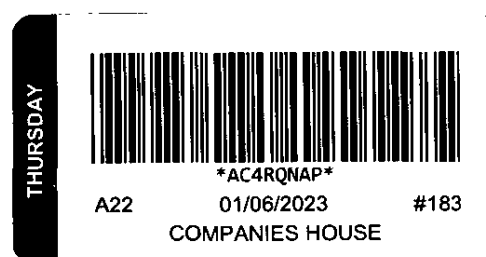


Mars Capital Management Limited

Annual report and financial
statements for the year ended
31 December 2022

UK Registered No. 06483032



Mars Capital Management Limited
Annual report and financial statements



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Mars Capital Management Limited
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Company information

Registered in England and Wales No: 06483032

Directors

P W Shepherd
J Appleby

Registered Office

Belvedere
12 Booth Street
Manchester
M2 4AW

Mars Capital Management Limited
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ARROW

Strategic report

Principal activities

Mars Capital Management Limited's (the "Company") principal activity is the acquisition and management of mortgages and servicing of debt in relation to third party contracts and fellow Arrow Group subsidiaries.

On 11 October 2021, the entire issued and to be issued share capital of Arrow Global Group plc (now Arrow Global Group Limited) was acquired by Sherwood Acquisitions Limited, a newly formed company owned by investment funds managed by TDR Capital. On 12 October 2021, the Financial Conduct Authority cancelled the listing of Arrow shares on the London Stock Exchange.

TDR Nominees 2016 Limited owns Arrow Global Group Limited and its subsidiaries (together "the Group" or "Arrow") a leading European integrated asset manager in the non-performing and non-core assets sector. The Company is a subsidiary of Arrow Global Group Limited.

Following a strategic review, in Q3 2022, Arrow agreed to divest the UK platforms, Capquest and Mars UK, to Intrum UK, subject to customary closing conditions including regulatory approval, with an expected 800 roles transferring to Intrum UK on completion. This divestment includes the Company.

Strategic review

As shown in the Company's statement of profit or loss and other comprehensive income on page 7, the Company's revenue has decreased by 19% to £1,996,000 in the year ended 31 December 2022 (31 December 2021: £2,478,000). Operating cash outflows were £1,000 (2021: net outflows of £469,000). The Company maintained positive cash balances and reduced net liabilities at the year end. The profit after tax for the year of £695,000 (2021: £740,000) has been transferred to equity. Revenue relates largely to the fees received on servicing mortgage loans owned by third party clients.

Risks and uncertainties

The Company 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.

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.

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.

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Strategic report (*continued*)

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

Financial risk

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

Note 17 of these financial statements describes the Company's financial risk exposures.

Key mitigating actions

The Group is highly focused on the cash performance and this has been excellent during the year. The Group has delivered strong free cash flow of £213.7 million, with expectation that this will further improve with the reduced co-investment in the fund, down from 25% to 10%. Despite the current macro-economic backdrop the Group's collections continue to prove resilient with solid performance against ERC assumptions, representing 109% of ERC during the 2022 and 114% for Q4 2022. The strong cash generation has resulted in a decrease in the Group's leverage over the year by 0.7 times to 4.1 times as at 31 December 2022.

Outlook

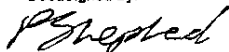
The acquisition of the Capquest and Mars UK platforms by Intrum UK is expected to complete in the second quarter of 2023, subject to regulatory approvals. The combined group presents a strong proposition to prospective clients and our existing partners, and the cultures of the two businesses are highly compatible. Our customer-centric approach, combined with Intrum's scale, track record and sector expertise, means that the acquisition ideally places the Capquest and Mars UK platforms for future growth.

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 Sherwood Topco Limited ("STL"), the Company's 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 Mars Capital Management Limited has considered the matters set out in s172 (for the wider Arrow Global Group and for the entity) is set out on page 13 of STL's 2022 annual report and accounts, which does not form part of this report.

Approved by the board of directors on 30 May 2023 and signed and authorised for issue on its behalf by:

DocuSigned by:



Philip Shepherd

Director

Mars Capital Management Limited
Annual report and financial statements

ARROW

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 2022.

Going concern and outlook

The Company made a profit after tax of £695,000 (2021: £740,000) from continuing activities and generated net cash outflows of £1,000 (2021: net outflows of £469,000). At 31 December 2022, the Company had positive cash balances of £263,000 (2021: £125,000) and net assets of £155,000 (2021: net liabilities of £540,000). The Company's business activities are set out in the principal activities section and the Company is part of the Arrow Global Group Limited group of companies.

In assessing whether the going concern basis is appropriate to adopt for the Group as at 31 December 2022, the directors have undertaken a 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 2023.

