, the Issuer and the Obligor Security Trustee dated 6 May 2016.

“**Compliance Certificate**” means a certificate, substantially in the form set out in the CTA.

“**Contribution Notice**” means the contribution notice issued by the Pension Regulator under section 43 of the Pensions Act 2004.

“**CTA Covenants**” mean the covenants set out in Part B of Schedule 2 of the Common Terms Agreement (see *Appendix: Common Terms Agreement–Holdco Group Covenants Description*).

“**CTA Default**” means:

- (a) a CTA Event of Default; or
- (b) a Potential CTA Event of Default.

“**CTA Event of Default**” means an event specified as such in the Common Terms Agreement. See “*Description of Certain Financing Arrangements–Common Terms Agreement–CTA Events of Default*”)

“**Dealers**” means Banco Santander, S.A., Barclays Bank PLC, BNP Paribas, London Branch, Citigroup Global Markets Limited, Deutsche Bank AG, London Branch, HSBC Bank plc, J.P. Morgan Securities plc, Mizuho International plc and The Royal Bank of Scotland plc.

“**Debt Purchase Transaction**” means, in relation to a person, a transaction where such person:

- (a) purchases by way of assignment or transfer;
- (b) enters into any sub-participation in respect of; or
- (c) enters into any other agreement or arrangement having an economic effect substantially similar to a sub- participation in respect of,

any commitment or amount outstanding under an Authorised Credit Facility, any Notes or PP Notes, or any equivalent transaction having a similar economic effect.

**“Debt Service Payment Account”** means the account designated as such by the Borrower.

**“Debt Service Reserve Account”** means:

- (a) in respect of the Borrower, the Borrower Debt Service Reserve Account; and
- (b) in respect of the Issuer, the Issuer Debt Service Reserve Account.

**“Decision Period”** means the period of time within which the approval of the Obligor Security Trustee is sought as specified in relation to each type of voting matter in the STID.

**“Deemed Available Enforcement Proceeds”** has the meaning given to it in the STID.

**“Defeasance Account”** has the meaning given to it in the Common Terms Agreement.

**“Defeased Cash Note Purchase”** means the purchase by the Borrower of Class A Notes pursuant to a public tender offer, in accordance with the CTA.

**“Demand Notice”** means a notice from the Obligor Security Trustee (on instruction from the Topco Secured Creditors in accordance with the STID) to Topco demanding the payment of the aggregate Class B Payment Amounts to a specified account in accordance with and subject to the terms of the Topco Payment Undertaking (if applicable).

**“Designated Accounts”** has the meaning given to it in the Common Terms Agreement.

**“Direction Notice”** has the meaning given to it in the STID.

**“Discretion Matter”** means a matter in which the Obligor Security Trustee may exercise its discretion to approve any request made in a STID Proposal without any requirement to seek the approval of any Obligor Secured Creditor, Issuer Secured Creditor or any of their Secured Creditor Representatives.

**“Disposal Proceeds”** means the consideration receivable by any member of the Holdco Group (including any amount receivable in repayment of intercompany debt) for any Disposal made by any member of the Holdco Group after deducting:

- (a) any reasonable expenses which are incurred by a member of the Holdco Group with respect to that Disposal to persons who are not members of the Holdco Group; and
- (b) any Tax incurred and required to be paid by the seller in connection with that Disposal (as reasonably determined by the seller, on the basis of existing rates and taking account of any available credit, deduction or allowance).

**“Distressed Disposal”** means a disposal of an asset of a member of the Holdco Group which is:

- (a) being approved or consented to by way of Qualifying Obligor Secured Creditors pursuant to the STID in circumstances where the Obligor Security has become enforceable; or
- (b) being effected by enforcement of the Obligor Security.

**“Distressed Disposal Resolution”** means any resolution requested of the Qualifying Obligor Secured Creditors pursuant to the STID to sanction the making of a Distressed Disposal.

**“Distribution Date”** means each day on which Available Enforcement Proceeds are available to be applied by or on behalf of the Obligor Security Trustee (or any Receiver) in or towards satisfaction of the Obligor Secured Liabilities in accordance with the Obligor Post-Acceleration Priority of Payments.

**“Early Termination Date”** has the meaning given thereto in the relevant Hedging Agreement.

**“EBITDA”** means earnings before interest, other gains and losses, tax, amortisation, depreciation and exceptional items.

“**EMIR NFC Representation Protocol**” means the ISDA 2013 EMIR NFC Representation Protocol published by the International Swaps and Derivatives Association, Inc. on 8 March 2014.

“**Enforcement Action**” means:

- (a) demanding payment of any Obligor Secured Liabilities;
- (b) accelerating any of the Obligor Secured Liabilities or otherwise declaring any Obligor Secured Liabilities prematurely due and payable or payable on demand or the premature termination or close-out of any Obligor Secured Liabilities under a Borrower Hedging Agreement (other than such a close out on a voluntary basis which would not result in a breach of the Common Terms Agreement or the STID);
- (c) enforcing any Obligor Secured Liabilities by attachment, set-off, execution, diligence, arrestment or otherwise;
- (d) crystallising, or requiring the Obligor Security Trustee to crystallise, any floating charge in the Obligor Security Documents;
- (e) enforcing, or requiring the Obligor Security Trustee to enforce, any Obligor Security;
- (f) initiating or supporting or taking any action or step with a view to:
  - (i) any insolvency, bankruptcy, liquidation, reorganisation, winding up, judicial composition or dissolution proceedings or any analogous proceedings in relation to any Obligor in any jurisdiction;
  - (ii) any voluntary arrangement, scheme of arrangement or assignment for the benefit of creditors; or
  - (iii) any similar proceedings involving any Obligor whether by petition, convening a meeting, voting for a resolution or otherwise;
- (g) initiating or supporting or taking any action or step with a view to any administration, receivership or administrative receivership or any analogous proceedings in relation to any Obligor in any jurisdiction;
- (h) bringing or joining any legal proceedings against any Obligor (or any of its Subsidiaries) to recover any Obligor Secured Liabilities;
- (i) exercising any right to require any insurance proceeds to be applied in reinstatement of any asset subject to any Obligor Security; or
- (j) otherwise exercising any other remedy for the recovery of any Obligor Secured Liabilities or the preservation of any Obligor Secured Property.

“**Entrenched Rights**” are matters which:

- (a) would delay the date fixed for payment of principal or interest in respect of the relevant Obligor Secured Creditor’s debt or would reduce the amount of principal or the rate of interest payable in respect of such debt;
- (b) would bring forward the date fixed for payment of principal or interest in respect of an Obligor Secured Creditor’s debt or would increase the amount of principal or the rate of interest payable on any date in respect of the Obligor Secured Creditor’s debt;
- (c) would have the effect of adversely changing any of the Obligor Post-Acceleration Priority of Payments or the Obligor Pre-Acceleration Priority of Payments or application thereof in respect of an Obligor Secured Creditor (including, in the case of the Issuer, any Issuer Secured Creditor that would be adversely affected by such change under and in accordance with the STID);
- (d) would have the effect of adversely changing the application of any proceeds of enforcement of the Obligor Security Documents;
- (e) would result in the exchange of the relevant Obligor Secured Creditor’s debt for, or the conversion of such debt into, shares, notes or other obligations of any other person;
- (f) would change or would relate to the currency of payment due under the relevant Obligor Secured Creditors debt (other than due to the U.K. adopting the euro);
- (g) would change or would relate to any existing obligation of an Obligor to gross up any payment in respect of the relevant Obligor Secured Creditor’s debt in the event of the imposition of withholding taxes (including, in the case of the Issuer, any Issuer Secured Creditor that would be adversely affected by such change);

- (h) would change or would have the effect of changing (i) any of the following definitions: Qualifying Obligor Secured Creditors, Qualifying Obligor Senior Secured Liabilities, Qualifying Obligor Senior Creditors, Qualifying Obligor Junior Secured Liabilities, Qualifying Obligor Junior Creditors, STID Proposal, Discretion Matter, Ordinary Voting Matter, Extraordinary Voting Matter, Voted Qualifying Obligor Secured Liabilities, Reserved Matter, Entrenched Right; (ii) the Decision Period, Quorum Requirement or voting majority required in respect of any Ordinary Voting Matter, Extraordinary Voting Matter, Qualifying Obligor Secured Creditor Instruction Notice, Enforcement Instruction Notice or Further Enforcement Instruction Notice; (iii) any of the matters that give rise to Entrenched Rights under the STID or (iv) the scope of Entrenched Rights under the STID;
- (i) would change or have the effect of changing the relationships between Qualifying Obligor Senior Secured Liabilities and Qualifying Obligor Junior Secured Liabilities;
- (j) would change or have the effect of changing the Reserved Matters under the STID;
- (k) in respect of each Obligor Secured Creditor that is a Topco Secured Creditor, would change or would have the effect of changing (i) any of the following definitions; Topco Demand Notice Instruction or Topco Enforcement Instruction; or (ii) the quorum requirement or voting majority required in respect of any Topco Demand Notice Instruction or Topco Enforcement Instruction; and
- (l) in respect of each Hedge Counterparty:
  - (i) would change or would have the effect of changing any of the following definitions: Borrower Hedge Replacement Premium, Issuer Hedge Replacement Premium, Hedging Agreement or Issuer Secured Creditor Entrenched Right;
  - (ii) would change or would have the effect of changing the limits specified in the paragraphs “*Currency Risk Principles*” and “*Interest Rate Risk Principles*” described in the section “*Description of Certain Financing Arrangements—Common Terms Agreement—Hedging Policy*”;
  - (iii) would change or have the effect of changing the definition of Permitted Hedge Termination or any of the Hedge Counterparties’ rights to terminate the Hedging Agreements as set out in the Hedging Agreements but only to the extent that the Hedge Counterparties’ rights to terminate would be further restricted by such change;
  - (iv) would change or have the effect of changing the CTA Events of Default;
  - (v) would change or have the effect of changing a Hedge Counterparty’s voting entitlement as described in the section “*Description of Certain Financing Arrangements—Security Trust and Intercreditor Deed—Qualifying Obligor Secured Liabilities—Voting in respect of Borrower Hedging Transactions by Borrower Hedge Counterparties*”;
  - (vi) would change or have the effect of changing the definitions of Loan Acceleration Notice or Loan Enforcement Notice or would change or have the effect of changing the consequences of the delivery of a Loan Acceleration Notice or the priority of payments following the delivery of a Loan Acceleration Notice;
  - (vii) would change or have the effect of changing the covenants in the CTA relating to Disposals; and
  - (viii) in respect of each Borrower Hedge Counterparty, would change or have the effect of changing the provisions of the STID governing when a Borrower Hedge Counterparty will be an Obligor Secured Creditor.

“**Environmental Claim**” means any claim, proceeding, formal notice or investigation by any person in respect of any Environmental Law.

“**Environmental Law**” means any applicable law or regulation which relates to:

- (a) the pollution or protection of the Environment;
- (b) the conditions of the workplace; or
- (c) the generation, handling, storage, use, release, emission or spillage of any substance which, alone or in combination with any other, is capable of causing harm to the Environment, including any waste.

“**Environmental Permits**” means any permit or other Authorisation required under any Environmental Law for the operation of the business of any member of the Holdco Group conducted on or from the properties owned or used by any member of the Holdco Group.

“**Equity Cure Amount**” has the meaning given to it in the CTA.

“**Equivalent Amount**” means in respect of any amount which is not denominated in the Base Currency, such amount expressed in the Base Currency as calculated on the basis of the Exchange Rate.

“**ERISA**” means the Employee Retirement Income Security Act of 1974 and the regulations promulgated thereunder.

“**Euroclear**” means Euroclear Bank SA/NV.

“**European Union**” or “**EU**” means the economic and political union established in 1993 by the Maastricht Treaty, with the aim of achieving closer economic and political union between member states that are primarily located in Europe.

“**Excess Cashflow**” means, in respect of any relevant period, FCF for that relevant period after:

- (a) adding the amount of any cash receipts (and deducting the amount of any cash payments) during that relevant period in respect of any items treated as one off, non-recurring, extraordinary, unusual or exceptional items not already taken account of in calculating FCF for any relevant period but without deducting the agreed transaction costs associated with the financing contemplated by the Transaction Documents;
- (b) deducting the amount of any Capital Expenditure actually made in cash during that relevant period by any member of the Holdco Group (to the extent such amount exceeds the Minimum Capital Maintenance Spend Amount required to be spent or reserved in relation to that period) except (in each case) to the extent funded from:
  - (i) any Disposal Proceeds or the proceeds of any insurance claims permitted to be retained for this purpose;
  - (ii) Retained Excess Cashflow;
  - (iii) New Shareholder Injections or Investor Funding Loans; or
  - (iv) Additional Financial Indebtedness;and *provided* that in a Bank Debt Sweep Period no investment Capital Expenditure other than the acquisition of customer intangibles shall be deducted;
- (c) deducting the aggregate of any cash consideration paid for, or the cash cost of, any Permitted Acquisitions or Permitted Joint Venture Investment except (in each case) to the extent funded from:
  - (i) any Disposal Proceeds or the proceeds of any insurance claims permitted to be retained for this purpose;
  - (ii) Retained Excess Cashflow;
  - (iii) New Shareholder Injections or Investor Funding Loans; or
  - (iv) Additional Financial Indebtedness;
- (d) deducting payments under the medical benefits scheme during that relevant period, in each case to the extent not taken into account in establishing EBITDA;
- (e) deducting the aggregate of Total Debt Service Charges for the relevant period and, without double counting, any other amounts payable pursuant to paragraphs 1 to 10 (inclusive) (other than paragraph 6) of the Obligor Pre-Acceleration Priority of Payments (see “*Description of Certain Financing Arrangements—Security Trust and Intercreditor Deed—Obligor Priorities of Payment—Obligor Pre-Acceleration Priority of Payments*”), any voluntary and mandatory prepayments made in respect of any Class A Authorised Credit Facility (other than any mandatory prepayment from Excess Cashflow made in the relevant period in respect of Excess Cashflow for the previous relevant period and any mandatory prepayment funded from Disposal Proceeds, Insurance Proceeds or the proceeds of any equity raising or debt raising), any termination payments made under any Hedging Agreements during the relevant period and any fees, costs or charges of a non-recurring nature related to any Permitted Financial Indebtedness (whether or not successful) incurred during the relevant period;
- (f) deducting the amount of any dividends paid in cash during the relevant period to minority shareholders in members of the Holdco Group;
- (g) deducting the amount required to be retained by the Holdco Group to meet reasonably anticipated net operating expenses for the next relevant period (which amount shall not exceed £10,000,000 in respect of any relevant period) but adding back the amount retained by the Holdco Group at the end of the last relevant period to meet reasonably anticipated net operating expenses for the relevant period;

- (h) deducting any payment made during the relevant period pursuant to paragraph (a) of the definition of “Restricted Payment”;
- (i) deducting tax accrued in the financial statements of such relevant period but not paid and adding the amount of any tax paid in cash in the relevant period that was deducted pursuant to this paragraph in the calculation of Excess Cashflow for the previous relevant period;
- (j) deducting (to the extent included in EBITDA for the relevant period) the proceeds of any business interruption or third party liability insurances;
- (k) deducting amounts excluded from EBITDA under paragraphs (m) and (n) of the definition of “EBITDA”;
- (l) deducting any other payments in respect of Permitted Financial Indebtedness which is not Obligor Senior Secured Liabilities including under any finance leases;
- (m) deducting the Issuer Profit Amount and to the extent not treated as Total Debt Service Charges, any Facility Fee paid during such relevant period,

and so that no amount shall be added (or deducted) more than once.

“**Excess Cashflow Account**” has the meaning given to it in section “*Description of Certain Financing Arrangements—Common Terms Agreement—Cash Management—Dedicated Accounts*”.

“**Exchange Act**” means the United States Securities Exchange Act of 1934.

“**Excluded Tax**” means, in relation to any person (but without prejudice to the provisions of the STID), any:

- (a) Tax imposed on or calculated by reference to the net income, profits or gains of that person, in each case excluding any deemed income, profits or gains of that person other than to the extent such deemed income, profits or gains are matched by any actual income, profits or gains of an Affiliate of that person;
- (b) Tax that arises from the fraud, gross negligence or wilful default of the relevant person or its officers, directors or employees;
- (c) stamp duty or stamp duty reserve tax arising under sections 67, 70, 93 or 96 of the Finance Act 1986 but only to the extent the Tax in question exceeds the Tax that would have arisen but for the existence and effect of those sections (*provided* that this paragraph (c) shall not apply in relation to the Obligor Security Trustee, the Issuer Security Trustee or any Note Trustee),

in each case including any related costs, fines, penalties or interest (if any).

“**Existing Indebtedness**” means any amounts owed under or in respect of the Existing Facilities.

“**Expected Maturity Date**” means:

- (a) in relation to any Sub-Class of Class A Notes, the date specified as such in the Final Terms relating to such Sub-Class of Class A Notes; and
- (b) in relation to any Sub-Class of Class B Notes the date specified as such in the applicable Class B Conditions applicable to such Sub-Class of Class B Notes.

“**Extraordinary Voting Matters**” are matters which:

- (a) would change any CTA Event of Default or any Trigger Event each in relation to non-payment, the making of Restricted Payments or financial ratios;
- (b) would relate to the waiver of any CTA Event of Default or any Trigger Event each in relation to non-payment, the making of Restricted Payments or financial ratios;
- (c) would change in any adverse respect for the Qualifying Obligor Secured Creditors the restrictions and the permissions described in the covenants in the CTA;
- (d) would materially change or have the effect of materially changing the definition of Permitted Business;

- (e) would change or have the effect of changing the provisions relating to or relate to the waiver of the Additional Financial Indebtedness conditions set out in the definition thereof contained herein;
- (f) would result in the Aggregate Available Liquidity being less than the Liquidity Required Amount and, to the extent that the passing of an Extraordinary STID Resolution on the matters referred to in this sub-paragraph (f) necessitates an amendment to any Trigger Event, the amendment to that Trigger Event shall be an Extraordinary Voting Matter;
- (g) would bring forward the scheduled maturity date of any Financial Indebtedness following the occurrence of a Trigger Event which is continuing;
- (h) would change or have the effect of changing in any material respect any of the requirements described in the section *“Description of Certain Financing Arrangements—Common Terms Agreement—Cash Management”* which would reasonably be expected to have an adverse effect on an Obligor Secured Creditor;
- (i) would release any of the Obligor Security (unless equivalent replacement security is taken at the same time) unless such release is permitted in accordance with the terms of the Common Documents;
- (j) would change or have the effect of changing the definition of Qualifying Public Offering and/or the conditions therein, or would relate to the waiver of any of the foregoing; and
- (k) would change or waive or have the effect of changing or waiving the Obligor Coverage Test contained in the Common Terms Agreement or the nature and scope of the guarantee and indemnity granted under the STID.

**“Facility Agent”** means, as the context requires, any or all of the Initial STF Agent, the Initial WCF Agent, the Initial Liquidity Facility Agent, or their successors, and any agent, trustee or other representative appointed in respect of any other Authorised Credit Facility.

**“Facility Interest Payment Date”** has the meaning given to it in the STID.

**“Fairness Opinion”** means, in respect of a proposed disposal of any Obligor Secured Property, an opinion of a Financial Adviser that the proposed consideration for the disposal to which such opinion relates is fair from a financial point of view taking into account all relevant circumstances including the method and timing of enforcement.

**“Fifth Facility Fee”** means the on-going facility fee payable by the Borrower to the Issuer equal to:

- (a) before a Note Acceleration Notice has been given, all amounts due and payable by the Issuer under paragraph 5(e) of the Issuer Pre-Acceleration Priority of Payments; and
- (b) after a Note Acceleration Notice has been given, there shall be no Fifth Facility Fee payable,

as applicable and as the context may so require.

**“Final Maturity Date”** means:

- (a) in relation to a Note, the final date on which that Note is expressed to be redeemable; and
- (b) in relation to any Authorised Credit Facility, the date on which all financial accommodation made available under that Authorised Credit Facility is expressed to be repayable or terminated in full (without any further obligation of the relevant Authorised Credit Provider to continue to make available such financial accommodation).

**“Final Terms”** means the final terms issued in relation to each Sub-Class of Class A Notes as a supplement to the Class A Conditions and giving details of the Sub-Class.

**“Finance Documents”** means the Senior Finance Documents and the Junior Finance Documents.

**“Financial Adviser”** means a reputable internationally or nationally recognised investment bank, international accounting firm or any other reputable internationally or nationally recognised third party professional firm (including any other reputable independent expert of international or national standing, which is engaged in providing valuations of businesses or assets of the type owned and operated by the Holdco Group) and appointed by the Obligor Security Trustee in accordance with the STID.

**“Financial Indebtedness”** means any indebtedness for or in respect of:

- (a) monies borrowed and debit balances at banks or other financial institutions;



- (b) any acceptance under any acceptance credit or bill discounting facility (or dematerialised equivalent);
- (c) any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;
- (d) the amount of any liability in respect of finance leases (and, for the purpose of this paragraph, any present or future operating lease which would not be classified as a finance lease under the Accounting Principles as they apply to the Holdco Group as at 6 May 2016 shall not be treated as a finance lease notwithstanding any change in such Accounting Principles after 6 May 2016 which affects its classification);
- (e) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);
- (f) any Treasury Transaction (and, when calculating the value of that Treasury Transaction, only the marked to market loss to the Holdco Group (or, if any actual amount is due from the Holdco Group as a result of the termination or close-out of that Treasury Transaction, that amount) shall be taken into account);
- (g) any counter indemnity obligation in respect of any guarantee, indemnity, bond, standby or documentary letter of credit or other instrument issued by a bank or financial institution, except to the extent issued in respect of obligations which do not themselves constitute Financial Indebtedness;
- (h) any amount raised by the issue of redeemable shares which are redeemable (other than at the option of the issuer) before the Final Maturity Date or are otherwise classified as borrowings under the Accounting Principles;
- (i) any amount of any liability under an advance or deferred purchase agreement if (i) one of the primary reasons behind entering into the agreement is to raise finance or to finance the acquisition or construction of the asset or service in question or (ii) the agreement is in respect of the supply of assets or services and payment is due more than 180 days after the date of supply; or
- (j) any amount raised under any other transaction (including any forward sale or purchase, sale and sale back or sale and leaseback agreement) having the commercial effect of a borrowing or otherwise classified as borrowings under the Accounting Principles (other than advance payments by customers in respect of services to be provided by the Holdco Group after the date of payment); and
- (k) the amount of any liability in respect of any guarantee for any of the items referred to in paragraphs (a) to (j) above, but in each case without double counting.

**“Financial Statements”** means, at any time, the financial statements of an Obligor and, in the case of Holdco, additionally consolidated financial statements of itself and its Subsidiaries, most recently delivered to the Obligor Security Trustee.

**“Financial Support Direction”** means a financial support direction issued by the Pensions Regulator under Section 43 of the Pensions Act 2004.

**“Financial Year”** means the annual accounting period of the Holdco Group ending on an Accounting Reference Date.

**“Financing Proceeds Account”** means the account described in section *“Description of Certain Financing Arrangements—Common Terms Agreement—Cash Management—Designated Accounts”*.

**“First Facility Fee”** means the on-going facility fee payable by the Borrower to the Issuer equal to:

- (a) before a Note Acceleration Notice has been given, all amounts due and payable under paragraph 1 of the Issuer Pre-Acceleration Priority of Payments; and
- (b) after a Note Acceleration Notice has been given, all amounts due and payable under paragraph (a) of the Issuer Post-Acceleration Priority of Payments,

as applicable and as the context may so require.

**“Foreign Currency”** means any currency other than Sterling.

**“Fourth Facility Fee”** means the on-going facility fee payable by the Borrower to the Issuer equal to:

- (a) before a Note Acceleration Notice has been given, all amounts due and payable under paragraph (d) of the Issuer Pre-Acceleration Priority of Payments; and
- (b) after a Note Acceleration Notice has been given, all amounts due and payable under paragraph (c) of the Issuer Post-Acceleration Priority of Payments,

as applicable and as the context may so require.

**“Further Enforcement Instruction Notice”** has the meaning given to it in the STID.

**“Group Relief”** means the surrender of losses or other amounts eligible for surrender under Part 5 of the Corporation Taxes Act 2010.

**“Guarantor”** means collectively, the subsidiaries of Topco that will guarantee, among other things, payment of the Class B1 Loan.

**“Hedge Counterparties”** means each Borrower Hedge Counterparty and each Issuer Hedge Counterparty and **“Hedge Counterparty”** means any such party.

**“Hedging Agreement”** means each Borrower Hedging Agreement and each Issuer Hedging Agreement.

**“Hedging Policy”** means the initial hedging policy applicable to the Obligors and the Issuer set out in (*“Description of Certain Financing Arrangements—Common Terms Agreement—Hedging Policy”*) as such hedging policy may be amended from time to time in accordance with the STID.

**“Hedging Transaction”** means a Borrower Hedging Transaction or an Issuer Hedging Transaction or, where the context requires, each of the above.

**“HMRC”** or **“HM Revenue & Customs”** means Her Majesty’s Revenue & Customs.

**“Holdco”** means RAC Bidco Limited, a company incorporated in England and Wales with limited liability (registered number 09229824).

**“Holdco Group”** means Holdco and each of its Subsidiaries (other than the Issuer).

**“Holdco Group Agent”** means RAC Group Limited.

**“Holding Company”** means a holding company within the meaning of Section 1159 of the Companies Act.

**“IBLA Advance”** means any advance made under any IBLA.

**“Indexed”** means, in respect of any reference to that amount, an amount to that amount (as previously indexed) as such amount may be adjusted up or down at the beginning of each calendar year by a percentage equal to the amount of percentage increase or, as the case may be, decrease in the Retail Price Index for such year or as is otherwise specified in the relevant Transaction Document.

**“Information Covenants”** mean the covenants set out in Part A of Schedule 2 of the Common Terms Agreement.

**“Initial Class A IBLA”** or **“Initial Class A Issuer Borrower Loan Agreement(s)”** means the loan agreement entered into between the Issuer and the Borrower on 6 May 2016 entitled “Initial Class A Issuer/Borrower Loan Agreement”.

**“Initial Liquidity Facility”** means the facility made available under the Initial Liquidity Facility Agreement.

**“Initial Liquidity Facility Agent”** means BNP Paribas in its capacity as facility agent under the Initial Liquidity Facility Agreement.

**“Initial Liquidity Facility Agreement”** means the liquidity facility agreement dated 6 May 2016 between, among others, the Borrower, the Issuer, and the Initial Liquidity Facility Provider(s).

**“Initial Liquidity Facility Providers”** means those financial institutions party to the Initial Liquidity Facility Agreement as Liquidity Facility Providers or any other party that accedes to the Initial Liquidity Facility Agreement as a Liquidity Facility Provider.

**“Initial Purchasers”** means Banco Santander, S.A., Barclays Bank PLC, BNP Paribas, London Branch, Citigroup Global Markets Limited, Deutsche Bank AG, London Branch, HSBC Bank plc, J.P. Morgan Securities plc, Mizuho International plc and The Royal Bank of Scotland plc (trading as NatWest Markets).

**“Initial Rating”** means the credit rating of the Class A Notes on 6 May 2016 or, from the date on which the Rating Agency assigns a credit rating (disregarding, at the Issuer’s request, the ability of the Borrower to incur Additional Financial Indebtedness with a rating equal to the credit rating of the Class A Notes on 6 May 2016) of BBB (sf) or above to the Class A Notes a credit rating from the Rating Agency of BBB (sf) or above.

**“Initial Senior Term Facility Agreement”** means the senior term credit facility dated 6 May 2016 between, amongst others, the Borrower, the Initial STF Agent, the Initial STF Arrangers and the Original Initial STF Lenders.

**“Initial STF Agent”** has the meaning given to it in the Initial Senior Term Facility.

**“Initial STF Arrangers”** means Abbey National Treasury Services plc, Barclays Bank PLC, BNP Paribas Fortis SA/NV, Citigroup Global Markets Limited, Deutsche Bank AG, London Branch, Deutsche Bank Luxembourg S.A., HSBC Bank plc, J.P. Morgan Limited, Mizuho Bank, Ltd. and The Royal Bank of Scotland plc.

**“Initial STF Facility”** or **“Initial Senior Term Facility”** has the meaning given to it in the Initial Senior Term Facility Agreement.

**“Initial STF Finance Document”** means Initial Senior Term Facility Agreement, the fee letters in respect of or in relation to the Initial Senior Term Facility Agreement, the Common Documents and any other document designated as such by the Initial STF Agent and the Holdco Group Agent.

**“Initial STF Lender”** means:

- (a) any Original Initial STF Lender; and
- (b) any bank, financial institution, trust, fund or other entity which has become a Party as an Initial STF Lender in accordance the Initial Senior Term Facility Agreement,

which in each case has not ceased to be an Initial STF Lender in accordance with the terms of the Initial Senior Term Facility Agreement.

**“Initial STF Loan”** means a loan made or to be made under the Initial STF Facility or the principal amount outstanding for the time being of that loan.

**“Initial WC Facility”** or **“Initial Working Capital Facility”** means the working capital facility of an aggregate facility amount of up to £50 million to be made available to the Borrower by the Original Initial WCF Lenders pursuant to the Initial Working Capital Facility Agreement.

**“Initial WCF Arrangers”** means Abbey National Treasury Services plc; Barclays Bank PLC, BNP Paribas Fortis SA/NV, Deutsche Bank Luxembourg S.A., HSBC Bank plc, J.P. Morgan Limited, Mizuho Bank, Ltd., and The Royal Bank of Scotland plc.

**“Initial WCF Finance Documents”** means the Initial Working Capital Facility Agreement, any ancillary facility documentation, the fee letters in respect of and in relation to the Initial Working Capital Facility Agreement, the Common Documents and any other document designated as such by the Initial WCF Agent and the Holdco Group Agent.

**“Initial WCF Lender”** means:

- (a) any Original Initial WCF Lender; and
- (b) any bank, financial institution, trust, fund or other entity which has become a Party as an Initial WCF Lender,

which in each case has not ceased to be an Initial WCF Lender in accordance with the terms of the Initial WCF Loan.

**“Initial WCF Loan”** means a loan made or to be made under the Initial WC Facility or the principal amount outstanding for the time being of that loan.

**“Initial Working Capital Facility Agreement”** means the working capital credit facility entered into on 6 May 2016 between, amongst others, the Borrower, the Initial WCF Agent, the Initial WCF Arrangers and the Original Initial WCF Lenders.

**“Insolvency Act”** means the Insolvency Act 1986, as amended from time to time.

**“Insolvency Event”** means, in respect of any company:

- (a) the initiation of or consent to Insolvency Proceedings by such company or any other person or the presentation of a petition or application for the making of an administration order which proceedings (other than in the case of the Issuer) are not, in the opinion of the Obligor Security Trustee or the Issuer Security Trustee (as the case may be), being disputed in good faith with a reasonable prospect of success or which are or frivolous or vexatious and discharged, stayed or dismissed within 21 days of commencement or, if earlier, the date on which it is advertised;
- (b) the giving of notice of appointment of an administrator or the making of an administration order or an administrator being appointed in respect of such company (other than in relation to an Insolvency Event of the Issuer under a Liquidity Facility Agreement), any such giving of notice, making of an administration order or appointment of an administrator which is commenced by action taken by the company itself (or its directors) under paragraphs 12(1)(a) and (b) and/or paragraph 22 of Schedule B1 to the Insolvency Act;
- (c) an encumbrancer (excluding, in relation to the Issuer, the Issuer Security Trustee or any Receiver appointed by the Issuer Security Trustee) taking possession of the whole or any part of the undertaking or assets of such company;
- (d) any distress, execution, attachment or other process being levied or enforced or imposed upon or against the whole or any substantial part of the undertaking or assets of such company (excluding, in relation to the Issuer, the Issuer Security Trustee or any Receiver appointed by the Issuer Security Trustee) and such order, appointment, possession or process (as the case may be) not being discharged or otherwise ceasing to apply within 21 days;
- (e) a composition, compromise, assignment or arrangement with creditors of such company (as part of a general composition, compromise, assignment or arrangement affecting such company’s creditors generally) other than a composition compromise, assignment or arrangement with respect to any subordinated Financial Indebtedness, any intragroup loan or guarantee;
- (f) the passing by such company of an effective resolution or the making of an order by a court of competent jurisdiction for the winding up, liquidation or dissolution of such company (except, in the case of the Issuer, a winding up for the purpose of a merger, reorganisation or amalgamation the terms of which have previously been approved either in writing by the Class A Note Trustee or by a Class A Extraordinary Resolution or, following the Obligor Senior Discharge Date, by any Class B Note Trustee or by a Class B Extraordinary Resolution);
- (g) the appointment of an Insolvency Official in relation to such company or in relation to the whole or any substantial part of the undertaking or assets of such company;
- (h) save as permitted in the STID, the cessation or suspension of payment of its debts generally or a public announcement by such company of an intention to do so; or
- (i) save as provided in the STID, a moratorium is declared in respect of any indebtedness of such company.

**“Insolvency Official”** means, in connection with any Insolvency Proceedings in relation to a company, a liquidator, provisional liquidator, administrator, examiner, Administrative Receiver, Receiver, manager, nominee, supervisor, trustee, conservator, guardian, or other similar official or any equivalent or analogous official under the applicable laws of any jurisdiction in respect of such company or in respect of all (or substantially all) of the company’s assets or in respect of any arrangement or composition with creditors.

**“Instructing Group”** means the Class A Instructing Group, the Bank Instructing Group and the Note Instructing Group.

**“Insurance Proceeds”** means the proceeds of any insurance claim under any insurance maintained by any member of the Holdco Group except for Excluded Insurance Proceeds and after deducting any reasonable expenses in relation to that claim which are incurred by any member of the Holdco Group to persons who are not members of the Holdco Group.

**“Intellectual Property”** means any right in:

- (a) copyright (including rights in software and preparatory design materials), get up, trade names, internet domain names, patents, inventions, rights in confidential information, database rights, moral rights, semiconductor topography rights,

trade secrets, know how, trademarks, service marks, logos, registered designs and design rights (each whether registered or unregistered);

- (b) applications for registration and the right to apply for registration, for any of the above; and
- (c) all other intellectual property rights in each case whether registered or unregistered and including applications for registration and all rights or equivalent or similar forms of protection having equivalent or similar effect anywhere in the world.

**“Interest Rate Hedging Transaction”** means any Hedging Transaction entered into by the Borrower, the Issuer or the PP Note Issuer and a Hedge Counterparty in respect of any interest rate hedging.

**“Intermediate Holdco”** means RAC Group Limited, a limited liability company incorporated in England and Wales with registered number 00229121.

**“Investment Company Act”** means the United States Investment Company Act of 1940.

**“Investor”** means Topco, each of its Holding Companies, each Sponsor and any other direct or indirect shareholder in Holdco and any other Affiliate of such person and any other person who is issued or holds an Investor Funding Loan at any time, in each case that is not a member of the Holdco Group.

**“Investor Funding Loan”** means any loan made or deemed to be made by any Investor to an Obligor, *provided* the Investor is party to the STID as a Subordinated Investor.

**“Ireland”** means the Republic of Ireland, excluding, for the avoidance of doubt, Northern Ireland (and *Irish* shall be construed accordingly).

**“Irish Stock Exchange”** means the Irish Stock Exchange plc.

**“ISDA Distressed Disposal Event”** shall occur if, on any date, the Cash Manager or Obligor Security Trustee proposes or is required to apply any (a) Deemed Available Enforcement Proceeds; (b) net proceeds of any Distressed Disposal; or (c) Available Enforcement Proceeds in each case pursuant to the provisions of the STID and, in each case, to repay or prepay Obligor Senior Secured Liabilities.

**“ISDA Master Agreement”** means an agreement in the form of the 2002 ISDA Master Agreement (including the schedule and any credit support annex thereto) or any successor thereto published by ISDA unless otherwise agreed by the Security Trustee acting in accordance with the STID.

**“Issue Date”** means (a) in respect of any Class A Note(s), the date of issue and purchase of such Note pursuant to and in accordance with the Class A Dealership Agreement or any other agreement between the Issuer and the relevant Dealer(s) and (b) in respect of any Class B Notes, the date of issue of such Class B Note(s) stated in the relevant Class B Offering Memorandum.

**“Issuer”** means RAC Bond Co plc, a company incorporated in England and Wales (registered number 10084638).

**“Issuer Account Bank”** means Barclays Bank Plc, a public limited company incorporated in England and Wales (registered number 01026167) and whose registered office is at 1 Churchill Place, London E14 5HP, UK (or any successor account bank appointed pursuant to the Issuer Account Bank Agreement).

**“Issuer Account Bank Agreement”** means the account bank agreement dated 6 May 2016 between the Issuer, the Issuer Account Bank, and the Issuer Security Trustee.

**“Issuer Accounts”** means the Issuer Transaction Accounts, the Issuer Debt Service Reserve Account, the Issuer Liquidity Facility Standby Account together with any other account of the Issuer that may be opened from time to time (each an **“Issuer Account”**).

**“Issuer Cash Management Agreement”** means the cash management agreement dated 6 May 2016 between, among others, the Issuer, the Issuer Cash Manager and the Issuer Security Trustee.

**“Issuer Cash Manager”** means RAC Group Limited, or following enforcement of the Obligor Secured Liabilities, the Issuer Security Trustee.

**“Issuer Class A Transaction Documents”** means the Class A Note Documents, the Class A IBLA(s), the Liquidity Facility Agreement, the Issuer Hedging Agreements, the Issuer Deed of Charge, the Issuer Account Bank Agreement, any back-to-back hedging agreement between the Issuer and the Borrower and any other agreement, instrument or deed designated as such by the Issuer and the Class A Note Trustee.

**“Issuer Class B Transaction Documents”** means any Class B Note Documents, any Class B IBLA, the STID, the Master Definitions Agreement and any other agreement, instrument or deed designated as such by the Issuer and any Class B Note Trustee.

**“Issuer Common Documents”** means:

- (a) the Issuer Deed of Charge;
- (b) the Issuer Cash Management Agreement;
- (c) the Issuer Account Bank Agreement;
- (d) the Issuer Corporate Officer Agreement; and
- (e) any other agreement, instrument or deed designated as such by the Issuer and the Issuer Security Trustee.

**“Issuer Corporate Officer Agreement”** means the corporate officer agreement dated 6 May 2016 between the Issuer and the Issuer Corporate Officer Provider.

**“Issuer Corporate Officer Provider”** means Wilmington Trust SP Services (London) Limited and any successors thereto.

**“Issuer Debt Service Reserve Account”** means any account opened and maintained by the Issuer entitled the Issuer Debt Service Reserve Account” which may be credited with a cash reserve for satisfying all or part of the minimum debt service funding requirements set out in the CTA, or such other account as may be opened, with the consent of the Issuer Security Trustee, at any branch of the Issuer Account Bank in replacement of such account.

**“Issuer Deed of Charge”** means the deed of charge entered into between the Issuer, the Issuer Security Trustee, the Class A Note Trustee, the Class A Principal Paying Agent, the Class A Agent Bank, the Class A Transfer Agent, the Class A Registrar, and the Cash Manager, the Issuer Account Bank, the Liquidity Facility Agent and the Issuer Corporate Officer Provider on 6 May 2016.

**“Issuer Hedge Counterparty”** means any entity which becomes a Party as a Hedge Counterparty to an Issuer Hedging Agreement and accedes as a Hedge Counterparty to the Issuer Deed of Charge.

**“Issuer Hedging Agreement”** means each ISDA Master Agreement entered into by the Issuer and an Issuer Hedge Counterparty in accordance with the Hedging Policy (in the form in effect at the time each relevant Issuer Hedging Transaction is entered into) and which governs the Issuer Hedging Transactions between such parties, and such term includes the schedule to the relevant ISDA Master Agreement and the confirmations evidencing the Issuer Hedging Transactions entered into under such ISDA Master Agreement.

**“Issuer Hedging Transaction”** means any Treasury Transaction with respect to the Relevant Debt governed by an Issuer Hedging Agreement and entered into with the Issuer in accordance with the Hedging Policy.

**“Issuer Liquidity Facility Standby Account”** means the Liquidity Facility Standby Account in the name of the Issuer.

**“Issuer Liquidity Shortfall”** means after taking into account Cash Available to the Issuer, with respect to any LF Interest Payment Date (as determined by the Cash Manager on the Determination Date in respect of that LF Interest Payment Date), there will be insufficient funds to pay on such LF Interest Payment Date any of the amounts to be paid in respect of items 1 to 6 (inclusive but in the case of item 6, excluding the LIBOR element of any interest payable in respect of any Floating Rate Class A Notes (to the extent hedged under an Issuer Hedging Agreement) and in the case of item 6, only including payments of principal that are part of the scheduled amortisation of Class A Notes but excluding any final payment on any Final Maturity Date and any Additional Class A Note Amounts and all termination payments and all other unscheduled amounts

payable to any Issuer Hedge Counterparty payable under item 6(a) and 6(b)) of the Issuer Pre-Acceleration Priority of Payments.

**“Issuer Post-Acceleration Priority of Payments”** means the provisions relating to the order of priority of payments set out in set out in *“Descriptions of Certain Financing Arrangements—Issuer Deed of Charge—Priority of payments upon acceleration”*.

**“Issuer Profit Amount”** means £1,200 per annum to be retained by the Issuer as profit.

**“Issuer Secured Creditor Entrenched Right”** means:

- (a) in respect of the Class A Noteholders, a Class A Basic Terms Modification;
- (b) in respect of the Class B Noteholders, a Class B Basic Terms Modification;
- (c) in respect of an Issuer Hedge Counterparty, constitute an Entrenched Right pursuant to the definition of Entrenched Right;
- (d) in respect of any Noteholders and where applicable, an Issuer Hedge Counterparty, any change to the voting entitlements under the STID, the Class A Note Trust Deed, the Class B Note Trust Deed and/or the Issuer Deed of Charge;
- (e) in respect of any other Issuer Secured Creditor (other than those set out in paragraphs (a) to (d) above), any modification, consent, direction or waiver in respect of an Issuer Transaction Document or a Common Document that would:
  - (i) result in an increase in or would adversely modify such Issuer Secured Creditor’s obligations or liabilities under such Issuer Transaction Document or Common Document (as the case may be);
  - (ii) have the effect of adversely changing the Issuer Payment Priorities or application thereof in respect of such Issuer Secured Creditor; or
  - (iii) release any Issuer Security (except where such release is expressly permitted by the Issuer Deed of Charge); and
- (f) in respect of each Issuer Secured Creditor, any modification to this definition.

**“Issuer Secured Creditors”** means:

- (a) the Class A Noteholders;
- (b) any Class B Noteholders;
- (c) the Class A Note Trustee;
- (d) any Class B Note Trustee;
- (e) the Issuer Security Trustee (for itself and on behalf of the other Issuer Secured Creditors under the Issuer Deed of Charge);
- (f) each Issuer Hedge Counterparty under its Issuer Hedging Agreement;
- (g) each Liquidity Facility Provider and the Liquidity Facility Agent under the Liquidity Facility Agreement in respect of amounts owed to each of them by the Issuer from time to time;
- (h) the Issuer Account Bank under the Issuer Account Bank Agreement;
- (i) the Class A Principal Paying Agent, any Class B Principal Paying Agent, Class A Transfer Agent, any Class B Transfer Agent, Class A Registrar, any Class B Registrar and Class A Agent Bank under the Agency Agreements and any Calculation Agent under a Calculation Agency Agreement and any additional agents appointed by the Issuer from time to time;
- (j) the Issuer Cash Manager under the Issuer Cash Management Agreement;
- (k) the Issuer Corporate Officer Provider under the Issuer Corporate Officer Agreement; and/or
- (l) any other person which accedes to the Issuer Deed of Charge as an Issuer Secured Creditor after 6 May 2016 or who becomes a Noteholder after 6 May 2016.

**“Issuer Security”** means the Security Interests constituted by the Issuer Deed of Charge.

**“Issuer Security Trustee”** means Deutsche Trustee Company Limited (or any successor trustee appointed pursuant to the Issuer Deed of Charge) as security trustee for the Issuer Secured Creditors.

**“ Issuer Senior Debt”** means any financial accommodation that is, for the purposes of the STID, to be treated as Issuer Senior Debt and includes:

- (a) the Class A Notes;
- (b) the liabilities under the Issuer Hedging Agreements;
- (c) the liabilities under each Liquidity Facility; and
- (d) any further debt incurred in due course which ranks *pari passu* with the debt specified in (a) and (c) above.

**“Issuer Transaction Accounts”** means those bank accounts of the Issuer opened with the Issuer Account Bank in accordance with the Issuer Account Bank Agreement but excluding the Issuer Debt Service Reserve Account and the Issuer Liquidity Facility Standby Account.

**“Issuer Transaction Documents”** means the Issuer Common Documents, the Issuer Class A Transaction Documents and any Class B Transaction Documents.

**“Joint Venture”** means any joint venture entity, partnership or similar person, the ownership of or other interest in which does not require any member of the Holdco Group to consolidate the results of that person with its own as a Subsidiary.

**“Liabilities”** means any loss, damage, cost, charge, claim, demand, expense, judgment, fine, action, proceedings or other liability whatsoever including any Taxes (other than any Excluded Taxes) and properly incurred legal fees and expenses on a full indemnity basis.

**“Liabilities Acquisition”** means, in relation to a person and to any Subordinated Intragroup Liabilities or Subordinated Investor Liabilities (as applicable), a transaction where that person:

- (a) purchases by way of assignment or transfer;
- (b) enters into any sub-participation in respect of; or
- (c) enters into any other agreement or arrangement having an economic effect substantially similar to a sub- participation in respect of,

the rights and benefits in respect of those Subordinated Intragroup Liabilities or Subordinated Investor Liabilities (as applicable).

**“Liquidity Drawing”** means a Liquidity Loan Drawing or a Standby Drawing (as applicable).

**“Liquidity Facility”** means a liquidity facility made available under a Liquidity Facility Agreement.

**“Liquidity Facility Agent”** means the Initial Liquidity Facility Agent and any agent appointed pursuant to a Liquidity Facility Agreement.

**“Liquidity Facility Agreement”** means the Initial Liquidity Facility Agreement and each other liquidity facility agreement the terms of which shall require that the relevant liquidity facility provider(s) has/have at least the Requisite Rating and which shall be substantially in the form of the Initial Liquidity Facility Agreement having regard to the then customary market practice for such liquidity facilities and the then applicable Rating Agency criteria.

**“Liquidity Facility Providers”** means the Initial Liquidity Facility Providers, and any bank or financial institution which has become a Party hereto in accordance with the Liquidity Facility Agreement and which in each case has not ceased to be a Party in accordance with the terms of the Liquidity Facility Agreement.

**“Liquidity Facility Standby Account”** means the respective reserve accounts to be opened, if required, in the name of each of the Issuer and the Borrower (as applicable) and held at the applicable Liquidity Facility Provider in respect of whom the



Standby Drawing has been made or, if such Liquidity Facility Provider does not have the Requisite Rating, at the Account Bank.

**“Liquidity Required Amount”** means, in respect of the Borrower and the Issuer, an amount (calculated on a rolling basis on each Test Date) which, in aggregate, is equal to the respective projected interest and commitment commission payments and payments of principal that are part of the scheduled amortisation (excluding any final payment on a Final Maturity Date) in respect of (a) the Initial STF Facility and any other Obligor Senior Secured Liabilities which rank from time to time *pari passu* with the Initial STF Facility or any other Class A Authorised Credit Facility (excluding, in each case, principal payments under the Working Capital Facility, any payments under any Class A IBLA) and the LIBOR element of any interest payable in respect of any Class A Authorised Credit Facility which bears interest at a floating rate (to the extent hedged under a Borrower Hedging Agreement); (b) the Class A Notes (excluding the LIBOR element of any interest payable in respect of any Floating Rate Class A Notes (to the extent hedged under an Issuer Hedging Agreement)) and (c) scheduled payments under any Hedging Agreements to which the Borrower or, as the case may be, the Issuer is a party excluding any termination payments and all other unscheduled amounts payable to any Issuer Hedge Counterparty or Borrower Hedge Counterparty for a period (i) if prior to a Qualifying Public Offering, 18 months following the relevant Test Date and (ii) upon and following a Qualifying Public Offering, 12 months (or such greater period not exceeding 18 months in order to maintain the then current rating of the Class A Notes) following the relevant Test Date under a Liquidity Facility Agreement.

**“Liquidity Shortfall”** means a Borrower Liquidity Shortfall and/or an Issuer Liquidity Shortfall, as applicable.

**“Loan Acceleration Notice”** means a notice delivered by the Obligor Security Trustee in accordance with the STID by which the Obligor Security Trustee declares that some or all Obligor Secured Liabilities shall be accelerated.

**“Loan Enforcement Notice”** means a notice delivered by the Obligor Security Trustee in accordance with the STID by which the Obligor Security Trustee declares that the Obligor Security has become enforceable.

**“Loan Interest Payment Date”** has in respect of each IBLA, the meaning given to it in the relevant IBLA.

**“Maintenance Capex Reserve Account”** has the meaning given to it in the Common Terms Agreement.

**“Maintenance Capital Expenditure”** means, in respect of the Holdco Group and in respect of any period, any expenditure used to maintain and operate the assets of the Holdco Group and which should be treated as capital expenditure in the financial statements of the person incurring such expenditure in accordance with the Accounting Principles and accounting practices and including, of the avoidance of doubt, any expenditure on finance leases. For the avoidance of doubt, expenditure for the acquisition of businesses or arising from operating leases as defined in IFRS as at 6 May 2016 do not constitute Maintenance Capital Expenditure for the purposes of this definition.

**“Make-Whole Amount”** means any premium payable on redemption of any Obligor Senior Secured Liabilities or Issuer Senior Debt in excess of:

- (a) the principal amount outstanding of such debt; plus
- (b) accrued interest on such debt.

**“Margin Regulations”** means Regulations U and X issued by the Board of Governors of the United States Federal Reserve System.

**“Master Definitions Agreement”** or **“MDA”** means the master definitions agreement entered into by, among others, the Obligor Security Trustee, the Issuer Security Trustee, the Class A Note Trustee, the Issuer, the Borrower, the Holdco Group Agent, the Cash Manager, Holdco and Topco on or about 6 May 2016.

**“Material Adverse Effect”** means a material adverse effect on:

- (a) the consolidated business, assets or financial condition of the Holdco Group taken as a whole such that the Holdco Group taken as a whole would be reasonably likely to be unable to perform its payment obligations under any of the Senior Finance Documents; or
- (b) subject to the Reservations and the Perfection Requirements, the validity or enforceability of any Security granted pursuant to any of the Obligor Security Documents in any way which is materially adverse to the interests of the Obligor Senior Secured Creditors taken as a whole, and without duplication of any other cure period, if capable of

remedy, not remedied within 20 Business Days of the Holdco Group Agent becoming aware of the issue or being given notice of the issue by the Facility Agent.

**“Material Company”** means, at any time:

- (a) a wholly owned Subsidiary of Holdco (other than RACIL) which has earnings before interest, tax, depreciation and amortisation, calculated on the same basis as EBITDA, representing 5 per cent. or more of EBITDA which shall be determined by reference to the most recent Compliance Certificate supplied by the Holdco Group Agent and/or the latest audited financial statements of that Subsidiary (consolidated in the case of a Subsidiary which itself has Subsidiaries) and the latest audited consolidated financial statements of the Holdco Group. However, if a Subsidiary has been acquired since the date as at which the latest audited consolidated financial statements of the Holdco Group were prepared, the financial statements shall be deemed to be adjusted in order to take into account the acquisition of that Subsidiary (that adjustment being certified by the Holdco Group’s auditors as representing an accurate reflection of the revised EBITDA). A report by the auditors of Holdco that a Subsidiary is or is not a Material Company shall, in the absence of manifest error, be conclusive and binding on all parties; and
- (b) any member of the Holdco Group to which a Material Company disposes all or any substantial part of its assets.

**“Member State”** means a member state of the European Union.

**“Minimum Capital Maintenance Spend Amount”** means:

- (a) for the period from 6 May 2016 to and including 31 December 2016, £5,000,000; and
- (b) from 1 January 2017, £7,500,000 per annum,

subject to any adjustment in accordance with the CTA, paragraph 12 (*Preservation of assets and Minimum Capital Maintenance Spend Amount*) of part B (*General Covenants*) of schedule 2 (*Holdco Group Covenants*) to the Common Terms Agreement.

**“Minimum Long Term Rating”** means at least a BBB- rating by S&P or a lower rating *provided* that any such lower rating would not lead to any downgrade, withdrawal or the placing on “credit watch negative” (or equivalent) of the then current ratings of the Class A Notes.

**“Money Laundering Laws”** means financial recordkeeping and reporting requirements and money laundering statutes and the rules and regulations thereunder and any related or similar rules, regulations or guidelines, issued, administered or enforced by any governmental agency applicable to a member of the Holdco Group.

**“New Shareholder Injections”** means the aggregate amount subscribed for by Topco for ordinary shares issued by Holdco *provided* that such shares are paid for in full in cash upon issue and which by their terms are not redeemable.

**“Note”** means the Class A Notes and the Class B Notes.

**“Note Acceleration Notice”** means a Class A Note Acceleration Notice and/or a Class B Note Acceleration Notice.

**“Note Event of Default”** means a Class A Note Event of Default and/or a Class B Note Event of Default.

**“Note Instructing Group”** means the Issuer in its capacity as the Class A Authorised Credit Provider under any Class A IBLA.

**“Note Trust Deed”** means the Class A Note Trust Deed and/or any Class B Note Trust Deed as the context requires.

**“Note Trustee”** means the Class A Note Trustee and/or any Class B Note Trustee as the context requires.

**“Noteholder Instruction Resolution”** means a resolution that must be approved in accordance with the Class A Note Trust Deed which will result in the Secured Creditor Representative of the Issuer under any Class A IBLA having been itself instructed by the Class A Noteholders in the form of a resolution passed in accordance with the Class A Note Trust Deed.

**“Noteholders”** means the Class A Noteholders and any Class B Noteholders.

“**Obligor**” means each Original Obligor and such other member of the Holdco Group who accedes as an Additional Obligor to, *inter alia*, the Master Definitions Agreement, the Common Terms Agreement and the STID.

“**Obligor Junior Secured Creditors**” means the Obligor Secured Creditors to whom Obligor Junior Secured Liabilities are owed.

“**Obligor Junior Secured Liabilities**” means all present and future obligations and liabilities (whether actual or contingent and whether owed jointly or severally or in any other capacity whatsoever) of each Obligor to any Obligor Secured Creditor under each Junior Finance Document to which such Obligor is a party.

“**Obligor Operating Accounts**” means the bank accounts of the Obligors excluding any Designated Account.

“**Obligor Post-Acceleration Priority of Payments**” means the provisions relating to the order of priority of payments set out in “*Description of Certain Financing Arrangements—Security Trust and Intercreditor Deed—Quorum and voting requirements in respect of the delivery of a Loan Enforcement Notice etc.—Obligor Senior Secured Creditors*” and “*Description of Certain Financing Arrangements—Security Trust and Intercreditor Deed—Obligor Post-Acceleration Priority of Payments*”.

“**Obligor Pre-Acceleration Priority of Payments**” means the provisions relating to the order of priority of payments set out in “*Description of Certain Financing Arrangements—Security Trust and Intercreditor Deed—Obligor Priorities of Payment—Obligor Pre-Acceleration Priority of Payments*”.

“**Obligor Priorities of Payments**” means the Obligor Pre-Acceleration Priority of Payments and the Obligor Post-Acceleration Priority of Payments.

“**Obligor Secured Creditors**” means:

- (a) the Obligor Security Trustee (in its own capacity and on behalf of the other Obligor Secured Creditors);
- (b) the Issuer;
- (c) the Initial STF Lenders;
- (d) the Initial WCF Lenders;
- (e) the Initial WCF Agent;
- (f) the Initial STF Agent;
- (g) the Initial WCF Arrangers;
- (h) the Initial STF Arrangers;
- (i) each Borrower Hedge Counterparty;
- (j) each Liquidity Facility Provider, each Liquidity Facility Arranger and the Liquidity Facility Agent under the Liquidity Facility Agreement in respect of amounts owed to each of them by the Borrower from time to time;
- (k) the Borrower Account Bank;
- (l) any replacement Cash Manager who is not a member of the Holdco Group or an Affiliate thereof;
- (m) each other Authorised Credit Provider;
- (n) any Additional Obligor Secured Creditors; and
- (o) any Receiver or delegate of a Receiver or Obligor Secured Creditor;

and “**Obligor Secured Creditor**” means any one of them.

“**Obligor Secured Liabilities**” means the Obligor Senior Secured Liabilities and the Obligor Junior Secured Liabilities.

“**Obligor Secured Property**” means the property, assets, rights and undertaking of each Obligor that are the subject of the Security Interests created in or pursuant to the Obligor Security Documents and includes, for the avoidance of doubt, each Obligor’s rights to or interests in any chose in action and each Obligor’s rights under the Transaction Documents.

**“Obligor Security”** means the Security Interests created or expressed to be created in favour of the Obligor Security Trustee or any other Obligor Secured Creditor pursuant to the Obligor Security Documents.

**“Obligor Security Agreement”** means the English law governed security agreement dated on or about 6 May 2016 between, among others, Holdco, the Borrower and the Obligor Security Trustee.

**“Obligor Security Documents”** means:

- (a) the Obligor Security Agreement;
- (b) the STID and each deed of accession thereto; and
- (c) any other document evidencing or creating security over any asset of an Obligor to secure any obligation of any Obligor to an Obligor Secured Creditor in respect of the Obligor Secured Liabilities.

**“Obligor Security Trustee”** means Deutsche Trustee Company Limited or any successor appointed as security trustee pursuant to the STID.

**“Obligor Senior Discharge Date”** means the date on which all of the Obligor Senior Secured Liabilities (excluding Obligor Senior Secured Liabilities for the purpose of paragraph 9 of Part A of the Obligor Pre-Acceleration Priority of Payments (see *“Description of Certain Financing Arrangements—Security Trust and Intercreditor Deed—Obligor Priority of Payments—Obligor Pre-Acceleration Priority of Payments”*)) only, constituting Subordinated Liquidity Amounts and Subordinated Hedge Amounts owing by the Borrower and any amounts under the Seventh Facility Fee owing by the Borrower) have been irrevocably discharged in full.

**“Obligor Senior Secured Creditors”** means the Obligor Secured Creditors to whom Obligor Senior Secured Liabilities are owed.

**“Obligor Senior Secured Liabilities”** means all present and future obligations and liabilities (whether actual or contingent and whether owed jointly or severally or in any other capacity whatsoever) of each Obligor to any Obligor Secured Creditor under each Senior Finance Document to which such Obligor is a party.

