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Sherwood Parentco Limited

Consolidated annual report and financial statements for the year ended 31 December 2024

UK Registered No. 13299333

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Strategic report

Introduction and principal activities

Sherwood Parentco Limited ("SPL") owns the Arrow Global Group ("AGG") (together "the Group" or "Arrow"), a leading European vertically integrated alternative asset manager. The Group's principal activities are to provide fund management and asset management and servicing to third parties and to invest capital across our credit, real estate equity and real estate lending investment strategies.

Strategic review

Business model

The Group is a vertically integrated fund manager, with 24[1] local platforms operating in UK, Ireland, Portugal, Italy, Spain, France, Germany and the Netherlands, complementing central teams to provide fund management and asset management and services to third party investors and clients across credit, real estate equity and lending. The Group also invests its own capital in these investment strategies, primarily via co-investment within our discretionary funds.

The segmental reporting is split between Integrated Fund Management ("IFM"), Balance Sheet Investments and Group, with further details as follows:

Integrated Fund Management

The Integrated Fund Management segment includes the results of our fund management and asset management and servicing activities, through our various platforms, providing capital-light returns.

Arrow's investment team have an extensive track record of successfully investing across credit, real estate and lending. The Group currently has €10.6 billion of funds under management (2023: €9.3 billion).

Arrow's pan-European local servicing platforms service a significant portion of the assets for both Arrow's fund management business and the Balance Sheet Investments, as well as for third party clients such as other investment managers and banks.

Arrow continues to invest in the integrated fund manager proposition as the Group scales fundraising, investing and servicing capabilities across credit, real estate and lending. Building the vertically integrated fund manager across these multiple strategies drives capital-light revenue streams and facilitates de-leveraging.

Balance Sheet

This business includes all the portfolio investments that the Group owns, including investments held directly on our balance sheet together with our co-investment made through our discretionary funds, ACO 1, ACO 2, AREO and ALO and the associated income and direct costs of such investments.

Arrow typically co-invests its own balance sheet resources alongside third party investors within our funds, at around 10% currently (under ACO I the co-investment was typically 25%). The 10% co-investment level ensures continued alignment with limited partner interests but reduces the capital requirement for the Group, compared with investing fully at 100% for example, enabling de-leveraging and reducing net debt over the medium term.

Group

In addition to the two business segments noted above, there is a Group segment, recording costs relevant to overall oversight and control of the Group's activities. See note 5 to the financial statements for detailed segmental information.

1 Entry in France through the acquisition of iQera Group, through ACO II expected to complete in Q2 2025, subject to customary regulatory and antitrust clearances.

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Strategic report *(continued)*

Strategy

The Group has the following core strategic objectives as it seeks to become the leading integrated fund manager in Western Europe:

- Scale our integrated fund management proposition
  - Growing a scalable and sustainable integrated fund management, developing three investment strategies; credit, real estate equity and real estate lending
  - Growing our capital-light income from our local platforms to enable the Group to de-lever
- Building efficient local platforms with a differentiated proposition
  - Drive platform growth and efficiency with a focus on cash realisation and investment growth, focusing on high-value, granular niche product opportunities in our core markets
- Developing talent, capabilities and scalable foundations
  - Do business the right way, with due consideration for regulation, our customers, and responsible investing, through developing our people to reach their full potential

Key performance indicators supporting this strategy can be found in the strategic report on page 4 for the financial metrics and pages 12 and 13 under employees and customers respectively for the non-financial metrics.

Group results for the year including key performance indicators

Arrow is a leading integrated Western European fund manager with discretionary funds investing across credit, real estate and lending utilising our network of 24 platforms. The business model provides significant opportunity for growth and delivering increasing capital-light fee related earnings.

Arrow has continued to see strong fundraising progress for our discretionary real estate lending franchise with €1.1 billion of capital committed by the end of 2024 as well as €285 million across our various real estate equity strategies, benefitting from support from our global investor base across the Americas, Europe, the Middle East and Asia.

Funds Under Management ("FUM") were €10.6 billion as at 31 December 2024, representing growth of €1.3 billion from €9.3 billion as at 31 December 2023, including our ACO 1, ACO 2, AREO, and ALO discretionary funds totalling €5.9 billion under management (31 December 2023: €4.5 billion) and non-discretionary strategies totalling €4.7 billion under management (31 December 2023: €4.8 billion). Fee-earning Net Asset Value ("NAV"), referencing FUM deployed by our discretionary funds, increased to €3.4 billion as at 31 December 2024 (31 December 2023: €2.3 billion). This has driven the increase in total discretionary fund management income of £29.9 million to £110.7 million (2023: 80.8 million).

In addition, the Group has expanded the footprint for our three investment strategies, strengthening our presence across Western Europe, covering eight geographical jurisdictions, following expansion during 2024 into Spain, Germany and France, providing further depth and breadth to the integrated fund manager proposition. In Q4 2024, Arrow led the restructuring of iQera, a leading French credit management services provider, with expectation of ACO II becoming majority shareholder in 2025. This added an eighth geography to the Group's Western European presence and will facilitate higher volumes of deployment and increase discretionary NAV growth as well as expanding the Group's broader third party asset management capabilities further.

Funds deployed were €2.1 billion (2023: €1.2 billion) during the year, including a record quarter in Q4 2024 with €0.8 billion deployed and a strong pipeline going into 2025. The Group's discretionary fund management activities have continued to focus on off-market acquisitions, with over 80% of ACO 2 investments being off-market. Over 90% of ACO 1 and ACO 2 is secured on real estate, cash in court and other mixed security and is built from highly granular deployment. ACO funds continue to deliver strong returns with a Deal IRR (after servicing costs) of 15% and 20% for ACO 1 and ACO 2 respectively (2023: ACO 1 16%, ACO 2 20%).

On December 11, 2024 the Group refinanced the majority of its senior secured notes as well as its revolving credit facility, extending the maturity date to 2029.

The underlying loss before tax for the Group reduced by £45.2 million to £21.9 million (2023: £67.1 million), driven by an increase in Integrated Fund Management and Balance Sheet revenues. The Integrated Fund Management segment EBITDA increased by £24.4 million or 54.6% to £69.1 million (2023: £44.7 million), the Balance Sheet segment EBITDA increased by £29.5 million to £55.7 million (2023: £26.2) million) and the Group segment EBITDA remained broadly flat at £(34.7) million (2023: £(32.2) million). The results are explained further in the segmental commentary and analysis below. Loss after tax reduced by £56.0 million to £69.3 million, reflecting the reduced underlying loss.

Strategic report *(continued)*

Group results for the year including key performance indicators *(continued)*

The Group made a loss before tax after adjusting items of £69.9 million (2023: £125.3 million). In addition to the underlying loss, the Group incurred ongoing non-cash acquisition intangible and fair value accounting unwind costs associated primarily with the Arrow acquisition by TDR in 2021, but also later acquisitions of Maslow in 2023 and Amitra in 2024, totalling £33.4 million for the year. A further £14.6 million of costs were incurred in relation to accelerated non-cash amortisation and advisory fees in relation to the refinancing of bonds.

Realisations for the year were £379.9 million, representing 107% of the expected cumulative realisations. Leverage reduced to 3.7x as at 31 December 2024 (31 December 2023: 3.9x). Net debt as at December 2024 was £1,303.6 million, a reduction of £35.3m from the end of December 2023 (£1,338.9 million). Adjusted EBITDA for the year was £350.7 million. Free cash flow was £213.5 million (2023: £199.7 million) and free cash flow after portfolio investments was £57.3 million (2023: 51.2 million).

The directors monitor the business using the following financial key performance indicators and highlights:

Group financial highlights	Year to 31 December 2024	Year to 31 December 2023
Funds Under Management (FUM) (€bn)	10.6	9.3
Integrated fund management fee related income (£m)	267.1	193.6
Total income (£m)	387.7	287.4
EBITDA (£m)	77.4	(16.5)
Free cash flow (£m)	213.5	199.7
Loss before tax and adjusting items (£m) [1]	(21.9)	(67.1)
Loss before tax and after adjusting items (£m)	(69.9)	(125.3)
Balance sheet realisations(£m)	379.9	375.4
Net debt (£m)	1,303.6	1,338.9
Adjusted EBITDA (£m)	350.7	331.9
Leverage (x)	3.7	3.9
Expected 84-month cumulative realisations (£m)	1,209.2	1,213.7
Expected 120-month cumulative realisations (£m)	1,249.2	1,309.9

[1] The results presented exclude adjusting items. For the reconciliation between these results and the condensed consolidated profit and loss, please see the reconciliation on pages 104-105.

Balance sheet realisations, adjusted EBITDA, free cash flow and loss/profit before tax and adjusting items are alternative performance measures. See the Glossary of alternative performance measures for the definition of the terms and the Additional information for reconciliations to statutory information.

Our reportable operating segments are Integrated Fund Management, Balance Sheet and Group, as discussed below:

Integrated Fund Management

The Integrated Fund Management segment includes the results of our fund management activity and asset management and servicing through our various platforms, providing capital-light returns.

In line with expectations, Integrated Fund Management EBITDA increased by 54.6% to £69.1 million (2023: £44.7 million) with the segmental revenue increasing by 37.1% to £302.9 million (2023: £220.9 million). £33.3 million of the year-on-year revenue increase was driven by the platforms fully acquired during 2023 including Maslow and Eagle Street. EBITDA margin increased by 2.6 percentage points from 20.2% at the end of 2023 to 22.8% at the end of 2024, reflecting the growth in the higher margin discretionary fund management and the operational leverage and efficiency achieved through scaling of our operations, through both higher fund raising and deployment, as well as increasing third party servicing mandates.

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Strategic report *(continued)*

Group results for the year including key performance indicators *(continued)*

Fee earning NAV across our discretionary fund management business, increased to €3.4 billion (December 2023: €2.3 billion) due to increasing deployment, which increased management fees and servicing revenues from the discretionary fund management business to £110.7 million (2023: £80.8 million). Strong asset management and servicing from the third party asset management business, including new platforms, increased revenues from these strategies to £192.2 million (2023: £140.1 million).

Balance Sheet

This segment includes all the portfolio investments that the Group owns (including co-investments made in the discretionary funds alongside third party investors), and the associated income and costs.

Realisations for 2024 were £379.9 million, representing 107% of the expected cumulative realisations. Adjusted EBITDA for 2024 was £350.7 million. Investment purchases were £156.2 million in the year ended 2024 (2023: £148.5 million) reflecting the Group's co-investment in the record origination activity during the year. As the Group continues to scale the Integrated Fund Management segment, such co-investments are expected to make up a growing proportion of total portfolio investments held on the Balance Sheet.

Segmental Balance Sheet EBITDA increased by £29.5 million from £26.2 million in the year ended December 2023 to £55.7 million in the year ended 31 December 2024. The increase is due to net income of £12.0 million reported in the period on the 50% joint venture interest in the UK portfolios (2023: £7.3 million), and a non-cash write-down of £2.5 million in the period compared with £26.9 million in 2023, resulting in a positive year-on-year impairment variance of £24.5 million.

Group

The Group segment consists of costs not directly associated with the other segments, but relevant to overall oversight and control of the Group's activities.

Segmental Group EBITDA for the year ended 31 December 2024 was £(34.7) million, broadly consistent with prior year (2023: £(32.2) million). Underlying net interest costs of £108.0 million were £5.2 million higher period-on-period (2023: £102.8 million), driven by higher interest rates. The Group has substantially mitigated the exposure during 2025 to interest rate fluctuations with circa 86% of the bonds either fixed or hedged as at 31 December 2024.

Trends and factors shaping future performance

The Group raises capital from global investors into our discretionary Funds and deploys this capital into our three investment strategies.

Credit lending, and real estate investment opportunities and returns are in part driven by diverse economic factors across countries. While markets have adjusted to the lasting impacts of the COVID-19 pandemic, geopolitical tensions and global economic uncertainties continue to frustrate economic growth across the region. At Arrow, while macro cyclical trends are informative to our investment programme, these dynamics are viewed in the context of our broader investment approach utilising our local presence. In addition, we focus on capitalising on the more geography-specific structural imbalances that remain a persistent feature of the fragmented European financial landscape. Such structural features of the European market allow us to opportunistically invest throughout market cycles. The key dynamics/trends are noted below.

Macroeconomic trends

Inflation is approaching the 2% target, and Europe's interest rates are gradually declining. GDP growth is projected at 0.7%, rising to 1.4% by 2026 (Eurosystem projections). Stabilising actions by the ECB and BOE have bolstered private equity markets, yet elevated interest rates and persistent inflation continue to challenge European economies.

Geopolitical and regulatory dynamics

Political instability, protectionism and conflict continue to affect economic confidence. The continued retreat of traditional banks from capital intensive sectors–such as development and bridge lending, and specialist real estate infrastructure–continues to allow investment and growth avenues for local operators with specialised operational expertise.

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Strategic report *(continued)*

Trends and factors shaping future performance *(continued)*

Real estate and demographic shifts

Residential property shortages in many markets drive demand and asset values, creating profitable opportunities for our investment strategies. The rise of e-commerce is fuelling demand for last-mile logistics and warehouse space, while remote work is reshaping hospitality markets. Southern Europe, appealing to both remote workers and tourists, offers particularly strong investment opportunities in the hospitality and leisure sector.

Sustainability and ESG Integration

Regulatory, investor, and public demands for sustainability continue to influence investment strategies. Sustainability metrics therefore continue to inform our investment criteria, assisting us to deliver superior risk-adjusted returns on our investment strategies.

Arrow is well-positioned to capitalise on this evolving landscape by promoting sustainability, securing exclusive off-market deals, focusing on resilient asset categories, conducting comprehensive macroeconomic and risk analyses, and leveraging local expertise to identify high-demand niche markets.

Risk management

At the centre of our risk management framework is our Group's vision, values and the culture embedded within our business. Effective risk management is closely aligned to our vision of being Europe's leading vertically integrated alternative asset manager, delivering attractive risk-adjusted returns through responsible investments, while our three lines of defence model enables all colleagues to own and manage risk in a manner which supports well-informed decision-making with a view to managing risks.

The enterprise-wide risk management framework defines a common approach across the whole organisation. This framework includes:

- Embedding the three lines of defence throughout the firm
- Robust governance structures
- Clarity of roles and responsibilities
- Establishing and monitoring of risk appetite
- A policy suite that is consistently applied across the business
- Risk management aimed at understanding risks and enabling proportionate risk mitigation
- Controls to identify and address emerging risks
- Recognition and maintenance of resilience plans
- Escalation and risk reporting

The framework is regularly monitored and reviewed to ensure it remains suitable for the size and complexity of the Group's business.

In 2024, Arrow has continued to operate in a relatively volatile macro-economic and political background creating one of its key risks on its investments. The macro-economic environment has improved in some markets such as the EU with decreasing and stabilising interest rates, however, conditions remained challenging in the UK. The political environment remained equally challenging with the Ukraine-Russia and Middle Eastern conflicts, and political elections in various countries (such as UK, Germany, US). Despite this, the Group decreased its leverage and refinanced its senior secured notes and revolving credit facility as planned.

2024, the Group continued its growth with new platform acquisitions, and their integration into the broader Group operations remained to be one of Group's key risks. Considering the Group's regulated operations and entry into new geographies, the Group retained its focus on regulatory and cyber/IT risks and continued to work closely with its regulators to deliver the required standards. 2024 was another year that cyber security risks continued to evolve with further development in artificial intelligence.

Strategic report *(continued)*

Risk management *(continued)*

The Group continues to evolve and embed its risk management framework within the strategic objectives and vision, while addressing the challenges of the external environment. This has included continued enhanced oversight of specific and broader strategic risk themes by the Group board such as addressing any adverse impact of macro-economic conditions on our financial position and investments, scaling the business to deliver growth objectives, increased regulatory oversight by regulators in sectors we operate in, and entering new jurisdictions during the year. In addition, there has been continued focus on the elevated financial crime and cyber security risks in a fast-changing external environment as a result of increased geopolitical risks and emerging artificial intelligence technologies. The further growth of our Integrated Fund Manager business with new funds, asset types and geographies has prompted further consideration of our risk management framework to focus on the needs of this specific activity while we continue to scale our operations and deliver on our ESG requirements in relation to our funds such as SFDR, GRESB and PRI.

In 2024, Arrow has continued to embed its robust governance structure and strong risk management culture into its operating model. In our operating model, local servicing platforms have accountability over their activities undertaken locally and monitor and assess the local regulatory and legal requirements. The Group retains central control in certain areas, such as fundraising, underwriting, investment decisioning, treasury and tax, where there are benefits of a Group wide approach. The board believe that this vertically integrated model enables the Group to better monitor, manage and control our risks. A strong risk management and governance culture has continued to support this operating model in 2024 through central and local policies, a consistently applied risk management framework across the business, an automated and business-tailored risk management system, both local and central compliance monitoring plans, commonly applied risk appetite tolerances and reporting, a regular review and assessment of roles and responsibilities, compliance training programs, and local and central board (risk committees and regulated board activities) reporting and oversight. An attestation framework where all of our platforms attest quarterly to the Group in relation to the implementation of Group policies, risk management framework, and provide a detailed report on key risk, compliance and audit activities and matters continued to be a core element of our robust governance structure supporting our three lines of defence model.

Delivering on our commitments and vision relies on the ability to successfully identify, assess, respond, monitor and report on risks and opportunities. There is an ongoing focus on the key risks which could impact the business, alongside horizon scanning and monitoring of macro, geo-political, technological, regulatory and legal, and other emerging risks that may affect the business or wider sector in the future. People and infrastructure commitments are in place to support these processes, ensuring consistency across the Group. Our risk culture, which is aligned to Arrow’s values, is a commercial differentiator and a fundamental driver of our success. Our ability to deploy Group-wide, local platform or country-specific expertise, when required, is a core element of that success.

Risks and uncertainties

The following summary identifies key thematic risks and mitigants in respect of 2024. The disclosures on the following pages should not be regarded as a comprehensive list of all the risks and uncertainties facing the Group, instead providing a summary of those key areas with the potential for material impact.

A. Inadequate processes re: acquisition and integration of new business (Strategic Risk):

Risks might arise from entering new geographies, large and complex servicing contracts, new investment strategies, complex investments or integrating new platforms such as failure to assess and mitigate risks prior to entry or lack of sufficient governance and oversight following entry, resulting in a misalignment with broader Group principles and values that could cause negative financial outcomes and reputational damage.

Before approval, all investment (including entry into new geographies) or new contract proposals go through extensive due diligence during the acquisition/entry process with input from cross functional teams (including local or specialist expertise as required) and are supported by governance and oversight plans setting clear requirements and allocation of responsibilities (supported by RACI responsibility matrices). Post-acquisition, investments, platforms and contracts are onboarded by dedicated project teams onto Arrow governance, risk, compliance and IT frameworks (including the Group policy framework, the attestation framework and the automated risk management system as required) and managed by dedicated teams proactively on a day-to-day basis and closely overseen by senior leadership through governance forums.

In addition, the Group continuously reviews and enhances its processes, policies, responsibility matrixes, governance structures, and risk management and compliance frameworks to deliver the Group’s vision as the business grows.

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Strategic report *(continued)*

Risk management (continued)

B. Investment Returns (Financial Risk):

The risk that certain investments generate returns lower than forecast due to macro-economic factors (such as political uncertainty, inflation, high interest rates, deteriorating real estate prices) or inadequate underwriting analysis or inadequate assessment of exit or realisation plans.

In 2024 the macro-economic environment has improved in some of our markets with decreasing interest rates, though the UK market remained challenging. The political environment remained equally challenging with Ukraine-Russia and Middle Eastern conflicts, and election uncertainties in various countries (such as UK, Germany, US).

Despite this backdrop, the Group has continued to perform strongly thanks to:

- Portfolio diversification across geographies, investment strategies and asset classes, with a focus on secured investments
- Its focus on off-market transactions and less cyclical asset classes which are less susceptible to the macro environment
- Undertaking robust due diligence and rigorous scenario/sensitivity testing, incorporating macro factors, during underwriting process, and proactive monitoring of these during portfolio management
- Enhancing the investment team and platform capabilities in specialist skill areas to facilitate strong and proactive portfolio management
- Strong governance structure throughout underwriting and portfolio management activities
- Capital allocation planning, portfolio level stress testing and monitoring discipline
- Decentralised organisational structure that gives accountability and incentives to the local platforms to maximize value for the stakeholders while managing risks

C. Regulation (Operational Risk):

The Group operates in regulated environments in relation to both investment and servicing activities, and non-compliance with regulatory obligations or non-compliant conduct could lead to a breach of regulations, resulting in censure, financial loss and reputational damage.

Regulatory risks were a key focus area for the Group in 2024 as we entered new geographies and large complex servicing contracts. In addition, we continued to observe increased regulatory scrutiny by our regulators as the regulatory frameworks evolve and adapt to the requirements of more advanced, complex and sophisticated financial markets.

As a Group comprising many regulated businesses, we continue to be diligent and disciplined in delivering regulatory requirements and we work cooperatively with our regulators. Group-wide standards continue to be applied across all our businesses. Group and local level compliance policies and procedures are in place to guide colleagues on the required standards for business activity and customer and investor outcomes. Governance forums, such as local and Group level risk and audit committees, regulated boards, an attestation framework, and an automated risk management system ensure robust oversight over all regulated Group activities.

Regulatory horizon scanning ensures our internal practices and training are updated accordingly, and local and Group wide compliance teams monitor regulatory compliance as part of their compliance plans. Employees receive training in relevant regulatory areas both during onboarding and on an ongoing basis to ensure all our activities are compliant with requirements. We maintain proactive relationships with our key regulators in all locations we operate.

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Strategic report *(continued)*

Risk management *(continued)*

Scalability (Operational Risk):

The opportunity to grow investment management and servicing volumes in existing and new geographies in line with plans as an integrated pan-European fund manager presents a risk that the necessary personnel and IT system capacity and capability may not be available or sufficiently scalable. The Group mitigates this risk through:

- Key strategic hiring to increase the capacity and capability in areas that will support scalability objectives
- Attracting and retaining key talent with succession planning, professional development programs, competitive remuneration and attractive career progression opportunities, while ensuring key person dependencies are minimised
- A decentralised organisational structure
- Periodically assessing technology application and infrastructure against our IT policies and standards, and prioritising and addressing any gaps
- Aligning new platforms with Group IT and information security principles quickly and efficiently
- Ensuring critical operational processes are fit for scaling and moving away from manual processes where possible and feasible
- Using third party suppliers, where needed, supported by a robust supplier management framework requiring due diligence and oversight

D. Cyber threats (Operational Risk):

Cyber threats to industry and the supply chain are evolving at a rapid rate due to increasing geopolitical tensions combined with the growing misuse of artificial intelligence in this area. At Arrow we have developed a robust framework of Group minimum security standards, which are based on the international standard for information security (i.e. ISO 27001) and other well-known industry standards such as the NIST for Cybersecurity and CIS Controls. In 2024, Arrow continued to enhance its information security framework, proactively addressing emerging external threats. Our commitment to staying current with industry standards is bolstered by ongoing enterprise-wide employee education on cyber threats and mitigation.

E. Interest rate (Financial Risk):

A high interest rate environment increases our financing costs and could impact potential refinancing activities adversely in the medium term.

The Group has successfully achieved progress towards its target leverage levels in 2024 whilst refinanced both its senior secured notes and revolving credit facility in December. This new financing with five-year maturity and significantly fixed or hedged interest rates provides the Group with a robust and stable funding structure to further its growth objectives for 2025 and beyond. Despite the adverse macroeconomic environment, the Group’s realisations continue to prove resilient with solid performance against our realisation assumptions. The Group has also significantly progressed its target balance sheet structure in relation to increasing capital-light earnings and running down historic investment positions not linked to co-investments alongside our discretionary funds. The Group regularly reviews the external environment in which we operate to influence our strategy.

F. Execution of key strategic initiatives and plans (Strategic Risk):

The risk that the Group fails to deliver initiatives critical for the Group’s strategic plan, such as platforms’ growth, key high-profile projects, acquisitions, and divestments, without adverse reputational, financial and legal impact. These risks are mitigated through:

- Clear agreement on key strategic initiatives at senior leadership level, and communication to the wider organisation, promoting organisation-wide alignment and effective resource allocation
- Alignment of senior leadership team roles and responsibilities and incentives, supported by a strong governance structure
- Investment in, and retention of, workforce
- Strong project management and planning, led by experienced senior team members
- Governance structures and strong risk management culture – ensuring risks are identified and managed before incidents occur

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Strategic report *(continued)*

Risk management *(continued)*

G. ESG Plans (Strategic Risk):

The risks that might emerge from failure to deliver the Group's ESG plans in line with emerging ESG regulations and standards, including ESG commitments specific to the Integrated Fund Manager business, and reporting requirements.

The Group is mitigating this risk through:

- ESG framework in place – including policies, quarterly risk appetite & KPI monitoring metrics, horizon scanning with support from external third parties, as well as an attestation framework
- Oversight from Group ESG Committee which has senior executive ownership and broad cross function membership
- Embedding ESG requirements into the Group Risk Management Framework and automated risk management system
- Investment level sustainability and climate risk due diligence, risk & opportunity assessment and scorecards which are overseen by the Arrow Global Group Capital Management Limited (Arrow's fund manager) investment committee
- A third party automated climate risk assessment tool and reputational risk assessment tool used for ESG due diligence of investments
- ESG reporting occurring at a number of levels in the Group: Enterprise level reporting under Taskforce for Climate-related Financial Disclosures (TCFD) requirements, supported by our Annual Sustainability Report, fund manager reporting to PRI (UN Principles for Responsible Investment), real estate fund level reporting under GRESB (Global Real Estate Sustainability Benchmark) and platform level reporting in respect of local requirements
- Training provided to investment and other key teams

Environmental, Social and Governance (ESG)

Our approach to ESG and sustainability is wholly aligned to our mission of being Europe's leading alternative asset manager specialising in opportunistic credit, real estate equity and real estate lending. We are committed to being a responsible participant in our markets and via our business strategy, as we seek to contribute to ESG matters in a proportionate and robust manner to both satisfy our responsibilities and be a thought leader regarding issues of sustainability that may impact our stakeholders. We approach this through two key perspectives. Firstly, to support our stance on responsible business practices our ESG policy and framework defines a Group-wide approach which enables a consistent set of focus areas whilst still allowing our in-country teams to adopt additional requisite local practices as required. Secondly, the firm is committed to acting responsibly in its investment activities so as to meet expectations of our investors and wider stakeholders, and accordingly operates a Responsible Investment policy via the Arrow Global Group Capital Management Limited (Arrow's fund manager) board, whose investment committee ensures that the key principles are applied to each of our investment decisions in line with our status as a signatory to the UN Principles for Responsible Investment (PRI). This also ensures that investment selection, due diligence and ongoing portfolio management activities consider sustainability risks and opportunities in a manner which is commensurate to each of Arrow's funds and we are proud to have received a second year of positive feedback in 2024.