A base case forecast, and several downside scenarios, have been prepared reflecting the Group's current financial position and expected future performance. The severe downside case is based upon the Oxford Economics severe downside IFRS 9 macroeconomic scenario. This scenario is also used for the Group's IFRS 9 modelling, as well as for modelling potential investment outcomes for limited partners. An in-house model is used to translate the OE macroeconomic forecasts into forecast outcomes for Estimated Remaining Collections (ERCs). The ERC impact of the severe downside macroeconomic scenario has been applied to all portfolio collections and income in the model, as well as an across the board decrease in servicing and fund management revenue of the same magnitude. This is then analysed against historical outcomes and associated levels of liquidity and leverage to assess plausibility. Key items considered within each forecast were the future outlook for HPI and default rates, 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 2026. Adherence to the Group's single financial covenant, its leverage covenant, was also considered in all scenarios.

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

Finally, a reverse stress test has also been prepared to identify the magnitude of a downside stress that needs to occur to cause the group to breach its liquidity headroom and/or leverage covenant. 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 (2021: £nil) and the directors do not propose a final dividend (2021: £nil).

Directors

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

P W Shepherd

J Appleby

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 (2021: 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.

Mars Capital Management Limited
Annual report and financial statements

Directors' report (*continued*)

Audit

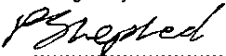
For the year ending 31 December 2022 the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

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

DocuSigned by:



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Philip Shepherd

Director

30 May 2023

Mars Capital Management Limited
Annual report and financial statements

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 UK-adopted international accounting standards 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 UK-adopted international accounting standards;
- 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

DocuSigned by:



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Philip Shepherd

Director

30 May 2023

ARROW

Mars Capital Management Limited
Annual report and financial statements

Statement of profit or loss and other comprehensive income for year ended 31 December 2022

		2022	2021
	Note	£000	£000
Income from asset management and servicing		1,996	2,478
Total revenue		1,996	2,478
Operating expenses:			
Collection activity costs		(869)	(1,110)
Professional fees and services		(4)	(18)
Other operating expenses		(418)	(577)
Total operating expenses		(1,291)	(1,705)
Operating profit		705	773
Finance costs	6	(3)	(51)
Profit before tax		702	722
Taxation on ordinary activities	9	(7)	18
Profit for the year attributable to equity shareholders		695	740

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 11 to 22 form part of these financial statements.

Mars Capital Management Limited
Annual report and financial statements

ARROW

Statement of financial position at 31 December 2022

		2022	2021
Assets	Note	£000	£000
Cash and cash equivalents		263	125
Trade and other receivables	12	34	31
Amounts due from Group undertakings	15	-	90
Intangible assets	10	155	371
Deferred tax asset	9	12	19
Total assets		464	636
Liabilities			
Trade and other payables	13	211	135
Amounts due to Group undertakings	15	98	1,041
Total liabilities		309	1,176
Equity			
Share capital	14	-	-
Other reserves		185	185
Retained earnings		(30)	(725)
Total equity attributable to equity shareholders		155	(540)
Total equity and liabilities		464	636

For the year ending 31 December 2022 the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

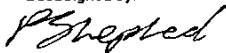
The members have not required the Company to obtain an audit of its accounts for the year in question in accordance with section 476.

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 11 to 22 form part of these financial statements.

Approved by the board of directors on 30 May 2023, signed and authorised for issue on its behalf by

DocuSigned by:



Philip Shepherd

Director

Registered in England and Wales No: 06483032

Mars Capital Management Limited
Annual report and financial statements

Statement of changes in equity for year ended 31 December 2022

	Ordinary shares £000	Other reserves £000	Retained earnings £000	Total £000
Balance at 1 January 2021	-	185	(1,465)	(1,280)
Profit for the year	-	-	740	740
Balance at 31 December 2021	-	185	(725)	(540)
Profit for the year	-	-	695	695
Balance at 31 December 2022	-	185	(30)	155

Other reserves have arisen as a result of group reorganisation, including reclassification and cancellation of shares previously in issue

The notes on pages 11 to 22 form part of these financial statements.

Mars Capital Management Limited
Annual report and financial statements

ARROW

Statement of cash flow for year ended 31 December 2022

	2022 £000	2021 £000
Cash flows from operating activities		
Profit before tax	702	722
Adjusted for:		
Depreciation and amortisation	77	206
Loss on disposal of fixed assets	-	14
Loss on disposal of intangible assets	-	14
Interest payable	3	51
Foreign exchange losses / (gains)	(8)	55
Operating cash flows before movement in working capital	774	1,062
(Increase)/decrease in trade and other receivables	(2)	224
Decrease in amounts due from Group undertakings	90	1
Decrease in amounts due to Group undertakings	(939)	(1,649)
Increase/(decrease) in trade and other payables	76	(107)
Cash used in operations	(1)	(469)
Income taxes and overseas taxation paid	-	-
Net cash generated used in operating activities	(1)	(469)
Cash flows from investing activities		
Proceeds on disposal of fixed assets	139	-
Net cash flow from investing activities	139	-
Cash flows from financing activities		
Interest paid	-	(2)
Net cash flow used in financing activities	-	(2)
Net (decrease) / increase in cash and cash equivalents	138	(471)
Cash and cash equivalents at beginning of year	125	596
Cash and cash equivalents at end of year	263	125

The notes on pages 11 to 22 form part of these financial statements.