**“Official List”** means the official list of the Irish Stock Exchange.

**“Offsetting Transaction”** means, in respect of a Treasury Transaction (the **“Primary Transaction”**) and the amounts determined pursuant to its terms by reference to a certain rate, measure or price, another Treasury Transaction pursuant to whose terms amounts are determined by reference to the same rate, measure or price, as specified in the Primary Transaction, and which therefore offset all of the amounts determined under the Primary Transaction in whole or in part (where any partial offset results solely from a difference between the Primary Transaction and the Offsetting Transaction in terms of quantum of the calculation amount and/or the quantum of the rate, measure or price specified).

**“Ordinary STID Resolution”** means a resolution in respect of an Ordinary Voting Matter.

**“Ordinary Voting Matters”** are matters which are not (a) Discretion Matters, (b) matters which are not the subject of an Enforcement Instruction Notice or Further Enforcement Instruction Notice, (c) Extraordinary Voting Matters or (d) Entrenched Rights.

**“Outstanding Principal Amount”** means:

- (a) in respect of each Authorised Credit Facility that is a loan, the principal amount (or the Equivalent Amount) of any drawn amounts that are outstanding or committed under such Authorised Credit Facility;
- (b) in respect of each Issuer Hedge Counterparty, the net value (if greater than zero) of all Issuer Hedging Transactions arising under the Issuer Hedging Agreements of such Issuer Hedge Counterparty determined in accordance with the STID;
- (c) in respect of each Borrower Hedge Counterparty, the net value (if greater than zero) of all Borrower Hedging Transactions arising under the Borrower Hedging Agreements of such Borrower Hedge Counterparty determined in accordance with the STID;

- (d) in respect of any other Obligor Secured Liabilities, the outstanding principal amount (or the Equivalent Amount) of such debt on such date in accordance with the relevant Finance Document,

on the date on which

- (i) the Qualifying Obligor Secured Creditors have been notified of a STID Voting Request, an Enforcement Instruction Notice, a Further Enforcement Instruction Notice, Topco Demand Notice Instruction, a Topco Enforcement Instruction, a Qualifying Obligor Secured Creditor Instruction Notice or a Topco Secured Creditor Instruction Notice (or when the Qualifying Obligor Secured Creditors intend to deliver a Qualifying Obligor Secured Creditor Instruction Notice) or a Direction Notice or as otherwise required pursuant to the STID, as the case may be, all as most recently certified or notified to the Obligor Security Trustee, where applicable, pursuant to the STID or
- (ii) the CTA as at the latest practicable date prior to any challenge of a Compliance Certificate.

**“Overhedged Position”** has the meaning given to it in *“Description of Certain Financing Arrangements—Common Terms Agreement—Hedging Policy”*.

**“Overlay Transaction”** means, in respect of a Treasury Transaction (the **“Overlaid Transaction”**) and the amounts determined pursuant to its terms by reference to a certain rate, measure or price, another Treasury Transaction pursuant to whose terms some amounts are determined by reference to the same rate, measure or price as specified in the Overlaid Transaction and other amounts are determined by reference to a different rate, measure or price and therefore offset some but not all of the amounts determined under the Overlaid Transaction in whole or in part (where any partial offset results solely from a difference between the Overlaid Transaction and the Overlay Transaction in terms of quantum of the calculation amount and/or the quantum of the rate, measure or price specified).

**“Participating Qualifying Obligor Secured Creditors”** means the Qualifying Obligor Secured Creditors which participate in a vote on any STID Proposal or other matter pursuant to the STID.

**“Party”** means, in relation to a Transaction Document, a party to such Transaction Document.

**“Paying Agents”** means, in relation to all or any of the Notes, the several institutions (including where the context permits the Principal Paying Agents) at their respective specified offices initially appointed as paying agents in relation to such Notes by the Issuer pursuant to the relevant Agency Agreement and/or, if applicable, any Successor paying agents at their respective specified offices in relation to all or any of the Notes as well as additional paying agents appointed under supplemental agency agreements as may be required in any jurisdiction in which Notes may be issued or sold from time to time.

**“Payment Date”** means, in respect of an Authorised Credit Facility, each date on which a payment is made or is scheduled to be made by an Obligor in respect of any obligations or liability under such Authorised Credit Facility.

**“Pensions Liabilities”** means such amounts that are or may be payable by any member of the Holdco Group to the RAC Pension Schemes under law, any agreement relating to the funding of that scheme and any other agreement or instrument.

**“Pensions Regulator”** means the body corporate called the Pensions Regulator established under Part 1 of the Pensions Act 2004.

**“Perfection Requirements”** means the making or procuring of the appropriate registrations, filings and/or notifications of the Obligor Security Documents, the Issuer Deed of Charge and/or Topco Security Documents and for the Security Interests created by them.

**“Permitted Business”** means the business of:

- (a) roadside assistance;
- (b) motoring services;
- (c) media and advertising;
- (d) insurance broking;
- (e) home emergency services;

- (f) financial services intermediation; and
- (g) activities which are deemed by the directors of the Borrower to be aligned to the brand of the Borrower and/or the strategic objectives of the Holdco Group operating as a whole *provided* that undertaking such activities would not result in a substantial change to the general nature of the business of the Holdco Group as conducted at 6 May 2016,

*provided* that the activities set out in paragraphs (a) to (g) above shall be undertaken solely by entities established in the UK or Ireland and if undertaken outside of the UK and Ireland, by entities established in the UK.

**“Permitted Acquisition”** means:

- (a) an acquisition by a member of the Holdco Group of an asset sold, leased, transferred or otherwise disposed of by another member of the Holdco Group in circumstances constituting a Permitted Disposal or a Permitted Transaction;
- (b) an acquisition of shares or securities pursuant to a Permitted Share Issue or in respect of a Permitted Joint Venture Investment;
- (c) an acquisition of securities which are Cash Equivalent Investments;
- (d) an acquisition by a member of the Holdco Group other than Holdco of (x) shares or other interests in a limited liability company or a limited liability partnership in circumstances where the relevant member of the Holdco Group has, or will have following such acquisition, more than 50 per cent. of the issued share capital of a limited liability company or membership interests in a limited liability partnership, as the case may be or (y) a business or undertaking (or part of a business or undertaking) carried on as a going concern where in each case (in relation to both (x) and (y)) the following conditions are satisfied and certified as such in a certificate executed by the finance director of Holdco and delivered to the Obligor Security Trustee together with all relevant supporting documentation:
  - (i) no Trigger Event has occurred and is continuing on the date the sale and purchase agreement for the acquisition is entered into and, as at the date such sale and purchase agreement is entered into, no Trigger Event would occur from the entry into such sale and purchase agreement;
  - (ii) the acquired company (and its Subsidiaries), business or undertaking, or any interest therein, (the **“Acquisition Target”**) is incorporated or established, and carries on its principal business in the United Kingdom and is engaged in a business which is a Permitted Business;
  - (iii) where the Acquisition Target has negative earnings before interest, tax, depreciation and amortisation for its most recently completed four consecutive financial quarters prior to the date of the acquisition agreement, after taking into account Anticipated Cost Savings on an annualised basis projected as at the date falling 12 months after the proposed acquisition (a **“Negative Earnings Acquisition Target”**), the aggregate of (A) such negative earnings and (B) the total negative earnings (for the four consecutive financial quarters prior to the date of the relevant acquisition agreement taking into account the annualised Anticipated Cost Savings as certified at that time) of all other Negative Earnings Acquisition Targets acquired by the Holdco Group (or any member thereof) in any three year period after the Closing Date, shall not exceed £5,000,000 (Indexed) (or its equivalent);
  - (iv) the Acquisition Target has no material contingent liabilities which are outside the ordinary course of trading except to the extent (A) reflected in the purchase price agreed with the vendor; (B) indemnified by the relevant vendor; (C) adequate insurance is maintained or (D) funds are held by the relevant member of the Holdco Group in a blocked account for the sole purpose of meeting such liabilities;
  - (v) Holdco delivers to the Obligor Security Trustee:
    - (A) any due diligence reports in relation to the Acquisition Target to the extent prepared; and
    - (B) in the case of any single acquisition (or series of related acquisitions) the Purchase Price (as defined below) of which is equal to or greater than £150,000,000 (or its equivalent) (Indexed), an independent legal due diligence report in relation to the Acquisition Target prepared by appropriately experienced legal advisers and a financial due diligence report in relation to the Acquisition Target prepared by an appropriately experienced accountancy firm (and Holdco shall use best endeavours to provide reliance letters addressed to the Obligor Security Trustee in respect of such legal and financial due diligence reports addressed to the Obligor Security Trustee);
  - (vi) any acquisition which takes place after 1 January 2018 is funded solely from Retained Excess Cashflow, a New Shareholder Injection, an Investor Funding Loan and/or Additional Financial Indebtedness;

(vii) the consideration (including associated costs and expenses and any deferred consideration) for the acquisition and any Financial Indebtedness remaining in the Acquisition Target or assumed or settled by a member of the Holdco Group at the date of the acquisition (together the “**Purchase Price**”) when aggregated with the Purchase Price for any other acquisition made pursuant to this paragraph (d):

(A) did not exceed in the period until the Financial Year ending 31 December 2016, £30,000,000 (or equivalent) (Indexed);

(B) does not exceed in the Financial Year ending 31 December 2017, £55,000,000 (or equivalent) (indexed),

or in each case such lower amount that results after deducting any amounts comprising Permitted Joint Venture Investments made during the relevant period to the extent such Permitted Joint Venture Investments are not funded solely from the proceeds of Joint Venture Receipts, New Shareholder Injections, Investor Funding Loans, Additional Financial Indebtedness or Retained Excess Cashflow (which Retained Excess Cashflow would otherwise be able to be distributed as a Permitted Payment to any Excluded Group Entity), or

(A) (including for the avoidance of doubt any amount in the periods referred to in sub-paragraphs (A)(I) and (A)(II) above in excess of the relevant threshold referred to therein) is funded solely from the proceeds of New Shareholder Injections, Investor Funding Loans, Additional Financial Indebtedness or Retained Excess Cashflow;

- (e) the acquisition of the issued share capital of a limited liability company or limited liability partnership (including by way of formation) which has not traded or incurred any liabilities prior to the date of the acquisition;
- (f) any acquisition by a member of the Holdco Group of shares and loan notes of directors and employees, *provided* that the maximum aggregate consideration or principal of all such acquisitions does not exceed £5,000,000 (Indexed) (or its equivalent) in any period of three years after the Closing Date unless such acquisition is funded solely from the proceeds of New Shareholder Injections, Investor Funding Loans or Retained Excess Cashflow (which Retained Excess Cashflow would otherwise be able to be distributed as a Permitted Payment pursuant to paragraph (a) of the definition thereof);
- (g) any acquisition pursuant to a Permitted Tax Transaction;
- (h) any acquisition required to implement a Permitted Reorganisation;
- (i) any acquisition contracted prior to the Closing Date;
- (j) any acquisition of shares in a non-wholly owned member of the Holdco Group *provided* that (i) no Trigger Event is subsisting at the time such acquisition agreement is entered into and (ii) such acquisition (x) is funded solely from the proceeds of New Shareholder Injections, Investor Funding Loans and Retained Excess Cashflow or (y) is otherwise funded to the extent contemplated by paragraph (d)(vii)(A) above;
- (k) any Debt Purchase Transaction made in accordance with the covenants in the Common Terms Agreement; and
- (l) any acquisition to which has received prior written approval in accordance with the amendments and the waivers provisions of the STID.

“**Permitted Debt Purchase Party**” means any member of the Holdco Group, each Sponsor and Sponsor Affiliate.

“**Permitted Disposal**” means a Disposal:

- (a) of trading stock made by any member of the Holdco Group in the ordinary course of business of the disposing entity;
- (b) of any asset (including any shares in a member of the Holdco Group) by a member of the Holdco Group (the “**Disposing Company**”) to another member of the Holdco Group (the “**Acquiring Company**”), but only if:
  - (i) where the Disposing Company is an Obligor and the Acquiring Company is not an Obligor, the Disposal is on arm’s length terms and the aggregate net consideration receivable in respect of any such Disposal does not exceed £10,000,000 (Indexed) (or its equivalent) in any period of three years after 6 May 2016; and
  - (ii) where the Disposing Company is an Obligor and the Acquiring Company is an Obligor, if the asset was subject to a Security Interest from the Disposing Company, upon the acquisition it is subject to an equivalent Security Interest given from the Acquiring Company;
- (c) of assets (other than shares, businesses, Real Property and Intellectual Property) in exchange for other assets of comparable or superior quality for use in connection with the Permitted Business;

- (d) of assets which in each case are obsolete or redundant;
- (e) of Cash Equivalent Investments for cash or in exchange for other Cash Equivalent Investments;
- (f) constituted by a licence of intellectual property rights permitted under the Common Documents and the Senior Finance Documents;
- (g) constituting a Permitted Joint Venture Investment;
- (h) arising as a result of any Permitted Security or Permitted Reorganisation;
- (i) by a member of Holdco Group compulsorily required by law or regulation having the force of law or any order of any government entity made thereunder and having the force of law *provided* that and to the extent permitted by such law or regulation:
  - (i) such Disposal is made for fair market value; and
  - (ii) such Disposal does not have a Material Adverse Effect;
- (j) of cash in the ordinary course of trading or not otherwise prohibited under the Common Documents and/or the Senior Finance Documents (including by way of Restricted Payment);
- (k) by way of the granting of easements or wayleaves over real property, or any part of them, in the ordinary course of business of the disposing entity;
- (l) any disposal which has received prior written approval in accordance with the amendments and the waivers provisions of the STID;
- (m) of a Permitted Business (including any shares or membership interest, as applicable, in any member of the Holdco Group that is a subsidiary of the Borrower but excluding RAC Brand Enterprises LLP and any part of the UK roadside assistance business), *provided* that unless a Qualifying Public Offering has occurred prior to the date of completion of the Disposal (in which case the following sub-paragraphs shall not apply):
  - (i) where the aggregate Disposal Proceeds for that Financial Year are equal to or less than £15,000,000 (or its equivalent) (Indexed), the Disposal Proceeds from that Disposal are committed for reinvestment in a Permitted Business within 12 months of that Disposal and applied in such reinvestment within 18 months of that Disposal or, if not committed within 12 months and/or applied within 18 months, applied in prepayment or defeasance of the Obligor Senior Secured Liabilities;
  - (ii) to the extent aggregate Disposal Proceeds from that Financial Year from Disposals made pursuant to this paragraph (m) exceed £15,000,000 (Indexed) (or its equivalent) the excess Disposal Proceeds shall be applied promptly in accordance with the relevant Class A Authorised Credit Facility in prepayment or defeasance of the Obligor Senior Secured Liabilities; and
  - (iii) notwithstanding paragraphs (m)(i) and (ii), where a Trigger Event has occurred and is subsisting all Disposal Proceeds from a Disposal made pursuant to this paragraph (m) shall be applied promptly in accordance with the relevant Class A Authorised Credit Facility in prepayment or defeasance of the Obligor Senior Secured Liabilities;
- (n) of shares in any member of Holdco Group which is a dormant company for the purposes of the Companies Act 2006;
- (o) which is a Permitted Tax Transaction;
- (p) which is a lease or licence of real property in the ordinary course of business;
- (q) arising under sale/leaseback arrangements up to a maximum capitalised value of £5,000,000 (Indexed) (or its equivalent) at any time;
- (r) any disposal of any Notes or Commitments (or sub-participation relating to a Commitment) acquired pursuant to a Debt Purchase Transaction; and
- (s) of any assets that are otherwise permitted to be disposed of pursuant to paragraphs (d) or (m) of this definition to a limited liability special purpose vehicle established to acquire those assets on behalf of the Holdco Group, and the subsequent Disposal of that special purpose vehicle where the assets transferred to that special purpose vehicle are the only material assets thereof.



“**Permitted Financial Indebtedness**” means Financial Indebtedness:

- (a) arising under the Transaction Documents including by way of Additional Financial Indebtedness (including, without limitation any Notes issued) and including any Liquidity Facility;
- (b) arising under any Investor Funding Loan or arising under any loan made by a Subordinated Intragroup Creditor to a member of the Holdco Group;
- (c) arising under a Permitted Loan or under or in respect of a Permitted Guarantee or as permitted by the CTA;
- (d) of any person acquired by a member of the Holdco Group which is incurred under arrangements in existence at the date of acquisition, but not incurred or increased (other than capitalisation pursuant to the terms of that Financial Indebtedness prevailing prior to the acquisition) or having its maturity date extended in contemplation of, or since, that acquisition, and outstanding only for a period of six months following the date of acquisition;
- (e) under finance or capital leases of vehicles, plant, equipment or computers, or other assets useful for the business of the Holdco Group, *provided* that the aggregate capital value of all such items so leased under outstanding leases by members of the Holdco Group does not exceed £30,000,000 (Indexed) (or its equivalent) at any time (*provided* that any increases in the capital value of all such items so leased from time to time which are solely attributable to a change in the accounting treatment applicable to the relevant member(s) of the Holdco Group from that which applies at the date of this Agreement to operating leases of the Holdco Group shall not cause this threshold to be exceeded);
- (f) arising as a result of daylight exposures of any member of the Holdco Group in respect of net balance transfer arrangements made available on customary terms to members of the Holdco Group by its banks;
- (g) arising under sale/leaseback arrangements to the extent such arrangements are permitted under the definition of “Permitted Disposal”;
- (h) until 6 May 2016, the Existing Indebtedness;
- (i) any other Financial Indebtedness approved or consented to in accordance with the amendments and the waivers provisions of the STID; and
- (j) not permitted by the preceding paragraphs and the outstanding principal amount of which, when aggregated with the aggregate principal amount guaranteed pursuant to paragraph (p) of the definition of “Permitted Guarantee”, does not exceed the greater of £10,000,000 (or its equivalent) (indexed) and 5 per cent. of EBITDA in aggregate for the Holdco Group at any time or following the completion of a Qualifying Public Offering the greater of £35,000,000 (or its equivalent) (indexed) and the relevant percentage of EBITDA where **relevant percentage** means the proportion (expressed as a percentage) which £35,000,000 bears to EBITDA for the most recently reported 12 month period prior to completion of the Qualifying Public Offering.

“**Permitted Guarantee**” means:

- (a) the endorsement of negotiable instruments in the ordinary course of trade;
- (b) any performance or similar bond, guarantee or indemnity or undertaking guaranteeing performance by a member of the Holdco Group under any contract entered into in the ordinary course of business not being Financial Indebtedness (including any such contract entered into in undertaking the Permitted Business);
- (c) any guarantee permitted by the CTA (see “Overview of the Common Documents—Common Terms Agreement—Covenants—General Covenants—Financial Indebtedness”);
- (d) any guarantee given in respect of the netting or set off arrangements permitted pursuant to paragraph (c) of the definition of “**Permitted Security**”;
- (e) any guarantee granted or permitted under the Common Documents and/or the Finance Documents;
- (f) any guarantee given by a member of the Holdco Group in relation to an Obligor’s obligations *provided* that if the relevant member of the Holdco Group granting the guarantee is not an Obligor it has unconditionally and irrevocably waived its rights of subrogation and to require contribution from such Obligor thereunder or otherwise subordinated such claims under the STID;
- (g) any guarantee by an Obligor of leasehold rental obligations of an Obligor (not being in respect of Financial Indebtedness);
- (h) any other guarantee approved or consented to in accordance with the amendments and the waivers provisions of the STID;

- (i) any indemnity given in the ordinary course of an acquisition or Disposal which is a Permitted Acquisition or Permitted Disposal;
- (j) guarantees granted (prior to the relevant acquisition) by persons or undertakings acquired pursuant to a Permitted Acquisition (*provided* that such guarantees are not incurred, increased (other than capitalisation pursuant to the terms of the relevant underlying obligation prevailing prior to the acquisition), or have their maturity date(s) extended in contemplation of, or following, the relevant acquisition) for a period of six months after the date of completion of the relevant acquisition;
- (k) any guarantee which, were it an extension of credit, would be permitted under the definition of “Permitted Loan” to the extent that the issuer of the relevant guarantee would have been entitled to make a loan in an equivalent amount under the definition of “Permitted Loan” to the person whose obligations are being guaranteed;
- (l) indemnities given in favour of directors and officers of any member of the Holdco Group in respect of liabilities they may incur in discharging their duties as such;
- (m) indemnities given to professional advisers and consultants in the ordinary course of business or to the Rating Agency;
- (n) any guarantees, indemnities or similar undertakings existing on the date of this Agreement and notified to the Obligor Security Trustee prior to the date of this Agreement;
- (o) any indemnity granted to the trustee of any employee share option or unit trust scheme, in each case related to the Holdco Group; and
- (p) any guarantee not otherwise permitted under the preceding paragraphs, the outstanding principal amount of which, when aggregated with the aggregate of all loans made under paragraph (j) of the definition of Permitted Financial Indebtedness, does not exceed the greater of £10,000,000 (or its equivalent) (indexed) and 5 per cent. of EBITDA in aggregate for the Holdco Group at any time or following the completion of a Qualifying Public Offering the greater of £35,000,000 (or its equivalent) (indexed) and the relevant percentage of EBITDA where relevant percentage means the proportion (expressed as a percentage) which £35,000,000 bears to EBITDA for the most recently reported 12 month period prior to completion of the Qualifying Public Offering.

“**Permitted Hedge Termination**” means the termination of a Hedging Transaction permitted in accordance with the Hedging Policy.

“**Permitted Joint Venture Investment**” means any investment in any Joint Venture in respect of which no member of the Holdco Group has unlimited liability to contribute funds to the Joint Venture:

*provided* that, in each case:

- (i) the Joint Venture carries on its principal business in the United Kingdom;
- (ii) the Joint Venture is engaged in a Permitted Business;
- (iii) either:
  - (a) the aggregate of all amounts subscribed for shares in, lent to, or invested in all such Joint Ventures by any member of the Holdco Group (each such subscription, loan, investment being a “**Joint Venture Investment**”):
    - (1) did not exceed in the period until the Financial Year ending 31 December 2016, £15,000,000 (or equivalent) (indexed);
    - (2) does not exceed in the Financial Year ending 31 December 2017, £30,000,000 (or equivalent) (indexed),
 or in each case such lower amount that results after deducting any amounts comprising Permitted Acquisitions made under paragraph (d) of the definition of Permitted Acquisition during the relevant period to the extent in excess of (x) £15,000,000 (or equivalent) (indexed) in the period to the Financial Year ending 31 December 2016 and (y) £25,000,000 (or equivalent) (indexed) in the Financial Year ending 31 December 2017 and to the extent that such Permitted Acquisitions were not funded by New Shareholder Injections, Investor Funding Loans, Additional Financial Indebtedness or Retained Excess Cashflow;
  - (b) (including for the avoidance of doubt any Joint Venture Investment in the periods referred to in sub-paragraphs (A) and (B) above in excess of the relevant threshold referred to therein) the Joint Venture Investment is funded solely from the proceeds of New Shareholder Injections, Investor Funding Loans, Additional Financial Indebtedness or Retained Excess Cashflow; and

no Trigger Event has occurred and is continuing or would result from such investment.

“**Permitted Loan**” has the meaning given to it in the Master Definitions Agreement.

“**Permitted Payment**” means any payment:

- (a) to any Excluded Group Entity made on or before 31 December 2016 *provided* that:
  - (i) no CTA Default has occurred and is continuing at the time the payment is made or would directly result from the making of such payment;
  - (ii) no Trigger Event has occurred and is subsisting or would directly result from the making of such payment;
  - (iii) the aggregate value of all payments made under this paragraph (a) does not exceed £40,000,000;
- (b) to any Excluded Group Entity made after 31 December 2016 *provided* that:
  - (i) no CTA Default has occurred and is continuing at the time the payment is made or would directly result from the making of such payment;
  - (ii) no Trigger Event has occurred and is subsisting or would directly result from the making of such payment;
  - (iii) the payment is funded from:
    - (A) Additional Financial Indebtedness; or
    - (B) Retained Excess Cashflow;
- (c) under any Class B Authorised Credit Facility *provided* that:
  - (i) it is a Payment of interest;
    - (A) as permitted and in accordance with “*Descriptions of Certain Financing Arrangements—Security Trust and Intercreditor Deed—Obligor Priorities of Payment—Obligor Pre-Acceleration Priority of Payments*” and “*Descriptions of Certain Financing Arrangements—Security Trust and Intercreditor Deed—Obligor Post-Acceleration Priority of Payments*”; or
    - (B) funded from a New Shareholder Injection and/or an Investor Funding Loan; or
  - (ii) no Trigger Event has occurred and is subsisting at the time the payment is made and the payment is funded from:
    - (A) Additional Financial Indebtedness;
    - (B) Retained Excess Cashflow;
    - (C) a New Shareholder Injection; and/or
    - (D) an Investor Funding Loan; or
  - (iii) the payment is funded from:
    - (A) a New Shareholder Injection; or
    - (B) an Investor Funding Loan;
- (d) to any Class A Authorised Credit Provider under any Class A Authorised Credit Facility in accordance with the Common Documents and the Finance Documents; or
- (e) referred to in paragraph (f) of Permitted Acquisition or paragraph (e) of Permitted Loan.

“**Permitted Reorganisation**” means:

- (a) a reorganisation (including a winding up of a member of the Holdco Group) on a solvent basis, involving the business or assets of, or shares of (or equivalent ownership interests in), any member of the Holdco Group (other than Holdco and or Borrower) where:
  - (i) no CTA Event of Default is subsisting or would result from the reorganisation;

- (ii) all of the business, assets and shares of (or other equivalent ownership in) the relevant member of the Holdco Group continue to be owned directly or indirectly by Holdco in the same or a greater percentage as prior to such reorganisation save for:
  - (A) the shares of (or equivalent ownership interests in) any member of the Holdco Group which has been merged into another member of the Holdco Group or which has otherwise ceased to exist (including, without limitation, by way of the collapse of a solvent partnership or solvent winding up of a corporate entity) as a result of a reorganisation which is otherwise permitted in accordance with this definition; or
  - (B) the business, assets and shares of (or equivalent ownership interests in) relevant members of the Holdco Group which cease to be owned:
    - (I) as a result of a Permitted Disposal or merger permitted under, but subject always to the terms of the Common Documents and the Senior Finance Documents; or
    - (II) as a result of a cessation of business or solvent winding-up of the relevant member of the Holdco Group in conjunction with a distribution of all or substantially all of its assets remaining after settlement of its liabilities to its immediate shareholder(s) or other persons directly holding equivalent ownership interests in it; or
    - (III) as a result of a Disposal of shares (or equivalent ownership interests) in a member of the Holdco Group required to comply with applicable laws, *provided* that any such Disposal is limited to the minimum amount required to comply with such applicable laws; and
- (iii) the Obligor Secured Creditors (or the Obligor Security Trustee on their behalf) will continue to have the same or substantially equivalent guarantees and security (ignoring for the purpose of assessing such equivalency any security from any entity which has ceased to exist as contemplated in sub-paragraph (I) above) over the same or substantially equivalent assets and over the shares (or equivalent ownership interests) in the transferee other than over any shares (or equivalent ownership interests) which have ceased to exist as contemplated in sub-paragraph (I) above, in each case to the extent such assets, shares or equivalent ownership interests are not disposed of as permitted under, but subject always to, the terms of the Common Document and the Senior Finance Documents;

*provided* that, in all cases:

- (A) in the case of any transfer of shares, such shares are subject to security in favour of the Obligor Secured Creditors (or the Obligor Security Trustee on their behalf) which is equivalent to any security applicable to such shares immediately prior to such reorganisation;
- (B) the Obligor Security Trustee shall receive:
  - (I) a copy of all relevant corporate authorisations of relevant member of the Holdco Group authorising the reorganisation; and
  - (II) a copy of any other authorisation or other document, opinion or assurance (including the execution (or re-execution) of any Obligor Security Document) which the Obligor Security Trustee may specify in connection with the entry into and implementation of the reorganisation; and
- (b) any other reorganisation involving one or more members of the Holdco Group approved in accordance with the amendments and the waivers provisions of the STID.

“ **Permitted Security** ” means:

- (a) any Security Interest under the Transaction Documents;
- (b) any Security Interest or Quasi Security arising by operation of law and in the ordinary course of business and not as a result of any default or omission by any member of the Holdco Group;
- (c) any netting or set off arrangement entered into by any member of the Holdco Group with an Acceptable Bank in the ordinary course of its banking arrangements for the purpose of netting debit and credit balances of members of the Holdco Group but only so long as (i) such arrangement does not permit credit balances of Obligors to be netted or set off against debit balances of members of the Holdco Group which are not Obligors and (ii) such arrangement does not give rise to other Security Interests over the assets of Obligors in support of liabilities of members of the Holdco Group which are not Obligors (except in the case of (i) and (ii), to the extent such netting, set off or Security Interest relates to or is granted in support of, a loan permitted pursuant to paragraph (e) of the definition of “Permitted Loan”);
- (d) rights of set-off existing in the ordinary course of trading between any member of the Holdco Group and its customers;

- (e) any Security Interest or Quasi Security over or affecting any asset acquired by a member of the Holdco Group if:
  - (i) the Security Interest or Quasi Security was not created in contemplation of the acquisition of that asset by a member of the Holdco Group;
  - (ii) the principal amount secured has not been increased in contemplation of or since the acquisition of that asset by a member of the Holdco Group (other than as a result of capitalisation pursuant to the terms of the relevant secured obligation prevailing prior to the acquisition); and
  - (iii) the Security Interest or Quasi Security is removed or discharged within six months of the date of acquisition of such asset;
- (f) any Security Interest or Quasi Security over or affecting any asset of any company which becomes a member of the Holdco Group, where the Security Interest or Quasi Security is created prior to the date on which that company becomes a member of the Holdco Group if:
  - (i) the Security Interest or Quasi Security was not created in contemplation of the acquisition of that company;
  - (ii) the principal amount secured has not increased in contemplation of or since the acquisition of that company (other than as a result of capitalisation pursuant to the terms of the relevant secured obligation prevailing prior to the acquisition); and
  - (iii) the Security Interest or Quasi Security is removed or discharged within six months of that company becoming a member of the Holdco Group;
- (g) any Security Interest or Quasi Security arising under any retention of title, hire purchase or conditional sale arrangement or arrangements having similar effect in respect of goods supplied to a member of the Holdco Group in the ordinary course of business and on the supplier's standard or usual terms and not arising as a result of any default or omission by any member of the Holdco Group;
- (h) any Quasi Security arising as a result of a Disposal which is a Permitted Disposal;
- (i) any Security or Quasi Security arising under any escrow arrangements put in place (x) in relation to consideration payable by a member of the Holdco Group in respect of a Permitted Acquisition (y) in relation to any proceeds of Permitted Financial Indebtedness prior to the application of such proceeds or (z) in relation to any refinancing of an Authorised Credit Facility by the Borrower;
- (j) any Security Interest or quasi-security arising as a consequence of any finance or capital lease permitted pursuant to (e) of the definition of "Permitted Financial Indebtedness";
- (k) any netting or set off arrangement under an ISDA master agreement or schedule thereto entered into by any member of the Holdco Group pursuant to the CTA for the purposes of determining its obligations by reference to its net exposure under that agreement (and for the avoidance of doubt, not as a credit support provider under any such agreement);
- (l) any netting or set off arrangement or Quasi Security constituting a Permitted Transaction;
- (m) any Security Interest or Quasi Security arising in the ordinary course of trade over documents of title or goods as part of a letter of credit transaction or in respect of other Permitted Financial Indebtedness;
- (n) any Security over any rental deposits in respect of any Real Property leased or licensed by a member of the Holdco Group in the ordinary course of business;
- (o) any Security over documents of title and goods as part of a documentary credit transaction;
- (p) any Security Interest or Quasi Security over bank accounts (other than the Designated Accounts) of a member of the Holdco Group in favour of the account holding bank with whom that member of the Holdco Group maintains a banking relationship in the ordinary course of business and granted as part of that bank's standard terms and conditions;
- (q) any Security Interest or Quasi Security approved or consented to in accordance with the amendments and the waivers provisions of the STID;
- (r) any Security Interest arising under statute or by operation of law in favour of any government, state or local authority in respect of taxes, assessments or government charges which are being contested by the relevant member of the Holdco Group in good faith and with a reasonable prospect of success;

- (s) any Security Interest created in respect of any pre-judgment legal process or any judgment or judicial award relating to security for costs, where the relevant proceedings are being contested in good faith by the relevant member of the Holdco Group by appropriate procedures and with a reasonable prospect of success;
- (t) any Security Interest in respect of the Existing Financial Indebtedness *provided* such Security Interests were discharged in full on 6 May 2016;
- (u) any Security Interest in respect of which no secured obligations exist *provided* that Holdco shall use all reasonable endeavours to procure that the relevant assets are released from the relevant Security Interest and that applicable forms confirming such release are filed with the Registrar of Companies of England and Wales (or equivalent);
- (v) any Security Interest or Quasi-Security granted in favour of the FCA or the Prudential Regulation Authority of the Bank of England as required for regulatory capital purposes;
- (w) any Security Interest over shares in or loans to a Joint Venture securing obligations of the Holdco Group in respect of that Joint Venture *provided* that such Security Interest is limited in recourse to the shares in or the loans to that Joint Venture held or made by the relevant member of the Holdco Group; and
- (x) any Security Interest or Quasi Security securing indebtedness the outstanding principal amount of which (when aggregated with the outstanding principal amount of any other indebtedness which has the benefit of Security Interest given by any member of the Holdco Group other than any permitted under paragraphs (a) to (w) above) does not exceed the greater of £10,000,000 (or its equivalent) (indexed) and 5 per cent. of EBITDA in aggregate for the Holdco Group at any time or following the completion of a Qualifying Public Offering the greater of £35,000,000 (or its equivalent) (indexed) and the relevant percentage of EBITDA where relevant percentage means the proportion (expressed as a percentage) which £35,000,000 bears to EBITDA for the most recently reported 12 month period prior to completion of the Qualifying Public Offering;

but, in each case other than paragraphs (a) and (b), excluding any such Security Interest or Quasi-Security over any Intellectual Property.

“**Permitted Share Issue**” has the meaning given to it in the Master Definitions Agreement.

“**Permitted Tax Transaction**” means any Group Relief transaction or payment for Group Relief or agreement relating to any tax benefit or relief or any other agreement in relation to tax between any member of the Security Group and any other member of the RAC Group (including, without limitation, (a) any payment in connection with any member of the Security Group’s participation in a group payment arrangement under section 59F Taxes Management Act 1970 and (b) any payment in connection with any member of the Security Group’s membership of the RAC VAT Group), in each case subject to and in accordance with the Tax Deed of Covenant.

“**Permitted Transaction**” means:

- (a) arrangements constituting a Permitted Reorganisation;
- (b) where necessary to comply with tax or other legislation, any conversion of Subordinated Intragroup Liabilities into distributable reserves or, if required to so comply, registered share capital, *provided* that where the Subordinated Intragroup Liabilities were subject to a Security Interest under the Obligor Security Documents the share capital that Subordinated Intragroup Liability is converted into is subject to the same, or materially similar, Security Interest within 60 days of the conversion;
- (c) any Intra-Group Arrangement;
- (d) any Permitted Tax Transaction; and
- (e) any other transaction approved or consented to by the Obligor Security Trustee in accordance the amendments and the waivers provisions of the STID.

“**Plan**” means any employee pension benefit plan subject to the provisions of Title IV of ERISA or section 412 of the Code or section 302 that is sponsored, maintained or contributed to by any member of the Holdco Group or any ERISA Affiliate.

“**Post FMD ACF**” means a Class A Authorised Credit Facility in respect of which any amount remains outstanding after its Final Maturity Date.

**“Potential Class A Note Event of Default”** means any event which, with the lapse of time and/or the giving of any notice and/or the making of any determination (in each case where the lapse of time and/or giving of notice and/or determination is provided for in the terms of such Class A Note Event of Default, and assuming no intervening remedy), will become a Class A Note Event of Default.

**“Potential Class B Note Event of Default”** means any event which, with the lapse of time and/or the giving of any notice and/or the making of any determination (in each case where the lapse of time and/or giving of notice and/or determination is provided for in the terms of such Class B Note Event of Default, and assuming no intervening remedy), will become a Class B Note Event of Default.

**“Potential CTA Event of Default”** means any event which, with the lapse of time and/or the giving of any notice and/or the making of any determination (in each case where the lapse of time and/or giving of notice and/or determination is provided for in the terms of such CTA Event of Default, and assuming no intervening remedy), will become a CTA Event of Default.

**“PP Note Issuer”** means such member of the Holdco Group which issues PP Notes from time to time.

**“PP Note Purchase Agreement”** means a note purchase agreement pursuant to which the PP Note Issuer issues PP Notes from time to time.

**“PP Note SCR Agreement”** means each secured creditor representative agency deed authorising a party to act, and be named in the relevant accession memorandum, as Secured Creditor Representative for the relevant PP Noteholders.

**“PP Note Secured Creditor Representative”** means any other person who is appointed as Secured Creditor Representative for PP Noteholders and authorised to act as such under a PP Note SCR Agreement.

**“PP Noteholders”** means those institutions which hold PP Notes from time to time.

**“PP Notes”** means any privately placed notes issued by the PP Note Issuer from time to time under and pursuant to a PP Note Purchase Agreement.

**“PPNIBLA”** means any loan agreement entered into between the PP Note Issuer and the Borrower from time to time.

**“PRA”** means Prudential Regulation Authority or any successor from time to time.

**“Principal Amount Outstanding”** means, in relation to a Note or Sub-Class, the original face value thereof less any repayment of principal made to the holder(s) thereof in respect of such Note or Sub-Class.

**“Principal Paying Agents”** means the Class A Principal Paying Agent and/or the Class B Principal Paying Agent, as the case may be.

**“Programme”** means the £5,000,000,000 multicurrency Note programme established under, or otherwise contemplated in, the Class A Dealership Agreement.

**“Public Offering”** means a listing of all or any part of the share capital of Holdco or any of the holding companies of Holdco on any recognised investment exchange or any other exchange or market in any jurisdiction or country.

**“Purchase Agreement”** means the purchase agreement dated the day hereof between the Issuer and the Initial Purchasers.

**“Qualifying Issuer Senior Debt”** means the sum of (a) the Principal Amount Outstanding of the Class A Notes and (b) the mark-to-market value of all transactions arising under Issuer Hedging Agreements in respect of the Class A Notes to the extent that such value represents an amount which would be payable to the relevant Issuer Hedge Counterparties if an early termination date was designated at relevant date in respect of such transactions as determined by the relevant Issuer Hedge Counterparty in accordance with the Issuer Hedging Agreements, as certified by the relevant Issuer Hedge Counterparty to the Class A Note Trustee;

**“Qualifying Obligor Junior Creditors”** means each Obligor Secured Creditor to which Qualifying Obligor Junior Secured Liabilities are owed, acting through its Secured Creditor Representative(s).

**“Qualifying Obligor Junior Secured Liabilities”** means, at any time:

- (a) the Outstanding Principal Amount under any Class B IBLA at such time; and
- (b) the Outstanding Principal Amount under any other Class B Authorised Credit Facility at such time.

**“Qualifying Obligor Secured Creditor Instruction Notice”** has the meaning given to it in the STID.

**“Qualifying Obligor Secured Creditors”** has the meaning given to it in the STID.

**“Qualifying Obligor Secured Liabilities”** has the meaning given to it in the STID.

**“Qualifying Obligor Senior Creditors”** means each Obligor Secured Creditor to which Qualifying Obligor Senior Secured Liabilities are owed, acting through its Secured Creditor Representative(s) and (b) each Issuer Hedge Counterparty for the purposes of paragraph (c) of the definition of Qualifying Obligor Senior Secured Liabilities.

**“Qualifying Obligor Senior Liabilities”** means, at any time:

- (a) the Outstanding Principal Amount under any Class A IBLA at such time;
- (b) the Outstanding Principal Amount under each other Class A Authorised Credit Facility (including any PP Note Purchase Agreement where the Borrower is a PP Note Issuer or PPNIBLA constituting a Class A Authorised Credit Facility but excluding any Liquidity Facility Agreement and the Borrower Hedging Agreements) at such time;
- (c) subject to Entrenched Rights which apply at all times, in respect of each Issuer Hedge Counterparty and the matters described under the section *“Descriptions of Certain Financing Arrangements—Security Trust and Intercreditor Deed—Qualifying Obligor Secured Liabilities”* only, the Outstanding Principal Amount under the Issuer Hedging Transactions of that Issuer Hedge Counterparty at such time; and
- (d) subject to Entrenched Rights which apply at all times, in respect of each Borrower Hedge Counterparty and the matters described under the section *“Descriptions of Certain Financing Arrangements—Security Trust and Intercreditor Deed—Qualifying Obligor Secured Liabilities”* only, the Outstanding Principal Amount under the Borrower Hedging Transactions of that Borrower Hedge Counterparty at such time.

**“Qualifying Obligor Senior Secured Liabilities”** means, at any time:

- (a) the Outstanding Principal Amount under any Class A IBLA at such time;
- (b) the Outstanding Principal Amount under each other Class A Authorised Credit Facility (including any PP Note Purchase Agreement where the Borrower is the PP Note Issuer or PPNIBLA constituting a Class A Authorities Credit Facility but excluding any Liquidity Facility Agreement and the Borrower Hedging Agreements) at such time;
- (c) subject to Entrenched Rights which apply at all times, in respect of each Issuer Hedge Counterparty and the matters described under *“Description of Certain Financing Arrangements—Security Trust and Intercreditor Deed—Qualifying Obligor Secured Liabilities”* only, the Outstanding Principal Amount under the Issuer Hedging Transactions of that Issuer Hedge Counterparty at such time;
- (d) subject to Entrenched Rights which apply at all times, in respect of each Borrower Hedge Counterparty and the matters described under *“Description of Certain Financing Arrangements—Security Trust and Intercreditor Deed—Qualifying Obligor Secured Liabilities”* only, the Outstanding Principal Amount under the Borrower Hedging Transactions of that Borrower Hedge Counterparty at such time; and
- (e) prior to the Obligor Senior Discharge Date, subject to Entrenched Rights which apply at all times, in respect of each OCB Secured Hedge Counterparty and the matters described under *“Description of Certain Financing Arrangements—Security Trust and Intercreditor Deed—Qualifying Obligor Secured Liabilities”* only, the Outstanding Principal Amount under the OCB Secured Hedging Transactions of the OCB Secured Hedge Counterparty at such time.

**“Qualifying Public Offering”** means a listing of all or any part of the share capital of Holdco or any of the holding companies of Holdco on any recognised investment exchange or any other exchange or market in any jurisdiction or country, *provided that*:

- (a) the ratio of Total Net Debt to EBITDA for the most recent Test Period calculated on a *pro forma* basis to take account of any prepayment of the Obligor Secured Liabilities from the proceeds of such listing and any subsequent offering of securities following such listing, any proceeds that are received directly by a member of the Holdco Group as a



consequence of such listing or any subsequent offering of securities, including through the making of a New Shareholder Injection or Investor Funding Loan and to take account any Restricted Payment to be made on or around completion of that listing or subsequent offering of securities, to the extent funded by Cash or Cash Equivalent Investments of the Holdco Group) is less than 4.75:1; and

- (b) the Rating Agency confirms (taking into account the matters provided for in the finance documents triggered by the occurrence of a Qualifying Public Offering) on or at any time following such listing or subsequent offering of securities, as the case may be, a current rating of the Class A Notes and that current rating is no lower than (i) the rating of the Class A Notes immediately prior to the Rating Agency providing such confirmation and (ii) BBB-(sf).

**“RAC Group”** means RAC Group (Holdings) Limited and each of its Subsidiaries.

**“RACIL”** means RAC Insurance Limited, a limited liability company incorporated in England and Wales with company number 02355834.

**“RAC Motoring Services”** means the unlimited liability company incorporated in England and Wales with company number 01424399.

**“RAC Pension Schemes”** means the Group Personal Pension Plan 1, the Group Personal Pension Plan 2 Group, the Personal Pension Plan 3, the RACMS (Ireland) Limited Retirement Plus Plan and the RAC Unfunded Unapproved Pension Plan.

**“RAC Unfunded Unapproved Pension Plan”** means the unfunded pension scheme known as the RAC Unfunded Unapproved Pension Plan which provides pension benefits on a defined benefit basis (generally related to final salary) for certain individuals.

**“Rating Agency”** means S&P and any successor.

**“Ratings Confirmation”** in respect of a proposed action means a confirmation in writing by the Rating Agency mandated by the Issuer from time to time (who gives such Ratings Confirmations as a part of their mandate), in respect of each Class or Sub-Class of the relevant Notes, to the effect that the rating on such Class or Sub-Class of Notes would not be reduced below the lower of (a) the Initial Rating of such Notes or (b) the then current credit rating (before the proposed action).

**“Real Property”** means:

- (a) any freehold, leasehold or immovable property; and
- (b) any buildings, fixtures, fittings, fixed plant or machinery from time to time situated on or forming part of that freehold, leasehold or immovable property.

**“Receiver”** means any receiver, manager, receiver and manager or Administrative Receiver who (in the case of an Administrative Receiver) is a qualified person in accordance with the Insolvency Act 1986 and who is appointed:

- (a) by the Obligor Security Trustee under the Obligor Security Documents in respect of the whole or any part of the Obligor Security;
- (b) by the Issuer Security Trustee under the Issuer Deed of Charge in respect of the whole or any part of the Issuer Security; or
- (c) by the Obligor Security Trustee, under the Topco Security Documents in respect of whole or part of the Topco Security.

**“Registrars”** means the Class A Registrar and/or, to the extent Class B Notes are issued, the Class B Registrar, as the case may be.

**“Regulation S”** means Regulation S adopted by the Securities and Exchange Commission under the Securities Act.

**“Regulatory Requirements”** means all applicable legislation, regulations and codes of practice in force from time to time relevant to the performance of duties and obligations that are subject to regulation by a Regulator including, without limitation, FSMA, FCA Rules, PRA Rules and other relevant requirements, rules, regulations, guidance and codes of practice of the FCA and/or PRA.

**“Relevant Debt”** means any principal amount outstanding (without double counting) under the Initial Senior Term Facility Agreement, the Class A Notes, the Class A IBLA, any debt under any other Class A Authorised Credit Facility and any other debt incurred by the Issuer, the Borrower and/or a PP Note Issuer from time to time that bears interest at a floating rate or is denominated in a Foreign Currency and bears interest at a fixed rate and in either case that ranks *pari passu* with the foregoing debt (other than (i) any Liquidity Facility, (ii) any Hedging Agreement, (iii) any amounts payable to the Issuer by way of the Fifth Facility Fee, (iv) any amounts payable to the Issuer by way of the Sixth Facility Fee and (v) any back-to-back hedge agreement entered into between the Issuer and the Borrower).

**“Relevant Jurisdiction”** means, in relation to an Obligor:

- (a) its jurisdiction of incorporation;
- (b) any jurisdiction where any asset subject to or intended to be subject to the Obligor Security Documents to be created by it is situated;
- (c) any jurisdiction where it conducts its business; and
- (d) the jurisdiction whose laws govern the perfection of any of the Obligor Security Documents entered into by it.

**“Relevant Time”** means 11.00 a.m., in the case of a determination of LIBOR, or Brussels time, in the case of a determination of EURIBOR.

**“Required Sweep Percentage”** means, in respect of a Cash Sweep Payment Date, the percentage of Excess Cashflow (as specified in the relevant Class A Authorised Credit Facility with a then-existing Bank Debt Sweep Period) required to be applied towards prepaying the Outstanding Principal Amount under the relevant Class A Authorised Credit Facility on that Cash Sweep Payment Date, subject to and in accordance with the Obligor Pre-Acceleration Priority of Payments.

**“Requisite Rating”** means a long-term rating from S&P of at least BBB- or such lower rating level notified in writing by the Issuer to the Issuer Security Trustee which has been affirmed in writing (or in such form as may be permitted by the then current policy of the Rating Agency) by the Rating Agency as a rating level which would not adversely affect the then current rating of the Class A Notes (including any downgrade of the Class A Notes or placing the Class A Notes on credit watch negative (or equivalent) or withdrawal of the rating of the Class A Notes), and *provided* that if the Rating Agency refuses or is unwilling to deliver such an affirmation in any instance (for any reason other than related to the rating itself), then the rating level shall be such as would, in the opinion of the Issuer (and where the Rating Agency was prepared to consult with the Issuer this opinion is based on consultation with the Rating Agency), not lead to any downgrade or the placing on credit watch negative (or equivalent) or withdrawal of the then current ratings ascribed to any Class A Notes.

**“Reservations”** means:

- (a) the principle that equitable remedies are remedies which may be granted or refused at the discretion of the court, the limitation of enforcement by laws relating to bankruptcy, insolvency, liquidation, reorganisation, court schemes, moratoria, administration and other laws generally affecting the rights of creditors;
- (b) the time barring of claims under applicable limitation laws (including the Limitation Acts), the possibility that an undertaking to assume liability for or to indemnify a person against non-payment of stamp duty may be void, defences of set off or counterclaim; and
- (c) any other general principles which are set out as qualifications as to matters of law in any Opinion.

**“Restricted Payment”** means:

- (a) any payment (in cash or in kind) of a dividend, charge, fee or other distribution on or in respect of its shares or share capital (or any class of it), any funds from any of their premium account or any management, advisory, servicing or other fee or any other payment by an Obligor to or to the order of any Excluded Group Entity;
- (b) any payment or repayment of interest, principal, fees of other amounts under any Investor Funding Loan or other loan made by a member of the Holdco Group to an Excluded Group Entity; or
- (c) any payment of any amount under any Class B Authorised Credit Facility.

**“Restricted Person”** means a person: (a) listed on any Sanctions List; (b) that is, or is part of, a government of a country or territory that is the target of country-wide Sanctions; (c) owned or controlled by, or acting on behalf of or at the direction of,

any of the foregoing; (d) located or resident in or organised or incorporated under the laws of a country or territory that is the target of country-wide Sanctions; or (e) otherwise a target of Sanctions.

“**Restricted Transaction**” means:

- (a) any Permitted Loan made to RACIL;
- (b) any Permitted Guarantee granted in respect of the obligations of RACIL;
- (c) any Permitted Disposal made to RACIL; and
- (d) any Permitted Share Issue made by RACIL,

if and to the extent that following the entry into such Restricted Transaction the aggregate of:

- (i) the nominal amount of all Permitted Loans made to RACIL;
  - (ii) the aggregate amount guaranteed pursuant to Permitted Guarantees granted in respect of the obligations of RACIL;
  - (iii) the market value of all assets disposed of pursuant to Permitted Disposals made to RACIL; and
  - (iv) the aggregate subscription amount for all shares issued pursuant to Permitted Share Issues made by RACIL,
- would exceed £15,000,000.

“**Retained Excess Cashflow**” means, at any time, the cumulative aggregate amount of Excess Cashflow released and made available to the Holdco Group in respect of any Financial Year, to the extent unspent at that time and in determining such cumulative aggregate amount:

- (a) Excess Cashflow shall only be included for a Financial Year in which a Bank Debt Sweep Period applies to the extent such Excess Cashflow is released and made available to the Holdco Group in accordance with the Obligor Pre-Acceleration Priority of Payments;
- (b) if Excess Cashflow is required to be applied in accordance with paragraph 2, 3 or 4 of the Obligor Pre-Acceleration Priority of Payments set out in the STID. (see “*Description of Certain Financing Arrangements—Security Trust and Intercreditor Deed—Obligor Priorities of Payment—Obligor Pre-Acceleration Priority of Payments*”), Excess Cashflow shall only be treated as released and available to the Holdco Group to the extent such Excess Cashflow is released and made available to the Holdco Group in accordance with paragraph 2, 3 or 4 of the Obligor Pre-Acceleration Priority of Payments set out in the STID. (see “*Description of Certain Financing Arrangements—Security Trust and Intercreditor Deed—Obligor Priorities of Payment—Obligor Pre-Acceleration Priority of Payments*”);
- (c) for so long as Excess Cashflow is not required to be applied in accordance with paragraphs 1, 2, 3 or 4 of the Obligor Pre-Acceleration Priority of Payments set out in the STID. (see “*Description of Certain Financing Arrangements—Security Trust and Intercreditor Deed—Obligor Priorities of Payment—Obligor Pre-Acceleration Priority of Payments*”), Excess Cashflow shall only be treated as released and available to the Holdco Group on the first day of which the Obligors are permitted to make a Permitted Payment pursuant to the CTA; and
- (d) the aggregate amount of all payments made pursuant to paragraph (a) of the definition of Permitted Payment shall be deducted.

“**Rule 144A**” means Rule 144A adopted by the Securities and Exchange Commission under the Securities Act.

“**S&P**” or “**Standard & Poor’s**” means Standard & Poor’s Rating Services, a division of The McGraw Hill Companies, Inc. or any successor to its rating business.

“**Sanctioned Country**” means, at any time, a country, region or territory which is subject to a general export, import, financial or investment embargo under any Sanctions.

“**Sanctions**” means any trade, financial or economic sanctions laws, regulations, embargoes or similar or equivalent restrictive measures administered, enacted or enforced by: (i) the United States government; (ii) the United Nations; (iii) the European Union; (iv) the United Kingdom; (v) the member states of the European Union; or (vi) the respective governmental institutions and agencies of any of the foregoing, including, the Office of Foreign Assets Control of the U.S. Department of Treasury (“**OFAC**”), the United States Department of State and Her Majesty’s Treasury (together “**Sanctions Authorities**”).

**“Second Facility Fee”** means the ongoing facility fee payable by the Borrower to the Issuer equal to:

- (a) before a Note Acceleration Notice has been given, all amounts due and payable by the Issuer under paragraph 2 of the Issuer Pre-Acceleration Priority of Payments; and
- (b) after a Note Acceleration Notice has been given, all amounts due and payable by the Issuer under paragraph (b) of the Issuer Post-Acceleration Priority of Payments,

as applicable and as the context may so require.

**“Secured Creditor Representative”** means the representative(s) of an Obligor Secured Creditor (as applicable) or Topco Secured Creditor appointed in accordance with the STID.

**“Secured Intellectual Property”** means, other than certain excluded intellectual property set out in the Obligor Security Agreement, (i) the registered Intellectual Property set out in the Obligor Security Agreement and any Intellectual Property in those rights, and (ii) any other Intellectual Property which is owned by an Obligor and which is required to conduct the business of the Obligors or any part of it.

**“Securities Act”** means the United States Securities Act of 1933.

**“Security Group”** means the Issuer, Topco and each member of the Holdco Group.

**“Security Interest”** means a mortgage, charge, pledge, lien or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect.

**“Semi-Annual Financial Statements”** means the semi-annual financial statements delivered pursuant certain information covenants in the CTA.

**“Senior Finance Document”** means:

- (a) any Class A IBLA;
- (b) any Initial STF Finance Documents;
- (c) any Initial WCF Finance Documents;
- (d) the Liquidity Facility Agreement;
- (e) the Borrower Hedging Agreements;
- (f) any other Class A Authorised Credit Facility;
- (g) (i) any fee letter, commitment letter, arrangement letter, or request entered into in connection with the facilities referred to in paragraphs (a), (c), (d), (f) above or the transactions contemplated in such facilities and (ii) any other document that has been entered into in connection with such facilities or the transactions contemplated thereby that has been designated as a Senior Finance Document by the parties thereto (including at least one Obligor);
- (h) each agreement or other instrument designated as a Senior Finance Document by the Holdco Group Agent, the Obligor Security Trustee and, if applicable, such additional Obligor Secured Creditor in the accession memorandum for such additional Obligor Secured Creditor; and
- (i) any amendment and/or restatement agreement relating to any of the above documents.

**“Senior Finance Party”** means a Class A Authorised Credit Provider or any other person which is a Finance Party under a Class A Authorised Credit Facility.

**“Seventh Facility Fee”** means the ongoing facility fee payable by the Borrower to the Issuer equal to:

- (a) before a Note Acceleration Notice has been given, all amounts due and payable by the Issuer under paragraph 9 of the Issuer Pre-Acceleration Priority of Payments; and
- (b) after a Note Acceleration Notice has been given, all amounts due and payable by the Issuer under paragraph (g) of the Issuer Post-Acceleration Priority of Payments,

as applicable and as the context may so require.

**“Share Enforcement Event”** means the events set forth in any Class B IBLA which permit the Obligor Security Trustee acting upon the instructions of the Topco Secured Creditors under and in accordance with the STID, to enforce the Topco Payment Undertaking and the Topco Security Documents.

**“Sixth Facility Fee”** means the ongoing facility fee payable by the Borrower to the Issuer equal to:

- (a) before a Note Acceleration Notice has been given, all amounts due and payable by the Issuer under paragraph 6(a) of the Issuer Pre-Acceleration Priority of Payments; and
- (b) after a Note Acceleration Notice has been given, all amounts due and payable by the Issuer under paragraph (e)(ii) of the Issuer Post-Acceleration Priority of Payments,

as applicable and as the context may so require.

**“Special Regulated Entity”** means any of RAC Insurance Limited, RAC Motoring Services and RAC Financial Services Limited.

**“Sponsors”** means:

- (a) any funds or limited partnerships advised by affiliates of CVC Capital Partners Limited or any investors in such funds or limited partnerships (but excluding any portfolio companies in which such funds or limited partnerships hold an investment and excluding CVC Capital Partners Credit Partners Holdings Limited and its direct or indirect Subsidiaries and any funds or entities managed or advised by them) from time to time; and/or
- (b) Sphinx Investment Pte Ltd and any funds or entities managed or advised by GIC Special Investments Pte Ltd.

**“Standby Drawing”** means a drawing under any Liquidity Facility Agreement as a result of a downgrade of a Liquidity Facility Provider below the Requisite Rating or in the event that a Liquidity Facility Provider fails to renew its commitment under a Liquidity Facility Agreement.

**“STID”** means the security trust and intercreditor deed between, amongst others, the Issuer, the Borrower, the Original Obligors, the Obligor Security Trustee, each Note Trustee and the Issuer Security Trustee entered into on 6 May 2016.

**“STID Proposal”** means a proposal or request made by the Holdco Group Agent in accordance with the STID proposing or requesting the Obligor Security Trustee to concur in making any modification, giving any consent or granting any waiver under or in respect of any Common Document.

**“Sub-Class”** means, with respect to any Class of Notes, those Class A Notes which are identical in all respects (including as to listing) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Price, such Sub-Class comprising one or more Sub-Classes of the relevant Class of Notes.

**“Subordinated Hedge Amounts”** means any termination payment due or overdue to:

- (a) a Borrower Hedge Counterparty under any Borrower Hedging Agreement; or
- (b) an Issuer Hedge Counterparty under any Issuer Hedging Agreement,

which arises as a result of the occurrence of an Event of Default (as defined in the relevant Hedging Agreement) where the relevant Hedge Counterparty is the Defaulting Party (as defined in the relevant Hedging Agreement).

