

ARROW
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Arrow Global (Holdings) Limited

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

UK Registered No. 05606576

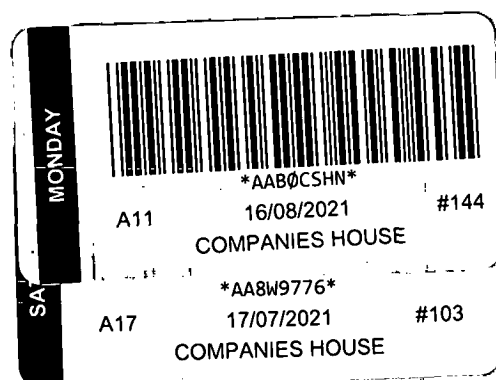


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Company information

Registered in England and Wales No: 05606576

Directors

Lee Rochford

Matthew Hotson

Secretary

Stewart Hamilton (resigned 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

United Kingdom

M2 4AW

Strategic report

Principal activities

The Company's principal activity is that of a holding company to the subsidiary companies listed in note 12.

The principal activity of the Company's subsidiaries is to identify, acquire and 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. There are no immediate plans for any other business activities by the Company or its subsidiaries.

Strategic review

The Company is a holding company and thus does not actively trade. It therefore has no key performance indicators.

Risks and uncertainties

As the Company is a holding company, its principal risk is the carrying value of its investments, which is driven by the risks and uncertainties of its subsidiaries. The Company and its subsidiaries are part of the Arrow Global Group PLC Group (the 'Group') and face 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. 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. Therefore, the significant risks and uncertainties faced by the Company and its subsidiaries are managed through the Group's risk management framework.

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 27 April 2021 and signed and authorised for issue on its behalf by:



Matthew Hotson
Director

Directors' report

The directors present their annual report on the affairs of Arrow Global (Holdings) Limited (the "Company"), together with the financial statements, for the year ended 31 December 2020.

Going concern and outlook

The Company made a profit after tax of £11,107,000 (loss after tax 2019: £329,000) following dividends received from Arrow Global Receivables Management Limited of £8,000,000 and from Arrow Global Portugal Limited of £3,264,000. At 31 December 2020, the Company had net assets of £17,088,000 (2019: £5,981,000). The Company's business activities are set out in the principal activities section 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 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.

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 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). The directors do not propose a further dividend (2019: £nil).

Political contributions

During the year the Company did not make any political contributions (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.

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*)

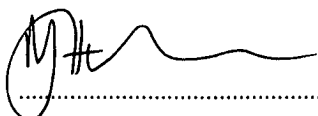
Audit

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



Matthew Hotson

Director

27 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.

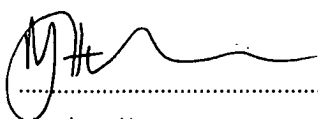
Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 ('Adopted IFRS') and applicable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

27 April 2021

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

	Notes	2020 £000	2019 £000
Dividend income		11,264	-
Finance income	5	598	672
Finance costs	6	(755)	(1,001)
Profit/(Loss) before tax		11,107	(329)
Taxation charge on ordinary activities	9	-	-
Profit/(Loss) for the year attributable to equity shareholders		11,107	(329)

The above results are derived from continuing operations in both the current and preceding years.

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

The notes on pages 10 to 19 form part of these financial statements.

Statement of financial position as at 31 December 2020

	Notes	2020 £000	2019 £000
Assets			
Cash and cash equivalents		4	5
Amounts due from Group undertakings	11	5,264	11,869
Investment in subsidiary undertakings	12	11,820	11,820
Total assets		17,088	23,694
Liabilities			
Amounts due to Group undertakings	11	-	17,713
Total liabilities		-	17,713
Equity			
Share capital	10	-	-
Share premium	10	1,954	1,954
Additional paid in capital		5,144	5,144
Retained earnings		9,985	(1,122)
Translation reserve		5	5
Total equity attributable to shareholders		17,088	5,981
Total equity and liabilities		17,088	23,694

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 10 to 19 form part of these financial statements.

Approved by the board of directors on 27 April 2021, signed and authorised for issue on its behalf by



Matthew Hotson

Director

Registered in England and Wales No: 05606576

Statement of changes in equity for year ended 31 December 2020

	Share capital	Share premium	Additional paid-in capital	Retained earnings	Translation reserve	Total
	£000	£000	£000	£000	£000	£000
Balance at 1 January 2019	-	1,954	5,144	(793)	5	6,310
Loss for the year	-	-	-	(329)	-	(329)
Balance at 31 December 2019	-	1,954	5,144	(1,122)	5	5,981
Profit for the year	-	-	-	11,107	-	11,107
Balance at 31 December 2020	-	1,954	5,144	9,985	5	17,088

The notes on pages 10 to 19 form part of these financial statements.