Environmental

We recognise that our business has a direct and indirect environmental impact. Tackling the climate crisis will require innovative and bold solutions and quantifying the Greenhouse Gas (GHG) emissions associated with our supply chain and investment portfolio is important to the Group. Our board will continue to have oversight of our environmental strategy and our Sustainability and ESG Committee reviews requirements for managing emissions and any potential decarbonisation strategy that may be appropriate for our business. The Group has continued with additional internal GHG reporting to provide data into our second annual report in line with the Taskforce for Climate-related Financial Disclosures (TCFD) for full-year 2024. Our supplier management framework has also continued to focus on material issues of sustainability and modern slavery and our Facilities team take ESG matters into consideration when reviewing our office use across the company and actively seek engagement with landlords regarding energy related insights and efficiencies.

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Strategic report *(continued)*

Environmental, Social and Governance (ESG) ***(continued)***

The scopes table below outlines our definition of material GHG emissions by source and the annual CO_2 emissions table includes our current performance.

Scope	Type	Reportable Items
1	Direct emissions by the Company	Refrigerant, natural gas and owned vehicle fleet
2	Indirect energy consumed but not owned by the Company	Electricity usage
3	Other indirect emissions not included in Scope 2	Other indirect emissions not included in Scope 2

Annual Group CO_2 emissions

Scope	CO2 emissions (tonnes) per annum 2024	CO2 emissions (tonnes) per annum 2023
1	290.5	282.3
2	231.3	290.8
Total scope 1 and 2	**521.8**	**573.1**
3	1,836.5	1,326.9
Total	**2,358.3**	**1,900.0**
Tonne of CO_2 per employee (using average number of employees for the year)	**1.2**	**1.0**

Greenhouse gas emission reporting methodology

We have followed the requirements of the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) to measure and report greenhouse gas emissions. This aligns with the disclosure requirements in The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

The operational control method, which captures the sources that fall within our consolidated financial statements, has been used. Where we operate an outsourced model working with partners, these partners do not work exclusively for the Group and, therefore, it is not deemed appropriate to include emissions outside of the Group consolidated financial statements. The reporting year aligns to the financial year.

Energy

In response to the Streamlined Energy and Carbon Reporting requirements, we have included within the energy consumption table below our Group and UK energy consumption for the reporting period. Our business predominantly operates from our offices. We consider our average energy consumption to be in line with the industry and continue to investigate the possibility of renewable energy solutions across our offices by engaging with relevant third parties (e.g. landlords or energy providers) to determine appropriate solutions.

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Strategic report *(continued)*

Environmental, Social and Governance (ESG) ***(continued)***

Energy (continued)

Energy consumption	**2024**	**2023**
Group energy consumption (Kwh in thousands)	1,627.8	1,834.2
Group energy consumption (Total CO_2 tonnes)	336.0	396.0
UK energy consumption (Kwh in thousands)	136.8	272.9
Group natural gas (Kwh in thousands)	510.4	461.5
Group electricity (Kwh in thousands)	1,117.4	1,372.7
Propane (tonnes)	1.0	5.3
Propane (Kwh in thousands)	7.0	68.6
Group energy consumption (Kwh in thousands)	1,627.8	1,834.2
Kwh per employee (using average number of employees for the year)	**819.8**	**962.5**

Social

Employees

The wellbeing and care of our people whilst ensuring compliance with regulatory and government guidelines is fundamental to the Group's people strategy.

Our focus for 2024 has been on continuing to build and strengthen capability and talent for the future which centres on all aspects of our employee proposition. We are continually reviewing and enhancing how we attract, hire, develop, engage with, support and reward our people. In 2024 we refined the organisational structures within the investment function to align to our vertical markets, strengthening and securing our succession capabilities for the future. We have built our teams and capabilities through acquisitions, internal moves, focussed development plans, knowledge sessions delivered by subject matter experts, and recruitment – at all times with a focus on retention of our experienced people and short and long-term succession.

We operate a hybrid working model, providing the equipment and tools to all colleagues to enable them to work safely and successfully both at home and within our office environments. This provides colleagues with the benefits gained from remote working, such as improved work-life balance, greater flexibility and no daily commute, whilst also creating opportunities for meaningful collaboration and social interaction with colleagues.

Our focus on engagement and employee experience has driven a continued improvement of how we communicate with our colleagues. In October, more than 80 senior leaders from across the Group attended our in-person Leadership conference, celebrating successes, creating opportunities for networking and knowledge sharing and embedding priorities and objectives for the coming year. We launched our new internal Intranet ('Connect') creating enhanced opportunities to share Group wide and local news and events and improving access to resources, policies and support information. Defined spaces within Connect ensure colleagues have access to information, support and initiatives around wellbeing and mental health and communities aligned to our employee representative groups. The Group continues to use a strategic tool, Peakon, to measure and improve engagement in teams and allows people managers to understand their strengths and priorities in improving team culture and engagement. In 2024, we launched our first Group wide survey and our Peakon engagement score, which is benchmarked externally to the financial services sector was 7.9 (out of 10) for 2024, (in the middle of the range for this sector) which saw an increase of 0.3 compared to the previous year when the UK was surveyed. Each Platform has the ability to access and analyse the data for its own region and departments, enabling us to create bespoke action plans based on local needs. Examples of this include increased social and community events in the Netherlands, re-established quarterly Town Halls at Drydens Solicitors in the UK and launched a range of wellbeing initiatives from mental health webinars in Ireland nutrition education in Portugal and a full "Smart working" programme in Italy.

ARROW GLOBAL

Strategic report *(continued)*

Environmental, Social and Governance (ESG) ***(continued)***

Gender diversity

	Directors	Senior managers (inc. directors)	Employees
Female	**1**	**3**	**1,083**
Male	**3**	**7**	**1,061**
Total	**4**	**10**	**2,144**

Proactive interaction with recruitment third parties and diversity targets are in place for 2025, to drive more diversity in the inbound talent pool. We have also joined up to initiatives such as ENEI (The Employers Network for Equality and Inclusion) and 10,000 Interns Foundation as part of finding ways to better improve diversity in our own pipeline of talent.

Gender pay

In accordance with the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017, the gender pay reporting is published on the Arrow website https://www.arrowglobal.net/en/who-we-are/corporate-governance/gender-pay-report.html.

Customers

We have always sought to ensure the fair treatment of customers. To help us achieve this, our local teams used a variety of customer forums and more formal governance meetings to bring continued focus on best practice with the aim of improving customer outcomes. As well as reviewing customer feedback and customer satisfaction scores, the teams review a series of KPIs from within each country's operations allowing positive change to be implemented where it is most effective and helping to ensure we deliver consistent customer treatment using data and learned customer behaviours to guide future strategies and service enhancements. In 2024, significant process improvements were implemented across regions to enhance customer support, streamline operations, and foster inclusive practices. Key initiatives include the launch of new systems such as Whitestar's "Credit Solutions" and MARS' enhanced Galaxy system, both of which improved customer support and operational efficiency by offering tailored debt resolution pathways and better servicing for vulnerable customers. Our customer net promoter scores continued to demonstrate our positive customer interactions with average scores across our platforms exceeding 7.5 (out of 9).

With a strong focus on customer service, we were delighted to receive recognition for our operations across the Group. Whitestar was recognised as Asset Management Company of the Year in Portugal by Global Banking and Finance Review for the fifth consecutive year. Vesting Finance received the Incasso Kuermerk award from the Dutch Association of Certified Collections Enterprises (NVI), recognising its outstanding performance in debt recovery. Additionally, Whitestar, Vesting Finance, and Sagitta were all awarded Silver Certification by EcoVadis for their sustainability and inclusion initiatives.

We are also pleased to share other recognition received across our platforms. Notable achievements include Zenith Global, which achieved the Great Place to Work® certification for the second year, while Maslow Capital was named "Development Funder of the Year" for the second consecutive year. Norfin's Oriente Green Campus project won the prestigious "Green Asset Initiative of the Year" award, and Sagitta SGR was honoured as an "Excellent Workplace".

Communities

The Group is mindful of the role it plays in society and we have continued to support Junior Achievement Europe ("JAE"), Europe's largest non-profit provider of educational programmes for financial literacy and entrepreneurial skills for young people, which reached more than 6,800 students in 2024 with the support of over 100 Arrow volunteers.

In 2024, we have extended our volunteering support encouraging colleagues to volunteer at charities with personal connections or local to our regional offices. The Group recognises that sometimes financial donations are the most critical to local charitable organisations and accordingly we contribute through hosting local fundraising events and matching colleague fundraising activities. The Group fully understands that relationships we build with our communities are fundamental to our wider engagement in society and supports engagement activities to further strengthen these.

ARROW GLOBAL

Strategic report *(continued)*

Environmental, Social and Governance (ESG) ***(continued)***

Communities *(continued)*

We partner with key third parties to enhance our contribution to our communities and to learn how we can enhance our culture from a Diversity, Equality & Inclusion (DEI) perspective. In this regard we continue our partnership with ENEI (The Employers Network for Equality and Inclusion) and our commitment to participating in the 10,000 Interns Foundation as part of finding ways to better improve diversity in our own pipeline of talent.

Although Arrow operates in the highly specialised alternative investments sector, our social commitments help us be a purpose led responsible business, and an important part of the European financial ecosystem. Identifying and assessing these ESG considerations, and maintaining transparency, is a core part of our long-term view on delivering value and return to our investors.

Governance

Responsible investment

We focus on the core ESG principles in a systematic manner in all aspects of our investment decisions. As part of our commitment to being a responsible investor, we work across functions to assess key ESG considerations. From the initial stages of a potential investment, we carry out a risk assessment as to whether the potential investment includes risks related to environmental, governance, social or other areas, and whether such risks are consistent with the risk appetite and core ESG principles of Arrow and its investors. We also assess any potential ESG optimisation opportunities throughout our investment process. In Q4 2021, Arrow Global Group Capital Management Limited ('AGGCM'), the Jersey fund manager of Arrow's funds, became a signatory to the UN Principles for Responsible Investment. To embed the principles of the UN PRI into the investment processes of the fund manager, a Responsible Investment Policy was formally approved by the AGGCM board in 2022 which was further updated during 2023 and 2024. Our approach to responsible investment is consistent throughout the selection of investment opportunities, ongoing portfolio management and stewardship practices, through to the point of exit where applicable. During 2024, AGGCM completed the annual reporting process to the PRI for the second time and is pleased to have improved upon existing positive scores reflecting the high level of focus placed on governance and oversight throughout the investment process.

Oversight

A Sustainability and ESG Committee, comprising members of our Executive and Senior Leadership team, has continued to oversee the ongoing delivery of the Group's sustainability and ESG agenda and to review, challenge and support the Group's approach and progress against agreed initiatives. The Committee is supported in its role by the director of sustainability and ESG, plus other senior leaders as matters arise which are relevant to their functional area in order to drive the delivery of Arrow's environmental, social and governance initiatives. During the year, Committee members have played a key role in further embedding the ESG & Responsible Investment policies, reviewing a suite of ESG KPIs for the Group, updating the investment committee memorandums to support newly launched funds aligned to Article 8 of the EU's Sustainable Finance Disclosure Regulation (SFDR) and the development of asset and sector specific ESG scorecards and additional tools such as Climate X (for physical climate risk analysis and RepRisk (for additional counterparty checks) and moving forward with our Diversity, Equity & Inclusion agenda. In addition, the Committee has leveraged insight from external experts such as ERM who supported the Group's second report in accordance with the Taskforce on Climate-related Financial Disclosures (TCFD) by providing physical and transition risk insights through scenario analysis and thematic findings, and the committee oversaw a pilot of the EcoVadis assessment process across five Arrow platforms and approved further use into 2025 to support best practice sharing and an objective external benchmark.

The Committee also continues to benefit from the expertise of TDR Capital's Head of ESG, enabling us to further benchmark our approach and priorities. Additional focus areas for 2025 include the EU Corporate Sustainability Reporting Directive and enhancing data capture and reporting capabilities.

Strategic report *(continued)*

Environmental, Social and Governance (ESG) ***(continued)***

Whistleblowing

Arrow aims to maintain the highest standards of openness, integrity and accountability in its work. All employees or consultants who work for or with Arrow are encouraged to be vigilant for signs of wrongdoing or criminal activity by individuals or organisations working with Arrow and are encouraged to report such behaviour using our dedicated anonymous whistleblowing reporting line, which is managed by independent ethics and compliance specialist, Navex Global.

Financial crime

Arrow is committed, in the jurisdictions in which it operates, to the prevention of financial crime such as: money laundering, the funding of terrorist activity, bribery and corruption, sanctions breaches, fraud and market abuse. Through risk-based internal procedures, policies and systems and controls, we strive to ensure that high standards of financial crime prevention and awareness are maintained by all employees and consultants, whether under a contract of employment or otherwise. Our procedures include the screening of new and existing customers against sanctions and PEP watchlists and monitoring existing customers through a daily monitoring regime, which ensures timely and immediate reports of any potential instances. These activities are supported by annual financial crime training, which is mandatory across the Arrow Group for all new and existing employees. Arrow also engages external third parties to assist and oversee our anti-money laundering and financial crime policies and procedures.

Human rights and modern slavery

Arrow operates in accordance with all relevant laws and regulations, including those relating to human rights, which are specially addressed through a range of colleague-facing polices. In addition, each year the board reviews and approves the Group's Modern Slavery and Human Trafficking (MSHT) Statement. The existing MSHT Statement was approved in June 2024, by the Sherwood Parentco Limited board. The board considers that the actions being taken by the Group to identify and/or address any potential modern slavery or human trafficking within its supply chain continue to be appropriate.

It is pleased to report that the assessments undertaken in respect of the Group's supply chain to date have not identified any modern slavery or human trafficking activity.

Section 172 statement

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. In doing this, section 172 requires a director to have regard, amongst other matters, to the:

- likely consequences of any decisions in the long term;
- interests of the company's employees;
- need to foster the company's business relationships with suppliers, customers and others;
- impact of the company's operations on the community and environment;
- desirability of the company maintaining a reputation for high standards of business conduct; and
- need to act fairly as between members of the company.

The board are fully aware of their responsibilities to promote the success of the Company and Group in accordance with section 172. In discharging its duties, the board has considered the factors above as well as any other factors which they considered relevant to the decision being made.

Strategic report *(continued)*

Section 172 statement *(continued)*

During 2024, the board considered a number of matters, including the review of reward outcomes for 2023; the 2023 financial results; changes to the composition of subsidiary boards and establishment of new subsidiary entities; steps taken to prevent modern slavery in our business and supply chain; refinancing arrangements in respect of the Group's revolving credit facility and senior secured notes; various acquisitions including Amitra Capital Limited, significantly expanding the Group's footprint in Spain, and the operating platform and assets of Interboden GmbH & Co KG and certain subsidiaries by Arrow Global Germany GmbH; corporate governance arrangements; internal audit charter; and tax strategy.

The board's aim is to make sure that its decisions are in the best interests of the Company, by considering the Group's strategic priorities and having a governance framework in place for key decision-making that takes into account relevant stakeholders.

The Group's licence to operate relies, to a large extent, on how the business is perceived by its stakeholders, and specifically its customers, its clients, its employees, the communities in which it operates, its regulators and the wider industry, its Fund investors and its shareholders. Regular engagement with stakeholders enables the board to define and refine the Group's strategy and ensure that the Group delivers relevant services that meet the needs of its clients, its customers and its wider stakeholders.

Some examples of how the Company engages with its stakeholders are as follows:

Employees

The wellbeing and care of our people whilst ensuring compliance with regulatory and government guidelines is fundamental to the Group's people strategy.

Our focus for 2024 has been on continuing to build and strengthen capability and talent for the future which centres on all aspects of our employee proposition. We are continually reviewing and enhancing how we attract, hire, develop, engage with, support and reward our people. In 2024 we refined the organisational structures within the investment function to align to our vertical markets, strengthening and securing our succession capabilities for the future. We have built our teams and capabilities through acquisitions, internal moves, focussed development plans, knowledge sessions delivered by subject matter experts, and recruitment – at all times with a focus on retention of our experienced people and short- and long-term succession.

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Our focus on engagement and employee experience has driven a continued improvement of how we communicate with our colleagues. In October 80+ senior leaders from across the Group attended our in-person Leadership conference, celebrating successes, creating opportunities for networking and knowledge sharing and embedding priorities and objectives for the coming year. We launched our new internal Intranet, Connect, creating enhanced opportunities to share Group wide and local news and events and improving access to resources, policies and support information. Defined spaces within Connect ensure colleagues have access to information, support and initiatives around wellbeing and mental health and communities aligned to our employee representative groups. The Group continues to use a strategic tool, Peakon, to measure and improve engagement in teams and allows people managers to understand their strengths and priorities in improving team culture and engagement. In 2024, we launched our first Group wide survey and our Peakon engagement score, which is benchmarked externally to the financial services sector was 7.9 (out of 10) for 2024, in middle of the range for this sector and an increase of 0.3 on aggregated results for 2023.

Customers

The Company has always sought to ensure the fair treatment of customers. To help us achieve this, its local teams use a variety of customer forums and more formal governance meetings to bring continued focus on best practice with the aim of improving customer outcomes.

ARROW GLOBAL

Strategic report *(continued)*

Section 172 statement *(continued)*

Communities

The Group is mindful of the role it plays in society and we have continued to support Junior Achievement Europe (“JAE”), Europe’s largest non-profit provider of educational programmes for financial literacy and entrepreneurial skills for young people. In 2024, we have extended our volunteering support, encouraging colleagues to volunteer at charities with personal connections or local to our regional offices. We recognise that, sometimes, financial donations are the most critical to local charitable organisations and the Group contributes to this through hosting local fundraising events and matching colleague fundraising activities. The board fully understands that relationships we build with our communities are fundamental to our wider engagement in society and supports engagement activities to further strengthen these.

Regulators

The Company and its subsidiaries, both in the UK and across the Group, are in regular contact with the FCA, SRA and relevant local regulatory bodies to ensure that the Company is kept up-to-date with the latest regulatory developments, allowing it to understand and be prepared for any changes, as well as implementing best practice insights. The Company and its subsidiaries are always open and transparent in our communication with regulatory bodies.

Suppliers

The Company has a diverse range of suppliers who provide goods and services that are essential to the long-term strategic success and technological advancement of the business. The board recognises the importance of partnering with suppliers that share our values and sustainable approach to business. The board is fully supportive of the operational policies and procedures in place that help to govern and guide these relationships. Key matters debated and agreed by the board include approval of key contracts in line with the delegation of authority and matters reserved for the board.

Shareholders

The two-way engagement between the Group and its principal shareholder, TDR Capital, ensures the concerns and priorities of the shareholders are understood and taken into account during decision-making. Furthermore, the Company has implemented a schedule of matters which are reserved for the decision of the board of Sherwood Topco Limited, thus ensuring that its shareholder is involved in material decisions concerning the Group.

Fund Investors

The board is cognisant of the Group’s legal duties towards the investors in funds managed by AGG Capital Management Limited (AGGCML) and is committed to discharging those duties and obligations. The Group is engaging with investors on matters of responsible investing and sustainability as part of their investment opportunity screening and due diligence, with focus on compliance and risk management, climate-related risks and opportunities, and governance processes. Progress in these areas is benchmarked through AGG Capital Management’s annual reporting to the UN Principles for Responsible Investment. In addition, the Company’s ESG & Sustainability Committee oversees the ongoing delivery of the Group’s sustainability agenda and reviews, challenges and supports the Group’s approach and progress against agreed ESG initiatives. AGG Capital Management Limited’s real estate funds report to GRESB annually, which involves reporting sustainability measures at asset level. The Company has also become a member of INREV in 2024, Europe's leading platform for non-listed real estate insights. Finally, AGG Capital Management Limited monitors fund investments against Jersey Sound Business Practice Policy (‘SBPP’), which is designed to protect Jersey’s reputation and integrity in commercial and financial matters. As a regulated investment manager in Jersey, AGGCML gives due regard to the SBPP in respect of the investments that it evaluates and approves for its funds.

Strategic report *(continued)*

Section 172 statement *(continued)*

Bondholders and other debt investors

Our bondholders and other debt investors want access to timely, fair and balanced information so they can understand our business. Board engagement with investors is primarily through quarterly results presentations, trading updates and attending debt investor conferences.

Approved by the board of directors on 26 March 2025 and signed and authorised for issue on its behalf by:

Philip Shepherd

Director

Directors' report

The directors present their annual report on the affairs of the Group, together with the financial statements, for the year ended 31 December 2024.

Going concern

The Group made a loss before tax for the period of £69.9 million (2023: £125.3 million) and generated net operating cash inflows before purchase of portfolio investments and investments awaiting deployment of £311.0 million (31 December 2023: £361.0 million). The underlying loss before tax was £21.9 million (2023: £(67.1) million) comprising underlying operating profits of £86.1 million; less underlying borrowing costs of £108.0 million. There were also ongoing non-cash acquisition intangible and fair value accounting unwind costs associated primarily with the Arrow acquisition by TDR in 2021, but also later acquisitions of Maslow in 2023 and Amitra in 2024. These acquisition costs totalled £33.4 million for the year. A further £14.6 million of costs were incurred in relation to advisory and legal fees and accelerated non-cash amortisation in relation to the refinancing of bonds. The net operating cash inflows of £157.6 million (2023: £121.0 million) were due to strong cash generation of £379.9 million (31 December 2023: £375.4 million) resulting in a decrease in leverage over the year by 0.3 times to 3.7 times as at 31 December 2024 (2023: 3.9 times).

On 11 December 2024, the Group issued new €250 million 7.625% fixed rate senior secured notes, €965 million EURIBOR + 5.5% floating rate senior secured notes, and £250 million 9.625% fixed rate senior secured notes, all due December 2029, with the proceeds being used to pay the cash consideration for tender and exchange offers in respect of the existing 2026 and 2027 senior secured notes issued in November 2021, and certain drawings under the revolving credit facility. Of the senior secured notes issued in 2021, €36,268,000 remain outstanding of the €400 million 4.5% fixed rated senior secured notes due November 2026, €33,062,000 remains outstanding of the €640 million EURIBOR + 4.625% floating rate senior secured notes due November 2027 and £39,807,000 remains outstanding of the £350 million 6% fixed rate senior secured notes due November 2026. On 11 December 2024, the Group also entered into a new £285 million revolving credit facility, replacing the previous £285m million revolving facility which was terminated on the same date, with a margin of 350bps, maturing June 2029. The Group maintained healthy liquidity headroom of £343.3 million as at 31 December 2024 (31 December 2023: £227 million) and is forecast to be cash generating. At 31 December 2024, the Group had positive cash balances of £87.6 million (31 December 2023: £114.7 million) and net assets of £238.7 million (31 December 2023: £307.3 million). The Company's business activities are set out in the general information section in note 1.1 to the financial statements.

The assessment of the going concern basis of preparation for the Company has considered both the position at 31 December 2024 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 for the Group as at 31 December 2024, 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 assessment period running until Q1 2026.

A base case forecast, and several downside scenarios, have been prepared reflecting the Group's current financial position and expected future performance. The severe but plausible downside case is based upon the Oxford Economics 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 LPs. An in-house model is used to translate the OE macroeconomic forecasts into forecast outcomes for expected cumulative realisations. The expected cumulative realisations impact of the severe downside macroeconomic scenario has been applied to all portfolio realisations 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. 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 deployment and realisation acceleration) as required, the Group is able to maintain sufficient liquidity, operate within banking covenant, and to continue as a going concern. This scenario was aligned to the downside forecasts outlined in note 22.

ARROW GLOBAL

Directors' report *(continued)*

Going concern *(continued)*

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 and the directors do not propose a final dividend (2023: no dividends).

Ownership

The ultimate parent of the Company is Sherwood Holdings S.a.r.l. and the ultimate controlling party is an investment fund managed by TDR Capital LLP (TDR). TDR Nominees Limited holds the investment on behalf of TDR Capital IV Portfolio LP and TDR Capital Arrow Co-Investment LP. TDR is a leading international private equity firm, managing capital on behalf of institutional, governmental and private investors worldwide. TDR invests and partners with businesses to develop and grow their operations. TDR acquired the Group in October 2021.

Directors

The directors who served for the periods listed in the Company Information on page 1, and subsequently, were as follows:

Andrew Fisher
Philip Shepherd
Zach Lewy
Monique O'Keefe

Andrew Fisher

Andrew was a non-executive director, senior independent director and chair of the audit committee of Arrow Global Group plc prior to its acquisition by TDR in October 2021. Andrew was appointed to the board of Sherwood Parentco Limited on 25 October 2021. Andrew is a chartered accountant and has spent over 20 years as a finance director of major-listed companies where he has accumulated broad international experience and a considerable depth of knowledge across a variety of consumer credit asset classes. Prior to working in the financial services industry, he was a partner with Price Waterhouse LLP.

Philip Shepherd

Phil joined Arrow in 2019 as Group treasurer. He was appointed Group chief financial officer following the TDR acquisition. He is responsible for financial performance, HR, capital allocation and treasury. He has over 30 years' experience in finance and treasury and has held a number of senior treasury and finance roles in different industries and organisations. Phil is a qualified chartered accountant, an associate member of the Corporate Treasurers Association and holds an honours degree in Mathematics from the University of Sheffield.

Zach Lewy

Zach has over 25 years of executive experience in investment management and asset servicing. Zach founded Arrow Global in 2005 and serves as Group CEO and CIO of Arrow. Zach led the fundraising process for Arrow Credit Opportunities 1, the largest inaugural private credit fundraise globally in 2020 and the fourth largest private credit fundraise overall in Europe in 2020. He has supervised over 800 deals at Arrow and is a lead Principal in Arrow's fund manager. Prior to joining Arrow, he was an Officer of Sallie Mae, a Director at Vertex (the BPO division of United Utilities), and a Founder and Executive Director of 7C (a U.K. BPO company acquired by Vertex). Zach was previously the Chair of the UK Debt Buyers Association and was named an Ernst and Young Entrepreneur of the Year in 2010. He graduated from Princeton University with a BA in Economics with Honours and a Certificate in Applied and Computational Mathematics with Honours.

Directors' report *(continued)*

Directors *(continued)*

Monique O'Keefe

Monique joined Arrow in 2019 as Chair of Arrow's fund manager. She was appointed Chief Risk & Governance Officer following the TDR acquisition and continues to chair the fund manager. She is responsible for the performance of the fund manager, along with responsibility for compliance, risk, internal audit, company secretarial, ESG and legal services for Arrow Group. Monique has over 25 years' experience in finance, law and governance. She has held senior positions in structured finance banking at Goldman Sachs and Merrill Lynch, and as a structured finance lawyer at Clifford Chance. Monique has held a number of board positions. Monique also sits on the Board of Commissioners and is Deputy Chair at the Jersey Financial Services Commission, and sits on the board of the Jersey Resolution Authority. She has a Bachelor of Arts, a Bachelor of Law and a Masters of Law from the University of Queensland, Australia.

Directors' indemnities

During the financial period ended 31 December 2024 and up to the date of this directors' report, the Company has maintained appropriate liability insurance for its directors and officers.

As permitted by its Articles, Sherwood Topco Limited has granted indemnities to the directors of Sherwood ParentCo Limited, as well as several directors of subsidiary companies, on terms consistent with the applicable statutory provisions. Qualifying third party indemnity provisions for the purposes of section 234 of the Companies Act 2006 were accordingly in force during the course of the year and remain in force at the date of this report.

