# Arrow Global Investments Holdings Limited

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

UK Registered No. 06568603

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## Company information
**Registered in England and Wales No: 06568603**

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**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

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# Strategic report

**Principal activities**

The Company's principal activity is that of a holding company to the subsidiary companies listed in note 15.

The principal activity of the Company's subsidiaries is to 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**

During the year the Company increased the value of its investment in Arrow Global Italia S.R.L. to £32,016,000 at 31 December 2020 (2019: £6,879,000).

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 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 Arrow Global Investments Holdings Limited (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 £3,549,000 (2019: profit of £2,305,000). At 31 December 2020, the Company had net assets of £9,512,000 (2019: £13,061,000). The Company has no external debt. 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.

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# 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

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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

| | Notes | 2020 £000 | 2019 £000 |
|---|---|---|---|
| Fair value (loss)/gain on portfolio investments at FVTPL | 11 | (3,027) | 734 |
| **Total income from portfolio investments** | | **(3,027)** | **734** |
| Profit on sale of subsidiary | | - | 172 |
| Other operating income/(expenses) | | 2,160 | (3,014) |
| **Operating loss** | | **(867)** | **(2,108)** |
| Dividend income | | - | 2,570 |
| Finance income | 6 | 34,371 | 33,025 |
| Finance costs | 7 | (38,504) | (30,844) |
| **(Loss) / profit before tax** | | **(5,000)** | **2,643** |
| Taxation credit / (charge) on ordinary activities | 10 | 1,451 | (338) |
| **(Loss) / profit for the year attributable to equity shareholders** | | **(3,549)** | **2,305** |

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 30 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 | | 510 | 21 |
| Other receivables | | 107 | 61 |
| Amounts due from Group undertakings | 14 | 741,005 | 838,266 |
| Portfolio investments | 11 | 8,196 | 10,614 |
| Investment in subsidiary undertakings | 15 | 131,587 | 106,450 |
| Deferred tax asset | | 950 | - |
| **Total assets** | | **882,355** | **955,412** |
| **Liabilities** | | | |
| Trade and other payables | 13 | 12,110 | 14,860 |
| Amounts due to Group undertakings | 14 | 860,733 | 925,913 |
| Current tax liability | | - | 1,578 |
| **Total liabilities** | | **872,843** | **942,351** |
| **Equity** | | | |
| Share capital | 12 | 5,784 | 5,784 |
| Retained earnings | | 3,728 | 7,277 |
| **Total equity attributable to shareholders** | | **9,512** | **13,061** |
| **Total equity and liabilities** | | **882,355** | **955,412** |

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 30 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

**Matthew Hotson**

Director

Registered in England and Wales No: 06568603

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# Statement of changes in equity for year ended 31 December 2020

| | Share capital | Retained earnings | Total |
|---|---|---|---|
| | £000 | £000 | £000 |
| **Balance at 1 January 2019** | **5,784** | **4,972** | **10,756** |
| Profit for the year | - | 2,305 | 2,305 |
| **Balance at 31 December 2019** | **5,784** | **7,277** | **13,061** |
| Loss for the year | - | (3,549) | (3,549) |
| **Balance at 31 December 2020** | **5,784** | **3,728** | **9,512** |

The notes on pages 10 to 30 form part of these financial statements.

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## Statement of cash flows for year ended 31 December 2020

| | 2020 £000 | 2019 £000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| (Loss) / profit before tax | (5,000) | 2,643 |
| ***Adjusted for:*** | | |
| Fair value loss / (gain) on portfolio investments | 3,027 | (734) |
| Net interest payable/(receivable) | 4,133 | (2,181) |
| Dividend income | - | (2,570) |
| Foreign exchange (gains) / losses | (530) | 376 |
| Increase in trade and other receivables | (46) | (61) |
| (Decrease) / increase in trade and other payables | (3,440) | 3,272 |
| Taxation paid | (1,077) | - |
| Decrease / (increase) in amounts due from Group undertakings | 80,825 | (69,532) |
| (Decrease) / increase in amounts due to Group undertakings | (52,035) | 67,219 |
| ***Net cash generated by / (used in) operating activities*** | **25,857** | **(1,568)** |
| **Cash flows from investing activities** | | |
| Acquisition of subsidiary | (25,137) | (6,852) |
| Disposal of subsidiary | - | 5,865 |
| Dividends received from subsidiary | - | 2,570 |
| ***Net cash (used in) / generated by investing activities*** | **(25,137)** | **1,583** |
| **Net increase in cash and cash equivalents** | 720 | 15 |
| **Cash and cash equivalents at beginning of year** | 21 | 6 |
| **Effect of exchange rates on cash and cash equivalents** | (231) | - |
| **Cash and cash equivalents at end of year** | **510** | **21** |

