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Arrow Global Limited

Annual report and financial statements for the year ended 31 December 2020

UK Registered No. 05606545

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Company information
Registered in England and Wales No: 05606545

Directors
Lee Rochford
Matthew Hotson

Secretary
Stewart Hamilton (resigned on 31 July 2020)

Corporate Secretary
Oakwood Corporate Secretary Limited
3rd Floor
1 Ashley Road
Altrincham
Cheshire
United Kingdom
WA14 2DT

Registered Office
Belvedere
12 Booth Street
Manchester
M2 4AW

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Strategic report

Principal activities

Arrow Global Limited's (the "Company") principal activity is to manage secured and unsecured defaulted and non-core loan portfolios from, and on behalf of financial institutions such as banks, institutional investors and credit card companies.

Strategic review

Cash collections were in line with management expectations. Operating cash flows were £64,442,000 (2019: £300,523,000) before purchases of loan portfolios and the Company has reinvested an element of these cash flows during the year (note 13). The Company maintained positive net assets and cash balances at the year end. The loss after tax for the year of £37,836,000 (2019: profit of £181,000) was driven by losses on portfolio investments of £67,517,000 (2019: gains of £33,441,000). These losses were following a comprehensive exercise that was undertaken at the half year to review the Estimated Remaining Collections (ERC) in light of the significant economic uncertainty due to the COVID-19 pandemic.

The directors monitor the business using the following key performance indicators:

	2020	**2019**
	£000	**£000**
Total cash collections in the year on portfolio investments	270,869	316,124
Operating (loss) / profit	(42,123)	43,180
Net operating cash flows before purchase of portfolio investments	64,442	300,523
Net assets	124	37,654
Cash and cash equivalents	90,958	37,711

Risks and uncertainties

The Company is a subsidiary of Arrow Global Group PLC (the 'Group') and faces largely those risks and uncertainties faced by the Group. The Group operates an Enterprise-Wide Risk Management Framework, which is underpinned by risk appetite statements and a suite of policies. Risk is governed by the Group board, executive management and the Group risk committee. Full details of the risks and uncertainties and mitigating actions are included in the Group's financial statements, which can be found on the Group's website www.arrowglobalir.net.

The significant risks and uncertainties faced by the Company are managed through this risk management framework and are summarised below:

Operational risk

Risk that the business is unable to withstand significant business disruption that could pose a threat to customer outcomes, corporate reputation and/or financial performance.

The Company relies on Group core systems for customer and data management, including data analytics. Should these systems experience performance issues or outage through, for example, cyber-attack, customers would be impacted, and we could experience financial loss and/or reputational damage. Business and wider economic disruption from external events such as COVID-19 places a sharp focus on the Company's ability to provide the necessary resilience for the wellbeing of all stakeholders.

Key mitigating actions

Our core systems are regularly tested, backed up and managed through a set of quality and security policies, supported by disaster recovery and business continuity plans. We are in the process of deploying a One Arrow IT infrastructure, which will enable us to be more efficient, drive process automation and manage data more effectively and securely. This is governed at a Group level, with aligned strategies for IT, digital, security and data.

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Strategic report *(continued)*

Conduct risk

Risk of non-compliance with regulatory obligations, increased regulatory scrutiny and inappropriate conduct and customer treatment.

We operate in a highly regulated environment and any action that leads to poor customer outcomes or customer detriment could lead to a breach of regulations, resulting in censure, financial loss and reputational damage.

Poor customer outcomes or customer detriment could arise through the debt collection activities within our in-house operations or the third-party servicer network of collection agencies, whether we are collecting debt which we have acquired or on behalf of clients. We always seek to ensure we adhere to best practice collections approaches.

Key mitigating actions

Regulatory conduct and Treating Customers Fairly (TCF) are at the heart of our business and Arrow has clearly defined, documented and communicated policies and procedures in place to guide colleagues on the required standards for customer outcomes. Employees and third parties acting on our behalf receive mandatory training, with particular emphasis on vulnerable customers especially during the pandemic through our established Group-wide customer experience forums.

Horizon scanning and industry body presence helps to influence best practice across the sector and ensures our internal practices and training are updated accordingly. We maintain increasingly proactive relationships with our regulators.

Financial risk

The risk that the Group is unable to meet its obligations as they fall due.

Funding and liquidity risks are managed by the central treasury team, with the Group seeking to maintain minimum levels of liquidity headroom, leverage of circa 4.0x by end 2021 and within target range of 3.0x to 3.5x by 2023, diverse funding sources and a balanced maturity profile of its debt facilities.

Whilst leverage has risen to above the Group's target due to the impact of COVID-19, the Group remains highly cash generative. The strong focus on collections and reduced investment in new portfolios has enabled the Group to preserve liquidity and generate free cash flow of £156.6 million for the year.

The healthy liquidity position, alongside the renegotiation of its financial covenants over the medium term, the additional €104.7 million of funding raised and the maturity profile of the Group's bonds, with no maturities until 2024, all serve to reduce the liquidity risk of the Group.

The Company has access to the liquidity provided by the Group through an intercompany loan facility.

Note 20 of these financial statements describes the Company's financial risk exposures.

Key mitigating actions

Strong governance and alignment with risk appetite is managed via the Asset-Liability Committee, with regular reporting of the key metrics.

Through the regular budgeting and forecasting processes, the Group continues to assess the required level of liquid resources, funding plans and risk appetite.

At the year end, the liquidity headroom was £174.6 million, leverage was 5.1 times and, except for the amortisation of the asset-backed securitisation, the Group has no contractual debt maturities until 2024.

Going forward, the Group has increased flexibility regarding investment levels, as it is able to increase investments through third-party funds it manages. This enables the Group to curtail investment volumes funded by the Group and conserve liquid resources, without impacting the franchise of the businesses. Overall, the Group is well positioned take advantage of investment opportunities as they arise, given the profile of its liabilities.

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Strategic report *(continued)*

Investment risk

The risk that investments generate adverse returns against forecast and/or are outside risk appetite limits due to inadequate portfolio purchase analysis and consequent mispricing, or inadequate assessment of cost to collect and/or subsequent portfolio performance impacting estimated remaining collections.

With the launch of the Fund and Investment Management business, the Group now typically invests alongside the Fund and successful investments are the culmination of a series of activities spanning first and second line teams.

Newly proposed investments are subject to legal and regulatory due diligence, challenge to models and assumptions to help accurately price new investment opportunities, second line oversight by Group risk and executive review through an investment committee process in accordance with agreed mandate levels prior to purchase.

Key mitigating actions

Given the uncertainty created as a result of the pandemic, there has been a heightened risk that portfolio investments may be mispriced due to incorrect assumptions and, as such, the Group has adopted a cautious approach to capital deployment. Committed portfolio investments were £109.9 million during the year compared with £303.7 million in 2019.

In addition, the Group has sought to further minimise risk on portfolio investments by undertaking additional due diligence procedures, focusing on shorter life investments with portfolios containing predominantly secured or lower risk assets, whilst also raising the target IRRs expected.

Outlook

Despite the events of 2020, the Group demonstrated a resilient performance across its business lines in the context of significant macroeconomic uncertainty. Due to the decisive action taken throughout the year to secure the Group balance sheet, liquidity and cash position, Arrow is well positioned to take advantage of the significant market opportunities likely to be presented by the current economic dislocation being seen across the world's economies.

The Company's has maintained its underlying profitability and also holds a strong cash and liquidity position. This leaves the Company well placed to execute its strategy to hold and manage its portfolio investments throughout 2021.

Section 172 statement

From the perspective of the board, as a result of the Group governance structure, the matters that it is responsible for considering under Section 172 (1) of the Companies Act 2006 ('s172') have been considered to an appropriate extent by the board of Arrow Global Group Plc ("AGG PLC"), the Company's ultimate parent company, in relation both to the wider Arrow Global group and to this entity. The board has also considered relevant matters where appropriate. To the extent necessary for an understanding of the development, performance and position of the entity, an explanation of how AGG PLC has considered the matters set out in s172 (for the wider Arrow Global group and for the entity) is set out on page 9 of AGG PLC's 2020 annual report and accounts, which does not form part of this report.

Approved by the board of directors on 29 April 2021 and signed and authorised for issue on its behalf by:

Matthew Hotson
Director

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Directors' report

The directors present their annual report on the affairs of the Company, together with the financial statements, for the year ended 31 December 2020.

Going concern and outlook

The Company made a loss after tax of £37,836,000 (2019: profit of £181,000) from continuing activities and generated net operating cash inflows before purchase of portfolio investments of £64,442,000 (2019: £300,523,000). At 31 December 2020, the Company had positive cash balances of £90,958,000 (2019: £37,711,000) and net assets of £124,000 (2019: £37,654,000). The Company's business activities are set out in the principal activities section above and the Company is part of the Arrow Global Group PLC group of companies.

The assessment of the going concern basis of preparation for the Company has considered both the position at 31 December 2020 and the outlook for the Company, as well as the going concern position of the Group as a whole. This is due to the integrated nature of the companies across the Group, and therefore the reliance of the Company on the Group's going concern position.

In assessing whether the going concern basis is appropriate to adopt as at 31 December 2020, the directors have undertaken thorough analysis of forecast cash flow models and scenarios for a period of at least 12 months from the date of approval of these accounts, with the primary focus of detailed forecasting running to the end of 2022.

Additionally, in response to the COVID-19 crisis and its anticipated impacts on ERC, the Group has protected its liquidity and covenant position by raising additional funding and has renegotiated its financial covenants with its revolving credit facility lenders.

A base case forecast, and several downside scenarios, have been prepared reflecting the Group's current financial position and expected future performance. Key items considered within each forecast were the future outlook for HPI and unemployment, including the length and severity of any potential macroeconomic shock, and the impact these may have on the Group's cash flows. These cash flows were considered against the Group's future liquidity position, taking into account that there are no bond maturities until 2024. Adherence to the Group's liquidity, leverage and ERC loan-to-value covenants was also considered in all scenarios. The Company has access to the liquidity provided by the Group through an intercompany loan facility, in the event that additional liquidity is required.