Employee consultation

The Group places considerable value on the engagement of its employees and uses a number of ways to engage with the team on matters that impact them and the performance of the Group. These generally include regular site-wide update meetings and email communication, use of employee engagement forums, the distribution of a weekly newsletter, focus group meetings, employee surveys and regular Group-wide business update meetings and workshops. The Group uses a strategic tool, Peakon, to measure and improve engagement in teams and allows people managers to understand their strengths and priorities in improving team culture and engagement. Our people managers carry out regular one-to-one meetings with their direct reports and the senior management team has an open-door policy, which allows all employees to discuss any concerns or new initiatives. We actively encourage and promote diversity and inclusion, with an emphasis on leader sponsorship and colleagues shaping and implementing action plans.

The Group also has a whistleblowing policy, which includes a requirement for mandatory training. An anonymous, externally facilitated whistleblowing helpline has also been implemented to listen to the concerns of employees and to help to enhance a culture of openness. This is further described below under 'Governance'.

Statement on engagement with suppliers, customers and others in a business relationship with the Group

A summary of how the directors have had regard to the need to foster the company's business relationships with suppliers, customers and others, and the effect of that regard, including on the principal decisions taken by the Company during the financial year is included in the 'Section 172 Statement' on pages 15 to 18 of the strategic report.

Disabled persons

The Group adopts a consistent, non-discriminatory approach to all applicants during both the recruitment and the on-boarding process, with due regard to their skills and abilities. In the event of an employee becoming disabled, every effort is made to ensure that their employment within the Group continues and that appropriate training and, where applicable, ergonomic arrangements are arranged. It is the policy of the Group that training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Carbon reporting – methodology

The methodology used for carbon reporting is set out in the ESG section of the strategic report, on pages 10 to 15.

Branches outside of the UK

The Company has no overseas branches. The Company's subsidiaries are detailed in note 21 to the financial statements.

Risk management

Please refer to the strategic report, on page 6.

ARROW GLOBAL

Directors' report *(continued)*

Political donations

The Company made no political donations and did not incur any political expenditure during the year (2023: £nil).

Future developments

The Group's future developments are detailed in the strategic report.

Guidelines for Disclosure and Transparency in Private Equity

The directors consider the report and financial statements to comply with all aspects of the Guidelines for Disclosure and Transparency in Private Equity. All required disclosures have been included throughout this annual report.

Governance

Regulation 14 of The Companies (Miscellaneous Reporting) Regulations 2018 applies to companies of a certain size to make a statement in the Directors' Report summarising the corporate governance arrangements applied by the company. Whilst no companies in the Group fall within the scope of this regulation, the directors of Sherwood Parentco Limited have opted to use the Wates Principles published by the Financial Reporting Council in December 2018 as a framework for describing the Company's governance arrangements, as follows:

Principle one: purpose and leadership

Purpose

Our purpose is building better financial futures. This is applicable for all our stakeholders including our customers, employees, shareholders, communities, and clients. Our purpose is well embedded across the Group.

Values and Culture

All of our stakeholders expect us to act in an ethical and responsible way and this is at the heart of how we conduct our business. Our Group-wide values support this approach, and we seek out and reward behaviours across the organisation that will make us more sustainable and more successful. Specifically:

- *We succeed together – we take ownership and ensure a positive outcome for both our customers and the Group.*
  - *We're collaborative and support each other.*
- *We do the right thing – we keep our promises.*
  - *We help our customers repay their debts in a timely and affordable way. We empathise with our customers and treat them fairly.*
- *We're trusted & valued – we earn trust from our customers by treating them as individuals.*
  - *We learn and change based on our customer feedback. We take our corporate responsibilities seriously. We will act as an example to all in our industry.*
- *We're brave & creative – we thrive on positivity, flexibility and challenge.*
  - *We share ideas and have the courage to lead – we are not afraid to do things differently. We use insight to lead change and innovation.*

Launched in 2016, our values are fully embedded across the Group and help us reward the behaviours that will make us more sustainable and more successful.

The Group aims to maintain the highest standards of openness, integrity and accountability in its work. All employees or consultants who work for or with the Group are encouraged to be vigilant for signs of wrongdoing or criminal activity by individuals or organisations working with the Group and are encouraged to report such behaviour using our dedicated anonymous whistleblowing reporting line, which is managed by independent ethics and compliance specialist, Navex Global.

As mentioned above, the Group uses a strategic tool, Peakon, to measure and improve engagement in teams and allows people managers to understand their strengths and priorities in improving team culture and engagement.

Strategy

The Group board and leadership team have articulated a number of key strategic deliverables for the business as part of its pivot towards a capital-light leading integrated fund manager. Significant progress has been made in this regard and the board tracks progress against the deliverables. De-leveraging is a strategic priority, as is continuing to scale the Group's fund proposition and using efficient local platforms to create a differentiated proposition.

ARROW GLOBAL

Directors' report *(continued)*

Governance *(continued)*

A key example of the board acting on this strategy during 2024 was the oversight of the successful completion of the senior secured notes refinancing, maintaining existing liquidity headroom and representing a significant de-risking from a funding perspective. Further examples of the board acting on these strategic deliverables include: expansion of the footprint of our platforms across Western Europe, which in turn support our three investment strategies, by the acquisition of platforms in Spain and Germany, providing further depth and breadth to the integrated fund manager proposition; thoughtful expansion of the fundraising team, leading to enhanced capability and a broader reach; significant upskilling of teams and talent within the organisation; and the €1.1 billion initial close of our discretionary real estate lending fund ALO.

Principle two: board composition

The Company is controlled by its directors on behalf of the shareholders and the board provides leadership. The board comprises three executive directors and an independent non-executive director, operating in a flat structure. A number of matters are reserved for the board's approval (the 'ParentCo Reserved Matters'). The board is responsible for the day-to-day control and oversight of the Group, subject to matters reserved to the board of Sherwood Topco Limited.

Details of the directors who served on the board and their experience is included on page 20-21.

As the Company continues to evolve, the structure and composition of the board will continue to be reviewed to ensure that it remains fit for purpose.

Beneath the board sits audit and risk committee, remuneration and nomination committee, proprietary investment and valuations committee, Group leadership committee, operational performance committee, investment management committee, and sustainability & ESG committee.

The purpose of the audit and risk committee is to provide oversight of the financial reporting process, the audit process, the Company's system of internal controls, the effectiveness of its risk management framework and compliance with laws and regulation and guidance, and any material internal audit matters.

The purpose of the remuneration and nomination committee is to consider key issues in respect of the overall remuneration structure of the Group, and certain key appointments. The Group encourages diversity and recognises the benefits that diversity bring to the organisation. The board is generally opposed to the use of quotas and believes that their arbitrary nature may not pay due regard to the needs of the business and the development of its existing management. However, the board recognises the value of a range of perspectives, ideas and experiences that diversity brings, whether gender, race, sexual orientation, cultural background, disability, religion or age. The Company has a clear diversity and inclusion strategy, recognising that diversity extends beyond gender targets and one that recognises the importance of building an inclusive environment where colleagues can thrive.

The proprietary investment and valuations committee considers certain matters in respect of the Group's investments in respect of its back book, and also in respect of the investments made by the discretionary funds (including the Group's Co-investment therein)

The Group leadership committee is responsible for the delivery of strategy as agreed by the board. The Group leadership committee is provided with weekly reports on key performance indicators, and quarterly reports in respect of the operations of the platforms in certain key areas. On the basis of this management information, the Group leadership committee monitors the delivery of the Group's strategy on an ongoing basis.

The operational performance committee is responsible for monitoring the performance and effectiveness of the group's platforms and the entities comprising them and making tactical decisions to drive improved performance.

The investment management committee is responsible for considering and making decisions to promote the success of the vertically integrated investment strategies of the Group, by promoting key initiatives in respect of raising third party capital, originating investment opportunities, and growing funds under management. The committee makes recommendations to the board on investment policy and strategy.

Directors' report *(continued)*

Governance *(continued)*

The sustainability & ESG committee oversees the ongoing delivery of the Group's sustainability agenda and reviews, challenges and supports the Group's approach and progress against agreed ESG initiatives. Committee members have played a key role in continuing to evolve and embed the ESG and responsible investment policies, monitoring ESG Key Performance Indicators, moving forward with our diversity and inclusion agenda and leveraging insight from external experts including specialist Sustainability consultants. This committee ensures that the Company is kept appraised of key developments in implementing the ESG and sustainability goals of the Company.

Principle three: director responsibilities

The Group has in place policies that provide clear lines of accountability and responsibility for effective decision making. Topco Reserved Matters are reserved for Sherwood Topco Limited board approval, which must also include TDR investor director consent. Whilst the independent non-executive director has no material business relationship with the Group which may influence his judgement or ability to provide independent challenge, he is a participant in the Group's long term management incentive plan in order to promote alignment with business outcomes. Directors are required to declare any conflict of interest in advance of any discussion.

The board meets on an ad-hoc basis, as required. Day-to-day operational management of the Group is delegated to the executive directors, the Group leadership committee and the Group's businesses through their local platform management team. The Group leadership committee meets weekly, with action points noted and followed up.

The board receives regular and timely information on all key aspects of the business, including financial performance, performance against the Group's strategy and key performance indicators, HR, key risks, and Human Resource and governance matters. Key financial information is collated from the Group's various accounting systems and the Group's finance function is appropriately qualified to ensure the integrity of this information. The Group's statutory financial statements are externally audited by KPMG LLP on an annual basis.

Principle four: opportunity and risk

The board seeks out opportunities while mitigating risk.

At the centre of our risk management framework is our Group's values and the culture embedded within the Group. Effective risk management is closely aligned to our goal of building better financial futures, while our three lines of defence model enables all colleagues to own and manage risk in a manner which supports well-informed decision-making with a view to mitigating risks. The enterprise-wide risk management framework defines a common approach across the whole organisation. Further detail of our risk management framework and the risks and uncertainties facing the business are described in the 'risks and uncertainties' section of the strategic report on pages 6 to 10.

Like all businesses, the Group faces a range of risks and uncertainties, successful management of which is paramount to the long-term achievement of the Group's strategic objectives. The board is clear about the specific risks faced by the business and its risk appetite that it is prepared to accept. Principal risks are identified through the Company's risk framework and tracked via our risk teams and committees which operate on both a central and platform level. The Company uses a risk management technology tool to ensure all colleagues across the Group report material risks in a timely manner. Our principal risks are captured under the headline categories of strategic, operational and financial risk. The board periodically monitors new and emerging risks via the audit and risk committee.

The board sees ESG as a significant opportunity and our approach to sustainability is aligned to our purpose of building better financial futures. We are committed to being a responsible participant in our markets and via our business strategy as we seek to contribute to ESG matters in order to both satisfy our responsibilities and be a thought leader regarding issues of sustainability that may impact our stakeholders.

Principle five: remuneration

Remuneration of Group leadership committee members and certain other key persons in the Group is subject to a number of levels of scrutiny and review, including (as appropriate) the board of AGG Capital Management Limited, the Company's remuneration and nomination committee and the board of Sherwood Topco Limited.

The Company's remuneration and nomination committee ensures that leadership and senior management are appropriately rewarded for their performance throughout the year, by implementing the Group's remuneration policy, determining each individual's total remuneration package and setting the performance measures for performance-related pay.

ARROW GLOBAL

Directors' report *(continued)*

Governance ***(continued)***

These decisions are carefully considered in the context of the Group's strategic goals, culture, external impacts, market practice and wider workforce remuneration. The aim is to ensure that remuneration and incentives adhere to the principles of good corporate governance, support good risk management practice and promote long-term sustainable Company performance. The Company remains fully committed to ensuring that the Group's remuneration policy and outcomes are aligned to its culture and values. 'What' has been achieved is equally balanced with 'How' this has been executed in the considerations of performance and remuneration out-turns. The approach is holistic and extends from leadership and senior management right through the wider workforce.

In setting senior remuneration, the primary objective is to ensure the enhancement of the Group's resources, by securing and retaining quality senior management who can deliver the Group's strategic ambitions in accordance with our purpose and the interests of shareholders. The Group's management incentive plan helps ensure that these objectives are met.

Principle six: stakeholder relationships and engagement

Stakeholder interests are at the heart of every strategic and operational decision taken by the board. Our focus on discharging our responsibilities to promote the success of the Company in accordance with section 172 of the Companies Act 2006 and the impact our decisions will have on our stakeholder groups has continued following TDR's acquisition of the Group. For further detail, please see the 'Section 172 Statement' on pages 15 to 18 of the strategic report.

Statement of disclosure of information to the auditor

Each of the persons who is a director at the date of approval of the financial statements confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all steps he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Auditor

KPMG LLP has indicated its willingness to accept reappointment as auditor of the Company. Appropriate arrangements have been put in place concerning their re-appointment in the absence of an annual general meeting.

By order of the board and signed on its behalf by:

Philip Shepherd

Director

26 March 2025

ARROW GLOBAL

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 Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent Company financial statements for each financial year. Under that law they have elected to prepare both the Group and the parent Company 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 Group and parent Company and of the Group's profit or loss for that period. In preparing each of the Group and parent Company 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 Group and parent 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 Group or the parent 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 parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its 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 Group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the board and signed on its behalf by:

Philip Shepherd

Director

26 March 2025

Independent auditor's report to the members of Sherwood Parentco Limited

Opinion

We have audited the financial statements of Sherwood Parentco Limited ("the Company") for the year ended 31 December 2024 which comprise the consolidated statement of profit or loss and other comprehensive income, consolidated and parent statement of financial position, consolidated and parent statement of changes in equity, consolidated and parent company statement of cash flows and related notes, including the accounting policies in note 3.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2024 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent Company financial statements have been properly prepared in accordance with UK-adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Group's business model and analysed how those risks might affect the Group and Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group or the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, the audit committee, internal audit and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes and attending audit committee meeting.

Independent auditor’s report to the members of Sherwood Parentco Limited *(continued)*

- Considering remuneration incentive schemes and performance targets for management and directors.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the Group auditor to full scope component auditors of relevant fraud risks identified at the Group level and requesting full scope component auditors performing procedures at the component level to report to the Group auditor any identified fraud risk factors or identified or suspected instances of fraud.

As required by auditing standards, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular:

- the risk that Group and component management may be in a position to make inappropriate accounting entries;
- the risk of bias in accounting estimates and judgements such as revenue from portfolio investments.

On this audit we do not believe there is a fraud risk related to revenue recognition on income from non-portfolio investments because there are no estimates or judgments involved in the recognition and calculation of these revenue streams.

We identified a fraud risk related to valuation of portfolio investments at fair value and amortised cost. We also identified a fraud risk related to assessment of consolidation. We did not identify any other fraud risks.

In determining the audit procedures, we took into account the results of our evaluation and testing of the operating effectiveness of some of the Group wide fraud risk management controls.

We also performed procedures including:

- Identifying journal entries and other adjustments to test for all in scope components based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual or seldom-used accounts having corresponding debit to portfolio assets, unexpected account combinations linked to portfolio assets, journals with specific descriptors;
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and others management (as required by auditing standards), and from inspection of the Group’s regulatory and legal correspondence and discussed with the directors and other management, the policies and procedures regarding compliance with laws and regulations.

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity’s procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the Group audit team to the full scope component auditors of relevant laws and regulations identified at the Group level, and a request for the component auditors to report to the Group audit team any instances of non-compliance with laws and regulations that could give rise to a material misstatement at the Group level.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies’ legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Independent auditor’s report to the members of Sherwood Parentco Limited *(continued)*

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: data protection laws, anti-bribery, anti-money laundering, consumer protection, employment law and certain aspects of company legislation recognising the financial and regulated nature of the Group’s activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors’ report

The directors are responsible for the strategic report and the directors’ report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors’ report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors’ report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors’ remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit. or

We have nothing to report in these respects.

Directors’ responsibilities

As explained more fully in their statement set out on page 26, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; assessing the Group and parent Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report to the members of Sherwood Parentco Limited *(continued)*

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Jatin Patel (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

London

E14 5GL

26 March 2025

ARROW GLOBAL

Consolidated statement of profit or loss and other comprehensive income for the year to 31 December 2024

Continuing operations	Note	12-months to 31 December 2024 £000	Re-presented[1] 12-months to 31 December 2023 £000
Integrated Fund Manager fee related income	6	267,068	193,626
Income from Balance Sheet investments:			
Fair value gains on investments at FVTPL		47,842	32,433
Income from investments at amortised cost		43,158	55,462
Impairment gains/(losses) on portfolio investments at amortised cost		8,207	(16,883)
Income from real estate inventories		6,797	2,403
Share of profit in portfolio joint venture		11,958	7,266
Total income from Balance Sheet investments	**22**	**117,962**	**80,681**
Profit on disposal of held for sale assets and liabilities		–	11,944
Gain on disposal of subsidiary	**29**	2,429	–
Other income		232	1,179
Total income		**387,691**	**287,430**
Total operating expenses	**9**	(337,595)	(324,949)
Operating profit/(loss)		**50,096**	**(37,519)**
Derivative fair value movements	**23**	–	12,018
Finance income		380	776
Finance costs	**7**	(120,411)	(103,712)
Share of profit in associate		–	3,089
Loss before tax[2]		**(69,935)**	**(125,348)**
Taxation credit on ordinary activities	**10**	647	75
Loss after tax		**(69,288)**	**(125,273)**
Other comprehensive loss: Items that are or may be reclassified subsequently to profit or loss:			
Foreign exchange translation difference arising on revaluation of foreign operations		(1,560)	207
Movement on the hedging reserve		(2,551)	(1,803)
Total comprehensive loss		**(73,399)**	**(126,869)**
Loss after tax attributable to:			
Owners of the Company		(69,152)	(125,967)
Non-controlling interest		(136)	694
		(69,288)	**(125,273)**
Comprehensive loss attributable to:			
Owners of the Company		(73,263)	(127,563)
Non-controlling interest		(136)	694
		(73,399)	**(126,869)**

1 Note the statement of profit or loss and other comprehensive income for 2023 has been re-presented to reflect the change in aggregation of total operating expenses. There is no impact on Loss after tax. Please see note 9 for a detailed breakdown of operating expenses.

2 The loss before tax of £69,935,000 for the year to 31 December 2024 (31 December 2023 £125,348,000) includes £47,988,000 of net adjusting costs (2023: £58,288,000), with an underlying loss before tax of £21,947,000 (2023: £67,060,000). For the reconciliation between these results please see pages 104-105

ARROW GLOBAL

Consolidated and parent statement of financial position at 31 December 2024

Assets	Note	Group 31 December 2024 £000	Parent 31 December 2024 £000	Group 31 December 2023 £000	Parent 31 December 2023 £000
Cash and cash equivalents		87,570	42	114,683	–
Derivative asset		415	–	558	–
Trade and other receivables	14	131,372	1,563	86,277	3,110
Investments:					
Investments – amortised cost	22	238,048	–	323,827	–
Investments – FVTPL	22	385,500	–	380,977	–
Investments – real estate inventories	22	3,333	–	54,588	–
Investments – joint venture	22	79,221	–	87,253	–
Total portfolio investments	22	**706,102**	**–**	**846,645**	**–**
Property, plant and equipment	13	28,219	3,273	30,010	3,748
Intangible assets	12	101,748	–	118,632	–
Deferred tax asset	10	10,827	–	6,610	–
Current tax asset		–	–	1,759	–
Investment in subsidiary undertakings	21	–	586,475	–	586,475
Investment in associates		–	–	321	–
Goodwill	11	746,926	–	745,109	–
Total assets		**1,813,179**	**591,353**	**1,950,604**	**593,333**
Liabilities					
Bank overdrafts	27	5,734	–	6,214	–
Revolving credit facility	27	13,299	–	157,592	–
Derivative liability	24	5,537	–	2,381	–
Trade and other payables	15	210,408	6,966	186,663	7,537
Current tax liability	10	972	–	–	–
Other borrowings	27	7,436	–	24,482	–
Senior secured notes	27	1,323,373	–	1,246,132	–
Deferred tax liability	10	12,849	–	19,827	–
Total liabilities		**1,579,608**	**6,966**	**1,643,291**	**7,537**
Equity					
Share capital	17	166,813	166,813	166,813	166,813
Share premium	17	419,609	419,609	419,609	419,609
Retained deficit		(351,936)	(2,035)	(283,657)	(626)
Hedging reserve		(3,798)	–	(1,247)	–
Other reserves		1,476	–	3,036	–
Total equity attributable to shareholders		**232,164**	**584,387**	**304,554**	**585,796**
Non-controlling interest		1,407	–	2,759	–
Total equity		**233,571**	**584,387**	**307,313**	**585,796**
Total equity and liabilities		**1,813,179**	**591,353**	**1,950,604**	**593,333**

Approved by the board of directors on 26 March 2025, signed and authorised for issue on its behalf by:

Philip Shepherd
Director
Registered in England and Wales No: 13299333

Consolidated and parent statement of changes in equity for the year to 31 December 2024

Group	Ordinary shares	Share premium	Retained earnings	Translation reserve[1]	Hedging reserve[1]	Total	Non-controlling interest	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 January 2023	**166,813**	**410,859**	**(156,428)**	**2,829**	**556**	**424,629**	**2,819**	**427,448**
Loss after tax	–	–	(125,967)	–	–	**(125,967)**	694	**(125,273)**
Exchange differences	–	–	–	207	–	**207**	–	**207**
Net fair value gains – cash flow hedges	–	–	–	–	(2,403)	**(2,403)**	–	**(2,403)**
Tax on hedged items	–	–	–	–	600	**600**	–	**600**
Total comprehensive loss for the year	–	–	(125,967)	207	(1,803)	**(127,563)**	694	**(126,869)**
Shares issued	–	8,750	–	–	–	**8,750**	–	**8,750**
Acquisition of non-controlling interests	–	–	(1,262)	–	–	**(1,262)**	(754)	**(2,016)**
Balance at 31 December 2023	**166,813**	**419,609**	**(283,657)**	**3,036**	**(1,247)**	**304,554**	**2,759**	**307,313**
Loss after tax	–	–	(69,152)	–	–	**(69,152)**	(136)	**(69,288)**
Exchange differences	–	–	–	(1,560)	–	**(1,560)**	–	**(1,560)**
Net fair value gain – cash flow hedges	–	–	–	–	(3,401)	**(3,401)**	–	**(3,401)**
Tax on hedged items	–	–	–	–	850	**850**	–	**850**
Total comprehensive loss for the year	–	–	(69,152)	(1,560)	(2,551)	**(73,263)**	(136)	**(73,399)**
Purchase of NCI	–	–	873	–	–	**873**	(1,006)	**(133)**
Acquisition of non-controlling interests	–	–	–	–	–	**–**	13	**13**
Distributions to non-controlling interests	–	–	–	–	–	**–**	**(223)**	**(223)**
Balance at 31 December 2024	**166,813**	**419,609**	**(351,936)**	**1,476**	**(3,798)**	**232,164**	**1,407**	**233,571**

[1] Other reserves total (£2,322,000) (2023: £1,789,000).

Parent	Ordinary shares	Share premium	Retained earnings	Total
	£000	£000	£000	£000
Balance at 1 January 2023	**166,813**	**410,859**	**(92)**	**577,580**
Loss after tax	–	–	(534)	**(534)**
Total comprehensive loss for the year	**--**	**--**	**(534)**	**(534)**
Shares issued	--	8,750	--	**8,750**
Balance at 31 December 2023	**166,813**	**419,609**	**(626)**	**585,796**
Loss after tax	--	--	(1,409)	**(1,409)**
Total comprehensive loss for the year	**--**	**--**	**(1,409)**	**(1,409)**
Shares issued	--	--	--	**--**
Balance at 31 December 2024	**166,813**	**419,609**	**(2,035)**	**584,387**

Consolidated and parent company statement of cash flow for the year to 31 December 2024

	Note	Group 2024 £000	Parent 2024 £000	Re-presented[1] Group 2023 £000	Parent 2023 £000
Net cash generated by operations	**29**	**157,591**	**855**	**121,031**	**–**
Investing activities					
Purchases of property, plant and equipment	**13**	(6,616)	(25)	(14,187)	–
Purchases of intangible assets	**12**	(12,544)	–	(8,997)	–
Proceeds from disposal of intangible assets and property, plant and equipment		36	–	–	–
Acquisition of an associate		–	–	(43)	–
Acquisition of subsidiaries, net of cash acquired	**28**	(3,956)	–	(46,443)	–
Additional investment in subsidiary		(43)	–	(9,503)	–
Disposal of subsidiary, net of cash		1,590	–	37,651	–
Net cash used in investing activities		**(21,533)**	**(25)**	**(41,522)**	**–**
Financing activities					
Repayment of RCF and other borrowings		(329,706)	–	(243,320)	–
Proceeds from RCF and other borrowings		166,197	–	239,798	–
Proceeds from senior notes issuing		115,476	–	–	–
Repayment of asset backed loans		–	–	(8,297)	–
Payment of interest on senior notes		(88,060)	–	(79,165)	–
Payment of interest on revolving credit facility		(15,366)	–	(12,339)	–
Bank interest received		380	–	776	–
Bank and other similar fees paid		(1,246)	–	(1,310)	–
Distributions to non-controlling interest		(223)	–	–	–
Lease payments	**19**	(7,400)	(788)	(5,642)	–
Net cash flow used in financing activities		**(159,948)**	**(788)**	**(109,499)**	**–**
Net (decrease)/increase in cash and cash equivalents		**(23,890)**	**42**	**(29,990)**	–
Cash and cash equivalents at beginning of year		114,683	–	143,603	–
Effect of exchange rates on cash and cash equivalents		(3,223)	–	1,070	–
Cash and cash equivalents at end of the year		**87,570**	**42**	**114,683**	**–**

[1]The Group has changed its presentation of repayments and proceeds of/from RCF and other borrowings in the year to show the repayments and proceeds separately as opposed to a net position within financing activities. The Group has determined that gross presentation is more in line with convention for such facilities under IAS 7, and has therefore disaggregated the balances in the current period. As a result, prior period amounts have been re-presented accordingly. The re-presentation had had no impact on the total cash flows from financing activities.

Included within cash and cash equivalents is £9,835,000 (2023: £11,838,203) of cash which may be subject to constraints regarding when the balance can be remitted, such as cash in a consolidated structure awaiting a payment date.

ARROW GLOBAL

Notes to the Financial Statements

1.1 General information

Sherwood Parentco Limited ('the Company') 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, which is the Company's functional currency. All amounts have been rounded to the nearest thousand except when otherwise indicated.

The Company's subsidiaries, both direct and indirect, at 31 December 2024 are listed in note 21.

The Group's principal activity is to acquire or originate, manage and/or service secured and unsecured loans, real estate and other investments, through an integrated fund manager model.

1.2. Basis of preparation and going concern

The Group and Company's financial statements for the year to 31 December 2024 have been prepared in accordance with UK-adopted international accounting standards.

As permitted by section 408 of the Companies Act 2006, a separate income statement and related notes of the Company have not been presented in this annual report and accounts. A number of the Group's subsidiaries have chosen to take advantage of the audit exemption set out within section 479A of the Companies Act 2006 for the year ended 31 December 2024, with the parent Company providing a declaration of guarantee in accordance with section 479C of the Companies Act 2006 for the relevant subsidiaries as at 31 December 2024. A full listing of the subsidiaries availing of the guarantee and audit exemption is set out in note 21.