The notes on pages 10 to 30 form part of these financial statements.

# Notes to the financial statements

## 1.1 General information

Arrow Global Investments 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 15.

## 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 19), 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. Adoption of new and revised 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 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.

### 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 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

# Notes to the Financial Statements *(continued)*

## 3. Significant accounting policies *(continued)*

- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity.

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.

# Notes to the Financial Statements *(continued)*

## 3. Significant accounting policies *(continued)*

**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.

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.

# Notes to the Financial Statements *(continued)*

## 3. Significant accounting policies *(continued)*

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.

*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.

# Notes to the Financial Statements *(continued)*

## 3. Significant accounting policies *(continued)*

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'.

**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

# Notes to the Financial Statements *(continued)*

## 3. Significant accounting policies *(continued)*

- 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.

**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 Group in the management of its short-term commitments.

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

**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.

**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.

## 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 portfolio investments*

The carrying value of portfolio investments is £8,196,000 at 31 December 2020 (2019: £10,614,000). These portfolio investments are measured at FVTPL. 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.

# Notes to the Financial Statements *(continued)*

## 4. Critical accounting judgements and estimates *(continued)*

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.

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 +/- £82,000 (2019: +/- £106,000). 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.

## 5. Profit for the year

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

| | 2020 | 2019 |
|---|---|---|
| | £000 | £000 |
| Net foreign exchange (gains) / losses | (530) | 376 |

ARROW GLOBAL

# Notes to the Financial Statements *(continued)*

## 6. Finance income

| | 2020 | 2019 |
|---|---|---|
| | £000 | £000 |
| Interest on intercompany balances | 34,371 | 33,025 |

## 7. Finance costs

| | 2020 | 2019 |
|---|---|---|
| | £000 | £000 |
| Interest on intercompany balances | 38,148 | 30,489 |
| Other interest | 356 | 355 |
| | **38,504** | **30,844** |

## 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 | - | 10 |

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.

## 9. 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).

## 10. Tax

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

| | 2020 | 2019 |
|---|---|---|
| | £000 | £000 |
| (Loss) / profit before tax | (5,000) | 2,643 |
| Tax (credit) / charge at standard UK corporation tax rate of 19% (2019: 19%) | (950) | 502 |
| Adjustment in respect of prior years | (501) | (164) |
| **Tax (credit) / charge on the profit for the year** | **(1,451)** | **338** |
| **Effective tax rate** | **29.0%** | **12.8%** |

ARROW GLOBAL

# Notes to the Financial Statements *(continued)*

## 10. Tax *(continued)*

| The tax charge for the year consists of: | **£000** | **£000** |
|---|---|---|
| *Current tax charge:* | | |
| Current tax based on profit for the year | - | 502 |
| Adjustment in respect of previous periods | (501) | (164) |
| **Total current tax (credit) / charge** | **(501)** | **338** |
| *Deferred tax charge:* | | |
| Origination and reversal of temporary differences | (950) | - |
| **Total deferred tax (credit)** | **(950)** | - |
| **Total tax (credit) / charge** | **(1,451)** | **338** |

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.