The results of this scenario analysis show that even in a severe but plausible downside scenario, after taking reasonable management actions (such as cost reductions, slowing purchases and collection acceleration) as required, the Group is able to maintain sufficient liquidity and cash reserves to operate within banking covenants, and to continue as a going concern.

Finally, a reverse stress test has also been prepared, incorporating a plausible set of management actions, to identify the magnitude of a downside stress that needs to occur to cause the Group to breach its financial covenants. It has been concluded that this represents an overly severe and implausible scenario. Based on all of the above indicators, the directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

Dividends

No dividend was paid during the year (2019: £nil) and the directors do not propose a final dividend (2019: £nil).

Directors

The directors who served throughout the year and subsequently, were as follows:

Lee Rochford

Matthew Hotson

No director has any direct interest in the shares of the Company.

Political donations

The Company made no political donations and did not incur any political expenditure during the year (2019: nil).

Directors' indemnities

The Company has made qualifying third-party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Directors' report *(continued)*

Audit

For the year ending 31 December 2020 the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

The members have not required the Company to obtain an audit of its accounts for the year in question in accordance with section 476.

The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

By order of the board

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Matthew Hotson

Director

29 April 2021

Statement of Directors' responsibilities in respect of the strategic report, the directors' report and the financial statements

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 ('Adopted IFRS') and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 ('Adopted IFRS');
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

By order of the board

Matthew Hotson
Director
29 April 2021

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Statement of profit or loss and other comprehensive income for year ended 31 December 2020

	Note	2020 £000	Restated 2019 £000
Income from portfolio investments at amortised cost	13	138,801	115,613
Fair value (losses) / gains on portfolio investments at FVTPL	13	(9,042)	21,190
Impairment (losses) / gains on portfolio investments at amortised cost	13	(58,475)	12,251
Total income from portfolio investments		**71,284**	**149,054**
Income from asset management and servicing		5,371	3,160
Other income		212	-
Total income		**76,867**	**152,214**
Operating expenses:			
Collection activity costs	9	(71,877)	(52,312)
Professional fees and services		(8,081)	(13,297)
Other operating expenses	9	(39,032)	(43,425)
Total operating expenses		**(118,990)**	**(109,034)**
Operating (loss) / profit	5	**(42,123)**	**43,180**
Finance income	6	15,146	7,753
Finance costs	7	(52,797)	(47,742)
Dividend income		28,000	-
(Loss) / profit before tax		**(51,774)**	**3,191**
Taxation credit / (charge) on ordinary activities	10	13,938	(3,010)
(Loss) / profit for the year attributable to equity shareholders		**(37,836)**	**181**

Note – see note 4 for details regarding the restatement to 2019 as a result of an error

All revenue is derived from continuing operations in both the current and preceding years.

There have been no recognised gains or losses during the year other than those recorded in the statement of profit or loss and other comprehensive income. Accordingly, no statement of other comprehensive income is presented.

The notes on pages 12 to 45 form part of these financial statements.

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Statement of financial position at 31 December 2020

	Note	2020 £000	Restated 2019 £000
Assets			
Cash and cash equivalents		90,958	37,711
Trade and other receivables	14	16,718	14,666
Amounts due from Group undertakings	19	289,091	249,998
Current tax asset		1,334	13,046
Portfolio investments – amortised cost	13	671,112	554,302
Portfolio investments – FVTPL	13	55,284	291,183
Property, plant and equipment	12	3,934	6,089
Intangible assets	11	8,246	2,473
Deferred tax asset	15	17,086	2,387
Investment in subsidiary undertakings	23	29,317	29,142
Total assets		**1,183,080**	**1,200,997**
Liabilities			
Revolving credit facility	22	259,581	213,970
Trade and other payables	16	47,194	101,606
Amounts due to Group undertakings	19	876,181	847,767
Total liabilities		**1,182,956**	**1,163,343**
Equity			
Share capital	17	-	-
Share premium	17	990	990
Additional paid in capital		18,107	18,107
Retained earnings		(18,973)	18,557
Translation reserve		-	-
Total equity attributable to equity shareholders		**124**	**37,654**
Total equity and liabilities		**1,183,080**	**1,200,997**

Note – see note 4 for details regarding the restatement to 2019 as a result of an error

The 2019 balance sheet has been re-presented to show £13,410,000 of bank balances subject to certain restrictions within cash and cash equivalents in the year, that were previously shown within trade and other receivables. See note 14 for more detail.

For the year ending 31 December 2020 the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

The members have not required the Company to obtain an audit of its accounts for the year in question in accordance with section 476.

The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

The notes on pages 12 to 45 form part of these financial statements.

Approved by the board of directors on 29 April 2021, signed and authorised for issue on its behalf by

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Matthew Hotson
Director
Registered in England and Wales No: 05606545

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Statement of changes in equity for year ended 31 December 2020

	Ordinary shares £000	Share premium £000	Additional paid-in capital £000	Retained earnings £000	Total £000
Balance at 1 January 2019	**-**	**990**	**18,107**	**18,486**	**37,583**
Profit for the year (restated)	-	-	-	181	181
Deferred tax on share options	-	-	-	(110)	(110)
Balance at 31 December 2019	**-**	**990**	**18,107**	**18,557**	**37,654**
Loss for the year	-	-	-	(37,836)	(37,836)
Deferred tax on share options	-	-	-	306	306
Balance at 31 December 2020	**-**	**990**	**18,107**	**(18,973)**	**124**

The notes on pages 12 to 45 form part of these financial statements.

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Statement of cash flow for year ended 31 December 2020

	2020 £000	Restated 2019 £000
Cash flows from operating activities		
(Loss) / profit before tax	(51,774)	3,191
Adjusted for:		
Balance sheet cash collections in the year	270,869	316,124
Income from portfolio investments	(138,801)	(120,226)
Fair value losses / (gains) on portfolio investments	9,042	(22,134)
Net impairment losses / (gains)	58,475	(11,645)
(Profit) / loss on disposal of fixed assets	(167)	124
Depreciation and amortisation	4,097	2,016
Net interest payable	37,311	37,390
Lease liability interest	340	364
Foreign exchange losses	1,664	968
Equity settled share-based payment expenses	1,753	1,705
Dividends receivable	(28,000)	-
Operating cash flows before movement in working capital	**164,809**	**207,877**
(Increase) / decrease in other receivables	(1,824)	7,565
Increase in amounts due from Group undertakings	(23,203)	(20,900)
(Decrease) / increase in amounts due to Group undertakings	(29,137)	65,920
(Decrease) / increase in trade and other payables	(57,457)	46,611
Cash generated by operations	**53,188**	**307,073**
Income taxes and overseas taxation received / (paid)	11,254	(6,550)
Net cash flow from operating activities before purchases of portfolio investments	**64,442**	**300,523**
Purchase of portfolio investments	(59,513)	(293,167)
Net cash generated by operating activities	**4,929**	**7,356**
Cash flows from investing activities		
Purchases of property, plant and equipment	(55)	(186)
Purchases of intangible assets	(7,493)	(1,636)
Acquisition of subsidiaries, net of cash acquired	(175)	(10,237)
Dividends received from subsidiaries	28,000	-
Net cash flow generated by / (used in) investing activities	**20,277**	**(12,059)**
Cash flows from financing activities		
Movements in revolving credit facility	33,764	(3,778)
Bank interest received	10	12
Lease payments	(1,123)	(1,167)
Net bank fees paid	(7,010)	(6,175)
Net cash flow generated by / (used in) financing activities	**25,641**	**(11,108)**
Net increase / (decrease) in cash and cash equivalents	**50,847**	**(15,811)**
Cash and cash equivalents at beginning of year	**37,711**	**53,522**
Effect of exchange rates on cash and cash equivalents	2,400	-
Cash and cash equivalents at end of year	**90,958**	**37,711**

Included within cash and cash equivalents is £11,617,000 (2019: £13,410,000) of cash which may be subject to constraints regarding when the balance can be remitted, such as cash in a consolidated securitisation structure awaiting a payment date. The 2019 reconciliation has been re-presented to remove these amounts from the net cash generated by operating activities, as in the prior year they were included within this line item, but are now included within cash and cash equivalents at the beginning and end of each year.

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Notes to the Financial Statements

1.1. General information

Arrow Global Limited is a private company limited by shares, incorporated in England and Wales. The address of the registered office is presented on page 1. The financial statements are presented in pounds sterling and are rounded to the nearest thousand.

The Company's subsidiaries, both direct and indirect, at 31 December 2020 are listed in note 23.

The Company's principal activity is to manage secured and unsecured defaulted and non-core loan portfolios from, and on behalf of financial institutions such as banks, institutional investors and credit card companies.

1.2. Basis of preparation and going concern

The Company's financial statements for the year ended 31 December 2020 have been prepared in accordance with the international accounting standards in conformity with the requirements of the Companies Act 2006 ('Adopted IFRS'). The accounting policies have been applied consistently in the current and prior periods, noting a refinement of approach to the valuation of the portfolio assets in response to the COVID-19 situation, which is set out in detail in note 4.

The financial statements of the Company have been prepared under the historical cost convention, other than the fair value of certain portfolio investments and the amortised cost accounting for other financial assets and liabilities.

Going concern statement

The assessment of the going concern basis of preparation for the Company has considered both the position at 31 December 2020 and the outlook for the Company, as well as the going concern position of the Group as a whole. This is due to the integrated nature of the companies across the Group, and therefore the reliance of the Company on the Group's going concern position.

In assessing whether the going concern basis is appropriate to adopt as at 31 December 2020, the directors have undertaken thorough analysis of forecast cash flow models and scenarios for a period of at least 12 months from the date of approval of these accounts, with the primary focus of detailed forecasting running to the end of 2022.

Additionally, in response to the COVID-19 crisis and its anticipated impacts on Estimated Remaining Collections (ERC), the Group has protected its liquidity and covenant position by raising additional funding and has renegotiated its financial covenants with its revolving credit facility lenders, as set out further in note 22.