**“Subordinated Increased Costs Amounts”** means in relation to any Class A Authorised Credit Facility the aggregate amount of:

- (a) the amount of any increased costs (howsoever described) required to be paid under that Class A Authorised Credit Facility due to:
  - (i) the introduction of or any changes in (or in the interpretation, administration or application of) any law or regulation; or
  - (ii) compliance with any law or regulation,

in each case made after the date of that Class A Authorised Credit Agreement; and

- (b) the amount by which the deemed LIBOR or EURIBOR (as applicable) of a Class A Authorised Credit Provider under such Class A Authorised Credit Facility which results from a market disruption event (howsoever described in such Class A Authorised Credit Facility) exceeds LIBOR or EURIBOR (as applicable) fixed for the last preceding loan interest period without recourse to the relevant market disruption provisions (such excess an “**Additional LIBOR/EURIBOR Payment**”),

to the extent that the payment of such increased cost amounts and/or Additional LIBOR/EURIBOR Payments would (if such payment were to be treated instead as an increase in the applicable Margin under such Class A Authorised Credit Facility) cause the applicable Margin (expressed as a percentage rate per annum) to exceed 3.00 per cent.

“**Subordinated Intragroup Creditor**” means the Borrower, Holdco, each other Obligor and any other member of the Holdco Group which is a party or accedes to the STID as a Subordinated Intragroup Creditor.

“**Subordinated Intragroup Liabilities**” means all present and future liabilities at any time of any Obligor to a Subordinated Intragroup Creditor in respect of any Financial Indebtedness.

“**Subordinated Investor**” means each Investor which is party, or accedes, to the STID as a Subordinated Investor.

“**Subordinated Investor Liabilities**” means all present and future liabilities at any time of an Obligor to a Subordinated Investor, in respect of any Investor Debt.

“**Subordinated Liquidity Amount**” means the proportion of any amount of interest payable in respect of any Liquidity Drawing which is attributable to the Step-Up Margin and Step-Up Commitment Fee.

“**Subsidiary**” means:

- (a) a subsidiary within the meaning of section 1159 (and Schedule 6) of the Companies Act 2006; and
- (b) unless the context otherwise requires, a “Subsidiary Undertaking” within the meaning of section 1162 (and Schedule 7) of the Companies Act 2006,

*provided* that, for the purposes of the Common Documents the Issuer shall not be considered to be a subsidiary of Holdco or any member of the Holdco Group.

“**Tax**” means any tax, levy, impost, duty or other charge or withholding of a similar nature (including any related penalty or interest) and “**Taxes**”, “**taxation**”, “**taxable**” and comparable expressions will be construed accordingly.

“**Tax Authority**” means any government, state, municipal, local, federal or other fiscal, revenue, customs or excise authority, body or official anywhere in the world exercising a fiscal, revenue, customs or excise function, including HMRC.

“**Tax Deed of Covenant**” means the deed dated 6 May 2016 between the relevant Obligors, the Issuer, the Obligor Security Trustee and the Issuer Security Trustee regulating certain tax related issues including, but not limited to, group payment arrangements, VAT tax grouping, tax de-grouping and Group Relief.

“**TDC Breach**” has the meaning given to it in the Tax Deed of Covenant.

“**Test Date**” means 31 December 2016 and thereafter 31 December and 30 June in each year or such other dates as may be agreed as a result of a change in Accounting Reference Date (and associated change in the calculation of financial covenants) relating to any Obligor and the Holdco Group.

“**Test Period**” means the 12 month period ending on a Test Date.

“**Third Facility Fee**” means the ongoing facility fee payable by the Borrower to the Issuer equal to:

- (a) before a Note Acceleration Notice has been given, all amounts due and payable by the Issuer under paragraph 3 of the Issuer Pre-Acceleration Priority of Payments; and
- (b) after a Note Acceleration Notice has been given, there shall be no Third Facility Fee payable,

as applicable and as the context may so require.

“**Topco**” means RAC Midco II Limited, a limited liability company registered in England and Wales with registered number 09229775.

“**Topco Enforcement Instruction**” means an instruction provided by the Topco Secured Creditors (through their Secured Creditor Representatives) as to whether and/or how the Obligor Security Trustee should enforce the Topco Security, on the terms and subject to the conditions of the Topco Transaction Documents.

“**Topco Fixed Security**” means first-ranking fixed security by way of legal mortgage (to take effect in equity pending the delivery of a Topco Enforcement Instruction) over the entire issued share capital of Holdco that is owned by Topco and by way of a fixed charge in respect of such shares and any loans from Topco to any of its subsidiaries and by way of assignment of its rights under the loans from Topco to any of its subsidiaries.

“**Topco Payment Undertaking**” means the English law deed of undertaking entered into on 14 July 2017 between Topco, the Issuer and the Obligor Security Trustee in respect of payment obligations of Topco to the Topco Secured Creditors.

“**Topco Secured Creditor**” means:

- (a) the Obligor Security Trustee;
- (b) the Issuer;
- (c) each other Class B Authorised Credit Provider;
- (d) any Receiver or Administrative Receiver appointed by the Obligor Security Trustee in respect of the Topco Security; and
- (e) each Facility Agent under any Class B Authorised Credit Facility,

or any of them, as applicable and as the context may so require.

“**Topco Secured Liabilities**” means all present and future obligations and liabilities (whether actual or contingent) of Topco to any Topco Secured Creditor any Topco Payment Undertaking.

“**Topco Secured Property**” means the whole of the right, title, benefit and interest of Topco in the property, rights and assets of Topco secured by or pursuant to the Topco Security.

“**Topco Security**” means the Security Interests constituted by the Topco Security Documents.

“**Topco Security Agreement**” means the English law security agreement entered into on 14 July 2017 between Topco and the Obligor Security Trustee securing obligations owed by Topco to the Topco Secured Creditors.

“**Topco Security Documents**” means:

- (a) any Topco Security Agreement;
- (b) any document evidencing or creating security over any asset of Topco to secure any obligation of Topco to a Topco Secured Creditor in respect of any Topco Secured Liabilities; and
- (c) any other document or agreement designated as a “Topco Security Document” by Topco, the Issuer and the Obligor Security Trustee,

or any of them, as applicable and as the context may so require.

“**Topco Transaction Documents**” means:

- (a) any Topco Payment Undertaking;
- (b) any Topco Security Documents; and
- (c) any other document or agreement designated as a “**Topco Transaction Document**” by a Class B Authorised Credit Provider and the Obligor Security Trustee,

or any of them, as applicable and as the context may so require.

**“Total Class A Net Debt”** means, at any time, the aggregate amount of all obligations of members of the Holdco Group for or in respect of Financial Indebtedness incurred in connection with the Class A IBLA, the Initial STF Facility, the Working Capital Facility, the Liquidity Facility and any other Obligor Senior Secured Liabilities that ranks *pari passu* with, or senior to, the Class A IBLA, the Initial STF Facility, the Working Capital Facility and the Liquidity Facility (to the extent that it remains undrawn at that time) at that time but:

- (a) excluding any such obligations to any other member of the Holdco Group;
- (b) deducting the aggregate amount of Cash and Cash Equivalent Investments held by any member of the Holdco Group at that time (including any amounts on deposit in any of the Designated Accounts (other than any Liquidity Facility Standby Account)); and
- (c) excluding any liabilities under any Hedging Agreements or under any transaction permitted under the CTA,

and so that no amount shall be included or excluded more than once.

**“Total Net Debt”** means, at any time, the aggregate amount of all obligations of members of the Holdco Group for or in respect of Financial Indebtedness (other than any Standby Drawing (to the extent that it remains undrawn at that time)) at that time but:

- (a) excluding any such obligations to any other member of the Holdco Group;
- (b) deducting the aggregate amount of Cash and Cash Equivalent Investments held by any member of the Holdco Group at that time (including any amounts on deposit in any of the Designated Accounts (other than any Liquidity Facility Standby Account));
- (c) excluding any such obligations under any Investor Funding Loan that is subordinated pursuant to the STID; and
- (d) excluding any liabilities under any Hedging Agreements or under any transaction permitted by the CTA,

and so that no amount shall be included or excluded more than once.

**“Transaction Documents”** means:

- (a) the Common Documents;
- (b) the Finance Documents;
- (c) the Issuer Transaction Documents; and
- (d) the Topco Transaction Documents.

**“Treasury Transaction”** means any currency or interest rate purchase, cap or collar agreement, forward rate agreement, interest rate agreement, index linked agreement, interest rate or currency or future or option contract, foreign exchange or currency purchase or sale agreement, interest rate swap, currency swap, commodity swap or combined similar agreement or any derivative transaction protecting against or benefiting from fluctuations in any rate or price.

**“Trigger Event”** means any event described in the Common Terms Agreement.

**“Trigger Event Ratio Level”** means 1.35:1.00.

**“U.S.”** means the United States of America.

**“U.S. GAAP”** means the generally accepted accounting practice principles in the U.S.

**“UK”** means the United Kingdom of Great Britain and Northern Ireland.

**“Unused Capital Maintenance Spend Amount”** has the meaning given in the Common Terms Agreement.

**“VAT”** (a) in respect of any agreement which contains a definition of VAT, has the meaning given thereto in such agreement; and (b) in any other case, means value added tax as imposed by VATA and legislation and regulations



supplemental thereto and includes any other tax of a similar fiscal nature whether imposed in the UK (instead of, or in addition to, value added tax) or elsewhere from time to time.

**“Voted Qualifying Obligor Secured Liabilities”** means the Outstanding Principal Amount actually voted by the Qualifying Obligor Secured Creditors.

**“Working Capital”** means the amount equal to the difference between the current assets and the current liabilities as shown in the management accounts to be published at the end of every second Accounting Period (excluding, (a) when determining the amount of current assets, Cash and Cash Equivalent Investments of the Holdco Group and (b), when determining the amount of current liabilities: (i) any amounts in respect of interest costs payable by the Holdco Group; and (ii) any amounts in respect of Capital Expenditure required to be paid or reserved during such period).

**“Working Capital Facility”** means each facility made available to the Borrower for the working capital purposes of the Holdco Group.

**“Working Capital Facility Agreement”** means the Initial Working Capital Facility Agreement and each facility agreement pursuant to which a Working Capital Facility is made available to the Borrowers.

**“XCCY Hedging Transaction”** means, in respect of Relevant Debt denominated in a certain Foreign Currency, a Hedging Transaction entered into by the Borrower or the Issuer and a Hedge Counterparty in respect of currency exchange rate hedging, under which one transaction calculation amount is denominated in such Foreign Currency and the other in Sterling (such that the Borrower or Issuer makes payment in Sterling and receives payments in such Foreign Currency).

**“XCCY Overhedged Position”** has the meaning given to it in the Common Terms Agreement.

## **APPENDIX: COMMON TERMS AGREEMENT–HOLDCO GROUP COVENANTS DESCRIPTION**

The following summary of the general covenants applicable to the Holdco Group under the Common Terms Agreement (the “**Holdco Group Covenants**”) summarises the Holdco Group Covenants as at the date of this Offering Memorandum. It does not purport to be complete and is subject to, and qualified in its entirety by reference to, the underlying documents. The Holdco Group Covenants may be amended from time to time without the consent of the Class B1 Noteholder, and the CTA Covenants as amended from time to time shall apply to the Holdco Group in accordance with the terms of the Common Terms Agreement and the Class B1 IBLA.

Capitalised terms used but not otherwise defined in this “*Appendix: Common Terms Agreement Holdco Group Covenants Description*” have the same meanings ascribed to them in the “*Definitions and Glossary*” section of this Offering Memorandum unless otherwise defined below.

### **General Covenants**

Pursuant to the CTA, the Obligors will give covenants which are customary for a financing of this type (with customary carve-outs, thresholds and caveats) including in relation to compliance with laws, conduct of business and maintenance of licences and authorisations. In particular, the Obligors will give the following covenants:

#### ***Authorisations***

- (a) to obtain, comply with and do all that is necessary to maintain in full force and effect, any material Authorisation required under any law or regulation of a Relevant Jurisdiction to enable it to perform its obligations under the Common Documents and the Senior Finance Documents and ensure, subject to the Reservations, the legality, validity, enforceability or admissibility in evidence of any Common Documents and the Senior Finance Document and to obtain, comply with and do (and Holdco shall procure that each other member of the Holdco Group obtains, complies and does) all that is necessary to maintain in full force and effect, any Authorisation required under any law or regulation of a Relevant Jurisdiction to carry on its and its Subsidiaries’ business where (other than in the case of the Common Documents or Senior Finance Documents) failure to do so would or is reasonably likely to have a Material Adverse Effect, and supply certified copies of any such Authorisation to the Obligor Security Trustee upon request;

#### ***Compliance with Laws***

- (b) to comply (and Holdco shall procure that each member of the Holdco Group will comply) in all respects with all laws to which it may be subject, if failure so to comply would or is reasonably likely to have a Material Adverse Effect;

#### ***Environmental Compliance and Claims***

- (c) to comply (and Holdco shall procure that each other member of the Holdco Group will comply) with all Environmental Laws and obtain and ensure compliance with all requisite Environmental Permits where failure to do so would or is reasonably likely to have a Material Adverse Effect;
- (d) promptly upon becoming aware to inform (and Holdco shall procure that each other member of the Holdco Group will inform) the Obligor Security Trustee in writing of any Environmental Claim against any member of the Holdco Group which is current, pending or threatened in writing where the claim, if determined against that member of the Holdco Group, would or is reasonably likely to have a Material Adverse Effect;

#### ***Anti-Money Laundering Laws, Anti-bribery Laws and Sanctions***

- (e) to maintain in effect and enforce policies and procedures designed to ensure compliance by each Obligor, their Subsidiaries and their respective directors, officers, employees and agents with Anti-Corruption Laws;
- (f) to maintain in effect and enforce policies and procedures designed to ensure compliance by each Obligor and their Subsidiaries with applicable anti-money laundering laws and applicable Sanctions;

- (g) to conduct (and Holdco shall procure that each member of the Holdco Group will conduct) its operations at all times in compliance in all material respects with applicable financial recordkeeping and reporting requirements of the applicable Money Laundering Laws;
- (h) not to (and Holdco shall procure that each member of the Holdco Group will not) use the proceeds of the Obligor Senior Secured Liabilities to make any unlawful payments which would breach any Anti-Corruption Laws in any material respect and shall institute and maintain policies and procedures designed to ensure continued compliance with applicable Money Laundering Laws and anti-bribery laws;
- (i) not to (and Holdco shall procure that no other member of the Holdco Group will):
  - (i) knowingly engage in any transactions or business with any individual or entity that is a Restricted Person in violation of any applicable Sanctions;
  - (ii) knowingly use any revenue or benefit directly derived from any activity or dealing with a Restricted Person to be used in discharging any obligation due or owing to an Obligor Secured Creditor, and will not use any product or services offered to it by an Obligor Secured Creditor in a manner which is reasonably likely to cause such Obligor Secured Creditor to be in breach of Sanctions;
  - (iii) directly or indirectly use, lend or contribute, all or any part of the proceeds of the Obligor Senior Secured Liabilities or lend, contribute or otherwise make available all or any part of such proceeds to any Subsidiary, Joint Venture, partner or other person (a) in furtherance of an offer, payment, promise to pay, or authorisation of the payment or giving of money, or anything else of value, to any person in violation of any Anti-Corruption Laws and applicable Money Laundering Laws, (b) to finance or facilitate any trade, business or other activities involving, or for the benefit of any Restricted Person, or in any Sanctioned Country or (c) in any other manner that would result in a violation by any person of any Sanction or such person becoming a Restricted Person;
- (j) to ensure that (and Holdco will procure that any other member of the Holdco Group) to the extent permitted by law shall promptly upon becoming aware of them supply to the Obligor Security Trustee details of any claim, action, suit, formal notice, proceedings or investigation against it with respect to Sanctions by any Sanctions Authority, and will comply in all material respects with all applicable Sanctions;

#### ***Taxation***

- (k) to (and Holdco shall procure that each other member of the Holdco Group will) pay and discharge all Taxes imposed upon it or its assets within the time period allowed without incurring penalties unless and only to the extent that: (i) such payment is being contested in good faith and adequate reserves are being maintained for those Taxes and the costs required to contest them which have (to the extent required in accordance with the then current accounting principles and accounting practices) been disclosed in its latest Financial Statements delivered to the Obligor Security Trustee; and/or (ii) failure to pay those Taxes would not or is not reasonably likely to have a Material Adverse Effect;
- (l) not to change its residence for Tax purposes;

#### ***Merger***

- (m) not to (and Holdco shall procure that no other member of the Holdco Group will) enter into any amalgamation, demerger, merger, consolidation or corporate reconstruction other than a Permitted Transaction;

#### ***Change of Business***

- (n) to (and Holdco undertakes to procure that each other member of the Holdco Group will) carry on only Permitted Business. This paragraph (l) does not apply to:
  - (i) a Permitted Acquisition;
  - (ii) a Permitted Disposal; or
  - (iii) a Permitted Transaction.

### ***Acquisitions***

- (o) not to (and Holdco shall procure that no other member of the Holdco Group will) acquire a company or any shares or securities or a business or undertaking (or, in each case, any interest in any of them), or incorporate a company other than an acquisition of a company, of shares, securities or a business or undertaking (or, in each case, any interest in any of them) or the incorporation of a company which is a Permitted Acquisition or a Permitted Transaction;

### ***Joint Ventures***

- (p) not to (and Holdco shall procure that no other member of the Holdco Group will) enter into, invest in or acquire (or agree to acquire) any shares, stocks, securities or other interest in any Joint Venture or transfer any assets or lend to or guarantee or give an indemnity for or give any Security Interest for the obligations of a Joint Venture or maintain the solvency of or provide working capital to any Joint Venture (or agree to do any of the foregoing) other than any acquisition of (or agreement to acquire) any interest in a Joint Venture or transfer of assets (or agreement to transfer assets) to a Joint Venture or loan made to a Joint Venture that is a Permitted Joint Venture Investment;

### ***Holding Companies***

- (q) None of Holdco Intermediate Holdco and the Borrower shall trade, carry on any business, own any assets or incur any liabilities except for:
  - (i) the provision of administrative services (other than treasury services) to other members of the Holdco Group of a type customarily provided by a holding company to its Subsidiaries;
  - (ii) ownership of the shares in Subsidiaries or any other shares acquired in connection with a Permitted Acquisition or a Permitted Joint Venture Investment;
  - (iii) credit balances in bank accounts, cash and Cash Equivalent Investments;
  - (iv) intra-Holdco Group debit and credit balances;
  - (v) any assets and liabilities and performing obligations under the Transaction Documents to which it is a party and professional fees and administration costs in connection therewith and otherwise in the ordinary course of business as a holding company;
  - (vi) any trade, business, assets, or liabilities undertaken prior to or existing on 6 May 2016;
  - (vii) any activities entered into in respect of a Permitted Transaction or a Permitted Payment; and
  - (viii) incurring liability to pay Tax and paying the Tax,

Holdco, Intermediate Holdco and the Borrower shall not at any time own shares in any person that is a member of the Holdco Group other than the member of the Holdco Group that is its direct subsidiaries on 6 May 2016 or, in the case of the Borrower, a wholly-owned Subsidiary established for the purpose of issuing PP Notes;

### ***Preservation of assets and Minimum Capital Maintenance Spend Amount***

- (r) to (and shall procure that each other member of the Holdco Group will) maintain in good working order and condition (ordinary wear and tear excepted) all of its assets necessary or desirable in the conduct of its business where failure to do so would or is reasonably likely to have a Material Adverse Effect;
- (s) to ensure that:
  - (i) the Holdco Group shall use reasonable endeavours to spend the Minimum Capital Maintenance Spend Amount annually on Maintenance Capital Expenditure for the maintenance and preservation of the assets of the Holdco Group necessary or desirable in the conduct of its business constituting Permitted Business;
  - (ii) at the end of each Financial Year, to the extent that the Obligors have not spent an amount equal to the Minimum Capital Maintenance Spend Amount during such Financial Year, the Borrower shall procure that an amount equal to the difference between the Minimum Capital Maintenance Spend Amount and the amount of Maintenance Capital Expenditure actually spent by the Obligors for such Financial Year

(such difference, the “*Unused Capital Maintenance Spend Amount*”) is transferred to the Maintenance Capex Reserve Account;

- (iii) any amounts standing to the credit of the Maintenance Capex Reserve Account may only be utilised by the Obligors in connection with a payment of expenditure incurred in respect of Maintenance Capital Expenditure in respect of future Financial Years, *provided* that any such amounts spent under this paragraph (q)(iii) shall not count towards the Minimum Capital Maintenance Spend Amount for the Financial Year in which it is spent;
- (iv) after every consecutive period of five Financial Years (with effect from the end of the Financial Year ending 31 December 2021), the Holdco Group Agent shall determine a new Minimum Capital Maintenance Spend Amount to apply for the following five Financial Years. *Provided* such new Minimum Capital Maintenance Spend Amount is approved by an independent expert appointed by the Holdco Group Agent as being a reasonable estimate of the likely minimum capital expenditure requirements of the Holdco Group for the following five Financial Years (such independent expert having had regard, amongst others, to the reasonableness of the assumptions contained in the business plan on which such determination was based) the new Minimum Capital Maintenance Spend Amount as determined by the Holdco Group Agent will apply from the next Financial Year for the following five Financial Years. If the independent expert does not approve the determination of the Holdco Group Agent then the amount determined by the independent expert after consultation with the Holdco Group Agent as being a reasonable pre-estimate of the likely minimum capital expenditure requirements of the Holdco Group for the following five Financial Years will apply instead. In the event that the amount standing on the Maintenance Capex Reserve Account is in excess of the new minimum amount of Maintenance Capital Expenditure so determined by the independent expert the Obligors shall not be permitted to release any such excess from the Maintenance Capex Reserve Account and all amounts (including, for the avoidance of doubt, such excess) standing to the Maintenance Capex Reserve Account must be spent on Maintenance Capital Expenditure.

#### ***Pari passu ranking***

- (t) to ensure that at all times any unsecured and unsubordinated claims of an Obligor Secured Creditor against it under the Senior Finance Documents rank at least *pari passu* with the claims of all its other unsecured and unsubordinated creditors except those creditors whose claims are mandatorily preferred by laws of general application to companies;

#### ***Negative Pledge***

- (u) not to (and Holdco shall procure that no other member of the Holdco Group will):
  - (i) create or permit to subsist any Security Interest over any of its assets;
  - (ii) sell, transfer or otherwise dispose of any of its assets on terms whereby they are or may be leased to or re acquired by an Obligor;
  - (iii) sell, transfer or otherwise dispose of any of its receivables on recourse terms;
  - (iv) enter into any arrangement under which money or the benefit of a bank or other account may be applied, set off or made subject to a combination of accounts; or
  - (v) enter into any other preferential arrangement having a similar effect,in circumstances where the arrangement or transaction is entered into primarily as a method of raising Financial Indebtedness or of financing the acquisition of an asset, other than any Security Interest or quasi-security which is Permitted Security, a Permitted Disposal or a Permitted Transaction;

#### ***Disposals***

- (v) not to (and Holdco shall procure that no other member of the Holdco Group will) enter into a single transaction or a series of transactions (whether related or not) and whether voluntary or involuntary to sell, lease, transfer or otherwise dispose of any asset other than any sale, lease, transfer or other disposal which is a Permitted Disposal, a Permitted Transaction or a Permitted Payment or disposal giving effect to a Liabilities Acquisition which is permitted by the STID;

### ***Arm's length basis***

- (w) not to (and Holdco shall procure that no other member of the Holdco Group will) enter into any transaction with any person, except on arm's length terms:
  - (i) Investor Funding Loans and any loans made pursuant to paragraphs (e), (f), (g), (i) or (l) of the definition of Permitted Loans;
  - (ii) fees, costs and expenses payable under the Transaction Documents in the amounts set out in the Transaction Documents (as applicable);
  - (iii) a Permitted Transaction (other than certain Permitted Reorganisations);
  - (iv) transactions between members of the Holdco Group which are not otherwise prohibited by the terms of the Common Documents or the Senior Finance Documents; and
  - (v) any charitable or pro bono activities of the Holdco Group materially consistent with such activities as at 6 May 2016, subject to a maximum of £1,000,000 (Indexed) (or equivalent in other currencies) in any consecutive 12 month period;

### ***Loans or Credit***

- (x) not to (and Holdco shall procure that no other member of the Holdco Group will) be a creditor in respect of any Financial Indebtedness other than a Permitted Loan or a Permitted Transaction;

### ***No Guarantees or Indemnities***

- (y) not to (and Holdco shall procure that no other member of the Holdco Group will) incur or allow to remain outstanding any guarantee in respect of any obligation of any person other than a guarantee which is a Permitted Guarantee or a Permitted Transaction;

### ***Restricted Payments***

- (z) not to (and Holdco shall procure that no other member of the Holdco Group will) make a Restricted Payment unless such payment is a Permitted Payment or a Permitted Transaction;

### ***Restricted Transactions***

- (aa) except as permitted under paragraph (bb) below, no Obligor shall (and Holdco shall procure that no other member of the Holdco Group will) enter into a Restricted Transaction;
- (bb) paragraph (aa) above does not apply to any Restricted Transaction funded or, in the case of a Permitted Guarantee, collateralised by the proceeds of any New Shareholder Injections, Investor Funding Loans or Retained Excess Cashflow.

### ***Financial Indebtedness***

- (cc) not to (and Holdco shall procure that no other member of the Holdco Group will) incur or allow to remain outstanding any Financial Indebtedness other than Permitted Financial Indebtedness or a Permitted Transaction;

### ***Share Capital***

- (dd) not to (and Holdco shall procure that no other member of the Holdco Group will) issue any shares except pursuant to a Permitted Share Issue or a Permitted Transaction;

### ***Insurance***

- (ee) shall (and Holdco shall procure that each other member of the Holdco Group will) maintain insurances on and in relation to its business and assets against those risks and to the extent as is commercially prudent in accordance with good industry practice for such assets for companies carrying on the same or a substantially similar business with reputable independent insurance companies or underwriters;

- (ff) to take all reasonable and practicable steps to preserve and enforce its rights and remedies under or in respect of its insurance policies and contracts;
- (gg) to supply to the Obligor Security Trustee on request copies of each insurance policy and contract together with the current applicable premium receipts; and
- (hh) to ensure that each of the Obligors is jointly insured on all relevant insurance policies and that the interest of the Obligor Security Trustee is noted on all relevant insurance policies;

### ***Pensions***

- (ii) the Holdco Group Agent shall ensure that no action or omission (save as required by law) is taken by any member of the Holdco Group in relation to the RAC Pension Schemes and/or the Auto Windscreens Pension Scheme which would or is reasonably likely to have a Material Adverse Effect;
- (jj) except for the RAC Unfunded Unapproved Pension Plan and the Auto Windscreens Pension Scheme, the Holdco Group Agent shall ensure that no member of the Holdco Group is or becomes at any time an employer as defined in section 318 of the Pensions Act 2004) of an occupational pension scheme which is not a money purchase scheme (both terms as defined in the Pension Schemes Act 1993) without the prior written consent of the Obligor Security Trustee;
- (kk) each Obligor shall immediately notify the Obligor Security Trustee of any investigation or investigation threatened in writing by the Pensions Regulator which may lead to the issue of a Financial Support Direction or a Contribution Notice to any member of the Holdco Group;
- (ll) each Obligor shall immediately notify the Obligor Security Trustee if it or any other member of the Holdco Group receives a warning notice or Financial Support Direction or a Contribution Notice from the Pensions Regulator or if it or any other member of the Holdco Group enters into any settlement (however described) with the Pensions Regulator;

### ***Access***

- (mm) If a CTA Default is continuing or the Obligor Security Trustee reasonably suspects a such a CTA Default is continuing, to (and Holdco shall procure that each other member of the Holdco Group will) permit the Obligor Security Trustee and/or accountants or other professional advisers and contractors of the Obligor Security Trustee free access at all reasonable times and on reasonable notice at the risk and cost of such member of the Holdco Group to (a) the premises, assets, books, accounts and records of each member of the Holdco Group and (b) meet and discuss matters with senior management of the Holdco Group;

### ***Intellectual Property***

- (nn) to (and Holdco shall procure that each other member of the Holdco Group will):
  - (i) preserve and maintain the subsistence and validity of the Secured Intellectual Property necessary for the business of the relevant member of the Holdco Group;
  - (ii) use reasonable endeavours to prevent any infringement of the Secured Intellectual Property;
  - (iii) make registrations and pay all registration fees and taxes necessary to maintain the Secured Intellectual Property in full force and effect and record its interest in that Intellectual Property;
  - (iv) not use or permit the Secured Intellectual Property to be used in a way or take any step or omit to take any step in respect of that Secured Intellectual Property which may materially and adversely affect the existence or value of that Secured Intellectual Property or imperil the right of any member of the Holdco Group to use such Intellectual Property;
  - (v) not discontinue the use of any registered trademarks owned by each Obligor or any other member of the Holdco Group;
  - (vi) ensure that all material Intellectual Property required to run the Permitted Business as conducted on the date of this Agreement is legally owned by an Obligor or licensed from a non-Holdco Group member by an Obligor,

where failure to do so or such use, permission to use, omission or discontinuation, would or is reasonably likely to have a Material Adverse Effect;

- (oo) not to (and shall procure that no other member of the Holdco Group will) licence or permit the use of Intellectual Property used in the Permitted Business outside the Holdco Group other than on an arm's length basis;

#### ***Amendments to Common Documents and Senior Finance Documents***

- (pp) not to amend, vary, novate, supplement, supersede, waive or terminate any term of a Common Document or a Finance Document, except in accordance with the provisions of the STID and its own terms;

#### ***Amendments to Constitutional Documents***

- (qq) not amend any provision of its constitutional documents relating to transferability of its shares without the prior written consent of the Obligor Security Trustee;
- (rr) may amend, subject to paragraph (qq) above, any other provision of its constitutional documents without the prior written consent of the Obligor Security Trustee, only if such amendment would not or is not reasonably likely to have a Material Adverse Effect;

#### ***Treasury Transactions***

- (ss) not to (and Holdco shall procure that no other member of the Holdco Group will) enter into any Treasury Transaction, other than:
  - (i) the Hedging Transactions documented by the Hedging Agreements in accordance with the Hedging Policy; and
  - (ii) Treasury Transactions entered into for the purpose of hedging risks arising in the ordinary course of trading (including offsetting, operational and foreign exchange hedging transactions which at the discretion of the Obligors may or may not be cash collateralised) *provided* that they are (i) not for speculative purposes and (ii) do not contain any indexation accretion;

#### ***Centre of Main Interest***

- (tt) not to do anything to change the location of its centre of main interests, for the purposes of Council Regulation (EC) No 1346/2000 of 29 May 2000 on insolvency proceedings (the "**Regulation**") or to maintain an 'establishment' (as that term is used in Article 2(h) of the Regulation) in any jurisdiction other than its jurisdiction of incorporation;

#### ***Further Assurance***

- (uu) promptly to do all such acts or execute all such documents (including assignments, transfers, mortgages, charges, notices and instructions) as the Obligor Security Trustee may reasonably specify (and in such form as the Obligor Security Trustee may reasonably require in favour of the Obligor Security Trustee or any of its nominees):
  - (i) to perfect the Security Interest created or intended to be created under or evidenced by the Common Documents and/or the Senior Finance Documents (which may include the execution of a mortgage, charge, assignment or other Security Interest over all or any of the assets which are, or are intended to be, the subject of any Obligor Security Document) or for the exercise of any rights, powers and remedies of the Obligor Security Trustee or the Obligor Secured Creditors provided by or pursuant to the Common Documents, the Senior Finance Documents or by law;
  - (ii) to confer on the Obligor Security Trustee or confer on the Obligor Secured Creditors Security Interests over any property and assets of that Obligor (as applicable) located in any jurisdiction equivalent or similar to the Security Interest intended to be conferred by or pursuant to any Obligor Security Document; and/or
  - (iii) to facilitate the realisation of the assets which are, or are intended to be, the subject of any Obligor Security Document;



- (vv) to take all such action as is available to it (including making all filings and registrations) as may be necessary for the purpose of the creation, perfection, protection or maintenance of any Security Interest conferred or intended to be conferred on the Obligor Security Trustee or the Obligor Secured Creditors by or pursuant to the Common Documents or the Senior Finance Documents;

### ***Credit Rating***

- (ww) to use reasonable endeavours to maintain, for as long as there are Class A Notes outstanding, a credit rating from the Rating Agency for the Class A Notes issued by the Issuer and to co-operate with the Rating Agency in connection with any reasonable request for information in respect of the maintenance of a rating and with any review of its business which may be undertaken by the Rating Agency after 6 May 2016;

### ***Accounting Reference Date***

- (xx) not to (and Holdco shall procure that no other member of the Holdco Group will) change its Accounting Reference Date unless each of the following conditions have been met:

- (i) the Holdco Group Agent delivers to the Obligor Security Trustee:
  - (A) written notice of the proposed change to the Accounting Reference Date;
  - (B) a certificate describing such change and the effect on and consequences for:
    - (1) the calculation of the Class A FCF DSCR (including, the definitions used therein and as applied in the Senior Finance Documents and the Common Documents);
    - (2) the calculation of the ratio of Total Net Debt to EBITDA and the ratio of Total Class A Net Debt to EBITDA (including the definitions used therein and as applied in the Senior Finance Documents and the Common Documents);
    - (3) the delivery of Compliance Certificates;
    - (4) the making of Permitted Payments;
    - (5) the making of a mandatory prepayment from Excess Cashflow; and
    - (6) the effect on the provisions of the Senior Finance Documents and/or the Common Documents; (the “**Relevant Matters**”); and
- (ii) the Obligor Security Trustee has received, at the cost and expense of the Obligors, such certificates of the Obligors (signed by two directors of the relevant Obligors) and such accounting and/or legal advice as it reasonably deems necessary to determine, amongst other things, the Relevant Matters;
- (iii) the Obligors make such changes (if any) as required by the Obligor Security Trustee (acting reasonably) to the Common Documents or the Senior Finance Documents to reflect the consequential changes required as a result of the change of the Accounting Reference Date (and the Obligor Security Trustee is hereby authorised and directed by the Obligor Secured Creditors and the Issuer Secured Creditors to make such changes to the Common Documents or the Senior Finance Documents) and to execute any documents required to be entered into in order to make such change;
- (iv) if, as a result of any change in the Accounting Reference Date, a Compliance Certificate need not be delivered (pursuant to the provisions of the CTA) within the period which it would have been delivered had such change in the Accounting Reference Date not occurred (the “**Original Period**”) then the Obligors shall:
  - (A) procure that such Financial Statements are prepared so as to allow a Compliance Certificate to be delivered as if the change to Accounting Reference Date had not occurred, and such Compliance Certificate shall be delivered in accordance with the provisions of the Information Covenants; or
  - (B) deliver a Compliance Certificate (based on the Financial Statements prepared in respect of the changed Accounting Reference Date) within the Original Period in accordance with the provisions of the Information Covenants;

- (v) the Accounting Reference Date has not been changed in the previous five years, unless:
  - (A) a change in control of an Obligor has occurred and the Accounting Reference Date is changed within 12 months of the effective date of such change of control;
  - (B) a change in applicable accounting practice has occurred, as a result of which it is necessary or desirable to change the Accounting Reference Date and such change is made within 12 months of the effective date of the change in applicable accounting practice; or
  - (C) a change in applicable tax law (or in the application or official interpretation of applicable tax law) has occurred, as a result of which it is necessary or desirable to change the Accounting Reference Date and such change is made within 12 months of the effective date of the change in applicable tax law (or in the application or official interpretation of applicable tax law);
- (vi) each Obligor has the same Accounting Reference Date;

#### ***Auditors***

- (yy) to retain reputable auditors at all times;
- (zz) as soon as reasonably practicable, to inform the Obligor Security Trustee of any change to its auditors;

#### ***Purchase of Notes or Authorised Credit Facilities***

- (aaa) not to (and procure that no other member of Holdco Group will) (i) enter into any Debt Purchase Transaction other than in accordance with the other provisions of this paragraph and paragraphs (ccc) to (III) below; or (ii) other than in respect of the Issuer or any other finance company established in the RAC Group for the purpose of providing finance to the Holdco Group, beneficially own all or any part of the share capital of a company that is an Authorised Credit Provider or a party to a Debt Purchase Transaction of the type referred to in paragraphs (b) or (c) of the definition of “**Debt Purchase Transaction**”;
- (bbb) a member of the Holdco Group may enter into a Debt Purchase Transaction pursuant to and in accordance with the method of transfer set out in the relevant Senior Finance Documents and/or Issuer Transaction Documents (or, subject to the other provisions of the Common Terms Agreement, purchase an interest in a person referred to in paragraph (ccc) above) *provided* that such Debt Purchase Transaction is funded from:
  - (i) Disposal Proceeds or Insurance Proceeds;
  - (ii) a New Shareholder Injection;
  - (iii) an Investor Funding Loan;
  - (iv) Retained Excess Cashflow; or
  - (v) any amounts credited to the Defeasance Account which are referable to the Authorised Credit Facility which is subject to such Debt Purchase Transaction provided that in respect of any such transaction that is a Defeased Cash Note Purchase (A) such purchase must be made following a public tender offer (on a pro rata basis) to all Class A Noteholders of the Class or Sub-Class of Notes referable to the Class A IBLA Advance(s) so defeased; (B) the purchase price paid by the Borrower in respect of the principal amount of any such Class A Notes must not exceed the Principal Amount Outstanding of such Class or Sub-Class of Class A Notes (excluding accrued but unpaid interest); (C) the relevant amounts standing to the credit of the Defeasance Account to be applied towards such purchase price and the payment of any accrued but unpaid interest may not be withdrawn from the Defeasance Account to be applied towards such purchase price or payment of accrued but unpaid interest until such time as is reasonably required to settle the purchase of such Class A Notes; and (D) immediately upon the completion of any such purchase either: (I) the amounts outstanding under the relevant Class A Notes shall be set-off against the amounts outstanding under the relevant Class A IBLA Advance which corresponds to the relevant Class or Sub-Class of Class A Notes and the amounts so set-off shall each be treated as having been paid or pre-paid on such date; or (II) the amounts outstanding under the relevant Class or Sub-Class of Class A Notes and the corresponding portion of the Class A IBLA Advance shall be waived, *provided* that in either case the Borrower shall surrender the purchased Notes to the Issuer for cancellation immediately thereafter);

- (ccc) in relation to any Debt Purchase Transaction relating to any Authorised Credit Facility entered into pursuant to the terms of the CTA or the other Common Documents or the Senior Finance Documents:
- (i) on completion of the relevant transfer, the portions of the acquired commitments to which it relates shall be extinguished and such Debt Purchase Transaction and the related extinguishment shall not constitute a prepayment of the relevant Authorised Credit Facility;
  - (ii) the relevant member of the Holdco Group which is the assignee or transferee shall be deemed to be an entity which fulfils the requirements for an Authorised Credit Provider's assignee or transferee under the relevant Authorised Credit Facility;
  - (iii) no member of the Holdco Group shall be deemed to be in breach of any provision of the CTA Covenants solely by reason of such Debt Purchase Transaction;
  - (iv) any provisions relating to sharing among the Authorised Credit Providers under the relevant Authorised Credit Facility shall not be applicable to the consideration paid under such Debt Purchase Transaction; and
  - (v) for the avoidance of doubt, any extinguishment of any part of the acquired commitments shall not affect any amendment or waiver which prior to such extinguishment had been approved by or on behalf of the requisite Authorised Credit Providers under the relevant Authorised Credit Facility;
- (ddd) subject to paragraph (xx)(v) above, upon the purchase of any Notes by a member of the Holdco Group, such member of the Holdco Group may:
- (i) procure that:
    - (A) the amounts outstanding under the relevant Notes shall be set-off against the amounts outstanding under the relevant IBLA Advance which corresponds to the relevant Notes and the amounts so set-off shall each be treated as having been paid or pre-paid on such date; or
    - (B) the amounts outstanding under the relevant Notes and the corresponding portion of the IBLA Advance shall be waived and released,

*provided* that in either such case such member of the Holdco Group shall surrender the Notes to the Issuer for cancellation immediately thereafter;
  - (ii) hold the Notes for such time as it may in its discretion determine; or
  - (iii) at any time, sell the Notes to any person.
- (eee) any Commitments under any Authorised Credit Facility in respect of which a member of the Holdco Group acquires an interest pursuant to a Debt Purchase Transaction or held by a person referred to in paragraph (ccc) above, that becomes a member of the Holdco Group must be cancelled or extinguished;
- (fff) for the purposes of calculating Class A FCF DSCR, the ratio of Total Net Debt to EBITDA and the ratio of Total Class A Net Debt to EBITDA, any Notes or commitments under any Authorised Credit Facility held by members of the Holdco Group that are cancelled will be taken into account at their face value;
- (ggg) for so long as a Permitted Debt Purchase Party (i) beneficially owns a Note or commitment or (ii) has entered into a sub participation agreement relating to a commitment or other agreement or arrangement having a substantially similar economic effect and such agreement or arrangement has not been terminated:
- (i) in ascertaining any requisite majority in relation to any request for a consent, waiver, amendment or other vote under any relevant Common Document or Senior Finance Document or whether any given percentage of votes (including, for the avoidance of doubt, unanimity) has been obtained to approve any request for a consent, waiver, amendment or other vote under any relevant Common Document or Senior Finance Document such Notes or commitment (as applicable) shall be deemed to be zero; and
  - (ii) such Permitted Debt Purchase Party or the person with whom it has entered into such sub- participation, other agreement or arrangement shall be deemed not to be a Noteholder or Authorised Credit Provider (unless in the case of a person not being a Permitted Debt Purchase Party it is a Noteholder or Authorised Credit Provider by virtue otherwise than by beneficially owning the relevant Notes or commitment).
- (hhh) unless such Debt Purchase Transaction is an assignment or transfer under an Authorised Credit Facility ranking *pari passu* with any Authorised Credit Facility, each Obligor shall promptly notify the Obligor Security Trustee in

writing if it or any other member of the Holdco Group knowingly enters (and, to the extent it is aware, that a Permitted Debt Purchase Party other than a member of the Holdco Group enters) into a Debt Purchase Transaction as a Permitted Debt Purchase Party (a “**Notifiable Debt Purchase Transaction**”);

- (iii) each Obligor shall promptly notify the Obligor Security Trustee if a Notifiable Debt Purchase Transaction to which it or any other member of the Holdco Group (and, to the extent it is aware, any Permitted Debt Purchase Party other than a member of the Holdco Group) is a party (i) is terminated; or (ii) ceases to be with a Permitted Debt Purchase Party;
- (jjj) each Obligor and each Permitted Debt Purchase Party that is a Party in any capacity to the Common Terms Agreement agrees (and Holdco shall procure that any other member of the Holdco Group that it is a Noteholder or Authorised Credit Provider will agree) that:
  - (i) in relation to any meeting or conference call to which all of the Obligor Secured Creditors or the Issuer Secured Creditors are invited to attend or participate, it or such other Permitted Debt Purchase Party shall not attend or participate in the same if so requested by the Obligor Security Trustee or the Issuer Security Trustee respectively or, unless the Obligor Security Trustee or the Issuer Security Trustee otherwise agrees, be entitled to receive the agenda or any minutes of the same; and
  - (ii) in its capacity as an Obligor Secured Creditor or an Issuer Secured Creditor, unless the Obligor Security Trustee or the Issuer Security Trustee otherwise agrees, it or such other Permitted Debt Purchase Party shall not be entitled to receive any report or other document prepared at the behest of, or on the instructions of, the Obligor Security Trustee or the Issuer Security Trustee or one or more of the Obligor Secured Creditors and Issuer Secured Creditors.

#### ***Cash Management***

- (kkk) that the Cash Manager shall provide the cash management services set out in the CTA;

#### ***Liquidity Arrangements***

- (lll) to use their reasonable endeavours to ensure that, for so long as any Class A Notes, the Initial STF Facility or any Class A Authorised Credit Facility refinancing the Initial STF Facility remain outstanding, the Borrower and Issuer have available to them either a Liquidity Facility Agreement with one or more Liquidity Facility Providers with at least the Requisite Rating (or with respect to any new Liquidity Facility Provider under any new Liquidity Facility Agreement entered into after 6 May 2016, with a rating for its long term unsecured non-credit enhanced debt obligations of BBB or higher by S&P at the time at which such new Liquidity Facility Agreement is entered into or when a new Liquidity Facility Provider becomes a party to any such new Liquidity Facility Agreement) substantially on the same terms as the Initial Liquidity Facility Agreement entered into on 6 May 2016 (with the exception of the tenor, margin, commitment, commissions, fees or any other term the absence of which or modification to is consistent with prevailing market practice for such facilities from time to time) and/or a funded liquidity reserve in the Debt Service Reserve Account in an aggregate amount which is not less than the Liquidity Required Amount determined on each Test Date to be utilised by the Borrower and/or Issuer in order to make payments in respect of the Class A Notes, the Initial STF Facility or any Class A Authorised Credit Facility refinancing the Initial STF Facility (taking into account the impact of any related Borrower Hedging Agreements or Issuer Hedging Agreements). If the Holdco Group Agent certifies to the Obligor Security Trustee that it has:
  - (i) informed the Rating Agency that the Liquidity Facility has been withdrawn or reduced; and (ii) received a Rating Agency confirmation that such withdrawal of or reduction in the availability of a Liquidity Facility will not lead to a downgrade, withdrawal or the public placement on review for possible downgrade of, the then current ratings of the Class A Notes then the Obligors will not be required to use such reasonable endeavours to enable the Borrower and the Issuer to maintain a Liquidity Facility on the terms of the Initial Liquidity Facility Agreement (or to have available to them a funded liquidity reserve in the Debt Service Reserve Account), but will instead be obliged to use their reasonable endeavours to maintain such other liquidity facility or reserve in respect of which such Rating Agency confirmation is then given;

#### ***Obligors***

- (mmm) to ensure that after 6 May 2016 and tested on each Test Date by reference to the most recent Annual Financial Statements delivered for each Test Period ending on an Accounting Reference Date, the aggregate earnings before interest, tax, depreciation and amortization (calculated on the same basis as EBITDA) of the Obligors (calculated

on an unconsolidated basis and excluding all intra-group items and investments in Subsidiaries of any member of the Holdco Group) for the Test Period ending on the Test Date represents not less than 90 per cent. of the EBITDA of the Holdco Group for that Test Period (the “**Obligor Coverage Test**”). If at any time, a Compliance Certificate demonstrates that the Obligor Coverage Test is not met, Holdco shall procure that such members of the Holdco Group become Obligors as may be required so that the Obligor Coverage Test is then met within 45 days of the date of the relevant Compliance Certificate;

- (nnn) shall procure that any other member of the Holdco Group shall, as soon as possible after becoming a Material Company and in any event within 45 days of becoming a Material Company, become an Obligor and grant a Security Interest on equivalent terms to the Security Interest granted by the Obligors pursuant to the Obligor Security Documents and shall accede to the STID;
- (ooo) shall procure that within 30 days from completion of any Permitted Acquisition under paragraph (d) of the definition of Permitted Acquisition or any Permitted Disposal under paragraph (m) of the definition of Permitted Disposal shall deliver a certificate confirming:
  - (i) that the Obligor Coverage Test (calculated on a *pro forma* basis taking into account the relevant acquisition or disposal) continues to be met or, if the Obligor Coverage Test is no longer met, procure that such members of the Holdco Group become Obligors as may be required so that the Obligor Coverage Test is then met within 45 days of the date of such certificate; and
  - (ii) whether the acquired entity or the member of the Holdco Group which has acquired the business or undertaking has become as a result of the Permitted Acquisition a Material Company in which case Holdco shall procure that such acquired entity or member of the Holdco Group shall, as soon as possible after completion of such Permitted Acquisition and in any event within 45 days of the date of such certificate, become a Obligor and grant a Security Interest on equivalent terms to the Security Interest granted by the Obligors pursuant to the Obligor Security Documents and shall accede to the STID;

#### ***Mandatory Prepayments***

- (ppp) unless this Agreement or the STID otherwise requires, where more than one Class A Authorised Credit Facility (other than a Liquidity Facility) requires an amount to be applied in mandatory prepayment then such amount shall be applied pro rata in prepayment of the Obligor Senior Secured Liabilities under such Class A Authorised Credit Facilities (including any related swap termination amounts under any Hedging Agreement, break costs and redemption premia payable by the Obligors);

#### ***Cancellations of Working Capital Facilities***

- (qqq) each Borrower shall ensure that any notice of cancellation of any available commitments (other than as a result of illegality, change of control or other provisions requiring mandatory prepayment) under any Working Capital Facility delivered at any time while amounts under any other Class A Authorised Credit Facility (other than a Liquidity Facility) remain outstanding and/or other commitments remain uncanceled must be accompanied by a certificate from the Borrower that it will have sufficient working capital facilities available to it following such cancellation.

#### ***Floating Charge***

- (rrr) shall ensure that the floating charge it has created or purported to create pursuant to that Obligor Security Document is at all times a floating charge which together with the fixed security granted by such Obligor pursuant to that Obligor Security Document relates to the whole or substantially the whole of such Obligor’s property; and

#### ***Required Sweep Percentages***

- (sss) the Borrower shall ensure that the aggregate Required Sweep Percentages applicable to any Bank Debt Sweep Period shall not exceed 100 per cent at any time.

Capitalised terms used but not otherwise defined in this “*Appendix: Common Terms Agreement Holdco Group Covenants Description*” have the same meanings ascribed to them in the “*Definitions and Glossary*” section of this Offering Memorandum unless otherwise defined below.

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**RAC Bidco Limited**

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**Unaudited Interim Condensed Consolidated  
Financial Statements of RAC Bidco Limited as at  
and for the three months ended 31 March 2017**

**RAC Bidco Limited**

**Unaudited Interim Condensed Consolidated Financial Statements of RAC Bidco Limited as at and for the three months ended 31 March 2017**

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**RAC BIDCO LIMITED**

**INTERIM REPORT AND FINANCIAL STATEMENTS**

**Company information**

**Directors**

M Boughton, R Fairman, T Gallico, D Hobday, P Hooper, V Nagarajan, H C Ormond, R Templeman and M Wood

**Company Secretary**

S Morrison

**Registered office**

RAC House, Brockhurst Crescent, Walsall, West Midlands, United Kingdom, WS5 4AW

**Company number**

Registered in England and Wales: No. 09229824

## **RAC BIDCO LIMITED**

### **INTERIM REPORT AND FINANCIAL STATEMENTS**

#### **Responsibility statement**

We confirm that, to the best of our knowledge, the condensed set of Financial Statements has been prepared in accordance with IAS 34 'Interim Financial Reporting'.

At the date of this statement, the Directors are those listed on page 1. Changes to Directors from those listed in the 2016 Annual Report and Financial Statements are as follows:

- C Woodhouse resigned on 2 March 2017
- D Hobday was appointed on 2 March 2017

By order of the Board

D Hobday  
Chief Executive Officer  
3 July 2017

**RAC BIDCO LIMITED**

**INTERIM REPORT AND FINANCIAL STATEMENTS**

**Unaudited Condensed Consolidated Income Statement For the three months ended 31 March 2017**

|  | Note | Three months ended<br>31 March |            |
|--|------|--------------------------------|------------|
|  |      | 2017                           | 2016       |
|  |      | £m                             | £m         |
| Revenue .....  | 2    | 131                            | 123        |
| Cost of sales .....  |      | (63)                           | (54)       |
| <b>Gross profit</b> .....  |      | <b>68</b>                      | <b>69</b>  |
| Administrative expenses .....                                    |      | (51)                           | (54)       |
| <b>Operating profit</b> .....                                    |      | <b>17</b>                      | <b>15</b>  |
| <b>EBITDA before exceptional items</b> .....                     |      | <b>43</b>                      | <b>42</b>  |
| Depreciation .....   | 7    | (1)                            | (1)        |
| Amortisation of customer acquisition intangibles .....           | 6    | (4)                            | (3)        |
| Amortisation of non customer acquisition intangible assets ..... | 6    | (21)                           | (22)       |
| Exceptional items .....  |      | —                              | (1)        |
| <b>Operating profit</b> .....                                    |      | <b>17</b>                      | <b>15</b>  |
| Finance expenses .....   | 3    | (15)                           | (20)       |
| <b>Profit/(loss) before tax</b> .....                            |      | <b>2</b>                       | <b>(5)</b> |
| Tax (charge)/credit .....  | 4    | —                              | 1          |
| <b>Profit/(loss) for the period/ year</b> .....                  |      | <b>2</b>                       | <b>(4)</b> |

The accompanying notes on pages 8 to 18 are an integral part of these Condensed Consolidated Financial Statements.

**RAC BIDCO LIMITED**

**INTERIM REPORT AND FINANCIAL STATEMENTS**

**Unaudited Condensed Consolidated Statement of Comprehensive Income For the three months ended 31 March 2017**

|   | Note | Three months ended<br>31 March |            |
|---|------|--------------------------------|------------|
|   |      | 2017                           | 2016       |
|   |      | £m                             | £m         |
| Profit/(loss) for the period/ year . . . . .  |      | 2                              | (4)        |
| Other comprehensive (expense)/income  |      |                                |            |
| <i>Other comprehensive (expense)/income to be reclassified to profit or loss in subsequent periods:</i>       |      |                                |            |
| Gains/(losses) on cash flow hedges in the period . . . . .  |      | —                              | (4)        |
| Aggregate tax effect . . . . .  |      | —                              | 1          |
| Net other comprehensive (expense)/income to be reclassified to profit or loss in subsequent periods . . . . . |      | —                              | (3)        |
| <b>Total comprehensive income/(expense) for the period/ year . . . . .</b>                                    |      | <b>2</b>                       | <b>(7)</b> |

The accompanying notes on pages 8 to 18 are an integral part of these Condensed Consolidated Financial Statements.

**RAC BIDCO LIMITED**
**INTERIM REPORT AND FINANCIAL STATEMENTS**
**Unaudited Condensed Consolidated Statement of Financial Position As at 31 March 2017**

|  | Note | 31 March<br>2017<br>£m | 31 December<br>2016<br>£m |
|--|------|------------------------|---------------------------|
| <b>ASSETS</b>                                |      |                        |                           |
| <b>Non-current assets</b>                    |      |                        |                           |
| Goodwill and intangible assets               | 6    | 2,223                  | 2,238                     |
| Property, plant and equipment                | 7    | 16                     | 15                        |
| Deferred tax assets                          |      | 12                     | 12                        |
| Investments in joint ventures and associates |      | 2                      | 2                         |
|  |      | <u>2,253</u>           | <u>2,267</u>              |
| <b>Current assets</b>                        |      |                        |                           |
| Inventories                                  |      | 2                      | 2                         |
| Trade and other receivables                  |      | 70                     | 66                        |
| Cash and cash equivalents                    |      | 63                     | 43                        |
|  |      | <u>135</u>             | <u>111</u>                |
| <b>LIABILITIES</b>                           |      |                        |                           |
| <b>Current liabilities</b>                   |      |                        |                           |
| Borrowings                                   | 9    | (17)                   | (7)                       |
| Provisions                                   | 10   | (6)                    | (6)                       |
| Current tax payable                          |      | (34)                   | (28)                      |
| Trade and other payables                     |      | (223)                  | (227)                     |
|  |      | <u>(280)</u>           | <u>(268)</u>              |
| <b>Net current liabilities</b>               |      | <u>(145)</u>           | <u>(157)</u>              |
| <b>Non-current liabilities</b>               |      |                        |                           |
| Borrowings                                   | 9    | (1,163)                | (1,163)                   |
| Employee benefit liability                   |      | (6)                    | (6)                       |
| Trade and other payables                     |      | (3)                    | (3)                       |
| Derivative financial instruments             | 11   | (15)                   | (15)                      |
| Deferred tax liability                       |      | (213)                  | (217)                     |
|  |      | <u>(1,400)</u>         | <u>(1,404)</u>            |
| <b>Net assets</b>                            |      | <u><b>708</b></u>      | <u><b>706</b></u>         |
| <b>EQUITY</b>                                |      |                        |                           |
| Ordinary share capital                       | 12   | 339                    | 339                       |
| Hedging instruments reserve                  |      | (2)                    | (2)                       |
| Retained earnings                            |      | 371                    | 369                       |
| <b>Total equity</b>                          |      | <u><b>708</b></u>      | <u><b>706</b></u>         |

The accompanying notes on pages 8 to 18 are an integral part of these Condensed Consolidated Financial Statements.

**RAC BIDCO LIMITED**

**INTERIM REPORT AND FINANCIAL STATEMENTS**

**Unaudited Condensed Consolidated Statement of Changes in Equity For the three months ended 31 March 2017**

|   | Ordinary<br>share<br>capital | Hedging<br>instruments<br>reserve | Retained<br>earnings | Total<br>equity |
|---|------------------------------|-----------------------------------|----------------------|-----------------|
|   | £m                           | £m                                | £m                   | £m              |
| <b>Balance as at 31 December 2016</b> ..... | <b>339</b>                   | <b>(2)</b>                        | <b>369</b>           | <b>706</b>      |
| Profit for the period .....                 | —                            | —                                 | 2                    | 2               |
| Other comprehensive income .....            | —                            | —                                 | —                    | —               |
| Total comprehensive income .....            | —                            | —                                 | 2                    | 2               |
| <b>Balance as at 31 March 2017</b> .....    | <b>339</b>                   | <b>(2)</b>                        | <b>371</b>           | <b>708</b>      |

The accompanying notes on pages 8 to 18 are an integral part of these Condensed Consolidated Financial Statements.

**RAC BIDCO LIMITED**

**INTERIM REPORT AND FINANCIAL STATEMENTS**

**Unaudited Condensed Consolidated Statement of Cash Flows For the three months ended 31 March 2017**

|   | Note | Three months ended<br>31 March |             |
|---|------|--------------------------------|-------------|
|   |      | 2017                           | 2016        |
|   |      | £m                             | £m          |
| <b>Operating activities</b>   |      |                                |             |
| Profit/(loss) before tax . . . . .                                    |      | 2                              | (5)         |
| Adjustments to reconcile profit/(loss) before tax to net cash flows:  |      |                                |             |
| Depreciation of owned tangible assets . . . . .                       | 7    | 1                              | 1           |
| Amortisation of intangible assets . . . . .                           | 6    | 25                             | 25          |
| Finance expenses . . . . .  | 3    | 15                             | 20          |
| Exceptional costs . . . . .   |      | —                              | 1           |
| Increase in provisions . . . . .                                      |      | —                              | —           |
| Working capital adjustments:  |      |                                |             |
| Decrease in inventories . . . . .                                     |      | —                              | —           |
| Increase in trade and other receivables . . . . .                     |      | (4)                            | (5)         |
| Decrease in trade and other payables . . . . .                        |      | (3)                            | (14)        |
| <b>Net cash flows generated from operating activities . . . . .</b>   |      | <b>36</b>                      | <b>23</b>   |
| <b>Investing activities</b>   |      |                                |             |
| Purchase of property, plant and equipment . . . . .                   | 7    | (2)                            | (1)         |
| Additions of intangible assets . . . . .                              | 6    | (10)                           | (8)         |
| <b>Net cash flows used in investing activities . . . . .</b>          |      | <b>(12)</b>                    | <b>(9)</b>  |
| <b>Financing activities</b>   |      |                                |             |
| Net proceeds from bank debt . . . . .                                 | 9    | —                              | —           |
| Proceeds from bond issuance . . . . .                                 | 9    | —                              | —           |
| Repayment of bank debt . . . . .                                      | 9    | —                              | —           |
| Dividends paid . . . . .  | 5    | —                              | —           |
| Interest paid . . . . .   |      | (4)                            | (21)        |
| <b>Net cash flows used in financing activities . . . . .</b>          |      | <b>(4)</b>                     | <b>(21)</b> |
| <b>Net increase/(decrease) in cash and cash equivalents . . . . .</b> |      | <b>20</b>                      | <b>(7)</b>  |
| Cash and cash equivalents brought forward . . . . .                   |      | 43                             | 88          |
| <b>Cash and cash equivalents carried forward . . . . .</b>            |      | <b>63</b>                      | <b>81</b>   |

The accompanying notes on pages 8 to 18 are an integral part of these Condensed Consolidated Financial Statements.