## 11. Portfolio investments

| | **2020** | **2019** |
|---|---|---|
| | **£000** | **£000** |
| Expected falling due after 1 year | 8,196 | 10,614 |
| Expected falling due within 1 year | - | - |
| | **8,196** | **10,614** |

The movements in portfolio investments were as follows:

| | **2020** | **2019** |
|---|---|---|
| | **£000** | **£000** |
| As at the year brought forward | 10,614 | 10,553 |
| Collections in the year | - | - |
| Fair value (loss)/gain on portfolios at FVTPL | (3,027) | 734 |
| Exchange and other movements | 609 | (673) |
| **As at 31 December** | **8,196** | **10,614** |

## 12. Share capital

| | **2020** | **2019** |
|---|---|---|
| | **£** | **£** |
| 'A' ordinary shares of £1 each | 5,784,001 | 5,784,001 |

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

## 13. Trade and other payables

| | **2020** | **2019** |
|---|---|---|
| | **£000** | **£000** |
| Deferred consideration | 9,645 | 9,291 |
| Other liabilities and accruals | 2,465 | 5,569 |
| | **12,110** | **14,860** |

ARROW GLOBAL

# Notes to the Financial Statements *(continued)*

## 13. Trade and other payables *(continued)*

Included within other liabilities and accruals is an amount for £207,000 (2019: £3,442,000) which relates to the cash flows from a real estate portfolio in Portugal, which was sold in 2018.

## 14. Related party transactions

The Company had the following year end balances with related parties:

| | Amounts due from group undertakings | | Amounts due to group undertakings | |
|---|---|---|---|---|
| | **2020** | **2019** | **2020** | **2019** |
| | **£000** | **£000** | **£000** | **£000** |
| Arrow Global Guernsey Holdings Limited | - | 7,996 | 7,740 | 15,380 |
| Arrow Global (Holdings) Limited | - | 8,368 | 3,713 | 11,870 |
| Arrow Global Limited | 8,327 | 12,264 | 208,183 | 224,288 |
| Arrow Global Finance PLC | 5,652 | 16,610 | 638,655 | 613,279 |
| Arrow Global Europe Limited | 367,275 | 364,558 | - | 55,177 |
| Quest Bidco Limited | 108,218 | 133,508 | - | - |
| Quest Topco Limited | - | - | 15 | 15 |
| Arrow Global Investments Holding Benelux B.V. | 65,882 | 72,640 | - | - |
| Mars Acquisition Limited | 18,238 | 25,666 | - | 4,484 |
| Strzala SP Z.o.o | - | - | 1,420 | 1,420 |
| Arrow Global Holdings Portugal Investments S.A. | 91,246 | 107,198 | - | - |
| Arrow Global Italia S.R.L. | 62,107 | 73,510 | - | - |
| Arrow Global Investments Holdings Italia S.R.L. | 4,259 | 5,423 | - | - |
| Europa Investimenti Spa | 9,801 | 10,525 | - | - |
| Bergen Capital Management Limited | - | - | 517 | - |
| Arrow Global Adviser Limited | - | - | 490 | - |
| **Total** | **741,005** | **838,266** | **860,733** | **925,913** |

The Company had the following reportable transactions with related parties:

| | Interest receivable / (payable) | |
|---|---|---|
| | **2020** | **2019** |
| | **£000** | **£000** |
| Arrow Global Guernsey Holdings Limited | (356) | (1,531) |
| Arrow Global (Holdings) Limited | (211) | (198) |
| Arrow Global Limited | (13,085) | (6,535) |
| Arrow Global Finance PLC | (23,345) | (21,751) |
| Arrow Global Europe Limited | 13,178 | 13,169 |
| Quest Bidco Limited | 7,710 | 7,557 |
| Arrow Global Investments Holding Benelux B.V. | 3,487 | 4,018 |
| Mars Acquisition Limited | 1,029 | 1,448 |
| Arrow Global Holdings Portugal Investments S.A. | 7,044 | 5,306 |
| Arrow Global Investments Holdings Italia S.R.L. | 262 | 358 |
| Europa Investimenti Spa | 527 | 695 |
| Bergen Capital Management Limited | (17) | - |
| **Total** | **(3,777)** | **2,536** |