A base case forecast, and several downside scenarios, have been prepared reflecting the Group's current financial position and expected future performance. Key items considered within each forecast were the future outlook for HPI and unemployment, including the length and severity of any potential macroeconomic shock, and the impact these may have on the Group's cash flows. These cash flows were considered against the Group's future liquidity position, taking into account that there are no bond maturities until 2024. Adherence to the Group's liquidity, leverage and ERC loan-to-value covenants was also considered in all scenarios. The Company has access to the liquidity provided by the Group through an intercompany loan facility, in the event that additional liquidity is required.

The results of this scenario analysis show that even in a severe but plausible downside scenario, after taking reasonable management actions (such as cost reductions, slowing purchases and collection acceleration) as required, the Group is able to maintain sufficient liquidity and cash reserves to operate within banking covenants, and to continue as a going concern.

Finally, a reverse stress test has also been prepared, incorporating a plausible set of management actions, to identify the magnitude of a downside stress that needs to occur to cause the Group to breach its financial covenants. It has been concluded that this represents an overly severe and implausible scenario. Based on all of the above indicators, the directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

Notes to the Financial Statements *(continued)*

2. Accounting Standards

New standards

The following new standards and interpretations are mandatory for the year beginning 1 January 2020:

- Amendments to References to Conceptual Framework in IFRS Standards;
- Definition of a Business (Amendments to IFRS 3);
- Definition of Material (Amendments to IAS 1 and IAS 8);
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7); and

Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4).The Company also chose to early adopt the 'Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7' early in 2019.

During 2020, these new standards and interpretations had an insignificant effect on the financial statements of the Company.

2.1 Standards issued but not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements.

The following amended standards are not expected to have a significant impact on the Company's financial statements:

- COVID-19-Related Rent Concessions (Amendment to IFRS 16);
- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16);
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Annual Improvements to IFRS Standards 2018-2020;
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Reference to the Conceptual Framework (Amendments to IFRS 3);
- IFRS 17 Insurance Contracts;
- Classification of liabilities as current or non-current (Amendments to IAS 1); and
- Amendments to IFRS 17.

3. *Significant Accounting Policies*

Foreign currency

i. Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency of the Company at the spot exchange rates at the date of the transactions. The functional currency of the Company is pounds Sterling, which is also the presentational currency of the Company.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the spot exchange rate at the reporting date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year and the carrying amount in the foreign currency, translated at the spot exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the spot exchange rate at the date on which the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

Foreign currency differences arising on translation are generally recognised in profit or loss.

Notes to the Financial Statements *(continued)*

3. Significant Accounting Policies *(continued)*

Interest

i. Effective interest rate

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- The gross carrying amount of the financial asset; or
- The amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not ECL.

For purchased or originated credit impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL. This is the case for all the Company's portfolio investments held at amortised cost, recognised since the introduction of IFRS 9.

Additionally, for such assets, the future cash flows are forecast across the next 84 months following the balance sheet date. This is the point by which substantially all of the cash flows will have been received from a normal portfolio investment.

The calculation of the effective interest rate includes transaction costs and fees paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability, such as legal and due diligence fees.

ii. Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation, using the effective interest method, of any difference between that initial amount and the expected cash flows and, for financial assets, adjusted for any expected credit loss allowance.

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance. However, for amortised cost portfolio assets the concept of a separable expected credit loss allowance is not applied, because due to the nature of the portfolio assets, expected cash flows are forecast including an estimate of expected credit losses, including multiple economic scenarios.

iii. Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating-rate instruments to reflect movements in market rates of interest. The effective interest rate is also revised for fair value hedge adjustments at the date on which amortisation of the hedge adjustment begins.

For financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, which includes all of the Company's portfolio investments held at amortised cost, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves. Subsequently, the carrying value of the portfolios is adjusted by updating future cash receipts and discounting them using the original credit adjusted effective interest rate with the subsequent remeasurement recognised as impairment through the statement of profit or loss.

Interest income and expense on other financial assets and financial liabilities at FVTPL are presented in fair value gains on portfolio investments at FVTPL.

Notes to the Financial Statements *(continued)*

3. Significant Accounting Policies *(continued)*

Fair value gains on portfolio investments at FVTPL

Fair value gains on portfolio investments at FVTPL represents all of the income and expenses relating to the Company's portfolio investments which are classified as FVTPL. The line item includes fair value changes, interest and dividends.

Leases

i. Company acting as a leasee

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

At commencement or on modification of a contract that contains a lease component, the Company allocates consideration in the contract to each lease component on the basis of its relative standalone price. However, for leases of premises the Company has elected not to separate non-lease components and accounts for the lease and non-lease components as a single lease component.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to premises.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the shorter of its useful economic life and the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by analysing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset. The adjustment is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets in 'property, plant and equipment' and lease liabilities in 'trade and other payables' in the statement of financial position.

ARROW GLOBAL

Notes to the Financial Statements *(continued)*

3. Significant Accounting Policies *(continued)*

ii. Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including leases of IT equipment. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

iii. Company acting as a lessor

None of the arrangements which the Company has entered into have been determined to constitute the Company acting as a lessor under the definitions of IFRS 16.

Taxation

i. Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The Company has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore has accounted for them under IAS 37 Provisions, Contingent Liabilities and Contingent Assets and has recognised the related expenses in 'other expenses'.

ii. Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

iii. Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- Temporary differences related to investments in subsidiaries to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if there is any.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

ARROW GLOBAL

Notes to the Financial Statements *(continued)*

3. Significant Accounting Policies *(continued)*

Financial assets and financial liabilities

i. Recognition and initial measurement

The Company initially recognises portfolio investments, debt securities issued and other financial liabilities on the date on which they are acquired. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Company becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus or minus, in the case of a financial asset or liability not at FVTPL, transaction costs that are directly attributable to its acquisition or issue of a financial asset or liability. The fair value of a financial instrument at initial recognition is generally its transaction price.

ii. Classification

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI).

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis. No such elections have been made by the Company.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or as at FVOCI as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. No such designations have been made by the Company.

Business model assessment

The Company makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Company's management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- How managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity.

ARROW GLOBAL

Notes to the Financial Statements *(continued)*

3. Significant Accounting Policies *(continued)*

However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realised.

The Company's portfolio investments are comprised of various types of underlying credit positions. These investments are held by the Company for the primary purpose of collecting the underlying cash flows to the fullest extent possible. Sales of such portfolio investments are not a common occurrence and are not part of management's strategy for such investments when they are purchased.

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Company considers:

- Contingent events that would change the amount and timing of cash flows;
- Leverage features;
- Prepayment and extension terms;
- Terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse loans); and
- Features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

Equity and similar instruments have contractual cash flows that do not meet the SPPI criterion. Accordingly, all such financial assets are measured at FVTPL unless the FVOCI option is selected.

Contractually linked instruments

The Company has some investments in securitisations that are considered contractually linked instruments. Contractually linked instruments each have a specified subordination ranking that determines the order in which any cash flows generated by the pool of underlying investments are allocated to the instruments. Such an instrument meets the SPPI criterion only if all of the following conditions are met:

- The contractual terms of the instrument itself give rise to cash flows that are SPPI without looking through to the underlying pool of financial instruments;
- The underlying pool of financial instruments (i) contains one or more instruments that give rise to cash flows that are SPPI; and (ii) may also contain instruments, such as derivatives, that reduce the cash flow variability of the instruments under (i) and the combined cash flows (of the instruments under (i) and (ii)) give rise to cash flows that are SPPI; or align the cash flows of the contractually linked instruments with the cash flows of the pool of underlying instruments under (i) arising as a result of differences in whether interest rates are fixed or floating or the currency or timing of cash flows; and
- The exposure to credit risk inherent in the contractually linked instruments is equal to or less than the exposure to credit risk of the underlying pool of financial instruments.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets.

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Notes to the Financial Statements *(continued)*

3. Significant Accounting Policies *(continued)*

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognised as a separate asset or liability.

In transactions in which the Company neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Company continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions, the Company retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

i. Modifications of financial assets and financial liabilities

If the terms of a financial asset are modified, then the Company evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- Fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- Other fees are included in profit or loss as part of the gain or loss on derecognition.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Company first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. Any costs or fees incurred and modification fees received adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset. The gain or loss is presented as interest income calculated using the effective interest rate method.

The Company derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as a derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

ii. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS Standards, or for gains and losses arising from a group of similar transactions such as in the Company's trading activity.

Notes to the Financial Statements *(continued)*

3. Significant Accounting Policies *(continued)*

iii. Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Company determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the difference, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price.

Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Company recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

iv. Impairment

The Company recognises loss allowances for ECL on financial assets that are debt instruments, and that are not measured at FVTPL. No impairment loss is recognised on equity investments. The Company has not taken the low credit risk exemption for any of its financial assets.

The Company measures loss allowances at an amount equal to lifetime ECL, except for financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition (excluding credit-impaired assets), for which they are measured as 12-month ECL.

12-month ECL are the portion of lifetime ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which 12-month ECL are recognised are referred to as 'Stage 1 financial instruments'. Financial instruments allocated to Stage 1 have not undergone a significant increase in credit risk since initial recognition and are not credit-impaired.

Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument or the maximum contractual period of exposure. Financial instruments for which lifetime ECL are recognised but that are not credit-impaired are referred to as 'Stage 2 financial instruments'. Financial instruments allocated to Stage 2 are those that have experienced a significant increase in credit risk since initial recognition but are not credit-impaired.

Financial instruments for which lifetime ECL are recognised and that are credit-impaired are referred to as 'Stage 3 financial instruments'.

Notes to the Financial Statements *(continued)*

3. Significant Accounting Policies *(continued)*

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive);
- Financial assets that are credit-impaired at the reporting date, except POCI financial assets: as the difference between the gross carrying amount and the present value of estimated future cash flows; or
- POCI financial assets: the ECL is incorporated into the estimated future cash flows, therefore it is not possible to separate this from a 'gross carrying amount' of these assets. As such, although ECL is incorporated into the carrying amount, a separate loss allowance is not held for POCI financial assets. The only material assets in this category are the portfolio investments held at amortised cost.