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

Going concern statement

In assessing whether the going concern basis is appropriate to adopt for the Group as at 31 December 2024, 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 31 March 2026.

A base case forecast, and several downside scenarios, have been prepared reflecting the Group's current financial position and expected future performance. The 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 LPs. An in-house model is used to translate the Oxford Economics macroeconomic forecasts into forecast outcomes for expected cumulative realisations. The expected cumulative realisations impact of the downside macroeconomic scenario has been applied to all investment realisations 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. Adherence to the Group's leverage covenant was also considered in all scenarios.

The results of this scenario analysis show that in a severe but plausible downside scenario, the Group is able to maintain sufficient liquidity, operate within the banking covenants, and to continue as a going concern. This scenario was aligned to the severe downside forecasts outlined in note 22.

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.

ARROW GLOBAL

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 2024:

- Non-current Liabilities with Covenants – Amendments to IAS 1;
- Classification of Liabilities as Current and Non-current – Amendments to IAS 1;
- Lease Liability in a Sale and Leaseback – Amendments to IFRS 16: and
- Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7.

The above standards did not have a significant impact on the Group's financial statements.

2.1 Standards issued but not yet adopted

An amendment to a standard is effective for annual periods beginning after 1 January 2025 and earlier application is permitted; however, the Company has not early adopted the new or amended standard in preparing these financial statements.

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

- Lack of Exchangeability – Amendments to IAS 21

3. Material Accounting Policies

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group.

The consideration transferred in the acquisition is measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if they are related to the issue of debt or equity securities.

Non-controlling interests (NCI)

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December 2024 and the comparative period.

'Subsidiaries' are entities controlled by the Group. The Group 'controls' an entity if it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it has control if there are changes to one or more of the elements of control. This includes circumstances in which protective or other rights held (e.g. those resulting from a lending relationship) become substantive and lead to the Group having power over an investee.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. The results of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the Group. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Notes to the Financial Statements *(continued)*

3. Material Accounting Policies *(continued)*

i. Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

ii. Transactions eliminated upon consolidation

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Investment funds

The Group acts as fund manager to a number of investment funds. Determining whether the Group controls such an investment fund depends on sufficient linkage between its power as fund manager, and its aggregate economic returns. See note 4 for more details of the judgements applied.

For further disclosure in respect of unconsolidated securitisation vehicles and investment funds in which the Group has an interest or for which it is a sponsor, see note 25.

Securitisation vehicles

Securitisation vehicles in which the Group holds an economic interest are usually operated according to predetermined criteria that are part of the initial design of the vehicles. The Group is exposed to variability of returns from the vehicles through its holding of various securities issued by the vehicles.

Outside the day-to-day servicing of the receivables (which may be carried out by the Group under a servicing contract), key decisions are usually required only when the intent of the participants regarding the design of the economic structure or the strategy for the collection of the underlying assets changes.

In assessing whether it has control, the Group considers whether it manages the key decisions that most significantly affect these vehicles' returns, alongside its total variability related to its economic interests in the vehicles. As a result, the Group has concluded that it controls some of these vehicles, but not all (for more information on consolidated vehicles, see note 25).

Foreign currency

Foreign currency transactions

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

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 period, adjusted for effective interest and payments during the period and the carrying amount in the foreign currency, translated at the spot exchange rate at the end of the period.

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.

ARROW GLOBAL

Notes to the Financial Statements *(continued)*

3. Material Accounting Policies *(continued)*

Fair value gains on investments at FVTPL

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

Effective interest on amortised cost instruments

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 Group estimates future cash flows considering all contractual terms of the financial instrument, but not the expected credit loss (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 Group'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 ECL allowance.

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

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 Group'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. Updated future cash receipts are those expected in the normal course of maximising recoverability of credit-impaired assets.

Notes to the Financial Statements *(continued)*

3. Material Accounting Policies *(continued)*

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

Financial assets and financial liabilities

i. Recognition and initial measurement

Financial instruments are recognised on the trade date, which is the date on which the Group 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 financial liability not at FVTPL, transaction costs that are directly attributable to the acquisition or issue of a financial asset or financial 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).

All other financial assets are classified as measured at FVTPL.

Business model assessment

The Group 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 Group’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
- 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 Group’s stated objective for managing the financial assets is achieved and how cash flows are realised.

The Group’s portfolio investments are comprised of various types of underlying credit positions. The majority of investments, that do not relate to co-investment into its funds, are held by the Group for the primary purpose of collecting the underlying cash flows to the fullest extent possible. Sales of such portfolio investments are not part of management’s strategy for such investments when they are purchased, and generally only occur for wider strategic reasons.

ARROW GLOBAL

Notes to the Financial Statements *(continued)*

3. Material Accounting Policies *(continued)*

The Group's co-investment is deemed to be held in a different business model than 'hold to collect', as these portfolio investments are managed primarily on a fair value basis, with reporting to senior management on the performance of these assets being prepared on that basis. As such, the business model of these assets is neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets. As such, the Group's co-investment is classified as FVTPL.

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 Group 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 Group considers:

- contingent events changing the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group'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.

Contractually linked instruments

The Group 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 Group changes its business model for managing financial assets.

Financial assets

The Group 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 Group 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.

Notes to the Financial Statements *(continued)*

3. Material Accounting Policies *(continued)*

In transactions in which the Group 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 Group 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.

Financial liabilities

The Group 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 Group 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 does not result in derecognition of the financial asset, then the Group 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 Group derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

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

ii. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group 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 Group's trading activity.

ARROW GLOBAL

Notes to the Financial Statements *(continued)*

3. Material Accounting Policies *(continued)*

iii. Fair value measurement

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

When one is available, the Group 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 Group 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.

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 Group 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 Group recognises loss allowances for ECL on financial assets that are debt instruments, and that are not measured at FVTPL. The Group has not taken the low credit risk exemption for any of its financial assets.

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

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

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

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

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 due to default events possible within 12 months (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive due to such events);
- 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 material assets in this category are the portfolio investments held at amortised cost.

Notes to the Financial Statements *(continued)*

3. Material Accounting Policies *(continued)*

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; or
- 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; or
- 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 Group 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.

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

Interests in equity accounted investees

The Group's interests in equity-accounted investees comprise interests in associates and a joint venture. Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than the rights to its assets and liabilities.

Interest in associates and the joint venture are accounted for under the equity method. They are initially recognised at cost. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity-accounted investees, until the date on which significant influence or joint control ceases.

ARROW GLOBAL

Notes to the Financial Statements *(continued)*

3. Material Accounting Policies *(continued)*

Cash and cash equivalents

'Cash and cash equivalents' include notes and coins on hand and highly liquid financial assets with original maturities usually 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 also include cash which may be subject to constraints regarding when the balance can be remitted, such as cash in a consolidated structure awaiting a payment date.

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

Derivatives

All derivatives are measured at fair value in the statement of financial position.

Other assets

No ECL has been recognised for intercompany loans, cash and cash equivalents or trade and other receivables, on the basis that the ECL on such items is deemed to be immaterial.

Property, plant and equipment

i. Recognition and measurement

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

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

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

ii. Subsequent expenditure

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

iii. Depreciation

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

The most material category of property and equipment is right-of-use assets, for which the estimated useful lives are based on the lease contractual terms.

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

Intangible assets and goodwill

i. Software licenses and IT platforms

Expenditure on internally developed software, such as IT platforms, is recognised as an asset when the Group 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.

Notes to the Financial Statements *(continued)*

3. Material Accounting Policies *(continued)*

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.

ii. Customer intangibles

When the Group acquires businesses which have material ongoing customer relationships, whether they are contractual or not, the principles of IFRS 3 dictate that the fair value of such customer relationships must be estimated and recognised on the balance sheet at the acquisition date. The impact of this is to effectively reduce the goodwill recognised on acquisition.

Subsequent to the initial recognition of such assets, they are amortised over the expected life of the customer relationships with the Group. This amortisation is recognised within operating expenses.

The useful lives and carrying values of customer intangibles are reviewed at each reporting date and adjusted if appropriate.

iii. Goodwill

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than investment properties and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future post-tax cash flows, discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Borrowings

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

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

Notes to the Financial Statements *(continued)*

3. Material Accounting Policies *(continued)*

Inventories

As part of the Group's investment activities, it sometimes acquires real estate positions as part of a transaction. Where such real estate is acquired for the purposes of immediate resale, or where a sale will immediately follow a period of time where capital expenditure is being applied to the asset, such investments fall under the scope of IAS 2 – Inventories.

In line with IAS 2, all assets classified as inventories are held at initial cost, plus any subsequent cost of capital expenditure. Such assets are held at the lower of cost and net realisable value, but apart from this, no gain or loss will be taken on the value of the assets until the point at which they are sold, or partially sold.

Share capital and reserves

i. Share capital

Incremental costs that are directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

ii. Other reserves

Other reserves include the own share reserve and the translation reserve. These reserves are further explained in note 17.

Intercompany receivables

The Company holds material intercompany receivables within its statement of financial position.

These have been assessed under the 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.

IFM Fee related income

i. Fund management fees

The Group earns management fees from its performance of fund management services. Management fees are charged on third party money managed by the Group and are based on an agreed percentage of either committed money, invested money or Net Asset Value ("NAV"), dependent on the fund. Management fees are variable fee revenue streams, which relate to one performance obligation and contain a non-performance and performance-related fee element. The non-performance element of the fee is recognised as the services are performed under IFRS 15, with time elapsed being the measure of progress. Performance related fees are discussed below.

ii. Servicing and asset management fees

The Group undertakes various asset servicing and collection roles on behalf of its customers, in respect of Arrow's discretionary funds and also third parties. 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 Group 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.

iii. Performance-related fees

Performance-related fees are recognised only where it is highly probable that the revenue will not be reversed in the future. This is generally towards the end of the performance period or upon early liquidation of a fund. Performance-related fees will only be crystallised when a performance hurdle is met. The estimate of performance fees is made with reference to the liquidation profile for the fund, which factors in portfolio exits and timeframes. A constraint is applied to the estimate to reflect uncertainty of future fund performance consistent with the requirements of IFRS 15.

iv. Contract balances

In some instances, fees may be paid to a third party which are directly linked to the acquisition of a long-term contract with a customer. In line with IFRS 15 requirements, such costs are taken to the balance sheet as a cost to acquire a customer contract, and are released to the comprehensive statement of profit or loss over time, on a profile corresponding with the period over which economic benefits will be derived from the contract. Further Information on the Group's contract balances can be found in note 6.

Notes to the Financial Statements *(continued)*

3. Material Accounting Policies *(continued)*

Operating expenses

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

Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn income and incur expenses, including income and expenses relating to transactions with any of the Group's other components, whose operating results are regularly reviewed by the Group's chief operating decision maker (CODM) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Segment results that are reported to the Group's Exco members (being the CODM) include items that are directly attributable to a segment as well as those that can be allocated on a reasonable basis.

4. Critical and other accounting judgements and estimates

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group'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.

Critical Judgements

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

Determination of control over investees

Arrow holds an economic interest in a number of entities, which it determines under IFRS 10 that it does not control. As such, these entities are not consolidated into the Group's financial statements, but rather, the investment in such entities is recognised as a single asset within the appropriate balance sheet classification, usually Balance Sheet investments, but also investment in associates.

Conversely, the Group also consolidates entities into its financial statements which it does not have majority ownership of, but the Group is judged to control regardless, see note 21 for further detail.

The judgement as to whether or not the Group has control over an entity is taken on a case-by-case basis by management, and is firstly based upon whether the Group can exercise any power over the relevant activities of the entity, and if this is the case, whether there is deemed to be a link between such power and the variability of the Group's returns which arise from the entity.

In many cases, the determination of control is clear. For entities related to the Group's fund management operations, often involving the Group holding a minority share in a structured entity, as well as providing services to these entities in a typical supplier-customer relationship capacity, management must apply more judgement. In these cases, determining whether the Group controls such an investment fund depends on the number of investors, their rights to kick-out the Group as manager without cause, and the aggregate economic interest. Where there are a number of investors Arrow focuses on the assessment of the aggregate economic interests of the Group in the fund (including any carried interests and expected management fees), the investors' rights to remove the fund manager, and whether there are any prohibitive factors that would prevent investors using these rights. In the instance of a single party investor there are single party kick out rights and this is the focus of determining whether the Group has control.

The carrying value of investments in such entities is £334,124,000 at 31 December 2024 (2023: £284,387,000) representing the Group's co-investment proportion of the total fund net asset values. The aggregate economic interest in such entities ranges from a 20% to c.37% share of variable returns. If the Group were to determine it had to control over such fund structures, the full fund NAV would be consolidated, with liabilities recognised to third party investors.

Other Judgements

Classification of investment assets

The Group's co-investment in its funds are managed on a fair value basis, with reporting to senior management on the performance of these assets being prepared on that basis. As such, the business model of these assets has been judged to be neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets and the Group's co-investment business is classified as FVTPL.

ARROW GLOBAL

Notes to the Financial Statements *(continued)*

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

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

Regarding the 'hold to collect' business model, the Group has determined that this is the most appropriate IFRS 9 business model classification for its on-balance sheet investments, as although in the past a number of portfolios have been sold outright to a third party, such sales do not comprise a material component of the Group's expected cumulative realisations at any point in time, and the sales relate to strategic repositioning as opposed to being part of the business model. Therefore, such sales activity is not deemed to invalidate the 'hold to collect' business model which the Group employs for its legacy On-balance sheet investments.

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

For some investments, the SPPI criteria is not met, or there is an element of subordination within the holding structure. In such instances, these investments are held at FVTPL. Furthermore, some portfolio investments, such as those involving real estate, do not meet the definition of a financial instrument for accounting purposes. This leads to a portion of the Group's investments being classified as 'inventories', under the scope of IAS 2, or joint arrangements under IFRS 11

Where there are a small number of investors Arrow focuses on the assessment of the aggregate economic interests of the Group in the fund (including any carried interests and expected management fees) and the investors' rights to remove the fund manager.

In the instance of a single party investor with single party kick out rights the Group does not have control.

Considering aggregate economic interest for those funds where there are not single party kick-out rights, if the economic returns are substantial, the Group assesses the strength of the kick-out rights based on a number of factors, including the rights being without cause, the number of investors required to act, and any penalties applied to exercise the rights. The Group has concluded that it acts as agent for the investors in all cases, and therefore has not consolidated these funds.

Critical assumptions and estimation uncertainties

i. Carrying value of investments

The carrying value of investments is £706,102,000 at 31 December 2024 (2023: £846,645,000). £385,500,000 of investment assets are classified as FVTPL and £238,048,000 of portfolio assets are classified as amortised cost.

For 31 December 2024, for assets co-invested in its funds, the Group has taken its percentage ownership of the fund valuations. The fund valuations are derived by either generated expected cumulative realisations using a bottom-up approach, whereby cash flows have been modelled using a number of factors, including cash realisations history, property status and valuations and macro-economic projections of property values, or third party valuations provided by specialists.

The expected cumulative realisations are then discounted at the market rate with the rate updated by adjusting for movements in the risk free rate reflecting the change in discount rates due to prevailing market conditions.

For portfolio investments excluding co-investments and joint ventures, the Group has generated its own expected cumulative realisations whereby each individual portfolio's cash flow has been modelled using a number of portfolio specific factors, including cash realisations history and an array of data concerning the status of the individual loans within these portfolios, for example account-specific balance sheet cash realisations history, account status, property status and valuation (for secured accounts), servicer history, and supporting data from third parties such as credit files or macroeconomic projections. This data has been used in conjunction with the predicted effectiveness of any additional collection initiatives to generate the eventual expected cumulative realisations for each portfolio.

ARROW GLOBAL

Notes to the Financial Statements *(continued)*

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

The expected cumulative realisations are then discounted at the appropriate rate (EIR for amortised cost portfolios, and a rate reflective of assumptions that market participants would use when pricing the asset for FVTPL portfolios as for fund investments), to obtain the revised NPV and hence carrying value of the amortised cost and FVTPL portfolio investments. For Real Estate Owned (REO) portfolio investments, the revised expected cumulative realisations curve is used to determine the net realisable value in assessing each portfolio for potential impairment. Depending on the asset, the expected cumulative realisations and discount rate is expected to be the significant estimate. If an asset contains multiple elements of variable risk, for example large real estate development assets of varying degrees of completion, a discount rate matrix is used to reflect the degrees of a risk a market participant would use in pricing the individual elements.

Following production of the valuations, the Group utilises a range of third party forward-looking economic scenario projections, to adjust the amortised cost portfolio for macro-economic risk not captured in the bottom-up portfolio-level modelling. As part of this exercise, it is assumed that the portfolio-level expected cumulative realisations represent the 'Base Case' economic scenario projection, and the performance indicators that underpin these expected cumulative realisations, including House Price Index (HPI) and Default Rates, are stressed according to the relative variance between a given economic scenario projection and the 'Base Case' economic scenario projection. Further inferences are made, for example with respect to how the Weighted Average Life (WAL) of the portfolio-level expected cumulative realisations would vary across the given economic scenario projections, to yield a revised Group expected cumulative realisation under each scenario. A weighted probability is then assigned to each scenario to yield an adjusted expected cumulative realisation. Numerical disclosures and sensitivities have been set out in note 24.

The joint venture portfolio investment is accounted for under the equity method. The majority of the value under this method is derived from the underlying special purpose entity classifying and measuring the portfolio receivables as amortised cost assets. The underlying expected cumulative realisations is based on the joint venture partner's own projection of future cash flows from the portfolio, incorporating factors relating to macroeconomic environments, types of debtors and loan, and historic experience of portfolios with similar characteristics, with input from Arrow management via the joint governance structure. This expected cumulative realisation is then discounted at the EIR to provide a carrying value, from which the Group has taken its percentage ownership share in addition to other less significant assets and liabilities of the special purpose entity.

The estimated future cash flows generated by the above process and the forecasting period over which expected cumulative realisations are calculated are the key estimate/judgement in these financial statements. Sensitivities for these key estimates and judgements is shown in note 23.

ii. Fair value of net assets acquired as part of business combinations

The Group recognises goodwill on the acquisition of entities as discussed in the material accounting policies. Goodwill is the excess of the consideration paid over the fair value of net assets acquired. Therefore, the fair value of assets acquired directly impacts the amount of goodwill recognised on acquisition. The determination of the fair value of acquired net assets requires the exercise of management judgement, particularly for those financial assets or liabilities for which there are no quoted prices, or assets such as acquired portfolio investments and customer intangibles where valuations reflect estimates of amounts and timing of future cash flows. Different valuations would result in changes to the goodwill arising and to the post-acquisition performance of the acquired entities. Further detail on the valuation of acquired loan portfolios is given in section i. above. Note 28 provides further detail on acquisitions and the net assets acquired on each.

Other assumptions and estimation uncertainties

i. Impairment assessment of goodwill balances

The carrying amount of goodwill is £746,926,000 at 31 December 2024 (2023: £745,109,000). The Group's goodwill has primarily been recognised on the acquisition of Arrow on 11 October 2021 and has been fully allocated to the Integrated Fund Management CGU. Additional acquisitions of Amitra and Interboden have resulted in additional goodwill of £1,844,000 in the year. An assessment for impairment has been undertaken as at 31 December 2024 with no impairment identified. Estimates used in the assessment are the expected long-term cash flows the Integrated Fund Management CGU is expected to generate and the market discount rates applicable to such a CGU. Market discount rates have been derived using the Capital Asset Pricing Model, using observable market data on comparable listed entities. Judgement is applied in both selecting the comparable entities and the Group specific risk adjustments required for the CGUs. Plausible changes to key assumptions have been modelled and show there continues to be headroom and accordingly goodwill is not significant considered to be a significant estimate or contain critical assumptions. A market discount rate of 11% and a long term growth rate of 2% have been used in the assessment.

ARROW GLOBAL

Notes to the Financial Statements *(continued)*

5. Segmental reporting

The Group reports under three separate reportable segments, being Integrated Fund Management ("IFM"), Balance Sheet and Group. Details of the principal business categories are as follows:

Integrated Fund Management	Income and costs associated with managing investment portfolios on behalf of the Group, our discretionary funds and other third parties, the income and costs associated with providing other servicing and realisation activities to third parties and income and costs associated with investment and asset management. The combined income from this segment represents the capital-light income of the Group.
Balance Sheet	All portfolio investments that the Group owns, including investments held directly on our balance sheet together with our co-investment made through our discretionary funds, such as ACO 1,ACO 2, AREO 1, and ALO 1, and the associated income and direct costs of such investments.
Group	Costs not directly associated with the other two segments, but relevant to overall oversight and control of the Group's activities.

These segments represent how the Group manages the wider business, and the organisational structure is aligned to these segments. Therefore, this has been deemed to be the appropriate level of disaggregation to provide information to the Chief Operating Decision Maker.

The Integrated Fund Management segment charges the Balance Sheet segment for servicing and realisation of the Group portfolio investments and management and servicing fees in relation to fund management in respect to its investments. This intra-segment charge is calculated on equivalent commercial terms to charging third parties. The intra-segment elimination column below removes such charges.

12-months to 31 December 2024	**Integrated Fund Management**	**Balance Sheet**	**Group**	**Intra-segment elimination**	**Total exc. adjusting items 31 December 2024**	**Adjusting items[1]**	**Total inc. adjusting items 31 December 2024**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Total income	302,882	120,069	23	(35,604)	387,370	321	387,691
Collection activity and fund management costs	(114,745)	(57,291)	(237)	35,604	(136,669)	–	(136,669)
Gross margin	**188,137**	**62,778**	**(214)**	**–**	**250,701**	**321**	**251,022**
Gross margin %	*62.1%*	*52.3%*			*64.7%*		*64.7%*
Other operating expenses excluding depreciation, amortisation and forex	(119,072)	(7,031)	(34,465)	–	(160,568)	(13,074)	(173,642)
EBITDA	**69,065**	**55,747**	**(34,679)**	–	**90,133**	**(12,753)**	**77,380**
EBITDA margin %	*22.8%*	*46.4%*		–	*23.3%*		*20.0%*
Depreciation and amortisation	(8,981)	–	(2,689)	–	(11,670)	(23,203)	(34,873)
Foreign exchange translation gain	–	–	7,589	–	7,589	–	7,589
Operating profit/(loss)	**60,084**	**55,747**	**(29,779)**	–	**86,052**	**(35,956)**	**50,096**
Derivative fair value movements	–	–	–	–	–	–	–
Net finance costs	–	–	(107,999)	–	(107,999)	(12,032)	(120,031)
Profit/(loss) before tax and adjusting items	**60,084**	**55,747**	**(137,778)**	–	**(21,947)**	**(47,988)**	**(69,935)**

[1] The loss before tax of £69,396,000 for the year to 31 December 2024 (2023: £125,348,000), includes £47,988,000 of net adjusting costs (2023: £58,288,000), For more detail on adjusting items see pages 104 and 105.

Notes to the Financial Statements *(continued)*

5. Segmental reporting *(continued)*

12-months to 31 December 2023	**Integrated Fund Management**	**Balance Sheet**	**Group**	**Intra-segment elimination**	**Total exc. adjusting items 31 December 2023**	**Adjusting items**	**Total inc. adjusting items 31 December 2023**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Total income	220,917	86,904	21	(39,455)	268,387	19,043	287,430
Collection activity and fund management costs	(97,038)	(57,032)	(113)	39,455	(114,728)	(15,693)	(130,421)
Gross margin	**123,879**	**29,872**	**(92)**	–	**153,659**	**3,350**	**157,009**
Gross margin %	*56.1%*	*34.4%*			*57.3%*		*54.6%*
Other operating expenses excluding depreciation, amortisation and forex	(79,166)	(3,700)	(32,059)	–	(114,925)	(58,537)	(173,462)
EBITDA	**44,713**	**26,172**	**(32,151)**	–	**38,734**	**(55,187)**	**(16,453)**
EBITDA margin %	*20.2%*	*30.1%*			*14.4%*		*(5.7)%*
Depreciation and amortisation	(7,861)	–	(2,213)	–	(10,074)	(15,008)	(25,082)
Foreign exchange translation loss	–	–	4,016	–	4,016	–	4,016
Operating profit/(loss)	**36,852**	**26,172**	**(30,348)**	–	**32,676**	**(70,195)**	**(37,519)**
Derivative fair value movements	–	–	–	–	–	12,018	12,018
Net finance costs	–	–	(102,825)	–	(102,825)	(111)	(102,936)
Share of profit in associate	3,089	–	–	–	3,089	–	3,089
Profit/(loss) before tax and adjusting items	**39,941**	**26,172**	**(133,173)**	–	**(67,060)**	**(58,288)**	**(125,348)**

ARROW GLOBAL

Notes to the Financial Statements *(continued)*

5. Segmental reporting *(continued)*

Total income includes income from portfolio investments, fund and investment management and performance fees, asset management and servicing and other income.

The below and overleaf tables are produced on a statutory basis:

12-months to 31 December 2024	**UK, Luxembourg and Jersey**	**Ireland**	**Portugal**	**Italy**	**The Netherlands**	**Other Western Europe**	**Intra-Group trading**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Total income	209,657	39,063	77,730	56,384	34,744	5,717	(35,604)	**387,691**
Third party integrated fund and asset management income	99,869	38,060	52,266	42,362	29,027	5,484	–	**267,068**
Non-current assets	825,047	6,605	30,918	4,055	8,098	2,170	–	**876,893**

Re-presented 12-months to 31 December 2023	**UK, Luxembourg and Jersey**	**Ireland**	**Portugal**	**Italy**	**The Netherlands**	**Other Western Europe**	**Intra-Group trading**	**Total**
	000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Total income	147,781	22,881	68,830	48,112	39,281	–	(39,455)	287,430
Third party integrated fund and asset management income	63,372	21,614	46,499	35,514	26,627	–	–	193,626
Non-current assets	855,139	3,260	21,818	4,539	8,995	–	–	893,751

Note – due to the growth in the current year, Ireland has been separately identified as a reportable segment. In accordance with IFRS 8, the 2023 comparatives have been re-presented on the same basis.

Income from contracts with customers has been disaggregated on a geographical basis, as a similar set of services are provided to customers across the geographies, and therefore this was deemed to be the most appropriate level of disaggregation for this disclosure.

Non-current assets are assets with a useful life of more than one year with the exception of deferred tax which has been excluded.

ARROW GLOBAL

Notes to the Financial Statements *(continued)*

6. Integrated fund manager fee related income

Integrated fund manager fee related income is made up of discretionary fund management income from the Group's integrated fund manager activity, and third party asset management income including third party and Arrow on-balance sheet investments servicing activity, as described in the following paragraphs.

	Year to 31 December 2024	Re-presented Year to 31 December 2023
	£000	**£000**
Discretionary fund management income:		
External third party	106,581	77,685
Internal income arising on Arrow balance sheet co-invest	4,124	3,112
Total discretionary fund management income	**110,705**	**80,797**
Third party asset management income:		
External third party	160,720	103,943
Internal income arising on Arrow back book investments	31,457	36,177
Total third party asset management income	**192,177**	**140,120**
Total Integrated fund management segmental income	**302,882**	**220,917**

Note the table for the year to 31 December 2023 has been re-presented to provide greater detail on income for each type described below and disaggregation between intra-segment and external income.