ARROW GLOBAL

# Notes to the financial statements *(continued)*

## 15. Investments in subsidiary undertakings

Details of the Company's direct and indirect ownership in 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 | 4th Floor, Fairfax House, Merrion Street, Leeds, LS2 8BX | 100 | Trading | DFS |
| AGL Fleetwood Limited | England & Wales | Belvedere, 12 Booth Street, Manchester, M2 4AW | 100 | Trading | AGFLT |
| AGL Fleetwood Topco Limited (AFTL) | England & Wales | Belvedere, 12 Booth Street, Manchester, M2 4AW | 100 | Trading | AGIHL |
| AGL Fleetwood 2 Topco Limited (AF2TL) | England & Wales | Belvedere, 12 Booth Street, Manchester, M2 4AW | 100 | Trading | AGIHL |
| AGL Fleetwood 2 Limited | England & Wales | Belvedere, 12 Booth Street, Manchester, M2 4AW | 100 | Trading | AF2TL |
| AGL Fleetwood 3 Limited (AF3L) | England & Wales | Belvedere, 12 Booth Street, Manchester, M2 4AW | 100 | Trading | AF2TL |
| Arrow Global (Holdings) Limited (AG(H)L) | England & Wales | Belvedere, 12 Booth Street, Manchester, M2 4AW | 100 | Trading | AGIHL |
| Arrow Global Accounts Management Limited | England & Wales | Belvedere, 12 Booth Street, Manchester, M2 4AW | 100 | Trading | AGL |
| Arrow Global Adviser Limited | England & Wales | Belvedere, 12 Booth Street, Manchester, M2 4AW | 100 | Trading | AGIHL |
| Arrow Global Europe Limited | England & Wales | Belvedere, 12 Booth Street, Manchester, M2 4AW | 100 | Trading | AGIHL |
| Arrow Global Finance Plc | England & Wales | Belvedere, 12 Booth Street, Manchester, M2 4AW | 100 | Trading | AGIHL |
| Arrow Global Guernsey 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 Limited (AGL) | England & Wales | Belvedere, 12 Booth Street, Manchester, M2 4AW | 100 | Trading | AG(H)L |
| Arrow Global Luna 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 Massey Limited | England & Wales | Belvedere, 12 Booth Street, Manchester, M2 4AW | 100 | Dormant | AG(H)L |
| Arrow Global Portugal Limited | England & Wales | Belvedere, 12 Booth Street, Manchester, M2 4AW | 100 | Trading | AF3L |
| Arrow Global Portugal Investments Limited | England & Wales | Belvedere, 12 Booth Street, Manchester, M2 4AW | 100 | Trading | AF3L |
| Arrow Global Receivables Management Limited | England & Wales | Belvedere, 12 Booth Street, Manchester, M2 4AW | 100 | Trading | AG(H)L |
| Arrow SMA LP Limited (ASLL) | England & Wales | Belvedere, 12 Booth Street, Manchester, M2 4AW | 100 | Trading | AGIHL |
| Arrow SMA GP Limited (ASGL) | Jersey | 27 Esplanade, St Helier, Jersey, JE1 1SG | 100 | Trading | ASLL |
| Arrow Global SMA I LP | Jersey | 27 Esplanade, St Helier, Jersey, JE1 1SG | 100 | Trading | ASLL/ASGL |
| Bergen Capital Management Limited | England & Wales | Belvedere, 12 Booth Street, Manchester, M2 4AW | 100 | Trading | MAL |
| Capquest Debt Recovery Limited (CDRL) | England & Wales | Belvedere, 12 Booth Street, Manchester, M2 4AW | 100 | Trading | CGL |
| Capquest Group Limited (CGL) | England & Wales | Belvedere, 12 Booth Street, Manchester, M2 4AW | 100 | Trading | QNL |
| Capquest Investments Limited | England & Wales | Belvedere, 12 Booth Street, Manchester, M2 4AW | 100 | Trading | CGL |
| Drydens Limited (DFS) | England & Wales | 4th Floor, Fairfax House, Merrion Street, Leeds, LS2 8BX | 100 | Trading | AGL |
| Erudio Customer Management Limited | England & Wales | Belvedere, 12 Booth Street, Manchester, M2 4AW | 100 | Dormant | AG(H)L |
| Mars Acquisition Limited (MAL) | England & Wales | Belvedere, 12 Booth Street, Manchester, M2 4AW | 100 | Trading | AGIHL |
| Mars Capital Management Limited | England & Wales | Belvedere, 12 Booth Street, Manchester, M2 4AW | 100 | Trading | MAL |
| Mars Capital Finance Limited | England & Wales | Belvedere, 12 Booth Street, Manchester, M2 4AW | 100 | Trading | MAL |
| Quest Bidco Limited (QBL) | England & Wales | Belvedere, 12 Booth Street, Manchester, M2 4AW | 100 | Trading | QTL |
| Quest Newco Limited (QNL) | England & Wales | Belvedere, 12 Booth Street, Manchester, M2 4AW | 100 | Trading | QBL |
| Quest Topco Limited (QTL) | England & Wales | Belvedere, 12 Booth Street, Manchester, M2 4AW | 100 | Trading | AGIHL |
| Western Acquisition Holdings Limited | England & Wales | Belvedere, 12 Booth Street, Manchester, M2 4AW | 50 | Dormant | AGL |