When discounting future cash flows, the following discount rates are used:

- Financial assets other than purchased or originated credit-impaired (POCI) financial assets and lease receivables: the original effective interest rate or an approximation thereof;
- POCI assets: a credit-adjusted effective interest rate; and
- Lease receivables: the discount rate used in measuring the lease receivable.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past-due event;
- The restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for a security because of financial difficulties.

POCI financial assets

POCI financial assets are assets that are credit-impaired on initial recognition. For POCI assets, lifetime ECL are incorporated into the calculation of the effective interest rate on initial recognition. Consequently, POCI assets do not carry an impairment allowance on initial recognition. The amount recognised as a loss allowance subsequent to initial recognition is equal to the changes in lifetime ECL since initial recognition of the asset.

Designation at fair value through profit or loss

The Company has not designated any financial assets or liabilities as FVTPL in either the current or previous periods.

ARROW GLOBAL

Notes to the Financial Statements *(continued)*

3. Significant Accounting Policies *(continued)*

Cash and cash equivalents

'Cash and cash equivalents' include notes and coins on hand and highly liquid financial assets with original maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

Property, plant and equipment

i. Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised within other income in profit or loss.

ii. Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company. Ongoing repairs and maintenance are expensed as incurred.

iii. Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their useful lives, and is generally recognised in profit or loss. Land is not depreciated.

The estimated useful lives of property and equipment for the current and comparative periods are as follows:

Furniture	five years
Computer equipment	three years
Leasehold improvements	five years
Right-of-use assets	based on contractual terms

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Intangible assets

i. Software licenses and IT platforms

Software acquired by the Company is measured at cost less accumulated amortisation and any accumulated impairment losses.

Expenditure on internally developed software, such as IT platforms, is recognised as an asset when the Company is able to demonstrate that the product is technically and commercially feasible, its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and that it can reliably measure the costs to complete the development.

The capitalised costs of internally developed software include all costs directly attributable to developing the software plus capitalised borrowing costs and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and any accumulated impairment losses.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as it is incurred.

Software, including IT platforms, is amortised on a straight-line basis in profit or loss over its estimated useful life, from the date on which it is available for use. The estimated useful life of software for the current and comparative periods is three to ten years. Amortisation is disclosed within other expenses within the statement of profit and loss.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Notes to the Financial Statements *(continued)*

3. Significant Accounting Policies *(continued)*

Borrowings

Borrowings are recognised initially at fair value, being their issue proceeds net of any transaction costs incurred. Borrowings are stated subsequently at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the statement of profit or loss and other comprehensive income over the expected life of the borrowings using the EIR. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

The Company classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that the Company will be required to settle that obligation. Provisions are measured at the directors' best estimate of the consideration required to settle that obligation at the date of the statement of financial position and are discounted to present value.

Employee benefits

i. Share-based payment transactions

Share-based payments transactions in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payments.

The grant date fair value of the share-based payment granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employee becomes unconditionally entitled to the awards.

The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date.

For share-based payments with non-vesting conditions, the grant date fair value of the share based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes. Where the Company grants rights to its equity instruments to employees of its subsidiaries, the costs are recharged to the subsidiary in line with the requirements of IFRS 2 'Share based payments'.

ii. Retirement benefit costs

Payments to defined contribution retirement schemes are charged as the employees provide services to the Company. The Company makes contributions to defined contribution plans to provide pension benefits for employees upon retirement and, otherwise, has no residual obligation or commitments in respect of any defined benefit scheme.

Intercompany receivables

The Company holds material intercompany receivables within its statement of financial position. These have been assessed under IFRS 9 ECL criteria, measuring expected losses over the longest contractual period the company is exposed to credit risks. The Company has concluded that these assets have no material ECL.

Income from asset management and servicing

i. Servicing fees

The Company undertakes various asset servicing and collection roles on behalf of its customers. The majority of this activity is performed at a point in time, and the service is deemed to have been provided to the customer either due to the passage of time, or upon the completion of an action such as making a collection or sending a notification to the customer. Therefore, in accordance with IFRS 15, the revenue from asset management and servicing activities is recognised either upon the completion of such actions. Where the Company is contracted to perform activities over time, such as master servicing arrangements, the fee is recognised as the services are performed, with time elapsed being the measure of progress.

ARROW GLOBAL

Notes to the Financial Statements *(continued)*

3. Significant Accounting Policies *(continued)*

ii. Contract balances

In some instances, fees may be paid to a third party which are directly linked to the acquisition of a long-term contract with a customer. In line with IFRS 15 requirements, such costs are taken to the balance sheet as a cost to acquire a customer contract, and are released to the comprehensive statement of profit or loss over time, on a profile corresponding with the period over which economic benefits will be derived from the contract. Further information on the Company's contract balances can be found in note 14.

Operating expenses

Operating expenses relate to administration and costs associated with collection activities. All operating costs are accounted for on an accruals basis.

Investment in subsidiaries

Investments in subsidiaries are stated at cost less any provision for impairment. Investments are assessed for indicators of impairment throughout and at the end of each period. Investments are impaired where there is objective evidence that events or changes in circumstances exist that indicate that the investment carrying amount may not be fully recoverable. Any such impairment is recognised as a separate line in the statement of comprehensive income.

Deferred and contingent consideration

During the normal course of business, the Company enters in agreements with third parties to purchase portfolios of financial assets, and the consideration paid may include an element of deferred consideration. Such consideration is discounted at the Group's weighted average cost of debt to its present value at the point of initial recognition of the acquired portfolio asset, and this discounted amount is included within the purchase price of the portfolio asset. A liability for the discounted amount of deferred consideration is also recognised at this time. Subsequent to this, the discount taken from the gross deferred consideration payable to the initial present value is recognised in the income statement as a finance cost over time.

Usually as part of business acquisitions, the Company also enters into arrangements with third parties to pay amounts in the future which are contingent on the outcome of a future event, such as the acquired business meeting certain operational or financial targets. In such instances, the Company forms an initial estimation of the fair value of such consideration by assessing the likelihood of paying out a range of amounts, and using this analysis to calculate the probability-weighted average expected pay-out. This amount is then discounted at the Group's cost of debt to bring it to its present value at the point of acquisition. An assessment is made at this point as to whether the payments constitute a post-employment benefit arrangement with former owners, or not. If this is not the case, the present value is included within the consideration paid to acquire the business and within goodwill, if relevant. Each period, the discount is unwound to the income statement as a finance cost, and the liability is remeasured to its current fair value at that point in time.

4. Critical accounting judgements, estimates and errors

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements is set out below.

i. Classification of amortised cost financial assets

The Company holds the majority of its portfolio investments at amortised cost, due to the fact that management have determined that these assets that meet the SPPI criteria, and are held in a 'hold to collect' business model. The SPPI criteria for each portfolio are assessed at the point each portfolio is being approved for purchase, and are based on the nature of the underlying loans which are being purchased. This determination is made for each purchase individually, unless it is a follow-on purchase of the same or very similar assets, which have already been assessed.

ARROW GLOBAL

Notes to the Financial Statements *(continued)*

4. Critical accounting judgements, estimates and errors *(continued)*

Regarding the 'hold to collect' business model, the Company has determined that this is the most appropriate IFRS 9 business model classification for its general portfolio holding activities, as although in the past a small number of portfolios have been sold outright to a third-party, such sales do not comprise a material component of the Company's ERC at any point in time. Therefore, such infrequent sales activity is not deemed to invalidate the 'hold to collect' business model which the Company employs for the vast majority of its portfolio assets.

Another judgement which has been made regarding the Company's amortised cost portfolio assets is that they all fall within the POCI classification for IFRS 9 impairment measurement purposes. This judgement has been made by the Company, based upon the fact that historic purchase history and the current composition of the amortised cost portfolio investments shows that such assets tend to be bought at a point in time where they are credit impaired in some manner. This is supported by not only the nature of the assets, but by the fact that they are usually purchased at a deep discount, which is reflective of their incurred credit losses to date.

Assumptions and estimation uncertainties

i. Carrying value of portfolio investments

The carrying value of portfolio investments is £726,396,000 at 31 December 2020 (2019: £845,485,000). The majority of these portfolio investments are measured at amortised cost. Given the speed and severity of the economic changes that the COVID-19 pandemic has brought about, the Company has further refined the method by which ERCs and therefore portfolio valuations are calculated for the current accounting period.

As at 31 December 2019, a bottom-up approach was taken whereby each individual portfolio's cash flow has been modelled based on a number of factors, including balance sheet cash collections history and an array of data concerning the status of the individual loans within these portfolios, for example account-specific balance sheet cash collections history, account statuses, property statuses and valuations (for secured accounts), servicer history, and supporting data from third parties such as credit files or geo-demographics. This data has then been used in conjunction with the predicted effectiveness of any additional collection initiatives to forecast future balance sheet cash collections for each portfolio.

These forecast balance sheet cash collections were then updated for balance sheet cash collections throughout 2020, before being used as the basis for the 31 December 2020 reforecast. Management believe the nature of the current crisis has caused a temporary dislocation in how future balance sheet cash collections will trend, based on balance sheet cash collections data to date. Accordingly, the Company has instead sought to determine how the anticipated more volatile macroeconomic environment will impact the bottom-up portfolio-level ERC forecasts, via a series of overlays, taking into account forecast future macroeconomic circumstances. To achieve this, each of the Company's portfolios were first divided into a specified number of risk segments, with each segment containing loans of a similar nature (for example, UK unsecured loans).

In addition, individually material and/or complex portfolios were also considered separately as their own 'segment'. For each segment, for the most relevant macroeconomic indicators, a range of possible future outcomes was forecast, each representing either an upside, downside or severe downside scenario. The impact of each scenario on the Group's future cash flows was determined in conjunction with the Company's internal experts in the relevant segment, considering both past experience and knowledge about the current condition of the local environment.

Using statistical methods, a probability was also assigned to each segment-level scenario, giving consideration to updated external macroeconomic forecasts, balance sheet cash collections performance throughout the year and local in-house knowledge. These probabilities assigned were then used to calculate a probability-weighted ERC change for each segment, save for a small number of individual portfolios in which management judgement was applied. The weighted segment-level adjustments were then applied to each portfolio within each respective segment to allow the production of portfolio-level ERC curves.