Discretionary fund management

Fund and investment management income encompasses services provided in relation to the discretionary allocation and management of third party capital within ACO 1, ACO 2, AREO, and ALO. Fees for fund and investment management services are normally calculated based on a fixed percentage of the value of assets managed and deducted from the customer's account balance on a regular basis. Income from fund and investment management services is recognised over time as the services are provided in accordance with IFRS 15. Revenue is also generated from asset management and servicing the assets.

Third party asset management

Income from asset management and servicing contracts with third party customers, together with services provided to the Arrow back book, and is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it satisfies a performance obligation related to a service it has undertaken to provide to a customer in accordance with IFRS 15.

Servicing income comprises a broad range of services, including secured and unsecured collection activity, real estate asset realisation, legal title holding, due diligence activities, initial platform migration and on-boarding activities, securitisation vehicle set-up and ongoing management activities, new origination activities, litigation and court process management and third party sub-servicer management.

In all material cases, the services are provided at a point in time that corresponds to the satisfaction of the related performance obligations. As such, revenue arising from servicing income is normally recognised as the services are provided to the customer, with no deferral or acceleration of revenue across the life of the contract.

ARROW GLOBAL

Notes to the Financial Statements *(continued)*

6. Integrated fund manager fee related income *(continued)*

Contract balances

At 31 December 2024, the Group had assets relating to contracts with customers in the amount of £16.9m (December 2023: £14.2m). These assets fully relate to up-front costs which were incurred to acquire customers within the Group's fund and investment management business and will be released to the comprehensive statement of profit and loss across the same period as the associated income will be recognised, which is the lifetime of the related fund or contract.

A key judgement made in recognising these costs which were incurred to acquire customers was whether or not the investors in the fund met the definition of a customer in accordance with IFRS 15. Given the small number of larger, institutional investors which were engaged with on an individual basis as part of the customer acquisition process, this was deemed to meet the definition of a customer under IFRS 15 guidance. The weighted average life remaining on these contract balances is 6 years. The contract balances have amortised in the period, resulting in £2.6m (December 2023: £3.1m) of amortisation expensed to the comprehensive statement of profit and loss during the period.

7. Finance costs

	Year to 31 December 2024 £000	Year to 31 December 2023 £000
Interest and similar charges on bank loans	15,540	13,971
Interest and similar charges on senior secured notes	89,317	85,684
Interest and similar charges on asset-backed securitisation	–	187
Lease liability interest	1,906	1,805
Other interest	4,086	2,208
Interest rate swap and forward exchange contract hedge costs	(2,470)	(254)
Underlying finance costs	**108,379**	**103,601**
Acquisition related costs	146	111
Finance costs associated with refinancing	11,886	–
	120,411	**103,712**

8. Auditor remuneration

The analysis of auditor remuneration is as follows:

	Year to 31 December 2024 £000	Year to 31 December 2023 £000
Fees payable for audit services – Company	70	70
Fees payable for audit services – Group	3,433	3,179
Total fees payable for audit services	**3,503**	**3,249**
Fees payable for other assurance services	1,350	333
Total fees payable for non-audit services	1,350	333
Total fees payable	**4,853**	**3,582**

In addition, 2024 remuneration does not include £187,000 that was subsequently incurred in 2024 for the 2023 audit (2023: £55,000).

ARROW GLOBAL

Notes to the Financial Statements *(continued)*

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

9.a Total operating expenses

Total operating expenses are made up of direct and indirect costs, the detail of each is shown in the following tables:

Collection activity and fund management costs	Year to 31 December 2024 £000	Year to 31 December 2023 £000
External collection costs	10,137	9,669
Staff costs (see note 9b)	88,477	71,112
Direct temp labour	4,303	4,664
Direct operating costs	22,883	16,709
Legal disbursements	8,162	8,879
Other collection activity costs	2,707	3,695
Underlying other operating expenses	**136,669**	**114,728**
Operations held for sale result	–	15,693
Total collection activity and fund management costs	**136,669**	**130,421**

Other operating expenses	Year to 31 December 2024 £000	Year to 31 December 2023 £000
Staff costs (see note 9b)	87,936	64,377
Other related staff costs	8,389	7,767
Premises	5,033	2,187
IT	17,405	14,915
Depreciation and amortisation	11,670	10,074
Net foreign exchange (gains)/losses	(7,589)	(4,016)
Other operating expenses	41,805	25,679
Underlying other operating expenses	**164,649**	**120,983**
Maslow acquisition – investment in associate adjustment to fair value	–	36,457
Other acquisition costs – depreciation and amortisation	23,203	15,008
Acquisition related deferred remuneration	13,074	13,558
Operations held for sale result	–	8,522
Total other operating expenses	**200,926**	**194,528**
Total Operating expenses	**337,595**	**324,949**

The other staff-related costs caption largely relates to temporary labour, recruitment and training. Other operating expenses includes professional fees, travel and entertaining and business insurances.

The average headcount for the Group for the year to 31 December 2024 was 1,994 (31 December 2023: 1,977).

Notes to the Financial Statements *(continued)*

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

9.b Staff costs	**Year to 31 December 2024 £000**	**Year to 31 December 2023 £000**
Wages and bonuses	151,241	125,360
Pension costs	6,297	6,403
Social security costs	18,601	15,513
Staff restructuring	274	509
Total staff costs including operating held for sale result	**176,413**	**147,785**
Operating held for sale result	–	(12,296)
Total staff costs excluding operating held for sale result	**176,413**	**135,489**

The total cost of members of the executive committee, executive and non-executive directors' during the year was £8,755,000 (31 December 2023: £7,639,000), including £92,000 in relation to pension costs (31 December 2023: £65,000). In respect of the highest paid director (who was a director during the year), salary and performance related bonus was £1,957,000 (31 December 2023: £1,907,000), pension-related benefit was £nil (31 December 2023: £nil).

10. Tax

The Group's activities are predominantly UK based. The analysis below therefore uses the UK rate of corporation tax. The main rate of UK corporation tax, as enacted under the Finance Act 2022, increased to 25% from 1 April 2023.

a. Amounts recognised in profit and loss	**Year to 31 December 2024 £000**	**Year to 31 December 2023 £000**
Current tax charge:		
Tax charge at standard UK corporation tax rate	7,288	5,618
Total current tax charge	**7,288**	**5,618**
Deferred tax charge:		
Origination and reversal of temporary differences	(7,935)	(5,693)
Total deferred tax charge	**(7,935)**	**(5,693)**
Total income tax credit	**(647)**	**(75)**

The differences in the effective tax rate for the period and the standard rate of corporation tax in the UK at 25% (2023: 23.5%) are as follows:

b. Reconciliation of effective tax rate	**Year to 31 December 2024 £000**	**Year to 31 December 2023 £000**
Loss before tax	(69,935)	(125,348)
Tax credit at standard UK corporation tax rate	(17,484)	(29,457)
Adjustment in respect of prior periods – current tax	(93)	(661)
Adjustment in respect of prior periods – deferred tax	(1,819)	(1,198)
Effect of tax rates in foreign jurisdictions	(3,306)	725
Expenses not deductible for tax purposes	6,634	8,358
Income not taxable	(3,033)	(3,706)
Overseas tax suffered	934	800
Movements in unrecognised deferred tax	17,520	25,064
Total income tax credit	**(647)**	**(75)**

ARROW GLOBAL

Notes to the Financial Statements *(continued)*

10. Tax *(continued)*

c. Amounts recognised in OCI

There were amounts recognised in the OCI during the period of £850,000 in respect of tax (2023: £600,000).

Deferred tax

The Group has not recognised a deferred tax asset in relation to tax losses carried forward of £52,269,000 (2023: £70,254,000), due to lack of certainty over future utilisation of the losses. These losses may be available for offset against future profits and have no expiry date. There are no unrecognised deferred tax liabilities.

Deferred taxation is measured at the 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.

No tax rate changes were enacted during the period in respect of overseas territories in which the group operates.

Movement in deferred tax balances

2024

	Net balance 1 January £000	On acquisition of subsidiary[1]	Recognised in profit or loss £000	Recognised in OCI £000	Reclassification £000	Foreign exchange £000	Net balance 31 December £000	Deferred tax asset £000	Deferred tax liability £000
IFRS and fair value transitional adjustments	**(18,450)**	–	4,218	–	2,007	262	**(11,963)**	**886**	**(12,849)**
Hedging reserve	**415**	–	–	850	–	–	**1,265**	**1,265**	**–**
Other temporary differences	**1,766**	–	1,811	–	(503)	(109)	**2,965**	**2,965**	**–**
Losses	**3,052**	–	1,906	–	1,113	(360)	**5,711**	**5,711**	**–**
	(13,217)	–	**7,935**	**850**	**2,617**	**(207)**	**(2,022)**	**10,827**	**(12,849)**

2023

	Net balance 1 January £000	On acquisition of subsidiary[1] £000	Recognised in profit or loss £000	Recognised in OCI £000	Reclassification £000	Foreign exchange £000	Net balance 31 December £000	Deferred tax asset £000	Deferred tax liability £000
IFRS and fair value transitional adjustments	**(25,984)**	(44)	4,243	–	3,088	247	**(18,450)**	**1,377**	**(19,827)**
Hedging reserve	**(185)**	–	–	600	–	–	**415**	**415**	–
Other temporary differences	**(208)**	1,138	863	–	(48)	21	**1,766**	**1,766**	–
Losses	**2,966**	359	587	–	(780)	(80)	**3,052**	**3,052**	–
	(23,411)	**1,453**	**5,693**	**600**	**2,260**	**188**	**(13,217)**	**6,610**	**(19,827)**

[1] *See note 28 for further information on the acquisitions and disposals.*

ARROW GLOBAL

Notes to the Financial Statements *(continued)*

10. Tax *(continued)*

Uncertainty over income tax treatments

There is a current tax liability of £972,000 (2023: current tax asset of £1,759,000).

As for most multi-nationals, the current tax environment is creating increasing levels of uncertainty and the Group is potentially subject to tax audits in many jurisdictions. By their nature, these are often complex and could take a significant period of time to be agreed with the tax authorities. The Group estimates and accrues taxes that will ultimately be payable when reviews or audits by tax authorities of tax returns are completed. The levels of risk arising from tax audits may change as a result of legislative change, tax authority guidance or practice and correspondence with the tax authorities during a specific audit. It is not possible to quantify the impact that such future developments may have on the tax positions taken in the financial statements.

11. Goodwill

	Total
	£000
Cost	
At 1 January 2023	698,879
Additions[1]	46,381
Exchange rate differences	(151)
At 31 December 2023	**745,109**
Additions	1,844
Remeasurement[2]	742
Disposals	(509)
Exchange rate differences	(260)
At 31 December 2024	**746,926**
Impairment	
At 31 December 2024 and 31 December 2023	**–**
Carrying amount	
At 31 December 2024	**746,926**
At 31 December 2023	**745,109**

[1] *See note 28 for a detailed analysis of additions to goodwill during 2024.*

[2] *Remeasurement of fair values of acquired assets and liabilities at acquisition.*

Goodwill acquired in a business combination is allocated, at acquisition, to the CGUs that are expected to benefit from that business combination. The two CGUs considered for goodwill allocation were at the lowest level at which goodwill is monitored for internal management purposes and are not larger than the single operating segment defined under IFRS 8 (Operating Segments).

Goodwill CGU allocation

In relation to goodwill, the two CGUs identified are Integrated Fund Management, comprising all of the Group's debt management operations on behalf of the Group, discretionary funds and other third parties and the Balance Sheet investments, comprising the Group's owned portfolio investment business.

Notes to the Financial Statements *(continued)*

11. Goodwill *(continued)*

Five years of cash flows were included in the discounted cash flow model. A long-term growth rate into perpetuity has been determined as the lower of the nominal gross domestic product rates for the countries in which the CGU operates and the long-term compound annual profit before taxes, depreciation and amortisation growth rate estimated by management.

Budgeted profit before taxes, depreciation and amortisation were based on expectations of future outcomes taking into account past experience, adjusted for the anticipated revenue growth. Revenue growth was projected taking into account the average growth levels experienced over the past five years and the estimated growth for the next five years.

The key assumptions described above may change as economic and market conditions change. The Group estimates that likely possible changes in these assumptions would not cause the recoverable amount of the relevant CGU to decline below the carrying amount.

The Group's goodwill balance has been assessed and no part of the overall balance is deemed to be deductible for tax purposes.

For the purposes of impairment testing, goodwill is allocated to the Group's CGUs as follows:

	2024	2023
	£000	£000
Integrated Fund Management	746,926	745,109
	746,926	**745,109**

An impairment review was carried out at 31 December 2024, that resulted in no impairment to goodwill. The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. The recoverable amount of the CGUs is determined as the higher of fair value, less cost to sell and value in use. The Discount rate and forward-looking growth assumptions applied in the value in use calculations were as follows:

	2024 Integrated Fund Management	2023 Integrated Fund Management
Discount rate %	11%	10%
Growth rate used to extrapolate forecasts	2%	2%

Discount rates

Management estimates discount rates using post-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs.

The starting point for determining the discount rates for each CGU was to use the Group's weighted average cost of capital (WACC) and adjust this for specific factors for each of the CGUs to derive a market participant's rate. The factors took into account the risks inherent in each of the CGUs; such as currency, regulatory, and economic risks and the different operations in the CGUs were also considered.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next five years and extrapolates cash flows into perpetuity. The forecasts assume growth rates in origination and collection activity which in turn drive forecast realisations and cost figures. These assumptions are in keeping with the directors' expectations of future growth. Appropriate tax rates are applied to the cash flow forecasts for each CGU. The analysis has been prepared using post-tax cash flows and discount rates, as post-tax discount rates can be more readily derived from observable market data. The Group is satisfied that this is materially equal to performing the analysis on pre-tax cash flows and discount rates.

The result of the goodwill impairment review was that no impairment was deemed to exist as at 31 December 2024 and 31 December 2023.

Notes to the Financial Statements *(continued)*

12. Intangible assets

	Customer intangibles	Contractual rights	IT platform	Software licences	Total
	£000	£000	£000	£000	£000
Cost					
At 1 January 2023	**104,216**	**288**	**24,604**	**12,671**	**141,779**
Assets acquired on acquisition of a subsidiary	22,832	–	90	–	22,922
Exchange rate differences	–	(5)	(182)	57	(130)
Additions	–	17	7,046	1,934	8,997
Reclassifications	–	–	189	(148)	41
Disposals	(4,275)	–	(5,277)	(4,678)	(14,230)
At 31 December 2023	**122,773**	**300**	**26,470**	**9,836**	**159,379**
Exchange rate differences	–	(13)	(565)	79	(499)
Additions	202	–	7,840	4,502	12,544
Reclassifications	–	–	22	(31)	(9)
Disposals	–	–	(1,159)	(1,092)	(2,251)
At 31 December 2024	**122,975**	**287**	**32,608**	**13,294**	**169,164**
Accumulated amortisation					
At 1 January 2023	**14,458**	**245**	**5,066**	**3,926**	**23,695**
Exchange rate differences	–	(5)	135	78	208
Amortisation for the year[1]	13,310	3	2,069	3,085	18,467
Reclassifications	–	–	98	(96)	2
Disposals	(583)	–	–	(1,042)	(1,625)
At 31 December 2023	**27,185**	**243**	**7,368**	**5,951**	**40,747**
Exchange rate differences	–	(12)	71	124	183
Amortisation for the year[1]	23,105	3	2,708	1,834	27,650
Reclassifications	46	–	–	–	46
Disposals	–	–	(118)	(1,092)	(1,210)
At 31 December 2024	**50,336**	**234**	**10,029**	**6,817**	**67,416**
Carrying amount					
At 31 December 2024	**72,639**	**53**	**22,579**	**6,477**	**101,748**
At 31 December 2023	**95,588**	**57**	**19,102**	**3,885**	**118,632**

[1] Amortisation and depreciation are shown within the other operating costs line of the consolidated statement of profit or loss. £22,952,000 (2023: £11,857,000) of the amortisation has been excluded from the underlying result and included in adjusting items in the year.

Notes to the Financial Statements *(continued)*

13. Property, plant and equipment

	Leasehold improvements £000	Computer equipment £000	Furniture £000	Vehicles £000	Right-of-use asset[1] £000	Total £000
Cost						
At 1 January 2023	**3,626**	**1,026**	**2,291**	**317**	**34,817**	**42,077**
Assets acquired on acquisition of a subsidiary	–	56	70	97	–	223
Exchange differences	(456)	(18)	(193)	(13)	(421)	(1,101)
Additions	7,718	656	881	48	4,884	14,187
Reclassifications	–	(9)	–	–	63	54
Disposals	(6,102)	(489)	(1,330)	–	(5,942)	(13,863)
At 31 December 2023	**4,786**	**1,222**	**1,719**	**449**	**33,401**	**41,577**
Acquired on acquisition of subsidiary	–	104	27	11	458	600
Exchange differences	(142)	17	(77)	(5)	(997)	(1,204)
Additions	1,466	1,193	1,209	–	2,748	6,616
Reclassifications	(2,108)	–	2,130	(31)	89	80
Disposals	(3)	(50)	(10)	(8)	(986)	(1,057)
At 31 December 2024	**3,999**	**2,486**	**4,998**	**416**	**34,713**	**46,612**
Accumulated depreciation						
At 1 January 2023	**1,548**	**343**	**1,181**	**267**	**4,778**	**8,117**
Exchange differences	(125)	(26)	(165)	(17)	(52)	(385)
Charge for the year	690	371	428	27	5,099	6,615
Disposals	(1,494)	(142)	(731)	–	(413)	(2,780)
At 31 December 2023	**619**	**546**	**713**	**277**	**9,412**	**11,567**
Exchange differences	13	47	(40)	(1)	(308)	(289)
Charge for the year	510	491	314	39	5,869	7,223
Reclassifications	–	–	–	(29)	16	(13)
Disposals	–	(22)	–	–	(73)	(95)
At 31 December 2024	**1,142**	**1,062**	**987**	**286**	**14,916**	**18,393**
Carrying amount						
At 31 December 2024	**2,857**	**1,424**	**4,011**	**130**	**19,797**	**28,219**
At 31 December 2023	**4,167**	**676**	**1,006**	**172**	**23,989**	**30,010**

[1] *See note 19 for a detailed analysis of right-of-use assets.*

The parent company had Property, Plant and Equipment of £3,273,000 as at December 2024 (December 2023: £3,748,000)

Notes to the Financial Statements *(continued)*

14. Trade and other receivables

	Group 2024 £000	Company 2024 £000	Group 2023 £000	Company 2023 £000
Trade receivables	80,724	–	48,139	–
Contract balances	16,867	–	14,201	–
Other receivables	26,765	173	17,551	141
Prepayments	7,010	–	6,380	–
Due from other Group undertakings	6	1,390	6	2,969
Total trade and other receivables	**131,372**	**1,563**	**86,277**	**3,110**

15. Trade and other payables

Current	Group 2024 £000	Company 2024 £000	Group 2023 £000	Company 2023 £000
Trade payables	19,078	360	15,189	–
Deferred consideration on investments	703	–	–	–
Taxation and social security	9,170	–	3,065	–
Due to other Group undertakings	–	2,796	–	3,232
Due to parent companies	19,374	–	17,339	–
Accruals	71,623	–	50,589	–
Liabilities arising on acquisition of bankruptcy investments	1,194	–	–	–
Other liabilities	21,096	–	32,452	–
Lease liability	4,600	–	3,894	–
	146,838	**3,156**	**122,528**	**3,232**
Non-current				
Trade payables	6,202	–	8,120	–
Deferred consideration on investments	–	–	737	–
Taxation and social security	1,809	–	–	–
Accruals	3,352	–	–	–
Liabilities arising on acquisition of bankruptcy investments	18,010	–	28,501	–
Other liabilities	16,770	–	4,357	–
Lease liability	17,427	3,810	22,420	4,305
	63,570	**3,810**	**64,135**	**4,305**
Total trade and other payables	**210,408**	**6,966**	**186,663**	**7,537**

Notes to the Financial Statements *(continued)*

16. Contingent liabilities

Through the ordinary course of business, the Group exposes itself to potential liabilities which at present it is not aware of and may or may not arise in the future. As such, it would not be practical to try and quantify their future financial impact The nature of potential claims or liabilities has not changed since those reported in the consolidated financial statements of the Group as at and for the year ended 31 December 2024.

There has been no material development in the Netherlands data privacy matter regarding the Focum subsidiary, and the Group's view remains that the Dutch regulator's interpretation of GDPR is legally incorrect. This view has been further supported by the recent EU Court of Justice (ECJ) ruling in the KNLTB case regarding the Dutch Data Protection Authority's strict interpretation of GDPR's legitimate interest basis. The Group will continue to defend its position and as such, no provision has been recognised.

Set out below are broad areas of the Group's ordinary business activities which may in the future lead to potential claims or liabilities being incurred by the Group.

Conduct and regulatory compliance

Given the high level of scrutiny regarding financial institutions' treatment of customers and business conduct from regulatory bodies, the media and politicians, there is a possibility that certain aspects of the current or historic business, including, amongst other things, realisations practices and general treatment of customers, may be determined by regulatory bodies or the courts as, in their opinion, not being conducted in accordance with applicable laws or regulations, or fair and reasonable treatment. Any such determination could result in financial or operational impacts on the Group, including but not limited to fines, redress programmes or other remedial actions arising from our servicing and investment activities.

Contractual disputes

In carrying out its ongoing business, the Group enters into numerous contracts in any given period with a various third party entities. There is always a risk that a contractual dispute may arise in the future, which may lead to a claim against the Group in respect of any damages or losses incurred by the third party.

17. Share capital and reserves

Share capital and share premium

	2024	2023
Issued, fully paid and authorised:	**£000**	**£000**
166,813,370 ordinary shares of £1 each (2023:166,813,370)	166,813	166,813
	166,813	**166,813**

Total consideration for the shares was £586,422,000 (2023: £586,422,000) giving rise to a share premium of £419,609,000 (2023: £419,609,000). There are no restrictions on the repayment of capital.

The shareholders have the right to receive notice of, and to attend and vote at all general meetings of the Company.

Nature and purpose of reserves

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

18. Dividends

No dividends were paid or declared during 2024 and no final dividend is proposed (2023: nil).

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Notes to the Financial Statements *(continued)*

19. Leases

The Group has leases for offices premises, hospitality accommodation, vehicles and computer equipment. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. The Group classifies its right-of-use assets in a consistent manner to its property, plant and equipment (see note 13).

Leases of vehicles are usually limited to a lease term of two to four years. Leases of property generally have a lease term ranging from five years to ten years. Lease payments are generally fixed, however there are a limited number of property leases where rentals are linked to annual changes in an index (either the retail price index or consumer price index).

Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the right-of-use asset can only be used by the Group. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to purchase the underlying leased asset outright at the end of the lease, or to extend the lease for a further term. The Group is prohibited from selling or pledging the underlying leased assets as security. For leases over office buildings the Group must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Group must insure items of property, plant and equipment and incur maintenance fees on such items in accordance with the lease contracts.

Right-of-use assets

Right-of-use assets relate to leased office premises and vehicles that are presented within property, plant and equipment (see note 13).

	Office premises £'000	Hospitality accommodation £'000	Vehicles £000	Computer equipment £000
Balance at 31 December 2023	**16,973**	**4,883**	**1,755**	**378**
Assets acquired on acquisition of a subsidiary	458	–	–	–
Depreciation charge for the year	(3,882)	(1,236)	(630)	(121)
Additions	1,825	–	892	31
Disposals	(913)	–	–	–
Reclassifications	(294)	–	43	324
Exchange differences	(447)	(195)	(55)	8
Balance at 31 December 2024	**13,720**	3,452	**2,005**	**620**

Maturity analysis – contractual undiscounted cash flows

See note 23 for maturity analysis of lease liabilities as at 31 December 2024 and 31 December 2023.

Amounts recognised in profit or loss

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

	Year to 31 December 2024 £000	Year to 31 December 2023 £000
Interest on lease liabilities	1,906	1,805
Depreciation charge for the period on right of use assets	5,869	5,099
Expenses relating to short-term leases	77	71

Amounts recognised in statement of cash flows

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

	Year to 31 December 2024 £000	Year to 31 December 2023 £000
Total cash outflow for leases	7,400	5,642

Notes to the Financial Statements *(continued)*

20. Related party transactions

Related party balances

Related party balances as at the period end were as follows:

Group	Amounts due to Group undertakings 2024 £000	Amounts due to Group undertakings 2023 £000
Directors' loans	471	461
Total	**471**	**461**

Directors' loans were made in connection with the management incentive plan introduced at the time of the take-private transaction.

Company	Amounts due to Group undertakings 2024 £000	Amounts due to Group undertakings 2023 £000
Arrow Global Investments Holdings Limited	(2,746)	(3,182)
Sherwood Financing plc	(50)	(50)
Arrow Global Limited	1,390	–
Total	**(1,406)**	**(3,232)**

Balances relate to intercompany loans that are repayable on demand, with this being the longest contractual period and are, therefore, held as current liabilities.

Summary of transactions

The Group had the following reportable transactions with related parties:

	Interest income year to 31 December 2024 £000	Interest income year to 31 December 2023 £000
Directors' loans	10	10
Total	**10**	**10**

The Company had the following reportable transactions with related parties:

	Other expenses year to 31 December 2024 £000	Other expenses year to 31 December 2023 £000
Arrow Global Limited	1,390	–
Arrow Global Investments Holdings Limited	354	(50)
Total	**1,744**	**(50)**

ARROW GLOBAL

Notes to the Financial Statements *(continued)*

20. Related party transactions *(continued)*

Key management

Key management personnel, defined as permanent members of the board plus the executive committee, were awarded the following compensation for the financial period since being key management:

Remuneration	Year to 31 December 2024 £000	Year to 31 December 2023 £000
Salaries and performance related bonus	8,663	7,574
Pension-related benefits	92	65
	8,755	**7,639**

The number of key management personnel during the year was 10 (2023: 12).

Directors and key management participate in a management incentive plan that entitles key management personnel and senior employees to purchase shares in Sherwood Topco Limited, the top consolidating Group in the structure. In accordance with this plan, participants purchased shares at the fair value market price of the shares at grant date. See note 26 for further detail.