# Notes to the financial statements *(continued)*

## 15. Investments in subsidiary undertakings *(continued)*

| Name | Place of incorporation (or registration) and operation | Registered office | Proportion of ordinary shares ownership (%) | Current status | Immediate parent Company |
|---|---|---|---|---|---|
| Mars Capital Management Ireland DAC | Republic of Ireland | Grand Canal House, 1 Grand Canal Street Upper, Dublin 4 D04Y7R5 | 100 | Trading | MAL |
| Mars Capital Finance Ireland DAC | Republic of Ireland | Grand Canal House, 1 Grand Canal Street Upper, Dublin 4 D04Y7R5 | 100 | Trading | MAL |
| Arrow Global Guernsey Limited | Guernsey | First Floor, Albert House, South Esplanade, St Peter Port, Guernsey | 100 | Dormant | AGIHL |
| Arrow Global Investments Holdings Italia S.R.L. (AGIHIS) | Italy | Via V. Betteloni 2, 20131 Milan | 100 | Trading | AGIHL |
| Zenith Service S.p.A. (ZSS) | Italy | Via V. Betteloni 2, 20131 Milan | 100 | Trading | AGIHIS |
| Zen Finance Management S.R.L. | Italy | Via V. Betteloni 2, 20131 Milan | 50 | Trading | ZSS |
| Arrow Global Italia S.R.L. (AGIS) | Italy | Via V. Betteloni 2, 20131 Milan | 100 | Trading | AGIHL |
| VAR Reoco S.r.l. | Italy | Via V. Betteloni 2, 20131 Milan | 100 | Trading | AGIS |
| Europa Investimenti Spa (EIS) | Italy | Via Lanzone 31, 20123 Milan | 71.80 | Trading | AGIS |
| Europa Investimenti Trading Srl (EITS) | Italy | Via Lanzone 31, 20123 Milan | 100 | Trading | EIS |
| Fieramosca Dieci Srl | Italy | Via Lanzone 31, 20123 Milan | 100 | Trading | EIS |
| Sagitta SGR Spa | Italy | Via Lanzone 31, 20123 Milan | 97.26 | Trading | EIS |
| Europa Investimenti Aziende Srl (EIAS) | Italy | Via Lanzone 31, 20123 Milan | 100 | Trading | EIS |
| Europa Investimenti Gestione Attivi Srl | Italy | Via Lanzone 31, 20123 Milan | 100 | Trading | EIS |
| Lanzone Due Srl | Italy | Via Lanzone 31, 20123 Milan | 100 | Trading | EIS |