Mars Capital Management Limited
Annual report and financial statements

Notes to the Financial Statements

1.1 General Information

Mars Capital Management 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 principal activity is the acquisition and management of mortgages and servicing of debt in relation to third party contracts and fellow Arrow Group subsidiaries.

1.2. Basis of preparation and going concern

The Company's financial statements for the year ended 31 December 2022 have been prepared in accordance with UK-adopted international accounting standards. The accounting policies have been applied consistently in the current and prior periods.

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

Going concern statement

In assessing whether the going concern basis is appropriate to adopt for the Group as at 31 December 2022, the directors have undertaken a 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 2023.

A base case forecast, and several downside scenarios, have been prepared reflecting the Group's current financial position and expected future performance. The severe downside case is based upon the Oxford Economics severe downside IFRS 9 macroeconomic scenario. This scenario is also used for the Group's IFRS 9 modelling, as well as for modelling potential investment outcomes for limited partners. An in-house model is used to translate the OE macroeconomic forecasts into forecast outcomes for Estimated Remaining Collections (ERCs). The ERC impact of the severe downside macroeconomic scenario has been applied to all portfolio collections and income in the model, as well as an across the board decrease in servicing and fund management revenue of the same magnitude. This is then analysed against historical outcomes and associated levels of liquidity and leverage to assess plausibility. Key items considered within each forecast were the future outlook for HPI and default rates, 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 2026. Adherence to the Group's single financial covenant, its leverage covenant, was also considered in all scenarios.

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

Finally, a reverse stress test has also been prepared to identify the magnitude of a downside stress that needs to occur to cause the group to breach its liquidity headroom and/or leverage covenant. 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.

Mars Capital Management Limited
Annual report and financial statements

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 2022:

- 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);

The above standards are not expected to have a significant impact on the Company's financial statements.

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 2023 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:

- Classification of liabilities as current or non-current (Amendments to IAS 1);
- IFRS 17 Insurance contracts;
- Accounting policies, changes in accounting estimates and errors: definition (Amendments to IAS 8); and
- Amendments to IAS 1 presentation of financial statements and IFRS practice statement 2 making material judgements;
- Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12 Income Taxes.

3. Significant Accounting Policies

Foreign currency translation

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.

Mars Capital Management Limited
Annual report and financial statements

Notes to the Financial Statements *(continued)*

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.

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.

Mars Capital Management Limited
Annual report and financial statements

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, for an item 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.

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.

Mars Capital Management Limited
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Notes to the Financial Statements *(continued)*

3. Significant Accounting Policies *(continued)*

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.

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.

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.

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. Retirement benefit costs

Payments to defined contribution retirement schemes are charged as the employees provide services to the Company. The Company has, for the year covered by these financial statements, made 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.

Operating expenses

Operating expenses relate to administration and costs associated with collection activities. 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.

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Notes to the Financial Statements *(continued)*

4. Critical accounting judgements and estimates

In the application of the Company's accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised.

The directors believe that there are no critical accounting judgements and no sources of estimation uncertainty.

5. Profit for the year

Profit for the year has been arrived at after charging / (crediting):

	2022	2021
	£000	£000
Net foreign exchange losses / (gains)	(8)	55
Depreciation of property, plant and equipment	-	6
Amortisation of intangible assets	77	200
Staff costs (see note 8)	799	462

6. Finance costs

	2022	2021
	£000	£000
Interest on intercompany loans	3	49
Other finance costs	-	2
	<u>3</u>	<u>51</u>

7. Auditor remuneration

The analysis of auditor remuneration is as follows:

	2022	2021
	£000	£000
Fees payable for audit services in respect of the Company	-	-

There is no audit fee for 2022 or 2021 as the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

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Notes to the Financial Statements *(continued)*

8. Staff costs and other operating expenses

The main item in other expenses is staff costs as documented below:

	2022	2021
	£000	£000
Wages, bonuses and share options	712	396
Pension contributions	22	20
Social security costs	65	46
Total staff costs	799	462

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

	2022	2021
	Number	number
Operating and asset servicing	-	1
	-	1

As of January 2022, no staff were employed by the company, with employees transferred to Arrow Global Limited. The costs disclosed comprise of recharges from Capquest Debt Recovery Limited for services rendered on behalf of the Company.

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.