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Notes to the Financial Statements *(continued)*

21. Investments in subsidiaries and associates

Details of the Company's subsidiaries at 31 December 2024 are as follows:

Name	Place of incorporation (or registration) and operation	Registered office	Proportion of ordinary shares ownership (%)	Current status	Parent company
Agenda Management Services Limited* *Company no. 04637581*	UK (England & Wales)	Note 1	100	Trading	DFS
AGG Booth Title Limited *Company no. 12533342*	UK (England & Wales)	Note 2	100	Trading	ACM(H)L
AGG Capital Management (Holdco) Limited (ACM(H)L)* *Company no. 12272877*	UK (England & Wales)	Note 3	100	Trading	AGGL
AGL Fleetwood 2 Topco Limited (AF2TL)* *Company no. 12655329*	UK (England & Wales)	Note 3	100	Trading	AGIHL
AGL Fleetwood 3 Limited (AF3L) * *Company no. 12660015*	UK (England & Wales)	Note 3	100	Trading	AF2TL
AGL Fleetwood Limited* *Company no. 11889566*	UK (England & Wales)	Note 3	100	Trading	AFTL
AGL Fleetwood Topco Limited (AFTL)* *Company no. 11886176*	UK (England & Wales)	Note 3	100	Trading	AGIHL
Amitra Capital Limited (ACL)	UK (England & Wales)	Note 3	100	Trading	AGIHL
Anfora GP Limited	UK (England & Wales)	Note 3	100	Trading	ACL
Arrow Global (Holdings) Limited (AG(H)L)* *Company no. 05606576*	UK (England & Wales)	Note 3	100	Trading	AGIHL
Arrow Global Accounts Management Limited* *Company no. 05478076*	UK (England & Wales)	Note 3	100	Trading	AG(H)L
Arrow Global Adviser Limited (AGAL) *Company no. 12311219*	UK (England & Wales)	Note 3	100	Trading	AGIHL
Arrow Global Birch Holdings Limited *Company no. 14516928*	UK (England & Wales)	Note 3	100	Trading	AGIHL
Arrow Global Europe Limited* *Company no. 09296946*	UK (England & Wales)	Note 3	100	Trading	AGIHL
Arrow Global European Service Company Limited *Company no. 14409681*	UK (England & Wales)	Note 3	100	Trading	AG(H)L
Arrow Global Finance Limited* (formerly known as Arrow Global Finance Plc) *Company no. 08361735*	UK (England & Wales)	Note 3	100	Trading	AGIHL
Arrow Global Group Limited (AGGL)* *Company no. 08649661*	UK (England & Wales)	Note 3	100	Trading	SAL
Arrow Global Investments Holdings Limited (AGIHL)* *Company no. 06568603*	UK (England & Wales)	Note 3	100	Trading	AGGHL
Arrow Global Legh Limited *Company no. 08612068*	UK (England & Wales)	Note 3	100	Dormant	AG(H)L
Arrow Global Limited (AGL)* *Company no. 05606545*	UK (England & Wales)	Note 3	100	Trading	AG(H)L
Arrow Global Luna Limited* *Company no. 08898157*	UK (England & Wales)	Note 3	100	Trading	AG(H)L
Arrow Global Management Limited *Company no. 07373491*	UK (England & Wales)	Note 3	100	Dormant	AG(H)L
Arrow Global Massey Limited *Company no. 08612076*	UK (England & Wales)	Note 3	100	Trading	AG(H)L
Arrow Global One Limited (AGOL)* *Company no. 08649653*	UK (England & Wales)	Note 3	100	Trading	AGGL
Arrow Global Portugal Investments Limited* *Company no. 09312429*	UK (England & Wales)	Note 3	100	Trading	AG(H)L

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Notes to the Financial Statements *(continued)*

21. Investments in subsidiaries and associates *(continued)*

Name	Place of incorporation (or registration) and operation	Registered office	Proportion of ordinary shares ownership (%)	Current status	Parent company
Arrow Global Portugal Limited* *Company no. 07243769*	UK (England & Wales)	Note 3	100	Trading	AG(H)L
Arrow Global Receivables Management Limited* *Company no. 05875306*	UK (England & Wales)	Note 3	100	Trading	AG(H)L
Arrow SMA LP Limited (ASLL)* *Company no. 12272894*	UK (England & Wales)	Note 3	100	Trading	AGIHL
Bergen Capital Management Limited* *Company no. 07553297*	UK (England & Wales)	Note 3	100	Trading	MAL
Beryllium I GP Limited	UK (England & Wales)	Note 3	100	Trading	ACL
Beryllium II GP Limited	UK (England & Wales)	Note 3	100	Trading	ACL
Capquest Mortgage Servicing Limited *Company no. 05821008*	UK (England & Wales)	Note 3	100	Trading	AGOL
Drydens Limited (DFS)* *Company no. 06765260*	UK (England & Wales)	Note 1	100	Trading	AGL
Eagle Street Partners Limited* *Company no. 13097022*	UK (England & Wales)	Note 3	100	Trading	AGBHL
Erudio Customer Management Limited	UK (England & Wales)	Note 3	100	Dormant	AG(H)L
Mars Acquisition Limited (MAL)* *Company no. 08522909*	UK (England & Wales)	Note 3	100	Trading	AGIHL
Maslow Brokerage Limited* *Company no 12434070*	UK (England & Wales)	Note 24	100	Trading	MCAL
Maslow Capital Bridging Limited*	UK (England & Wales)	Note 33	100	Trading	MCUL
Maslow Capital LLP* *LLP no. OC345252*	UK (England & Wales)	Note 24	100	Trading	MCUL
Maslow Capital UK Limited* (formerly Maslow Global Partners Limited) (MCUL) *Company no. 13807373*	UK (England & Wales)	Note 24	100	Trading	MCGL
Quest Bidco Limited (QBL)* *Company no. 07653281*	UK (England & Wales)	Note 3	100	Trading	QTL
Quest Newco Limited (QNL)* *Company no. 07715012*	UK (England & Wales)	Note 3	100	Trading	QBL
Quest Topco Limited (QTL)* *Company no. 07653295*	UK (England & Wales)	Note 3	100	Trading	AGIHL
Sherwood Acquisitions Limited (SAL)* *Company no. 13299321*	UK (England & Wales)	Note 3	100	Trading	SPL
Sherwood Financing plc* *Company no. 13497082*	UK (England & Wales)	Note 3	100	Trading	SPL
Sherwood Financing 2 Limited* *Company no. 13538711*	UK (England & Wales)	Note 3	100	Trading	SPL
Western Acquisition Holdings Limited	UK (England & Wales)	Note 3	50	Dormant	AGL
Arrow Professional Services Ireland Limited	Republic of Ireland	Note 4	100	Trading	AGIHL
Eagle Street Partners Ireland Limited	Republic of Ireland	Note 25	100	Trading	AGBHL
Mars Capital Finance Ireland DAC	Republic of Ireland	Note 4	100	Trading	MAL
Mars Capital Management Ireland DAC	Republic of Ireland	Note 4	100	Trading	MAL
Resident Space Services Limited	Republic of Ireland	Note 25	100	Trading	RSAL
Arrow Global Guernsey Holdings Limited (AGGHL)	Guernsey	Note 5	100	Trading	AGOL
Arrow Global Guernsey Limited	Guernsey	Note 5	100	Dormant	AGIHL
AGG Capital Management Limited (AGGCML)	Jersey	Note 6	100	Trading	ACM(H)L
Arrow Credit Opportunities II Feeder A GP Limited	Jersey	Note 6	100	Trading	AGGCML

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Notes to the Financial Statements *(continued)*

21. Investments in subsidiaries and associates *(continued)*

Name	Place of incorporation (or registration) and operation	Registered office	Proportion of ordinary shares ownership (%)	Current status	Parent company
ALO Carry Partner GP Limited	Jersey	Note 6	100	Trading	ASLL
ALO Incentive Plan GP Limited	Jersey	Note 6	100	Trading	ASLL
AREO I Incentive Plan GP Limited	Jersey	Note 6	100	Trading	ASLL
Arrow SMA GP Limited (ASGL)	Jersey	Note 6	100	Trading	ASLL
Arrow Global SMA I LP	Jersey	Note 6	100	Trading	ASLL/ ASGL
Maslow Capital Global Limited (MGCL)	Jersey	Note 6	100	Trading	AGIHL
Maslow Capital Partners Limited	Jersey	Note 6	100	Trading	MCGL
Maslow Capital Advisers Limited (MCAL)	Jersey	Note 6	100	Trading	MCGL
Maslow Advisers II Limited	Jersey	Note 6	100	Trading	MCGL
Maslow Advisers III Limited	Jersey	Note 6	100	Trading	MCGL
Maslow Capital Management Limited	Jersey	Note 6	100	Trading	MCGL
Resident Space Advisors Limited	Jersey	Note 26	100	Trading	AGBHL
Sherwood Jersey Service Limited	Jersey	Note 6	100	Trading	SPL
Shield Corporate Limited	Jersey	Note 6	100	Trading	AGIHL
Shield Opera Limited	Jersey	Note 6	100	Trading	AGIHL
Shield incentive Plan GP Limited	Jersey	Note 6	100	Trading	ASLL
Spear Transaction Incentive Plan Limited	Jersey	Note 6	100	Trading	ASLL
ACO SPV S.r.l	Italy	Note 27	100	Trading	AGIS
ALO SPV S.r.l.	Italy	Note 27	100	Trading	AGIS
Arrow Global Investments Holdings Italia S.R.L. (AGIHIS)	Italy	Note 27	100	Trading	AGIHL
Arrow Global Italia S.R.L. (AGIS)	Italy	Note 27	100	Trading	AGIHL
Azzurro LeaseCo S.r.l.	Italy	Note 27	100	Trading	ZFM
Duccio Immobilaire 1 S.R.L	Italy	Note 11	100	Trading	SSS
Etna SPV S.R.L	Italy	Note 27	100	Trading	AGIS
Etna Reoco S.R.L.	Italy	Note 7	0	Trading	n/a
Europa Investimenti Aziende S.R.L. (EIAS)	Italy	Note 8	100	Trading	EIS
Europa Investimenti Corporate Finance S.R.L.	Italy	Note 8	100	Trading	EIS
Europa Investimenti Gestione Attivi S.R.L.	Italy	Note 8	100	Trading	EIS
Europa Investimenti Spa (EIS)	Italy	Note 8	100	Trading	AGIS
Europa Investimenti Trading S.R.L. (EITS)	Italy	Note 8	100	Trading	EIS
Fieramosca Dieci S.R.L.	Italy	Note 8	100	Trading	EIS
Haywave SPV S.R.L	Italy	Note 7	100	Trading	AGIS
Immobiliare San Silvestro S.R.L.	Italy	Note 28	100	In liquidation	LDuS
Lanzone Cinque S.R.L.	Italy	Note 8	100	Trading	EIS
Lanzone Diciannove S.R.L. (LDiS)	Italy	Note 8	100	Trading	EIS
Lanzone Dodici Real Estate S.R.L.	Italy	Note 30	100	Trading	LDoS
Lanzone Dodici S.R.L. (LDoS)	Italy	Note 8	100	Trading	EIS
Lanzone Due S.R.L. (LDuS)	Italy	Note 8	100	Trading	EIS
Lanzone Ventidue S.R.L. (LVS)	Italy	Note 8	100	Trading	EIS
Lanzone Ventuno S.R.L.	Italy	Note 9	100	Trading	LDiS
LeaseCo First Srl	Italy	Note 7	100	Trading	ZGS
Leaseco Vulcan S.R.L	Italy	Note 7	100	Trading	ZGS
Omnia S.R.L	Italy	Note 10	100	Trading	LDoS
Real Estate SPV Project 2101 S.r.l.	Italy	Note 27	100	Trading	AGIS
Sansedoni Agency S.R.L	Italy	Note 11	100	Trading	SSS
Sansedoni Siena S.P.A (SSS)	Italy	Note 11	100	Trading	LVS
Solvere S.R.L	Italy	Note 11	100	Trading	SSS

Notes to the Financial Statements *(continued)*

21. Investments in subsidiaries and associates *(continued)*

Name	Place of incorporation (or registration) and operation	Registered office	Proportion of ordinary shares ownership (%)	Current status	Parent company
SPV Project 156 S.R.L	Italy	Note 7	100	Trading	AGIS
SPV Project 158 S.R.L	Italy	Note 7	100	Trading	EITS
SPV Project 1608	Italy	Note 7	0	Trading	n/a
SPV Project 1713 S.R.L	Italy	Note 7	100	Trading	AGIS
SPV Project 2405 S.r.l.	Italy	Note 27	100	Trading	AGIS
VAR Reoco S.R.L.	Italy	Note 7	100	Trading	AGIS
Vulcan SPV S.R.L	Italy	Note 7	100	Trading	AGIS
Zen Finance Management S.R.L. (ZFM)	Italy	Note 7	50	Trading	ZGS
Zenith Global S.p.A. (formerly Zenith Services S.p,A (ZGS)	Italy	Note 7	100	Trading	AGIHIS
Zeus Finance S.R.L	Italy	Note 7	0	Trading	n/a
Strzala Sp. z o.o.	Poland	Note 13	100	Dormant	AG(H)L/AGL
Capquest Debt Recovery S.A (pty) Limited	South Africa	Note 14	100	Dormant	AGL
AGHL Portugal Investments Holdings, S.A. (AGHLPIH)	Portugal	Note 15	100	Trading	AGLH
Arrow Adviser PT SA	Portugal	Note 15	100	Trading	AGAL
Central Walls, Unipessoal LDA	Portugal	Note 15	100	Non-Trading	AGHLPIH
Court Visit, Unipessoal LDA	Portugal	Note 15	100	Trading	AGHLPIH
Details Hospitality, Sports & Leisure, S.A (formerlyDetails Hotels & Resorts, SA)	Portugal	Note 16	100	Trading	AGHLPIH
Hefesto STC, S.A.	Portugal	Note 15	100	Trading	AGHLPIH
Little Turbilhão SA	Portugal	Note 15	100	Trading	AGHLPIH
MREO Investments, SA	Portugal	Note 17	100	Trading	AGHLPIH
Nexor Servicos LDA	Portugal	Note 15	70	Trading	AGHLPIH
Norfin Investimentos, S.A.(NISA)	Portugal	Note 15	100	Trading	AGHLPIH
Norfin – Serviços, S.A	Portugal	Note 15	100	Trading	NISA
Norfin – Sociedade Gestora de Organismos de Investimento Coletivo, S.A	Portugal	Note 15	100	Trading	NISA
Partilha Transparente – Unipessoal LDA	Portugal	Note 15	100	Trading	AGHLPIH
Restart Capital Unipessoal, LDA	Portugal	Note 15	100	Trading	AGHLPIH
Sandalgreen, Assets, S.A.	Portugal	Note 15	100	Trading	AGHLPIH
Sucesso Delicado, S.A.	Portugal	Note 15	100	Trading	AGHLPIH
Whitestar Asset Solutions, S.A.	Portugal	Note 15	100	Trading	AGHLPIH
Arrow Espana Holding SLU (AEHS)	Spain	Note 34	100	Trading	AGLH
Amitra Spain S.L.	Spain	Note 34	100	Trading	AEHS
Maslow Capital España, S.L.	Spain	Note 31	100	Trading	AEHS
Marlowroad S.L.	Spain	Note 34	100	Trading	AEHS
Arrow Global Benelux (Holdings) B.V. (AGBH)	Netherlands	Note 18	100	Trading	AGIHB
Arrow Global Investments Holdings Benelux B.V. (AGIHB)	Netherlands	Note 18	100	Trading	AGLH
Fiditon Holding B.V. (FH)	Netherlands	Note 18	100	Trading	AGIHB
Focum Groep B.V. (FG)	Netherlands	Note 18	100	Trading	AGIHB
Focum Solutions B.V.	Netherlands	Note 18	100	Trading	FG
Incassobureau Fiditon B.V.	Netherlands	Note 18	100	Trading	FH
KU88 B.V.	Netherlands	Note 18	100	Trading	AGBH
Mica Real Estate B.V.	Netherlands	Note 35	33.33	Trading	AGIHL
Vesting Finance Holding B.V. (VFH)	Netherlands	Note 18	100	Trading	AGIHB
Vesting Finance Incasso B.V.	Netherlands	Note 18	100	Trading	VFH
Vesting Finance Servicing B.V. (VFS)	Netherlands	Note 18	100	Trading	AGIHB
Sparck Hypotheken B.V.	Netherlands	Note 18	100	Trading	AGBH
ACO Cedar S.à r.l.	Luxembourg	Note 20	100	Trading	AGGCML
ACO Oak S.à r.l.	Luxembourg	Note 20	100	Trading	AGGCML

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Notes to the Financial Statements *(continued)*

21. Investments in subsidiaries and associates *(continued)*

Name	Place of incorporation (or registration) and operation	Registered office	Proportion of ordinary shares ownership (%)	Current status	Parent company
ACO Pine S.à r.l.	Luxembourg	Note 20	100	Trading	AGGCML
ACO Redwood S.à r.l.	Luxembourg	Note 20	100	Trading	AGGCML
ACO Sycamore S.à r.l.	Luxembourg	Note 20	100	Trading	AGGCML
ACO Willow S.à r.l.	Luxembourg	Note 20	100	Trading	AGGCML
ALO Barcelos S.à r.l.	Luxembourg	Note 20	100	Trading	AGGCML
ALO Connell S.à r.l. *(formerly Spear ACO Alux 25 S.à r.l.)*	Luxembourg	Note 20	100	Trading	AGGCML
ALO Duge S.à r.l.	Luxembourg	Note 20	100	Trading	AGGCML
ALO Millenium S.à r.l. (Spear ACO Alux 24 S.à r.l.)	Luxembourg	Note 20	100	Trading	AGGCML
ALO Vecchio S.à r.l.	Luxembourg	Note 20	100	Trading	AGGCML
ALO Zeeland S.à r.l.	Luxembourg	Note 20	100	Trading	AGGCML
Arrow Global Luxembourg Holdings S.a.r.l (formerly Arrow Professional Services (Luxembourg) S.a.r.l.) AGLH	Luxembourg	Note 20	100	Trading	AGIHL
Arrow Global SMA ALO I GP S.á r.l (ASAG)	Luxembourg	Note 20	100	Trading	ASLL
Arrow Global SMA ALO I SCSp, SICAV-RAIF	Luxembourg	Note 20	100	Trading	ASSL/ASAG
Arrow Global SMA BCC SCSp	Luxembourg	Note 20	100	Trading	ASLL
Arrow Global SMA II GP S.a.r.l (ASIIG)	Luxembourg	Note 20	100	Trading	ASLL
Arrow Global SMA II SCSp, SICAV-RAIF	Luxembourg	Note 20	100	Trading	ASLL/ASIIG
Arrow Global SMA REO 1 GP S.a.r.l. ASRG)	Luxembourg	Note 20	100	Trading	ASLL
Arrow Global SMA REO I SCSp, SICAV-RAIF	Luxembourg	Note 20	100	Trading	ASSL/ASRG
Arrow Rhino GP S.á r.l	Luxembourg	Note 20	100	Trading	AGGCML
Bow (Co-invest) Advisers S.á r.l	Luxembourg	Note 21	100	Trading	AGGCML
Bow (SMA) Advisers S.á r.l	Luxembourg	Note 21	100	Trading	AGGCML
Bow Adviser Bridging S. á.r.l (formerly Spear ACO Alux 20 S.á r.l)	Luxembourg	Note 20	100	Trading	AGGCML
Bow Advisers ALO I S.á r.l	Luxembourg	Note 20	100	Trading	AGGCML
Bow Advisers BCC Sarl	Luxembourg	Note 20	100	Trading	AGGCML
Bow Advisers S.á r.l	Luxembourg	Note 21	100	Trading	AGGCML
Bow Advisers II S.á r.l	Luxembourg	Note 20	100	Trading	AGGCML
Bow Advisers REO 1 S.a.r.l	Luxembourg	Note 20	100	Trading	AGGCML
Bow Advisers REO II Sarl	Luxembourg	Note 20	100	Trading	AGGCML
Bow Advisers Summer Sarl	Luxembourg	Note 20	100	Trading	AGGCML
Bow Aggregator ALO I S.á r.l	Luxembourg	Note 20	100	Trading	AGGCML
Bow Aggregator REO 1 S.a.r.l	Luxembourg	Note 20	100	Trading	AGGCML
Bow Aggregator S.á r.l	Luxembourg	Note 20	100	Trading	AGGCML
Bow Aggregator REO II Sarl	Luxembourg	Note 20	100	Trading	
Maslow Living 1 S.á r.l	Luxembourg	Note 20	100	Trading	MCGL
Focum Belgium (BVBA)	Belgium	Note 22	100	Trading	AGIHB/FG
Arrow Global Adviser Co USA Inc	USA	Note 23	100	Trading	AGAL
Arrow Global Canada Inc	Canada	Note 29	100	Trading	AGIHL
Arrow Global Germany GmbH	Germany	Note 32	100	Trading	AGLH

** Subsidiaries which have chosen to take advantage of the audit exemption set out within section 479A of the Companies Act 2006, with a declaration of guarantee provided as at 31 December 2024.*

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Notes to the Financial Statements *(continued)*

21. Investments in subsidiaries and associates *(continued)*

Notes	Registered addresses
Note 1	10th Floor, West One, 114 Wellington Street, Leeds, LS1 1BA, UK
Note 2	1 Bartholomew Lane, London, EC2N 2AX, UK
Note 3	Belvedere, 12 Booth Street, Manchester, M2 4AW, UK
Note 4	One Warrington Place, Dublin, D02 HH27, Ireland
Note 5	North Suite, First Floor, Regency Court, Glategny Esplanade, St Peter Port. Guernsey, GY1 2NH
Note 6	27 Esplanade, St Helier, JE1 1SG, Jersey
Note 7	Via V. Betteloni 2, 20131 Milan, Italy
Note 8	Via Lanzone 31, 20123 Milan, Italy
Note 9	Via Niccolo Tommaseo 68, 35131 – Padova, Italy
Note 10	Galleria Porte Cortarine, 4/93, 35137 Padova, Italy
Note 11	Strada Massetana Romana, 44, Siena, Italy
Note 12	Castel Maggiore (BO) Via Grandi n. 5 – CAP 40013, Italy
Note 13	Al. Jerozolimskie nr 148, 02–326, Warszawa, Poland
Note 14	Office Suite 15, Canal Edge 1, Tyger Waterfront, Carl Cronje Drive, Bellville, Western Cape, 7530, South Africa
Note 15	Avenida Almirante Gago Coutinho, nº. 30, piso 0 1000-017 Lisboa, Portugal
Note 16	Urbanização Quinta Pedra dos Bicos, lote 24, 8200-381 Albufeira, Portugal
Note 17	Av. Fontes Pereira de Melo, 14,15,1050-121 Lisboa, Portugal
Note 18	Asch van Wijckstraat 55F, 3811 LP Amersfoort, the Netherlands
Note 19	412F, R'ute d'Esch, L-1471 Luxembourg
Note 20	26, Boulevard Royal, L-2449 Luxembourg
Note 21	6D, route de Treves, L-2633 Senningerberg, Grand Duchy of Luxembourg
Note 22	Koralenhoeve 15, 2160 Wommelgem, Belgium
Note 23	251 Little Falls Drive, Wilmington, County of New Castle, 19808 USA
Note 24	15 Golden Square, London, W1F 9GJ, UK
Note 25	5th Floor the Exchange, George's Dock, I.F.S.C Dublin. Dublin 1 D01 W3P9
Note 26	Third Floor, Liberation House, Castle Street, St Helier, JE1 2LH, Jersey
Note 27	24-28 Corso Vittorio Emanuele II, 20121 Milan
Note 28	Faenza (RA) – Via Giuseppe Verdi 20
Note 29	100 King Street West, Suite 6200, Toronto, Ontario, Canada, M5X 1B8
Note 30	Via Giacinto, Andrea Longhin 11, 35129 - Padova (PD), Italy
Note 31	Nanclares de Oca street, 1st floor B, Madrid, Spain
Note 32	Frankfurt am Main, Germany
Note 33	15 Golden Square, London, Greater London, United Kingdom, W1F 9JG
Note 34	Calle Príncipe de Vergara 112, 4 floor, 28002, Madrid, Spain
Note 35	H.J.E. Wenckebachweg 123

All subsidiaries are included in the Group consolidation, including where the Group does not own 100% of the ordinary shares of the Company. This may arise where the Group exercises power over the relevant activity of the entity and can use this power to impact the variability of returns from the entity. The Group, at times, must exercise judgement as to whether the combination of power and exposure to variability of returns arising from an entity means it is acting primarily as an agent, or as a principal for its own interests and should therefore consolidate the entity into the results of the Group. See note 4 for more detail on such judgements.

The Group did not consolidate any entity which individually had material non-controlling interest balances, and, as such, no further disclosure on non-controlling interests have been provided in this note.

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Notes to the Financial Statements *(continued)*

21. Investments in subsidiaries and associates *(continued)*

Financial support given to structured entities

During the year, the Group issued no guarantees (2023: nil) to holders of notes issued by structured entities that the Group consolidates.

Company: investment in subsidiaries

	2024 £000	2023 £000
Sherwood Acquisitions Limited	586,425	586,425
Sherwood Financing plc	50	50
Sherwood Financing 2 Limited[1]	–	–
Total	**586,475**	**586,475**

[1] *Investment of £1.*

The investments in subsidiaries are all stated at cost less accumulated impairment. As at 31 December 2024 impairment was nil (2023: nil).

Notes to the Financial Statements *(continued)*

22. Investments

Split of investments by period of expected realisation:

	2024 £000	2023 £000
Expected falling due within 1 year	219,845	327,982
Expected falling due after 1 year	486,257	518,663
	706,102	**846,645**

Movements in investments were as follows:

As at 31 December 2024	**Amortised cost £000**	**FVTPL £000**	**Real estate inventories £000**	**Joint venture £000**	**Total £000**
As at 1 January 2024	**323,827**	**380,977**	**54,588**	**87,253**	**846,645**
Investments purchased during the year	548	154,225	–	–	154,773
Movement in investments awaiting deployment[1]	–	(1,318)	–	–	(1,318)
Acquisitions in the year	2,040	716	–	–	2,756
Realisations in the year	(124,823)	(177,311)	(57,782)	(19,990)	(379,906)
Income from investments at amortised cost	43,158	–	–	–	43,158
Fair value gains on investments at FVTPL	–	47,842	–	–	47,842
Income from real estate investments	–	–	6,797	–	6,797
Share of profit in portfolio joint venture	–	–	–	11,958	11,958
Net impairment gains/(losses)	9,157	–	(950)	–	8,207
Capital expenditure on real estate investments	–	–	2,216	–	2,216
Exchange and other movements	(15,859)	(19,631)	(1,536)	–	(37,026)
As at 31 December 2024	**238,048**	**385,500**	**3,333**	**79,221**	**706,102**

[1] Investments awaiting deployment relates to movements in cash held in an investment vehicle, in anticipation of purchasing portfolio investments, which had not completed at the period end.

Note that for real estate inventories, which are not financial instruments, the balance sheet cash realisations figure above is analogous to total sales of inventories, and the net of balance sheet cash realisations and income from portfolio investments – real estate inventories, is analogous to cost of sales of inventories. Sales of inventories are accounted for as revenue under IFRS 15, as they are not financial instruments, but are presented alongside the other portfolio investments for ease of reference.

The investments include £333,772,000 (47% of the total) in respect of the Groups co-investment in its managed funds being ACO I, ACO II, AREO I and ALO I.