| Lanzone Cinque Srl | Italy | Via Lanzone 31, 20123 Milan | 100 | Trading | EIS |
| Europa Investimenti Corporate Finance Srl | Italy | Via Lanzone 31, 20123 Milan | 100 | Trading | EIS |
| Lanzone Diciannove S.R.L (LDS) | Italy | Via Lanzone 31, 20123 Milan | 100 | Trading | EIS |
| Lanzone Dodici S.R.L | Italy | Via Lanzone 31, 20123 Milan | 100 | Trading | EIS |
| Lanzone Ventidue S.R.L. | Italy | Via Lanzone 31, 20123 Milan | 100 | Trading | EIS |
| Lanzone Quindici S.R.L. | Italy | Via Lanzone 31, 20123 Milan | 100 | Trading | EIS |
| Lanzone Ventuno S.R.L. | Italy | Via Niccolo Tommaseo 68, 35131 - Padova | 70 | Trading | LDS |
| LeaseCo First Srl | Italy | Via V. Betteloni 2, 20131 Milan | 100 | Trading | ZSS |
| Whitestar S.R.L (WS) | Italy | Via Pieve Torina, 44-46/a, 00156 Rome | 100 | Trading | AGIS |
| New Call S.R.L. | Italy | Via Pieve Torina, 44-46/a, 00156 Rome | 100 | Trading | WS |
| LI Giardini di Sacro Monte Eco-Immobiliare S.r.l. | Italy | Via V. Betteloni 2, 20131 Milan | 100 | Trading | AGIS |
| Etna SPV S.R.L | Italy | Via V. Betteloni 2, 20131 Milan | 100 | Trading | AGIS |
| Etna Reoco S.R.L | Italy | Via V. Betteloni 2, 20131 Milan | 0 | Trading | N/A |
| Forest SPV S.R.L | Italy | Via V. Betteloni 2, 20131 Milan | 100 | Trading | AGIS |
| Haywave SPV S.R.L | Italy | Via V. Betteloni 2, 20131 Milan | 0 | Trading | N/A |
| Leonardo Investment Opportunities | Italy | Via A.Pestalozza 12/14, 20131 Milan | 0 | Trading | N/A |
| SPV Project 156 S.R.L | Italy | Via G.Fara 26, 20124 Milan | 100 | Trading | AGIS |
| SPV Project 158 S.R.L | Italy | Via A.Pestalozza 12/14, 20131 Milan | 0 | Trading | N/A |
| SPV Project 1608 | Italy | Via A.Pestalozza 12/14, 20131 Milan | 0 | Trading | N/A |
| SPV Project 1713 S.R.L | Italy | Via A.Pestalozza 12/14, 20131 Milan | 100 | Trading | AGIS |
| Vulcan SPV S.R.L | Italy | Foro Bonaparte 70, 20121 Milan | 100 | Trading | AGIS |