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Notes to the Financial Statements (continued)

9. Tax

The effective tax rate for the year ended 31 December 2022 is lower (2021: lower) than the standard rate of corporation tax in the UK at 19% (2021: 19%), and can be reconciled as follows:

	2022	2021
	£000	£000
Profit before tax	702	722
Tax charge at standard UK corporation tax rate of 19% (2021: 19%)	133	137
Movement in deferred tax not recognised	(2)	(1)
Group relief claimed	(124)	(154)
Current tax charge/(credit) on the profit for the year	7	(18)
Effective tax rate	1%	(2.5%)

	2022	2021
	£000	£000
<i>Current tax charge:</i>		
Current tax based on profit for the year	-	-
Total current tax charge	-	-
<i>Deferred tax charge:</i>		
Current year	7	(18)
Total deferred tax charge/(credit)	(18)	(18)
Total tax charge/(credit)	(18)	(18)

	2022
	£000
<i>Movement in provision:</i>	
Provision as at 1 January 2023	(19)
Deferred tax charged in the year	7
Provision as at 31 December 2023	(12)

The rate of UK corporation tax, as enacted under Finance Act 2022, will increase to 25% from 1 April 2023. 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.

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Notes to the Financial Statements *(continued)*

10. Intangible assets

	Software licences £000	Total £000
<u>Cost</u>		
At 1 January 2021	1,015	1,015
Additions	-	-
Reclassification	(32)	(32)
At 31 December 2022	983	983
Additions	-	-
Disposals	(596)	(596)
At 31 December 2022	387	387
<u>Accumulated amortisation</u>		
At 1 January 2021	430	430
Charge for the year	200	200
Disposals	(18)	(18)
At 31 December 2021	612	612
Charge for the year	77	77
Disposals	(457)	(457)
At 31 December 2022	232	232
Carrying amount		
At 31 December 2022	155	155
At 31 December 2021	371	371

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Notes to the Financial Statements *(continued)*

11. Property, plant and equipment

	Leasehold improvements £000	Computer equipment £000	Furniture £000	Right-of- use-asset £000	Total £000
Cost					
At 1 January 2021	52	132	91	-	275
Additions	-	-	-	-	-
Disposals	(52)	(28)	-	-	(80)
At 31 December 2021	-	104	91	-	195
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
At 31 December 2022	-	104	91	-	195
Accumulated depreciation					
At 1 January 2021	33	131	91	-	255
Charge for the year	5	1	-	-	6
Eliminated on disposals	(38)	(28)	-	-	(66)
At 31 December 2021	-	104	91	-	195
Charge for the year	-	-	-	-	-
Eliminated on disposals	-	-	-	-	-
At 31 December 2022	-	104	91	-	195
Carrying amount					
At 31 December 2022	-	-	-	-	-
At 31 December 2021	-	-	-	-	-

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Notes to the Financial Statements *(continued)*

12. Other receivables

	2022 £000	2021 £000
Trade receivables	-	16
Prepayments	34	15
	34	31

13. Trade and other payables

	2022 £000	2021 £000
Trade payables	9	-
Other liabilities and accruals	202	135
	211	135

14. Share capital

	2022	2021
Issued and fully paid:		
100 ordinary shares of £1 each	100	100

The Company has one class of ordinary shares which carry no right to fixed income

15. Related party transactions

	Amounts due from group undertakings		Amounts due to group undertakings	
	2022 £000	2021 £000	2022 £000	2021 £000
Mars Capital Management Ireland DAC	-	90	-	-
Mars Capital Finance Limited	-	-	43	89
Mars Acquisition Limited	-	-	-	235
Arrow Global Limited	-	-	-	71
Capquest Debt Recovery Limited	-	-	55	646
Total	-	90	98	1,041

The Company had the following reportable transactions with related parties:

	Management fees and recharges		Interest payable	
	2022 £000	2021 £000	2022 £000	2021 £000
Mars Capital Finance Limited	1,996	2,478	-	-
Capquest Debt Recovery Limited	799	646	-	-
Mars Acquisition Limited	-	-	3	49
Total	2,795	3,124	3	49

There were no material related transactions with directors or key management personnel during the year.

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Notes to the Financial Statements *(continued)*

16. 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.

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

	2022	2021
	£000	£000
Cash and cash equivalents	263	125
Other receivables	34	31
Amounts due from group undertakings	-	90
	297	246

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 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:

	2022	2021
	£000	£000
Amounts owed, due within one year:		
Trade and other payables	211	135
Amounts due to Group undertakings	98	1,041
	309	1,176

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 paid by the Company, the interest payable would increase by £300 (2021: £4,000).

Fair values

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

17. Parent Undertaking

The immediate parent Company is Capquest Group Limited. The ultimate parent company is TDR Nominees 2016 Limited, which is incorporated in England and Wales.

The largest group in which the results of the Company is consolidated is that headed by Sherwood Topco Limited.