The portfolio-level ERC curves were then discounted at the appropriate rate (EIR for amortised cost portfolios, a rate reflective of assumptions that market participants would use when pricing the asset for FVTPL portfolios), to obtain the revised NPV and hence carrying value of the amortised cost and FVTPL portfolio investments.

ARROW GLOBAL

Notes to the Financial Statements *(continued)*

4. Critical accounting judgements, estimates and errors *(continued)*

In addition to the scenario modelling set out above, another key judgement that has been applied by management is the probability weighting of each of these scenarios. The precise weightings were based on management's judgement on how each of its scenarios aligns to the macroeconomic forecasts provided by third party experts, as well as the view of local internal experts in the relevant geography and asset class. Such scenarios also take into account operational considerations that may impact balance sheet cash collections in each individual geography, such as the functioning of local court systems or property markets for example.

The estimated future cash flows generated by the above process are the key estimate/judgement in these financial statements. Flexing the expected future gross cash flows by +1/-1% would impact the closing carrying value of the portfolio investments as at 31 December 2020 by +/- £7,264,000 (2019: +/- £8,455,000). The forecasting period over which ERCs are calculated is also a key estimate/judgement in these financial statements. Adding or removing six months to the cash flow forecasting period would increase/(reduce) the closing carrying value of the portfolio investments as at 31 December 2020 by £7,619,000/(£10,481,000) (2019: £9,199,000/(£13,078,000)). Note that there are a large number of inputs which are used to derive the ERC and hence the carrying value of portfolios. However, many of these are factual historical data points which do not individually involve significant estimation uncertainty, and as such, an overall combined sensitivity has been provided.

Correction of error

During 2020 an error was identified in the accounting entries that had been calculated in 2019 in relation to the AGL Fleetwood Limited transaction. As part of the transaction, another Group company, Capquest Investments Limited, sold some portfolio investments to the Company. The ERC from these portfolio investments were subsequently sold into AGL Fleetwood Limited, along with ERC from the Company's existing portfolio investments. The sale of portfolio investments from Capquest Investments Limited to the Company was not reflected in the 2019 financial statements.

The sale of ERC in relation to portfolio investments into AGL Fleetwood Limited does not meet the criteria for derecognition as the risks and rewards are retained by the Company. Therefore, the portfolio investments are retained on the statement of financial position of the Company, and a liability recognised as amounts due to Group undertakings. But the purchase of portfolio investments from Capquest Investments Limited does meet the criteria for recognition.

Therefore, portfolio investments and amounts due to Group undertakings were incorrectly stated in 2019, as well as associated balances in the statement of profit or loss.

The error has been corrected by restating each of the affected financial statement line items for 2019 as follows:

Statement of profit or loss and other comprehensive income (extract)	**2019**	**Increase/ (Decrease)**	**Restated 2019**
	£000	**£000**	**£000**
Income from portfolio investments at amortised cost	102,011	13,602	115,613
Impairment gains on portfolio investments at amortised cost	11,160	1,091	12,251
Collection activity costs	(50,207)	(2,105)	(52,312)
Finance costs	(45,463)	(2,279)	(47,742)
(Loss) / profit before tax	**(7,118)**	**10,309**	**3,191**
Taxation charge on ordinary activities	(1,051)	(1,959)	(3,010)
(Loss) / profit for the year attributable to equity shareholders	**(8,169)**	**8,350**	**181**

ARROW GLOBAL

Notes to the Financial Statements *(continued)*

4. Critical accounting judgements, estimates and errors *(continued)*

Statement of financial position (extract)	2019	Increase/ (Decrease)	Restated 2019
	£000	£000	£000
Portfolio investments	812,811	32,674	845,485
Amounts due to Group undertakings	(825,402)	(22,365)	(847,767)
Current tax asset	15,005	(1,959)	13,046
Net assets	**29,304**	**8,350**	**37,654**
Retained earnings	(10,207)	(8,350)	(18,557)
Total equity	**(29,304)**	**(8,350)**	**(37,654)**

5. Profit for the year

Profit for the year has been arrived at after charging:

	2020	2019
	£000	£000
Net foreign exchange losses	1,664	968
Depreciation of property, plant and equipment	2,377	1,400
Amortisation of intangible assets	1,720	616
Staff costs (see note 9)	24,951	25,227

6. Finance income

	2020	2019
	£000	£000
Bank interest	10	12
Interest on intercompany loans	15,136	7,741
	15,146	**7,753**

7. Finance costs

	2020	Restated 2019
	£000	£000
Interest and similar charges on bank loans	8,587	7,986
Lease liability interest	340	364
Other interest	1,265	344
Interest on intercompany loans	42,605	39,048
	52,797	**47,742**

ARROW GLOBAL

Notes to the Financial Statements *(continued)*

8. Auditor remuneration

The analysis of auditor remuneration is as follows:

	2020	2019
	£000	£000
Fees payable for audit services in respect of the Company	-	25

There is no audit fee for 2020 as the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies. The 2019 amount relates solely to amounts paid to KPMG LLP. No non-audit services were provided to the Company by the Company's auditor in either the current or preceding period.

9. Collection activity costs, other operating expenses and staff costs

	2020	Restated 2019
	£000	£000
External collection costs	38,429	25,661
Staff costs (see note 9b)	227	1,480
Direct temp labour	63	50
Direct operating costs	986	1,472
Legal disbursements	4,068	8,213
Other collection activity costs	28,104	15,436
Total collection activity costs	**71,877**	**52,312**

	2020	2019
	£000	£000
Staff costs (see note 9b)	24,724	23,747
Other related staff costs	3,846	4,064
Premises	1,552	1,922
IT	4,105	3,065
Depreciation and amortisation	4,097	2,016
Net foreign exchange losses / (gains)	1,664	990
Other operating expenses	(956)	7,621
Total other operating expenses	**39,032**	**43,425**

b. Staff costs	2020	2019
	£000	£000
Wages, bonuses and share options	20,930	20,361
Pension costs	669	670
Social security costs	1,599	1,860
Share-based payments	1,753	1,705
Staff restructuring	-	631
	24,951	**25,227**

Notes to the Financial Statements *(continued)*

9. Collection activity costs, other operating expenses and staff costs *(continued)*

The average monthly number of employees (including executive directors) is analysed as:

	2020 number	2019 number
Operations and asset servicing	90	80
Commercial asset management	51	47
Finance	47	46
Fund and investment management and origination	24	22
Legal and risk	24	24
HR and communications	21	21
	257	**240**

The total director's remuneration paid during the year was £1,144,000 (2019: £2,094,000), which includes £87,000 in relation to pension-related benefits (2019: £152,000). Each director received a monthly cash allowance in lieu of participation in a pension arrangement. The total number of directors eligible for defined contribution pension contributions is 2 (2019: 2). The remuneration of the highest paid director during the year was £702,000 (2019: £819,000), which includes £69,000 in relation to pension-related benefits (2019: £67,000). At 31 December 2020 there was an accrual in respect of pension costs of £nil (2019: £nil).

All the directors provided services to the wider Arrow Global Group ("the Group") although all their remuneration is borne by the company as it is not practicable to allocate directors' remuneration between Group companies. Lee Rochford and Matthew Hotson provided services to other entities in the group.

Summary of related party transactions

Key management personnel, defined as permanent members of the executive committee, received the following compensation during the year:

	2020	2019
Remuneration	**£000**	**£000**
Salaries and performance related bonus	2,922	3,121
Pension-related benefits	155	194
	3,077	**3,315**

During the current and prior year there were no other related party transactions other than discussed above.

ARROW GLOBAL

Notes to the Financial Statements *(continued)*

10. Tax

The effective tax rate for the year ended 31 December 2020 is higher (2019: higher than) the standard rate of corporation tax in the UK at 19% (2019: 19%), the differences are as follows:

	2020 £000	Restated 2019 £000
(Loss) / profit before tax	(51,774)	3,191
Tax (credit) / charge at standard UK corporation tax rate of 19% (2019: 19%)	(9,837)	607
Adjustment in respect of prior years	461	77
Expenses not deductible for tax purposes	582	2,279
Effects of other tax rates	-	44
Income not taxable	(5,320)	-
Effects of changes in rates	(287)	-
Share options	463	3
Current tax (credit) / charge on the (loss) / profit for the year	**(13,938)**	**3,010**
Effective tax rate	**26.9%**	**94.3%**

	2020 £000	2019 £000
Current tax charge:		
Current tax based on (loss) / profit for the year	-	3,057
Adjustment in respect of previous periods	456	(58)
Total current tax charge	**456**	**2,999**
Deferred tax charge:		
Origination and reversal of temporary differences	(14,112)	(169)
Adjustment in respect of previous periods	5	136
Effect of changes in tax rates	(287)	44
Total deferred tax (credit) / charge	**(14,394)**	**11**
Total tax (credit) / charge	**(13,938)**	**3,010**

The rate of UK corporation tax, as enacted under previous Finance Acts, was expected to reduce to 17% from 1 April 2020. The UK Government enacted legislation for the rate to remain at 19%.

Deferred taxation is measured at the tax rates that are expected to apply in the periods in which the temporary timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted at the statement of financial position date. At Budget 2021, the government announced an increase to the rate of UK corporation tax for the year starting 1 April 2023, setting the rate at 25%. Deferred tax is currently recognised at 19% until Finance Bill 2021 has been enacted or substantively enacted and will be restated accordingly.