## **RAC BIDCO LIMITED**

### **INTERIM REPORT AND FINANCIAL STATEMENTS**

#### **Notes to the Condensed Consolidated Financial Statements**

##### **1 Accounting policies**

###### **Basis of preparation**

The accompanying unaudited condensed consolidated financial information has been prepared in accordance with IAS 34 'Interim Financial Reporting', as adopted by the European Union. It should be read in conjunction with the Annual Report and Financial Statements for the year ended 31 December 2016, which were prepared in accordance with applicable law and International Financial Reporting Standards as adopted by the European Union.

The information for the year ended 31 December 2016 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. Financial Statements for the year ended 31 December 2016 were approved by the Board of Directors on 2 March 2017. The auditor reported on these accounts; their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

The significant accounting policies adopted are consistent with those described in the Annual Report and Financial Statements for the year ended 31 December 2016. A number of amended standards and interpretations are effective for the current financial year, but none of them has had any material impact on the interim financial information.

###### **Application of new and revised International Financial Reporting Standards ("IFRSs")**

At the date of authorisation of these Financial Statements, the RAC Bidco Limited Group has not applied the following new and revised IFRSs that have been issued but are not yet effective and in some cases had not yet been adopted by the EU:

- IFRS 9 Financial Instruments <sup>1</sup>
- IFRS 15 Revenue from contracts with customers <sup>2</sup>
- Amendments to IFRS 2 Classification and Measurement of Share-Based Payment Transactions <sup>1</sup>
- IFRS 16 Leases <sup>2</sup>

The RAC Bidco Limited Group is currently in the process of evaluating the impact of the adoption of the above new and revised standards on its financial reporting. It is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

<sup>1</sup> Effective for annual periods commencing on or after 1 January 2018

<sup>2</sup> Effective for annual periods commencing on or after 1 January 2019

###### **Going concern**

The Directors have assessed the financial position and the future funding requirements of the Group and compared them to the level of available committed borrowing facilities. Details of borrowing facilities are set out in note 9 to the Interim Report and Financial Statements. The Directors' assessment included a review of the Group's financial forecasts, financial instruments and hedging arrangements for the 15 month period from the Statement of financial position date. The Directors considered a range of potential scenarios and how these may impact on cash flow, facility headroom and the Group's ability to comply with terms of its borrowings.

Having undertaken this assessment, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and so determine that it is appropriate for the interim unaudited condensed consolidated financial information to be prepared on a going concern basis.

##### **2 Operating segments**

The Group is primarily UK based and offers an increasing range of breakdown and other motoring services directly to Individual Members and other motorists, as well as indirectly through a range of Corporate Partner relationships. Management has determined the operating segments based on the monthly management accounts reviewed by the Board of Directors, which is used to assess the performance of the business. The Board of Directors has been identified by management to reflect the chief operating decision maker in accordance with the requirements of IFRS 8 Operating Segments. The four operating and reportable segments of the Group are described below.



# RAC BIDCO LIMITED

## INTERIM REPORT AND FINANCIAL STATEMENTS

### Notes to the Condensed Consolidated Financial Statements (continued)

#### 2 Operating segments (continued)

##### Roadside

Roadside assistance is the largest operating segment of the business, offering breakdown cover and related products to Individual Members and Corporate Partners.

##### Insurance broking

The Insurance broking division predominantly acts as an insurance intermediary with minimal underwriting risk. A range of insurance products are offered and the majority of the revenue generated from this operating segment is driven by motor insurance products.

##### Motoring services

The Motoring services division includes a range of established products such as legal and motor claims services and new business areas such as retail online, garage services, SME business club and RAC Cars.

##### Telematics and Data services

The Telematics and Data services division focuses on the sale of telematics devices to Individual Members, Corporate Partners and SME businesses as well as the monetisation of data assets held by the Group.

The following is an analysis of the RAC Bidco Limited Group's revenue and results by operating segment. During all periods reported on, there were no inter segment sales and no individual customer contributed 10% or more to the RAC Bidco Limited Group's revenue.

|  | Three months ended<br>31 March |            |
|--|--------------------------------|------------|
|  | 2017                           | 2016       |
|  | £m                             | £m         |
| Revenue of products  |                                |            |
| Roadside .....   | 6                              | 7          |
| Revenue of services  |                                |            |
| Roadside .....   | 98                             | 96         |
| Insurance broking .....  | 16                             | 13         |
| Motoring services .....  | 10                             | 6          |
| Telematics and Data services .....                             | 1                              | 1          |
| Group Revenue .....  | <b>131</b>                     | <b>123</b> |
| Segment EBITDA before exceptional items and head office costs  |                                |            |
| Roadside .....   | 44                             | 45         |
| Insurance broking .....  | 8                              | 7          |
| Motoring services .....  | 2                              | 1          |
| Telematics and Data services .....                             | —                              | —          |
| Group EBITDA before exceptional items and head office costs .. | <b>54</b>                      | <b>53</b>  |
| Head office costs* .....                                       | (11)                           | (11)       |
| Group EBITDA before exceptional items .....                    | <b>43</b>                      | <b>42</b>  |
| Amortisation of intangible assets .....                        | (25)                           | (25)       |
| Depreciation .....   | (1)                            | (1)        |
| Exceptional items* .....                                       | —                              | (1)        |
| <b>Operating profit</b> .....                                  | <b>17</b>                      | <b>15</b>  |
| Finance expenses .....   | (15)                           | (20)       |
| <b>Profit/(loss) before tax</b> .....                          | <b>2</b>                       | <b>(5)</b> |

\* These costs are not internally analysed into separate operating segments.

# RAC BIDCO LIMITED

## INTERIM REPORT AND FINANCIAL STATEMENTS

### Notes to the Condensed Consolidated Financial Statements (continued)

#### 2 Operating segments (continued)

##### Assets and liabilities

For the purpose of monitoring segment performance, working capital analysis is presented to and monitored by the Board on a Group level, to enable a meaningful review of the economic environment of the business as a whole. As the Group's financial information is reviewed by type, segmental analysis of assets and liabilities by function is not regularly provided to management and has not been presented within the financial information.

#### 3 Finance expenses

|   | Three months ended<br>31 March |           |
|---|--------------------------------|-----------|
|   | 2017                           | 2016      |
|   | £m                             | £m        |
| Interest payable - third parties . . . . .  | 14                             | 18        |
| Amortisation of capitalised finance costs . . . . .   | —                              | —         |
| Write off of capitalised finance costs . . . . .  | —                              | —         |
| Recycle of hedged items previously classified through other comprehensive<br>income . . . . . | 1                              | 2         |
| Total finance expenses . . . . .  | <u>15</u>                      | <u>20</u> |

#### 4 Tax

The major components of the tax charge/(credit) in the Consolidated income statement are as

|                                     | Three months ended<br>31 March |            |
|-------------------------------------|--------------------------------|------------|
|                                     | 2017                           | 2016       |
|                                     | £m                             | £m         |
| Current tax . . . . .               | 6                              | 2          |
| Deferred tax . . . . .              | (6)                            | (3)        |
| Total tax charge/(credit) . . . . . | <u>—</u>                       | <u>(1)</u> |

Tax for the three month period is charged at 20%, (three months ended 31 March 2016: 20%; year ended 31 December 2016: 20%), representing the best estimate of the average annual effective tax rate expected for the full year, applied to the pre-tax income of the three month period.

#### 5 Dividends

No interim dividends were paid during the three month period ended 31 March 2017 (three month ended 31 March 2016: £nil).

**RAC BIDCO LIMITED**

**INTERIM REPORT AND FINANCIAL STATEMENTS**

**Notes to the Condensed Consolidated Financial Statements (continued)**

**6 Goodwill and intangible assets**

|                                  | <u>Goodwill</u> | <u>Brand</u> | <u>Acquired<br/>value-in-<br/>force</u> | <u>Customer<br/>List</u> | <u>Other</u> | <u>Sub-<br/>total</u> | <u>Customer<br/>acquisition<br/>intangibles</u> | <u>Total</u> |
|----------------------------------|-----------------|--------------|---|--------------------------|--------------|-----------------------|---|--------------|
|                                  | £m              | £m           | £m                                      | £m                       | £m           | £m                    | £m  | £m           |
| <b>Cost</b>                      |                 |              |   |                          |              |                       |   |              |
| At 1 January 2016 .....          | 906             | 872          | 89                                      | 536                      | 48           | 2,451                 | 41  | 2,492        |
| Additions .....                  | —               | —            | —                                       | —                        | 4            | 4                     | 4   | 8            |
| <b>At 31 March 2016 .....</b>    | <b>906</b>      | <b>872</b>   | <b>89</b>                               | <b>536</b>               | <b>52</b>    | <b>2,455</b>          | <b>45</b>                                       | <b>2,500</b> |
| Additions .....                  | —               | —            | —                                       | —                        | 17           | 17                    | 16  | 33           |
| <b>At 31 December 2016 .....</b> | <b>906</b>      | <b>872</b>   | <b>89</b>                               | <b>536</b>               | <b>69</b>    | <b>2,472</b>          | <b>61</b>                                       | <b>2,533</b> |
| Additions .....                  | —               | —            | —                                       | —                        | 4            | 4                     | 6   | 10           |
| <b>At 31 March 2017 .....</b>    | <b>906</b>      | <b>872</b>   | <b>89</b>                               | <b>536</b>               | <b>73</b>    | <b>2,476</b>          | <b>67</b>                                       | <b>2,543</b> |
| <b>Amortisation</b>              |                 |              |   |                          |              |                       |   |              |
| At 1 January 2016 .....          | —               | —            | 89                                      | 78                       | 15           | 182                   | 10  | 192          |
| Charge for the period .....      | —               | —            | —                                       | 19                       | 3            | 22                    | 3   | 25           |
| <b>At 31 March 2016 .....</b>    | <b>—</b>        | <b>—</b>     | <b>89</b>                               | <b>97</b>                | <b>18</b>    | <b>204</b>            | <b>13</b>                                       | <b>217</b>   |
| Charge for the period .....      | —               | —            | —                                       | 56                       | 10           | 66                    | 11  | 77           |
| Impairment .....                 | —               | —            | —                                       | —                        | 1            | 1                     | —   | 1            |
| <b>At 31 December 2016 .....</b> | <b>—</b>        | <b>—</b>     | <b>89</b>                               | <b>153</b>               | <b>29</b>    | <b>271</b>            | <b>24</b>                                       | <b>295</b>   |
| Charge for the period .....      | —               | —            | —                                       | 19                       | 2            | 21                    | 4   | 25           |
| <b>At 31 March 2017 .....</b>    | <b>—</b>        | <b>—</b>     | <b>89</b>                               | <b>172</b>               | <b>31</b>    | <b>292</b>            | <b>28</b>                                       | <b>320</b>   |
| <b>Net book value</b>            |                 |              |   |                          |              |                       |   |              |
| <b>At 31 March 2017 .....</b>    | <b>906</b>      | <b>872</b>   | <b>—</b>                                | <b>364</b>               | <b>42</b>    | <b>2,184</b>          | <b>39</b>                                       | <b>2,223</b> |
| At 31 December 2016 .....        | 906             | 872          | —                                       | 383                      | 40           | 2,201                 | 37  | 2,238        |
| At 31 March 2016 .....           | 906             | 872          | —                                       | 439                      | 34           | 2,251                 | 32  | 2,283        |

Goodwill and brand are held at cost. All other intangible assets are stated at cost less accumulated amortisation. In the year ended 31 December 2016 an impairment of £1 million was recognised in respect of the impairment of intangibles relating to Risk Telematics UK Limited. No impairment losses have been recognised in the period ended 31 March 2017. Other intangible assets comprise the value of customer relationships and IT development.

**RAC BIDCO LIMITED**

**INTERIM REPORT AND FINANCIAL STATEMENTS**

**Notes to the Condensed Consolidated Financial Statements (continued)**

**7 Property, plant and equipment**

|                                  | Owner-<br>occupied<br>property<br>£m | Fixtures,<br>fittings and<br>other<br>equipment<br>£m | Computer<br>equipment<br>£m | Total<br>£m |
|----------------------------------|--------------------------------------|---|-----------------------------|-------------|
| Cost                             |                                      |   |                             |             |
| At 1 January 2016 .....          | 3                                    | 7   | 9                           | 19          |
| Additions .....                  | —                                    | 1   | —                           | 1           |
| <b>At 31 March 2016 .....</b>    | <b>3</b>                             | <b>8</b>  | <b>9</b>                    | <b>20</b>   |
| Additions .....                  | —                                    | 4   | —                           | 4           |
| Disposals .....                  | —                                    | —   | (1)                         | (1)         |
| Transfer .....                   | —                                    | 4   | (4)                         | —           |
| <b>At 31 December 2016 .....</b> | <b>3</b>                             | <b>16</b>   | <b>4</b>                    | <b>23</b>   |
| Additions .....                  | —                                    | 1   | 1                           | 2           |
| <b>At 31 March 2017 .....</b>    | <b>3</b>                             | <b>17</b>   | <b>5</b>                    | <b>25</b>   |
| Depreciation                     |                                      |   |                             |             |
| At 1 January 2016 .....          | —                                    | 2   | 2                           | 4           |
| Charge for the period .....      | —                                    | 1   | —                           | 1           |
| <b>At 31 March 2016 .....</b>    | <b>—</b>                             | <b>3</b>  | <b>2</b>                    | <b>5</b>    |
| Charge for the period .....      | —                                    | 2   | 2                           | 4           |
| Disposals .....                  | —                                    | —   | (1)                         | (1)         |
| <b>At 31 December 2016 .....</b> | <b>—</b>                             | <b>5</b>  | <b>3</b>                    | <b>8</b>    |
| Charge for the period .....      | —                                    | 1   | —                           | 1           |
| <b>At 31 March 2017 .....</b>    | <b>—</b>                             | <b>6</b>  | <b>3</b>                    | <b>9</b>    |
| Net book value                   |                                      |   |                             |             |
| <b>At 31 March 2017 .....</b>    | <b>3</b>                             | <b>11</b>   | <b>2</b>                    | <b>16</b>   |
| At 31 December 2016 .....        | 3                                    | 11  | 1                           | 15          |
| At 31 March 2016 .....           | 3                                    | 5   | 7                           | 15          |

## RAC BIDCO LIMITED

### INTERIM REPORT AND FINANCIAL STATEMENTS

#### Notes to the Condensed Consolidated Financial Statements (continued)

#### 8 Group information

The Condensed Consolidated Financial Statements of the RAC Bidco Limited Group comprise the following subsidiaries:

| Company   | Type of business                              | Class of share | Proportion held |
|---|---|----------------|-----------------|
| <b>Directly held:</b>                                       |   |                |                 |
| RAC Limited . . . . .                                       | Holding company                               | Ordinary       | 100%            |
| RAC Bond Co PLC . . . . .                                   | Funding vehicle                               | Ordinary       | 100%            |
| <b>Indirectly held:</b>                                     |   |                |                 |
| RAC Group Limited . . . . .                                 | Holding company                               | Ordinary       | 100%            |
| RAC Motoring Services (Holdings) Limited . . . . .          | Holding company                               | Ordinary       | 100%            |
| RAC Motoring Services . . . . .                             | Motor breakdown cover                         | Ordinary       | 100%            |
| RACMS (Ireland) Limited (incorporated in Ireland) . . . . . | Roadside assistance                           | Ordinary       | 100%            |
| RAC Financial Services Limited . . . . .                    | Insurance                                     | Ordinary       | 100%            |
| RAC Insurance Limited . . . . .                             | General Insurance business                    | Ordinary       | 100%            |
| RAC Brand Enterprises LLP . . . . .                         | Licensing and management of intangible assets | Members'       | 100%            |
| Net Cars Limited . . . . .                                  | Online motoring services                      | Ordinary       | 100%            |
| Risk Telematics UK Limited . . . . .                        | Software development                          | Ordinary       | 100%            |

All subsidiaries are registered in England and Wales and operate in the United Kingdom, except RACMS (Ireland) Limited which operates and is registered in Ireland. All subsidiaries, except RACMS (Ireland) Limited, have the same registered office as the Company, which is disclosed on page 1. The registered office of RACMS (Ireland) Limited is Marine House, Clanwilliam Court, Dublin 2.

RAC Bond Co PLC was incorporated on 24 March 2016 as RAC Bond Co Limited. On 14 April 2016, RAC Bond Co Limited was re-registered as a plc, changing its name to RAC Bond Co PLC.

Until 6 May 2016, the RAC Bidco Limited Group also included RAC Finance Limited, RAC Finance Group Limited and RAC Finance (Holdings) Limited, all of which are registered in England and Wales. As part of a refinancing in the period, these companies became dormant and were sold to RAC Midco Limited, an indirect Parent Company of the Group.

The Condensed Consolidated Financial Statements of the RAC Bidco Limited Group also include the financial performance and position of the RAC Employee Benefit Trust ("EBT"). In accordance with IFRSs, the RAC Bidco Limited Group is deemed to control the EBT by virtue of RAC Limited, a direct subsidiary of the Company, having power over the EBT.

#### (b) The Parent Company

The immediate controlling entity of the RAC Bidco Limited Group is RAC Midco II Limited. The ultimate controlling entity of the RAC Bidco Limited Group is RAC Group (Holdings) Limited.

# RAC BIDCO LIMITED

## INTERIM REPORT AND FINANCIAL STATEMENTS

### Notes to the Condensed Consolidated Financial Statements (continued)

#### 9 Borrowings

##### (a) Analysis of borrowings

|  | Bonds             |                   | Bank Debt                             |       |
|--|-------------------|-------------------|---------------------------------------|-------|
|  | Class A1<br>Notes | Class A2<br>Notes | Initial<br>Senior<br>Term<br>Facility | Total |
| Interest rate .....                                  | 4.565%            | 4.870%            | LIBOR +<br>2.750%                     |       |
| At 31 March 2017                                     |                   |                   |                                       |       |
| Fair value (£m) .....                                | 304               | 613               | 280                                   | 1,197 |
| Amounts falling due within one year (£m) .....       | 4                 | 13                | —                                     | 17    |
| Amounts falling due in more than one year (£m) ..... | 297               | 593               | 273                                   | 1,163 |
| Book value (£m) .....                                | 301               | 606               | 273                                   | 1,180 |
| At 31 December 2016                                  |                   |                   |                                       |       |
| Fair value (£m) .....                                | 302               | 605               | 280                                   | 1,187 |
| Amounts falling due within one year (£m) .....       | 2                 | 5                 | —                                     | 7     |
| Amounts falling due in more than one year (£m) ..... | 297               | 593               | 273                                   | 1,163 |
| Book value (£m) .....                                | 299               | 598               | 273                                   | 1,170 |

##### (b) Bank debt

The Initial Senior Term Facility is for an amount of £280 million at a floating rate of 2.750% plus LIBOR, incorporates a LIBOR floor and matures on 6 May 2021.

The RAC Bidco Limited Group also entered into agreements for an Initial Working Capital Facility of £50 million and an Initial Liquidity Facility of £90 million, neither of which has been drawn. The Initial Working Capital Facility is subject to interest of LIBOR plus 2.750% and also matures on 6 May 2021. The Initial Liquidity Facility is subject to interest of LIBOR plus 2.250% and is subject to annual renewal.

##### (c) Bonds

The bonds comprise two tranches: Class A1 Notes and Class A2 Notes. £300 million of Class A1 Notes were issued at a coupon of 4.565%, and have an initial period to 6 May 2023, after which interest will be charged at 5.065% per annum. £600 million of Class A2 Notes were issued at a coupon of 4.870%, and have an initial period to 6 May 2026, after which interest will be charged at 5.370% per annum. Interest is payable on the bonds semi-annually on 6 May and 6 November.

#### 10 Provisions

|                                | Customer<br>refunds | Other | Total |
|--------------------------------|---------------------|-------|-------|
|                                | £m                  | £m    | £m    |
| At 1 January 2017 .....        | 5                   | 1     | 6     |
| Provided during the year ..... | —                   | —     | —     |
| At 31 March 2017 .....         | 5                   | 1     | 6     |

##### Customer refunds

We have identified that some of our Individual Members may also have roadside cover with RAC in the event of a breakdown as a result of other financial arrangements. Some customers choose to have these cover arrangements in order to benefit from a full range of services. However, we are undertaking a correction programme for those customers for whom the benefits of holding these separate covers are not clear.

## RAC BIDCO LIMITED

### INTERIM REPORT AND FINANCIAL STATEMENTS

#### Notes to the Condensed Consolidated Financial Statements (continued)

##### 10 Provisions (continued)

We have provided for our best estimate of the cost of providing possible refunds and associated costs. This provision is by its nature an estimate and includes significant management judgement about the number of customers who may be impacted. The actual costs will be dependent on the individual circumstances of each relevant customer. We anticipate this provision being utilised over the course of the next 12 to 15 months.

##### Other provisions

Other provisions include amounts payable at the end of Patrol vehicle leases to correct modifications made and are expected to be utilised at the end of each vehicle's lease term (usually five years). There has been no material expenditure nor additional provision in the period.

##### 11 Derivative financial instruments

The RAC Bidco Limited Group has used interest rate swap agreements in order to hedge the cash flows associated with its variable rate borrowings. The notional value and fair value of these are as follows:

|  | 31 March<br>2017 | 31 December<br>2016 |
|--|------------------|---------------------|
|  | £m               | £m                  |
| Contract/notional value . . . . .                                | 280              | 280                 |
| <b>Total derivative financial instrument liability . . . . .</b> | <b>(15)</b>      | <b>(15)</b>         |

The hedges were effective in the reported periods and therefore the full movement in the fair value of cash flow hedges has been recognised in other comprehensive income.

The hedges are achieved through using interest rate swap contracts to pay fixed and receive three month LIBOR. The interest rate swaps settle on a quarterly basis.

On 6 May 2016, the RAC Bidco Limited Group completed a refinancing. On inception of the Initial Senior Term Facility, a new hedge was undertaken. The fixed element of the hedge has been set to 2.025% per annum until 6 May 2021. The floating rate is calculated on a notional principal amount.

Prior to the refinancing, four hedges were undertaken (each with a separate counterparty). The fixed element of the swaps was set to 1.5692%, 1.5747%, 1.5830% and 1.5889% respectively for the period from 31 March 2015 to 31 December 2017. The floating rate was calculated on a notional principal amount. The notional principal amount for each hedge was variable over its life as follows; £131million between 31 March 2015 and 30 December 2015; and £200 million between 31 December 2015 and 31 December 2017. As a result of the refinancing, the four existing hedges were novated to a single counterparty and restructured into the single hedge.

##### 12 Ordinary share capital

As at 31 March 2017, ordinary share capital was £339 million (31 December 2016: £339 million).

##### 13 Fair value of financial assets and liabilities

The information set out below provides information about how the RAC Bidco Limited Group determines fair values of various financial assets and financial liabilities.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

# RAC BIDCO LIMITED

## INTERIM REPORT AND FINANCIAL STATEMENTS

### Notes to the Condensed Consolidated Financial Statements (continued)

#### 13 Fair value of financial assets and liabilities (continued)

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable)

|   | <u>Fair Value<br/>Hierarchy</u> | <u>31 March<br/>2017</u> | <u>31 December<br/>2016</u> |
|---|---------------------------------|--------------------------|-----------------------------|
|   |                                 | <u>£m</u>                | <u>£m</u>                   |
| Cash flow hedge liability (note 11) ..... | Level 2                         | <u>(15)</u>              | <u>(15)</u>                 |

The interest rate swaps have been valued using market observable inputs of interest rate curves built using cash rates, swap rates and forward rates.

The following table shows the fair values of financial instruments which are not held at fair value:

|                           | <u>Fair Value<br/>Hierarchy</u> | <u>31 March<br/>2017</u> | <u>31 December<br/>2016</u> |
|---------------------------|---------------------------------|--------------------------|-----------------------------|
|                           |                                 | <u>£m</u>                | <u>£m</u>                   |
| Borrowings (note 9) ..... | Level 2                         | <u>1,197</u>             | <u>1,187</u>                |

The fair value of borrowings is included at the amount the Group would have to pay at the Statement of Financial Position date to settle the borrowings. This therefore includes the principal amount and accrued interest.

#### 14 Post balance sheet events

There have been no events since the statement of financial position date which have a material Impact on the Company's or RAC Bidco Limited Group's financial position as at 31 March 2017.



**RAC Bidco Limited**  
**Audited Consolidated Financial Statements of**  
**RAC Bidco Limited as at and for the year ended**  
**31 December 2016**

**RAC Bidco Limited**

**Audited Consolidated Financial Statements of RAC Bidco Limited as at and for the year ended  
31 December 2016**

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## **Independent Auditor's Report to the members of RAC Bidco Limited**

We have audited the Financial Statements of RAC Bidco Limited Group for the year ended 31 December 2016, which comprise the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated statement of financial position, the Consolidated statement of changes in equity, the Consolidated statement of cash flows, the accounting policies and the related notes 1 to 28, the Parent Company statement of financial position, the Parent Company statement of changes in equity, the Parent Company statement of cash flows and the related notes 1 to 13. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company Financial Statements, as applied in accordance with the provisions of the Companies Act 2006.

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

### **Respective responsibilities of Directors and auditor**

As explained more fully in the Statement of Directors' responsibilities, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the Financial Statements**

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the Financial Statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the Financial Statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on Financial Statements**

In our opinion:

- the Financial Statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2016 and of the Group's loss for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company Financial Statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Consolidated Financial Statements, Article 4 of the IAS Regulation.

### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

## **Independent Auditor's Report to the members of RAC Bidco Limited (continued)**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company Financial Statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Andrew Halls FCA (Senior Statutory Auditor)

For and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

Birmingham

United Kingdom

Date: 2 March 2017

## Consolidated Financial Statements

### Consolidated income statement

For the year ended 31 December 2016

|  | Note | 2016<br>£m  | 2015<br>£m  |
|--|------|-------------|-------------|
| Revenue .....  | 1    | 506         | 501         |
| Cost of sales .....  |      | (230)       | (215)       |
| <b>Gross profit</b> .....  |      | <b>276</b>  | <b>286</b>  |
| Administrative expenses .....                                    |      | (208)       | (288)       |
| <b>Operating profit/(loss)</b> .....                             | 2    | <b>68</b>   | <b>(2)</b>  |
| EBITDA .....   |      | 184         | 183         |
| Depreciation .....   | 12   | (5)         | (4)         |
| Amortisation of customer acquisition intangibles .....           | 11   | (14)        | (10)        |
| Amortisation of non customer acquisition intangible assets ..... | 11   | (88)        | (171)       |
| Exceptional items .....  | 3    | (9)         | —           |
| <b>Operating profit/(loss)</b> .....                             |      | <b>68</b>   | <b>(2)</b>  |
| Finance expenses .....   | 6    | (129)       | (83)        |
| <b>Loss before tax</b> .....                                     |      | <b>(61)</b> | <b>(85)</b> |
| Tax credit .....   | 10   | 22          | 39          |
| <b>Loss for the year</b> .....                                   |      | <b>(39)</b> | <b>(46)</b> |

The accounting policies and notes on pages 39 to 73 are an integral part of these Financial Statements.

## Consolidated Financial Statements (continued)

### Consolidated statement of comprehensive income For the year ended 31 December 2016

|   | Note  | 2016<br>£m  | 2015<br>£m  |
|---|-------|-------------|-------------|
| Loss for the year .....   |       | (39)        | (46)        |
| <b>Other comprehensive income/(expense)</b>   |       |             |             |
| <i>Other comprehensive income/(expense) to be reclassified to profit or loss in subsequent periods:</i> |       |             |             |
| Net movement on cash flow hedges .....  | 20(b) | 7           | (1)         |
| Aggregate tax effect .....  | 10(c) | (1)         | —           |
| Net other comprehensive expense to be reclassified to profit or loss in subsequent periods . . .        |       | (6)         | 1           |
| <b>Total comprehensive expense for the year .....</b>   |       | <b>(33)</b> | <b>(47)</b> |

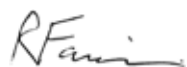
The accounting policies and notes on pages 39 to 73 are an integral part of these Financial Statements.

## Consolidated Financial Statements (continued)

### Consolidated statement of financial position As at 31 December 2016

|  | Note      | 2016<br>£m     | 2015<br>£m     |
|--|-----------|----------------|----------------|
| <b>ASSETS</b>  |           |                |                |
| <b>Non-current assets</b>                              |           |                |                |
| Goodwill and intangible assets . . . . .               | 11        | 2,238          | 2,300          |
| Property, plant and equipment . . . . .                | 12        | 15             | 15             |
| Investments in joint ventures and associates . . . . . |           | 2              | —              |
| Deferred tax assets . . . . .                          | 17        | 12             | 9              |
|  |           | <u>2,267</u>   | <u>2,324</u>   |
| <b>Current assets</b>                                  |           |                |                |
| Inventories . . . . .                                  | 14        | 2              | 3              |
| Trade and other receivables . . . . .                  | 15        | 66             | 62             |
| Cash and cash equivalents . . . . .                    | 16        | 43             | 88             |
|  |           | <u>111</u>     | <u>153</u>     |
| <b>LIABILITIES</b>                                     |           |                |                |
| <b>Current liabilities</b>                             |           |                |                |
| Borrowings . . . . .                                   | 21(a)     | (7)            | (13)           |
| Provisions . . . . .                                   | 18        | (6)            | (1)            |
| Trade and other payables . . . . .                     | 19        | (227)          | (236)          |
| Current tax payable . . . . .                          | 17        | (28)           | (28)           |
|  |           | <u>(268)</u>   | <u>(278)</u>   |
| <b>Net current liabilities</b> . . . . .               |           | <u>(157)</u>   | <u>(125)</u>   |
| <b>Non-current liabilities</b>                         |           |                |                |
| Borrowings . . . . .                                   | 21(a)     | (1,163)        | (1,132)        |
| Employee benefit liability . . . . .                   | 25(c)(iv) | (6)            | (6)            |
| Trade and other payables . . . . .                     | 19        | (3)            | (3)            |
| Derivative tax liability . . . . .                     | 17        | (217)          | (244)          |
| Derivative financial instruments . . . . .             | 20        | (15)           | (10)           |
|  |           | <u>(1,404)</u> | <u>(1,395)</u> |
| <b>Net liabilities</b> . . . . .                       |           | <u>706</u>     | <u>804</u>     |
| <b>EQUITY</b>  |           |                |                |
| Ordinary share capital . . . . .                       | 22        | 339            | 874            |
| Hedging instruments reserve . . . . .                  |           | (2)            | (8)            |
| Retained earnings . . . . .                            |           | 369            | (62)           |
| <b>Total equity</b> . . . . .                          |           | <u>706</u>     | <u>804</u>     |

The accounting policies and notes on pages 39 to 73 are an integral part of these Financial Statements. Approved by the Board on 2 March 2017.



R Fairman  
Chief Financial Officer

## Consolidated Financial Statements (continued)

### Consolidated statement of changes in equity For the year ended 31 December 2016

|  | Note | Ordinary<br>share<br>capital | Hedging<br>instruments<br>reserve | Retained<br>earnings | Total<br>equity |
|--|------|------------------------------|-----------------------------------|----------------------|-----------------|
|  |      | £m                           | £m                                | £m                   | £m              |
| <b>Balance at 1 January 2015</b> .....   |      | 874                          | (7)                               | (16)                 | 851             |
| Loss for the year .....                  |      | —                            | —                                 | (46)                 | (46)            |
| Other comprehensive expense .....        |      | —                            | (1)                               | —                    | (1)             |
| <b>Total comprehensive expense</b> ..... |      | —                            | (1)                               | (46)                 | (47)            |
| <b>Balance at 31 December 2015</b> ..... |      | <b>874</b>                   | <b>(8)</b>                        | <b>(62)</b>          | <b>804</b>      |
| Loss for the year .....                  |      | —                            | —                                 | (39)                 | (39)            |
| Other comprehensive expense .....        |      | —                            | 6                                 | —                    | 6               |
| <b>Total comprehensive expense</b> ..... |      | —                            | 6                                 | (39)                 | (33)            |
| Dividends paid .....                     | 4    | —                            | —                                 | (65)                 | (65)            |
| Capital reduction .....                  |      | (535)                        | —                                 | 535                  | —               |
| <b>Balance at 31 December 2016</b> ..... |      | <b>339</b>                   | <b>(2)</b>                        | <b>369</b>           | <b>706</b>      |

The accounting policies and notes on pages 39 to 73 are an integral part of these Financial Statements.



## Consolidated Financial Statements (continued)

### Consolidated statement of cash flows For the year ended 31 December 2016

|   | Note      | 2016<br>£m   | 2015<br>£m  |
|---|-----------|--------------|-------------|
| <b>Operating activities</b>                                 |           |              |             |
| <b>Loss before tax</b>                                      |           | <b>(61)</b>  | <b>(85)</b> |
| Adjustments to reconcile loss before tax to net cash flows: |           |              |             |
| Depreciation of owned tangible assets                       | 12        | 5            | 4           |
| Amortisation of intangible assets                           | 11        | 102          | 181         |
| Exceptional costs   | 3         | 1            | —           |
| Finance expenses  | 6         | 129          | 83          |
| Increase in provisions                                      | 18        | 5            | —           |
| Working capital adjustments:                                |           |              |             |
| Decrease/(increase) in inventories                          |           | 1            | (1)         |
| Increase in trade and other receivables                     |           | (5)          | (3)         |
| Decrease in trade and other payables                        |           | (15)         | (28)        |
| <b>Net cash flows from operating activities</b>             |           | <b>162</b>   | <b>151</b>  |
| <b>Investing activities</b>                                 |           |              |             |
| Purchase of property, plant and equipment                   | 12        | (5)          | (6)         |
| Purchase of intangible assets                               | 11        | (41)         | (28)        |
| <b>Net cash flows used in investing activities</b>          |           | <b>(46)</b>  | <b>(34)</b> |
| <b>Financing activities</b>                                 |           |              |             |
| Repayment of bank debt                                      | 21        | (1,188)      | (10)        |
| New bank loans raised                                       | 21        | 280          | —           |
| Proceeds from bond issuance                                 | 21        | 896          | —           |
| Dividends paid  | 4         | (65)         | —           |
| Interest paid and debt issue cost                           |           | (84)         | (73)        |
| <b>Net cash flows used in financing activities</b>          |           | <b>(161)</b> | <b>(83)</b> |
| <b>Net (decrease)/increase in cash and cash equivalents</b> |           | <b>(45)</b>  | <b>34</b>   |
| Cash and cash equivalents brought forward                   | 16        | 88           | 54          |
| <b>Cash and cash equivalents carried forward</b>            | <b>16</b> | <b>43</b>    | <b>88</b>   |

The accounting policies and notes on pages 39 to 73 are an integral part of these Financial Statements.

## **Accounting policies**

### **(A) Corporate information**

RAC Bidco Limited, a limited liability company incorporated and domiciled in the United Kingdom, together with its subsidiaries (collectively, the “RAC Bidco Limited Group”), provides services and benefits to Members of RAC and other motorists primarily in the UK. The registered office is located at RAC House, Brockhurst Crescent, Walsall, West Midlands, United Kingdom, WS5 4AW.

Information on RAC Bidco Limited Group’s structure is provided in note 13. Information on other related party relationships of the RAC Bidco Limited Group is provided in note 27.

The Consolidated and Parent Company Financial Statements of RAC Bidco Limited for the year ended 31 December 2016 were approved for issue by the Board on 2 March 2017.

### **(B) Basis of preparation and basis of consolidation**

#### **Basis of preparation**

The Consolidated Financial Statements presented have been prepared for the RAC Bidco Limited Group, which comprises RAC Bidco Limited and its subsidiaries. The Financial Statements of the RAC Bidco Limited Group and the Company have been prepared on the historical cost basis, except for certain properties and financial instruments that are measured at fair value, as explained in the accounting policies. Historical cost is generally based on the fair value of consideration given in exchange for assets. The Financial Statements of the RAC Bidco Limited Group and the Company have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) as adopted by the European Union (“EU”).

The principal accounting policies adopted in the preparation of these Financial Statements are set out below. The Consolidated and Company Financial Statements are presented in pounds sterling, which is the presentation currency of the RAC Bidco Limited Group and the Company. Unless otherwise noted, the amounts shown in these Financial Statements are in millions of pounds sterling (“£m”).

The separate Financial Statements of the Company are set out from page 74. On publishing the Company Financial Statements here together with the RAC Bidco Limited Group Financial Statements, the Company is taking advantage of the exemption in s408 of the Companies Act 2006 not to present its individual income statement. The Company’s profit for the year ended 31 December 2016 was £324 million (2015: loss of £53 million).

#### **Going concern**

The Directors have assessed the financial position and the future funding requirements of the RAC Bidco Limited Group and the Company and compared them to the level of available committed borrowing facilities. Details of cash and borrowing facilities are set out in notes 16 and 21 to the Consolidated Financial Statements. The RAC Bidco Limited Group’s objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposure to credit risk and liquidity risk are set out in note 26 to the Consolidated Financial Statements.

The Directors’ assessment included a review of the Group’s financial forecasts, financial instruments and hedging arrangements for the 15 month period from the Statement of financial position date. The Directors considered a range of potential scenarios and how these may impact on cash flow, facility headroom and the Group’s ability to comply with the terms of its borrowings.

The RAC Bidco Limited Group’s and Company’s business activities, together with the factors likely to affect their future development, performance and position are set out in the Strategic Report on pages 4 to 18. The Directors also considered what mitigating actions the RAC Bidco Limited Group could take to limit any adverse consequences.

The Company has net assets of £1,068 million and net current liabilities of £34 million. The Directors have considered the financial position and future prospects of the Company. As the Company is in a net current liabilities position, a letter of support has been provided by its Parent Company, RAC Midco II Limited in order to ensure it is able to pay any liabilities as they become due. Accordingly, the Directors continue to adopt the going concern basis in preparing the 2016 Annual Report and Financial Statements.

The RAC Bidco Limited Group has net assets of £706 million. This largely reflects the value of separately identifiable intangible assets on the business combination, offset by the gross debt of £1,170 million. The Directors have considered the financial position and future prospects of the RAC Bidco Limited Group.

## **Accounting policies (continued)**

### **(B) Basis of preparation and basis of consolidation (continued)**

#### **Going concern (continued)**

Having undertaken this assessment, the Directors have a reasonable expectation that the Company and the RAC Bidco Limited Group have adequate resources to continue in operational existence for the foreseeable future and so determine that it is appropriate for the 2016 Company and Consolidated Financial Statements to be prepared on a going concern basis.

#### **Basis of consolidation**

The Consolidated Financial Statements comprise the Financial Statements of the Company and its subsidiaries as at 31 December 2016.

Subsidiaries are those entities in which the RAC Bidco Limited Group, directly or indirectly, has power to exercise control. Control is achieved when the RAC Bidco Limited Group is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the RAC Bidco Limited Group controls an investee if and only if the RAC Bidco Limited Group has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

When the RAC Bidco Limited Group has less than a majority of the voting or similar rights of an investee, the RAC Bidco Limited Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the RAC Bidco Limited Group's voting rights and contractual voting rights.

The RAC Bidco Limited Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Consolidation of a subsidiary begins when the RAC Bidco Limited Group obtains control over the subsidiary and ceases when it loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the financial period are included in the Consolidated statement of financial position and the Consolidated statement of comprehensive income from the date the RAC Bidco Limited Group gains control until the date the RAC Bidco Limited Group ceases to control the subsidiary.

Profit or loss of each component of other comprehensive income ("OCI") is attributed to the equity holders of the parent of the RAC Bidco Limited Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies in line with the RAC Bidco Limited Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The acquisition method of accounting is used for business combinations. Under this method, the cost of an acquisition is measured as the aggregate of the consideration transferred at acquisition date fair value, and the amount of any non-controlling interest in the acquiree. The excess of the consideration transferred over the fair value of the net assets and liabilities of the subsidiary acquired is recorded as goodwill. Acquisition related costs are expensed as incurred.

#### **Investments in associates**

An associate is an entity over which the RAC Bidco Limited Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

Investments in associates are accounted for using the equity method. Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the RAC Bidco Limited Group's share of net assets of the associate since the

## **Accounting policies (continued)**

### **(B) Basis of preparation and basis of consolidation (continued)**

#### **Investments in associates (continued)**

acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The Consolidated income statement reflects the RAC Bidco Limited Group's share of the results of the operations of the associate. Any change in other comprehensive income of those investees is presented as part of the RAC Bidco Limited Group's other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate, the RAC Bidco Limited Group recognises its share of any changes, where applicable, in the Statement of changes in equity. Unrealised gains and losses resulting from transactions between the RAC Bidco Limited Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate share of the RAC Bidco Limited Group's share of profit or loss of an associate is shown on the face of the Consolidated income statement and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the RAC Bidco Limited Group. When necessary, adjustments are made to bring accounting policies in line with those of the RAC Bidco Limited Group.

After application of the equity method, the RAC Bidco Limited Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the RAC Bidco Limited Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the RAC Bidco Limited Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognises the loss as 'Share of profit of an associate' in the Consolidated income statement.

Upon loss of significant influence over the associate, the RAC Bidco Limited Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and proceeds from disposal is recognised in the Consolidated income statement.

#### **Business combinations**

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the RAC Bidco Limited Group, liabilities incurred by the RAC Bidco Limited Group to the former owners of the acquiree and the equity interest issued by the RAC Bidco Limited Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the RAC Bidco Limited Group in a business combination includes an asset or liability resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business

## **Accounting policies (continued)**

### **(B) Basis of preparation and basis of consolidation (continued)**

#### **Business combinations (continued)**

combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39 Financial Instruments: Recognition and Measurement, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

### **(C) Revenue recognition**

Revenue is measured as the fair value of the consideration received or receivable and represents amounts receivable for services and related products provided in the normal course of business, net of rebates and discounts and excluding any sales-based taxes, duties or levies.

#### **Service revenue**

Revenue represents sales of roadside assistance subscription services and is recognised on a straight-line basis over the length of the contract, usually twelve months. For non-subscription income, revenue is recognised on provision of the service. Where amounts have been invoiced in advance, the portion not recognised in revenue is included in deferred income.

#### **Products**

Revenue relating to the sale of products, such as batteries and parts, is recognised according to the terms of the sale, when the following conditions are satisfied:

- the RAC Bidco Limited Group has transferred to the buyer the significant risks and rewards of ownership;
- the RAC Bidco Limited Group retains neither continuing managerial involvement nor effective control over the products sold;
- the amount of revenue and costs incurred can be measured reliably; and
- it is probable that economic benefits associated will flow to the RAC Bidco Limited Group.

#### **Insurance brokerage**

Commission is received from insurance brokerage services for home, motor and niche insurance policies. This is recognised on the effective commencement date or renewal date of the policies sold.

#### **Rental income**

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

#### **Other income**

Interest income is recognised when it is probable that the economic benefits will flow to the RAC Bidco Limited Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

#### **Dividend income**

Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefit will flow to the Company and the amount can be reliably measured).

## **Accounting policies (continued)**

### **(D) Exceptional items**

Items which are considered by management to be material by size and/or nature or non-recurring are presented separately on the face of the Consolidated income statement. Management believe that the separate reporting of exceptional items helps provide an indication of the RAC Bidco Limited Group's underlying business performance. Events which may give rise to a classification of items as exceptional include costs associated with business acquisitions, gains or losses on the disposal of businesses, restructuring of businesses and asset impairments.

### **(E) Goodwill, acquired value-in-force and intangible assets**

#### **Goodwill**

Goodwill represents the excess of the cost of an acquisition over the fair value of the RAC Bidco Limited Group's share of the net assets of the acquired subsidiary at the acquisition date. Goodwill is carried at cost, less any impairment subsequently incurred.

#### **Brand**

The RAC brand has been assessed as having an indefinite life due to the strength and durability of the brand that has existed since 1897.

#### **Acquired value-in-force business**

The acquired value-in-force represents future margins in deferred income in the statement of financial position at the date of acquisition. This intangible asset is amortised over its useful life of less than twelve months.

#### **Customer lists and other intangible assets**

Customer lists and other intangible assets consist of IT projects and infrastructure, and contractual relationships such as access to distribution networks and acquired customer lists. The economic lives are determined by relevant factors which include; usage of the asset, typical product life cycles, stability of the industry, competitive position and period of control over the assets. These intangibles are amortised over their useful lives, which range from two to ten years using the straight line method.

The amortisation charge for the period is included separately within the Consolidated income statement in administrative expenses. A provision for impairment will be charged where evidence of such an impairment is observed. Intangibles with indefinite lives are subject to regular impairment testing, as described below.

#### **Customer acquisition intangibles**

The RAC Bidco Limited Group expenses acquisition costs as incurred, with the exception of third party commissions and fees arising as a result of a direct sale, which are capitalised as customer acquisition intangibles.

The customer acquisition intangible is initially recognised at cost and subsequently amortised over the useful economic life of the policies, typically four to five years, which is driven by internal customer retention rate analysis.

#### **Intangible assets acquired in a business combination**

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

#### **Impairment testing**

For impairment testing, goodwill has been allocated to the four cash generating units ("CGU") that existed as at the date of acquisition as these represent the lowest level within the RAC Bidco Limited Group which generates independent cash inflows. The carrying amount of goodwill and intangibles with indefinite useful lives is reviewed at least annually or when circumstances or events indicate there may be uncertainty over



## **Accounting policies (continued)**

### **(E) Goodwill, acquired value-in-force and intangible assets (continued)**

#### **Impairment testing (continued)**

this value. Goodwill and indefinite life intangibles are written down for impairment where the recoverable amount is insufficient to support its carrying amount. Details of the testing performed and carrying values of goodwill and intangibles is shown within note 11.

### **(F) Property, plant and equipment**

Owner-occupied properties are carried at their revalued amounts, being the fair value at the date of revaluation, which are supported by market evidence, and movements are taken to a separate reserve within equity. A revaluation deficit is recognised in the Consolidated income statement, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve. When such properties are sold, the accumulated revaluation surpluses are transferred from this reserve to retained earnings. Third party valuations are obtained every three years to support management's internal valuations, carried out on an annual basis.

All other items classified as property, plant and equipment within the Consolidated statement of financial position are carried at historical cost less accumulated depreciation.

Depreciation is calculated on the straight-line method to write down the cost of assets to their residual values over their estimated useful lives as follows:

|  |            |
|--|------------|
| Fixtures, fittings and other equipment | 3-10 years |
| Computer equipment                     | 4 years    |

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are recorded in the Consolidated income statement.

### **(G) Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable selling expenses. An inventory provision is held based on the age of inventory.

### **(H) Impairment of non-financial assets**

Non-financial assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

### **(I) Trade receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the RAC Bidco Limited Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows. The amount of the provision is recognised in the Consolidated income statement.

### **(J) Cash and cash equivalents**

Cash and cash equivalents consist of cash at banks and in hand, deposits held at call with banks and treasury bills that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Such investments are those with less than three months' maturity from the date of acquisition, or which are redeemable on demand with only an insignificant change in their fair values. For the purposes of the Statement of cash flows, cash and cash equivalents also include bank overdrafts, which are included in payables and other financial liabilities in the Consolidated statement of financial position.

## **Accounting policies (continued)**

### **(K) Borrowings**

Borrowings are recognised initially at their issue proceeds net of transaction costs incurred. Subsequently, borrowings are stated at amortised cost, and any difference between net proceeds and the redemption value is recognised in the Income statement over the period of the borrowings using the effective interest rate method.

Upon extinguishment of borrowings, any remaining related transaction costs are charged to finance expenses in the Income statement. If the terms of a debt instrument are modified the remaining fees are amortised over the life of the instrument. When the terms of a debt instrument are amended it is treated as an extinguishment rather than a modification if the revised terms are substantially different.

Borrowings are classified as current liabilities unless the RAC Bidco Limited Group has an unconditional right to defer settlement of the liability for at least 12 months after the Statement of financial position date.

### **(L) Derivative financial instruments**

The RAC Bidco Limited Group holds derivative financial instruments, which include interest rate swaps, to hedge its interest rate exposures. Derivatives are recognised initially and subsequently at fair value. Any gains or losses arising from changes in fair value of derivative financial instruments are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in other comprehensive income remains separately in equity until the forecast transaction occurs.

Financial assets at fair value through profit or loss are carried in the Consolidated statement of financial position at fair value with net changes in fair value presented as other losses (negative net changes in fair value) or other gains (positive net changes in fair value) in the Consolidated income statement.

The RAC Bidco Limited Group also has forward contracts for fuel purchases for a period of at least twelve months in order to hedge the variability of cash flows associated with the purchasing of fuel for use in the Group's operational fleet of Patrols and recovery vehicles. These contracts are not accounted for as derivatives as they are for the RAC Bidco Limited Group's own use and are therefore outside the scope of IAS 39 Financial Instruments: Recognition and Measurement.

### **(M) Cash flow hedges**

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the income statement as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the RAC Bidco Limited Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income at that time is accumulated in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

### **(N) Provisions and contingent liabilities**

Provisions are recognised when the RAC Bidco Limited Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Where



## **Accounting policies (continued)**

### **(N) Provisions and contingent liabilities (continued)**

the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset, up to the amount of the provision, but only when the reimbursement is virtually certain.

Contingent liabilities are disclosed if there is a possible future obligation as a result of a past event, or if there is a present obligation as a result of a past event but either a payment is not probable yet still possible or the amount cannot be reliably estimated.

### **(O) Income taxes**

Income taxes include both current and deferred taxes. Income taxes are (charged)/credited to the Consolidated income statement except where they relate to items (charged)/credited directly to other comprehensive income or equity. In this instance, the income taxes are also (charged)/credited directly to other comprehensive income or equity respectively.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the Statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the liability method in respect of 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 when 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.

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. 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 income 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 to 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 and deferred income tax assets and liabilities are offset where taxes are levied by the same taxation authority, there is a legal right of offset between the assets and liabilities and there is an intention to settle on a net basis.

### **(P) Leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Consolidated income statement on a straight-line basis over the period of the lease.

### **(Q) Employee benefits**

#### **Pension obligations and other post-retirement benefit obligations**

The RAC Bidco Limited Group operates two post-employment benefit plans, a funded plan (the assets of which are held in separate trustee-administered funds, funded by payments from employees and the RAC Bidco Limited Group); and an unfunded unapproved pension scheme.

In addition the RAC Bidco Limited Group also provides a disability benefits scheme on a discretionary basis for certain pensioners and their dependants in the UK, and certain employees may also become eligible for this benefit on retirement, and medical benefits on a discretionary basis for certain pensioners and their dependants in the UK. No assets are set aside in separate funds to provide for the future liability.

## **Accounting policies (continued)**

### **(Q) Employee benefits (continued)**

#### **Pension obligations and other post-retirement benefit obligations (continued)**

For post-employment defined benefit plans, the pension costs are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to the Consolidated income statement so as to spread the regular cost over the service lives of the employees. The pension obligation is measured as the present value of the estimated future cash outflows, using a discount rate based on market yields for high quality corporate bonds that are denominated in the currency in which the benefits will be paid and have terms of maturity approximate to the related pension liability. The resulting pension scheme surplus or deficit appears as an asset or liability in the Consolidated statement of financial position.

Remeasurements, comprising of actuarial gains and losses and the return on plan assets (excluding net interest) are recognised immediately in the Consolidated statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Costs charged to the Consolidated income statement comprise the current service cost (the increase in pension obligation resulting from employees' service in the current period, together with the schemes' administration expenses), past service cost (resulting from changes to benefits with respect to previous years' service), and gains or losses on curtailment (when the employer materially reduces the number of employees covered by the scheme) or on settlements (when a scheme's obligations are transferred from the RAC Bidco Limited Group).

Past service costs are recognised in the Consolidated income statement on the earlier of the date of the plan amendment or curtailment, and the date that the RAC Bidco Limited Group recognises restructuring-related costs.

'Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The RAC Bidco Limited Group recognises the following changes in the net defined benefit obligation under 'cost of sales', 'administrative expenses' and 'finance expenses' in the Consolidated income statement:

- service costs comprising current service costs, past service costs, gains and losses on curtailment and non-routine settlements; and
- net interest expense or income

#### **Termination benefits**

The RAC Bidco Limited Group provides termination benefits. All termination costs are charged to the Consolidated income statement when constructive obligation to such costs arises.

### **(R) Share capital and dividends**

#### **Equity instruments**

An equity instrument is a contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Accordingly, all financial instruments are treated as financial liabilities or assets unless:

- (i) there is no contractual obligation to deliver cash or other financial assets or to exchange financial assets or liabilities on terms that may be unfavourable; and
- (ii) the instrument will not be settled by delivery of a variable number of shares or is a derivative that can be settled other than for a fixed amount of cash, shares or other financial assets.

#### **Dividends**

Interim dividends on ordinary shares are recognised in equity in the period in which they are paid. Final dividends on these shares are recognised when they have been approved by shareholders.

### **(S) Application of new and revised International Financial Reporting Standards ("IFRSs")**

The following new and amended IFRS are effective for the 2016 Financial Statements. The adoption of these Standards has not had any material impact on the disclosures or on the amounts reported in the RAC Bidco Limited Group or the Parent Company's Financial Statements.

- Amendments to IAS 1 Disclosure Initiative
- Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

## **Accounting policies (continued)**

### **(S) Application of new and revised International Financial Reporting Standards (“IFRSs”) (continued)**

- Amendments to IFRS 11 Accounting for Acquisitions of Interest and in Joint Operations
- Amendments to IAS 27 Equity Method in Separate Financial Statements
- Annual Improvements to IFRSs 2012 – 2014 Cycle

At the date of authorisation of these Financial Statements, the RAC Bidco Limited Group has not applied the following new and revised IFRSs that have been issued but are not yet effective and in some case had not yet been adopted by the EU:

- Amendments to IAS 7 Disclosure Initiative <sup>1</sup>
- Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses <sup>1</sup>
- IFRS 9 Financial Instruments <sup>2</sup>
- IFRS 15 Revenue from contracts with customers <sup>2</sup>
- Amendments to IFRS 2 Classification and Measurement of Share-Based Payment Transactions <sup>2</sup>
- IFRS 16 Leases <sup>3</sup>

The RAC Group (Holdings) Limited Group is currently in the process of evaluating the impact of the adoption of the above new and revised standards on the Group’s financial reporting. It is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

<sup>1</sup> Effective for annual periods commencing on or after 1 January 2017

<sup>2</sup> Effective for annual periods commencing on or after 1 January 2018

<sup>3</sup> Effective for annual periods commencing on or after 1 January 2019

### **(T) Critical accounting judgements and key sources of estimation uncertainty**

The preparation of the Consolidated Financial Statements in conformity with IFRSs requires the RAC Bidco Limited Group to make estimates and judgements using assumptions that affect items reported in the Consolidated statement of financial position and Consolidated income statement and the disclosure of contingent assets and liabilities at the reporting date. Estimates are based on management’s best knowledge of current facts, circumstances and, to some extent, future events and actions. Actual results may differ from those estimates, possibly significantly. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Set out below are items where management have taken a judgement or which management consider particularly susceptible to changes in estimates and assumptions, and the relevant accounting policy.

#### **(i) Critical judgements in applying the RAC Bidco Limited Group’s accounting policies**

The Directors do not believe there are any critical accounting judgements, apart from those involving estimations (which are dealt with separately below), that they have made in the process of applying the RAC Bidco Limited Group’s accounting policies and that have the most significant effect on the amounts recognised in the Consolidated Financial Statements.

#### **(ii) Key sources of estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date are discussed below:

#### **Fair value measurements and valuation process**

The RAC Bidco Limited Group measures financial instruments, such as derivatives, and non-financial assets such as owner-occupied properties, at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

## **Accounting policies (continued)**

### **(T) Critical accounting judgements and key sources of estimation uncertainty (continued)**

#### **(ii) Key sources of estimation uncertainty (continued)**

##### **Fair value measurements and valuation process (continued)**

The principal or the most advantageous market must be accessible to the RAC Bidco Limited Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

##### **Tax provisions**

Assessing the outcome of uncertain tax positions requires judgements to be made regarding the result of negotiations with and enquiries from tax authorities in a number of jurisdictions. The assessments made are based on advice from independent tax advisers and the status of ongoing discussions with the relevant tax authorities.

##### **Provisions and contingent liabilities**

Assessing the financial outcome of uncertain commercial and legal positions requires judgements to be made regarding the relative merits of each party's case and the extent to which any claim against the Group is likely to be successful. The assessments made are based on advice from the Group's internal counsel and, where appropriate, independent legal advice. The Group is working with the FCA to quantify the exact amount of refunds due to customers but has used all available information at the Statement of financial position date to assess the provision at that date.

##### **Customer acquisition intangibles**

Acquisitions result in acquired third party commissions and fees being recognised as intangible assets. As an outcome of the above, certain key judgements and estimates are required to be made in respect of the useful life over which the acquired asset is amortised, this assessment is based upon internal customer retention rate analysis.

The RAC Bidco Limited Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Consolidated Financial Statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the Consolidated Financial Statements on a recurring basis, the RAC Bidco Limited Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

##### **Employee benefit obligations**

Determining the amount of the RAC Bidco Limited Group's employee benefit obligations and the net costs of providing such benefits requires assumptions to be made concerning inflation, salary and pension increases, investment returns and expected mortality of scheme members. Changes in these assumptions could significantly impact the amount of the obligations or the cost of providing such benefits. The RAC

**Accounting policies (continued)****(T) Critical accounting judgements and key sources of estimation uncertainty (continued)****(ii) Key sources of estimation uncertainty (continued)****Employee benefit obligations (continued)**

Bidco Limited Group makes assumptions concerning these matters with the assistance from independent qualified actuaries. Details of the assumptions made are set out in note 25 to the Consolidated Financial Statements.

**Impairment of goodwill and indefinite lived intangible assets**

Determining whether goodwill and brand are impaired requires an estimation of the value in use of the cash-generating units to which goodwill and brand has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amount of goodwill and the brand as at both 31 December 2016 and 31 December 2015 was £906 million and £872 million respectively. No impairment loss of goodwill or the brand has been recognised in the reported periods.