Statement of cash flows for year ended 31 December 2020

	2020 £000	2019 £000
Cash flows from operating activities		
Profit/(Loss) before tax	11,107	(329)
Adjusted for:		
Intercompany interest receivable	(598)	(672)
Intercompany interest payable	755	1,001
Decrease in amounts due to Group undertakings	(11,265)	4
Dividends receivable	(11,264)	-
Net cash (used in) / generated by operating activities	(11,265)	4
Cash flows from investing activities		
Dividends received from subsidiaries	11,264	-
Net cash generated by investing activities	11,264	4
Net (decrease) / increase in cash and cash equivalents	(1)	4
Cash and cash equivalents at beginning of year	5	1
Cash and cash equivalents at end of year	4	5

The notes on pages 10 to 19 form part of these financial statements.

Notes to the financial statements

1.1 General information

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

The Company's subsidiaries, both direct and indirect, at 31 December 2020 are listed in note 12.

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.

The Company has taken advantage of the exemption under Section 400 of the Companies Act 2006 from the requirement to prepare consolidated accounts as it is a wholly-owned subsidiary of Arrow Global Group PLC (see note 15), which prepares group accounts. The Report and Accounts containing these consolidated financial statements can be found at www.arrowglobalir.net.

The financial statements of the Company have been prepared under the historical cost convention.

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.

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 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.

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 following 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*)

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.

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 financial assets and liabilities 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.

All of the Company's financial assets, including amounts due from group undertakings, cash and cash equivalents and trade and other receivables have been assessed as being in a 'hold to collect' business model. Therefore, the only reason why a financial asset would be classified as FVTPL would be due to the failure of the SPPI test.

iii. Impairment

The Company holds material amounts due from group undertakings within its statement of financial position. These have been assessed under IFRS 9 expected credit loss (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.

The Company has applied the low credit risk exemption to cash and cash equivalents and the simplified approach to trade and other receivables.

Notes to the financial statements (continued)

3. Significant accounting policies (continued)

iv. Derecognition of financial assets and liabilities

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.

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

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.

Operating expenses

Operating expenses relate to professional fees. All operating costs are accounted for on an accruals basis.

Interest payable and receivable

Interest is charged on intercompany transactions using an interest rate determined by the Group.

Cash and cash equivalents

Cash and cash equivalents comprise demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

4. Critical accounting judgements and estimates

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.

Assumptions and estimation uncertainties

i. Carrying value of amounts due from group undertakings

These amounts relate to intercompany loans and trading balance that are repayable on demand and are therefore held as current assets or liabilities. As a loan repayable on demand, expected credit losses were estimated on the assumption that repayment of the loan is demanded at the reporting date. It was assessed that loan was not in default as (i) the repayment had not been demanded, and (ii) the group counterparty was considered to be performing.

The maximum period over which expected impairment losses were measured was the period needed to transfer the cash once demanded. As at 31 December 2020, the outstanding balance of the receivable could be repaid within a short number of months, with the majority of the payment being received immediately. Therefore, the expected credit loss was limited to the effect of discounting the amount due on the balance over this period. As the expected repayment schedule is short, discounting at the receivable's effective interest rate did not result in a material expected credit loss.

ii. Carrying value of investment in subsidiary undertakings

The carrying value of investment in subsidiary undertakings, along with details of the Company's subsidiaries, both direct and indirect, is shown in note 12. At each reporting date, the Company reviews the carrying amount of its investment in subsidiary undertakings to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

As at 31 December 2020, it was considered that there was no indication of impairment of the investment in subsidiary undertakings, on the basis of the net assets held by the Company's direct and indirect subsidiaries. Therefore, no value in use calculation was carried out to estimate the recoverable amount of the asset.

Notes to the financial statements (continued)

5. Finance income

	2020	2019
	£000	£000
Interest on intercompany balances	598	672

6. Finance costs

	2020	2019
	£000	£000
Interest on intercompany balances	755	1,001

7. Auditor remuneration

The analysis of auditor remuneration is as follows:

	2020	2019
	£000	£000
Fees payable for audit services in respect of the Company	-	5

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. Fees payable to KPMG LLP for the audit of the Company's annual accounts were borne by a fellow subsidiary, Arrow Global Limited.

8. Staff numbers and cost

The Company has no employees. Directors' remuneration is borne by another Group company, Arrow Global Limited. It is not formally recharged as it is not practicable to allocate directors' remuneration between Group companies; however, based on an estimate of the directors' time spent on the company's business in the period, remuneration would be £2,000 (2019: £3,000).

9. Tax

The effective tax rate for the year ended 31 December 2020 can be reconciled to the standard rate of corporation tax in the UK at 19% (2019: 19%), as follows:

	2020	2019
	£000	£000
Profit/(Loss) before tax	11,107	(329)
Tax charge / (credit) at standard UK corporation tax rate of 19% (2019: 19%)	2,110	(63)
Non-taxable income	(2,140)	-
Group relief	30	63
Tax charge on the loss for the year	-	-
Effective tax rate	0.0%	0.0%

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%.