ARROW GLOBAL

Notes to the Financial Statements *(continued)*

11. Intangible assets

	IT Platform £000	Software licences £000	Total £000
Cost			
At 1 January 2019	**584**	**4,438**	**5,022**
Additions	-	1,636	1,636
Disposals	-	-	-
At 31 December 2019	**584**	**6,074**	**6,658**
Additions	-	7,493	7,493
Disposals	-	-	-
At 31 December 2020	**584**	**13,567**	**14,151**
Accumulated amortisation			
At 1 January 2019	**152**	**3,417**	**3,569**
Charge for the year	71	545	616
Eliminated on disposals	-	-	-
At 31 December 2019	**223**	**3,962**	**4,185**
Charge for the year	71	1,649	1,720
Eliminated on disposals	-	-	-
At 31 December 2020	**294**	**5,611**	**5,905**
Carrying amount			
At 31 December 2020	**290**	**7,956**	**8,246**
At 31 December 2019	**361**	**2,112**	**2,473**

ARROW GLOBAL

Notes to the Financial Statements *(continued)*

12. Property, plant and equipment

	Leasehold improvements	Computer equipment	Furniture	Right-of-use asset	Total
	£000	£000	£000	£000	£000
Cost					
At 1 January 2019	**1,399**	**1,504**	**494**	**-**	**3,397**
Adoption of IFRS 16 as at 1 January 2019	-	-	-	6,355	6,355
Additions	62	112	12	-	186
Disposals	-	(124)	-	-	(124)
At 31 December 2019	**1,461**	**1,492**	**506**	**6,355**	**9,814**
Additions	-	55	-	-	55
Disposals	-	-	-	167	167
At 31 December 2020	**1,461**	**1,547**	**506**	**6,522**	**10,036**
Accumulated depreciation					
At 1 January 2019	**523**	**665**	**365**	**-**	**1,553**
Adoption of IFRS 16 as at 1 January 2019	-	-	-	772	772
Charge for the year	221	332	41	806	1,400
At 31 December 2019	**744**	**997**	**406**	**1,578**	**3,725**
Charge for the year	460	318	35	1,564	2,377
Eliminated on disposals	-	-	-	-	-
At 31 December 2020	**1,204**	**1,315**	**441**	**3,142**	**6,102**
Carrying amount					
At 31 December 2020	**257**	**232**	**65**	**3,380**	**3,934**
At 31 December 2019	**717**	**495**	**100**	**4,777**	**6,089**

ARROW GLOBAL

Notes to the Financial Statements *(continued)*

13. Portfolio investments

	2020 £000	Restated 2019 £000
Expected falling due after 1 year	571,329	652,566
Expected falling due within 1 year	155,067	192,919
	726,396	**845,485**

The movements in portfolio investments were as follows:

As at 31 December 2020	**Amortised cost £000**	**FVTPL £000**	**Total £000**
As at the year brought forward	554,302	291,183	845,485
Transfer to other classification	202,282	(202,282)	-
Portfolios purchased during the year	59,270	243	59,513
Balance sheet cash collections in the year	(245,627)	(25,242)	(270,869)
Income from portfolio investments at amortised cost	138,801	-	138,801
Fair value gain on portfolio investments at FVTPL	-	(9,042)	(9,042)
Net impairment losses	(58,475)	-	(58,475)
Exchange and other movements	20,559	424	20,983
As at the year end	**671,112**	**55,284**	**726,396**

As at 31 December 2019 (restated)	**Amortised cost £000**	**FVTPL £000**	**Total £000**
As at the year brought forward	621,965	135,335	757,300
Transfer to other classification	(67,465)	67,465	-
Portfolios purchased during the year	144,625	148,542	293,167
Balance sheet cash collections in the year	(242,057)	(74,067)	(316,124)
Income from portfolio investments at amortised cost	120,226	-	120,226
Fair value gain on portfolio investments at FVTPL	-	22,134	22,134
Net impairment gains	11,645	-	11,645
Exchange and other movements	(34,637)	(8,226)	(42,863)
As at the year end	**554,302**	**291,183**	**845,485**

ARROW GLOBAL

Notes to the Financial Statements *(continued)*

14. Trade and other receivables

	2020 £000	2019 £000
Trade receivables	3,378	3,967
Prepayments	2,394	2,931
Other receivables	2,181	4,668
Contract balances	8,765	3,100
	16,718	**14,666**

In 2019, other receivables included £3,400,000 of receivables related to contracts with customers. No receivables related to contracts with customers are receivable as at 31 December 2020.

Bank balances subject to certain restrictions have been reclassified as cash and cash equivalents in the year, leading to a representation of the 2019 reconciliation.

15. Deferred tax asset

	2020 £000	2019 £000
Property, plant and equipment	141	27
Share options	888	709
Other temporary differences (IFRS 16 & IFRS 9)	1,607	1,651
Losses	14,450	-
	17,086	**2,387**

16. Trade and other payables

	2020 £000	2019 £000
Trade payables	8,630	3,379
Taxation and social security	1,267	236
Deferred consideration on acquisition of subsidiaries	8,196	62,917
Deferred consideration on portfolio investments	6,300	6,300
Other liabilities and accruals	17,590	22,948
Lease liability	5,211	5,826
	47,194	**101,606**

17. Share capital

	2020 £	2019 £
Issued and fully paid:		
2 ordinary shares of £1 each	**2**	**2**

The Company has one class of ordinary shares which carry no right to fixed income. The shares were issued at cash consideration of £990,000 and accordingly share premium of £990,000 is recorded (2019: £990,000).

18. Leases

The Company has leases for offices. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. The Company classifies its right-of-use assets in a consistent manner to its property, plant and equipment (see note 12).

Leases of property generally have a lease term ranging from five years to ten years and lease payments are fixed.

ARROW GLOBAL

Notes to the Financial Statements *(continued)*

18. Leases *(continued)*

Right-of-use assets

Right-of-use assets relate to leased office premises that are presented within property, plant and equipment (see note 12).

	2020	2019
	£000	£000
As at the year brought forward	4,777	-
Adoption of IFRS 16 as at 1 January 2019	-	6,355
Adoption of IFRS 16 as at 1 January 2019 depreciation	-	(772)
Depreciation charge for the year	(1,564)	(806)
Disposals	167	-
Balance at 31 December	**3,380**	**4,777**

Maturity analysis – contractual undiscounted cash flows

See note 20 for maturity analysis of lease liabilities as at 31 December 2020 and 31 December 2019.

Amounts recognised in profit or loss

The following leases-related expenses were recognised under IFRS 16 in the profit or loss:

	2020	2019
	£000	£000
Interest on lease liabilities	340	364
Depreciation charge for the year on right of use assets	1,564	806

Amounts recognised in statement of cash flows

The following lease payments were recognised in the statement of cash flows:

	2020	2019
	£000	£000
Total cash outflow for leases	1,123	1,167

ARROW GLOBAL

Notes to the Financial Statements *(continued)*

19. Related party transactions

	Amounts due from group undertakings		Amounts due to group undertakings	
				Restated
	2020	2019	2020	2019
	£000	£000	£000	£000
Arrow Global Portugal Limited	-	-	(712)	(3,803)
Arrow Global (Holdings) Limited	-	9,343	(1,552)	-
Arrow Global Receivables Management Limited	-	-	(8,792)	(16,066)
Strzala Sp. z.o.o.	-	-	(1,036)	(1,075)
Arrow Global Investments Holdings Limited	206,917	224,288	-	-
Arrow Global Group Plc	2,107	151	-	-
Arrow Global Accounts Management Limited	3,857	-	-	(23,499)
Arrow Global Finance Plc	-	-	(307,693)	(309,373)
Arrow Global Guernsey Holdings Limited	3,166	1,993	-	-
Arrow Global Portugal Investments Limited	126	434	-	-
Capquest Investments Limited	-	-	(56,281)	(33,990)
Capquest Debt Recovery Limited	-	-	(35,767)	(66,654)
Arrow Global Europe Limited	-	-	(364,174)	(306,972)
Arrow Global One Limited	-	-	(2,756)	(2,600)
Gesphone – Servicos de Tratamento e Acquisicao de Dividas, S.A.	4,571	3,936	-	-
AGHL Portugal Investments Holdings, S.A.	-	1	-	-
Quest Topco Limited	241	151	-	-
Whitestar Asset Solutions, S.A.	-	-	(1,332)	(821)
Redrock Capital Partners, S.A.	44	-	-	(77)
Vesting Finance Servicing B.V.	-	46	(52)	-
Arrow Global Luna Limited	3,798	3,536	-	-
Arrow Global Investments Holdings Italia S.R.L.	-	-	(362)	(441)
Whitestar S.R.L	-	-	(20)	(212)
Arrow Global Italia S.R.L.	-	-	(531)	(13)
Mars Capital Management Limited	-	242	(44)	-
Drydens Limited	6,077	5,721	-	-
AGL Fleetwood Limited	-	-	(71,145)	(81,774)
AGL Fleetwood 2 Topco Limited	-	-	(23,757)	-
Sandalgreen, Assets, S.A.	-	-	-	(397)
Bergen Capital Management Limited	161	156	-	-
AGG Capital Management (Holdco) Limited	-	-	(175)	-
AGG Capital Management Limited	242	-	-	-
Arrow SMA LP Limited	28,238	-	-	-
Arrow Global SMA I LP	28,766	-	-	-
Arrow Global Adviser Limited	780	-	-	-
Total	**289,091**	**249,998**	**(876,181)**	**(847,767)**

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Notes to the Financial Statements *(continued)*
19. Related party transactions *(continued)*

The Company had the following reportable transactions with related parties:

	Portfolio services recharges		Interest receivable / (payable)	
				Restated
	2020	2019	2020	2019
	£000	£000	£000	£000
Capquest Investments Limited	-	476	-	-
Arrow Global Portugal Limited	-	-	-	(189)
Arrow Global (Holdings) Limited	-	-	368	527
Arrow Global Receivables Management Limited	-	-	(896)	(887)
Arrow Global Investments Holdings Limited	-	-	13,085	6,535
Arrow Global Group Plc	-	-	-	-
Arrow Global Accounts Management Limited	-	-	(1,102)	(799)
Arrow Global Finance Plc	-	-	(18,105)	(18,065)
Capquest Debt Recovery Limited	(9,332)	(8,926)	(3,741)	(2,974)
Arrow Global Europe Limited	-	-	(13,106)	(13,709)
Arrow Global One Limited	-	-	(156)	-
Arrow Global Portugal Investments Limited	-	-	-	40
Arrow Global Luna Limited	180	247	226	185
Drydens Limited	(4,072)	(3,271)	367	306
Europa Investimenti S.p.A	-	682	-	-
Vesting Finance Servicing B.V.	(373)	(368)	-	-
Whitestar Asset Solutions, S.A.	(12,232)	(12,503)	-	-
Whitestar S.R.L	(141)	(482)	-	-
Arrow Global Italia S.R.L.	(533)	(13)	-	-
Zenith Service S.p.A.	(1,422)	(668)	-	-
Bergen Capital Management Limited	-	(561)	-	1
AGL Fleetwood Limited	-	-	(2,942)	(2,279)
AGL Fleetwood 2 Topco Limited	-	-	(2,192)	
Arrow SMA LP Limited	-	-	555	-
Arrow Global Adviser Limited	212	-	-	-
Arrow Global SMA I LP	-	-	170	-
Total	**(27,713)**	**(25,387)**	**(27,469)**	**(31,308)**

There were no material related transactions with directors or key management personnel during the year other than directors' emoluments disclosed in note 9.