## Notes to the Consolidated Financial Statements

### 1 Revenue

|                            | <u>2016</u>       | <u>2015</u>       |
|----------------------------|-------------------|-------------------|
|                            | <u>£m</u>         | <u>£m</u>         |
| Sale of products .....     | 23                | 24                |
| Sale of services .....     | 483               | 477               |
| <b>Total revenue</b> ..... | <b><u>506</u></b> | <b><u>501</u></b> |

### 2 Operating items

The following items have been charged/(credited) to operating profit:

|  | Note      | <u>2016</u> | <u>2015</u> |
|--|-----------|-------------|-------------|
|  |           | <u>£m</u>   | <u>£m</u>   |
| Depreciation of owned tangible assets .....                      | <b>12</b> | 5           | 4           |
| Amortisation of customer acquisition intangible assets .....     | <b>11</b> | 14          | 10          |
| Amortisation of non customer acquisition intangible assets ..... | <b>11</b> | 88          | 171         |
| Employee costs .....   | <b>8</b>  | 144         | 145         |
| Operating lease rentals paid .....                               |           | 13          | 13          |
| Rental income .....  |           | <u>(1)</u>  | <u>(1)</u>  |

### 3 Exceptional items

|                                       |           | <u>2016</u>     | <u>2015</u>     |
|---------------------------------------|-----------|-----------------|-----------------|
|                                       |           | <u>£m</u>       | <u>£m</u>       |
| Impairment of intangible assets ..... | <b>11</b> | 1               | —               |
| Restructuring costs .....             |           | 3               | —               |
| Customer refund costs .....           | <b>18</b> | <u>5</u>        | <u>—</u>        |
|                                       |           | <b><u>9</u></b> | <b><u>—</u></b> |

During the year, the RAC Bidco Limited Group incurred a total of £3 million (2015: £nil) of restructuring costs in respect of the realignment of non-customer facing staff. The RAC Bidco Limited Group also made a provision of £5 million (2015: £nil) for the estimated costs of providing refunds to customers, further detail of which are given in note 18.

The impairment of intangible assets is in respect of intangible assets arising on acquisition of Risk Telematics (UK) Limited.

### 4 Dividends

The Group paid interim dividends of £65 million during the year, amounting to 19.02 pence per share (2015: £nil). No interim or final dividend was paid in the year ended 31 December 2015.

### 5 Operating segments

The Group is primarily UK based and offers an increasing range of breakdown and other motoring services directly to Individual Members and other motorists, as well as indirectly through a range of Corporate Partner relationships. Management has determined the operating segments based on the monthly management accounts reviewed by the Board of Directors, which is used to assess the performance of the business. The Board of Directors has been identified by management to reflect the chief operating decision maker in accordance with the requirements of IFRS 8 Operating Segments. The four operating and reportable segments of the Group are described below.

#### Roadside

Roadside assistance is the largest operating segment of the business, offering breakdown cover and related products to Individual Members and Corporate Partners.

## Notes to the Consolidated Financial Statements (continued)

### 5 Operating segments (continued)

#### Insurance broking

The insurance broking division predominantly acts as an insurance intermediary with minimal underwriting risk. A range of insurance products are offered and the majority of the revenue generated from this operating segment is driven by motor insurance products.

#### Motoring services

The motoring services division includes a range of established products such as legal and motor claims services and new business areas such as Retail Online, Garage Services, SME Business Club and RAC Cars.

#### Telematics and Data services

The telematics and data services division focuses on the sale of telematics devices to Individual Members, Corporate Partners and SME businesses as well as the monetisation of data assets held by the RAC Bidco Limited Group.

The following is an analysis of the RAC Bidco Limited Group's revenue and results by operating segment. During all periods reported on, there were no inter segment sales and no individual customer contributed 10% or more to the RAC Bidco Limited Group's revenue.

|   | <u>2016</u> | <u>2015</u> |
|---|-------------|-------------|
|   | <u>£m</u>   | <u>£m</u>   |
| <b>Revenue of products</b>                                  |             |             |
| Roadside . . . . .  | 23          | 24          |
| <b>Revenue of services</b>                                  |             |             |
| Roadside . . . . .  | 394         | 395         |
| Insurance broking . . . . .                                 | 57          | 56          |
| Motoring services . . . . .                                 | 27          | 21          |
| Telematics and Data services . . . . .                      | 5           | 5           |
| <b>Group Revenue . . . . .</b>                              | <b>506</b>  | <b>501</b>  |
| <b>Segment EBITDA before head office costs</b>              |             |             |
| Roadside . . . . .  | 187         | 187         |
| Insurance broking . . . . .                                 | 30          | 31          |
| Motoring services . . . . .                                 | 5           | 3           |
| Telematics and Data services . . . . .                      | 1           | 3           |
| <b>Group EBITDA before head office costs . . . . .</b>      | <b>223</b>  | <b>224</b>  |
| Head office costs* . . . . .                                | (39)        | (41)        |
| <b>Group EBITDA . . . . .</b>                               | <b>184</b>  | <b>183</b>  |
| Amortisation of intangible assets . . . . .                 | (102)       | (181)       |
| Depreciation . . . . .                                      | (5)         | (4)         |
| Exceptional items* . . . . .                                | (9)         | —           |
| <b>Operating profit/(loss) . . . . .</b>                    | <b>68</b>   | <b>(2)</b>  |
| Finance expenses . . . . .                                  | (129)       | (83)        |
| <b>Loss before tax from continuing operations . . . . .</b> | <b>(61)</b> | <b>(85)</b> |

\* These costs are not internally analysed into separate operating segments.

#### Assets and liabilities

For the purpose of monitoring segment performance, working capital analysis is presented to and monitored by the Board on a Group level, to enable a meaningful review of the economic environment of the business as a whole. As the Group's financial information is reviewed by type, segmental analysis of assets and liabilities by function is not regularly provided to management and has not been presented within the financial information.

## Notes to the Consolidated Financial Statements (continued)

### 6 Finance expenses

|  | Note | 2016<br>£m | 2015<br>£m |
|--|------|------------|------------|
| Interest payable - third parties   |      | 67         | 77         |
| Amortisation of capitalised finance costs  |      | 4          | 6          |
| Write off capital finance costs  |      | 46         | —          |
| Recycle of hedged items previously classified through other comprehensive income |      | 12         | —          |
|  |      | <b>129</b> | <b>83</b>  |

Interest payable to third parties relates to finance expenses in respect of third party borrowings.

### 7 Auditor's remuneration

The total remuneration payable by the RAC Bidco Limited Group, excluding VAT, to its auditor, Deloitte LLP, is shown below.

|   | 2016<br>£000 | 2015<br>£000 |
|---|--------------|--------------|
| <b>Audit services</b>                             |              |              |
| Audit of Financial Statements                     | 19           | 8            |
| Audit of subsidiaries                             | 269          | 250          |
|   | <b>288</b>   | <b>258</b>   |
| <b>Other services</b>                             |              |              |
| Taxation compliance services                      | 282          | 77           |
| Other non-audit services                          | 337          | —            |
| <b>Total remuneration payable to Deloitte LLP</b> | <b>907</b>   | <b>335</b>   |

### 8 Employee information

The Company has no employees. All employees of the RAC Bidco Limited Group are employed and have their employment contracts with RAC Motoring Services, a wholly owned subsidiary.

The average number of persons employed during the year/period was:

|                      | 2016<br>Number | 2015<br>Number |
|----------------------|----------------|----------------|
| Roadside             | 3,007          | 3,020          |
| Insurance and claims | 135            | 133            |
| Support              | 324            | 285            |
|                      | <b>3,466</b>   | <b>3,438</b>   |

Total staff costs were:

|                                  | 2016<br>£m         | 2015<br>£m        |
|----------------------------------|--------------------|-------------------|
| Wages and salaries               | 124                | 124               |
| Social security costs            | 12                 | 12                |
| Pension costs                    | 8                  | 8                 |
| Termination benefits             | 3                  | 1                 |
| Those costs were charged within: | <b>147</b>         | <b>145</b>        |
|                                  | <b>2016<br/>£m</b> | <b>201<br/>£m</b> |
| Cost of sales                    | 102                | 100               |
| Administrative expenses          | 42                 | 45                |
|                                  | <b>144</b>         | <b>145</b>        |



## Notes to the Consolidated Financial Statements (continued)

### 9 Directors

Executive Directors are remunerated as employees by RAC Motoring Services, a wholly owned subsidiary. Details of the aggregate remuneration of the Directors of the Company for qualifying services in respect of the RAC Bidco Limited Group comprise:

Disclosures relating to directors' remuneration can be found in the Consolidated Annual Report and Accounts of RAC Group Limited (formerly RAC Limited).

|  | <u>2016</u>  | <u>2015</u>  |
|--|--------------|--------------|
|  | <u>£000</u>  | <u>£000</u>  |
| Fees and benefits .....                                      | 1,087        | 1,691        |
| Contributions paid into money purchase pension schemes ..... | —            | —            |
|  | <u>1,087</u> | <u>1,691</u> |
| Emoluments of the highest paid director:                     |              |              |
| Fees and benefits .....                                      | <u>516</u>   | <u>824</u>   |

Fees and benefits include relevant Directors' bonuses. Retirement benefits are accruing to 1 Director (2015: none) under a money purchase scheme. During the year no Directors (2015: none) were awarded shares under long-term incentive schemes.

### 10 Tax

#### (a) Tax credited to the income statement

The total tax credit comprises:

|  | <u>2016</u>        | <u>2015</u>        |
|--|--------------------|--------------------|
|  | <u>£m</u>          | <u>£m</u>          |
| <b>Current tax:</b>  |                    |                    |
| For the year .....   | 7                  | 13                 |
| Adjustment in respect of prior periods .....                         | —                  | 4                  |
| Total current tax .....  | <u>7</u>           | <u>17</u>          |
| <b>Deferred tax:</b>   |                    |                    |
| Origination and reversal of temporary differences .....              | (18)               | (30)               |
| Adjustment in respect of prior periods .....                         | —                  | (4)                |
| Change in tax rates .....  | (11)               | (22)               |
| Total deferred tax .....   | <u>(29)</u>        | <u>(56)</u>        |
| <b>Total tax credited to the Consolidated income statement .....</b> | <u><b>(22)</b></u> | <u><b>(39)</b></u> |

#### (b) Tax reconciliation

The tax on the RAC Bidco Limited Group's loss before tax differs from the theoretical amount that would arise using the tax rate in the UK as follows:

|  | Note  | <u>2016</u>        | <u>2015</u>        |
|--|-------|--------------------|--------------------|
|  |       | <u>£m</u>          | <u>£m</u>          |
| Loss before tax .....  |       | (61)               | (85)               |
| Tax calculated at standard UK corporation tax rate of 20.00%<br>(2015: 20.25%) ..... |       | (12)               | (17)               |
| Disallowable expenses .....  |       | 1                  | —                  |
| Effect of tax rate change .....  |       | (11)               | (22)               |
| <b>Total tax credited to the Consolidated income statement .....</b>                 | 10(a) | <u><b>(22)</b></u> | <u><b>(39)</b></u> |

The headline rate of UK corporation tax will reduce from 20% to 19% from 1 April 2017, and will reduce further to 17% from 1 April 2020.

Under IAS 12, deferred tax assets and liabilities are measured at the tax rates that are expected to apply to 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 by the Statement of financial position date.

## Notes to the Consolidated Financial Statements (continued)

### 10 Tax (continued)

Accordingly, as the future reductions of the corporation tax rate to 19% and 17% were substantively enacted on 26 October 2015 and 6 September 2016 respectively, the deferred tax balances at 31 December 2016 have been reflected at the tax rates at which they are expected to be realised or settled.

#### (c) Tax charged to other comprehensive income

Tax credited directly to other comprehensive income in the year amounted to £1 million in respect of tax on movements in hedging instrument fair values and actuarial gains and losses on pension schemes (2015: £nil in respect of tax on movements in hedging instrument fair values).

### 11 Goodwill and intangible assets

|                                  | Goodwill | Brand | Acquired<br>value-in-<br>Force | Customer<br>List | Other | Non<br>customer<br>acquisition<br>intangibles<br>subtotal | Customer<br>acquisition<br>intangibles | Total |
|----------------------------------|----------|-------|--------------------------------|------------------|-------|---|--|-------|
|                                  | £m       | £m    | £m                             | £m               | £m    | £m  | £m                                     | £m    |
| <b>Cost:</b>                     |          |       |                                |                  |       |   |  |       |
| <b>At 1 January 2015</b> .....   | 906      | 872   | 89                             | 536              | 37    | 2,440   | 24                                     | 2,464 |
| Additions .....                  | —        | —     | —                              | —                | 11    | 11  | 17                                     | 28    |
| <b>At 31 December 2015</b> ..... | 906      | 872   | 89                             | 536              | 48    | 2,451   | 41                                     | 2,492 |
| Additions .....                  | —        | —     | —                              | —                | 21    | 21  | 20                                     | 41    |
| <b>At 31 December 2016</b> ..... | 906      | 872   | 89                             | 536              | 69    | 2,472   | 61                                     | 2,533 |
| <b>Amortisation:</b>             |          |       |                                |                  |       |   |  |       |
| <b>At 1 January 2015</b> .....   | —        | —     | 7                              | 3                | 1     | 11  | —                                      | 11    |
| Charge for the year .....        | —        | —     | 82                             | 75               | 14    | 171   | 10                                     | 181   |
| <b>At 31 December 2015</b> ..... | —        | —     | 89                             | 78               | 15    | 182   | 10                                     | 192   |
| Charge for the year .....        | —        | —     | —                              | 75               | 13    | 88  | 14                                     | 102   |
| Impairment .....                 | —        | —     | —                              | —                | 1     | 1   | —                                      | 1     |
| <b>At 31 December 2016</b> ..... | —        | —     | 89                             | 153              | 29    | 271   | 24                                     | 295   |
| <b>Net book value:</b>           |          |       |                                |                  |       |   |  |       |
| <b>At 31 December 2016</b> ..... | 906      | 872   | —                              | 383              | 40    | 2,201   | 37                                     | 2,238 |
| <b>At 31 December 2015</b> ..... | 906      | 872   | —                              | 458              | 33    | 2,269   | 31                                     | 2,300 |

Goodwill and brand are held at cost and tested at least annually for impairment. All other intangible assets are stated at cost less accumulated amortisation. Amortisation is included within Administrative expenses in the Consolidated income statement. An impairment of £1 million (2015: nil) was recognised in respect of the impairment of intangibles relating to Risk Telematics UK Limited. Other intangible assets comprise the value of customer relationships and IT development. Research and development costs that are not eligible for capitalisation have been expensed in the period incurred and are shown in the Consolidated income statement.

#### Impairment testing of goodwill and intangible assets with indefinite lives

Goodwill acquired through business combinations and intangible assets with indefinite lives have been allocated to the four cash generating units (“CGU”) that existed as at the date of acquisition. The carrying value of the goodwill and indefinite-lived intangible assets allocated across the four CGUs is £906 million and £872 million respectively.

|                                    | Goodwill | Indefinite-lived<br>intangibles |
|------------------------------------|----------|---------------------------------|
|                                    | £m       | £m                              |
| Roadside .....                     | 693      | 666                             |
| Insurance broking .....            | 130      | 126                             |
| Motoring services .....            | 55       | 53                              |
| Telematics and Data services ..... | 28       | 27                              |
|                                    | 906      | 872                             |

## Notes to the Consolidated Financial Statements (continued)

### 11 Goodwill and intangible assets (continued)

#### Impairment testing of goodwill and intangible assets with indefinite lives (continued)

The RAC Bidco Limited Group performs impairment testing annually in October and whenever a loss event occurs. The impairment test compares the recoverable amount of the CGU to the carrying value of goodwill and intangibles allocated to the CGU.

The recoverable amount of each unit is determined based on a value-in-use calculation using cash flow projections from the Group's budget and management's forecast up to 2021. The growth rate used to extrapolate revenue beyond the Group's forecasts for all CGUs is 2%, based on the expected average long term growth rate of the UK economy. The pre-tax discount rate applied of 9% to the cash flow projections is based on the Group Weighted Average Cost of Capital ("WACC") which has been risk adjusted to reflect current market factors not already captured within the cash flows. The discount rate has also been further risk adjusted to reflect an independent capital structure as stipulated by IAS 36 Impairment of non-current assets.

#### Key assumptions used in management forecasts include:

- Individual Members having high customer loyalty and retention rates resulting in a stable and predictable revenue stream;
- Success rates for contract renewals based on historical experience; and
- Cost discipline and operational efficiencies.

The above assumptions are calculated based on recent performance, adjusted for expected future cash flows. The calculation of the value-in-use is most sensitive to the assumptions in the discount rate, the growth rate and the customer retention rate. Retention rates are derived from internal retention rate analysis and are considered by management to be a best estimate.

With regard to the assessment of value-in-use, the recoverable amount of each CGU at the year end exceeds the carrying value of goodwill, and consequently no impairment losses have been recognised.

As at 17 December 2014, goodwill of £28 million and indefinite lived intangible assets of £27 million were allocated to the Telematics and Data services CGU. This CGU focuses on the sale of telematics devices as well as the monetisation of data assets held by the Group, and is operating in an emerging market. Since the allocation of goodwill and indefinite lived intangibles in December 2014, the Directors have revised the cash flow forecasts for this CGU to reflect changes to the profile of expected future cash flows.

No impairment loss of the goodwill or indefinite lived intangibles associated with the Telematics and Data Services CGU has been recognised as the CGU's recoverable amount exceeds its carrying value by more than £4 million, however the revised cash flows, under certain of the Group's reasonably possible sensitivity scenarios, would result in an impairment. The key assumption is EBITDA growth and if EBITDA growth in this CGU were to reduce from the CAGR of 24.5% forecasted for the 5 year period to 21.6% the CGU's recoverable amount would be equal to its carrying amount. The Directors believe that this scenario reflects a pessimistic view and that, should this scenario become more likely, there are options available to proactively minimise the risk of impairment.

#### Impairment testing of the Brand

The impairment of the RAC Brand is tested using the Royalty Relief Methodology to forecast future cash flows based on management forecasts up to 2019.

The calculation is most sensitive to assumptions in the growth rate, the discount rate and the royalty rate. The assumptions in relation to growth rate and discount rate are consistent with those utilised within the goodwill impairment testing. The royalty rate is based on an assessment of the appropriate market rate as demonstrated by current third party licensing agreements or other evidence from arrangements and contracts entered into by the RAC Group.

# Notes to the Consolidated Financial Statements (continued)

## 12 Property, plant and equipment

|                            | Owner-occupied property | Fixtures, fittings and other equipment | Computer equipment | Total     |
|----------------------------|-------------------------|--|--------------------|-----------|
|                            | £m                      | £m                                     | £m                 | £m        |
| <b>Cost or valuation:</b>  |                         |  |                    |           |
| At 1 January 2015          | 3                       | 5                                      | 5                  | 13        |
| Additions                  | —                       | 2                                      | 4                  | 6         |
| <b>At 31 December 2015</b> | <b>3</b>                | <b>7</b>                               | <b>9</b>           | <b>19</b> |
| Additions                  | —                       | 5                                      | —                  | 5         |
| Disposals                  | —                       | —                                      | (1)                | (1)       |
| Transfer                   | —                       | 4                                      | (4)                | —         |
| <b>At 31 December 2016</b> | <b>3</b>                | <b>16</b>                              | <b>4</b>           | <b>23</b> |
| <b>Depreciation:</b>       |                         |  |                    |           |
| At 1 January 2015          | —                       | —                                      | —                  | —         |
| Charge for the year        | —                       | 2                                      | 2                  | 4         |
| <b>At 31 December 2015</b> | <b>—</b>                | <b>2</b>                               | <b>2</b>           | <b>4</b>  |
| Charge for the year        | —                       | 3                                      | 2                  | 5         |
| Disposals                  | —                       | —                                      | (1)                | (1)       |
| <b>At 31 December 2016</b> | <b>—</b>                | <b>5</b>                               | <b>3</b>           | <b>8</b>  |
| <b>Net book value:</b>     |                         |  |                    |           |
| <b>At 31 December 2016</b> | <b>3</b>                | <b>11</b>                              | <b>1</b>           | <b>15</b> |
| <b>At 31 December 2015</b> | <b>3</b>                | <b>5</b>                               | <b>7</b>           | <b>15</b> |

The carrying value of all property, plant and equipment shown in the table above is consistent with disclosure on a historical cost basis.

In line with the Group accounting policy, the owner-occupied property was revalued on 30 October 2015 by Colliers International, an accredited independent valuer. The valuation performed by the valuer was based on active market prices, adjusted for any differences in the nature, location or condition of the specific property. On 31 December 2016, Commercial Real Estate Services performed a high level valuation of the property following a tenant vacating. There was no material change in the fair value of the property at this date. If owner-occupied property was measured using the cost model, the carrying amount at both 31 December 2016 and 31 December 2015 would be £3 million.

## Notes to the Consolidated Financial Statements (continued)

### 13 Group information

#### (a) Information about subsidiaries

The Consolidated Financial Statements of the RAC Bidco Limited Group includes the following subsidiaries:

| Company   | Type of business                              | Class of share   | Proportion held |
|---|---|------------------|-----------------|
| <b>Directly held:</b>                                       |   |                  |                 |
| RAC Limited . . . . .                                       | Holding company                               | Ordinary         | 100%            |
| RAC Bond Co PLC . . . . .                                   | Funding vehicle                               | Ordinary         | 100%            |
| <b>Indirectly held:</b>                                     |   |                  |                 |
| RAC Group Limited . . . . .                                 | Holding company                               | Ordinary         | 100%            |
| RAC Motoring Services (Holdings) Limited . . . . .          | Holding company                               | Ordinary         | 100%            |
| RAC Motoring Services . . . . .                             | Motor breakdown cover                         | Ordinary         | 100%            |
| RACMS (Ireland) Limited (incorporated in Ireland) . . . . . | Roadside assistance                           | Ordinary         | 100%            |
| RAC Financial Services Limited . . . . .                    | Insurance intermediary                        | Ordinary         | 100%            |
| RAC Insurance Limited . . . . .                             | General Insurance business                    | Ordinary         | 100%            |
| RAC Brand Enterprises LLP . . . . .                         | Licensing and management of intangible assets | Members' capital | 100%            |
| Net Cars Limited . . . . .                                  | Online motoring services                      | Ordinary         | 100%            |
| Risk Telematics UK Limited . . . . .                        | Software development                          | Ordinary         | 100%            |

All subsidiaries are registered in England and Wales and operate in the United Kingdom, except RACMS (Ireland) Limited which operates and is registered in Ireland. All subsidiaries, except RACMS (Ireland) Limited, have the same registered office as the Company, which is disclosed on page 31. The registered office of RACMS (Ireland) Limited is Marine House, Clanwilliam Court, Dublin 2.

RAC Bond Co PLC was incorporated on 24 March 2016 as RAC Bond Co Limited. On 14 April 2016, RAC Bond Co Limited was re-registered as a plc, changing its name to RAC Bond Co PLC.

Until 6 May 2016, the RAC Bidco Limited Group also included RAC Finance Limited, RAC Finance Group Limited and RAC Finance (Holdings) Limited, all of which were registered in England and Wales. As part of a refinancing in the period (see note 21), these companies were made dormant and sold to RAC Midco Limited, an indirect Parent Company of the Group.

The Consolidated Financial Statements of the RAC Bidco Limited Group also include the financial performance and position of the RAC Employee Benefit Trust ("EBT"). In accordance with IFRSs, the RAC Bidco Limited Group is deemed to control the EBT by virtue of RAC Limited, a direct subsidiary of the Company, having power over the EBT.

Net Cars Limited (Company No. 08370931) and Risk Telematics UK Limited (Company No. 08580115) are exempt from audit by virtue of s479a of the Companies Act 2006 and have both been provided with a statutory guarantee by RAC Group Limited, their immediate parent company as required by s479c of the Companies Act 2006. As a consequence, Net Cars Limited and Risk Telematics UK Limited have both taken the advantage of available exemption for audit.

#### (b) The Parent company

The immediate controlling entity of the RAC Bidco Limited Group is RAC Midco II Limited. The ultimate controlling entity of the RAC Bidco Limited Group is RAC Group (Holdings) Limited.

### 14 Inventories

|                       | 2016<br>£m | 2015<br>£m |
|-----------------------|------------|------------|
| Inventories . . . . . | 2          | 3          |

All inventories are classified as finished goods. The cost of inventories recognised as an expense and included within Cost of sales in the year ended 31 December 2016 amounted to £11 million (2015: £10 million).

## Notes to the Consolidated Financial Statements (continued)

### 15 Trade and other receivables

|  | Note     | <u>2016</u> | <u>2015</u> |
|--|----------|-------------|-------------|
|  |          | £m          | £m          |
| Trade receivables .....                          |          | 41          | 37          |
| Amounts due from related parties .....           | 27(a)(i) | 1           | 4           |
| Prepayments and accrued income .....             |          | 21          | 20          |
| Other receivables .....                          |          | 3           | 1           |
| <b>Total</b> .....                               |          | <b>66</b>   | <b>62</b>   |
| Expected to be recoverable within one year ..... |          | 66          | 62          |

All receivables and other financial assets other than prepayments are carried at amortised cost. The Directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

The balance above of £66 million (2015: £62 million) is considered to be neither past due nor impaired.

### 16 Cash and cash equivalents

Cash and cash equivalents comprise:

|   | <u>2016</u> | <u>2015</u> |
|---|-------------|-------------|
|   | £m          | £m          |
| Unrestricted cash at bank and in hand ..... | 31          | 76          |
| Restricted cash at bank .....               | 12          | 12          |
| <b>Total</b> .....                          | <b>43</b>   | <b>88</b>   |

Restricted cash is the amount of cash the RAC Bidco Limited Group is required to hold to meet regulatory Solvency requirements.

### 17 Tax assets and liabilities

|                              | <u>2016</u>  | <u>2015</u>  |
|------------------------------|--------------|--------------|
|                              | £m           | £m           |
| Current tax payable .....    | (28)         | (28)         |
| Deferred tax assets .....    | 12           | 9            |
| Deferred tax liability ..... | (217)        | (244)        |
|                              | <b>(233)</b> | <b>(263)</b> |

Current tax payable includes amounts to be settled by group relief of £6 million (2015: £6 million) within one year. The Group's Statement of financial position current tax provision includes £22m relating to uncertain tax positions currently under discussion with HM Revenue & Customs ("HMRC"), which arose in prior periods. Based on professional advice, the Group claimed tax deductions in its returns for several years and reduced its tax payments accordingly. HMRC have indicated that they do not agree with the Group's interpretation of the relevant tax legislation. The Group has provided HMRC with all information requested in support of the deductions claimed, and discussions continue in order to reach a conclusion on the differing interpretations. It cannot currently be reliably estimated how long it will take to reach an agreed resolution of this issue.

## Notes to the Consolidated Financial Statements (continued)

### 17 Tax assets and liabilities (continued)

#### (a) Deferred tax

|   | Property,<br>plant &<br>equipment | Intangible<br>assets | Retirement<br>benefit<br>obligations | Revaluation<br>of financial<br>assets | Other<br>temporary<br>differences | Total        |
|---|-----------------------------------|----------------------|--------------------------------------|---------------------------------------|-----------------------------------|--------------|
|   | £m                                | £m                   | £m                                   | £m                                    | £m                                | £m           |
| At 1 January 2015 .....                                   | 5                                 | (298)                | 1                                    | 2                                     | (1)                               | (291)        |
| (Charge)/credit to Consolidated income<br>statement ..... | (1)                               | 55                   | —                                    | —                                     | 2                                 | 56           |
| <b>At 31 December 2015 .....</b>                          | <b>4</b>                          | <b>(243)</b>         | <b>1</b>                             | <b>2</b>                              | <b>1</b>                          | <b>(235)</b> |
| (Charge)/credit to Consolidated income<br>statement ..... | —                                 | 26                   | —                                    | —                                     | 3                                 | 29           |
| Credit to other comprehensive income .....                | —                                 | —                    | —                                    | 1                                     | —                                 | 1            |
| <b>At 31 December 2016 .....</b>                          | <b>4</b>                          | <b>(217)</b>         | <b>1</b>                             | <b>3</b>                              | <b>4</b>                          | <b>(205)</b> |

The movement in the net deferred tax liability was as follows:

|  | 2016         | 2015         |
|--|--------------|--------------|
|  | £m           | £m           |
| Net deferred tax liability brought forward .....                 | (235)        | (291)        |
| Deferred tax credited to the Consolidated income statement ..... | 29           | 56           |
| Deferred tax credited to other comprehensive income .....        | 1            | —            |
| <b>Net deferred tax liability carried forward .....</b>          | <b>(205)</b> | <b>(235)</b> |

The RAC Bidco Limited Group has unrecognised capital losses of £147 million to carry forward indefinitely against future capital gains (2015: £146 million). No asset has been recognised as there are no capital gains expected in the foreseeable future.

### 18 Provisions

|                                  | Customer<br>Refunds | Other    | Total    |
|----------------------------------|---------------------|----------|----------|
|                                  | £m                  | £m       | £m       |
| <b>At 1 January 2016 .....</b>   | <b>—</b>            | <b>1</b> | <b>1</b> |
| Provided during the year .....   | 5                   | —        | —        |
| <b>At 31 December 2016 .....</b> | <b>5</b>            | <b>1</b> | <b>1</b> |

#### Customer refunds

We have identified that some of our Individual Members may also have roadside cover with RAC in the event of a breakdown as a result of other financial arrangements. Some customers choose to have these cover arrangements in order to benefit from a full range of services. However, we are undertaking a correction programme for those customers for whom the benefits of holding these separate covers are not clear.

We have provided for our best estimate of the cost of providing possible refunds and associated costs. This provision is by its nature an estimate and includes significant management judgement about the number of customers who may be impacted. The actual costs will be dependent on the individual circumstances of each relevant customer. We anticipate this provision being utilised over the course of the next 12 to 18 months.

#### Other provisions

Other provisions include amounts payable at the end of Patrol vehicle leases to correct modifications made and are expected to be utilised at the end of each vehicle's lease term (usually five years). There has been no material expenditure nor additional provision in the year.

## Notes to the Consolidated Financial Statements (continued)

### 19 Trade and other payables

|  | <u>2016</u>       | <u>2015</u>       |
|--|-------------------|-------------------|
|  | <u>£m</u>         | <u>£m</u>         |
| Trade payables and accruals .....                  | 41                | 50                |
| Deferred income .....                              | 149               | 151               |
| Other payables .....                               | 40                | 38                |
| <b>Total .....</b>                                 | <b><u>230</u></b> | <b><u>239</u></b> |
| Expected to be payable within one year .....       | 227               | 236               |
| Expected to be payable in more than one year ..... | 3                 | 3                 |
| <b>Total .....</b>                                 | <b><u>230</u></b> | <b><u>239</u></b> |

All payables other than deferred income are financial liabilities and are carried at amortised cost which is considered to be a reasonable approximation of the relevant fair value.

### 20 Derivative financial instruments

|                                   | <u>2016</u> | <u>2015</u> |
|-----------------------------------|-------------|-------------|
|                                   | <u>£m</u>   | <u>£m</u>   |
| Cash flow hedge liabilities ..... | (15)        | (10)        |
| Warrants .....                    | —           | —           |
|                                   | <u>(15)</u> | <u>(10)</u> |

#### (a) Hedging

The RAC Bidco Limited Group uses a variety of derivative financial instruments, including over-the-counter instruments, in line with the Group's overall risk management strategy (see note 26).

The Group has formally assessed and documented the effectiveness of its hedged derivatives in accordance with IAS 39 Financial Instruments: Recognition and Measurement.

#### (b) Cash flow hedges

The RAC Bidco Limited Group has used interest rate swap agreements in order to hedge the cash flows associated with its variable rate borrowings. The notional value and fair value of these are as follows:

|  | <u>2016</u> | <u>2015</u> |
|--|-------------|-------------|
|  | <u>£m</u>   | <u>£m</u>   |
| Contract/notional amount .....                               | 280         | 800         |
| <b>Total derivative financial instrument liability .....</b> | <b>(15)</b> | <b>(10)</b> |

The hedges were effective in the reported periods and therefore the full movement in the fair value of cash flow hedges has been recognised in other comprehensive income.

The hedges are achieved through using interest rate swap contracts to pay fixed and receive three month LIBOR. The interest rate swaps settle on a quarterly basis.

On 6 May 2016, the RAC Bidco Limited Group completed a refinancing (see note 21). On inception of the Initial Senior Term Facility, a new hedge was undertaken. The fixed element of the hedge has been set to 2.025% per annum until 6 May 2021. The floating rate is calculated on a notional principal amount.

Prior to the refinancing, four hedges were undertaken (each with a separate counterparty). The fixed element of the swaps was set to 1.5692%, 1.5747%, 1.5830% and 1.5889% respectively for the period from 31 March 2015 to 31 December 2017. The floating rate was calculated on a notional principal amount. The notional principal amount for each hedge was variable over its life as follows; £131,250 thousand between 31 March 2015 and 30 December 2015; and £200 million between 31 December 2015 and 31 December 2017. As a result of the refinancing, the four existing hedges were novated to a single counterparty and restructured into the single hedge.



## Notes to the Consolidated Financial Statements (continued)

### 21 Borrowings

#### (a) Analysis of borrowings

|  | Bonds          |                | Bank Debt       |                  |                              | Total        |
|--|----------------|----------------|-----------------|------------------|------------------------------|--------------|
|  | Class A1 Notes | Class A2 Notes | First Lien Loan | Second Lien Loan | Initial Senior term facility |              |
| Interest rate                          | +4.565%        | +4.870%        | LIBOR           | LIBOR            | LIBOR                        |              |
|  |                |                | +4.750%         | +7.250%          | +2.750%                      |              |
| <b>At 31 December 2016</b>             |                |                |                 |                  |                              |              |
| Fair value (£m)                        | 302            | 605            | —               | —                | 280                          | <b>1,187</b> |
| Amounts due within one year (£m)       | 2              | 5              | —               | —                | —                            | <b>7</b>     |
| Amounts due in more than one year (£m) | 297            | 593            | —               | —                | 273                          | <b>1,163</b> |
| Book value (£m)                        | 299            | 598            | —               | —                | 273                          | <b>1,170</b> |
| <b>At 31 December 2015</b>             |                |                |                 |                  |                              |              |
| Fair value (£m)                        | —              | —              | 955             | 238              | —                            | <b>1,193</b> |
| Amounts due within one year (£m)       | —              | —              | 10              | 3                | —                            | <b>13</b>    |
| Amounts due in more than one year (£m) | —              | —              | 907             | 225              | —                            | <b>1,132</b> |
| Book value (£m)                        | —              | —              | 917             | 228              | —                            | <b>1,145</b> |

On 6 May 2016, the RAC Bidco Limited Group completed a refinancing through a Whole Business Securitisation (“WBS”) under which it:

- repaid its existing banking facilities, comprising the First Lien Loan and Second Lien Loan;
- drew-down a new £280m Initial Senior Term Facility provided by a syndicate of banks; and
- issued £900m of bonds on the Irish Stock Exchange.

#### (b) Bank debt

The Initial Senior Term Facility is for an amount of £280 million at a floating rate of 2.750% plus LIBOR, incorporates a LIBOR floor and matures on 6 May 2021.

The RAC Bidco Limited Group also entered into agreements for an Initial Working Capital Facility of £50 million and an Initial Liquidity Facility of £90 million, neither of which has been drawn. The Initial Working Capital Facility is subject to interest of LIBOR plus 2.750% and also matures on 6 May 2021. The Initial Liquidity Facility is subject to interest of LIBOR plus 2.250% and is subject to annual renewal.

#### (c) Bonds

The bonds comprise two tranches: Class A1 Notes and Class A2 Notes. £300 million of Class A1 Notes were issued at a coupon of 4.565%, and have an initial period to 6 May 2023, after which interest will be charged at 5.065% per annum. £600 million of Class A2 Notes were issued at a coupon of 4.870%, and have an initial period to 6 May 2026, after which interest will be charged at 5.370% per annum. Interest is payable on the bonds semi-annually on 6 May and 6 November.

### 22 Ordinary share capital

Details of the RAC Bidco Limited Group’s ordinary share capital are as follows:

|   | 2016<br>£m | 2015<br>£m |
|---|------------|------------|
| <b>Allotted, called up and fully paid:</b>                                  |            |            |
| <b>Authorised:</b>  |            |            |
| 80,120,000 ordinary shares of £0.01 each                                    | 801        | 801        |
| <b>Allotted, called up and fully paid:</b>                                  |            |            |
| 339,131,773 ordinary shares of £1.00 each (2015: 874,131,773 of £1.00 each) | 339        | 874        |
|   | <b>339</b> | <b>874</b> |

On 29 February 2016, a capital reduction of £535 million was completed, reducing ordinary share capital but increasing retained earnings.

## Notes to the Consolidated Financial Statements (continued)

### 23 Hedging instrument reserve

The hedging reserve represents the cumulative amount of gains and losses on hedging instruments deemed effective in cash flow hedges. The cumulative deferred gain or loss on the hedging instrument is recognised in profit or loss only when the hedged transactions impacts the profit or loss, or is included as a basis adjustment to the non-financial hedged item.

### 24 Commitments

#### Operating lease commitments

Future aggregate minimum lease payments under non-cancellable operating leases are as follows:

|  | <u>2016</u> | <u>2015</u> |
|--|-------------|-------------|
|  | <u>£m</u>   | <u>£m</u>   |
| Within 1 year . . . . .                                | 11          | 11          |
| Later than 1 year and not later than 5 years . . . . . | 29          | 25          |
| Later than 5 years . . . . .                           | 63          | 66          |
|  | <u>103</u>  | <u>102</u>  |

Operating lease commitments arise in respect of property leases and the Patrol fleet. The Company leases two properties on which the leases are subject to an annual rent review with increases in the principal rent linked to movements in the Retail Price Index.

As at 31 December 2016, the RAC Bidco Limited Group had committed to spend £4 million for the acquisition of intangible assets (2015: £2 million).

### 25 Employee benefit obligations

This note describes the RAC Bidco Limited Group's employee benefit arrangements for its employees and explains how the obligations to these schemes are calculated.

#### (a) Introduction

The RAC Bidco Limited Group operates a number of employee benefit schemes as follows:

##### **RAC Group Personal Pension Plan ("RAC GPP Plan")**

The RAC GPP Plan is a defined contribution pension plan open to all RAC employees.

##### **Unfunded Unapproved Pension Scheme ("UUP Scheme")**

An UUP Scheme is provided on a discretionary basis for certain employees who receive benefits on a defined benefit basis (generally related to final salary). The number of pensioners entitled to this benefit at 31 December 2016 was 8 (2015: 8).

##### **Post-Retirement Medical Benefits Scheme ("PRMB Scheme")**

Under the PRMB Scheme the RAC Bidco Limited Group provides medical benefits on a discretionary basis for certain pensioners and their dependants in the UK. The number of pensioners entitled to this benefit at 31 December 2016 was 139 (2015: 139).

##### **Disability Benefit Scheme ("DB Scheme")**

Under the DB Scheme, the RAC Bidco Limited Group provides disability benefits on a discretionary basis for certain former employees in the UK. Currently the RAC Bidco Limited Group contributes a flat rate per person to the scheme dependent on their individual circumstances.

#### (b) Charges to the Consolidated income statement

During the year, £8 million (2015: £8 million) was charged to the RAC Bidco Limited Group's Consolidated income statement in respect of the employee defined contribution schemes and £234 thousand (2015: £236 thousand) in respect of employee defined benefit schemes.

## Notes to the Consolidated Financial Statements (continued)

### 25 Employee benefit obligations (continued)

#### (c) Employee benefit scheme assumptions and disclosures

Disclosures under IAS 19 Employee Benefits are given below and on the following pages on a consolidated basis for the UUP Scheme, the PRMB Scheme and the DB Scheme (“the Schemes”), unless where otherwise stated.

#### (i) Assumptions on the liabilities of the Schemes

##### The projected unit credit method

The inherent uncertainties affecting the measurement of the liabilities of the Schemes require these to be measured on an actuarial basis. This involves discounting the best estimate of future cash flows to be paid out by the Schemes using the projected unit credit method. This is an accrued benefits valuation method which calculates the past service liability to members and makes allowances for their projected future earnings. It is based on a number of actuarial assumptions, which vary according to economic conditions, and changes in these assumptions can materially affect the measurement of the employee liability obligations.

##### Valuations and assumptions

The valuation used for accounting under IAS 19 has been based on the most recent full actuarial valuation, updated to take account of that standard’s requirements in order to assess the liabilities of the Schemes at 31 December 2016. This update was made by the Schemes’ actuaries. The Schemes’ assets are stated at their fair values as at 31 December 2016.

The main actuarial assumptions used to calculate the UUP Scheme, the PRMB Scheme and the DB Scheme liabilities under IAS 19 are:

|                                      | 2016 | 2015 |
|--------------------------------------|------|------|
|                                      | %    | %    |
| Inflation rate . . . . .             | 3.20 | 2.90 |
| Pension increases . . . . .          | 3.20 | 2.90 |
| Deferred pension increases . . . . . | 3.20 | 2.90 |
| Discount rate . . . . .              | 2.60 | 3.70 |

The discount rate is the assumption that has the largest impact on the value of the liabilities. The effect of a 1% increase in the discount rate would decrease liabilities and service costs by £87 thousand and £nil respectively (2015: £507 thousand and £nil respectively).

##### Mortality assumptions of the Schemes

Mortality assumptions are significant in measuring the RAC Bidco Limited Group’s obligations under the defined benefit schemes, particularly given the maturity of these obligations in these Schemes. The mortality tables and average life expectancy used at 31 December 2016 for Scheme members are as follows:

|  | Normal retirement age<br>(NRA) | Life expectancy<br>(pension duration) at<br>NRA of a male |                                 | Life expectancy (pension<br>duration) at NRA of a<br>female |                                 |
|--|--------------------------------|---|---------------------------------|---|---------------------------------|
|  |                                | Currently<br>aged NRA                                     | 20 years<br>younger<br>than NRA | Currently<br>aged NRA                                       | 20 years<br>younger<br>than NRA |
| SAPS S1 tables, including<br>allowances for future . . . | 65.0                           | 88.3  | 90.5                            | 90.1  | 92.0                            |
| improvements . . . . .                                   |                                | (23.3)  | (25.5)                          | (25.1)  | (27.0)                          |

The assumptions above are based on commonly-used mortality tables, which have been adjusted to reflect recent research into mortality experience. However, the extent of future improvements in longevity is subject to considerable uncertainty and judgement is required in setting this assumption. The assumptions above include an allowance for future mortality improvements, based on the actuarial profession’s medium cohort projection table. The effect on the Scheme of assuming all members were one year younger would increase the Schemes’ liabilities by £391 thousand (2015: £391 thousand).

## Notes to the Consolidated Financial Statements (continued)

### 25 Employee benefit obligations (continued)

#### (c) Employee benefit scheme assumptions and disclosures (continued)

##### (ii) Employee defined benefit expense

During the year the total employee defined benefit expense for the Schemes comprise £234 thousand (2015: £236 thousand) in respect of net interest expense recognised in the Consolidated income statement and £442 thousand (2015: £455 thousand) recognised in other comprehensive income.

##### (iii) Experience gains and losses

The following table shows the experience gains and losses of the Schemes:

|   | <u>2016</u>       | <u>2015</u>       |
|---|-------------------|-------------------|
|   | <u>£m</u>         | <u>£m</u>         |
| Fair value of the Scheme assets at the end of the year/period . . . . .           | —                 | —                 |
| Present value of the Schemes' liabilities at the end of the year/period . . . . . | <u>(6)</u>        | <u>(6)</u>        |
| <b>Net deficit in the Schemes . . . . .</b>                                       | <b><u>(6)</u></b> | <b><u>(6)</u></b> |

Estimated employer contributions for the year ended 31 December 2017 are £1 million in respect of the defined benefit schemes and £8 million in respect of the defined contribution scheme.

##### (iv) Schemes' deficit

The present value of the Schemes' obligations and the fair value of the plan assets are as follows:

|  | <u>2016</u>       | <u>2015</u>       |
|--|-------------------|-------------------|
|  | <u>£m</u>         | <u>£m</u>         |
| Total fair value of assets . . . . .                   | —                 | —                 |
| Present value of defined benefit obligations . . . . . | <u>(6)</u>        | <u>(6)</u>        |
| <b>Net deficit in the Schemes . . . . .</b>            | <b><u>(6)</u></b> | <b><u>(6)</u></b> |

Amounts recognised in the Consolidated statement of financial position:

|  | <u>2016</u>       | <u>2015</u>       |
|--|-------------------|-------------------|
|  | <u>£m</u>         | <u>£m</u>         |
| Deficits included in non-current liabilities . . . . . | <u>(6)</u>        | <u>(6)</u>        |
| <b>Net deficit in the Schemes . . . . .</b>            | <b><u>(6)</u></b> | <b><u>(6)</u></b> |

The deficits in the non-current liabilities wholly relate to unfunded schemes.

##### (v) Movement in the Scheme deficits and surplus comprise:

|   | <u>2016</u>        | <u>2016</u>       | <u>2015</u>        | <u>2015</u>       |
|---|--------------------|-------------------|--------------------|-------------------|
|   | <u>Scheme</u>      | <u>Net</u>        | <u>Scheme</u>      | <u>Net</u>        |
|   | <u>liabilities</u> | <u>deficit</u>    | <u>liabilities</u> | <u>deficit</u>    |
|   | <u>£m</u>          | <u>£m</u>         | <u>£m</u>          | <u>£m</u>         |
| <b>Balance at 1 January . . . . .</b>                       | <b>(6)</b>         | <b>(6)</b>        | <b>(7)</b>         | <b>(7)</b>        |
| Benefits paid . . . . .                                     | 1                  | 1                 | 1                  | 1                 |
| Remeasurements losses                                       |                    |                   |                    |                   |
| Actuarial loss arising from change in assumptions . . . . . | <u>(1)</u>         | <u>(1)</u>        | —                  | —                 |
| <b>Balance at 31 December . . . . .</b>                     | <b><u>(6)</u></b>  | <b><u>(6)</u></b> | <b><u>(6)</u></b>  | <b><u>(6)</u></b> |

### 26 Risk management

The RAC Bidco Limited Group operates a risk management framework, which is the collection of processes and tools that have been put in place to ensure that the risks to which the RAC Bidco Limited Group is

## Notes to the Consolidated Financial Statements (continued)

### 26 Risk management (continued)

exposed are identified, measured, managed, monitored and reported on a regular basis. The key instruments of the framework include the risk management policies, risk reports and the governance and oversight infrastructure.

Financial risks are usually grouped by risk type: market, credit, liquidity, strategic, operational, capital and regulatory risk. Risks falling within these types may affect a number of key metrics including those relating to balance sheet strength, liquidity and profit. They may also affect the performance of the products that the RAC Bidco Limited Group delivers to customers and the service to customers and distributors, which can be categorised as risks to brand and reputation. The key risks faced by the RAC Bidco Limited Group are set out in this note.

The RAC Bidco Limited Group's measurement of risk is used to support the monitoring and reporting of the risk profile and in the evaluation of alternative risk management actions. The RAC Bidco Limited Group carries out a range of stress and scenario tests to evaluate their impact on the business and the management actions available to respond to the potential conditions.

The Group has an established governance framework, which has the following key elements:

- Defined terms of reference for the legal entity Boards and the associated executive management and other committees across the Group;
- A clear organisational structure with documented delegated authorities and responsibilities from the legal entity Boards to executive management committees and senior management; and
- Adoption of the risk policy framework that defines risk appetite measures and sets out risk management and control standards.

Policies for managing financial risks are governed by Board approved policies and procedures, which are reviewed on an annual basis.

#### (a) Treasury

The RAC Bidco Limited Group's Treasury department's main responsibilities are to:

- Ensure adequate funding and liquidity for the RAC Bidco Limited Group;
- Manage the interest risk of the RAC Bidco Limited Group's debt; and
- Ensure that the RAC Bidco Limited Group banking and card transmissions operate effectively.

The Group's debt management policy is to provide an appropriate level of funding to finance the Group's medium term plans at a competitive cost and ensure flexibility to meet the changing needs of the Group. Details of the RAC Bidco Limited Group's current borrowing facilities are disclosed in note 21.

#### (i) Market risk

Market risk is the risk of adverse financial impact due to changes in fair values or future cash flows of financial instruments as a result of fluctuations in interest rates and foreign currency exchange rates.

The RAC Bidco Limited Group is exposed to interest rate risk arising primarily on external borrowings. The Group's policy aims to manage its interest cost within the constraint of its Business Plan and its financial covenants. The risk is managed through the use of interest rate swap agreements to hedge the variability of cash flows associated with the borrowings. If market interest rates were to increase or decrease by 1%, the impact on the profit/(loss) before tax would be a decrease/increase of £4 million (2015: £4 million). The impact on shareholders' equity would be a decrease/increase of £3 million (2015: £3 million).

Interest rate movements on trade payables, trade receivables and other financial instruments do not present a material exposure to the RAC Bidco Limited Group's Statement of financial position.

The RAC Bidco Limited Group has no material foreign currency balances as at the Statement of financial position date and therefore is not exposed to movements in foreign currency exchange rates.

The RAC Bidco Limited Group is also exposed to risks from fluctuations in fuel prices which can lead to increased operating costs. This risk is managed by the RAC Bidco Limited Group through the use of

## Notes to the Consolidated Financial Statements (continued)

### 26 Risk management (continued)

#### (a) Treasury (continued)

##### (i) Market risk (continued)

forward purchases of fuel for a period of at least twelve months in order to hedge the variability of cash flows associated with the purchasing of fuel for use in the RAC Bidco Limited Group's operational fleet of Patrols and recovery vehicles.

##### (ii) Credit risk

Credit risk is the risk of loss in the value of financial assets due to counterparties failing to meet all or part of their obligations.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is set out below:

|                                       | <u>2016</u> | <u>2015</u> |
|---------------------------------------|-------------|-------------|
|                                       | <u>£m</u>   | <u>£m</u>   |
| Trade and other receivables . . . . . | 45          | 42          |
| Cash and cash equivalents . . . . .   | 43          | 88          |
|                                       | <u>88</u>   | <u>130</u>  |

Management of credit risk is carried out in accordance with Group credit risk processes, which include setting exposure limits and monitoring exposures in accordance with ratings set by credit ratings agencies such as Standard & Poor's.

Financial assets are graded according to current credit ratings issued. AAA is the highest possible rating. Investment grade financial assets are classified within the range of AAA to BBB ratings. Financial assets which fall outside this range are classified as speculative grade. Credit limits for each counterparty are set based on default probabilities that are in turn based on the rating of the counterparty and the type of exposure concerned.

The RAC Bidco Limited Group has not been generally exposed to significant concentrations of credit risk to third parties due to the nature of trading activity undertaken and the size of individual balances.

The RAC Bidco Limited Group is exposed to concentrations of risk with individual banks which are within approved counterparty exposure limits. Cash and cash equivalents throughout the reported periods were held with institutions who are A rated. The RAC Bidco Limited Group's largest cash and cash equivalent counterparty is Barclays (2015: Morgan Stanley). At 31 December 2016 the balance was £20 million (2015: £20 million).

##### (iii) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The RAC Bidco Limited Group has set its investment strategy to ensure it has sufficient liquid funds to meet its expected obligations as they fall due. The RAC Bidco Limited Group maintains significant committed borrowing facilities from a range of highly rated banks to mitigate this risk further (see note 21).

The risk is measured through review of forecast liquidity each month by the Treasurer to determine whether there are sufficient credit facilities to meet forecast requirements. The RAC Bidco Group Limited Group also monitors covenants on a regular basis to ensure there are no breaches, That would lead to an "Event of Default". There have been no breaches of covenants during the reported periods.

## Notes to the Consolidated Financial Statements (continued)

### 26 Risk management (continued)

#### (a) Treasury (continued)

#### (iii) Liquidity risk (continued)

The following table shows the RAC Bidco Limited Group's contractual maturity of borrowings, including estimated interest, analysed by duration:

|                                       | <u>2016</u>         | <u>2015</u>         |
|---------------------------------------|---------------------|---------------------|
|                                       | <u>£m</u>           | <u>£m</u>           |
| <b>Bonds</b>                          |                     |                     |
| Less than 1 month .....               | 4                   | —                   |
| 1 to 3 months .....                   | 10                  | —                   |
| 3 months to 1 year .....              | 29                  | —                   |
| 1 to 5 years .....                    | 172                 | —                   |
| 5 to 10 years .....                   | 1,045               | —                   |
| <b>Total bonds</b> .....              | <u>1,260</u>        | <u>—</u>            |
| <b>External bank debt</b>             |                     |                     |
| Less than 1 month .....               | 1                   | 5                   |
| 1 to 3 months .....                   | 3                   | 16                  |
| 3 months to 1 year .....              | 9                   | 67                  |
| 1 to 5 years .....                    | 325                 | 342                 |
| 5 to 10 years .....                   | —                   | 1,135               |
| <b>Total external bank debt</b> ..... | <u>338</u>          | <u>1,565</u>        |
| <b>Total borrowings</b> .....         | <u><b>1,598</b></u> | <u><b>1,565</b></u> |

#### (b) Strategic and operational risk

The strategy (including operational risks) for the RAC Bidco Limited Group and the Company is determined by the Directors of the Company's ultimate Parent Company, RAC Group (Holdings) Limited and disclosed in the annual report and financial statements of that company.

#### (c) Capital risk management

The RAC Bidco Limited Group's capital structure consists of third party borrowings amounting to £1,187 million (2015: £1,193 million), and £339 million (2015: £874 million) of funds from shareholders.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group is managed on a net debt basis. Management consider net debt to comprise external bank debt, being principal bank borrowings, associated accrued interest and cash and cash equivalents. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. In May 2016, the RAC Bidco Limited Group managed its capital structure through undertaking refinancings (see note 21).

Until May 2016, under the terms of the bank debt, the RAC Bidco Limited Group was required to comply with financial covenants upon drawing more than 30% of the Revolving Credit Facility. The RAC Bidco Limited Group did not draw down upon this facility during the reported periods and consequently did not have to test any of its covenants.

In managing its capital, the Group seeks to:

- (i) match the expected cash inflows from its assets with the expected cash outflows from its liabilities as they fall due;
- (ii) maintain financial strength to support new business growth and satisfy the requirements of its Members and regulators;



## Notes to the Consolidated Financial Statements (continued)

### 26 Risk management (continued)

#### (c) Capital risk management (continued)

- (iii) retain financial flexibility by maintaining strong liquidity; and
- (iv) allocate capital efficiently to support growth and repatriate excess capital where appropriate.

The Group actively engages with external bodies to share the benefit of its expertise in supporting responses to emerging risks as well as challenging developments that could be damaging to its business and the industry as a whole.

#### (d) Regulatory risk

The RAC Bidco Limited Group includes regulated companies which are required to hold sufficient capital to meet acceptable solvency levels based on applicable FCA and PRA regulations. The RAC Bidco Limited Group's ability to transfer retained earnings to its shareholders is therefore restricted to the extent that these earnings form part of UK regulatory capital.

Relevant capital and solvency regulations ("Solvency I" and "Solvency II") continue to be used to measure and report the financial strength of regulated companies within the RAC Bidco Limited Group. The regulatory capital tests verify that an adequate excess of solvency capital above the required minimum level calculated is maintained using a series of prudent assumptions about the type of business that is underwritten. Regulatory requirements have been complied with throughout all periods reported.

Following a detailed programme of preparatory work in 2015 undertaken by the RAC Bidco Limited Group, RAC Insurance Limited has transitioned to comply with the requirements of Solvency II from 1 January 2016.

The RAC Bidco Limited Group is also subject to regulatory requirements, as set out by the FCA, in relation to product design, marketing materials, sales processes and data protection. Failure to comply with these requirements could result in the RAC Bidco Limited Group having to suspend, either temporarily or permanently, certain activities. To mitigate these risks the RAC Bidco Limited Group employs regulatory and compliance specialists to ensure the regulatory and legislative requirements are fully understood and adhered to.

### 27 Related party transactions

#### (a) The RAC Bidco Limited Group had the following transactions with related parties in 2016 and 2015:

##### (i) Amounts due related parties

|  | <u>2016</u> | <u>2015</u> |
|--|-------------|-------------|
|  | <u>£m</u>   | <u>£m</u>   |
| Amounts due from Group companies ..... | 1           | 4           |

Of amounts due from Group companies, £nil (2015: £3 million) was due from RAC Midco Limited, £1 million (2015: £nil) was due from RAC Midco II Limited and £nil (2015: £1 million) was due from RAC Group (Holdings) Limited, all parent companies of the Company.

##### (ii) Transactions with related parties

- In May 2016, RAC Bidco Limited paid dividends of £25 million to RAC Midco II Limited, its immediate Parent Company as part of the WBS, followed by further dividends of £20 million each in November and December 2016 (2015: £nil).
- On 6 May 2016, RAC Limited sold its direct subsidiary, RAC Finance Limited, and its indirect subsidiaries, RAC Finance Group Limited and RAC Finance (Holdings) Limited, to RAC Midco Limited, an indirect Parent Company for consideration of £1.
- During the year, the RAC Bidco Limited Group paid £250 thousand (2015: £1 million) in respect of a monitoring fee to The Carlyle Group and GIC. Until 12 April 2016, The Carlyle Group owned 41% of the RAC Group, which was then sold to CVC Capital Partners.



## Notes to the Consolidated Financial Statements (continued)

### 27 Related party transactions (continued)

#### (a) The RAC Bidco Limited Group had the following transactions with related parties in 2016 and 2015: (continued)

##### (ii) Transactions with related parties (continued)

- In June 2016, Nebula Systems Limited paid £500 thousand to the RAC Bidco Limited Group (2015: £nil) in respect of a brand license fee. In addition, Nebula Systems Limited paid £25 thousand during the year to the RAC Bidco Limited Group for support costs (2015: £nil). Nebula Systems Limited is a related party as it is owned by RAC Midco Limited, an indirect Parent Company of the RAC Bidco Limited Group.

GIC, CVC and senior management are all related parties of the RAC Bidco Limited Group by virtue of their shareholdings in the RAC Group. Orange Investment S.à.r.l (formerly CEP III Investment 17 S.à.r.l.) is a related party as it is controlled by GIC and CVC. Until 12 April 2016, Carlyle was a related party of the RAC Bidco Limited Group.

#### (b) Key management compensation

The total compensation to those employees classified as key management, being those senior managers having authority and responsibility for planning, directing and controlling the activities of the Group, including the Directors, in respect of the RAC Bidco Limited Group is as follows:

|  | <u>2016</u>  | <u>2015</u>  |
|--|--------------|--------------|
|  | <u>£000</u>  | <u>£000</u>  |
| Fees and benefits .....                        | 2,695        | 4,209        |
| Contributions paid into a pension scheme ..... | 79           | 70           |
|  | <u>2,774</u> | <u>4,279</u> |

Fees and benefits include key management bonuses. During the year, payments of £118 thousand (2015: £125 thousand) were made to key management for loss of office.