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%.

Notes to the financial statements (continued)

10. Share capital

	2020	2019
	£	£
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 for cash consideration of £1,954,000 and accordingly £1,954,000 of share premium was recognised (2019: £1,954,000).

11. Related party transactions

	Amounts due from group undertakings		Amounts due to group undertakings	
	2020	2019	2020	2019
	£000	£000	£000	£000
Arrow Global Guernsey Holdings Limited	-	-	-	1
Arrow Global Investments Holdings Limited	3,712	11,869	-	8,369
Arrow Global Limited	1,552	-	-	9,342
Arrow Global Portugal Limited	-	-	-	1
Total	5,264	11,869	-	17,713

All related party balances relate to amounts owed to or from Group companies and are repayable on demand. The balances with Arrow Global Investments Holdings Limited and Arrow Global Limited are interest bearing.

The Company had the following reportable transactions with related parties:

	Interest receivable / (payable)	
	2020	2019
	£000	£000
Arrow Global Investment Holdings Limited	211	198
Arrow Global Limited	(368)	(527)
Total	(157)	(329)

Notes to the financial statements (continued)

12. Investments in subsidiary undertakings

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	Immediate parent Company
Agenda Management Services Limited	England & Wales	4 th Floor, Fairfax House, Merriam Street, Leeds, LS2 8BX	100	Trading	DFS
Arrow Global Limited (AGL)	England & Wales	Belvedere, 12 Booth Street, Manchester, M2 4AW	100	Trading	AG(H)L
Arrow Global Receivables Management Limited	England & Wales	Belvedere, 12 Booth Street, Manchester, M2 4AW	100	Trading	AG(H)L
Arrow Global Management Limited	England & Wales	Belvedere, 12 Booth Street, Manchester, M2 4AW	100	Dormant	AG(H)L
Arrow Global Luna Limited	England & Wales	Belvedere, 12 Booth Street, Manchester, M2 4AW	100	Trading	AG(H)L
Arrow Global Massey Limited	England & Wales	Belvedere, 12 Booth Street, Manchester, M2 4AW	100	Dormant	AG(H)L
Erudio Customer Management Limited	England & Wales	Belvedere, 12 Booth Street, Manchester, M2 4AW	100	Dormant	AG(H)L
Arrow Global Legh Limited	England & Wales	Belvedere, 12 Booth Street, Manchester, M2 4AW	100	Dormant	AG(H)L
Arrow Global Guernsey Limited	England & Wales	Belvedere, 12 Booth Street, Manchester, M2 4AW	100	Dormant	AG(H)L
Arrow Global Accounts Management Limited	England & Wales	Belvedere, 12 Booth Street, Manchester, M2 4AW	100	Trading	AGL
Drydens Limited (DFS)	England & Wales	4 th Floor, Fairfax House, Merriam Street, Leeds, LS2 8BX	100	Trading	AGL
Western Acquisition Holdings Limited	England & Wales	Belvedere, 12 Booth Street, Manchester, M2 4AW	50	Trading	AGL
Strzala Sp. z o.o.	Poland	Belvedere, 12 Booth Street, Manchester, M2 4AW	100	Trading	AG(H)L
Investment			2020		2019
			£000		£000
Arrow Global Limited (AGL)			990		990
Strzala Sp. z o.o.			1,919		1,919
Arrow Global Receivables Management Limited			8,911		8,911
			11,820		11,820

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

Notes to the financial statements (continued)

13. Financial instruments

The key risks and uncertainties faced by the Company are credit risk, liquidity risk and interest rate risk, that arise through the Company's normal course of business. These risks are managed within the Group's established risk management framework, as described in the Group's financial statements.

Credit risk

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

	2020	2019
	£000	£000
Amounts due from Group undertakings	5,264	11,869
Cash and cash equivalents	4	5
	<u>5,268</u>	<u>11,874</u>

Liquidity risk

The table below sets out the cash flows payable by the Company in respect of financial liabilities, by contractual repayments of the principal amount and any interest at the statement of financial position date.

	2020	2019
	£000	£000
Amounts owed, due within one year:		
Amounts due to Group undertakings	-	9,344
Amounts owed, due in more than one year:		
Amounts due to Group undertakings	-	8,369
	<u>-</u>	<u>17,713</u>

Interest rate risk

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 paid by the Company, the interest payable would increase by £63,000 (2019: £83,000).

Fair Values

The directors consider that there are no material differences between the financial asset values in the statement of financial position and their fair value.

14. Commitments

Arrow Global (Holdings) 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.

15. Parent undertaking

The immediate parent company is Arrow Global Investments 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 are consolidated is that headed by Arrow Global Group PLC. The consolidated financial statements of this group are publicly available its website www.arrowglobalir.net.

Notes to the financial statements *(continued)*

16. 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.