ARROW GLOBAL

Notes to the Financial Statements (*continued*)

22. Investments (*continued*)

As at 31 December 2023	Amortised cost £000	FVTPL £000	Real estate inventories £000	Joint venture £000	Total £000
As at 1 January including held for sale	641,194	331,199	51,463	–	1,023,856
Investments purchased during the year	33,752	117,893	–	91,511[2]	243,156
Movement in investments awaiting deployment[1]	–	(3,166)	–	–	(3,166)
Acquisitions in the year	–	1,013	–	–	1,013
Realisations in the year	(161,769)	(88,570)	(22,146)	(11,378)	(283,863)
Proceeds on sale of non-core UK portfolios[2]	(183,023)	–	–	–	(183,023)
Deferred purchase consideration liability transfer on sale of non-core UK portfolios[3]	(26,208)	–	–	–	(26,208)
Income from investments at amortised cost	55,462	–	–	–	55,462
Fair value gain on investments at FVTPL	–	32,433	–	–	32,433
Income from real estate investments	–	–	2,403	–	2,403
Share of profit in portfolio joint venture investments	–	–	–	7,266	7,266
Net impairment losses	(16,088)	–	(795)	–	(16,883)
Loss on sale of UK non-core portfolios	(16,773)	–	–	–	(16,773)
Capital expenditure on real estate investments	–	–	21,633	–	21,633
Exchange and other movements	(2,720)	(9,825)	2,030	(146)	(10,661)
As at the 31 December 2023	**323,827**	**380,977**	**54,588**	**87,253**	**846,645**

[1] *Investments awaiting deployment relates to movements in cash held in an investment vehicle, in anticipation of purchasing portfolio investments, which had not completed at the period end.*

[2] *The £183,023,000 proceeds reflect 100% derecognition of the wholly owned UK portfolios subject to the divestment. 50% of these portfolios have been immediately repurchased into a new category entitled 'Joint venture'. This treatment is required by IFRS.*

[3] *A proportion of the wholly owned UK portfolios subject to the divestment were acquired with the purchase consideration being deferred and still outstanding at the divestment date. As part of the divestment, these liabilities to the original vendor were transferred to Intrum.*

Note that for real estate inventories, which are not financial instruments, the balance sheet cash realisations figure above is analogous to total sales of inventories, and the net of balance sheet cash realisations and income from portfolio investments – real estate inventories, is analogous to cost of sales of inventories. Sales of inventories are accounted for as revenue under IFRS 15, as they are not financial instruments, but are presented alongside the other portfolio investments for ease of reference.

The investments include £292,763,000 (35% of the total) in respect of the Groups co-investment in its managed funds being ACO I, ACO II, AREO I and ALO I.

Notes to the Financial Statements *(continued)*

22. Investments *(continued)*

Incorporation of forward-looking information

Note 4 includes a description of how the future cash flows are estimated for the Group's investments. The Group formulates different economic scenarios: a base case, which is the central scenario, developed based on consensus forecasts, and several less likely, but plausible, scenarios.

These scenarios reflect the valuation uncertainty of significant inputs, namely inputs to expected cumulative realisations and discount rate, are provided by an external and independent macroeconomic forecasting company, Oxford Economics, which are reviewed internally before being used in the Group's models. To derive these scenarios, Oxford Economics use multiple sources of information, including economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Group operates, supranational organisations such as the Organisation for Economic Co-operation and Development (OECD) and the International Monetary Fund, and selected private-sector and academic forecasts. These include interest rates, inflation, and HPI, amongst others.

The Group has identified and documented key drivers of credit risk for its investments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. The key drivers for credit risk for investments are: 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.

Macro-economic sensitivities

The estimated future cash flows generated by portfolio investments are the key estimates/judgements in these financial statements. Note that this sensitivity applies only to 'amortised cost' and 'FVTPL' portfolio investments, as financial instruments under IFRS 7 and 9. Real estate and joint venture investments are not financial instruments under IFRS 7 and 9.

Macro-economic risk captures the estimation uncertainty most significant to the portfolio investments across all assets. Management use Oxford Economics scenario forecast to assess this risk. If future cash flows were adjusted for key macro-economic inputs as per the most optimistic/pessimistic scenarios, the impact would be as shown in the below table, split by geography and asset class.

2024	**Carrying balance**	**Upside variance**	**Downside variance**
Geography	**£000**	**£000**	**£000**
UK and Ireland	252,152	23,976	(42,365)
Portugal	247,932	115,605	(90,812)
Netherlands	33,124	1,969	(1,516)
Italy	162,425	16,136	(17,747)
Other Western Europe	10,469	2,862	(3,056)
	706,102	**160,548**	**(155,496)**

2023	**Carrying balance**	**Upside variance[1]**	**Downside variance[1]**
Geography	**£000**	**£000**	**£000**
UK and Ireland	247,672	19,478	(28,542)
Portugal	268,741	105,276	(71,244)
Netherlands	116,514	9,054	(7,859)
Italy	213,718	14,520	(16,141)
	846,645	**148,328**	**(123,786)**

[1] *The held for sale investments have been excluded from this calculation.*

Notes to the Financial Statements *(continued)*

22. Investments *(continued)*

2024	Carrying balance	Upside variance	Downside variance
Investment asset class	**£000**	**£000**	**£000**
Secured	350,213	82,524	(94,215)
Unsecured	273,335	78,024	(61,281)
Real estate inventories	3,333	n/a	n/a
Joint venture	79,221	n/a	n/a
	706,102	**160,548**	**(155,496)**

2023	Carrying balance	Upside variance	Downside variance
Investment asset class	**£000**	**£000**	**£000**
Secured	402,493	68,487	(68,667)
Unsecured	302,311	79,841	(55,119)
Real estate inventories	54,588	n/a	n/a
Joint venture	87,253	n/a	n/a
	846,645	**148,328**	**(123,786)**

ARROW GLOBAL

Notes to the Financial Statements *(continued)*

23. Risks arising from financial instruments

Risk management

Credit risk

One of the Group's principal activities is the acquisition and management of unsecured and secured loans and real estate investments and performing bridge, development and commercial term lending, either directly or via its integrated fund management activities. The Group (collectively, its own portfolio management functions and also the fund manager) continually monitors balance sheet cash realisations that in turn inform the expected cumulative realisations on which the portfolio carrying value is calculated. The ongoing risk is managed through a valuation process including modelling current expectations of recoverability based on historical information of debt types, factoring in sale recoveries from collateral held on the secured investments, and obtaining independent expert valuations. Further details of the forecasting process are given on page 48.

An investment process is in place to approve investments on the Arrow balance sheet and in respect of Arrow's participation in fund investments through its separately managed account. The Group 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 investments are measured at FVTPL, they are measured using the fair value of a net asset position. This NAV is based on the underlying position which is determined using a discounted cash flow model or independent valuations.

Where investments are measured at amortised cost using the EIR method, as part of the regular monitoring process, the future cash flows in the expected cumulative realisations are updated, resulting in impairment gains/losses due to changes to the estimated cash flows discounted at the EIR rate.

The Group's management of amortised cost assets credit risk is further enhanced through the modelling of multiple economic scenarios and the impact this is expected to have on future balance sheet cash realisations performance. All of the Group's amortised cost 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 Group's investments.

Given the nature of the assets, a significant proportion of arrangements entered into with counterparties are of a non-contractual nature, where we work to establish, or re-establish, suitable recovery plans that provide appropriate risk-adjusted returns.

The key risks and uncertainties faced by the Group are managed within an established risk management framework.

Credit quality analysis

The Group's fair value assets are valued either using a discounted cash flow valuation discounted at a market rate or an independent expert valuation, both of which incorporate a market view of credit risk. See note Critical and other accounting judgements and estimates for detail.

ARROW GLOBAL

Notes to the Financial Statements *(continued)*

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

Credit quality analysis (continued)

All of the Group's amortised cost investment assets are POCI, they were in 2023 also. The cash flows are subject to reassessment each period.

The following tables sets out further credit analysis for portfolio investments measured at amortised cost:

As at 31 December 2024

Amortised cost investments	Secured £000	Unsecured £000	Total £000
UK and Ireland	18,569	3,738	22,307
Portugal	23,491	95,387	118,878
Netherlands	9,095	11,710	20,805
Italy	23,453	50,689	74,142
Other Western Europe	1,916	–	1,916
Carrying amount	**76,524**	**161,524**	**238,048**

As at 31 December 2023

Amortised cost investments	Secured £000	Unsecured £000	Total £000
UK and Ireland	25,824	8,169	33,993
Portugal	29,256	102,483	131,739
Netherlands	13,098	32,528	45,626
Italy	36,698	75,771	112,469
Other Western Europe	–	–	–
Carrying amount	**104,876**	**218,951**	**323,827**

Investments are based on the customer's country of domicile.

The Group's maximum exposure to credit risk on investments is considered equal to the current carrying balance of such investments.

ARROW GLOBAL

Notes to the Financial Statements *(continued)*

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

Information on collateral held against amortised cost secured loans

The following table stratifies credit exposures from secured investments held at amortised cost by ranges of loan-to-value (LTV) ratio. LTV is calculated as the ratio of the gross amount of the loan – or the amount committed for loan commitments – to the value of the collateral. The valuation of the collateral excludes any adjustments for obtaining and selling the collateral. The value of the collateral is based on the most recent appraisals. LTV stratification is deemed a more relevant measure of the value of collateral held against secured loans than gross collateral values held, which may include an amount which is not due to the Group upon realisation.

LTV Ratio	2024 £000	2023 £000
Less than 50%	24,190	31,765
51-70%	3,569	9,823
71-90%	3,357	9,344
91-100%	2,881	2,734
More than 100%	42,527	51,210
	76,524	**104,876**

Other types of credit enhancements

In addition to the collateral included in the tables above, the Group sometimes holds other types of collateral and credit enhancements, such as second charges and floating charges for which specific values are not generally available.

Assets obtained by taking possession of collateral

The Group's policy is to pursue timely realisation of the collateral in an orderly manner.

Significant increase in credit risk

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

Cash and cash equivalents

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

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

No collateral or credit enhancements are held in respect of any financial derivatives. The maximum credit risk on derivatives and trade receivables is the full carrying amount. The maximum exposure to counterparty risk is as follows:

	2024 £000	2023 £000
Cash and cash equivalents	87,570	114,683

The table represents a worst-case scenario of the counterparty risk that the Group is exposed to. The 31 December 2024 balance is spread across a number of counterparties with the top five accounting for 54% (2023: 52%) of the total. The maximum exposure to one counterparty is £15.8 million (2023: £17.8 million).

Notes to the Financial Statements *(continued)*

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

The cash and cash equivalents are held with banks and financial institution counterparties whose external credit ratings, by either S&P Global Ratings or Moody's Investor Service, are as follows:

	2024	2023
	%	%
AA	30	25
A	36	34
Below A	34	41
Total cash and cash equivalents	**100**	**100**

Treasury-related risks

The board approves treasury policies and the treasury function manages the day-to-day operations. Treasury activities and compliance with treasury policies are reported to the board on a regular basis and are subject to periodic independent reviews. Treasury policies are designed to manage the main financial risks faced by the Group in relation to funding and liquidity risks, counterparty credit risk and market risks being interest rate risk and foreign currency risk. This is to ensure the Group is properly funded, that financial counterparties are of appropriate credit quality and that interest rate and currency risks are managed within set limits. Policies also set out the specific instruments that can be used for risk management.

The treasury function enters into derivative transactions, principally interest rate swaps, cross-currency swaps and forward currency contracts. The purpose of these transactions is to manage the interest rate and currency risks arising from the Group's business operations. No transactions of a speculative nature are undertaken. No treasury-related written options were entered into during 2024 (2023: nil).

Liquidity risk

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

The Group is subject to the risk that it will not have sufficient borrowing facilities to fund its existing business and its future plans for growth. The treasury policy adopted by the Group serves to reduce this risk by setting a specific policy parameter that there are sufficient committed debt facilities and cash and cash equivalents to meet contractual maturities on borrowing facilities plus an operational headroom. In addition, the Group has a medium-term target to maintain leverage of circa 3 times, there is an appropriate refinancing profile and it has diversified funding sources with no over-reliance on a single or small group of lenders or type of funding. This has been demonstrated by the successful refinancing of the Group's senior secured notes and revolving credit facility in 2024. At 31 December 2024, the Group's senior secured notes and revolving credit facility had an average period to maturity of 4.8 years (2023: 3.2 years). Total cash and undrawn facilities, which excludes cash that may be subject to constraints regarding when the balance can be remitted, were £343.3 million at 31 December 2024 (2023: £226.6 million).

The treasury function monitors cash through daily reporting, the management accounts and periodic review meetings. Management has well-established models used to predict collectability of cash receipts and this represents a key performance indicator of the business. The Group is highly cash generative with regular cash receipts and purchases and related capital additions are discretionary, which helps to mitigate liquidity risk.

The key measure used by the Group for managing liquidity risk is liquidity headroom, which includes cash and cash equivalents and the headroom under the revolving credit facility. Liquidity headroom excludes cash which may be subject to constraints regarding when the balance can be remitted, such as cash in a consolidated securitisation structure awaiting a payment date. Details of the liquidity headroom as at the reporting date and during the reporting period are shown below. The maximum for the period and the year end position in 2024 is due to the refinancing activity in December.

Notes to the Financial Statements *(continued)*

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

	2024	2023
	£000	£000
At 31 December	343,269	226,611
Average for the period	221,413	234,706
Minimum for the period	158,533	186,463
Maximum for the period	343,269	293,856

Maturity analysis

The table below sets out the remaining contractual maturities (undiscounted) of the Group's financial liabilities and includes both interest and principal cash flows, payable over the contractual life of the non-derivative financial liabilities. Also presented are financial assets. For portfolio investments these are presented based on expected cash flows due to their nature, where either there are no contractual maturities, or the expectation is different from the contractual position.

Group **As at 31 December 2024**	**Less than 1 month** **£000**	**Within 1 year** **£000**	**1-2 years** **£000**	**3-5 years** **£000**	**More than 5 years** **£000**	**Total** **£000**
Financial liability by type:						
Trade and other payables	20,650	121,365	19,449	17,742	9,174	**188,380**
Lease liabilities	266	6,674	10,335	13,536	3,387	**34,198**
£250 million secured senior note (fixed, 9.625%)	–	24,330	24,063	322,188	–	**370,581**
€250 million secured senior note (fixed, 7.625%)	–	15,949	15,774	254,189	–	**285,912**
€965 million secured senior note (3-month Euribor + 5.5%)	–	63,865	60,244	984,991	–	**1,109,100**
£39.8 million secured senior note (fixed, 6%)	–	2,388	42,195	–	–	**44,583**
€36.3 million secured senior note (fixed, 4.5%)	–	1,350	31,361	–	–	**32,711**
€33.1 million secured senior note (3-month Euribor + 4.625%)	–	1,949	1,820	29,217	–	**32,986**
Revolving credit facility[1]	125	1,290	1,344	21,218	–	**23,977**
Bank overdrafts	5,734	–	–	–	–	**5,734**
Total financial liabilities	**26,775**	**239,160**	**206,585**	**1,643,081**	**12,561**	**2,128,162**
Financial asset by type:						
Cash and cash equivalents	87,570	–	–	–	–	**87,570**
Portfolio investments	7,116	211,160	232,195	455,791	201,258	**1,107,520**
Total financial assets	**94,686**	**211,160**	**232,195**	**455,791**	**201,258**	**1,195,090**

[1] *Reflects all drawings at 31 December 2024 being held to the facility maturity date of June 2029.*

ARROW GLOBAL

Notes to the Financial Statements *(continued)*

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

Group As at 31 December 2023	Less than 1 month £000	Within 1 year £000	1-2 years £000	3-5 years £000	More than 5 years £000	Total £000
Financial liability by type:						
Trade and other payables	4,664	123,830	3,086	31,211	3,729	**166,520**
Lease liabilities	–	6,182	10,527	7,175	4,449	**28,333**
£350 million secured senior note (fixed, 6%)	–	21,000	21,000	371,000	–	**413,000**
€400 million secured senior note (fixed, 4.5%)	–	15,605	15,605	362,375	–	**393,585**
€640 million secured senior note (3-month Euribor + 4.625%)	–	45,691	37,981	629,394	–	**713,066**
Revolving credit facility[1]	1,113	11,114	10,012	162,419	–	**184,658**
Asset-backed securitisation	–	–	–	–	–	–
Bank overdrafts	6,214	–	–	–	–	**6,214**
Total financial liabilities	**11,991**	**223,422**	**98,211**	**1,563,574**	**8,178**	**1,905,376**
Financial asset by type:						
Cash and cash equivalents	114,683	–	–	–	–	**114,683**
Portfolio investments	11,163	278,251	203,664	433,688	116,346	**1,043,112**
Total financial assets	**125,846**	**278,251**	**203,664**	**433,688**	**116,346**	**1,157,795**

[1] *Reflects all drawings at 31 December 2023 being held to the facility maturity date of April 2026.*

The above table includes a maturity analysis for financial assets that it holds as part of managing liquidity risk – e.g. financial assets that are expected to generate cash inflows to meet cash outflows on financial liabilities – to enable the user to evaluate the nature and extent of the Group's and the Company's liquidity risk.

As part of the management of liquidity risk arising from financial liabilities, the Group holds liquid assets comprising cash and cash equivalents which can be readily used to meet liquidity requirements. In addition, the Group maintains a committed revolving credit facility provided by a syndicate of banks.

The non-derivative financial liabilities and financial assets are calculated based upon the undiscounted cash flows, which include estimated interest payments. The analysis above includes the contractual cash flow for borrowings and the total amount of interest payable over the life of the loan. Where borrowings are subject to a floating rate, an estimate of interest payable is taken. The rate is derived from interest rate yield curves at the statement of financial position date.

Company As at 31 December 2024	Less than 1 month £000	Within 1 year £000	1-2 years £000	3-5 years £000	More than 5 years £000	Total £000
Financial liability by type:						
Trade and other payables	3,156	498	514	1,841	957	6,966
Total financial liabilities	**3,156**	**498**	**514**	**1,841**	**957**	**6,966**

Company As at 31 December 2023	Less than 1 month £000	Within 1 year £000	1-2 years £000	3-5 years £000	More than 5 years £000	Total £000
Financial liability by type:						
Trade and other payables	3,228	529	480	1,699	1,601	7,537
Total financial liabilities	**3,228**	**529**	**480**	**1,699**	**1,601**	**7,537**

Notes to the Financial Statements *(continued)*

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

The following analysis shows the gross non-discounted contractual cash flows in respect of cross-currency swap derivative assets and liabilities, and interest rate swap derivative assets and liabilities, which are all designated as cash flow hedges:

	2024		2023	
	Outflow £000	**Inflow £000**	**Outflow £000**	**Inflow £000**
Not later than one month	–	–	42	–
Later than one month and not later than six months	11,020	12,498	–	1,386
Later than six months and not later than one year	9,656	13,143	36	–
Later than one year and not later than two years	19,258	26,572	1,832	–
Later than two years and not later than five years	288,601	298,125	1,098	–
Total	**328,535**	**350,338**	**3,008**	**1,386**

The above table shows the gross contractual undiscounted cash flows receivable and payable on the derivative financial instruments, translated at a current spot rate.

The net cash flow exposure as at 31 December 2024 is £21,803,000 (2023: (£1,622,000)).

Financial assets pledged as collateral

See note 27 for more information.

Market risk

Market risk is defined as the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk principally comprises interest rate risk and currency risk and are considered further below. Note that the Group does not hold any trading portfolios for the purposes of these disclosures.

Interest rate risk

The Group has an exposure to interest rate risk arising on changes in interest rates on its borrowings, principally on the floating rate senior secured notes, and therefore seeks to limit this exposure. This is achieved by the use of techniques to fix interest rate costs, including fixed-rate funding (predominantly longer-term bond funding), bank borrowing loan draw down periods and interest rate hedging instruments. These techniques are used to hedge the interest rate costs on a proportion of borrowings over a certain period of time. Hedging instruments are in place for up to five years.

Exposure to interest rate risk

The interest rate profile of the Group's interest-bearing financial instruments as reported to the management of the Group is as follows:

	2024	2023
Fixed-rate instruments	**£000**	**£000**
Financial liabilities	526,686	696,771
	526,686	**696,771**
Variable-rate instruments		
Financial assets	(87,570)	(114,683)
Financial liabilities	849,602	720,816
Effect of interest rate swaps	(641,291)	(346,771)
	120,741	**259,362**

If interest rates across all countries of operation increased by 50 basis points this would have the following impact:

	2024 £000	2023 £000
Reduction in profit before taxation	(604)	(1,297)

Notes to the Financial Statements *(continued)*

23. Risks arising from financial instruments (continued)

Exposure to interest rate risk *(continued)*

This sensitivity analysis is based on the following assumptions:

- the change in market interest rates occurs in all countries where the Group has borrowings and/or derivative financial instruments;
- where financial liabilities are subject to fixed interest rates or have their interest rate fixed by hedging instruments it is assumed that there is no impact from a change in interest rates; and
- changes in market interest rates affect the fair value of derivative financial instruments.

Currency risk

The Group is subject to three types of currency risk: cash flow exposure, net asset exposure and income statement exposure.

Cash flow exposure

The Group is subject to currency risk in respect of future cash flows which are denominated in Euro. The policy of the Group is to hedge a large proportion of this currency risk in respect of cash flows which are highly likely to arise in the following 3-5 years. Fair value movements in hedging instruments used to hedge the exposure, in the form of cross-currency swaps, are recognised in the Statement of Profit and Loss.

Net asset exposure

A proportion of the Group's net assets are denominated in Euro. The Group limits its exposure to currency risk on non-functional funding through forward currency contracts and net investment hedges. The statement of financial position is reported in Sterling and this means that there is a risk that a fluctuation in foreign exchange rates will have an impact on the net assets of the Group. The Group aims to minimise, to an acceptable level of appetite, the value of net assets denominated in Euro by funding investment assets with Euro denominated borrowings, or designating net investment hedges, where possible.

Income statement exposure

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

Foreign currency sensitivity analysis

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

	2024	Restated 2023
Equity and net assets	**£000**	**£000**
Currency		
Euro (EUR)	(24,618)	(25,879)
	(24,618)	**(25,879)**
Net profit		
Currency		
Euro (EUR)	5,436	(2,926)
	5,436	**(2,926)**

Note: the 2023 equity and net assets sensitivities have been restated to reflect the amended methodology in the year to enhance the accuracy of the sensitivity. The impact of this restatement is a decrease of £67,633,000.

Notes to the Financial Statements *(continued)*

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

Foreign currency sensitivity analysis *(continued)*

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

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

	2024	Restated 2023
Equity and net assets	**£000**	**£000**
Currency		
Euro (EUR)	30,088	31,630
	30,088	**31,630**
Net Profit		
Currency		
Euro (EUR)	(4,448)	2,394
	(4,448)	**2,394**

Note: the 2023 equity and net assets Euro sensitivity has been restated due to an error in the prior year calculation. The impact of this restatement is a decrease of (£44,880,000).

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

Capital risk management

The Group is subject to the risk that its capital structure will not be sufficient to support the growth of the business. The Group is currently not required to hold regulatory capital but has a medium-term target to maintain leverage (calculated as secured net debt over Adjusted EBITDA) of circa 3.0.

The Group aims to maintain appropriate capital to ensure that it has a strong statement of financial position but at the same time is providing a good return on equity to its shareholders. The Group's long-term aim is to ensure that the capital structure results in an optimal ratio of debt and equity finance.

The capital structure of the Group consists of cash, cash equivalents debt and equity.

The Group's position as at 31 December 2024 was:

	2024 £000	2023 £000
Ordinary share capital and premium	586,422	586,422
Other reserves	(354,258)	(281,868)
Total equity and reserves	**232,164**	**304,554**

Notes to the Financial Statements *(continued)*

24. Financial assets and liabilities

Fair values of financial assets and liabilities

The fair value and carrying value of the financial assets and liabilities of the Group are set out below. The Group does not apply 'offsetting' to any of its financial assets and liabilities.

As at 31 December 2024	Mandatorily at FVTPL	Amortised cost	Total carrying amount	Total fair value
	£000	£000	£000	£000
Portfolio investments	385,500	238,048	623,548	626,304
Cash and cash equivalents	–	87,570	87,570	87,570
Derivative asset	415	–	415	415
Other receivables classified as financial assets	–	124,362	124,362	124,362
Total financial assets	**385,915**	**449,980**	**835,895**	**838,651**

As at 31 December 2023	Mandatorily at FVTPL	Amortised cost	Total carrying amount	Total fair value
	£000	£000	£000	£000
Portfolio investments	380,977	323,827	704,804	705,328
Cash and cash equivalents	–	114,683	114,683	114,683
Derivative asset	558	–	558	558
Other receivables classified as financial assets	–	79,891	79,891	79,891
Total financial assets	**381,535**	**518,401**	**899,936**	**900,460**

As at 31 December 2024	Mandatorily at FVTPL	Amortised cost	Total carrying amount	Total fair value
	£000	£000	£000	£000
Senior secured notes	–	1,323,373	1,323,373	1,328,349
Revolving credit facility	–	13,299	13,299	13,299
Bank overdrafts	–	5,734	5,734	5,734
Other borrowings	–	7,436	7,436	7,436
Derivative liability	5,537	–	5,537	5,537
Trade and other payables classified as financial liabilities	–	102,427	102,427	102,427
Total financial liabilities	**5,537**	**1,452,269**	**1,457,806**	**1,462,782**

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Notes to the Financial Statements *(continued)*

24. Financial assets and liabilities *(continued)*

As at 31 December 2023	Mandatorily at FVTPL	Amortised cost	Total carrying amount	Total fair value
	£000	£000	£000	£000
Senior secured notes	–	1,246,132	1,246,132	1,182,154
Revolving credit facility	–	157,592	157,592	157,592
Bank overdrafts	–	6,214	6,214	6,214
Other borrowings	–	24,482	24,482	24,482
Derivative liability	2,381	–	2,381	2,381
Trade and other payables classified as financial liabilities	–	106,695	106,695	106,695
Total financial liabilities	**2,381**	**1,541,115**	**1,543,496**	**1,479,518**

Fair value estimation

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Group determines fair values using other valuation techniques.

For instruments that trade infrequently and have little price transparency, fair value is less objective, and required judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Valuation models

The Group 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 the differences between the instruments.

Application to the Group's financial assets and liabilities

The fair value of amortised cost investments has been calculated by observing the changes in market yields over time and applying the difference between current average market IRRs for the Group's most recent vintage and applying this as a premium or discount to prior years' vintages. This approach takes into account changes in market pricing factors over time, while retaining the consideration of the individual characteristics of each portfolio. As this calculation is based on unobservable inputs, these fair values would be categorised as level 3 values. The primary unobservable input to which this valuation is sensitive to is the current market rates for portfolios. A 1% rise/fall in this rate would lead to a reduction/uplift in fair value £(11,548,000)/£11,995,000, (2023: £(8,991,000)/£9,298,000).

The fair value of cash and cash equivalents and the revolving credit facility are deemed to be equal to their carrying amount.

The carrying value of other receivables and payables classified as financial assets/liabilities is deemed to be a good approximation of their fair value, due to their short maturity and low credit risk. These would be considered as level 3 fair values.

Notes to the Financial Statements *(continued)*

24. Financial assets and liabilities *(continued)*

Application to the Group's financial assets and liabilities *(continued)*

The fair value of the senior secured notes has been calculated by reference to quoted market prices and therefore would be included as level 1 in the fair value hierarchy table should the liability have been held at fair value.