#### (c) Key management interests

No key management personnel held equity stakes in the RAC Bidco Limited Group at 31 December 2016 or 31 December 2015.

At no time during the reported periods did any Director hold a material interest in any contract of significance with any RAC Bidco Limited Group company other than an indemnity provision between each Director and a Group company and service contracts between each Director and a Group company.

#### (d) Immediate Parent Company

The immediate controlling entity of the Company is RAC Midco II Limited, registered in England and Wales.

#### (e) Immediate and ultimate controlling party

The ultimate controlling entity of the Group is RAC Group (Holdings) Limited. Its Annual Report and Financial Statements are available on application to the Company Secretary, RAC Group (Holdings) Limited, RAC House, Brockhurst Crescent, Walsall, West Midlands, United Kingdom, WS5 4AW. The lowest level at which Consolidated IFRS Financial Statements are prepared is RAC Bidco Limited.

### 28 Fair value of financial assets and liabilities

The information set out below provides information about how the Group determines fair values of various financial assets and financial liabilities.

## Notes to the Consolidated Financial Statements (continued)

### 28 Fair value of financial assets and liabilities (continued)

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

| <u>Financial asset/liability</u>              | <u>Fair value as at<br/>31 December 2016</u> | <u>Fair value as at<br/>31 December 2015</u> | <u>Fair value<br/>hierarchy</u> |
|---|--|--|---------------------------------|
|   | <u>£m</u>                                    | <u>£m</u>                                    |                                 |
| Cash flow hedge liability (note 20) . . . . . | (15)   | (10)   | Level 2                         |

The interest rate swaps have been valued using market observable inputs of interest rate curves built using cash rates, swap rates and forward rates.

**RAC Bidco Limited**

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**Audited Consolidated Financial Statements of  
RAC Bidco Limited as at and for the year ended  
31 December 2015**

## **RAC Bidco Limited**

### **Audited Consolidated Financial Statements of RAC Bidco Limited as at and for the year ended 31 December 2015**

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**RAC BIDCO LIMITED**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

## **RAC Bidco Limited**

### **Independent auditor's report to the members of RAC Bidco Limited**

We have audited the Financial Statements of RAC Bidco Limited for the year ended 31 December 2015, which comprise the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated statement of financial position, the Consolidated statement of changes in equity, the Consolidated statement of cash flows, the accounting policies and the related notes 1 to 26, the Parent Company statement of financial position, the Parent Company statement of changes in equity, the Parent Company statement of cash flows and the related notes 1 to 12. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union and, as regards the Parent Company Financial Statements, as applied in accordance with the provisions of the Companies Act 2006.

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

### **Respective responsibilities of Directors and auditor**

As explained more fully in the Statement of Directors' responsibilities, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the Financial Statements**

An audit involves obtaining evidence about the amounts and disclosures in the Annual Report and Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting **policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently** applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the Financial Statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the Financial Statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on Financial Statements**

In our opinion:

- **the Financial Statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2015 and of the Group's loss for the year then ended;**
- the Group Financial Statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company Financial Statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matters prescribed by the Companies Act 2006**

**In our opinion the information given in the Strategic Report and the Directors' Report for the financial period for which the Financial Statements are prepared is consistent with the Financial Statements.**

**RAC Bidco Limited**

**Independent auditor's report to the members of RAC Bidco Limited (continued)**

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company Financial Statements are not in agreement with the accounting records and returns; or
- **certain disclosures of directors' remuneration specified by law are not made; or**
- we have not received all the information and explanations we require for our audit.

Richard Knights (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Birmingham  
United Kingdom  
Date: 29 February 2016

**RAC Bidco Limited**

**Consolidated Financial Statements 2015**

**Consolidated income statement**

**For the year ended 31 December 2015**

|  | Note      | Year ended<br>31 December<br>2015 | Period ended<br>31 December<br>2014 |
|--|-----------|-----------------------------------|-------------------------------------|
|  |           | £m                                | £m                                  |
| Revenue .....  | <b>1</b>  | 501                               | 19                                  |
| Cost of sales .....  |           | (215)                             | (8)                                 |
| Gross profit .....   |           | 286                               | 11                                  |
| Administrative expenses .....                                    |           | (288)                             | (24)                                |
| Operating loss .....   | <b>2</b>  | (2)                               | (13)                                |
| EBITDA before exceptional items .....                            |           | 183                               | 7                                   |
| Depreciation .....   | <b>11</b> | (4)                               | —                                   |
| Amortisation of customer acquisition intangibles .....           | <b>10</b> | (10)                              | —                                   |
| Amortisation of non customer acquisition intangible assets ..... | <b>10</b> | (171)                             | (11)                                |
| Exceptional items .....  | <b>3</b>  | —                                 | (9)                                 |
| Operating loss .....   |           | (2)                               | (13)                                |
| Finance expenses .....   | <b>5</b>  | (83)                              | (4)                                 |
| Loss before tax .....  |           | (85)                              | (17)                                |
| Tax credit .....   | <b>9</b>  | 39                                | 1                                   |
| <b>Loss for the year/period .....</b>                            |           | <b>(46)</b>                       | <b>(16)</b>                         |

The accounting policies and notes on pages 36 to 77 are an integral part of these Financial Statements.



**RAC Bidco Limited**

**Consolidated Financial Statements 2015 (continued)**

**Consolidated statement of comprehensive income**

**For the year ended 31 December 2015**

|   | Note  | Year ended<br>31 December<br>2015 | Period ended<br>31 December<br>2014 |
|---|-------|-----------------------------------|-------------------------------------|
|   |       | £m                                | £m                                  |
| Loss for the year/period . . . . .  |       | (46)                              | (16)                                |
| Other comprehensive income/(expense)  |       |                                   |                                     |
| <i>Other comprehensive income/(expense) to be reclassified to profit or loss in subsequent periods:</i> |       |                                   |                                     |
| Net movement on cash flow hedges . . . . .  | 19(b) | (1)                               | (9)                                 |
| Aggregate tax effect . . . . .  | 9(c)  | —                                 | 2                                   |
| Net other comprehensive expense to be reclassified to profit or loss in subsequent periods . . . . .    |       | (1)                               | (7)                                 |
| Total comprehensive expense for the year/period . . . . .   |       | (47)                              | (23)                                |

The accounting policies and notes on pages 36 to 77 are an integral part of these Financial Statements.

**RAC Bidco Limited**

**Consolidated Financial Statements 2015 (continued)**

**Consolidated statement of financial position**

**As at 31 December 2015**

|                                  | Note             | <u>2015</u><br>£m   | <u>2014</u><br>£m   |
|----------------------------------|------------------|---------------------|---------------------|
| <b>ASSETS</b>                    |                  |                     |                     |
| Non-current assets               |                  |                     |                     |
| Goodwill and intangible assets   | <b>10</b>        | 2,300               | 2,453               |
| Property, plant and equipment    | <b>11</b>        | 15                  | 13                  |
| Deferred tax assets              | <b>16</b>        | <u>9</u>            | <u>9</u>            |
|                                  |                  | 2,324               | 2,475               |
| <b>Current assets</b>            |                  |                     |                     |
| Inventories                      | <b>13</b>        | 3                   | 2                   |
| Trade and other receivables      | <b>14</b>        | 62                  | 60                  |
| Cash and cash equivalents        | <b>15</b>        | <u>88</u>           | <u>54</u>           |
|                                  |                  | 153                 | 116                 |
| <b>LIABILITIES</b>               |                  |                     |                     |
| <b>Current liabilities</b>       |                  |                     |                     |
| Borrowings                       | <b>20(a)</b>     | (13)                | (10)                |
| Provisions                       | <b>17</b>        | (1)                 | (1)                 |
| Current tax payable              | <b>16</b>        | (28)                | (11)                |
| Trade and other payables         | <b>18</b>        | <u>(236)</u>        | <u>(262)</u>        |
|                                  |                  | (278)               | (284)               |
| <b>Net current liabilities</b>   |                  | <u><b>(125)</b></u> | <u><b>(168)</b></u> |
| <b>Non-current liabilities</b>   |                  |                     |                     |
| Borrowings                       | <b>20(a)</b>     | (1,132)             | (1,136)             |
| Employee benefit liability       | <b>23(c)(iv)</b> | (6)                 | (7)                 |
| Trade and other payables         | <b>18</b>        | (3)                 | (4)                 |
| Derivative financial instruments | <b>19</b>        | (10)                | (9)                 |
| Deferred tax liability           | <b>16</b>        | <u>(244)</u>        | <u>(300)</u>        |
|                                  |                  | (1,395)             | (1,456)             |
| <b>Net assets</b>                |                  | <u><b>804</b></u>   | <u><b>851</b></u>   |
| <b>EQUITY</b>                    |                  |                     |                     |
| Ordinary share capital           | <b>21</b>        | 874                 | 874                 |
| Hedging instruments reserve      |                  | (8)                 | (7)                 |
| Retained earnings                |                  | <u>(62)</u>         | <u>(16)</u>         |
| <b>Total equity</b>              |                  | <u><b>804</b></u>   | <u><b>851</b></u>   |

The accounting policies and notes on pages 36 to 77 are an integral part of these Financial Statements.

Approved by the Board on 29 February 2016

D Cougill, Chief Financial Officer

**RAC Bidco Limited**

**Consolidated Financial Statements 2015 (continued)**

**Consolidated statement of changes in equity**

**For the year ended 31 December 2015**

|   | Note      | Ordinary<br>share capital | Hedging<br>instruments<br>reserve | Retained<br>earnings | Total equity |
|---|-----------|---------------------------|-----------------------------------|----------------------|--------------|
|   |           | £m                        | £m                                | £m                   | £m           |
| <b>Balance at 22 September 2014</b> ..... |           | —                         | —                                 | —                    | —            |
| Loss for the period .....                 |           | —                         | —                                 | (16)                 | (16)         |
| Other comprehensive expense .....         |           | —                         | (7)                               | —                    | (7)          |
| Total comprehensive expense .....         |           | —                         | (7)                               | (16)                 | (23)         |
| Issue of share capital .....              | <b>21</b> | 874                       | —                                 | —                    | 874          |
| <b>Balance at 31 December 2014</b> .....  |           | 874                       | (7)                               | (16)                 | 851          |
| Loss for the year .....                   |           | —                         | —                                 | (46)                 | (46)         |
| Other comprehensive expense .....         |           | —                         | (1)                               | —                    | (1)          |
| Total comprehensive expense .....         |           | —                         | (1)                               | (46)                 | (47)         |
| <b>Balance at 31 December 2015</b> .....  |           | 874                       | (8)                               | (62)                 | 804          |

The accounting policies and notes on pages 36 to 77 are an integral part of these Financial Statements.

**RAC Bidco Limited**

**Consolidated Financial Statements 2015 (continued)**

**Consolidated statement of cash flows**

**For the year ended 31 December 2015**

|   | Note      | Year ended<br>31 December<br>2015<br>£m | Period ended<br>31 December<br>2014<br>£m |
|---|-----------|---|---|
| Operating activities  |           |   |   |
| Loss before tax   |           | (85)                                    | (17)                                      |
| Adjustments to reconcile loss before tax to net cash flows:         |           |   |   |
| Depreciation of owned tangible assets                               | 11        | 4                                       | —   |
| Amortisation of intangible assets                                   | 10        | 181                                     | 11  |
| Finance expenses and other gains                                    | 5         | 83                                      | 4   |
| Transaction costs   | 3         | —                                       | 9   |
| Working capital adjustments:  |           |   |   |
| Increase in inventories   |           | (1)                                     | —   |
| (Increase)/decrease in trade and other receivables                  |           | (3)                                     | 10  |
| Decrease in trade and other payables                                |           | (28)                                    | (21)                                      |
| <b>Net cash flows from operating activities</b>                     |           | <b>151</b>                              | <b>(4)</b>                                |
| <b>Investing activities</b>   |           |   |   |
| Acquisition of companies, net of cash acquired                      | 12(c)     | —                                       | (723)                                     |
| Purchase of property, plant and equipment                           | 11        | (6)                                     | —   |
| Additions of intangible assets                                      | 10        | (28)                                    | —   |
| <b>Net cash flows used in investing activities</b>                  |           | <b>(34)</b>                             | <b>(723)</b>                              |
| <b>Financing activities</b>   |           |   |   |
| Net proceeds from bank debt   | 20(b)     | —                                       | 1,159                                     |
| Repayment of bank debt  | 20(b)     | (10)                                    | (777)                                     |
| Repayment of loan notes   | 25(a)(i)  | —                                       | (2)                                       |
| Issue of shares   | 21        | —                                       | 405                                       |
| Interest paid   |           | (73)                                    | (4)                                       |
| <b>Net cash flows (used in)/generated from financing activities</b> |           | <b>(83)</b>                             | <b>781</b>                                |
| <b>Net increase in cash and cash equivalents</b>                    |           | <b>34</b>                               | <b>54</b>                                 |
| Cash and cash equivalents brought forward                           | 15        | 54                                      | —   |
| <b>Cash and cash equivalents carried forward</b>                    | <b>15</b> | <b>88</b>                               | <b>54</b>                                 |

The accounting policies and notes on pages 36 to 77 are an integral part of these Financial Statements.

## **RAC Bidco Limited**

### **Accounting policies**

#### **(A) Corporate information**

RAC Bidco Limited, a limited liability company incorporated and domiciled in the United Kingdom, together with its subsidiaries, provides services and benefits to Members of RAC and other motorists primarily in the UK. The registered office is located at RAC House, Brockhurst Crescent, Walsall, West Midlands, WS5 4AW in England.

Information on the RAC Bidco Limited Group's structure is provided in note 12. Information on other related party relationships of the RAC Bidco Limited Group is provided in note 25.

The Company was incorporated on 22 September 2014 as Nelson Bidco Limited. With effect from 29 December 2014, the Company changed its name to RAC Bidco Limited.

The Group and Parent Company Financial Statements of RAC Bidco Limited for the year ended 31 December 2015 were approved for issue by the Board on 29 February 2016.

#### **(B) Basis of preparation and basis of consolidation**

##### **Basis of preparation**

The Consolidated Financial Statements presented have been prepared for the RAC Bidco Limited Group, which comprises RAC Bidco Limited and its subsidiaries. The Financial Statements of the RAC Bidco Limited Group and the Parent Company have been prepared on the historical cost basis, except for certain properties and financial instruments that are measured at fair value, as explained in the accounting policies. Historical cost is generally based on the fair value of consideration given in exchange for assets.

The RAC Bidco Limited Group was formed when the RAC Group of Companies were acquired on 17 December 2014 by the Company. RAC Bidco Limited is a company ultimately owned by CEP III Nelson SCSp., part of the entities doing business as The Carlyle Group; Sphinx Investment Pte Limited, part of the GIC group; management and the RAC Employee Benefit Trust ("EBT").

The Financial Statements of the RAC Bidco Limited Group and the Parent Company have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union ("EU").

The Consolidated and Parent Company Financial Statements are presented in pounds sterling, which is the Group's presentation currency. Unless otherwise noted, the amounts shown in these Financial Statements are in millions of pounds sterling ("£m").

The separate Financial Statements of the Company are set out from page 78. On publishing the Parent Company Financial Statements here together with the RAC Bidco Limited Group Financial Statements, the Company is taking advantage of the exemption in s408 of the Companies Act 2006 not to present its individual income statement. The Parent Company's loss for the year ended 31 December 2015 was £53 million (period ended 31 December 2014: £12 million).

Certain prior period amounts have been reclassified for consistency with the current year presentation. These reclassifications had no material effect on the reported results of the RAC Bidco Limited Group. The amounts relate to reclassifications from Administrative expenses to Cost of sales, as they directly link to generating revenue. In addition, certain amounts in 2014 have been reclassified from Trade payables and accruals to Deferred income as well as reclassifications in the statement of cashflows from financing and investing activities to operating cash flows. These reclassified amounts have no impact on the reported loss and net assets in the Parent Company Financial Statements.

##### **Going concern**

The Directors have assessed the financial position and the future funding requirements of the Group and the Company and compared them to the level of available committed borrowing facilities. Details of cash and borrowing facilities are set out in notes 15 and 20 to the Consolidated Financial Statements. The Group's objectives, policies and processes for managing its capital its financial, risk management objectives, details of its financial instruments and hedging activities, and its exposure to credit risk and liquidity risk are set out in note 24 to the Consolidated Financial Statements.

## **RAC Bidco Limited**

### **Accounting policies (continued)**

#### **(B) Basis of preparation and basis of consolidation (continued)**

##### **Going concern (continued)**

The Directors' assessment included a review of the Group's financial forecasts, financial instruments and hedging arrangements for the 15 month period from the statement of financial position date. The Directors considered a range of potential scenarios and how these may impact on cash flow, facility headroom and the Group's ability to comply with terms of its bank debt. The Directors' assessment also included a review of any potential refinancing which may be considered post completion of the acquisition by CVC of Carlyle's shareholding in the Group.

The Group's and Company's business activities, together with the factors likely to affect their future development, performance and position are set out in the Strategic Report on pages 2 to 20. The Directors also considered what mitigating actions the Group could take to limit any adverse consequences.

The RAC Bidco Limited Group has net assets of £804 million. This largely reflects the value of separately identifiable intangible assets on the business combination, offset by the gross bank debt of £1,193 million.

The Company has net assets of £801 million and net current liabilities of £83 million. The Directors have considered the financial position and future prospects of the Company. As the Company is in a net current liabilities position, a letter of support has been provided by its Parent Company, RAC Midco II Limited in order to ensure it is able to pay any liabilities as they become due. Accordingly, the Directors continue to adopt the going concern basis in preparing the Annual Report and Financial Statements.

Having undertaken this assessment, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and so determine that it is appropriate for the 2015 Company and RAC Bidco Limited Group Financial Statements to be prepared on a going concern basis.

##### **Basis of consolidation**

The Consolidated Financial Statements comprise the Financial Statements of the Company and its subsidiaries as at 31 December 2015.

Subsidiaries are those entities in which the Group, directly or indirectly, has power to exercise control. Control is achieved when the Group is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and contractual voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the financial period are included in the statement of financial position and the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss of each component of other comprehensive income ("OCI") is attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling

## **RAC Bidco Limited**

### **Accounting policies (continued)**

#### **(B) Basis of preparation and basis of consolidation (continued)**

##### **Basis of consolidation (continued)**

interests having a deficit balance. When necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

##### **Investments in associates**

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

Investments in associates are accounted for using the equity method. Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The consolidated income statement reflects the Group's share of the results of the operations of the associate. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, where applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognises the loss as 'Share of profit of an associate' in the consolidated income statement.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and proceeds from disposal is recognised in the consolidated income statement.

##### **Business combinations**

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the

## **RAC Bidco Limited**

### **Accounting policies (continued)**

#### **(B) Basis of preparation and basis of consolidation (continued)**

##### **Business combinations (continued)**

acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes an asset or liability resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39 Financial Instruments: Recognition and Measurement, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

#### **(C) Revenue recognition**

Revenue is measured as the fair value of the consideration received or receivable and represents amounts receivable for services and related products provided in the normal course of business, net of rebates and discounts and excluding any sales-based taxes, duties or levies.

##### **Service revenue**

Revenue represents sales of roadside assistance and services and is recognised on a straight line basis over the length of the contract, usually twelve months.

Where amounts have been invoiced in advance, the portion not recognised in revenue is included in deferred income.

##### **Products**

Revenue relating to the sale of products, such as batteries and parts, is recognised according to the terms of the sale, when the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership;
- the Group retains neither continuing managerial involvement nor effective control over the products sold;
- the amount of revenue and costs incurred can be measured reliably; and
- it is probable that economic benefits associated will flow to the Group.

##### **Insurance brokerage**

Commission is received from insurance brokerage services for home, motor and niche insurance policies. This is recognised on the effective commencement date or renewal date of the policies sold.

##### **Rental income**

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease.



## **RAC Bidco Limited**

### **Accounting policies (continued)**

#### **(C) Revenue recognition (continued)**

##### **Other income**

Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

#### **(D) Exceptional items**

Items which are considered by management to be material by size and/or nature or non-recurring are presented separately on the face of the income statement. Management believe that the separate reporting of exceptional items helps provide an indication of the Group's underlying business performance. Events which may give rise to a classification of items as exceptional include costs associated with business acquisitions, gains or losses on the disposal of businesses, restructuring of businesses and asset impairments.

#### **(E) Goodwill, acquired value-in-force and intangible assets**

##### **Goodwill**

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary at the acquisition date. Goodwill is carried at cost, less any impairment subsequently incurred.

##### **Acquired value-in-force business**

The acquired value-in-force represents future margins in deferred income in the statement of financial position at the date of acquisition. This intangible asset is amortised over its useful life of less than twelve months.

##### **Brand**

The RAC brand has been assessed as having an indefinite life due to the strength and durability of the brand that has existed since 1897.

##### **Customer lists and other intangible assets**

Customer lists and other intangible assets consist of IT projects and infrastructure, and contractual relationships such as access to distribution networks and acquired customer lists. The economic lives are determined by relevant factors which include; usage of the asset, typical product life cycles, stability of the industry, competitive position and period of control over the assets. These intangibles are amortised over their useful lives, which range from two to ten years using the straight line method.

The amortisation charge for the period is included separately within the income statement in administrative expenses. A provision for impairment will be charged where evidence of such an impairment is observed. Intangibles with indefinite lives are subject to regular impairment testing, as described below.

##### **Customer acquisition intangibles**

The Group expenses acquisition costs as incurred, with the exception of third party commissions and fees arising as a result of a direct sale, which are capitalised as customer acquisition intangibles.

The customer acquisition intangible is initially recognised at cost and subsequently amortised over the useful economic life of the policies, typically four to five years, which is driven by internal customer retention rate analysis.

##### **Intangible assets acquired in a business combination**

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

## **RAC Bidco Limited**

### **Accounting policies (continued)**

#### **(E) Goodwill, acquired value-in-force and intangible assets (continued)**

##### **Impairment testing**

For impairment testing, goodwill has been allocated to the four cash generating units (“CGU”) that existed as at the date of acquisition as these represent the lowest level within the Group which generates independent cash inflows. The carrying amount of goodwill and intangibles with indefinite useful lives is reviewed at least annually or when circumstances or events indicate there may be uncertainty over this value. Goodwill and indefinite life intangibles are written down for impairment where the recoverable amount is insufficient to support its carrying amount. Details of the testing performed and carrying values of goodwill and intangibles is shown within note 10.

#### **(F) Property, plant and equipment**

Owner-occupied properties are carried at their revalued amounts, being the fair value at the date of revaluation, which are supported by market evidence, and movements are taken to a separate reserve within equity. A revaluation deficit is recognised in the income statement, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve. When such properties are sold, the accumulated revaluation surpluses are transferred from this reserve to retained earnings. Third party valuations are obtained every three years to support management’s internal valuations, carried out on an annual basis.

All other items classified as property, plant and equipment within the statement of financial position are carried at historical cost less accumulated depreciation.

Depreciation is calculated on the straight line method to write down the cost of assets to their residual values over their estimated useful lives as follows:

|  |            |
|--|------------|
| Fixtures, fittings and other equipment . . . . . | 3-10 years |
| Computer equipment . . . . .                     | 4 years    |

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are recorded in the income statement.

#### **(G) Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable selling expenses. An inventory provision is held based on the age of inventory.

#### **(H) Impairment of non-financial assets**

Non-financial assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset’s fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

#### **(I) Trade receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset’s carrying amount and the present value of estimated future cash flows. The amount of the provision is recognised in the income statement.

## **RAC Bidco Limited**

### **Accounting policies (continued)**

#### **(J) Cash and cash equivalents**

Cash and cash equivalents consist of cash at banks and in hand, deposits held at call with banks and treasury bills that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Such investments are those with less than three months' maturity from the date of acquisition, or which are redeemable on demand with only an insignificant change in their fair values. For the purposes of the statement of cash flows, cash and cash equivalents also include bank overdrafts, which are included in payables and other financial liabilities in the statement of financial position.

#### **(K) Borrowings**

Borrowings are recognised initially at their issue proceeds net of transaction costs incurred. Subsequently, borrowings are stated at amortised cost, and any difference between net proceeds and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method.

Upon extinguishment of borrowings, any remaining related transaction costs are charged to finance expenses in the income statement. If the terms of a debt instrument are modified the remaining fees are amortised over the life of the instrument. When the terms of a debt instrument are amended it is treated as an extinguishment rather than a modification if the revised terms are substantially different.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

#### **(L) Derivative financial instruments**

The Group holds derivative financial instruments, which include interest rate swaps, to hedge its interest rate exposures. Derivatives are recognised initially and subsequently at fair value. Any gains or losses arising from changes in fair value of derivative financial instruments are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in other comprehensive income remains separately in equity until the forecast transaction occurs.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as other losses (negative net changes in fair value) or other gains (positive net changes in fair value) in the income statement.

The Group also has forward contracts for fuel purchases for a period of at least twelve months in order to hedge the variability of cash flows associated with the purchasing of fuel for use in the Group's operational fleet of Patrols and recovery vehicles. These contracts are not accounted for as derivatives as they are for the Group's own use and are therefore outside the scope of IAS 39 Financial Instruments: Recognition and Measurement.

#### **(M) Cash flow hedge**

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the income statement as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any gain or loss

## **RAC Bidco Limited**

### **Accounting policies (continued)**

#### **(M) Cash flow hedge (continued)**

recognised in other comprehensive income at that time is accumulated in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

#### **(N) Provisions and contingent liabilities**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset, up to the amount of the provision, but only when the reimbursement is virtually certain.

Contingent liabilities are disclosed if there is a possible future obligation as a result of a past event, or if there is a present obligation as a result of a past event but either a payment is not probable yet still possible or the amount cannot be reliably estimated.

#### **(O) Income taxes**

Income taxes include both current and deferred taxes. Income taxes are (charged)/credited to the consolidated income statement except where they relate to items (charged)/credited directly to other comprehensive income or equity. In this instance, the income taxes are also (charged)/credited directly to other comprehensive income or equity respectively.

Deferred tax is provided using the liability method in respect of 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 when 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. 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. 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 income 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 to 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 and deferred income tax assets and liabilities are offset where taxes are levied by the same taxation authority, there is a legal right of offset between the assets and liabilities and there is an intention to settle on a net basis.

#### **(P) Leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

#### **(Q) Employee benefits**

##### **Pension obligations and other post-retirement benefit obligations**

The Group operates two post-employment benefit plans, a funded plan (the assets of which are held in separate trustee-administered funds, funded by payments from employees and the Group); and an unfunded unapproved pension scheme.

## **RAC Bidco Limited**

### **Accounting policies (continued)**

#### **(Q) Employee benefits (continued)**

##### **Pension obligations and other post-retirement benefit obligations (continued)**

In addition the Group also provides a disability benefits scheme on a discretionary basis for certain pensioners and their dependants in the UK, and certain employees may also become eligible for this benefit on retirement, and medical benefits on a discretionary basis for certain pensioners and their dependants in the UK. No assets are set aside in separate funds to provide for the future liability.

For post-employment defined benefit plans, the pension costs are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to the income statement so as to spread the regular cost over the service lives of the employees. The pension obligation is measured as the present value of the estimated future cash outflows, using a discount rate based on market yields for high quality corporate bonds that are denominated in the currency in which the benefits will be paid and have terms of maturity approximate to the related pension liability. The resulting pension scheme surplus or deficit appears as an asset or liability in the statement of financial position.

Remeasurements, comprising of actuarial gains and losses and the return on plan assets (excluding net interest) are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Costs charged to the income statement comprise the current service cost (the increase in pension obligation resulting from employees' service in the current period, together with the schemes' administration expenses), past service cost (resulting from changes to benefits with respect to previous years' service), and gains or Losses on curtailment (when the employer materially reduces the number of employees covered by the scheme) or on settlements (when a scheme's obligations are transferred from the Group).

Past service costs are recognised in the consolidated income statement on the earlier of the date of the plan amendment or curtailment, and the date that the Group recognises restructuring-related costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under 'cost of sales', 'administrative expenses' and 'finance expenses' in the consolidated income statement:

- service costs comprising current service costs, past service costs, gains and losses on curtailment and non-routine settlements; and
- net interest expense or income.

##### **Termination benefits**

The Group provides termination benefits. All termination costs are charged to the income statement when constructive obligation to such costs arises.

#### **(R) Share capital and dividends**

##### **Equity instruments**

An equity instrument is a contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Accordingly, all financial instruments are treated as financial liabilities or assets unless:

- (i) there is no contractual obligation to deliver cash or other financial assets or to exchange financial assets or liabilities on terms that may be unfavourable; and
- (ii) the instrument will not be settled by delivery of a variable number of shares or is a derivative that can be settled other than for a fixed amount of cash, shares or other financial assets.

##### **Dividends**

Interim dividends on ordinary shares are recognised in equity in the period in which they are paid. Final dividends on these shares are recognised when they have been approved by shareholders.

## **RAC Bidco Limited**

### **Accounting policies (continued)**

#### **(S) Application of new and revised International Financial Reporting Standards (“IFRSs”)**

The following new and amended IFRSs are effective for the 2015 Financial Statements. The adoption of these Standards has not had any material impact on the disclosures or on the amounts reported in the Consolidated or Parent Company’s Financial Statements.

- Amendments to IAS 19 Defined Benefit Plans: Employee Contributions
- Annual Improvements to IERSs 2010 – 2012 Cycle
- Annual Improvements to IFRSs 2011 – 2013 Cycle

At the date of authorization of these Financial Statements the RAC Bidco Limited Group has not applied the following new and revised IFRSs that have been issued but are not yet effective and in some case had not yet been adopted by the EU:

- Amendments to IFRS 11 Accounting for Acquisitions of Interest and in Joint Operations<sup>1</sup>
- Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation<sup>1</sup>
- Amendments to IAS 27 Equity Method in Separate Financial Statements<sup>1</sup>
- Amendments to IAS 27 Equity Method in Separate Financial Statements<sup>1</sup>
- Annual Improvements to IFRSs 2012 – 2014 Cycle<sup>1</sup>
- IFRS 9 Financial Instruments<sup>2</sup>
- IFRS 15 Revenue from Contracts with Customers<sup>2</sup>
- IFRS 16 Leases<sup>3</sup>

The RAC Bidco Limited Group is currently in the process of evaluating the impact of the adoption of new and revised standards, including IFRS 9, IFRS 15 and IFRS 16 on its financial reporting. It is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

#### **(T) Critical accounting judgements and key sources of estimation uncertainty**

The preparation of the Financial Statements in conformity with IFRSs requires the Group to make estimates and judgements using assumptions that affect items reported in the Consolidated statement of financial position and Consolidated income statement and the disclosure of contingent assets and liabilities at the reporting date. Estimates are based on management’s best knowledge of current facts, circumstances and, to some extent, future events and actions. Actual results may differ from those estimates, possibly significantly. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Set out below are items where management have taken a judgement or which management consider particularly susceptible to changes in estimates and assumptions, and the relevant accounting policy.

##### **(i) Critical judgements in applying the Group’s accounting policies**

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the Directors have made in the process of applying the Group’s accounting policies and that have the most significant effect on the amounts recognised in the Financial Statements.

##### **Tax provisions**

Assessing the outcome of uncertain tax positions requires judgements to be made regarding the result of negotiations with and enquiries from tax authorities in a number of jurisdictions. The assessments made are based on advice from independent tax advisers and the status of ongoing discussions with the relevant tax authorities.

<sup>1</sup> Effective for annual periods commencing on or after 1 January 2016

<sup>2</sup> Effective for annual periods commencing on or after 1 January 2018

<sup>3</sup> Effective for annual periods commencing on or after 1 January 2019



**(T) Critical accounting judgements and key sources of estimation uncertainty (continued)**

**(i) Critical judgements in applying the Group's accounting policies (continued)**

**Provisions and contingent liabilities**

Assessing the financial outcome of uncertain commercial and legal positions requires judgements to be made regarding the relative merits of each party's case and the extent to which any claim against the Group is likely to be successful. The assessments made are based on advice from the Group's internal counsel and, where appropriate, independent legal advice.

**Customer acquisition intangibles**

Acquisitions result in acquired third party commissions and fees being recognised as intangible assets. As an outcome of the above certain key judgements and estimates are required to be made in respect of the useful life in which the acquired asset is amortised over, this assessment is based upon internal customer retention rate analysis.

**(ii) Key sources of estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date are discussed below:

**Fair value measurements and valuation process**

The Group measures financial instruments, such as derivatives, and non-financial assets such as owner-occupied properties, at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Financial Statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the Financial Statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

**(T) Critical accounting judgements and key sources of estimation uncertainty (continued)**

**(ii) Key sources of estimation uncertainty (continued)**

**Employee benefit obligations**

Determining the amount of the Group's employee benefit obligations and the net costs of providing such benefits requires assumptions to be made concerning inflation, salary and pension increases, investment returns and expected mortality of scheme members. Changes in these assumptions could significantly impact the amount of the obligations or the cost of providing such benefits. The Group makes assumptions concerning these matters with the assistance from independently qualified actuaries. Details of the assumptions made are set out in note 23 to the Consolidated Financial Statements.

**Impairment of goodwill and indefinite lived intangible assets**

Determining whether goodwill and brand are impaired requires an estimation of the value in use of the cash-generating units to which goodwill and brand has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amount of goodwill and the brand as at both 31 December 2015 and 31 December 2014 was £906 million and £872 million respectively. No impairment loss of goodwill or the brand has been recognised in the reported periods.



**RAC Bidco Limited**  
**Notes to the Consolidated Financial Statements**

**1 Revenue**

|                        | Year ended 31<br>December<br>2015 | Period ended<br>31 December<br>2014 |
|------------------------|-----------------------------------|-------------------------------------|
|                        | £m                                | £m                                  |
| Sale of products ..... | 24                                | 1                                   |
| Sale of services ..... | 477                               | 18                                  |
| Total revenue .....    | <u>501</u>                        | <u>19</u>                           |

**2 Operating items**

The following items have been included in arriving at the result:

|   | Year ended 31<br>December<br>2015 | Period ended<br>31 December<br>2014 |
|---|-----------------------------------|-------------------------------------|
|   | £m                                | £m                                  |
| Depreciation of owned tangible assets (note 11) . . . .                       | 4                                 | —                                   |
| Amortisation of customer acquisition intangible<br>assets (note 10) .....     | 10                                | —                                   |
| Amortisation of non customer acquisition intangible<br>assets (note 10) ..... | 171                               | 11                                  |
| Employee costs (note 7) .....   | 145                               | 6                                   |
| Operating lease rentals paid .....  | 13                                | 1                                   |
| Rental income .....   | <u>(1)</u>                        | <u>(1)</u>                          |

**3 Exceptional items**

|                         | Year ended 31<br>December<br>2015 | Period ended<br>31 December<br>2014 |
|-------------------------|-----------------------------------|-------------------------------------|
|                         | £m                                | £m                                  |
| Transaction costs ..... | —                                 | 9                                   |
|                         | <u>—</u>                          | <u>9</u>                            |

Transaction costs in 2014 relate to the acquisition of the RAC Group of Companies in December 2014.

**4 Operating segments**

The Group is primarily UK based and offers an increasing range of breakdown and other motoring services directly to Individual Members and other motorists, as well as indirectly through a range of Corporate Partner relationships. Management has determined the operating segments based on the monthly management accounts reviewed by the Board of Directors, which is used to assess the performance of the business. The Board of Directors has been identified by management to reflect the chief operating decision maker in accordance with the requirements of IFRS 8 Operating Segments. The four operating and reportable segments of the Group are described below.

**Roadside**

Roadside assistance is the largest operating segment of the business, offering breakdown cover and related products to Individual Members and Corporate Partners.

**Insurance broking**

The insurance broking division predominantly acts as an insurance intermediary with minimal underwriting risk. A range of insurance products are offered and the majority of the revenue generated from this operating segment is driven by motor insurance products.

**RAC Bidco Limited**  
**Notes to the Consolidated Financial Statements (continued)**

**4 Operating segments (continued)**

**Motoring services**

The motoring services division includes a range of established products such as legal and motor claims services and new business areas such as retail online, garage services, SME business club and RAC Cars.

**Telematics and Data services**

The telematics and data services division focuses on the sale of telematics devices to Individual Members, Corporate Partners and SME businesses as well as the monetisation of data assets held by the Group.

The following is an analysis of the RAC Bidco Limited Group's revenue and results by operating segment. During all periods reported on, there were no inter segment sales and no individual customer contributed 10% or more to the RAC Bidco Limited Group's revenue.

|  | Year ended 31<br>December<br>2015 | Period ended 31<br>December 2014 |
|--|-----------------------------------|----------------------------------|
|  | £m                                | £m                               |
| <b>Revenue of products</b>   |                                   |                                  |
| Roadside .....   | 24                                | 1                                |
| <b>Revenue of services</b>   |                                   |                                  |
| Roadside .....   | 395                               | 15                               |
| Insurance broking .....  | 56                                | 2                                |
| Motoring services .....  | 21                                | 1                                |
| Telematics and Data services .....   | 5                                 | —                                |
| <b>Group Revenue</b> .....   | <b>501</b>                        | <b>19</b>                        |
| <b>Segment EBITDA before exceptional items<br/>and head office costs</b>     |                                   |                                  |
| Roadside .....   | 187                               | 7                                |
| Insurance broking .....  | 31                                | 1                                |
| Motoring services .....  | 3                                 | —                                |
| Telematics and Data services .....   | 3                                 | —                                |
| <b>Group EBITDA before exceptional items and<br/>head office costs</b> ..... | <b>224</b>                        | <b>8</b>                         |
| Head office costs** .....  | (41)                              | (1)                              |
| <b>Group EBITDA before exceptional items</b> .....                           | <b>183</b>                        | <b>7</b>                         |
| Amortisation of intangible assets .....                                      | (181)                             | (11)                             |
| Depreciation .....   | (4)                               | —                                |
| Exceptional items** .....  | —                                 | (9)                              |
| <b>Operating loss</b> .....  | <b>(2)</b>                        | <b>(13)</b>                      |
| Finance expenses .....   | (83)                              | (4)                              |
| <b>Loss before tax from continuing operations</b> ...                        | <b>(85)</b>                       | <b>(17)</b>                      |

\*\* These costs are not internally analysed into separate operating segments.

**Assets and liabilities**

For the purpose of monitoring segment performance, working capital analysis is presented to and monitored by the Board on a Group level, to enable a meaningful review of the economic environment of the business as a whole. As the Group's financial information is reviewed by type, segmental analysis of assets and liabilities by function is not regularly provided to management and has not been presented within the financial information.

**RAC Bidco Limited**  
**Notes to the Consolidated Financial Statements (continued)**

**5 Finance expenses**

|   | Year ended 31<br>December<br>2015 | Period ended<br>31 December<br>2014 |
|---|-----------------------------------|-------------------------------------|
|   | £m                                | £m                                  |
| Interest payable - third parties . . . . .          | 77                                | 4                                   |
| Amortisation of capitalised finance costs . . . . . | 6                                 | —                                   |
|   | <u>83</u>                         | <u>4</u>                            |

**6 Auditor's remuneration**

The total remuneration payable by the Group, excluding VAT, to its auditor, Deloitte LLP, is shown below.

|   | Year ended 31<br>December<br>2015 | Period ended<br>31 December<br>2014 |
|---|-----------------------------------|-------------------------------------|
|   | £000                              | £000                                |
| <b>Audit services</b>                                     |                                   |                                     |
| Audit of financial statements . . . . .                   | 8                                 | 17                                  |
| Audit of subsidiaries . . . . .                           | 250                               | 235                                 |
|   | <u>258</u>                        | <u>252</u>                          |
| <b>Other services</b>                                     |                                   |                                     |
| Taxation compliance services . . . . .                    | 77                                | 43                                  |
| Other non-audit services . . . . .                        | —                                 | 1,416                               |
| <b>Total remuneration payable to Deloitte LLP . . . .</b> | <u>335</u>                        | <u>1,711</u>                        |

In addition, in 2014 the RAC Group of Companies incurred fees of £1,084 thousand in respect of aborted transaction costs, prior to being acquired by RAC Bidco Limited.

**7 Employee information**

The Company has no employees. All employees of the Group are employed and remunerated by RAC Motoring Services, a wholly owned subsidiary.

|  | Year ended 31<br>December<br>2015 | Period ended<br>31 December<br>2014 |
|--|-----------------------------------|-------------------------------------|
|  | Number                            | Number                              |
| The average number of persons employed during the year/period was: |                                   |                                     |
| Roadside . . . . .   | 3,020                             | 3,023                               |
| Insurance and claims . . . . .                                     | 133                               | 137                                 |
| Support . . . . .  | 285                               | 257                                 |
|  | <u>3,438</u>                      | <u>3,417</u>                        |
|  |                                   |                                     |
|  | Year ended 31<br>December<br>2015 | Period ended<br>31 December<br>2014 |
|  | £m                                | £m                                  |
| Total staff costs were:  |                                   |                                     |
| Wages and salaries . . . . .                                       | 124                               | 5                                   |
| Social security costs . . . . .                                    | 12                                | 1                                   |
| Pension costs . . . . .  | 8                                 | —                                   |
| Termination benefits . . . . .                                     | 1                                 | —                                   |
|  | <u>145</u>                        | <u>6</u>                            |

**RAC Bidco Limited**  
**Notes to the Consolidated Financial Statements (continued)**

**7 Employee information (continued)**

|                                  | Year ended 31<br>December<br>2015 | Period ended<br>31 December<br>2014 |
|----------------------------------|-----------------------------------|-------------------------------------|
|                                  | <u>£m</u>                         | <u>£m</u>                           |
| These costs were charged within: |                                   |                                     |
| Cost of sales .....              | 100                               | 4                                   |
| Administrative expenses .....    | <u>45</u>                         | <u>2</u>                            |
|                                  | <b>145</b>                        | <b>6</b>                            |

**8 Directors**

Details of the aggregate remuneration of the Directors of the Company for qualifying services in respect of the RAC Group comprise:

|  | Year ended 31<br>December<br>2015 | Period ended<br>31 December<br>2014 |
|--|-----------------------------------|-------------------------------------|
|  | <u>£000</u>                       | <u>£000</u>                         |
| Fees and benefits .....                  | <u>1,691</u>                      | <u>43</u>                           |
|  | <u>1,691</u>                      | <u>43</u>                           |
| Emoluments of the highest paid Director: |                                   |                                     |
| Fees and benefits .....                  | <u>824</u>                        | <u>20</u>                           |
|  | <u>824</u>                        | <u>20</u>                           |

- (a) Fees and benefits include Directors' bonuses.
- (b) Retirement benefits are accruing to no Directors (period ended 31 December 2014: 1) under a money purchase scheme.
- (c) During the year no Directors (period ended 31 December 2014: none) were awarded shares under long-term incentive schemes.

**9 Tax**

**(a) Tax credited to the income statement**

|  | Year ended 31<br>December<br>2015 | Period ended<br>31 December<br>2014 |
|--|-----------------------------------|-------------------------------------|
|  | <u>£m</u>                         | <u>£m</u>                           |
| The total tax credit comprises:                      |                                   |                                     |
| Current tax:   |                                   |                                     |
| For the year/period .....                            | 13                                | 1                                   |
| Adjustment in respect of prior periods .....         | <u>4</u>                          | <u>—</u>                            |
| Total current tax .....                              | <u>17</u>                         | <u>1</u>                            |
| Deferred tax:  |                                   |                                     |
| Origination and reversal of temporary differences .. | (30)                              | (2)                                 |
| Adjustment in respect of prior periods .....         | <u>(4)</u>                        | <u>—</u>                            |
| Change in tax rates .....                            | <u>(22)</u>                       | <u>—</u>                            |
| Total deferred tax .....                             | <u>(56)</u>                       | <u>(2)</u>                          |
| Total tax credited to the income statement .....     | <b><u>(39)</u></b>                | <b><u>(1)</u></b>                   |

**RAC Bidco Limited**  
**Notes to the Consolidated Financial Statements (continued)**

**9 Tax (continued)**

**(b) Tax reconciliation**

The tax on the Group's loss before tax differs from the theoretical amount that would arise using the tax rate in the UK as follows:

|   | Year ended 31<br>December<br>2015 | Period ended<br>31 December<br>2014 |
|---|-----------------------------------|-------------------------------------|
|   | £m                                | £m                                  |
| Loss before tax .....   | (85)                              | (17)                                |
| Tax calculated at standard UK corporation tax rate<br>of 20.25% (2014: 21.5%) ..... | (17)                              | (4)                                 |
| Disallowable expenses .....   | —                                 | 3                                   |
| Effect of tax rate change .....   | (22)                              | —                                   |
| Total tax credited to the income statement<br>(note 9(a)) .....                     | (39)                              | (1)                                 |

The headline rate of UK corporation tax reduced from 21% to 20% on 1 April 2015, and will reduce further to 19% from 1 April 2017 and 18% from 1 April 2020.

Under IAS 12 deferred tax assets and liabilities are measured at the tax rates that are expected to apply to 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 by the statement of financial position date.

Accordingly, as the future reductions of the corporation tax rate to 19% and 18% was substantively enacted on 26 October 2015, the deferred tax balances at 31 December 2015 have been reflected at the tax rates at which they are expected to be realised or settled.

**(c) Tax charged to other comprehensive income**

Tax charged directly to other comprehensive income in the year amounted to £nil (period ended 31 December 2014: £2 million in respect of tax on movements in hedging instrument fair values).

**10 Goodwill and intangible assets**

|  | Goodwill   | Brand      | Acquired<br>Value-In-<br>Force | Customer<br>List | Other     | Non<br>customer<br>acquisition<br>intangibles<br>subtotal | Customer<br>acquisition<br>intangibles | Total        |
|--|------------|------------|--------------------------------|------------------|-----------|---|--|--------------|
|  | £m         | £m         | £m                             | £m               | £m        | £m  | £m                                     | £m           |
| <b>Cost:</b>   |            |            |                                |                  |           |   |  |              |
| At 22 September 2014 .....                                   | —          | —          | —                              | —                | —         | —   | —                                      | —            |
| Acquired through business<br>combinations (note 12(c)) ..... | 906        | 872        | 89                             | 536              | 37        | 2,440   | 24                                     | 2,464        |
| <b>At 31 December 2014 .....</b>                             | <b>906</b> | <b>872</b> | <b>89</b>                      | <b>536</b>       | <b>37</b> | <b>2,440</b>  | <b>24</b>                              | <b>2,464</b> |
| Additions .....  | —          | —          | —                              | —                | 11        | 11  | 17                                     | 28           |
| <b>At 31 December 2015 .....</b>                             | <b>906</b> | <b>872</b> | <b>89</b>                      | <b>536</b>       | <b>48</b> | <b>2,451</b>  | <b>41</b>                              | <b>2,492</b> |
| <b>Amortisation:</b>   |            |            |                                |                  |           |   |  |              |
| At 22 September 2014 .....                                   | —          | —          | —                              | —                | —         | —   | —                                      | —            |
| Charge for the period .....                                  | —          | —          | 7                              | 3                | 1         | 11  | —                                      | 11           |
| <b>At 31 December 2014 .....</b>                             | <b>—</b>   | <b>—</b>   | <b>7</b>                       | <b>3</b>         | <b>1</b>  | <b>11</b>   | <b>—</b>                               | <b>11</b>    |
| Charge for the year .....                                    | —          | —          | 82                             | 75               | 14        | 171   | 10                                     | 181          |
| <b>At 31 December 2015 .....</b>                             | <b>—</b>   | <b>—</b>   | <b>89</b>                      | <b>78</b>        | <b>15</b> | <b>182</b>  | <b>10</b>                              | <b>192</b>   |
| <b>Net book value:</b>                                       |            |            |                                |                  |           |   |  |              |
| <b>At 31 December 2015 .....</b>                             | <b>906</b> | <b>872</b> | <b>—</b>                       | <b>458</b>       | <b>33</b> | <b>2,269</b>  | <b>31</b>                              | <b>2,300</b> |
| <b>At 31 December 2014 .....</b>                             | <b>906</b> | <b>872</b> | <b>82</b>                      | <b>533</b>       | <b>36</b> | <b>2,429</b>  | <b>24</b>                              | <b>2,453</b> |

**10 Goodwill and intangible assets (continued)**

Goodwill and brand are held at cost and tested at least annually for impairment. All other intangible assets are stated at cost less accumulated amortisation. No impairment losses have been recognised in 2015 or 2014. Other intangible assets comprise the value of customer relationships and IT development. Research and development costs that are not eligible for capitalisation have been expensed in the period incurred and are shown in the income statement.

**Impairment testing of goodwill and intangible assets with indefinite lives**

Goodwill acquired through business combinations and intangible assets with indefinite lives have been allocated to the four cash generating units (“CGU”) that existed as at the date of acquisition. The carrying value of the goodwill and indefinite-lived intangible assets allocated across the four CGUs is £906 million and £872 million respectively.

|                                    | Goodwill<br>£m | Indefinite-lived<br>intangibles<br>£m |
|------------------------------------|----------------|---------------------------------------|
| Roadside .....                     | 693            | 666                                   |
| Insurance broking .....            | 130            | 126                                   |
| Motoring services .....            | 55             | 53                                    |
| Telematics and Data services ..... | 28             | 27                                    |
|                                    | <u>906</u>     | <u>872</u>                            |

The Group performs impairment testing annually and whenever a loss event occurs. The impairment test compares the recoverable amount of the CGU to the carrying value of goodwill and intangibles allocated to the CGU.

The recoverable amount of each unit is determined based on a value-in-use calculation using cash flow projections from the Group’s budget and management’s forecast up to 2019. The growth rate used to extrapolate revenue beyond the Group’s forecasts for all CGUs is 2%, based on the expected average long term growth rate of the UK economy. The pre-tax discount rate applied to the cash flow projections is based on the Group Weighted Average Cost of Capital (“WACC”) which has been risk adjusted to reflect current market factors not already captured within the cash flows. The discount rate has also been further risk adjusted to reflect an independent capital structure as stipulated by IAS 36 Impairment of non-current assets.

Key assumptions used in management forecasts include:

- Individual Members having high customer loyalty and retention rates resulting in a stable and predictable revenue stream;
- success rates for contract renewals based on historical experience; and
- cost discipline and operational efficiencies.

The above assumptions are calculated based on recent performance, adjusted for expected future cash flows. The calculation of the value-in-use is most sensitive to the assumptions in the discount rate, the growth rate and the customer retention rate. Retention rates are derived from internal retention rate analysis and are considered by management to be a best estimate.

With regard to the assessment of value-in-use, the recoverable amount of each CGU exceeds the carrying value of goodwill, and consequently no impairment losses have been recognised.

As at 17 December 2014, goodwill of £55 million and indefinite lived intangible assets of £53 million were allocated to the Motoring Services CGU. This CGU includes a diversified portfolio of motoring services products, some of which have only recently been launched as part of the Group’s strategy to become The Motorist’s Champion. Since the allocation of goodwill and indefinite lived intangibles in December 2014, the Directors have revised the cash flow forecasts for this CGU to reflect changes to the profile of expected future cash flows as well a change in business model for one of the products within the CGU.

No impairment loss of the goodwill or indefinite lived intangibles associated with the Motoring Services CGU has been recognized as the CGU’s recoverable amount exceeds its carrying value by £1million,

**RAC Bidco Limited**  
**Notes to the Consolidated Financial Statements (continued)**

**10 Goodwill and intangible assets (continued)**

however the revised cash flows, under certain of the Group's reasonably possible sensitivity scenarios, would result in an impairment. The key assumption is EBITDA growth and if EBITDA growth in this CGU were to reduce from the CAGR of 11.8% forecasted for the period under the Group's approved –year plan to 11.4% the CGU's recoverable amount would be equal to its carrying amount. The Directors believe that this scenario reflects a pessimistic view and that, should this scenario become more likely, there are options available to proactively minimise the risk of impairment.

**11 Property, plant and equipment**

|   | Owner-occupied property | Fixtures, fittings and other equipment | Computer equipment | Total     |
|---|-------------------------|--|--------------------|-----------|
|   | £m                      | £m                                     | £m                 | £m        |
| <b>Cost or valuation:</b>                               |                         |  |                    |           |
| At 22 September 2014 .....                              | —                       | —                                      | —                  | —         |
| Acquired through business combinations (note 12(c)) ... | 3                       | 5                                      | 5                  | 13        |
| <b>At 31 December 2014 .....</b>                        | <b>3</b>                | <b>5</b>                               | <b>5</b>           | <b>13</b> |
| Additions .....   | —                       | 2                                      | 4                  | 6         |
| <b>At 31 December 2015 .....</b>                        | <b>3</b>                | <b>7</b>                               | <b>9</b>           | <b>19</b> |
| <b>Depreciation:</b>                                    |                         |  |                    |           |
| At 22 September 2014 .....                              | —                       | —                                      | —                  | —         |
| Charge for the period .....                             | —                       | —                                      | —                  | —         |
| <b>At 31 December 2014 .....</b>                        | <b>—</b>                | <b>—</b>                               | <b>—</b>           | <b>—</b>  |
| Charge for the year .....                               | —                       | 2                                      | 2                  | 4         |
| <b>At 31 December 2015 .....</b>                        | <b>—</b>                | <b>2</b>                               | <b>2</b>           | <b>4</b>  |
| <b>Net book value:</b>                                  |                         |  |                    |           |
| <b>At 31 December 2015 .....</b>                        | <b>3</b>                | <b>5</b>                               | <b>7</b>           | <b>15</b> |
| <b>At 31 December 2014 .....</b>                        | <b>3</b>                | <b>5</b>                               | <b>5</b>           | <b>13</b> |

The carrying value of all property, plant and equipment shown in the table above is consistent with disclosure on a historical cost basis.

In line with the Group accounting policy, the owner-occupied property has been revalued during 2015 by Colliers International, an accredited independent valuer. The valuation performed by the valuer was based on active market prices, adjusted for any differences in the nature, location or condition of the specific property. There has been no material change in the fair value of the property. The date of the revaluation was 30 October 2015 and no significant change in value has occurred between this date and year end. If owner-occupied property was measured using the cost model, the carrying amount at both 31 December 2015 and 31 December 2014 would be £3 million.

**RAC Bidco Limited**  
**Notes to the Consolidated Financial Statements (continued)**

**12 Group information**

**(a) Information about subsidiaries**

The Consolidated Financial Statements of the RAC Bidco Limited Group includes the following subsidiaries:

| Company   | Type of business                              | Class of share   | Proportion held |
|---|---|------------------|-----------------|
| RAC Limited                                       | Holding company                               | Ordinary         | 100%            |
| RAC Finance Limited                               | Holding company                               | Ordinary         | 100%            |
| RAC Finance Group Limited                         | Holding company                               | Ordinary         | 100%            |
| RAC Finance (Holdings) Limited                    | Holding company                               | Ordinary         | 100%            |
| RAC Group Limited                                 | Holding company                               | Ordinary         | 100%            |
| RAC Motoring Services                             | Motor breakdown cover                         | Ordinary         | 100%            |
| RACMS (Ireland) Limited (incorporated in Ireland) | Roadside assistance                           | Ordinary         | 100%            |
| RAC Financial Services Limited                    | Insurance intermediary                        | Ordinary         | 100%            |
| RAC Insurance Limited                             | General Insurance business                    | Ordinary         | 100%            |
| RAC Motoring Services (Holdings) Limited          | Holding company                               | Ordinary         | 100%            |
| RAC Brand Enterprises LLP                         | Licensing and management of intangible assets | Members' capital | 100%            |
| Net Cars Limited                                  | Online motoring services                      | Ordinary         | 100%            |
| Risk Telematics UK Limited                        | Software development                          | Ordinary         | 100%            |

All subsidiaries are registered in England and Wales and operate in the United Kingdom, except RACMS (Ireland) Limited which operates and is registered in Ireland.

During 2014 the Company owned 100% of the share capital of CEP III Investment 16 S.à.r.l. which operated in and was registered in Luxembourg. CEP III Investment 16 S.à.r.l. became part of the RAC Group on 17 December 2014 as part of the acquisition of the RAC Group of Companies by the Company. In January 2015, CEP III Investment 16 S.à.r.l., was liquidated and its assets were distributed to the Company. Following liquidation, the Company became the majority shareholder of RAC Limited.

During 2014, the Company directly owned RAC Management Limited, which became part of the RAC Group on 17 December 2014 as part of the acquisition of the RAC Group of Companies by the Company.

In July 2015, the Company purchased the remaining 13.54% shareholding of RAC Limited from RAC Management Limited, a direct subsidiary of the Company, resulting in RAC Limited becoming a wholly owned subsidiary of the Company. In November 2015, RAC Management Limited was dissolved.

The Consolidated Financial Statements of the RAC Bidco Limited Group also include the financial performance and position of the RAC Employee Benefit Trust ["EBT"]. In accordance with Group accounting policies, the RAC Bidco Limited Group is deemed to control the EBT by virtue of RAC Limited, a direct subsidiary of the Company, having power over the EBT. RAC Limited was acquired by the Company as part of the acquisition of the RAC Group of Companies on 17 December 2014.

Net Cars Limited (Company No. 08370931) and Risk Telematics UK Limited (Company No. 08580115) are exempt from audit by virtue of s479a of the Companies Act 2006 and have both been provided with a statutory guarantee by RAC Group Limited, their immediate parent company as required by s479c of the Companies Act 2006. As a consequence, Net Cars Limited and Risk Telematics UK Limited have both taken the advantage of available exemption for audit.

**(b) The holding company**

The immediate controlling entity of the Group is RAC Midco II Limited.

The ultimate controlling entity of the Group is RAC Group (Holdings) Limited.

Until 17 December 2014, the ultimate controlling entity of the Company was GIC.



**RAC Bidco Limited**  
**Notes to the Consolidated Financial Statements (continued)**

**12 Group information (continued)**

**(c) Business combinations**

On 17 December 2014, the Company acquired the RAC Group of Companies. This was effected by the Company acquiring 100 per cent of the issued share capital of RAC Management Limited and CEP III Investment 16 S.à.r.l., the owners of RAC Limited.

Since the RAC Group is ultimately owned by The Carlyle Group, GIC, the EBT and management, the above acquisition resulted in GIC acquiring an effective interest in 41 per cent of the RAC Group.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below.

|  | <b>£m</b>    |
|--|--------------|
| Financial assets .....                                 | 149          |
| Inventory .....  | 2            |
| Property, plant and equipment .....                    | 13           |
| Identifiable intangible assets .....                   | 61           |
| Financial liabilities .....                            | (1,226)      |
| Intangibles arising on acquisition .....               | 1,497        |
| Deferred tax arising on acquisition .....              | (300)        |
| <b>Total identifiable assets</b> .....                 | <b>196</b>   |
| Goodwill .....   | 906          |
| <b>Total consideration</b> .....                       | <b>1,102</b> |
| <b>Satisfied by:</b>                                   |              |
| Equity instruments .....                               | 312          |
| Cash paid .....  | 790          |
| <b>Total consideration transferred</b> .....           | <b>1,102</b> |
| <b>Net cash outflow arising on acquisition</b>         |              |
| Cash consideration .....                               | 790          |
| Less: cash and cash equivalent balances acquired ..... | (67)         |
|  | <b>723</b>   |

The fair value of the financial assets included receivables due from customers for amounts invoiced and accrued revenue for services performed but not yet invoiced, with a fair value of £51 million and a gross contractual value of £56 million. The best estimate at the acquisition date of the contractual cash flows not to be collected was £nil.