# Notes to the financial statements *(continued)*

## 15. Investments in subsidiary undertakings *(continued)*

| Name | Place of incorporation (or registration) and operation | Registered office | Proportion of ordinary shares ownership (%) | Current status | Immediate parent Company |
|---|---|---|---|---|---|
| Zeus Finance S.R.L | Italy | Via A.Pestalozza 12/14, 20131 Milan | 0 | Trading | N/A |
| PARR SH. P.K. | Albania | Kryqezimi i Rruges Irfan Tomini me Bulevardin Gjergj Fishta – Tirana | 20 | Trading | WS |
| Strzala Sp. z o.o. | Poland | Al. Jerozolimskie nr 148, 02-326, Warszawa | 100 | Dormant | AG(H)L/AGL |
| Capquest Debt Recovery S.A (pty) Limited | South Africa | Office Suite 15, Canal Edge 1, Tyger Waterfront, Carl Cronje Drive, Bellville, Western Cape, 7530, South Africa | 100 | Dormant | CDRL |
| AGHL Portugal Investments Holdings, S.A. (AGHLPIH) | Portugal | Av. da República, nº 25, 1º andar, Lisbon, Portugal | 100 | Trading | AGIHL |
| Benefitpossibility – Unipessoal LDA | Portugal | Edifício D. Sebastião, Rua Quinta do Quintã, nº 6, Quinta da Fonte, 2770 203 Paço de Arcos, Portugal | 100 | Trading | AGHLPIH |
| Every Possibilities – Unipessoal LDA (EPUL) | Portugal | Edifício D. Sebastião, Rua Quinta do Quintã, nº 6, Quinta da Fonte, 2770 203 Paço de Arcos, Portugal | 100 | Trading | AGHLPIH |
| Esfera Civilizada SA | Portugal | Edifício D. Sebastião, Rua Quinta do Quintã, nº 6, Quinta da Fonte, 2770 203 Paço de Arcos, Portugal | 100 | Trading | EPUL |
| Little Turbilhão SA | Portugal | Edifício D. Sebastião, Rua Quinta do Quintã, nº 6, Quinta da Fonte, 2770 203 Paço de Arcos, Portugal | 100 | Trading | AF3L |
| Hefesto STC, S.A. | Portugal | Edifício Dom Sebastião, Rua Quinta do Quintã, nº 6, Quinta da Fonte, Oeiras, Portugal | 100 | Trading | AGHLPIH |
| Norfin Investimentos, S.A.(NISA) | Portugal | Avenida da República, nº 35, 4º, 1050-186 Lisboa-Portugal | 100 | Trading | AGHLPIH |
| Norfin - Sociedade Gestora de Organismos de Investimento Coletivo, S.A | Portugal | Avenida da República, nº 35, 4º, 1050-186 Lisboa-Portugal | 100 | Trading | NISA |
| Norfin – Serviços, S.A | Portugal | Avenida da República, nº 35, 4º, 1050-186 Lisboa-Portugal | 100 | Trading | NISA |
| Redrock Capital Partners, S.A. | Portugal | Edifício Q54 D. José, Rua Quinta do Quintã, nº1, Piso 0, Fracção B, Quinta da Fonte, Oeiras, Portugal | 100 | Trading | AGHLPIH |
| Sandalgreen, Assets, S.A. | Portugal | Edifício Dom Sebastião, Rua Quinta do Quintã, nº 6, Quinta da Fonte, Oeiras, Portugal | 100 | Trading | AGHLPIH |
| Sucesso Delicado, S.A. | Portugal | Edifício D. Sebastião, Rua Quinta do Quintã, nº 6, Quinta da Fonte, 2770 203 Paço de Arcos, Portugal | 100 | Trading | AGHLPIH |
| Transitorysphere – Unipessoal LDA | Portugal | Edifício D. Sebastião, Rua Quinta do Quintã, nº 6, Quinta da Fonte, 2770 203 Paço de Arcos, Portugal | 100 | Trading | AGHLPIH |
| Whitestar Asset Solutions, S.A. | Portugal | Edifício Dom Sebastião, Rua Quinta do Quintã, nº 6, Quinta da Fonte, Oeiras, Portugal | 100 | Trading | AGHLPIH |
| Amstelveste Vastgoed B.V. | the Netherlands | Avenida da República, nº 35, 4º, 1050-186 Lisboa-Portugal | 100 | Trading | AGIHB/VFS |
| Arrow Global Investments Holdings Benelux B.V. (AGIHB) | the Netherlands | Asch van Wijckstraat 55F, 3811 LP Amersfoort, the Netherlands | 100 | Trading | AGIHL |
| Focum Groep B.V. (FG) | the Netherlands | Asch van Wijckstraat 55F, 3811 LP Amersfoort, the Netherlands | 100 | Trading | AGIHB |
| Focum Solutions B.V. | the Netherlands | Asch van Wijckstraat 55F, 3811 LP Amersfoort, the Netherlands | 100 | Trading | FG |
| Fiditon Holding B.V. (FH) | the Netherlands | Asch van Wijckstraat 55F, 3811 LP Amersfoort, the Netherlands | 100 | Trading | AGIHB |

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# Notes to the financial statements *(continued)*