20. Risks arising from financial instruments

Key risks and uncertainties faced by the Company are managed within the Group's established risk management framework, as described in the Group's financial statements.

The Company has exposure to credit risk, liquidity risk, market risk and interest rate risk that arises throughout the normal course of the Company's business.

Credit risk

The Company's principal activity is the management of non-performing and non-core consumer and commercial unsecured and secured portfolios. Most portfolios by their nature are impaired at acquisition and the Company continually monitors cash collections that in turn inform the ERCs on which the portfolio carrying is calculated. The ongoing risk is managed through a portfolio valuation process including modelling current expectations of recoverability based on historical information on debt types, also factoring in recoveries from collateral held on the secured portfolios and sales. Further details of the forecasting process are given in note 4.

Notes to the Financial Statements *(continued)*

20. Risks arising from financial instruments *(continued)*

An investment credit committee is in place to approve investment, which includes at least two members of the Group's executive board as well as other key members from appropriate areas of the business, including oversight by the risk management function. The Company also monitors its exposure to geographic concentration of assets. This process exists to scrutinise all aspects of a portfolio acquisition from reputational and regulatory risk through to the financial assumptions and maximum bid price.

Where portfolio investments are measured at amortised cost using the EIR method, as part of the regular monitoring process, the future cash flows in the ERCs are updated, with impairment gains/losses as a result of changes to the estimated cash flows discounted at the EIR rate. Where portfolio investments are measured at FVTPL, they are measured using a discounted cash flow model.

With the introduction of IFRS 9 in 2018, the Company's management of credit risk is now further enhanced through the modelling of multiple economic scenarios and the impact this is expected to have on future collections performance. All of the Company's portfolio investments have been classified as POCI, due to their credit-impaired nature at the date of purchase. Therefore, no consideration has been given to the staging requirements of IFRS 9 for the Company's portfolio assets.

The Group constructed its own proprietary data repository in 2005 and has added additional historic data on credit performance in the markets in which it operates. It now has tens of millions of records. This is used to inform balance sheet cash collections strategies and to help establish affordable repayment plans and settlements with our customers across all geographies. Given the nature of the portfolios the Company purchases, most arrangements entered into with our customers are of a non-contractual nature, where we work to establish, or re-establish, suitable payment plans that are affordable and sustainable.

Credit quality analysis

The Company's purchased portfolio investments have been classified as purchased or originated as credit impaired (POCI) as they include financial instruments that were credit-impaired at initial recognition, irrespective of whether they are still credit-impaired at the reporting date. Expected credit losses (ECL) against POCI exposures are always calculated on a lifetime basis (cumulative changes in ECL since initial recognition), and are reflected in the credit-adjusted effective interest rate at initial recognition. As a result, no loss allowance is recognised at inception. Subsequently, any changes in lifetime ECL after initial recognition are recognised in profit or loss. The ECL calculation for POCI assets is based on an ECL over 84-months.

In determining ECLs, the assessment of forward-looking economic assumptions, which are sourced from an independent specialist forecasting company, the Company considers a number of macroeconomic scenarios, including assumptions on unemployment, interest rates and CPI, and where appropriate, HPI. These scenarios are probability weighted according to their likely occurrence. The scenarios include a central scenario, based on the current economic environment, as well as upside and downside scenarios. The estimation and application of this forward-looking information requires significant judgement and is subject to appropriate internal governance.

Impairment gains/losses are changes to carrying values, discounted at the EIR rate, of the acquired debt portfolios as a result of reassessments of their estimated future cash flows and are recognised in the line item 'impairment gains on portfolio investments at amortised cost'. There are generally no credit risk mitigants relating to the Company's unsecured portfolio investments.

As all of the Company's amortised cost portfolio assets are POCI, the cash flows are subject to reassessment each period. For any portfolios that may be sold to a third party from time to time, these are first subject to a cash flow reassessment. Expected cash flows in such a scenario would be linked to the likely sale proceeds, meaning that all such assets would be written to their expected selling price via an impairment gain/loss, before being sold.

Significant increase in credit risk

There are no significant increases or decreases in credit risk since origination as all portfolio investments have been deemed to be purchased or originated credit impaired on initial recognition.

ARROW GLOBAL

Notes to the Financial Statements *(continued)*

20. Risks arising from financial instruments *(continued)*

Cash and cash equivalents

As part of credit risk, the Company is subject to counterparty risk in respect of the cash and cash equivalents held on deposit with banks and foreign currencies. Counterparty risk with debt sellers is managed through contractual arrangements and warranties.

The Company generally deposits cash and undertakes currency transactions with highly rated banks, with strict limits on the level of exposure to any one institution. Institutions with lower credit ratings can only be used with board approval.

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

	2020 £000	Restated 2019 £000
Cash and cash equivalents	90,958	37,711
Other receivables	16,718	14,666
Amounts due from group undertakings	289,091	249,998
Portfolio investments	726,396	845,485
	1,123,163	**1,147,860**

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by cash or another financial asset.

The table below sets out the remaining contractual maturities (undiscounted) of the Company's financial liabilities and financial assets and includes both interest and principal cash flows, payable over the contractual life:

As at 31 December 2020	**Less than 1 month £000**	**Within 1 year £000**	**1-2 years £000**	**3-5 years £000**	**More than 5 years £000**	**Total £000**
Financial liability by type:						
Trade and other payables	-	41,983	-	-	-	41,983
Lease liabilities	134	1,199	1,020	1,710	1,148	5,211
Amounts due to group undertakings	876,181	-	-	-	-	876,181
Revolving credit facility*	790	8,495	9,251	289,558	-	308,094
Other borrowings	-	-	-	-	-	-
Total financial liabilities	**877,105**	**51,677**	**10,271**	**291,268**	**1,148**	**1,231,469**
Financial asset by type:						
Cash and cash equivalents	90,958	-	-	-	-	90,958
Amounts due from group undertakings	289,091	-	-	-	-	289,091
Portfolio investments	14,019	158,037	163,057	329,954	134,623	799,690
Total financial assets	**394,068**	**158,037**	**163,057**	**329,954**	**134,623**	**1,179,739**

*Reflects all drawings at 31 December 2020 being held to the facility maturity date of 4 January 2024.

ARROW GLOBAL

Notes to the Financial Statements *(continued)*
20. Risks arising from financial instruments *(continued)*

As at 31 December 2019 (restated)	Less than 1 month £000	Within 1 year £000	1-2 years £000	3-5 years £000	More than 5 years £000	Total £000
Financial liability by type:						
Trade and other payables	-	95,780	-	-	-	95,780
Lease liabilities	-	1,220	1,155	2,016	1,507	5,898
Amounts due to group undertakings	847,767	-	-	-	-	847,767
Revolving credit facility*	463	4,994	5,442	228,547	-	239,446
Total financial liabilities	**848,230**	**101,994**	**6,597**	**230,563**	**1,507**	**1,188,891**
Financial asset by type:						
Cash and cash equivalents	37,711	-	-	-	-	37,711
Amounts due from group undertakings	249,998	-	-	-	-	249,998
Portfolio investments	21,524	220,083	218,785	420,720	154,933	1,036,045
Total financial assets	**309,233**	**220,083**	**218,785**	**420,720**	**154,933**	**1,323,754**

*Reflects all drawings at 31 December 2019 being held to the facility maturity date of 4 January 2024

Financial assets pledged as collateral

On 30 April 2019, the Group entered into a £100 million non-recourse committed asset backed securitisation facility with an advance rate of 55% of 84-month ERC.

On the same date, the Group sold £137 million of ERC into AGL Fleetwood Limited, a wholly owned Arrow Global Group subsidiary, and borrowed an initial amount of £75 million non-recourse funding at Libor plus 3.1%, under the facility. The assets of AGL Fleetwood Limited are pledged as security against the non-recourse funding.

On 31 July 2019, the Group sold a further £44 million of ERC into AGL Fleetwood Limited and subsequently borrowed an additional £25 million non-recourse funding on the same terms under the facility.

On 31 March 2020, the Group sold a further £30 million of ERC into AGL Fleetwood Limited and on 2 April 2020 borrowed an additional £21 million non-recourse funding on the same terms under the facility. As at 2 April 2020, the amount drawn under the facility was £100 million. The facility had a five year term comprising an initial two year revolving period followed by a three year amortising period with an option to extend the revolving period by one year, subject to lender consent.

During July 2020, the Group entered into further arrangements in connection with the non-recourse facility to mitigate potential balance sheet cash collections impacts of COVID-19. An additional £33 million of 84-month ERC was sold into the structure with no additional borrowings made. In consideration of the additional ERC pledged, the lender agreed to amend certain performance criteria.

During July 2020, a second non-recourse amortising loan of €104,700,000 was fully drawn during the month. The second loan was secured against €356 million of Portuguese 84-month ERC at a margin of 4.25%.

As at 31 December 2020, the Company had pledged £278,679,000 (2019: £94,200,000) of portfolio investments as security in connection with the non-recourse committed asset backed securitisations.

Market risk

Market risk is defined as the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk principally comprises interest rate risk and currency risk considered further below.