The goodwill of £906 million arising from the acquisition consisted of cost and revenue synergies, the value of the acquired workforce including the accumulated knowhow and skills of the workforce built up over a 117 year history and the efficiency of the RAC infrastructure, which is critical to the reliability of the services provided and successful running of the business and represent significant barriers to entry.

Acquisition-related costs (included in exceptional administrative expenses) amounted to £9 million.

The RAC Group of Companies contributed £19 million revenue and £14 million profit before tax to the RAC Bidco Limited Group's result for the period from the date of acquisition to 31 December 2014.

If the acquisition of the RAC Group of Companies had been completed on the first day of the prior financial year, the RAC Bidco Limited Group revenue for the period ended 31 December 2014 would have been £498 million and the RAC Bidco Limited Group loss after tax would have been £8 million.

**13 Inventories**

|                   | <b>2015</b> | <b>2014</b> |
|-------------------|-------------|-------------|
|                   | <b>£m</b>   | <b>£m</b>   |
| Inventories ..... | <u>3</u>    | <u>2</u>    |

The cost of inventories recognised as an expense and included within Cost of sales in the year ended 31 December 2015 amounted to £10 million (period ended 31 December 2014: £nil).

**RAC Bidco Limited**  
**Notes to the Consolidated Financial Statements (continued)**

**14 Trade and other receivables**

|   | <u>2015</u>      | <u>2014</u>      |
|---|------------------|------------------|
|   | <u>£m</u>        | <u>£m</u>        |
| Trade receivables .....                                 | 37               | 32               |
| Amounts due from related parties (note 25(a)(ii)) ..... | 4                | 4                |
| Prepayments and accrued income .....                    | 20               | 22               |
| Other receivables .....                                 | <u>1</u>         | <u>2</u>         |
| <b>Total</b> .....                                      | <b><u>62</u></b> | <b><u>60</u></b> |
| Expected to be recoverable within one year .....        | <u>62</u>        | <u>60</u>        |

All receivables and other financial assets other than prepayments are carried at amortised cost.

The Directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

The balance above of £62 million (2014: £60 million) is considered to be neither past due nor impaired.

**15 Cash and cash equivalents**

Cash and cash equivalents in the Consolidated statement of cash flows comprise:

|   | <u>2015</u>      | <u>2014</u>      |
|---|------------------|------------------|
|   | <u>£m</u>        | <u>£m</u>        |
| Unrestricted cash at bank and in hand ..... | 76               | 42               |
| Restricted cash at bank .....               | <u>12</u>        | <u>12</u>        |
| <b>Total</b> .....                          | <b><u>88</u></b> | <b><u>54</u></b> |

Restricted cash is the amount of cash the RAC Bidco Limited Group is required to hold to meet regulatory Solvency requirements.

**16 Tax assets and liabilities**

|                              | <u>2015</u>  | <u>2014</u>  |
|------------------------------|--------------|--------------|
|                              | <u>£m</u>    | <u>£m</u>    |
| Current tax payable .....    | (28)         | (11)         |
| Deferred tax assets .....    | 9            | 9            |
| Deferred tax liability ..... | <u>(244)</u> | <u>(300)</u> |
|                              | <u>(263)</u> | <u>(302)</u> |

|  | <b>Property,<br/>plant &amp;<br/>equipment</b> | <b>Intangible<br/>assets</b> | <b>Retirement<br/>benefit<br/>obligations</b> | <b>Revaluation<br/>of financial<br/>assets</b> | <b>Other<br/>temporary<br/>differences</b> | <b>Total</b>        |
|--|--|------------------------------|---|--|--|---------------------|
|  | <u>£m</u>                                      | <u>£m</u>                    | <u>£m</u>                                     | <u>£m</u>                                      | <u>£m</u>                                  | <u>£m</u>           |
| At 22 September 2014 .....                                   | —  | —                            | —   | —  | —  | —                   |
| Acquired through business combinations<br>(note 12(c)) ..... | 5  | (300)                        | 1   | —  | (1)  | <b>(295)</b>        |
| Credit to income statement .....                             | —  | 2                            | —   | —  | —  | <b>2</b>            |
| Credit to other comprehensive income .....                   | —  | —                            | —   | 2  | —  | <b>2</b>            |
| <b>At 31 December 2014</b> .....                             | <b><u>5</u></b>                                | <b><u>(298)</u></b>          | <b><u>1</u></b>                               | <b><u>2</u></b>                                | <b><u>(1)</u></b>                          | <b><u>(291)</u></b> |
| (Charge)/credit to income statement .....                    | (1)  | 55                           | —   | —  | 2  | <b>56</b>           |
| <b>At 31 December 2015</b> .....                             | <b><u>4</u></b>                                | <b><u>(243)</u></b>          | <b><u>1</u></b>                               | <b><u>2</u></b>                                | <b><u>1</u></b>                            | <b><u>(235)</u></b> |

**RAC Bidco Limited**  
**Notes to the Consolidated Financial Statements (continued)**

**16 Tax assets and liabilities (continued)**

|  | <u>2015</u><br><u>£m</u> | <u>2014</u><br><u>£m</u> |
|--|--------------------------|--------------------------|
| The movement in the net deferred tax liability was as follows: |                          |                          |
| Net deferred tax liability brought forward .....               | (291)                    | —                        |
| Acquired through business combinations .....                   | —                        | 5                        |
| Deferred tax on intangible assets .....                        | 55                       | (300)                    |
| Deferred tax credited to the income statement .....            | 1                        | 2                        |
| Deferred tax credited to other comprehensive income .....      | —                        | 2                        |
| Net deferred tax liability carried forward .....               | <u>(235)</u>             | <u>(291)</u>             |

The RAC Bidco Limited Group has unrecognised capital losses of £146 million to carry forward indefinitely against future capital gains (2014: £147 million). The capital losses arose from past transactions in which the RAC Group of Companies disposed of investments. These losses can be used to offset tax arising on future capital gains. No asset has been recognised as there are no capital gains expected in the foreseeable future.

**17 Provisions**

|                                  | <u>Other</u><br><u>£m</u> | <u>Total</u><br><u>£m</u> |
|----------------------------------|---------------------------|---------------------------|
| <b>At 1 January 2015</b> .....   | 1                         | 1                         |
| Utilised during the year .....   | —                         | —                         |
| <b>At 31 December 2015</b> ..... | <u>1</u>                  | <u>1</u>                  |

**Other provisions**

Other provisions include amounts payable at the end of Patrol vehicle leases to correct modifications made and is expected to be utilised at the end of each vehicle's lease term (usually five years). There has been no material expenditure nor additional provision in the year.

**18 Trade and other payables**

|  | <u>2015</u><br><u>£m</u> | <u>2014</u><br><u>£m</u> |
|--|--------------------------|--------------------------|
| Trade payables and accruals .....                  | 50                       | 49                       |
| Deferred income .....                              | 151                      | 159                      |
| Other payables .....                               | 38                       | 58                       |
| <b>Total</b> .....                                 | <u>239</u>               | <u>266</u>               |
| Expected to be payable within one year .....       | 236                      | 262                      |
| Expected to be payable in more than one year ..... | 3                        | 4                        |
| <b>Total</b> .....                                 | <u>239</u>               | <u>266</u>               |

All payables other than deferred income are financial liabilities and are carried at amortised cost which is considered to be a reasonable approximation of the relevant fair value basis.

**19 Derivative financial instruments**

|                                   | <u>2015</u><br><u>£m</u> | <u>2014</u><br><u>£m</u> |
|-----------------------------------|--------------------------|--------------------------|
| Cash flow hedge liabilities ..... | (10)                     | (9)                      |
|                                   | <u>(10)</u>              | <u>(9)</u>               |

**RAC Bidco Limited**  
**Notes to the Consolidated Financial Statements (continued)**

**19 Derivative financial instruments (continued)**

**(a) Hedging**

The RAC Bidco Limited Group uses a variety of derivative financial instruments, including over-the-counter instruments, in line with the Group's overall risk management strategy (see note 24).

**(b) Cash flow hedges**

The RAC Bidco Limited Group has used interest rate swap agreements in order to hedge the cash flows associated with its variable rate borrowings. The notional value and fair value of these are as follows:

|                            | <u>2015</u>                              | <u>2015</u>                        | <u>2014</u>                              | <u>2014</u>                        |
|----------------------------|--|------------------------------------|--|------------------------------------|
|                            | <u>Contract/<br/>notional<br/>amount</u> | <u>Fair value<br/>of liability</u> | <u>Contract/<br/>notional<br/>amount</u> | <u>Fair value<br/>of liability</u> |
|                            | <u>£m</u>                                | <u>£m</u>                          | <u>£m</u>                                | <u>£m</u>                          |
| Interest rate hedges ..... | 800                                      | (10)                               | 275                                      | (9)                                |
| <b>Total</b> .....         |  | <u>(10)</u>                        |  | <u>(9)</u>                         |

The hedges were effective in the reported periods and therefore the full movement in the fair value of cash flow hedges has been recognised in other comprehensive income.

The hedges are achieved through using interest rate swap contracts to pay fixed and receive three month LIBOR. The interest rate swaps settle on a quarterly basis.

On acquisition of the RAC Group of Companies on 17 December 2014, a hedge was already in place against the Group's existing bank facilities. As part of the refinancing on the same date, this hedge was novated against the new facilities. The fixed element of this swap is set to 0.8005% for the period from 17 December 2014 to 30 December 2015. The floating rate is calculated on a notional principal amount. The notional principal amount is variable over the life of the hedge as follows; £100 million between 31 December 2013 and 30 December 2014; and £275 million between 31 December 2014 and 30 December 2015.

In addition, four new hedges have been undertaken (each with a separate counterparty). The fixed element of the swaps are set to 1.5692%, 1.5747%, 1.5830% and 1.5889% respectively for the period from 31 March 2015 to 31 December 2017. The floating rate is calculated on a notional principal amount. The notional principal amount for each hedge is variable over its life as follows; £131,250 thousand between 31 March 2015 and 30 December 2015; and £200 million between 31 December 2015 and 31 December 2017.

**20 Borrowings**

**(a) Analysis of borrowings**

|  | <u>Bank Debt</u>           |                             | <u>Total</u> |
|--|----------------------------|-----------------------------|--------------|
|  | <u>First Lien<br/>Loan</u> | <u>Second Lien<br/>Loan</u> |              |
| Interest rate .....                          | LIBOR +<br>4.75%           | LIBOR +<br>7.25%            |              |
| <b>At 31 December 2015</b>                   |                            |                             |              |
| Fair value (£m) .....                        | 955                        | 238                         | 1,193        |
| Amounts due within one year (£m) .....       | 10                         | 3                           | 13           |
| Amounts due in more than one year (£m) ..... | 907                        | 225                         | 1,132        |
| Book value (£m) .....                        | 917                        | 228                         | <b>1,145</b> |
| <b>At 31 December 2014</b>                   |                            |                             |              |
| Fair value (£m) .....                        | 965                        | 235                         | 1,200        |
| Amounts due within one year (£m) .....       | 10                         | —                           | 10           |
| Amounts due in more than one year (£m) ..... | 911                        | 225                         | 1,136        |
| Book value (£m) .....                        | 921                        | 225                         | <b>1,146</b> |

**RAC Bidco Limited**  
**Notes to the Consolidated Financial Statements (continued)**

**20 Borrowings (continued)**

**(b) Bank debt**

On 17 December 2014, the RAC Bidco Limited Group repaid £777 million of senior debt which was acquired on purchase of the RAC Group of Companies. In addition, the RAC Bidco Limited Group entered into an agreement to borrow new facilities.

The bank debt consists of three facilities; the First Lien Loan, the Second Lien Loan and the Revolving Credit Facility. The fees relating to these facilities have been capitalised and will be amortised over the remaining life of the loans to which they relate, in accordance with IAS 39 Financial Instruments: Recognition and Measurement.

The First Lien Loan is repayable at a rate of 25 bps per quarter, with a final bullet repayment of the remaining 94.25 per cent of the loan payable on 10 December 2021. During 2015, the RAC Bidco Limited Group repaid £10m of the First Lien Loan (2014: £nil).

The Second Lien Loan is a bullet repayment, repayable on 10 December 2022.

A Revolving Credit Facility of £50 million is available to the RAC Bidco Limited Group, the entirety of which was undrawn as at 31 December 2015 and 2014. The Revolving Credit Facility bears interest at LIBOR + 4.50%, and is a bullet repayment, repayable on 10 December 2020. Upon drawing 30% or more of the Revolving Credit Facility, the RAC Bidco Limited Group is subject to a debt cover financial covenant.

The RAC Bidco Limited Group hedges a portion of the loan for interest rate risk using an interest rate swap exchanging variable rate interest for fixed rate interest. This is detailed further in note 19(b).

The senior debt is secured by way of a fixed and floating charge given by RAC Bidco Limited and RAC Midco II Limited.

An analysis of the contractual undiscounted cash flows for senior debt is shown in note 24(a)(iii).

**21 Ordinary share capital**

Details of the RAC Bidco Limited Group's ordinary share capital are as follows:

|   | <u>2015</u>       | <u>2014</u>       |
|---|-------------------|-------------------|
|   | <u>£m</u>         | <u>£m</u>         |
| <b>Allotted, called-up and fully paid:</b>                          |                   |                   |
| 874,131,773 ordinary shares of £1.00 each (2014: 874,131,773) . . . | 874               | 874               |
|   | <u><b>874</b></u> | <u><b>874</b></u> |

On 22 September 2014, the Company was incorporated with 1 ordinary share with a nominal value of £1.

In December 2014, the Company issued £874 million of ordinary share capital, of which £405 million was subscribed for in cash at par and the remaining £469 million was issued in return for a contribution of assets from the Company's parent.

**22 Commitments**

**Operating lease commitments**

Future aggregate minimum lease payments under non-cancellable operating leases are as follows:

|  | <u>2015</u>       | <u>2014</u>       |
|--|-------------------|-------------------|
|  | <u>£m</u>         | <u>£m</u>         |
| Within 1 year . . . . .                                | 11                | 11                |
| Later than 1 year and not later than 5 years . . . . . | 25                | 25                |
| Later than 5 years . . . . .                           | 66                | 68                |
|  | <u><b>102</b></u> | <u><b>104</b></u> |

Operating lease commitments arise in respect of property leases and the Patrol fleet.

## **23 Employee benefit obligations**

This note describes the RAC Bidco Limited Group's employee benefit arrangements for its employees and explains how the obligations to these schemes are calculated.

### **(a) Introduction**

The RAC Bidco Limited Group operates a number of employee benefit schemes as follows:

#### **RAC Group Personal Pension Plan ("RAC GPP Plan")**

The RAC GPP Plan is a defined contribution pension plan open to all RAC employees with effect from 1 October 2011.

#### **Unfunded Unapproved Pension Scheme ("UUP Scheme")**

An UUP Scheme is provided on a discretionary basis for certain employees who receive benefits on a defined benefit basis (generally related to final salary). The number of pensioners entitled to this benefit at 31 December 2015 was 8 (2014: 8).

#### **Post-Retirement Medical Benefits Scheme ("PRMB Scheme")**

Under the PRMB Scheme the RAC Bidco Limited Group provides medical benefits on a discretionary basis for certain pensioners and their dependants in the UK. The number of pensioners entitled to this benefit at 31 December 2015 was 139 (2014: 139).

#### **Disability Benefit Scheme ("DB Scheme")**

Under the DB Scheme, the RAC Bidco Limited Group provides disability benefits on a discretionary basis for certain former employees in the UK. Currently the RAC Bidco Limited Group contributes a flat rate per person to the scheme dependent on their individual circumstances.

### **(b) Charges to the Consolidated income statement**

During the year, £8 million (period ended 31 December 2014: £nil) was charged to the RAC Bidco Limited Group's income statement in respect of the employee defined contribution schemes and £236 thousand (period ended 31 December 2014: £33 thousand) in respect of employee defined benefit schemes.

### **(c) Employee benefit scheme assumptions and disclosures**

Disclosures under IAS 19 Employee Benefits are given below and on the following pages on a consolidated basis for the UUP Scheme, the PRMB Scheme and the DB Scheme ("the Schemes"), unless where otherwise stated.

#### **(i) Assumptions on the liabilities of the Schemes**

##### **The projected unit credit method**

The inherent uncertainties affecting the measurement of the liabilities of the Schemes require these to be measured on an actuarial basis. This involves discounting the best estimate of future cash flows to be paid out by the Schemes using the projected unit credit method. This is an accrued benefits valuation method which calculates the past service liability to members and makes allowances for their projected future earnings. It is based on a number of actuarial assumptions, which vary according to economic conditions, and changes in these assumptions can materially affect the measurement of the employee liability obligations.

##### **Valuations and assumptions**

The valuation used for accounting under IAS 19 has been based on the most recent full actuarial valuation, updated to take account of that standard's requirements in order to assess the liabilities of the Schemes at 31 December 2015. This update was made by the Schemes' actuaries. The Schemes' assets are stated at their fair values as at 31 December 2015.

**RAC Bidco Limited**  
**Notes to the Consolidated Financial Statements (continued)**

**23 Employee benefit obligations (continued)**

**(c) Employee benefit scheme assumptions and disclosures (continued)**

**(i) Assumptions on the liabilities of the Schemes (continued)**

The main actuarial assumptions used to calculate the UUP Scheme, the PRMB Scheme and the DB Scheme liabilities under IAS 19 are:

|                                  | <u>2015</u> | <u>2014</u> |
|----------------------------------|-------------|-------------|
|                                  | %           | %           |
| Inflation rate .....             | 2.90        | 2.90        |
| Pension increases .....          | 2.90        | 2.90        |
| Deferred pension increases ..... | 2.90        | 2.90        |
| Discount rate .....              | 3.70        | 3.40        |

The discount rate is the assumption that has the largest impact on the value of the liabilities. The effect of a 1% increase in the discount rate would decrease liabilities and service costs by £507 thousand (2014: £485 thousand) and £nil (2014: £nil) respectively.

**Mortality assumptions of the Schemes**

Mortality assumptions are significant in measuring the RAC Bidco Limited Group's obligations under the defined benefit schemes, particularly given the maturity of these obligations in these Schemes. The mortality tables and average life expectancy used at 31 December 2015 for Scheme members are as follows:

|  | <u>Normal<br/>retirement age<br/>(NRA)</u> | <u>Life expectancy<br/>(pension duration) at<br/>NRA of a male</u> |  | <u>Life expectancy<br/>(pension duration) at<br/>NRA of a female</u> |  |
|--|--|--|--|--|--|
|  |  | <u>Currently<br/>aged NRA</u>                                      | <u>20 years<br/>younger<br/>than NRA</u> | <u>Currently<br/>aged NRA</u>  | <u>20 years<br/>younger<br/>than NRA</u> |
| SAPS S1 tables, including allowances for future improvements ..... | 65.0                                       | 88.3   | 90.4                                     | 90.0   | 91.9                                     |
|  |  | (23.3)   | (25.4)                                   | (25.0)   | (26.9)                                   |

The assumptions above are based on commonly-used mortality tables, which have been adjusted to reflect recent research into mortality experience. However, the extent of future improvements in longevity is subject to considerable uncertainty and judgement is required in setting this assumption. The assumptions above include an allowance for future mortality improvements, based on the actuarial profession's medium cohort projection table. The effect on the Scheme of assuming all members were one year younger would increase the Schemes' liabilities by £391 thousand (2014: £289 thousand).

**(ii) Employee defined benefit expense**

During the year the total employee defined benefit expense for the Schemes comprise £236 thousand (period ended 31 December 2014: £33 thousand) in respect of net interest expense recognised in the Consolidated income statement and £455 thousand (period ended 31 December 2014: £nil) recognised in other comprehensive income.

**(iii) Experience gains and losses**

The following table shows the experience gains and losses of the Schemes:

|   | <u>2015</u> | <u>2014</u> |
|---|-------------|-------------|
|   | £m          | £m          |
| Fair value of the Scheme assets at the end of the year/period .....               | —           | —           |
| Present value of the Schemes' liabilities at the end of the year/<br>period ..... | (6)         | (7)         |
| <b>Net deficit in the Schemes</b> .....   | <u>(6)</u>  | <u>(7)</u>  |

**RAC Bidco Limited**  
**Notes to the Consolidated Financial Statements (continued)**

**23 Employee benefit obligations (continued)**

**(c) Employee benefit scheme assumptions and disclosures (continued)**

**(iii) Experience gains and losses (continued)**

Estimated employer contributions for the year ended 31 December 2016 are £1 million in respect of the defined benefit schemes and £8 million in respect of the defined contribution scheme.

**(iv) Schemes' deficit**

The present value of the Schemes' obligations and the fair value of the plan assets are as follows:

|  | <u>2015</u><br>£m | <u>2014</u><br>£m |
|--|-------------------|-------------------|
| Total fair value of assets .....                   | —                 | —                 |
| Present value of defined benefit obligations ..... | (6)               | (7)               |
| <b>Net deficit in the Schemes</b> .....            | <u>(6)</u>        | <u>(7)</u>        |

Amounts recognised in the Consolidated statement of financial position:

|  | <u>2015</u><br>£m | <u>2014</u><br>£m |
|--|-------------------|-------------------|
| Deficits included in non-current liabilities ..... | (6)               | (7)               |
| <b>Net deficit in the Schemes</b> .....            | <u>(6)</u>        | <u>(7)</u>        |

The deficits in non-current liabilities wholly relate to unfunded schemes.

**(v) Movement in the Scheme deficits and surplus comprise:**

|                                     | <u>Scheme liabilities<br/>2015</u><br>£m | <u>Net deficit<br/>2015</u><br>£m |
|-------------------------------------|--|-----------------------------------|
| <b>Balance at 1 January</b> .....   | (7)                                      | (7)                               |
| Benefits paid .....                 | 1  | 1                                 |
| <b>Balance at 31 December</b> ..... | <u>(6)</u>                               | <u>(6)</u>                        |

|  | <u>Scheme liabilities<br/>2014</u><br>£m | <u>Net deficit<br/>2014</u><br>£m |
|--|--|-----------------------------------|
| <b>Balance at 22 September</b> .....         | —  | —                                 |
| Acquired through business combinations ..... | (7)                                      | (7)                               |
| <b>Balance at 31 December</b> .....          | <u>(7)</u>                               | <u>(7)</u>                        |

**24 Risk management**

The Group operates a risk management framework, which is the collection of processes and tools that have been put in place to ensure that the risks to which the Group is exposed are identified, measured, managed, monitored and reported on a regular basis. The key instruments of the framework include the risk management policies, risk reports and the governance and oversight infrastructure.

Financial risks are usually grouped by risk type: market, credit, liquidity, strategic, operational, capital and regulatory risk. Risks falling within these types may affect a number of key metrics including those relating to balance sheet strength, liquidity and profit. They may also affect the performance of the products that the Group delivers to customers and the service to customers and distributors, which can be categorised as risks to brand and reputation. The key risks faced by the Group are set out in this note.



**RAC Bidco Limited**  
**Notes to the Consolidated Financial Statements (continued)**

**24 Risk management (continued)**

The Group's measurement of risk is used to support the monitoring and reporting of the risk profile and in the evaluation of alternative risk management actions. The Group carries out a range of stress and scenario tests to evaluate their impact on the business and the management actions available to respond to the potential conditions.

The Group has an established governance framework, which has the following key elements:

- defined terms of reference for the legal entity Boards and the associated executive management and other committees across the Group;
- a clear organisational structure with documented delegated authorities and responsibilities from the legal entity Boards to executive management committees and senior management; and
- adoption of the risk policy framework that defines risk appetite measures and sets out risk management and control standards.

Policies for managing financial risks are governed by Board approved policies and procedures, which are reviewed on an annual basis.

**(a) Treasury**

The Group's treasury department's main responsibilities are to:

- Ensure adequate funding and liquidity for the Group;
- Manage the interest risk of the Group's debt; and
- Ensure that the Group banking and card transmissions operate effectively.

The Group's debt management policy is to provide an appropriate level of funding to finance the Group's medium term plans at a competitive cost and ensure flexibility to meet the changing needs of the Group. Details of the RAC Bidco Limited Group's current borrowing facilities are disclosed in note 20.

**(i) Market risk**

Market risk is the risk of adverse financial impact due to changes in fair values or future cash flows of financial instruments as a result of fluctuations in interest rates and foreign currency exchange rates.

The RAC Bidco Limited Group is exposed to interest rate risk arising primarily on external borrowings. The Group's policy aims to manage its interest cost within the constraint of its Business Plan and its financial covenants. The risk is managed through the use of interest rate swap agreements to hedge the variability of cash flows associated with the borrowings.

If market interest rates were to increase or decrease by 1%, the impact on the profit/(loss) before tax would be a decrease/increase of £4 million (period ended 31 December 2014: £525 thousand). The impact on shareholders' equity would be a decrease/increase of £3 million (period ended 31 December 2014: £420 thousand).

Interest rate movements on trade payables, trade receivables and other financial instruments do not present a material exposure to the RAC Bidco Limited Group's statement of financial position.

The RAC Bidco Limited Group has no material foreign currency balances as at the statement of financial position date and therefore is not exposed to movements in foreign currency exchange rates.

The RAC Bidco Limited Group is also exposed to risks from fluctuations in fuel prices which can lead to increased operating costs. This risk is managed by the RAC Bidco Limited Group through the use of forward purchases of fuel for a period of at least twelve months in order to hedge the variability of cash flows associated with the purchasing of fuel for use in the RAC Bidco Limited Group's operational fleet of Patrols and recovery vehicles.

**(ii) Credit risk**

Credit risk is the risk of loss in the value of financial assets due to counterparties failing to meet all or part of their obligations.

**RAC Bidco Limited**  
**Notes to the Consolidated Financial Statements (continued)**

**24 Risk management (continued)**

**(ii) Credit risk (continued)**

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is set out below:

|                                   | <u>2015</u> | <u>2014</u> |
|-----------------------------------|-------------|-------------|
|                                   | <u>£m</u>   | <u>£m</u>   |
| Trade and other receivables ..... | 42          | 38          |
| Cash and cash equivalents .....   | 88          | 54          |
|                                   | <u>130</u>  | <u>92</u>   |

Management of credit risk is carried out in accordance with Group credit risk processes, which include setting exposure limits and monitoring exposures in accordance with ratings set by credit ratings agencies such as Standard & Poor's.

Financial assets are graded according to current credit ratings issued. AAA is the highest possible rating. Investment grade financial assets are classified within the range of AAA to BBB ratings. Financial assets which fall outside this range are classified as speculative grade. Credit limits for each counterparty are set based on default probabilities that are in turn based on the rating of the counterparty and the type of exposure concerned.

The RAC Bidco Limited Group has not been generally exposed to significant concentrations of credit risk to third parties due to the nature of trading activity undertaken and the size of individual balances.

The RAC Bidco Limited Group is exposed to concentrations of risk with individual banks which are within approved counterparty exposure limits. Cash and cash equivalents throughout the reported periods were held with institutions who are A rated. The RAC Bidco Limited Group's largest cash and cash equivalent counterparty is Morgan Stanley (2014: Morgan Stanley). At 31 December 2015 the balance was £20 million (2014: £19 million).

**(iii) Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Group has set its investment strategy to ensure it has sufficient liquid funds to meet its expected obligations as they fall due. The RAC Bidco Limited Group maintains significant committed borrowing facilities from a range of highly rated banks to mitigate this risk further (see note 20).

The risk is measured through review of forecast liquidity each month by the Treasurer to determine whether there are sufficient credit facilities to meet forecast requirements. The Group also monitors covenants on a regular basis to ensure there are no significant breaches, which would lead to an "Event of Default". There have been no breaches of covenants during the reported periods.

The following table shows the Group's contractual maturity of borrowings, including estimated interest, analysed by duration:

|                               | <u>2015</u>  | <u>2014</u>  |
|-------------------------------|--------------|--------------|
|                               | <u>£m</u>    | <u>£m</u>    |
| <b>External bank debt</b>     |              |              |
| Less than 1 month .....       | 5            | 4            |
| 1 to 3 months .....           | 16           | 7            |
| 3 months to 1 year .....      | 67           | 60           |
| 1 to 5 years .....            | 342          | 279          |
| 5 to 10 years .....           | 1,135        | 1,352        |
| <b>Total borrowings</b> ..... | <u>1,565</u> | <u>1,702</u> |

**RAC Bidco Limited**  
**Notes to the Consolidated Financial Statements (continued)**

**24 Risk management (continued)**

**(b) Strategic and operational risk**

The strategy (including operational risks) for the RAC Bidco Limited Group and the Company is determined by the Directors of the Company's ultimate Parent Company, RAC Group (Holdings) Limited and disclosed in the Strategic Report as set out on pages 2 to 20.

**(c) Capital risk management**

The RAC Bidco Limited Group's capital structure consists of bank borrowings amounting to £1,193 million (2014: £1,200 million), and £874 million (2014: £874 million) of funds from shareholders.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group is managed on a net debt basis. Management consider net debt to comprise external bank debt, being principal bank borrowings, associated accrued interest and cash and cash equivalents. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. In December 2014, the Group managed its capital structure through undertaking refinancings (see note 20).

Under the terms of the bank debt, the RAC Bidco Limited Group is required to comply with financial covenants upon drawing more than 30% of the Revolving Credit Facility (see note 20). The RAC Bidco Limited Group has not drawn upon this facility during the reported periods and consequently has not had to test any of its covenants.

In managing its capital, the Group seeks to:

- (i) match the expected cash inflows from its assets with the expected cash outflows from the Group's liabilities as they fall due;
- (ii) maintain financial strength to support new business growth and satisfy the requirements of its members and regulators;
- (iii) retain financial flexibility by maintaining strong liquidity; and
- (iv) allocate capital efficiently to support growth and repatriate excess capital where appropriate.

The Group actively engages with external bodies to share the benefit of its expertise in supporting responses to emerging risks as well as challenging developments that could be damaging to its business and the industry as a whole.

**(d) Regulatory risk**

The RAC Bidco Limited Group includes regulated companies which are required to hold sufficient capital to meet acceptable solvency levels based on applicable FCA and PRA regulations. The RAC Bidco Limited Group's ability to transfer retained earnings to its shareholders is therefore restricted to the extent that these earnings form part of UK regulatory capital.

Relevant capital and solvency regulations ("Solvency I") continue to be used to measure and report the financial strength of regulated companies within the RAC Bidco Limited Group. The regulatory capital tests verify that an adequate excess of solvency capital above the required minimum level calculated is maintained using a series of prudent assumptions about the type of business that is underwritten. Regulatory requirements have been complied with throughout all periods reported.

The RAC Bidco Limited Group has undertaken a detailed programme of work in 2015 in order for RAC Insurance Limited to be in a position to comply with the requirements of Solvency II from 1 January 2016.

The RAC Bidco Limited Group is also subject to regulatory requirements, as set out by the FCA, in relation to product design, marketing materials, sales processes and data protection. Failure to comply with these requirements could result in the RAC Bidco Limited Group having to suspend, either temporarily or permanently, certain activities. To mitigate these risks the RAC Bidco Limited Group employs regulatory and compliance specialists to ensure the regulatory and legislative requirements are fully understood and adhered to.

**RAC Bidco Limited**  
**Notes to the Consolidated Financial Statements (continued)**

**25 Related party transactions**

**(a) The RAC Bidco Limited Group had the following transactions with related parties in 2015 and 2014:**

(i) Transactions with related parties

During 2015, the RAC Bidco Limited Group paid £1 million (2014: £nil) in respect of a monitoring fee to Carlyle and GIC.

On 17 December 2014, the Company acquired the RAC Group of Companies (see note 12(c)). As part of the acquisition, companies within the RAC Bidco Limited Group entered into the following transactions with related parties who are not members of the RAC Bidco Limited Group:

- The principal and associated interest outstanding of £157 million in respect of existing shareholder loan notes that were due from RAC Finance Limited to CEP III Investment 17 S.à.r.l. were subsequently novated from RAC Finance Limited to RAC Midco Limited;
- The Company purchased senior management and the EBT's stake in RAC Management Limited, in exchange for cash, preference shares and equity in RAC Group (Holdings) Limited, and shareholder loan notes in RAC Midco Limited;
- RAC Finance Limited repaid £2 million of shareholder loan note principal and associated accrued interest to management;
- CEP III Investment 16 S.à.r.l. repurchased £695 million of its own shares held by Carlyle and immediately cancelled them. CEP III Investment 16 S.à.r.l. also purchased all shares held by senior management and the EBT in RAC Limited, in exchange for cash and shareholder loan notes in RAC Midco Limited; and
- Carlyle contributed its holding in CEP III Investment 16 S.à.r.l. to the RAC Group, in exchange for equity and £244 million preference shares in RAC Group (Holdings) Limited.

GIC, Carlyle, the EBT and senior management are all related parties of the RAC Bidco Limited Group by virtue of their shareholdings in the RAC Group. CEP III Investment 17 S.à.r.l. is a related party as it is controlled by GIC and Carlyle.

(ii) Amounts due from related parties

|  | <u>2015</u> | <u>2014</u> |
|--|-------------|-------------|
|  | <u>£m</u>   | <u>£m</u>   |
| Amounts due from Group companies ..... | 4           | 4           |
|  | <u>4</u>    | <u>4</u>    |

Of amounts due from Group companies, £3 million (2014: £3 million) was due from RAC Midco Limited and £1 million (2014: £1 million) was due from RAC Group (Holdings) Limited, both parent companies of the Company.

**(b) Key management compensation**

The total compensation to those employees classified as key management, being those senior managers having authority and responsibility for planning, directing and controlling the activities of the Group, including the Directors, in respect of the RAC Bidco Limited Group is as follows:

|  | <u>Year ended 31<br/>December<br/>2015</u> | <u>Period ended 31<br/>December<br/>2014</u> |
|--|--|--|
|  | <u>£000</u>                                | <u>£000</u>                                  |
| Fees and benefits .....                        | 4,209                                      | 98   |
| Contributions paid into a pension scheme ..... | <u>70</u>                                  | <u>3</u>                                     |
|  | <u>4,279</u>                               | <u>101</u>                                   |

Fees and benefits include key management bonuses. During the year, payments of £125 thousand (2014: £nil) were made to key management for loss of office.

**RAC Bidco Limited**  
**Notes to the Consolidated Financial Statements (continued)**

**25 Related party transactions (continued)**

**(c) Key management interests**

No key management personnel held equity stakes in the RAC Bidco Limited Group at 31 December 2015 or 31 December 2014.

At no time during the reported periods did any Director hold a material interest in any contract of significance with any RAC Bidco Limited Group company other than an indemnity provision between each Director and a Group company and service contracts between each Director and a Group company.

**(d) Immediate and ultimate controlling party**

The immediate controlling entity of the Company is RAC Midco II Limited.

The ultimate controlling entity of the Group is RAC Group (Holdings) Limited. Until 17 December 2014, the ultimate controlling entity of the Company was GIC.

**26 Fair value of financial assets and liabilities**

The information set out below provides information about how the Group determines fair values of various financial assets and financial liabilities.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

| <u>Financial asset/liability</u>              | <u>Fair value as at 31<br/>December 2015</u> | <u>Fair value as at 31<br/>December 2014</u> | <u>Fair value<br/>hierarchy</u> |
|---|--|--|---------------------------------|
|   | £m   | £m   |                                 |
| Cash flow hedge liability (note 19) . . . . . | 10   | 9  | Level 2                         |

The interest rate swaps have been valued using market observable inputs of interest rate curves built using cash rates, swap rates and forward rates.

The following table shows the fair values of financial instruments which are not held at fair value:

|                                |       |       |         |
|--------------------------------|-------|-------|---------|
| Borrowings (note 20) . . . . . | 1,193 | 1,200 | Level 2 |
|--------------------------------|-------|-------|---------|

The fair value of borrowings is included at the amount the RAC Bidco Limited Group would have to pay at the statement of financial position date to settle the borrowings. This therefore includes the principal amount and accrued interest.

**RAC Bidco Limited**

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**Audited Consolidated Financial Statements of  
RAC Group Limited as at and for the year ended  
31 December 2015**

**RAC Group Limited**

**Audited Consolidated Financial Statements of RAC Group Limited as at and for the year ended  
31 December 2015**

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**RAC GROUP LIMITED**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**



## **RAC Group Limited**

### **Independent auditor's report to the members of RAC Group Limited**

We have audited the Financial Statements of RAC Group Limited for the year ended 31 December 2015, which comprise the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated statement of financial position, the Consolidated statement of changes in equity, the Consolidated statement of cash flows, the accounting policies and the related notes 1 to 25, the Parent Company statement of financial position, the Parent Company statement of changes in equity, the Parent Company statement of cash flows, and the related notes 1 to 11. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union and, as regards the Parent Company Financial Statements, as applied in accordance with the provisions of the Companies Act 2006.

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

### **Respective responsibilities of Directors and auditor**

As explained more fully in the Statement of Directors' responsibilities on page 22, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the Financial Statements**

An audit involves obtaining evidence about the amounts and disclosures in the Annual Report and Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the Financial Statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the Financial Statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on Financial Statements**

In our opinion:

- the Financial Statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2015 and of the Group's profit for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company Financial Statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements.

**RAC Group Limited**

**Independent auditor's report (continued)**

**To the members of RAC Group Limited**

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company Financial Statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Richard Knights (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Birmingham  
United Kingdom  
Date: 29 February 2016

**RAC Group Limited****Consolidated Financial Statements 2015****Consolidated income statement****For the year ended 31 December 2015**

|  | Note  | <u>2015</u> | <u>2014</u> |
|--|-------|-------------|-------------|
|  |       | <u>£m</u>   | <u>£m</u>   |
| Revenue .....  | 1     | 501         | 498         |
| Cost of sales .....  |       | (215)       | (230)       |
| Gross profit .....   |       | 286         | 268         |
| Administrative expenses .....                                    |       | (137)       | (125)       |
| Operating profit .....   | 2     | 149         | 143         |
| EBITDA before exceptional items .....                            |       | 179         | 169         |
| Depreciation .....   | 2     | (4)         | (4)         |
| Amortisation of customer acquisition intangible assets .....     | 2     | (10)        | (10)        |
| Amortisation of non customer acquisition intangible assets ..... | 2     | (16)        | (11)        |
| Exceptional items .....  | 3     | —           | (1)         |
| Operating profit .....   |       | 149         | 143         |
| Finance expenses .....   | 5     | (1)         | (1)         |
| Other losses .....   | 12(e) | —           | (15)        |
| Profit before tax .....  |       | 148         | 127         |
| Tax charge .....   | 9     | (27)        | (28)        |
| <b>Profit for the year .....</b>                                 |       | <u>121</u>  | <u>99</u>   |

The accounting policies and notes on pages 30 to 77 are an integral part of these Financial Statements.

**RAC Group Limited****Consolidated Financial Statements 2015 (continued)****Consolidated statement of comprehensive income****For the year ended 31 December 2015**

|  | Note      | 2015<br>£m | 2014<br>£m |
|--|-----------|------------|------------|
| Profit for the year .....  |           | 121        | 99         |
| <b>Other comprehensive expense</b>   |           |            |            |
| <i>Other comprehensive expense not to be reclassified to profit or loss in subsequent periods:</i>   |           |            |            |
| Actuarial losses on pension schemes .....  | 23(c)(ii) | —          | (2)        |
| Aggregate tax effect .....   | 9(c)      | —          | —          |
| Net other comprehensive expense not to be reclassified to profit or loss in subsequent periods ..... |           | —          | (2)        |
| Other comprehensive expense, net of tax .....  |           | —          | (2)        |
| <b>Total comprehensive income for the year .....</b>   |           | <b>121</b> | <b>97</b>  |

The accounting policies and notes on pages 30 to 77 are an integral part of these Financial Statements.

**RAC Group Limited****Consolidated Financial Statements 2015 (continued)****Consolidated statement of financial position****As at 31 December 2015**

|                                | Note      | <u>2015</u><br>£m | <u>2014</u><br>£m |
|--------------------------------|-----------|-------------------|-------------------|
| <b>ASSETS</b>                  |           |                   |                   |
| Non-current assets             |           |                   |                   |
| Goodwill and intangible assets | 10        | 438               | 436               |
| Property, plant and equipment  | 11        | 15                | 13                |
| Deferred tax assets            | 16        | 7                 | 7                 |
| Trade and other receivables    | 14        | 3                 | 3                 |
|                                |           | <u>463</u>        | <u>459</u>        |
| <b>Current assets</b>          |           |                   |                   |
| Inventories                    | 13        | 3                 | 2                 |
| Trade and other receivables    | 14        | 178               | 132               |
| Cash and cash equivalents      | 15        | 88                | 54                |
|                                |           | <u>269</u>        | <u>188</u>        |
| <b>LIABILITIES</b>             |           |                   |                   |
| Current liabilities            |           |                   |                   |
| Provisions                     | 17        | (1)               | (1)               |
| Current tax payable            | 16        | (64)              | (72)              |
| Trade and other payables       | 18        | (239)             | (259)             |
|                                |           | <u>(304)</u>      | <u>(332)</u>      |
| <b>Net current liabilities</b> |           | <u>(35)</u>       | <u>(144)</u>      |
| <b>Non-current liabilities</b> |           |                   |                   |
| Employee benefit liability     | 23(c)(iv) | (6)               | (7)               |
| Trade and other payables       | 18        | (3)               | (4)               |
| Deferred tax liability         | 16        | (40)              | (46)              |
|                                |           | <u>(49)</u>       | <u>(57)</u>       |
| <b>Net assets</b>              |           | <u>379</u>        | <u>258</u>        |
| <b>EQUITY</b>                  |           |                   |                   |
| Ordinary share capital         | 19        | 31                | 31                |
| Share premium                  | 20        | —                 | —                 |
| Other reserves                 | 21        | 1                 | 1                 |
| Retained earnings              |           | <u>347</u>        | <u>226</u>        |
| <b>Total equity</b>            |           | <u>379</u>        | <u>258</u>        |

The accounting policies and notes on pages 30 to 77 are an integral part of these Financial Statements.

Approved by the Board on 29 February 2016.

D Cougill, Chief Financial Officer

**RAC Group Limited**

**Consolidated Financial Statements 2015 (continued)**

**Consolidated statement of changes in equity**

**For the year ended 31 December 2015**

|  | Note | Ordinary<br>share<br>capital | Share<br>premium | Capital<br>redemption<br>reserve | Retained<br>earnings | Total<br>equity |
|--|------|------------------------------|------------------|----------------------------------|----------------------|-----------------|
|  |      | £m                           | £m               | £m                               | £m                   | £m              |
| <b>Balance at 1 January 2014</b> .....         |      | <u>31</u>                    | <u>153</u>       | <u>1</u>                         | <u>6</u>             | <u>191</u>      |
| <b>Total comprehensive income for the year</b> |      |                              |                  |                                  |                      |                 |
| Profit for the year .....                      |      | —                            | —                | —                                | 99                   | 99              |
| Other comprehensive expense .....              |      | —                            | —                | —                                | (2)                  | (2)             |
| Total comprehensive income .....               |      | —                            | —                | —                                | 97                   | 97              |
| Capital reduction .....                        | 20   | —                            | (153)            | —                                | 153                  | —               |
| Dividends .....                                | 19   | —                            | —                | —                                | (30)                 | (30)            |
| Total movements in the year .....              |      | —                            | (153)            | —                                | 220                  | 67              |
| <b>Balance at 31 December 2014</b> .....       |      | <u>31</u>                    | <u>—</u>         | <u>1</u>                         | <u>226</u>           | <u>258</u>      |
| <b>Total comprehensive income for the year</b> |      |                              |                  |                                  |                      |                 |
| Profit for the year .....                      |      | —                            | —                | —                                | 121                  | 121             |
| Other comprehensive expense .....              |      | —                            | —                | —                                | —                    | —               |
| Total comprehensive income .....               |      | —                            | —                | —                                | 121                  | 121             |
| <b>Balance at 31 December 2015</b> .....       |      | <u>31</u>                    | <u>—</u>         | <u>1</u>                         | <u>347</u>           | <u>379</u>      |

The accounting policies and notes on pages 30 to 77 are an integral part of these Financial Statements.

**RAC Group Limited**

**Consolidated Financial Statements 2015 (continued)**

**Consolidated statement of cash flows**

**For the year ended 31 December 2015**

|   | Note   | 2015<br>£m  | 2014<br>£m  |
|---|--------|-------------|-------------|
| Operating activities  |        |             |             |
| Profit before tax   |        | 148         | 127         |
| Adjustments to reconcile profit before tax to net cash flows: |        |             |             |
| Depreciation of owned tangible assets                         | 11     | 4           | 4           |
| Amortisation of intangible assets                             | 10     | 26          | 21          |
| Loss on disposal of intangible assets                         | 10     | —           | 2           |
| Gain on disposal of investments                               | 12(c)  | —           | (2)         |
| Curtailement gains  |        | —           | (1)         |
| Finance expenses and other losses                             | 5 & 12 | 1           | 16          |
| Working capital adjustments:                                  |        |             |             |
| Increase in inventories                                       | 13     | (1)         | —           |
| Increase in trade and other receivables                       | 14     | (13)        | (29)        |
| Decrease in trade and other payables                          | 18     | (23)        | (24)        |
| Decrease in provisions  | 17     | —           | (2)         |
| Insurance policies for defined benefit schemes                |        | —           | (1)         |
| <b>Net cash flows from operating activities</b>               |        | <b>142</b>  | <b>111</b>  |
| <b>Investing activities</b>                                   |        |             |             |
| Acquisition of companies, net of cash acquired                |        | —           | (6)         |
| Purchase of property, plant and equipment                     | 11     | (6)         | (4)         |
| Proceeds from sale of investments                             |        | —           | 3           |
| Additions of intangible assets                                | 10     | (28)        | (28)        |
| <b>Net cash used in investing activities</b>                  |        | <b>(34)</b> | <b>(35)</b> |
| <b>Financing activities</b>                                   |        |             |             |
| Dividends paid  | 19     | —           | (30)        |
| Interest paid   |        | (74)        | (46)        |
| <b>Net cash flows used in financing activities</b>            |        | <b>(74)</b> | <b>(76)</b> |
| <b>Net increase in cash and cash equivalents</b>              |        | <b>34</b>   | <b>—</b>    |
| Cash and cash equivalents brought forward                     | 15     | 54          | 54          |
| <b>Cash and cash equivalents carried forward</b>              | 15     | <b>88</b>   | <b>54</b>   |

The accounting policies and notes on pages 30 to 77 are an integral part of these Financial Statements.

## **RAC Group Limited**

### **Accounting policies**

#### **(A) Corporate information**

RAC Group Limited, a limited liability company incorporated and domiciled in the United Kingdom, together with its subsidiaries (collectively, the “Group” or “RAC”), provides services and benefits to Members of RAC and other motorists primarily in the UK. The registered office is located at RAC House, Brockhurst Crescent, Walsall, West Midlands, WS5 4AW in England.

Information on the RAC Group Limited Group’s structure is provided in note 12. Information on other related party relationships of the Group is provided in note 25.

On 22 August 2014 the Company changed its name from RAC Limited to RAC Group Limited.

The Group and Parent Company Financial Statements of RAC Group Limited for the year ended 31 December 2015 were approved for issue by the Board on 29 February 2016.

#### **(B) Basis of preparation and basis of consolidation**

##### **Basis of preparation**

The Consolidated Financial Statements presented have been prepared for the RAC Group Limited Group, which comprises RAC Group Limited and its subsidiaries. The Financial Statements of the RAC Group Limited Group and the Parent Company have been prepared on the historical cost basis, except for certain properties and financial instruments that are measured at fair value, as explained in the accounting policies. Historical cost is generally based on the fair value of consideration given in exchange for assets.

The Financial Statements of the RAC Group Limited Group and the Parent Company have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) as adopted by the European Union (“EU”).

The Consolidated and Parent Company Financial Statements are presented in pounds sterling, which is the Group’s presentation currency. Unless otherwise noted, the amounts shown in these Financial Statements are in millions of pounds sterling (“£m”).

The separate Financial Statements of the Parent Company are set out from page 78. On publishing the Parent Company Financial Statements here together with the RAC Group Limited Group Financial Statements, the Company is taking advantage of the exemption in s408 of the Companies Act 2006 not to present its individual income statement. The Parent Company’s profit for the year ended 31 December 2015 was £50 million (2014: £21 million loss).

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no material effect on the reported results of the RAC Group Limited Group. The amounts relate to:

- reclassifications from Administrative expenses to Cost of sales, as they directly link to generating revenue;
- certain amounts in 2014 have been reclassified from trade payables and accruals to deferred income; and
- interest paid on behalf of RAC Finance (Holdings) Limited, a Parent Company, has been reclassified from trade and other receivables to interest paid in the statement of cash flows.

These reclassified amounts have no impact on the reported profit and net assets in the Parent Company Financial Statements.

##### **Going concern**

The Directors have assessed the financial position and the future funding requirements of the Group and the Company and compared them to the level of available committed borrowing facilities. The Group’s objectives, policies and processes for managing its capital, its financial risk management objectives and its exposure to credit risk and liquidity risk are set out in note 24 to the financial statements.

The Directors’ assessment included a review of the Group’s financial forecasts, financial instruments and hedging arrangements for the 15 month period from the balance sheet date. The Directors considered a



## **RAC Group Limited**

### **Accounting policies (continued)**

#### **(B) Basis of preparation and basis of consolidation (continued)**

##### **Going concern (continued)**

range of potential scenarios and how these may impact on cash flow, facility headroom and the Group's ability to comply with terms of its bank debt.

The Group has net assets of £379 million and net current liabilities of £35 million. This largely reflects the value of goodwill and brand within the RAC Group Ltd Group.

The Company has net assets of £314 million and net current liabilities of £27 million. The Directors have considered the financial position and future prospects of the Company. As the Company is in a net current liabilities position, a letter of support has been provided by its Parent Company, RAC Finance (Holdings) Limited in order to ensure it is able to pay any liabilities as they become due. Accordingly, the Directors continue to adopt the going concern basis in preparing the Annual Report and Financial Statements.

Having undertaken this assessment, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and so determine that that it is appropriate for the 2015 Company and Group financial statements to be prepared on a going concern basis.

##### **Basis of consolidation**

The Consolidated Financial Statements comprise the Financial Statements of the Company and its subsidiaries as at 31 December 2015.

Subsidiaries are those entities in which the Group, directly or indirectly, has power to exercise control. Control is achieved when the Group is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and contractual voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the financial period are included in the statement of financial position and the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss of each component of other comprehensive income ("OCI") is attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

## **RAC Group Limited**

### **Accounting policies (continued)**

#### **(B) Basis of preparation and basis of consolidation (continued)**

##### **Investments in associates**

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

Investments in associates are accounted for using the equity method. Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The consolidated income statement reflects the Group's share of the results of the operations of the associate. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, where applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognises the loss as 'Share of profit of an associate' in the consolidated income statement.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and proceeds from disposal is recognised in the consolidated income statement.

##### **Business combinations**

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

## **RAC Group Limited**

### **Accounting policies (continued)**

#### **(B) Basis of preparation and basis of consolidation (continued)**

##### **Business combinations (continued)**

When the consideration transferred by the Group in a business combination includes an asset or liability resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, Financial Instruments: Recognition and Measurement, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

#### **(C) Revenue recognition**

Revenue is measured as the fair value of the consideration received or receivable and represents amounts receivable for services and related products provided in the normal course of business, net of rebates and discounts and excluding any sales-based taxes, duties or levies.

##### **Service revenue**

Revenue represents sales of roadside assistance and services and is recognised on a straight line basis over the length of the contract, usually twelve months.

Where amounts have been invoiced in advance, the portion not recognised in revenue is included in deferred income.

##### **Products**

Revenue relating to the sale of products, such as batteries and parts, is recognised according to the terms of the sale, when the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership;
- the Group retains neither continuing managerial involvement nor effective control over the products sold;
- the amount of revenue and costs incurred can be measured reliably; and
- it is probable that economic benefits associated will flow to the Group.

##### **Insurance brokerage**

Commission is received from insurance brokerage services for home, motor and niche insurance policies. This is recognised on the effective commencement date or renewal date of the policies sold.

##### **Rental income**

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

## **RAC Group Limited**

### **Accounting policies (continued)**

#### **(C) Revenue recognition (continued)**

##### **Other income**

Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

#### **(D) Exceptional items**

Items which are considered by management to be material by size and/or nature or non-recurring are presented separately on the face of the income statement. Management believe that the separate reporting of exceptional items helps provide an indication of the Group's underlying business performance. Events which may give rise to a classification of items as exceptional include costs associated with business acquisitions, gains or losses on the disposal of businesses, restructuring of businesses and asset impairments.

#### **(E) Goodwill and intangible assets**

##### **Goodwill**

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary at the acquisition date. Goodwill is carried at cost, less any impairment subsequently incurred.

##### **Brand**

The RAC brand has been assessed as having an indefinite life due to the strength and durability of the brand that has existed since 1897.

##### **Customer lists and other intangible assets**

Customer lists and other intangible assets consist of IT projects and infrastructure, and contractual relationships such as access to distribution networks and acquired customer lists. The economic lives are determined by relevant factors which include; usage of the asset, typical product life cycles, stability of the industry, competitive position and period of control over the assets. These intangibles are amortised over their useful lives, which range from two to ten years using the straight line method.

The amortisation charge for the period is included separately within the income statement in administrative expenses. A provision for impairment will be charged where evidence of such an impairment is observed. Intangibles with indefinite lives are subject to regular impairment testing, as described below.

##### **Customer acquisition intangibles**

The Group expenses acquisition costs as incurred, with the exception of third party commissions and fees arising as a result of a direct sale, which are capitalised as customer acquisition intangibles.

The customer acquisition intangible is initially recognised at cost and subsequently amortised over the life of the policies, typically four to five years, which is driven by internal customer retention rate analysis.

##### **Intangible assets acquired in a business combination**

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

## **RAC Group Limited**

### **Accounting policies (continued)**

#### **(E) Goodwill and intangible assets (continued)**

##### **Impairment testing**

For impairment testing, goodwill has been allocated to one cash generating unit (“CGU”) that existed as at the date of acquisition as this represents the lowest level within the Group which generates independent cash inflows. The carrying amount of goodwill and intangibles with indefinite useful lives is reviewed at least annually or when circumstances or events indicate there may be uncertainty over this value. Goodwill and indefinite life intangibles are written down for impairment where the recoverable amount is insufficient to support its carrying amount. Details of the testing performed and carrying values of goodwill and intangibles is shown within note 10.

#### **(F) Property, plant and equipment**

Owner-occupied properties are carried at their revalued amounts, being the fair value at the date of revaluation, which are supported by market evidence, and movements are taken to a separate reserve within equity. A revaluation deficit is recognised in the income statement, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve. When such properties are sold, the accumulated revaluation surpluses are transferred from this reserve to retained earnings. Third party valuations are obtained every three years to support management’s internal valuations, carried out on an annual basis.

All other items classified as property, plant and equipment within the statement of financial position are carried at historical cost less accumulated depreciation.

Depreciation is calculated on the straight-line method to write down the cost of assets to their residual values over their estimated useful lives as follows:

|  |            |
|--|------------|
| Fixtures, fittings and other equipment | 3-10 years |
| Computer equipment                     | 4 years    |

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are recorded in the income statement.

#### **(G) Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable selling expenses. An inventory provision is held based on the age of inventory.

#### **(H) Impairment of non-financial assets**

Non-financial assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset’s fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

#### **(I) Trade receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset’s carrying amount and the present value of estimated future cash flows. The amount of the provision is recognised in the income statement.

## **RAC Group Limited**

### **Accounting policies (continued)**

#### **(J) Cash and cash equivalents**

Cash and cash equivalents consist of cash at banks and in hand, deposits held at call with banks and treasury bills that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Such investments are those with less than three months' maturity from the date of acquisition, or which are redeemable on demand with only an insignificant change in their fair values. For the purposes of the statement of cash flows, cash and cash equivalents also include bank overdrafts, which are included in payables and other financial liabilities in the statement of financial position.

#### **(K) Derivative financial instruments**

The Group holds derivative financial instruments, which include interest and basis rate swaps, to hedge its interest rate exposures. Derivatives are recognised initially and subsequently at fair value. Any gains or losses arising from changes in fair value of derivative financial instruments are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in other comprehensive income remains separately in equity until the forecast transaction occurs.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as other losses (negative net changes in fair value) or other gains (positive net changes in fair value) in the income statement.

The Group also has forward contracts for fuel purchases for a period of at least twelve months in order to hedge the variability of cash flows associated with the purchasing of fuel for use in the Group's operational fleet of Patrols and recovery vehicles. These contracts are not accounted for as derivatives as they are for the Group's own use and are therefore outside the scope of IAS 39 Financial Instruments: Recognition and Measurement.

#### **(L) Provisions and contingent liabilities**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset, up to the amount of the provision, but only when the reimbursement is virtually certain.

Contingent liabilities are disclosed if there is a possible future obligation as a result of a past event, or if there is a present obligation as a result of a past event but either a payment is not probable yet still possible or the amount cannot be reliably estimated.

#### **(M) Income taxes**

Income taxes include both current and deferred taxes. Income taxes are (charged)/credited to the consolidated income statement except where they relate to items (charged)/credited directly to other comprehensive income or equity. In this instance, the income taxes are also (charged)/credited directly to other comprehensive income or equity respectively.

Deferred tax is provided using the liability method in respect of 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 when 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. 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. 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



## **RAC Group Limited**

### **Accounting policies (continued)**

#### **(M) Income taxes (continued)**

or part of the deferred income 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 to 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 and deferred income tax assets and liabilities are offset where taxes are levied by the same taxation authority, there is a legal right of offset between the assets and liabilities and there is an intention to settle on a net basis.

#### **(N) Leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

#### **(O) Employee benefits**

##### **Pension obligations and other post-retirement benefit obligations**

The Group operates two post-employment benefit plans, a funded plan (the assets of which are held in separate trustee-administered funds, funded by payments from employees and the Group); and an unfunded unapproved pension scheme.

In addition the Group also provides a disability benefits scheme on a discretionary basis for certain pensioners and their dependants in the UK, and certain employees may also become eligible for this benefit on retirement, and medical benefits on a discretionary basis for certain pensioners and their dependants in the UK. No assets are set aside in separate funds to provide for the future liability.