## 15. Investments in subsidiary undertakings *(continued)*

| Name | Place of incorporation (or registration) and operation | Registered office | Proportion of ordinary shares ownership (%) | Current status | Immediate parent Company |
|---|---|---|---|---|---|
| Focum Commerce B.V. | the Netherlands | Asch van Wijckstraat 55F, 3811 LP Amersfoort, the Netherlands | 100 | Trading | FG |
| Focum Finance B.V. | the Netherlands | Asch van Wijckstraat 55F, 3811 LP Amersfoort, the Netherlands | 100 | Trading | FG |
| Incassobureau Fiditon B.V. | the Netherlands | Asch van Wijckstraat 55F, 3811 LP Amersfoort, the Netherlands | 100 | Trading | FH |
| KU88 B.V. | the Netherlands | Asch van Wijckstraat 55F, 3811 LP Amersfoort, the Netherlands | 100 | Trading | AGLH |
| Universum Inkasso B.V. (UI) | the Netherlands | Asch van Wijckstraat 55F, 3811 LP Amersfoort, the Netherlands | 100 | Non-Trading | AGIHB |
| Vesting Finance Detachering B.V. | the Netherlands | Asch van Wijckstraat 55F, 3811 LP Amersfoort, the Netherlands | 100 | Trading | VFH |
| Vesting Finance Holding B.V. (VFH) | the Netherlands | Asch van Wijckstraat 55F, 3811 LP Amersfoort, the Netherlands | 100 | Trading | AGIHB |
| Vesting Finance Incasso B.V. | the Netherlands | Asch van Wijckstraat 55F, 3811 LP Amersfoort, the Netherlands | 100 | Trading | VFH |
| Vesting Finance Servicing B.V. (VFS) | the Netherlands | Asch van Wijckstraat 55F, 3811 LP Amersfoort, the Netherlands | 100 | Trading | AGIHB |
| Arrow Global Benelux (Holdings) B.V. (AGBH) | the Netherlands | Asch van Wijckstraat 55F, 3811 LP Amersfoort, the Netherlands | 100 | Trading | AGIHB |
| Spark Hypotheken B.V. | the Netherlands | Asch van Wijckstraat 55F, 3811 LP Amersfoort, the Netherlands | 100 | Trading | AGLH |
| Focum Belgium (BVBA) | Belgium | Bellevue 1-3 9050 Gent, Belgium | 100 | Trading | AGIHB/FG |

| Investment | 2020 | 2019 |
|---|---|---|
| | £000 | £000 |
| Quest Bidco Limited | 4,884 | 4,884 |
| Arrow Global (Holdings) Limited | 11,376 | 11,376 |
| Arrow Global Finance Plc | 50 | 50 |
| Arrow Global Investments Holdings Benelux B.V. | 60,862 | 60,862 |
| Arrow Global Investments Holdings Italia S.R.L. | 9,633 | 9,633 |
| Mars Acquisition Limited | 12,766 | 12,766 |
| Arrow Global Italia S.R.L. | 32,016 | 6,879 |
| | 131,587 | 106,450 |

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

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# Notes to the financial statements *(continued)*

## 16. 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**

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.

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.

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

| | 2020 | 2019 |
|---|---|---|
| | £000 | £000 |
| Cash and cash equivalents | 510 | 21 |
| Other receivables | 107 | 61 |
| Amounts due from Group undertakings | 741,005 | 838,266 |
| Portfolio investments | 8,196 | 10,614 |
| | **749,818** | **848,962** |

**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.

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# Notes to the financial statements *(continued)*

## 16. Risks arising from financial instruments *(continued)*

| | **2020** | **2019** |
|---|---|---|
| **Amounts owed, due within one year:** | **£000** | **£000** |
| Trade and other payables | 12,110 | 14,860 |
| Amounts due to Group undertakings | 9,300 | 184,442 |
| Current tax liability | - | 1,578 |
| **Amounts owed, due in more than one year:** | | |
| Amounts due to Group undertakings | 851,433 | 741,471 |
| | **872,843** | **942,351** |

**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 / charged by the Company, the reduction in profit before tax would be £122,000 (2019: £177,000).

## 17. Financial instruments

**Fair values of financial assets and liabilities**

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

**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.

**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 | 8,196 | 10,614 |

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

# Notes to the financial statements *(continued)*

## 18. Commitments

Arrow Global Investment 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.

## 19. Parent undertaking

The immediate parent company is Arrow Global Guernsey Holdings Limited, incorporated in Guernsey, and the ultimate parent company is Arrow Global Group PLC, 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.

## 20. 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.