Interest rate risk

The Company is exposed to interest rate risk during the year on cash and cash equivalents. The recoverability of debts may be influenced by movements in the interest rate environment.

The Company is exposed to interest rate risk on the intercompany balances and the rate is derived from the Group cost of funding. If the Group cost of funding increased by 50bps, and thus the interest charged/paid by the Company, the interest receivable/payable would increase by £4,400,000 (2019: £3,064,000).

Notes to the Financial Statements *(continued)*

20. Risks arising from financial instruments *(continued)*

Currency risk

The Company is subject to two types of currency risk; net asset exposure and income statement exposure.

Net asset exposure

A proportion of the Company's net assets are denominated in foreign currencies. The statement of financial position is reported in sterling and this means that there is a risk that a fluctuation in foreign exchange rates will have an impact on the net assets of the Company. Through the Group the Company aims to minimise the value of net assets denominated in Euro by funding portfolio assets with Euro denominated borrowings where possible.

Income statement exposure

As with net assets, a proportion of the Company's profit is denominated in foreign currencies but translated into sterling for reporting purposes. The result for the year is translated into sterling at the average exchange rate. A risk therefore arises that a fluctuation in the exchange rate relative to the Euro will have an impact on the result for the year.

Foreign currency sensitivity analysis

If foreign exchange rates had been 10% stronger than sterling than those at the statement of financial position date and all other variables were held constant, the Company's net assets and net profit for each denomination of currency would increase/(decrease) as follows:

	2020	2019
Equity and net assets	**£000**	**£000**
Currency		
Euro (EUR)	(21,019)	(17,969)
US Dollar (USD)	13	48
Polish Zloty (PLN)	(44)	(42)
	(21,050)	**(17,963)**
Net profit		
Currency		
Euro (EUR)	(1,314)	3,977
	(1,314)	**3,977**

If foreign exchange rates had been 10% weaker than sterling than those at the statement of financial position date and all other variables were held constant, the Company's net assets and net profit for each denomination of currency would increase/(decrease) as follows:

	2020	2019
Equity and net assets	**£000**	**£000**
Currency		
Euro (EUR)	17,197	14,702
US Dollar (USD)	(11)	(39)
Polish Zloty (PLN)	36	34
	17,222	**14,697**
Net Profit		
Currency		
Euro (EUR)	1,075	(3,254)
	1,075	**(3,254)**

The above assumes that there is no impact on retained earnings or equity arising from those items which are naturally hedged (where the currency asset is exactly equal to the currency liability).

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Notes to the Financial Statements *(continued)*

21. Financial instruments

Fair values of financial assets and liabilities

The directors consider that there are no material differences between the asset and liability values in the statement of financial position and their fair value, other than for portfolio investments, as shown below:

As at 31 December 2020	**Mandatorily at FVTPL**	**Amortised cost**	**Total carrying amount**	**Total fair value**
	£000	**£000**	**£000**	**£000**
Portfolio investments	55,284	671,112	726,396	763,027

As at 31 December 2019 (restated)	**Mandatorily at FVTPL**	**Amortised cost**	**Total carrying amount**	**Total fair value**
	£000	**£000**	**£000**	**£000**
Portfolio investments	291,183	554,302	845,485	823,028

Valuation models

The Company measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: inputs other than quoted market prices within level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Application to the Company's financial assets and liabilities

The fair value of amortised cost portfolio investments has been calculated by observing the compression in market yields over time and applying the difference between current average market IRRs for the Group's most recent vintage, and applying this as a premium or discount to prior years' vintages. This approach takes into account changes in market pricing factors over time, while retaining the consideration of the individual characteristics of each portfolio. As this calculation is based on unobservable inputs, these fair values would be categorised as level 3 values. The primary unobservable input to which this valuation is sensitive to is the current market rates for portfolios. A 1% rise/fall in this rate would lead to a reduction/uplift in fair value of (£6,413,000)/£9,244,000.

Financial instruments measured at fair value – fair value hierarchy

The following table analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position.

	2020	**2019**
Level 3	**£000**	**£000**
Assets		
Portfolio investments	**55,284**	**291,183**

ARROW GLOBAL

Notes to the Financial Statements *(continued)*

21. Financial instruments *(continued)*

Financial instruments not measured at fair value – fair value hierarchy

The following table analyses financial instruments not measured at fair value at the reporting date, by the level in the fair value hierarchy into which the measurement is categorised. The amounts are based on the values recognised in the statement of financial position. All of the Company's financial instruments fall into hierarchy level 3.

	2020	2019
Level 3	**£000**	**£000**
Assets		
Portfolio investments	671,112	554,302

There have been no transfers in or out of level 3.

The statement of financial position value of the Company's portfolio investments not measured at fair value, is derived from discounted cash flows generated by an internal model. For a fuller description of how the future cash flows are estimated, please refer to note 4. Following acquisition, the fair value will move directionally in line with carrying amount but may deviate as market conditions change.

The Company has an established control framework covering the measurement of portfolio investment values. This includes regular monitoring of portfolio performance overseen by the portfolio review committee, which considers actual versus forecast results at an individual portfolio level, re-forecasts cash flows on a semi-annual basis, reviews actual against forecast gross money multiple, approves the latest ERC forecast, assesses the carrying value of the portfolio investments and reviews revenue recognition.

A reconciliation of the opening to closing balances for the year of the portfolio investments can be seen in note 13.

The Company did not hold any other financial instruments not measured at fair value for which a fair value needs to be calculated (2019: none).

22. Borrowings

	2020	2019
	£000	**£000**
Borrowing at amortised cost		
Revolving credit facility (net of transaction fees of £2,790,000, 2019: £3,720,000)	259,581	213,970
	259,581	**213,970**
Total borrowings		
Amount due for settlement within 12 months	259,581	213,970
	259,581	**213,970**

Revolving credit facility ('RCF')

On 26 February 2019, the revolving credit facility was extended to 2024, with the margin unchanged.

On 12 August 2020, the Group executed an amendment agreement with its lenders under the revolving credit facility to amend the financial covenants under the facility to reflect the potential impact on the business of COVID-19. The amendments to the financial covenants are for the period from September 2020 up to and including June 2022 and provide suitable headroom based upon the Group's downside projections, including an amendment to the maximum permitted leverage and minimum liquidity, and a move to a more dynamic margin calculation.

ARROW GLOBAL

Notes to the Financial Statements *(continued)*

22. Borrowings *(continued)*

Reconciliation of movements of liabilities to cash flows arising from financing activities:

	Revolving credit facility £000	Other borrowings £000	Total liabilities relating to cash flow from financing activity £000
Balance at 31 December 2019	213,970	-	213,970
Changes from financing cash flows			
Net proceeds from additional loans	33,506	-	33,506
Total changes from financing cash flows	**33,506**	**-**	**33,506**
Liability-related:			
Interest expense and similar charges on bank loans	258	-	258
Amortisation of capitalised transaction fees -RCF	930	-	930
Interest and similar charges on bank loans	**1,188**	-	**1,188**
The effect of changes in foreign exchange rates	10,935	-	10,935
Capitalised transaction fees	(18)	-	(18)
Total liability-related other changes	**12,105**	**-**	**12,105**
Balance at 31 December 2020	**259,581**	**-**	**259,581**

23. Investment in subsidiaries

Details of the Company's subsidiaries at 31 December 2020 are as follows:

Name	Place of incorporation (or registration) and operation	Registered office	Proportion of ordinary shares ownership (%)	Current status	Parent company
Agenda Management Services Limited	UK – England and Wales	4th Floor, Fairfax House, Merrion Street, Leeds, LS2 8BX	100	Trading	DFS
Arrow Global Accounts Management Limited	UK – England and Wales	Belvedere, 12 Booth Street, Manchester M2 4AW	100	Trading	AGL
Drydens Limited (DFS)	UK – England and Wales	4th Floor, Fairfax House, Merrion Street, Leeds, LS2 8BX	100	Trading	AGL
Western Acquisition Holdings Limited	UK – England and Wales	Belvedere, 12 Booth Street, Manchester M2 4AW	50	Trading	AGL
AGG Capital Management Limited	Jersey	27 Esplanade, St Helier, Jersey, JE1 1SG	100	Trading	AGL / ACM(H)L

	2020 £000	2019 £000
Arrow Global Accounts Management Limited	18,909	18,909
Dryden's Limited	10,233	10,233
AGG Capital Management Limited	175	-
	29,317	**29,142**

The investments in subsidiaries are all stated at cost less impairment.

Notes to the Financial Statements *(continued)*

24. Commitments

Arrow Global Limited alongside fellow subsidiaries, has guaranteed on behalf Arrow Global Finance Plc the following:

- £320 million 5.125% senior secured notes due September 2024
- €285 million 3.75% over three-month EURIBOR floating rate senior secured notes due March 2026
- €400 million 2.875% over three-month EURIBOR floating rate senior secured notes due April 2025
- £285 million revolving credit facility, maturity January 2024

The Intragroup guarantee is accounted for in accordance with IFRS 4 (Insurance Contracts) and as a loss event, i.e. default by Arrow Global Finance Plc, has not occurred during the year the guarantee has not been called upon and therefore no charge has been recognised.

25. Parent Undertaking

The immediate parent Company is Arrow Global (Holdings) Limited and the ultimate parent Company is Arrow Global Group PLC, both of which are incorporated in England and Wales. Registered address: Belvedere, 12 Booth Street, Manchester, United Kingdom M2 4AW.

The largest group in which the results of the Company is consolidated is that headed by Arrow Global Group PLC. The consolidated financial statements of this group are publicly available from its website www.arrowglobalir.net.

26. Post balance sheet events

On 12 February 2021, Arrow Global Finance plc issued €75,000,000 senior secured notes maturing 2026 at an issue price of 99%. This tap issue of the existing €285,000,000 senior secured floating rate bonds due 2026 means that all terms and conditions of the new bonds are identical to those of the existing 2026 bonds, except for the issue price. The proceeds from the transaction of €74,250,000 less transaction fees and expenses will be used to partially repay drawings under the Group's revolving credit facility.