For post-employment defined benefit plans, the pension costs are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to the income statement so as to spread the regular cost over the service lives of the employees. The pension obligation is measured as the present value of the estimated future cash out flows, using a discount rate based on market yields for high quality corporate bonds that are denominated in the currency in which the benefits will be paid and have terms of maturity approximate to the related pension liability. The resulting pension scheme surplus or deficit appears as an asset or liability in the statement of financial position.

Remeasurements, comprising of actuarial gains and losses and the return on plan assets (excluding net interest) are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Costs charged to the income statement comprise the current service cost (the increase in pension obligation resulting from employees' service in the current period, together with the schemes' administration expenses), past service cost (resulting from changes to benefits with respect to previous years' service), and gains or losses on curtailment (when the employer materially reduces the number of employees covered by the scheme) or on settlements (when a scheme's obligations are transferred from the Group).

Past service costs are recognised in the consolidated income statement on the earlier of the date of the plan amendment or curtailment, and the date that the Group recognises restructuring-related costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under 'cost of sales' and 'administrative expenses' in the consolidated income statement:

- service costs comprising current service costs, past service costs, gains and losses on curtailment and non-routine settlements; and
- net interest expense or income.

## **RAC Group Limited**

### **Accounting policies (continued)**

#### **(O) Employee benefits (continued)**

##### **Termination benefits**

The Group provides termination benefits. All termination costs are charged to the income statement when constructive obligation to such costs arises.

#### **(P) Share capital and dividends**

##### **Equity instruments**

An equity instrument is a contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Accordingly, all financial instruments are treated as financial liabilities or assets unless:

- (i) there is no contractual obligation to deliver cash or other financial assets or to exchange financial assets or liabilities on terms that may be unfavourable; and
- (ii) the instrument will not be settled by delivery of a variable number of shares or is a derivative that can be settled other than for a fixed amount of cash, shares or other financial assets.

##### **Dividends**

Interim dividends on ordinary shares are recognised in equity in the period in which they are paid. Final dividends on these shares are recognised when they have been approved by shareholders.

#### **(Q) Application of new and revised International Financial Reporting Standards (“IFRSs”)**

The following new and amended IFRS are effective for the 2015 Financial Statements. The adoption of these Standards has not had any material impact on the disclosures or on the amounts reported in the Group or the Parent Company’s Financial Statements.

- Amendments to IAS 19 Defined Benefit Plans: Employee Contributions
- Annual Improvements to IFRSs 2010 - 2012 Cycle
- Annual Improvements to IFRSs 2011 - 2013 Cycle

At the date of authorisation of these Financial Statements, the RAC Group Limited Group has not applied the following new and revised IFRSs that have been issued but are not yet effective and in some case had not yet been adopted by the EU:

- Amendments to IFRS 11 Accounting for Acquisitions of Interest and in Joint Operations<sup>1</sup>
- Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation<sup>1</sup>
- Amendments to IAS 27 Equity Method in Separate Financial Statements<sup>1</sup>
- Annual Improvements to IFRSs 2012 - 2014 Cycle<sup>1</sup>
- IFRS 9 Financial Instruments<sup>2</sup>
- IFRS 15 Revenue from contracts with customers<sup>2</sup>
- IFRS 16 Leases<sup>3</sup>

The RAC Group Limited Group is currently in the process of evaluating the impact of the adoption of new and revised standards, including IFRS 9, IFRS 15 and IFRS 16 on the Group’s financial reporting. It is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

<sup>1</sup> Effective for annual periods commencing on or after 1 January 2016

<sup>2</sup> Effective for annual periods commencing on or after 1 January 2018

<sup>3</sup> Effective for annual periods commencing on or after 1 January 2019



## **RAC Group Limited**

### **Accounting policies (continued)**

#### **(R) Critical accounting judgements and key sources of estimation uncertainty**

The preparation of the Financial Statements in conformity with IFRSs requires the Group to make estimates and judgements using assumptions that affect items reported in the Consolidated statement of financial position and Consolidated income statement and the disclosure of contingent assets and liabilities at the reporting date. Estimates are based on management's best knowledge of current facts, circumstances and, to some extent, future events and actions. Actual results may differ from those estimates, possibly significantly. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Set out below are items where management have taken a judgement or which management consider particularly susceptible to changes in estimates and assumptions, and the relevant accounting policy.

##### **(i) Critical judgements in applying the Group's accounting policies**

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the Financial Statements.

##### **Tax provisions**

Assessing the outcome of uncertain tax positions requires judgements to be made regarding the result of negotiations with and enquiries from tax authorities in a number of jurisdictions. The assessments made are based on advice from independent tax advisers and the status of ongoing discussions with the relevant tax authorities.

##### **Provisions and contingent liabilities**

Assessing the financial outcome of uncertain commercial and legal positions requires judgements to be made regarding the relative merits of each party's case and the extent to which any claim against the Group is likely to be successful. The assessments made are based on advice from the Group's internal counsel and, where appropriate, independent legal advice.

##### **Customer acquisition intangibles**

Acquisitions result in acquired third party commissions and fees being recognised as intangible assets. As an outcome of the above certain key judgements and estimates are required to be made in respect of the useful life in which the acquired asset is amortised over, this assessment is based upon internal customer retention rate analysis.

##### **(ii) Key sources of estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date are discussed below:

##### **Fair value measurements and valuation process**

The Group measures financial instruments, such as derivatives, and non-financial assets such as owner-occupied properties, at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group.

## **RAC Group Limited**

### **Accounting policies (continued)**

#### **(R) Critical accounting judgements and key sources of estimation uncertainty (continued)**

##### **(ii) Key sources of estimation uncertainty (continued)**

##### **Fair value measurements and valuation process (continued)**

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the Financial Statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

##### **Employee benefit obligations**

Determining the amount of the Group's employee benefit obligations and the net costs of providing such benefits requires assumptions to be made concerning inflation, salary and pension increases, investment returns and expected mortality of scheme members. Changes in these assumptions could significantly impact the amount of the obligations or the cost of providing such benefits. The Group makes assumptions concerning these matters with the assistance from independently qualified actuaries. Details of the assumptions made are set out in note 23 to the Consolidated Financial Statements.

##### **Impairment of goodwill and indefinite lived intangible assets**

Determining whether goodwill and brand are impaired requires an estimation of the value in use of the cash-generating unit to which goodwill and brand has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amount of goodwill and the brand as at both 31 December 2015 and 31 December 2014 was £354 million. No impairment loss of goodwill or the brand has been recognised in any periods reported on.

## RAC Group Limited

### Notes to the Consolidated Financial Statements

#### 1 Revenue

|                        | <u>2015</u> | <u>2014</u> |
|------------------------|-------------|-------------|
|                        | <u>£m</u>   | <u>£m</u>   |
| Sale of products ..... | 24          | 25          |
| Sale of services ..... | <u>477</u>  | <u>473</u>  |
| Total revenue .....    | <u>501</u>  | <u>498</u>  |

#### 2 Operating items

The following items have been included in arriving at the result:

|  | <u>2015</u> | <u>2014</u> |
|--|-------------|-------------|
|  | <u>£m</u>   | <u>£m</u>   |
| Depreciation of owned tangible assets (note 11) .....                      | 4           | 4           |
| Amortisation of customer acquisition intangible assets (note 10) .....     | 10          | 10          |
| Amortisation of non customer acquisition intangible assets (note 10) ..... | 16          | 11          |
| Employee costs (note 7) .....  | 145         | 145         |
| Operating lease rentals paid .....   | 13          | 14          |
| Rental income .....  | <u>(1)</u>  | <u>(1)</u>  |

#### 3 Exceptional items

|  | <u>2015</u> | <u>2014</u> |
|--|-------------|-------------|
|  | <u>£m</u>   | <u>£m</u>   |
| Legal fees in respect of Joint Venture ..... | —           | 1           |
|  | <u>—</u>    | <u>1</u>    |

In 2014, the Group incurred £1m of legal fees in relation to the formation and subsequent exit from the Joint Venture with Connected Car Solutions. See note 12(d) for further detail on the Joint Venture.

#### 4 Operating segments

The Group is primarily UK based and offers an increasing range of breakdown and other motoring services directly to Individual Members and other motorists, as well as indirectly through a range of Corporate Partner relationships. Management has determined the operating segments based on the monthly management accounts reviewed by the Board of Directors, which is used to assess the performance of the business. The board of directors has been identified by management to reflect the chief operating decision maker in accordance with the requirements of IFRS 8 Operating Segments.

The four operating and reportable segments of the Group are described below.

##### Roadside

Roadside assistance is the largest operating segment of the business, offering breakdown cover and related products to Individual Members and Corporate Partners.

##### Insurance broking

The insurance division predominantly acts as an insurance intermediary with minimal underwriting risk. A range of insurance products are offered and the majority of the revenue generated from this operating segment is driven by motor insurance products.

##### Motoring services

The motoring services division includes a range of established products such as legal and motor claims services and new business areas such as retail online, garage services, SME business club and RAC Cars.

## RAC Group Limited

### Notes to the Consolidated Financial Statements (continued)

#### 4 Operating segments (continued)

##### Telematics and Data services

The telematics and data services division focuses on the sale of telematics devices to Individual Members, Corporate Partners and SME businesses as well as the monetisation of data assets held by the Group.

The following is an analysis of the RAC Group Limited Group's revenue and results by operating segment. During all years reported on, there were no inter segment sales and no individual customer contributed 10% or more to the RAC Group Limited Group's revenue.

|  | Year ended<br>31 December<br>2015 | Year ended<br>31 December<br>2014 |
|--|-----------------------------------|-----------------------------------|
|  | £m                                | £m                                |
| <b>Revenue of products</b>   |                                   |                                   |
| Roadside . . . . .   | 24                                | 25                                |
| <b>Revenue of services</b>   |                                   |                                   |
| Roadside . . . . .   | 395                               | 388                               |
| Insurance broking . . . . .  | 56                                | 54                                |
| Motoring services . . . . .  | 21                                | 20                                |
| Telematics and Data services . . . . .                                       | 5                                 | 11                                |
| <b>Group Revenue . . . . .</b>   | <b>501</b>                        | <b>498</b>                        |
| <b>Segment EBITDA before exceptional items and head office costs</b>         |                                   |                                   |
| Roadside . . . . .   | 187                               | 170                               |
| Insurance broking . . . . .  | 31                                | 30                                |
| Motoring services . . . . .  | 3                                 | 4                                 |
| Telematics and Data services . . . . .                                       | 3                                 | 1                                 |
| <b>Group EBITDA before exceptional items and head office costs . . . . .</b> | <b>224</b>                        | <b>205</b>                        |
| Head office costs** . . . . .  | (45)                              | (36)                              |
| <b>Group EBITDA before exceptional items . . . . .</b>                       | <b>179</b>                        | <b>169</b>                        |
| Amortisation of intangible assets . . . . .                                  | (26)                              | (21)                              |
| Depreciation . . . . .   | (4)                               | (4)                               |
| Exceptional items** . . . . .  | —                                 | (1)                               |
| <b>Operating profit . . . . .</b>  | <b>149</b>                        | <b>143</b>                        |
| Finance expenses . . . . .   | (1)                               | (1)                               |
| Other losses . . . . .   | —                                 | (15)                              |
| <b>Profit before tax from continuing operations . . . . .</b>                | <b>148</b>                        | <b>127</b>                        |

\*\* These costs are not internally analysed into separate operating segments.

##### Assets and liabilities

For the purpose of monitoring segment performance, working capital analysis is presented to and monitored by the Board on a Group level, to enable a meaningful review of the economic environment of the business as a whole. As the Group's financial information is reviewed by type, segmental analysis of assets and liabilities by function is not regularly provided to management and has not been presented within the financial information.

#### 5 Finance expenses

|  | 2015 | 2014 |
|--|------|------|
|  | £m   | £m   |
| Interest payable – third parties . . . . . | 1    | 1    |
|  | 1    | 1    |

## RAC Group Limited

### Notes to the Consolidated Financial Statements (continued)

#### 6 Auditor's remuneration

The total remuneration payable by the Group, excluding VAT, to its auditor, Deloitte LLP, is shown below.

|   | <u>2015</u>       | <u>2014</u>       |
|---|-------------------|-------------------|
|   | <u>£000</u>       | <u>£000</u>       |
| <b>Audit Services</b>                                   |                   |                   |
| Audit of financial statements .....                     | 45                | 45                |
| Audit of subsidiaries .....                             | <u>191</u>        | <u>168</u>        |
|   | 236               | 213               |
| <b>Other Services</b>                                   |                   |                   |
| Taxation compliance services .....                      | <u>77</u>         | <u>43</u>         |
| <b>Total remuneration payable to Deloitte LLP .....</b> | <b><u>313</u></b> | <b><u>256</u></b> |

#### 7 Employee information

The Company has no employees. All employees of the Group are employed and remunerated by RAC Motoring Services, a wholly owned subsidiary.

The average number of persons employed during the year was:

|                            | <u>2015</u>   | <u>2014</u>   |
|----------------------------|---------------|---------------|
|                            | <u>Number</u> | <u>Number</u> |
| Roadside .....             | 3,020         | 3,062         |
| Insurance and claims ..... | 133           | 132           |
| Support .....              | <u>285</u>    | <u>253</u>    |
|                            | <u>3,438</u>  | <u>3,447</u>  |

Total staff costs were:

|                                  | <u>2015</u> | <u>2014</u> |
|----------------------------------|-------------|-------------|
|                                  | <u>£m</u>   | <u>£m</u>   |
| Wages and salaries .....         | 124         | 124         |
| Social security costs .....      | 12          | 13          |
| Pension costs .....              | 8           | 8           |
| Termination benefits .....       | <u>1</u>    | <u>—</u>    |
|                                  | <u>145</u>  | <u>145</u>  |
| These costs were charged within: |             |             |
| Cost of sales .....              | 100         | 104         |
| Administrative expenses .....    | <u>45</u>   | <u>41</u>   |
|                                  | <u>145</u>  | <u>145</u>  |

#### 8 Directors

Details of the aggregate remuneration of the Directors of the Company for qualifying services in respect of the RAC Group comprise:

|  | <u>2015</u>  | <u>2014</u>  |
|--|--------------|--------------|
|  | <u>£000</u>  | <u>£000</u>  |
| Fees and benefits .....                                      | 1,691        | 1,060        |
| Contributions paid into money purchase pension schemes ..... | <u>—</u>     | <u>8</u>     |
|  | <u>1,691</u> | <u>1,068</u> |
| Emoluments of the highest paid Director:                     |              |              |
| Fees and benefits .....                                      | <u>824</u>   | <u>493</u>   |
|  | <u>824</u>   | <u>493</u>   |

## RAC Group Limited

### Notes to the Consolidated Financial Statements (continued)

#### 8 Directors (continued)

- (a) Fees and benefits include Directors' bonuses.
- (b) Retirement benefits are accruing to no Directors (2014: 1 director) under a money purchase scheme.
- (c) During the year no Directors (period ended 31 December 2014: none) were awarded shares under long-term incentive schemes.

#### 9 Tax

##### (a) Tax charged to the income statement

The total tax charge comprises:

|   | <u>2015</u> | <u>2014</u> |
|---|-------------|-------------|
|   | <u>£m</u>   | <u>£m</u>   |
| <b>Current tax:</b>   |             |             |
| For the year . . . . .                                      | 29          | 24          |
| Adjustment in respect of prior years . . . . .              | 4           | 1           |
| Total current tax . . . . .                                 | <u>33</u>   | <u>25</u>   |
| <b>Deferred tax:</b>  |             |             |
| Origination and reversal of temporary differences . . . . . | 2           | 4           |
| Change in tax rates . . . . .                               | (4)         | —           |
| Adjustment in respect of prior years . . . . .              | (4)         | (1)         |
| Total deferred tax (credit)/charge . . . . .                | <u>(6)</u>  | <u>3</u>    |
| <b>Total tax charged to the income statement . . . . .</b>  | <u>27</u>   | <u>28</u>   |

##### (b) Tax reconciliation

The tax on the Group's result before tax differs from the theoretical amount that would arise using the tax rate in the UK as follows:

|  | <u>2015</u> | <u>2014</u> |
|--|-------------|-------------|
|  | <u>£m</u>   | <u>£m</u>   |
| Profit before tax . . . . .  | 148         | 127         |
| Tax calculated at standard UK corporation tax rate of 20.25% (2014: 21.5%) . . . . . | 30          | 27          |
| Recognition of previously unrecognised deferred tax . . . . .                        | —           | 1           |
| Effect of change in tax rate . . . . .   | (4)         | —           |
| Prior year adjustment . . . . .  | 1           | —           |
| <b>Total tax charged to the income statement (note 9(a)) . . . . .</b>               | <u>27</u>   | <u>28</u>   |

The headline rate of UK corporation tax reduced from 21% to 20% on 1 April 2015, and will reduce further to 19% from 1 April 2017 and 18% from 1 April 2020.

Under IAS 12 deferred tax assets and liabilities are measured at the tax rates that are expected to apply to 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 by the statement of financial position date.

Accordingly, as the future reductions of the corporation tax rate to 19% and 18% was substantively enacted on 26 October 2015, the deferred tax balances at 31 December 2015 have been reflected at the tax rates they are expected to be realised or settled.

##### (c) Tax charged to other comprehensive income

Tax charged directly to other comprehensive income in the year amounted to £nil, (2014: £nil) and is in respect of the tax impact on actuarial gains in employee benefit schemes.

## RAC Group Limited

### Notes to the Consolidated Financial Statements (continued)

#### 10 Goodwill and intangible assets

|  | Goodwill | Brand | Customer List | Other | Non customer acquisition intangibles subtotal | Customer acquisition intangibles | Total |
|--|----------|-------|---------------|-------|---|----------------------------------|-------|
|  | £m       | £m    | £m            | £m    | £m  | £m                               | £m    |
| <b>Cost:</b>                                 |          |       |               |       |   |                                  |       |
| At 1 January 2014 .....                      | 153      | 201   | 52            | 38    | 444   | 37                               | 481   |
| Additions .....                              | —        | —     | —             | 11    | 11  | 14                               | 25    |
| Acquired through business combinations ..... | 12(c) —  | —     | —             | 5     | 5   | —                                | 5     |
| Disposals .....                              | —        | —     | —             | (2)   | (2)   | —                                | (2)   |
| At 31 December 2014 .....                    | 153      | 201   | 52            | 52    | 458   | 51                               | 509   |
| Additions .....                              | —        | —     | —             | 11    | 11  | 17                               | 28    |
| At 31 December 2015 .....                    | 153      | 201   | 52            | 63    | 469   | 68                               | 537   |
| <b>Amortisation:</b>                         |          |       |               |       |   |                                  |       |
| At 1 January 2014 .....                      | —        | —     | 28            | 7     | 35  | 17                               | 52    |
| Charge for the year .....                    | —        | —     | 2             | 9     | 11  | 10                               | 21    |
| At 31 December 2014 .....                    | —        | —     | 30            | 16    | 46  | 27                               | 73    |
| Charge for the year .....                    | —        | —     | 2             | 14    | 16  | 10                               | 26    |
| At 31 December 2015 .....                    | —        | —     | 32            | 30    | 62  | 37                               | 99    |
| <b>Net book value:</b>                       |          |       |               |       |   |                                  |       |
| At 31 December 2015 .....                    | 153      | 201   | 20            | 33    | 407   | 31                               | 438   |
| At 31 December 2014 .....                    | 153      | 201   | 22            | 36    | 412   | 24                               | 436   |

Goodwill and brand are held at cost and tested at least annually for impairment. All other intangible assets are stated at cost less accumulated amortisation. Other intangible assets comprise the value of customer relationships and IT development. Research and development costs that are not eligible for capitalisation have been expensed in the period incurred and are shown in the income statement.

No impairment losses have been recognised in 2015 or 2014. During 2014, intangible assets relating to software development were disposed of resulting in a £2 million loss. On 1 September 2014 the RAC Group Limited Group acquired the trade and assets of Risk Telematics UK Limited, which consisted of £5 million of intangible assets.

#### Impairment testing of goodwill and intangible assets with indefinite lives

Goodwill acquired through business combinations and intangible assets with indefinite lives have been allocated to the one cash generating unit (“CGU”) that existed as at the date of acquisition for the purpose of impairment testing. The carrying value of the goodwill and indefinite-lived intangible assets allocated to the CGU is £153 million and £201 million respectively.

The Group performs impairment testing annually in October and whenever a loss event occurs. The impairment test compares the recoverable amount of the CGU to its carrying value.

The recoverable amount of the unit has been determined based on a value-in-use calculation using cash flow projections from the Group’s budget and management’s forecast up to 2019. The growth rate used to extrapolate revenue beyond the Group’s forecasts for the CGU is 2% (2014: 2%), based on the expected average long term growth rate of the UK economy. The pre-tax discount rate applied to the cash flow projections is based on the Group Weighted Average Cost of Capital (“WACC”) which has been risk adjusted to reflect current market factors not already captured within the cash flows. The discount rate has also been further risk adjusted to reflect an independent capital structure as stipulated by IAS 36 Impairment of non-current assets.

Key assumptions used in management forecasts include:

- Individual Members having high customer loyalty and retention rates resulting in a stable and predictable revenue stream;

## RAC Group Limited

### Notes to the Consolidated Financial Statements (continued)

#### 10 Goodwill and intangible assets (continued)

##### Impairment testing of goodwill and intangible assets with indefinite lives (continued)

- success rates for contract renewals based on historical experience; and
- cost discipline and operational efficiencies.

The above assumptions are calculated based on recent performance, adjusted for expected future cash flows. The calculation of the value-in-use is most sensitive to the assumptions in the discount rate, the growth rate and the customer retention rate. Retention rates are derived from internal retention rate analysis and are considered by management to be a best estimate.

With regard to the assessment of value-in-use, management believes that no reasonably foreseeable change in any of the above key assumptions would cause the carrying value of the intangibles to materially exceed its recoverable amount, and consequently no impairment has been recognised.

#### 11 Property, plant and equipment

|                           | Owner-occupied property | Fixtures, fittings and other equipment | Computer equipment | Total |
|---------------------------|-------------------------|--|--------------------|-------|
|                           | £m                      | £m                                     | £m                 | £m    |
| <b>Cost or valuation:</b> |                         |  |                    |       |
| At 1 January 2014         | 6                       | 29                                     | 60                 | 95    |
| Additions                 | —                       | 4                                      | —                  | 4     |
| At 31 December 2014       | 6                       | 33                                     | 60                 | 99    |
| Additions                 | —                       | 2                                      | 4                  | 6     |
| Disposals                 | —                       | (23)                                   | (39)               | (62)  |
| At 31 December 2015       | 6                       | 12                                     | 25                 | 43    |
| <b>Depreciation:</b>      |                         |  |                    |       |
| At 1 January 2014         | 3                       | 26                                     | 53                 | 82    |
| Charge for the year       | —                       | 2                                      | 2                  | 4     |
| At 31 December 2014       | 3                       | 28                                     | 55                 | 86    |
| Charge for the year       | —                       | 2                                      | 2                  | 4     |
| Disposals                 | —                       | (23)                                   | (39)               | (62)  |
| At 31 December 2015       | 3                       | 7                                      | 18                 | 28    |
| <b>Net book value:</b>    |                         |  |                    |       |
| At 31 December 2015       | 3                       | 5                                      | 7                  | 15    |
| At 31 December 2014       | 3                       | 5                                      | 5                  | 13    |

The carrying value of all other plant and equipment shown in the table above is consistent with disclosure on a historical cost basis.

In line with the Group accounting policy, the owner-occupied property has been revalued during 2015 by Colliers International, an accredited independent valuer. The valuation performed by the valuer was based on active market prices, adjusted for any differences in the nature, location or condition of the specific property. There has been no material change in the fair value of the property. The date of the revaluation was 30 October 2015 and no significant change in value has occurred between this date and the year end. If owner-occupied property was measured using the cost model, the carrying amount at both 31 December 2015 and 31 December 2014 would be £6 million.



## RAC Group Limited

### Notes to the Consolidated Financial Statements (continued)

#### 12 Group information

##### (a) Information about subsidiaries

The Consolidated Financial Statements of the RAC Group Limited Group include the following subsidiaries:

| Company   | Type of business                              | Class of share   | Proportion held |
|---|---|------------------|-----------------|
| RAC Motoring Services .....                             | Motor breakdown cover                         | Ordinary         | 100%            |
| RACMS (Ireland) Limited (incorporated in Ireland) ..... | Roadside assistance                           | Ordinary         | 100%            |
| RAC Financial Services Limited .....                    | Insurance intermediary                        | Ordinary         | 100%            |
| RAC Insurance Limited .....                             | General Insurance business                    | Ordinary         | 100%            |
| RAC Motoring Services (Holdings) Limited .....          | Holding company                               | Ordinary         | 100%            |
| RAC Brand Enterprises LLP .....                         | Licensing and management of intangible assets | Members' capital | 100%            |
| Net Cars Limited .....                                  | Online motoring services                      | Ordinary         | 100%            |
| Risk Telematics UK Limited .....                        | Software development                          | Ordinary         | 100%            |

All subsidiaries are registered in England and Wales and operate in the United Kingdom, except RACMS (Ireland) Limited which operates and is registered in Ireland.

In 2013 the RAC Group Limited Group acquired a 15% interest in, (and significance influence over) Risk Telematics UK Limited. The company is involved in the development of Telematics software. Risk Telematics UK Limited is a private entity that is not listed on any public exchange, and is incorporated in England and Wales. Under the shareholders agreement the Group had an option to purchase the remaining shares up to the end of 2018. On 1 September 2014, the option was exercised at which point the Group acquired the remaining 85% (and control) of Risk Telematics UK Limited that it did not previously own. See further details in section (c) below.

Net Cars Limited (Company No. 08370931) and Risk Telematics UK Limited (Company No. 08580115) are exempt from audit by virtue of s479a of the Companies Act 2006 and have both been provided with a statutory guarantee by the Company as required by s479c of the Companies Act 2006. As a consequence, Net Cars Limited and Risk Telematics UK Limited have both taken advantage of the available exemption for audit.

##### (b) Ultimate controlling entity

The immediate Parent Company of the RAC Group Limited Group is RAC Finance (Holdings) Limited, registered in England and Wales.

The ultimate controlling entity of the RAC Group Limited Group is RAC Group (Holdings) Limited.

Until 17 December 2014, the controlling entity of the RAC Group Limited Group was RAC Limited and the ultimate controlling entity was CEP III Investment 16 S.à.r.l registered in Luxembourg.

##### (c) Business combinations

On 1 April 2014 the Group sold its 15% investment in Risk Telematics UK Limited to Connected Car Solutions for £1.5 million when it entered into a Joint Venture in Connected Car Solutions Limited (see 11(d)), resulting in a £1.5 million credit to the income statement on disposal of the investment.

On 1 September 2014, the RAC Group Limited Group repurchased the previously held 15% stake in Risk Telematics UK Limited from Connected Car Solutions for £1.5 million in addition to acquiring the remaining 85% of issued share capital that it did not previously own, obtaining control of Risk Telematics UK Limited. The remaining 85% of issued share capital was acquired for £3.5 million of which £2.5 million was paid in cash with the balance of £1 million contingent on successful completion of terms as specified in the contract. The RAC Group Limited Group has licensed aspects of Risk Telematics UK technology back to its former joint venture partner in return for a royalty payment of £3.5 million recognised in Risk Telematics UK Limited.

## RAC Group Limited

### Notes to the Consolidated Financial Statements (continued)

#### 12 Group information (continued)

##### (c) Business combinations (continued)

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below.

|   | Fair value<br>recognised on<br>acquisition |
|---|--|
|   | £000                                       |
| Trade and other receivables . . . . .                     | 21   |
| Trade and other payables . . . . .                        | (3)  |
| Tax liabilities . . . . .                                 | (4)  |
| <b>Net assets acquired</b> . . . . .                      | 14   |
| Intangibles arising on acquisition . . . . .              | 4,986                                      |
| <b>Purchase consideration transferred</b> . . . . .       | 5,000                                      |
|   | £000                                       |
| <b>Cash flow on acquisition</b>                           |  |
| Net cash acquired with Risk Telematics UK Limited . . . . | —  |
| Cash paid . . . . .                                       | 2,500                                      |
| Contingent consideration . . . . .                        | 1,000                                      |
| <b>Net cash flow on acquisition</b> . . . . .             | 3,500                                      |

The intangibles of £4,986 thousand arising on acquisition consisted of Telematics software.

The fair value of the financial assets included receivables with a fair value of £21 thousand and a gross contractual value of £21 thousand. The best estimate at acquisition date of the contractual cashflows not to be collected were £nil.

Acquisition-related costs (included in administrative expenses) were negligible and considered to be immaterial.

From acquisition through to 31 December 2014, Risk Telematics UK Limited had negligible profits.

##### (d) Joint Venture

In April 2014 the Group entered into a Joint Venture in Connected Car Solutions Limited, acquiring 49% of the share capital. The company is involved in the distribution of connected car capabilities within the UK and Canada, which complemented the Group's operations.

Due to changes in market conditions the RAC Group Limited Group exited the Joint Venture on 1 September 2014, selling its interest in Connected Car Solutions.

The joint venture had negligible revenue, losses or other comprehensive income, and cash flows in the prior period to the point of exit.

Connected Car Solutions Limited was incorporated on 14 March 2014 with a financial year end of 31 December. For the purposes of applying the equity method of accounting, significant transactions since incorporation to the date of exit on 1 September 2014 were taken into account.

##### (e) Warrants

During 2013, the RAC Group Limited Group entered into a contract with an AIM listed company, to which the RAC Group Limited Group had outsourced its accident management services. As part of the contract the RAC Group Limited Group acquired warrants to purchase 16.67 million shares in the AIM listed company at a subscription price of 195p, which expire in June 2015. Deferred income equal to the fair value of the warrants at acquisition of £10 million is being recognised in the income statement over the life of the related accident management contract. The warrants are derivative financial instruments and are revalued at each reporting date with any subsequent movement in fair value being taken to the income statement in full at that reporting date.

## RAC Group Limited

### Notes to the Consolidated Financial Statements (continued)

#### 12 Group information (continued)

##### (e) Warrants (continued)

The warrants were held at fair value of £nil as at 31 December 2015 (2014: £nil) with a loss of £nil (2014: £15 million) being taken to the income statement.

#### 13 Inventories

|                   | <u>2015</u> | <u>2014</u> |
|-------------------|-------------|-------------|
|                   | <u>£m</u>   | <u>£m</u>   |
| Inventories ..... | <u>3</u>    | <u>2</u>    |

The cost of inventories recognised as an expense and included within Cost of sales in the year ended 31 December 2015 amounted to £10 million (2014: £11 million).

#### 14 Trade and other receivables

|  | <u>2015</u> | <u>2014</u> |
|--|-------------|-------------|
|  | <u>£m</u>   | <u>£m</u>   |
| Trade receivables .....                                | 37          | 32          |
| Amounts due from related parties (note 25(a)(i)) ..... | 123         | 80          |
| Prepayments and accrued income .....                   | 20          | 22          |
| Other receivables .....                                | <u>1</u>    | <u>1</u>    |
| <b>Total</b> .....                                     | <u>181</u>  | <u>135</u>  |
| Expected to be recoverable within one year .....       | 178         | 132         |
| Expected to be recoverable in more than one year ..... | <u>3</u>    | <u>3</u>    |
| <b>Total</b> .....                                     | <u>181</u>  | <u>135</u>  |

All receivables and other financial assets other than prepayments are carried at amortised cost. The Directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

The balance above of £181 million (2014: £135 million) is considered to be neither past due nor impaired.

#### 15 Cash and cash equivalents

Cash and cash equivalents in the Consolidated statement of cash flows comprise:

|   | <u>2015</u> | <u>2014</u> |
|---|-------------|-------------|
|   | <u>£m</u>   | <u>£m</u>   |
| Unrestricted cash at bank and in hand ..... | 76          | 42          |
| Restricted cash at bank .....               | <u>12</u>   | <u>12</u>   |
| <b>Total</b> .....                          | <u>88</u>   | <u>54</u>   |

Restricted cash is the amount of cash the RAC Group Limited Group is required to hold to meet regulatory Solvency requirements.

#### 16 Tax assets and liabilities

|                              | <u>2015</u> | <u>2014</u>  |
|------------------------------|-------------|--------------|
|                              | <u>£m</u>   | <u>£m</u>    |
| Current tax payable .....    | (64)        | (72)         |
| Deferred tax assets .....    | 7           | 7            |
| Deferred tax liability ..... | <u>(40)</u> | <u>(46)</u>  |
|                              | <u>(97)</u> | <u>(111)</u> |

## RAC Group Limited

### Notes to the Consolidated Financial Statements (continued)

#### 16 Tax assets and liabilities (continued)

|   | Property,<br>plant &<br>equipment | Intangible<br>assets | Retirement<br>benefit<br>obligations | Other<br>temporary<br>differences | Total |
|---|-----------------------------------|----------------------|--------------------------------------|-----------------------------------|-------|
|   | £m                                | £m                   | £m                                   | £m                                | £m    |
| At 1 January 2014 .....                   | 6                                 | (45)                 | 2                                    | 1                                 | (36)  |
| Charge to income statement .....          | (1)                               | —                    | (1)                                  | (1)                               | (3)   |
| At 31 December 2014 .....                 | 5                                 | (45)                 | 1                                    | —                                 | (39)  |
| (Charge)/credit to income statement ..... | (1)                               | 6                    | —                                    | 1                                 | 6     |
| At 31 December 2015 .....                 | 4                                 | (39)                 | 1                                    | 1                                 | (33)  |

|   | 2015<br>£m | 2014<br>£m |
|---|------------|------------|
| The movement in the net deferred tax liability was as follows:            |            |            |
| Net deferred tax liability brought forward .....                          | (39)       | (36)       |
| Deferred tax credited/(charged) to the income statement (note 9(a)) ..... | 6          | (3)        |
| Net deferred tax liability carried forward .....                          | (33)       | (39)       |

The RAC Group Limited Group has unrecognised capital losses of £146 million (2014: £147 million) to carry forward indefinitely against future taxable income. The capital losses arose from past transactions in which the RAC Group Limited Group disposed of investments. These losses can be used to offset tax arising on future capital gains. No asset has been recognised as there are no capital gains expected in the foreseeable future.

Liabilities for corporation tax include amounts to be settled by group relief of £42 million (2014: £61 million) and are payable within one year.

#### 17 Provisions

|                                | Other<br>£m | Total<br>£m |
|--------------------------------|-------------|-------------|
| At 1 January 2015 .....        | 1           | 1           |
| Utilised during the year ..... | —           | —           |
| At 31 December 2015 .....      | 1           | 1           |

##### Other provisions

Other provisions include amounts payable at the end of Patrol vehicle leases to correct modifications made and are expected to be utilised at the end of each vehicle's lease term (usually five years). There has been no material expenditure nor additional provision in the year.

#### 18 Trade and other payables

|  | 2015<br>£m | 2014<br>£m |
|--|------------|------------|
| Trade payables and accruals .....                  | 50         | 49         |
| Amounts due to related parties .....               | 3          | 24         |
| Deferred income .....                              | 151        | 159        |
| Other payables .....                               | 38         | 31         |
| <b>Total</b> .....                                 | <b>242</b> | <b>263</b> |
| Expected to be payable within one year .....       | 239        | 259        |
| Expected to be payable in more than one year ..... | 3          | 4          |
| <b>Total</b> .....                                 | <b>242</b> | <b>263</b> |

## RAC Group Limited

### Notes to the Consolidated Financial Statements (continued)

#### 18 Trade and other payables (continued)

All payables other than deferred income are financial liabilities and are carried at amortised cost which is considered to be a reasonable approximation of the relevant fair value basis.

#### 19 Ordinary share capital

Details of the RAC Group Limited Group's ordinary share capital are as follows:

|   | <u>2015</u> | <u>2014</u> |
|---|-------------|-------------|
|   | <u>£m</u>   | <u>£m</u>   |
| Allotted, called up and fully paid:                                 |             |             |
| 122,590,168 (2014: 122,590,168) ordinary shares of £0.25 each . . . | <u>31</u>   | <u>31</u>   |

The Companies Act 2006 abolished the requirement for a Company to have an authorised share capital and the articles of association adopted by the Company on 11 February 2011 reflect this. Directors may exercise any power of the Company to allot shares or grant rights to subscribe for or to convert any security into such shares and are authorised to do so under the Company's articles of association. Ordinary shares in issue in the Company rank pari passu. All the ordinary shares in issue carry the same right to receive all dividends and other distributions declared, made or paid by the Company.

Interim dividends totalling £nil were paid by the Company during the year (2014: £30 million (24.5 pence per share))

#### 20 Share premium account

In August 2014, a capital reduction was approved by the Board, transferring £153 million from the share premium account to retained earnings in the Company. This resulted in an increase in distributable reserves in the Company.

#### 21 Other reserves

|  | <u>Capital<br/>redemption<br/>reserve</u> |
|--|---|
|  | <u>£m</u>                                 |
| Balance at 31 December 2015 and 31 December 2014 . . . . . | <u>1</u>                                  |

#### 22 Commitments

##### Operating lease commitments

Future aggregate minimum lease payments under non-cancellable operating leases are as follows:

|  | <u>2015</u> | <u>2014</u> |
|--|-------------|-------------|
|  | <u>£m</u>   | <u>£m</u>   |
| Within 1 year . . . . .                                | 11          | 11          |
| Later than 1 year and not later than 5 years . . . . . | 25          | 25          |
| Later than 5 years . . . . .                           | <u>66</u>   | <u>68</u>   |
|  | <u>102</u>  | <u>104</u>  |

Operating lease commitments arise in respect of property leases and the Patrol fleet.

#### 23 Employee benefit obligations

This note describes the RAC Group Limited Group's employee benefit arrangements for its employees and explains how the obligations to these schemes are calculated.

## **RAC Group Limited**

### **Notes to the Consolidated Financial Statements (continued)**

#### **23 Employee benefit obligations (continued)**

##### **(a) Introduction**

The RAC Group Limited Group operates a number of employee benefit schemes as follows:

##### **RAC Group Personal Pension Plan (“RAC GPP Plan”)**

The RAC GPP Plan is a defined contribution pension plan open to all RAC employees.

##### **Unfunded Unapproved Pension Scheme (“UUP Scheme”)**

An UUP Scheme is provided on a discretionary basis for certain employees who receive benefits on a defined benefit basis (generally related to final salary). The number of pensioners entitled to this benefit at 31 December 2015 was 8 (2014: 8).

##### **Post-Retirement Medical Benefits Scheme (“PRMB Scheme”)**

Under the PRMB Scheme the Group provides medical benefits on a discretionary basis for certain pensioners and their dependants in the UK. The number of pensioners entitled to this benefit at 31 December 2015 was 139 (2014: 139).

##### **Auto Windscreens Pension Scheme (“AW Scheme”)**

In March 2013, the Group secured an insurance policy from Pension Insurance Corporation Ltd (‘PIC’) under which PIC took on responsibility for making payments to members of the legacy Auto Windscreens Pension scheme. Whilst this buy-in transferred the liability to PIC and meant that no further legacy payments were expected to be made by the RAC Group Limited Group, the RAC Group Limited Group continued to recognise the liability as the formal buy-out of the scheme liabilities was outstanding.

This buy-out process was completed in August 2014 and the RAC Group Limited Group has no further obligations under this legacy scheme.

##### **Disability Benefit Scheme (“DB Scheme”)**

Under the DB Scheme, the RAC Group Limited Group provides disability benefits on a discretionary basis for certain former employees in the UK. Currently the RAC Group Limited Group contributes a flat rate per person to the scheme dependent on their individual circumstances.

##### **(b) Charges to the Consolidated income statement**

The total costs of the RAC Group Limited Group’s employee defined benefit schemes and defined contribution schemes were:

|                                    | <b>2015</b> | <b>2014</b> |
|------------------------------------|-------------|-------------|
|                                    | <b>£m</b>   | <b>£m</b>   |
| Employee benefit schemes .....     | —           | 1           |
| Defined contribution schemes ..... | 8           | 8           |
| Curtailment gain .....             | —           | (2)         |
| Total .....                        | <u>8</u>    | <u>7</u>    |

##### **(c) Employee benefit scheme assumptions and disclosures**

Disclosures under IAS 19 Employee Benefits are given below and on the following pages on a consolidated basis for the UUP Scheme, the PRMB Scheme and the DB Scheme (“the Schemes”), unless where otherwise stated.

## RAC Group Limited

### Notes to the Consolidated Financial Statements (continued)

#### 23 Employee benefit obligations (continued)

##### (c) Employee benefit scheme assumptions and disclosures (continued)

###### (i) Assumptions on the liabilities of the Schemes

###### The projected unit credit method

The inherent uncertainties affecting the measurement of the liabilities of the Schemes require these to be measured on an actuarial basis. This involves discounting the best estimate of future cash flows to be paid out by the Schemes using the projected unit credit method. This is an accrued benefits valuation method which calculates the past service liability to members and makes allowances for their projected future earnings. It is based on a number of actuarial assumptions, which vary according to economic conditions, and changes in these assumptions can materially affect the measurement of the employee liability obligations.

###### Valuations and assumptions

The valuation used for accounting under IAS 19 has been based on the most recent full actuarial valuation, updated to take account of that standard's requirements in order to assess the liabilities of the Schemes at 31 December 2015. This update was made by the Schemes' actuaries. The Schemes' assets are stated at their fair values as at 31 December 2015.

The main actuarial assumptions used to calculate the UUP Scheme, the PRMB Scheme and the DB Scheme liabilities under IAS 19 are:

|                                      | <u>2015</u> | <u>2014</u> |
|--------------------------------------|-------------|-------------|
|                                      | %           | %           |
| Inflation rate . . . . .             | 2.90        | 2.90        |
| Pension increases . . . . .          | 2.90        | 2.90        |
| Deferred pension increases . . . . . | 2.90        | 2.90        |
| Discount rate . . . . .              | 3.70        | 3.40        |

The discount rate is the assumption that has the largest impact on the value of the liabilities. The effect of a 1% increase in the discount rate would decrease liabilities and service costs by £507 thousand and £nil respectively (2014: £485 thousand and £nil respectively).

###### Mortality assumptions of the Schemes

Mortality assumptions are significant in measuring the RAC Group Limited Group's obligations under the defined benefit schemes, particularly given the maturity of these obligations in these Schemes. The mortality tables and average life expectancy used at 31 December 2015 for Scheme members are as follows:

|   | <u>Normal<br/>retirement age<br/>(NRA)</u> | <u>Life expectancy<br/>(pension duration) at<br/>NRA of a male</u> |  | <u>Life expectancy<br/>(pension duration) at<br/>NRA of a female</u> |  |
|---|--|--|--|--|--|
|   |  | <u>Currently<br/>aged NRA</u>                                      | <u>20 years<br/>younger<br/>than NRA</u> | <u>Currently<br/>aged NRA</u>  | <u>20 years<br/>younger<br/>than NRA</u> |
| SAPS S1 tables, including allowances<br>for future improvements . . . . . | 65.0                                       | 88.3<br>(23.3)   | 90.4<br>(25.4)                           | 90.0<br>(25.0)   | 91.9<br>(26.9)                           |

The assumptions above are based on commonly-used mortality tables, which have been adjusted to reflect recent research into mortality experience. However, the extent of future improvements in longevity is subject to considerable uncertainty and judgement is required in setting this assumption. The assumptions above include an allowance for future mortality improvements, based on the actuarial profession's medium cohort projection table. The effect on the Scheme of assuming all members were one year younger would increase the Schemes' liabilities by £391 thousand (2014: £289 thousand).

## RAC Group Limited

### Notes to the Consolidated Financial Statements (continued)

#### 23 Employee benefit obligations (continued)

##### (c) Employee benefit scheme assumptions and disclosures (continued)

##### (ii) Employee defined benefit expense

The total employee defined benefit expense for the Schemes comprise:

|  | <u>2015</u><br>£m | <u>2014</u><br>£m |
|--|-------------------|-------------------|
| <b>Recognised in the income statement</b>  |                   |                   |
| Included within administrative expenses:   |                   |                   |
| Net interest expense   | —                 | (1)               |
| Gain from curtailment and special termination benefits   | —                 | 2                 |
| Included within exceptional items:   |                   |                   |
| Administration costs   | —                 | —                 |
| <b>Total employee benefit gain/(losses) credited within RAC Group Limited Group profit or loss</b> | <u>—</u>          | <u>1</u>          |
|  | <u>2015</u><br>£m | <u>2014</u><br>£m |
| <b>Recognised in other comprehensive income</b>  |                   |                   |
| Gains on plan asset  | —                 | 1                 |
| Experience losses on liabilities   | —                 | (2)               |
| Loss on change of assumptions  | —                 | (1)               |
| <b>Total losses recognised in other comprehensive income</b>                                       | <u>—</u>          | <u>(2)</u>        |

##### (iii) Experience gains and losses

The following table shows the experience gains and losses of the Schemes:

|  | <u>2015</u><br>£m | <u>2014</u><br>£m | <u>2013</u><br>£m | <u>2012</u><br>£m | <u>2011</u><br>£m |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| Fair value of the Scheme assets at the end of the year           | —                 | —                 | 19                | 27                | 27                |
| Restriction on asset recognised                                  | —                 | —                 | (2)               | —                 | —                 |
| Present value of the Schemes' liabilities at the end of the year | <u>(6)</u>        | <u>(7)</u>        | <u>(24)</u>       | <u>(24)</u>       | <u>(25)</u>       |
| <b>Net (deficit)/surplus in the Schemes</b>                      | <u>(6)</u>        | <u>(7)</u>        | <u>(7)</u>        | <u>3</u>          | <u>2</u>          |

Estimated employer contributions for the year ending 31 December 2016 are £1 million in respect of the defined benefit schemes and £8 million in respect of the defined contribution scheme.

##### (iv) Schemes' deficit

The present value of the Schemes' obligations and the fair value of the plan assets are as follows:

|  | <u>2015</u><br>£m | <u>2014</u><br>£m |
|--|-------------------|-------------------|
| Total fair value of assets                   | —                 | —                 |
| Present value of defined benefit obligations | <u>(6)</u>        | <u>(7)</u>        |
| <b>Net deficit in the Schemes</b>            | <u>(6)</u>        | <u>(7)</u>        |

Amounts recognised in the Consolidated statement of financial position:

|  | <u>2015</u><br>£m | <u>2014</u><br>£m |
|--|-------------------|-------------------|
| Deficits included in non-current liabilities | <u>(6)</u>        | <u>(7)</u>        |
| <b>Net deficit in the Schemes</b>            | <u>(6)</u>        | <u>(7)</u>        |

The deficits in non-current liabilities wholly relate to unfunded schemes.



## RAC Group Limited

### Notes to the Consolidated Financial Statements (continued)

#### 23 Employee benefit obligations (continued)

##### (c) Employee benefit scheme assumptions and disclosures (continued)

##### (v) Movement in the Scheme deficits and surplus comprise:

|                                     | Scheme<br>assets<br>2015 | Scheme<br>liabilities<br>2015 | Net<br>deficit<br>2015 |
|-------------------------------------|--------------------------|-------------------------------|------------------------|
|                                     | £m                       | £m                            | £m                     |
| <b>Balance at 1 January</b> .....   | —                        | (7)                           | (7)                    |
| Benefits paid .....                 | —                        | 1                             | 1                      |
| <b>Balance at 31 December</b> ..... | —                        | (6)                           | (6)                    |

|   | Scheme<br>assets<br>2014 | Scheme<br>liabilities<br>2014 | Net<br>deficit<br>2014 |
|---|--------------------------|-------------------------------|------------------------|
|   | £m                       | £m                            | £m                     |
| <b>Balance at 1 January</b> .....                       | 17                       | (24)                          | (7)                    |
| Employer contributions paid .....                       | 1                        | —                             | 1                      |
| Benefits paid .....                                     | (2)                      | 2                             | —                      |
| Interest expense .....                                  | —                        | (1)                           | (1)                    |
| Completion of buyout .....                              | (17)                     | 17                            | —                      |
| Remeasurement losses                                    |                          |                               |                        |
| Gain on assets .....                                    | 1                        | —                             | 1                      |
| Actuarial loss arising from change in assumptions ..... | —                        | (3)                           | (3)                    |
| Curtailment gain .....                                  | —                        | 2                             | 2                      |
| <b>Balance at 31 December</b> .....                     | —                        | (7)                           | (7)                    |

#### 24 Risk management

The Group operates a risk management framework, which is the collection of processes and tools that have been put in place to ensure that the risks to which the Group is exposed are identified, measured, managed, monitored and reported on a regular basis. The key instruments of the framework include the risk management policies, risk reports and the governance and oversight infrastructure.

Financial risks are usually grouped by risk type: market, credit, liquidity, strategic, operational, capital and regulatory risk. Risks falling within these types may affect a number of key metrics including those relating to balance sheet strength, liquidity and profit. They may also affect the performance of the products that the Group delivers to customers and the service to customers and distributors, which can be categorised as risks to brand and reputation. The key risks faced by the Group are set out in this note.

The Group's measurement of risk is used to support the monitoring and reporting of the risk profile and in the evaluation of alternative risk management actions. The Group carries out a range of stress and scenario tests to evaluate their impact on the business and the management actions available to respond to the potential conditions.

The Group has an established governance framework, which has the following key elements:

- defined terms of reference for the legal entity Boards and the associated executive management and other committees across the Group;
- a clear organisational structure with documented delegated authorities and responsibilities from the legal entity Boards to executive management committees and senior management; and
- adoption of the risk policy framework that defines risk appetite measures and sets out risk management and control standards.

Policies for managing financial risks are governed by Board approved policies and procedures, which are reviewed on an annual basis.

## RAC Group Limited

### Notes to the Consolidated Financial Statements (continued)

#### 24 Risk management (continued)

##### (a) Treasury

The Group's treasury department's main responsibilities are to:

- Ensure adequate funding and liquidity for the Group;
- Manage the interest risk of the Group's debt; and
- Ensure that the Group banking and card transmissions operate effectively.

The Group's debt management policy is to provide an appropriate level of funding to finance the Group's medium term plans at a competitive cost and ensure flexibility to meet the changing needs of the Group.

##### (i) Market risk

Market risk is the risk of adverse financial impact due to changes in fair values or future cash flows of financial instruments as a result of fluctuations in interest rates and foreign currency exchange rates.

The RAC Group Limited Group has no borrowings based on market interest rates. Therefore there would be no impact in any reported year on profit before tax or shareholders' equity as a result of changes in market interest rate.

Interest rate movements on trade payables, trade receivables and other financial instruments do not present a material exposure to the RAC Group Limited Group's statement of financial position.

The RAC Group Ltd Group has no material foreign currency balances as at the statement of financial position date and therefore is not exposed to movements in foreign currency exchange rates.

The RAC Group Limited Group is also exposed to risks from fluctuations in fuel prices which can lead to increased operating costs. This risk is managed by the RAC Group Limited Group through the use of forward purchases of fuel for a period of at least twelve months in order to hedge the variability of cash flows associated with the purchasing of fuel for use in the RAC Group Limited Group's operational fleet of Patrols and recovery vehicles.

##### (ii) Credit risk

Credit risk is the risk of loss in the value of financial assets due to counterparties failing to meet all or part of their obligations.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is set out below:

|                                   | <u>2015</u> | <u>2014</u> |
|-----------------------------------|-------------|-------------|
|                                   | <u>£m</u>   | <u>£m</u>   |
| Trade and other receivables ..... | 161         | 113         |
| Cash and cash equivalents .....   | 88          | 54          |
|                                   | <u>249</u>  | <u>167</u>  |

Management of credit risk is carried out in accordance with Group credit risk processes, which include setting exposure limits and monitoring exposures in accordance with ratings set by credit ratings agencies such as Standard & Poor's.

Financial assets are graded according to current credit ratings issued. AAA is the highest possible rating. Investment grade financial assets are classified within the range of AAA to BBB ratings. Financial assets which fall outside this range are classified as speculative grade. Credit limits for each counterparty are set based on default probabilities that are in turn based on the rating of the counterparty and the type of exposure concerned.

The RAC Group Limited Group has not been generally exposed to significant concentrations of credit risk to third parties due to the nature of trading activity undertaken and the size of individual balances.

The RAC Group Limited Group is exposed to concentrations of risk with individual banks which are within approved counterparty exposure limits. Cash and cash equivalents throughout the periods reported on were

## **RAC Group Limited**

### **Notes to the Consolidated Financial Statements (continued)**

#### **24 Risk management (continued)**

##### **(a) Treasury (continued)**

##### **(ii) Credit risk (continued)**

held with institutions who are A rated . The RAC Group Limited Group's largest cash and cash equivalent counterparty is Morgan Stanley. At 31 December 2015 the balance was £20 million (2014: Morgan Stanley: £19 million).

##### **(iii) Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Group has set its investment strategy to ensure it has sufficient liquid funds to meet its expected obligations as they fall due. The Group maintains significant committed borrowing facilities from a range of highly rated banks to mitigate this risk further. The RAC Group Limited Group does not have any obligations outside of its Group for which liquidity risk would be significant.

The risk is measured through review of forecast liquidity each month by the Treasurer to determine whether there are sufficient credit facilities to meet forecast requirements.

##### **(b) Strategic and operational risk**

The strategy (including operational risks) for the RAC Group Limited Group and the Company is determined by the Directors of the Company's ultimate Parent Company, RAC Group (Holdings) Limited and disclosed in the Strategic Report as set out on pages 2 to 14.

##### **(c) Capital risk management**

The RAC Group Limited Group's capital structure consists of £31 million (2014: £31 million) of funds from shareholders.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group is managed on a net debt basis. Management consider net debt to comprise external bank debt, being principal bank borrowings, associated accrued interest and cash and cash equivalents. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

In managing its capital, the Group seeks to:

- (i) match the expected cash inflows from its assets with the expected cash outflows from the Group's liabilities as they fall due;
- (ii) maintain financial strength to support new business growth and satisfy the requirements of its members and regulators;
- (iii) retain financial flexibility by maintaining strong liquidity; and
- (iv) allocate capital efficiently to support growth and repatriate excess capital where appropriate.

The Group actively engages with external bodies to share the benefit of its expertise in supporting responses to emerging risks as well as challenging developments that could be damaging to its business and the industry as a whole.

##### **(d) Regulatory risk**

The RAC Group Limited Group includes regulated companies which are required to hold sufficient capital to meet acceptable solvency levels based on applicable FCA and PRA regulations. The RAC Group Limited Group's ability to transfer retained earnings to its shareholders is therefore restricted to the extent that these earnings form part of UK regulatory capital.

## RAC Group Limited

### Notes to the Consolidated Financial Statements (continued)

#### 24 Risk management (continued)

##### (d) Regulatory risk (continued)

Relevant capital and solvency regulations (“Solvency I”) continue to be used to measure and report the financial strength of regulated companies within the RAC Group Limited Group. The regulatory capital tests verify that an adequate excess of solvency capital above the required minimum level calculated is maintained using a series of prudent assumptions about the type of business that is underwritten. Regulatory requirements have been complied with throughout all periods reported.

The RAC Group Limited Group has undertaken a detailed programme of work in 2015 in order for RAC Insurance Limited to be in a position to comply with the requirements of Solvency II from 1 January 2016.

The RAC Group Limited Group is also subject to regulatory requirements, as set out by the FCA, in relation to product design, marketing materials, sales processes and data protection. Failure to comply with these requirements could result in the RAC Group Limited Group having to suspend, either temporarily or permanently, certain activities. To mitigate these risks the RAC Group Limited Group employs regulatory and compliance specialists to ensure the regulatory and legislative requirements are fully understood and adhered to.

#### 25 Related party transactions

##### (a) The RAC Group Limited Group had the following related party transactions in 2015 and 2014:

- (i) In 2015, the Group was recharged £6 million (2014: £nil) in respect of a Management Services Agreement. This Management Services Agreement allocates the strategic and governance costs of the group and recharges them to the trading entities where appropriate.
- (ii) The RAC Group Limited Group had the following net amounts due from related parties at year end:

|  | <u>2015</u> | <u>2014</u> |
|--|-------------|-------------|
|  | <u>£m</u>   | <u>£m</u>   |
| Other Group companies – current accounts . . . . . | 120         | 77          |
| Other Group companies – loan accounts . . . . .    | 3           | 3           |
|  | <u>123</u>  | <u>80</u>   |

During the year, RAC Group Limited Group, paid interest of £73 million in respect of bank borrowings on behalf of RAC Bidco Limited, a Parent Company, and these are included as amounts due from Group companies (2014: £nil). During the prior year, RAC Group Limited Group, paid interest of £45 million in respect of bank borrowings on behalf of RAC Finance (Holdings) Limited, a Parent Company. These balances have been included as amounts due from Group companies.

Loans receivable as at 31 December 2015 from RAC Finance Limited were £3 million (2014: £3 million)

- (iii) The Group had the following total net amounts due to related parties at year end:

|  | <u>2015</u> | <u>2014</u> |
|--|-------------|-------------|
|  | <u>£m</u>   | <u>£m</u>   |
| Other Group companies – current accounts . . . . . | (3)         | (24)        |

- (iv) During the year, the RAC Group Limited Group paid a dividend of £nil, (2014: £30 million) to RAC Finance (Holdings) Limited.

## **RAC Group Limited**

### **Notes to the Consolidated Financial Statements (continued)**

#### **25 Related party transactions (continued)**

##### **(b) Key management compensation**

The total compensation to those employees classified as key management, being those senior managers having authority and responsibility for planning, directing and controlling the activities of the RAC Group Limited Group, including the Directors, in respect of the RAC Group is as follows:

|  | <u>2015</u>  | <u>2014</u>  |
|--|--------------|--------------|
|  | <u>£000</u>  | <u>£000</u>  |
| Fees and benefits .....                        | 4,209        | 2,378        |
| Contributions paid into a pension scheme ..... | 70           | 84           |
|  | <u>4,279</u> | <u>2,462</u> |

Fees and benefits include key management bonuses. During the year, payments of £125 thousand (2014: £nil) were made to key management for loss of office.

##### **(c) Key management interests**

At no time during the year did any Director hold a material interest in any contract of significance with any Group company other than an indemnity provision between each Director and a Group company and service contracts between each Director and a Group company.

No key management personnel held equity stakes in the business at 31 December 2015 or 31 December 2014.

##### **(d) Immediate parent company**

The immediate Parent Company of the Group is RAC Finance (Holdings) Limited, registered in England and Wales.

##### **(e) Ultimate controlling party**

The ultimate controlling entity of the RAC Group Limited Group is RAC Group (Holdings) Limited. Its Consolidated Annual Report and Financial Statements are available on application to the Company Secretary, RAC Group (Holdings) Limited, RAC House, Brockhurst Crescent, Walsall, West Midlands, United Kingdom, WS5 4AW. The lowest level at which consolidated IFRS financial statements are prepared is RAC Group Limited.

Until 17 December 2014, the controlling entity of the Group was RAC Limited and the ultimate controlling entity was CEP III Investment 16 S.à.r.l registered in Luxembourg.

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