Derivative financial instruments are held at fair value, which is equal to the discounted expected future cash flows arising as a result of the derivative transaction. For other financial assets and liabilities, which are all short-term in nature, the carrying value is a reasonable approximation of fair value.

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.

	2024	Restated[1] 2023
Level 2	**£000**	**£000**
Assets:		
Derivative assets	415	558
Liabilities:		
Derivative liabilities	(5,537)	(2,381)

	2024	2023
Level 3	**£000**	**£000**
Assets:		
Portfolio investments	385,500	380,977
	385,500	**380,977**

[1]Derivative assets have been included in level 2 hierarchy this year to enhance the consistency of the disclosure. 2023 has been restated to reflect this change.

There have been no transfers between level 2 or level 3.

The fair value of derivative financial instruments used for risk management purposes reflects the discounting expected of future cash flows using interest rate yield curves and forward foreign exchange rates prevailing at 31 December 2024.

Total gains on portfolio investments recognised at FVTPL have been presented in the income statement as 'Fair value gains on portfolio investments at FVTPL'. The majority of fair value of portfolio investments recognised as FVTPL has been calculated by using a discounted cash flow model. The remaining ones are valued with reference to a third party. The significant unobservable inputs used in the calculation of portfolio investments categorised as level 3 in the fair value hierarchy are estimated future cash flows (expected cumulative realisations) derived from management forecasts and the discount rate appropriate to the investment and the anticipated rate of return.

During the year management changed the calculation methodology of determining the average discount rate for level 3 investments. Accordingly, the comparative disclosures for the average discount rate and sensitivities for 31 December 2023 have been restated. The changes are not material. The Group's portfolio investments held at FVTPL has an average discount rate of 18.9% (31 December 2023 (restated): 18.4%).

The Group's portfolio investments held at amortised cost has an average discount rate of 24.2% (31 December 2023: 23.3%).

A full reconciliation between the opening and closing portfolio investments held at FVTPL has been provided in note 22. For a fuller description of how the future cash flows are estimated, please refer to note 4.

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Notes to the Financial Statements *(continued)*

24. Financial assets and liabilities *(continued)*

Financial instruments measured at fair value – fair value hierarchy *(continued)*

Group Assets	Carrying Value as at 31 December 2024 £m	Carrying Value as at 31 December 2023 £m	Primary Valuation Technique	Key Unobservable Inputs	Range	Weighted Average / Fair Value Inputs	Sensitivity / Scenarios	Effect on Carrying Value 31 December 2024 £m
Collateralised Revolving Credit Facilities	72.7	77.8	Third Party Valuation	n/a	n/a	n/a	+10% Valuation	3.6
							-10% Valuation	(3.6)
			Discounted Cashflow	Discount Rate	10-20%	18%	- 14% Mortgage Write off Rate	9.7
				Probability of Default Rate	20-30%	25%	+ 14% Mortgage Write off Rate	(16.3)
Non-Performing Loans	156.5	179.8	Discounted Cashflow	Discount Rate	13-45%	24%	- 14% Mortgage Write off Rate	60.7
				Probability of Default Rate	20-30%	25%	+ 14% Mortgage Write off Rate	(42.3)
Bankruptcy and Single Name Credits	56.2	106.6	Discounted Cashflow	Discount Rate	10-44%	22%	- 14% Mortgage Write off Rate	4.9
				Probability of Default Rate	20-30%	25%	+ 14% Mortgage Write off Rate	(10.8)
Secured Direct Lending	210.4	249.0	Discounted Cashflow	Discount Rate	10-30%	17%	+ 0.5% HPI Growth Rate	15.9
				House Price Index	113-183	143	- 0.5% HPI Growth Rate	(21.9)
Secured Real Estate Projects	123.6	83.3	Third Party Valuation	n/a	n/a	n/a	+10% Valuation	2.3
							-10% Valuation	(2.3)
			Discounted Cashflow	Discount Rate	15-30%	19%	+ 0.5% HPI Growth Rate	26.9
				House Price Index	113-183	162	- 0.5% HPI Growth Rate	(26.8)
Other cash reserves	4.1	8.3						
Total Portfolio investments	**623.5**	**704.8**						

Forward foreign exchange contracts

It is the policy of the Group to enter into forward foreign exchange contracts to cover specific foreign currency payments, receipts and exposure to currency rate fluctuations. The total notional amount of outstanding foreign currency contracts that the Group is committed to at 31 December 2024 is £250,000,000 (2023: £33,377,000). The fair value as at 31 December 2024 £(2,705,000) (2023: £16,000).

Financial instruments not measured at fair value – fair value hierarchy

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

Level 3	**2024 £000**	**2023 £000**
Assets:		
Portfolio investments – amortised cost	**238,048**	**323,827**

Notes to the Financial Statements *(continued)*

24. Financial assets and liabilities *(continued)*

Financial instruments not measured at fair value – fair value hierarchy *(continued)*

There have been no transfers in or out of level 3. The statement of financial position value of the Group's portfolio investments not measured at fair value, is derived from discounted cash flows generated by an internal model. For a full description of how the future cash flows are estimated, please refer to note 4. Following acquisition, the fair value will move directionally in line with carrying amount but may deviate as market conditions change.

The Group has an established control framework covering the measurement of investment carrying values. This includes regular monitoring of investment performance overseen by the Portfolio Review Committee, which considers actual versus forecast results at an individual portfolio level, re-forecasts cash flows on a semi-annual basis, reviews actual against forecast gross money multiple, approves the latest expected cumulative realisations forecast, assesses the carrying value of the investment assets and reviews revenue recognition. A reconciliation of the opening to closing balances for the period of the investments can be seen in note 22.

ARROW GLOBAL

Notes to the Financial Statements *(continued)*

25. Unconsolidated structured entities

Unconsolidated structured entities are all structured entities that the Group has an interest in, but does not control. The Group uses structured entities in the normal course of business to facilitate acquisitions of investments under its fund manager model, as well as in accordance with local law, to allow co-investment with other parties, or to implement the financing required to acquire portfolios.

In addition to exposures to unconsolidated structured entities, the Group also undertakes asset management and servicing activities for certain structured entities in which the Group has no other interests. Such activities are charged at a market rates, on terms normal for the industry, and are considered to be a typical customer/supplier relationship per the meaning of this term set out in IFRS 12.

Nature and risks associated with Group interests in unconsolidated structured entities:

Geography of operations

As at 31 December 2024	UK and Ireland	Portugal	Italy	Netherlands	Other Western Europe	Total
Underlying asset type						
Loan receivables	9	12	6	5	4	36
Number of entities	**9**	**12**	**6**	**5**	**4**	**36**

As at 31 December 2024	UK and Ireland	Portugal	Italy	Netherlands	Other Western Europe	Total
Portfolio investments	**£000**	**£000**	**£000**	**£000**	**£000**	
FVTPL	138,480	133,713	87,896	12,320	5,735	378,144
Total assets	**138,480**	**133,713**	**87,896**	**12,320**	**5,735**	**378,144**

As at 31 December 2023	UK and Ireland	Portugal	Italy	Netherlands	Other Western Europe	Total
Underlying asset type						
Loan receivables	9	10	4	5	–	28
Number of entities	**9**	**10**	**4**	**5**	**–**	**28**

As at 31 December 2023	UK and Ireland	Portugal	Italy	Netherlands	Other Western Europe	Total
Portfolio investments	**£000**	**£000**	**£000**	**£000**	**£000**	
FVTPL	118,038	101,316	80,581	70,887	–	370,822
Total assets	**118,038**	**101,316**	**80,581**	**70,887**	**–**	**370,822**

The maximum exposure to loss is the carrying value of the instruments summarised above, due to the nature of the Group’s holdings at the fact that no additional support has been provided or committed to the vehicles.

Unconsolidated structured entities in which the Group holds an interest are typically financed by a form of junior profit participation note, and in some instances also have senior secured or senior unsecured liabilities to which the junior positions are subordinated.

ARROW GLOBAL

Notes to the Financial Statements *(continued)*

26. Share-based payments

Management incentive plan

In 2022, the Group established a management incentive plan that entitles key management personnel and senior employees to purchase shares in Sherwood Topco Limited, the top consolidating Group in the structure. In accordance with this plan, holders were entitled to purchase shares at the fair value market price of the shares at grant date. In 2023 as part of the MIP further purchases of M3 shares have been made by participants.

In considering the MIP plan in line with IFRS 2, the M3 shares issued were considered to contain performance conditions that should be accounted for under IFRS 2. The M3 shares are subject to vesting and leaver provisions over the period to TDR exit or partial exit.

The M3 shares were issued at £1 with 1,141,416 issued during the year (2023: £1 per share, with 1,463,386 issued during the year) and 359,074 (2023: nil) redeemed from leavers at £1 each.

No charge for the M3 shares has been charged through the consolidated statement of profit or loss during the year as the fair value of these shares is equal to the price paid by management. The fair value of the shares issued has been estimated at grant using the Black-Scholes option pricing model.

27. Borrowings

	2024	Re-presented 2023
	£000	**£000**
Senior secured notes net of transaction fees of £35,931,000 (2023: £16,297,000)	1,323,373	1,246,132
Revolving credit facility net of transaction fees of £4,701,000 (2023: £2,176,000)	13,299	157,592
Bank overdrafts and other borrowings	13,170	30,696
Total borrowings	**1,349,842**	**1,434,420**
Total borrowings		
Amount due for settlement within 12 months	19,779	178,580
Amount due for settlement after 12 months	1,330,063	1,255,840
	1,349,842	**1,434,420**

Note: Prior to 2023 other borrowings primarily consisted of loan note liabilities to third parties within consolidated structured vehicles. As these have reduced over time management have taken the opportunity to condense remaining other borrowings with overdrafts as these are now similar in nature.

As at 31 December 2024, £5.3million of the portfolio investments (2023: £7.0 million), set out in note 22, are pledged as collateral for borrowings.

Senior secured notes

On 11 December 2024, the Group issued new €250 million 7.625% Euro fixed rate bonds, €965 million 5.5% over three months EURIBOR floating rate bonds, and £250 million 9.625% fixed rate bonds, all due December 2029, with the proceeds being used to pay the cash consideration for the tender offers and exchange offer on the existing bonds, issued in November 2021, and certain drawings under the revolving credit facility. Of the bonds issued in 2021, €36,268,000 remains outstanding of the €400 million 4.5% Euro fixed rated bonds due November 2026, €33,062,000 remains outstanding of the €640 million 4.625% over three months EURIBOR floating rate bonds due November 2027 and £39,807,000 remains outstanding of the £350 million 6% fixed rate bonds due November 2026. All of the outstanding bonds as at 31 December 2024 were issued by Sherwood Financing plc and the floating rate notes are subject to a zero percent EURIBOR floor. All of the bonds are secured on the majority of the Group’s assets and subject to market conditions, the Group may initiate a repurchase.

Notes to the Financial Statements *(continued)*

27. Borrowings *(continued)*

Revolving credit facility

On 11 December 2024, the Group entered into a new £285 million revolving facility, replacing the previous £285 million revolving facility which terminated on the same date, with a margin of 350bps, maturing June 2029. The margin is subject to a ratchet downwards based upon decreasing leverage levels. The facility is senior secured and therefore has a similar security package to the bonds issued on the same date. Under the terms of the intercreditor agreement, the facility ranks super senior to the bonds as any obligations under the facility will be settled in advance of any obligations under the bonds in an event of enforcement.

The two facilities entered into during 2023, under the commitment of the previous revolving credit facility, were rolled into the new facility. The facilities, being a bank guarantee for £1.5 million and an overdraft facility of £10 million, have reduced the revolving credit facility commitment by a total of £11.5 million. Unutilised overdraft facility is included within headroom under the revolving credit facility for the purpose of calculating liquidity headroom.

Other borrowings

Other borrowings primarily consist of minor banking facilities used by the Group's subsidiaries.
Reconciliation of movements of liabilities to cash flows arising from financing activities:

	Senior secured notes £000	Revolving credit facility £000	Lease liabilities £000	Deferred and contingent consideration £000	Other borrowings £000	Total £000
		£000	£000	£000	£000	£000
Balance at 31 December 2023 Re-presented[1]	**1,246,132**	**157,592**	**26,314**	**737**	**30,696**	**1,461,471**
Acquired on acquisition of subsidiary	**–**	**–**	**504**	**–**	**–**	**504**
Movement in other banking facilities	–	(312,734)	–	–	(16,972)	(329,706)
Net proceeds from revolving credit facility	–	166,197	–	–	–	166,197
Proceeds from issued notes (net of fees)	115,476	–	–	–	–	115,476
Repayment of interest on issued notes	(88,060)	–	–	–	–	(88,060)
Payments on lease liabilities	–	–	(7,400)	–	–	(7,400)
Banking facility interest and other fees paid	–	(15,366)	–	–	(866)	(16,232)
Payment of dividend to NCI	–	–	–	–	(223)	(223)
Total changes from financing cash flows	**27,416**	**(161,903)**	**(7,400)**	**–**	**(18,061)**	**(159,948)**
Liability-related						
Interest expense on issued notes	95,304	–	–	–	–	95,304
Amortisation of capitalised transaction fees	(5,987)	942	–	–	–	(5,045)
Banking facility interest and other fees	–	14,598	–	–	(380)	14,218
Interest rate swap and hedge costs	–	–	–	–	(2,470)	(2,470)
Other interest including on finance leases	–	–	1,906	86	4,146	6,138
Refinancing	10,565	1,321	–	–	–	11,886
Total interest and similar charges	**99,882**	**16,861**	**1,906**	**86**	**1,296**	**120,031**
The effect of changes in foreign exchange rates	(40,884)	(34)	(845)	(34)	(757)	(42,554)
Net deferred consideration commitments	–	–	–	(86)	–	(86)
Other changes	(9,173)	783	1,548	–	(4)	(6,846)
Total liability-related changes	**(50,057)**	**749**	**703**	**(120)**	**(761)**	**(49,486)**
Balance at 31 December 2024	**1,323,373**	**13,299**	**22,027**	**703**	**13,170**	**1,372,572**

[1]The Group has removed derivative liabilities from this analysis in the year to enhance the consistency of the financial reporting. Prior year comparatives have been re-presented accordingly.

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Notes to the Financial Statements *(continued)*

28. Acquisition of subsidiary undertaking

Current year acquisitions

a) Interboden GmbH & Co KG

On 29 May 2024, the Group acquired the operating assets of Interboden GmbH & Co KG and certain subsidiaries, a real estate development manager based in Germany. The total consideration for the acquisition was cash of €1,499,000 (£1,289,000).

In the period from acquisition to 31 December 2024, Interboden contributed income of £1,462,000 and loss after tax contribution of £3,288,000 to the consolidated results for the year.

Effect of the acquisition

The fair values of the identifiable assets acquired and liabilities assumed are as set out in the table below. Acquisition related costs are expensed in the profit or loss in the reporting period:

	Book value 29 May 2024	Fair value adjustments 29 May 2024	Fair value 29 May 2024
	£000	**£000**	**£000**
Property, plant and equipment	75	–	75
Total identifiable net assets	**75**	–	**75**
Goodwill on acquisition			1,214
			1,289
Non-controlling interest			–
			1,289
Consideration:			
Cash consideration			1,289
			1,289

Cash impact of acquisition in the year:	**£000**
Cash consideration	1,289
Cash and cash equivalents acquired	–
	1,289

Measurement of fair values

The assets acquired were operating plant and equipment for which book value was not significant and considered to be equivalent to fair value at acquisition. No further assets and liabilities were identified. Therefore, no fair value adjustments have been applied.

Fair values measured on a provisional basis

If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

Notes to the Financial Statements *(continued)*

28. Acquisition of subsidiary undertaking *(continued)*

Goodwill

Goodwill from the acquisition has been recognised as follows:

	£000
Consideration transferred	1,289
Fair value of identifiable net assets	(75)
	1,214

b) Amitra Capital Limited

On 28 June 2024, the Group acquired 100% of the share capital of Amitra Capital Limited, a Spanish master servicer. The total consideration for the acquisition is cash of €4,415,000 (£3,741,000).

In the period from acquisition to 31 December 2024, Amitra contributed income of £4,222,000 and profit after tax contribution of £816,000 to the consolidated results for the year.

Effect of the acquisition

The fair values of the identifiable assets acquired and liabilities assumed are as set out in the table below. Acquisition related costs are expensed in the profit or loss in the reporting period:

	Book value 28 June 2024	Fair value adjustments 28 June 2024	Fair value 28 June 2024
	£000	£000	£000
Cash and cash equivalents	1,122		1,122
Trade and other receivables	176		176
Property, plant and equipment	525		525
Investments	3,487	(731)	2,756
Trade and other payables	(964)		(964)
Lease liability	(504)		(504)
Total identifiable net assets	**3,842**	**(731)**	**3,111**
Goodwill on acquisition			630
			3,741
Non-controlling interest			–
			3,741
Consideration:			
Cash consideration			3,741
			3,741

ARROW GLOBAL

Notes to the Financial Statements *(continued)*

28. Acquisition of subsidiary undertaking *(continued)*

Cash impact of acquisition in the year:	**£000**
Cash consideration	3,741
Cash and cash equivalents acquired	(1,122)
	2,619

Measurement of fair values

The valuation techniques used for measuring the fair value of material assets acquired under IFRS 13 were as follows.

Investments	*Market comparison technique and income approach* The valuation model considers market valuations for portfolios where available.

Fair values measured on a provisional basis

If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

Goodwill

Goodwill from the acquisition has been recognised as follows:

	£000
Consideration transferred	3,741
Fair value of identifiable net assets	(3,111)
	630

Prior year acquisitions

a) Maslow

On 22 August 2023, the Group acquired the remaining 51% of the share capital of Maslow Capital Global Limited Having previously acquired 49% in 2021. Maslow is a leading provider of real estate finance. The total consideration for the acquisition is £61,000,000, consisting of £40,000,000 cash and £8,750,000 of equity instruments for the remaining 51%, additional to the fair value of the previously held 49% of £30,500,000 and the fair value of share option derivative liability of £18,250,000 held immediately prior to the acquisition.

The equity instrument fair value was determined in relation to an internal assessment of the Group's equity value based on earnings multiples.

In the period from acquisition to 31 December 2023, Maslow contributed income of £1,226,000 and loss after tax contribution of £60,000 to the consolidated results for the year. If the acquisition had occurred on 1 January 2023, Group total income would have been higher by an estimated £6,860,000 and loss after tax would have increased by an estimated £183,000.

ARROW GLOBAL

Notes to the Financial Statements *(continued)*

28. Acquisition of subsidiary undertaking *(continued)*

Effect of the acquisition

The fair values of the identifiable assets acquired and liabilities assumed are as set out in the table below. Acquisition related costs are expensed in the profit or loss in the reporting period:

	Book value 22 August 2023	Fair value adjustments 22 August 2023	Fair value 22 August 2023
	£000	£000	£000
Intangible assets	–	22,832	22,832
Cash and cash equivalents	1,840	–	1,840
Trade and other receivables	938	–	938
Portfolio investments	1,013	–	1,013
Property, plant and equipment	30	–	30
Other liabilities	(2,970)	–	(2,970)
Bank overdrafts	(216)	–	(216)
Trade and other payables	(1,097)	–	(1,097)
Current tax liability	(19)	–	(19)
Total identifiable net assets	**(481)**	**22,832**	**22,351**
Goodwill on acquisition			38,649
			61,000
Non-controlling interest			–
			61,000
Consideration:			
Cash consideration			40,000
Equity instruments			8,750
Fair value of previously held 49% of share capital in Maslow Capital Global Limited			30,500
Fair value of share option derivative			(18,250)
			61,000

Cash impact of acquisition in the year:	**£000**
Cash consideration	40,000
Cash and cash equivalents acquired	(1,840)
	38,160

Measurement of fair values

The valuation techniques used for measuring the fair value of material assets acquired under IFRS 13 were as follows.

Intangible assets – customer intangibles	*Multi-period excess earnings method* The multi-period excess earnings method considers the present value of net cash flows expected to be generated by the customer relationships, by excluding any cash flows related to contributory assets

Fair values measured on a provisional basis

If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

ARROW GLOBAL

Notes to the Financial Statements *(continued)*

28. Acquisition of subsidiary undertaking *(continued)*

Goodwill

Goodwill from the acquisition has been recognised as follows:

	£000
Consideration transferred	61,000
Fair value of identifiable net assets	(22,351)
	38,649

Management have assessed goodwill to be related primarily to expected revenue synergies in the combined lending product offering, as well as the assembled workforce to a lesser degree.

Acquisition related costs

The Group incurred acquisition-related costs of £525,000 on advisory fees and execution costs. These costs have been included in other operating expenses.

b. Eagle Street

On 29 March 2023, the Group acquired 100% of the share capital of Eagle Street Partners Limited, a real estate asset manager and developer focused primarily on the UK and Ireland. The total consideration for the acquisition is cash of £8,000,000.

In the period from acquisition to 31 December 2023, Eagle Street contributed income of £3,607,000 and loss after tax contribution of £281,000 to the consolidated results for the year. If the acquisition had occurred on 1 January 2023, Group total income would have been higher by an estimated £795,000 and loss after tax would have decreased by an estimated £167,000.

Effect of the acquisition

The fair values of the identifiable assets acquired and liabilities assumed are as set out in the table below. Acquisition related costs are expensed in the profit or loss in the reporting period:

	Book value 29 March 2023	Fair value adjustments 29 March 2023	Fair value 29 March 2023
	£000	£000	£000
Cash and cash equivalents	227	–	227
Trade and other receivables	999	–	999
Property, plant and equipment	193	–	193
Intangible assets	90	–	90
Deferred tax assets	408	–	408
Bank overdrafts	(109)	–	(109)
Trade and other payables	(1,018)	–	(1,018)
Current tax liability	(13)	–	(13)
Total identifiable net assets	**777**	–	**777**
Goodwill on acquisition			7,223
			8,000
Non-controlling interest			–
			8,000
Consideration:			
Cash consideration			8,000
			8,000

ARROW GLOBAL

Notes to the Financial Statements *(continued)*

28. Acquisition of subsidiary undertaking *(continued)*

Cash impact of acquisition in the year:	**£000**
Cash consideration	8,000
Cash and cash equivalents acquired	(227)
	7,773

Measurement of fair values

The assets and liabilities acquired primarily related to short term working capital positions. No further assets and liabilities were identified. Therefore, no fair value adjustments have been applied.

Fair values measured on a provisional basis

If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

Goodwill

Goodwill from the acquisition has been recognised as follows:

	£000
Consideration transferred	8,000
Fair value of identifiable net assets	(777)
	7,223

Notes to the Financial Statements *(continued)*

29. Notes to the statement of cash flows

	Group 2024 £000	Company 2024 £000	Group 2023 £000	Company 2023 £000
Loss after tax	(69,288)	(1,409)	(125,273)	(534)
Adjusted for:				
Proceeds from sale of UK non-core portfolios	–	–	183,023	–
Balance sheet cash realisations in the period	379,906	–	283,863	–
Income from investments at amortised costs	(43,158)	–	(55,462)	–
Income from real estate investments	(6,797)	–	(2,403)	–
Fair value gains on investments at FVTPL	(47,842)	–	(32,433)	–
Impairment (gains)/losses on amortised cost investments	(8,207)	–	16,883	–
Share of profit in joint venture investments	(11,958)	–	(7,266)	
Depreciation and amortisation	34,873	499	25,082	–
Gain on sale of subsidiary	(2,429)	–	–	–
Gain on write-off and disposal of property, plant and equipment	(277)	–	–	–
Loss on write-off and disposal of intangible assets	1,041	–	75	–
Write-down of investment in associate	–	–	36,457	–
Share of profit in associate	–	–	(3,089)	–
Deferred remuneration unwind	7,580	–	10,424	–
Net interest payable excluding lease liability interest	118,125	354	101,131	–
Lease liability interest	1,906	353	1,805	–
Profit on reclassification to held for sale	–	–	(11,944)	–
Derivative fair value movements	–	–	(12,018)	–
Foreign exchange gains	(7,589)	–	(4,016)	–
Tax credit	(647)	–	(75)	–
Operating cash flows before movement in working capital	**345,239**	**(203)**	**404,764**	**(534)**
Increase in other receivables	(47,572)	(30)	(20,732)	(141)
Increase in amounts due from subsidiary undertakings	–	789	–	1,276
Increase/(decrease) in trade and other payables	19,711	299	(11,705)	(601)
Cash generated by operations	**317,378**	**855**	**372,327**	**–**
Income taxes and overseas taxation paid	(6,332)	–	(11,306)	–
Net cash flow from operating activities before purchases of portfolio investments and investments awaiting deployment	**311,046**	855	**361,021**	**–**
Investments purchased during the year and movement in investments awaiting deployment	(153,455)	–	(239,990)	–
Net cash generated by operating activities	**157,591**	**855**	**121,031**	**–**

Notes to the Financial Statements *(continued)*

30. Parent Undertaking

The immediate parent company is Sherwood Midco Limited. The ultimate controlling party is TDR Capital LLP, which is incorporated in England and Wales. The smallest and largest group in which the results of the company are consolidated is that headed by Sherwood Topco Limited, incorporated in the UK, address 20 Bentinck Street, London, W1U 2EU.

ARROW GLOBAL

Additional information (Unaudited)

The Adjusted EBITDA reconciliation for the years ended 31 December 2024 and 31 December 2023 respectively are shown below:	**31 December 2024**	**31 December 2023**
Reconciliation of net cash flow to Adjusted EBITDA	**£000**	**£000**
Net cash flow used in operating activities	157,591	121,031
Investment purchases and movement in investments awaiting deployment	153,455	239,990
Proceeds from sale of UK non-core portfolios	–	(91,511)
Income taxes paid	6,332	11,306
Working capital adjustments	27,861	32,437
Share of profit in associate	–	3,089
Operating cash adjusting items	5,493	15,528
Adjusted EBITDA	**350,732**	**331,870**
Reconciliation of income and realisations to Adjusted EBITDA		
Integrated fund manager fee related income	267,068	193,626
Income from portfolio investments including fair value and impairment losses and gains	117,962	80,681
Portfolio amortisation	261,944	294,695
Balance sheet cash realisations (includes proceeds from disposal of portfolio investments)	**379,906**	**375,376**
Gain on disposal of subsidiary and other income	2,661	1,179
Operating expenses	(337,595)	(324,949)
Depreciation and amortisation	34,873	25,082
Foreign exchange gains	(7,589)	(4,016)
Net loss on disposal and write off intangible assets and property, plant and equipment	764	75
Share of profit in associate	–	3,089
Operating adjusting items	10,644	62,408
Adjusted EBITDA	**350,732**	**331,870**
Reconciliation operating profit to Adjusted EBITDA		
Loss after tax	(69,288)	(125,273)
Net finance costs	120,031	102,936
Share of profit in associate	–	(3,089)
Tax credit on ordinary activities	(647)	(75)
Derivative fair value movements	–	(12,018)
Operating profit/(loss)	**50,096**	**(37,519)**
Portfolio amortisation	261,944	294,695
Depreciation and amortisation	34,873	25,082
Foreign exchange gains	(7,589)	(4,016)
Net loss on disposal of intangible assets and property, plant and equipment	764	75
Share of profit in associate	–	3,089
Profit on disposal of held for sale assets and liabilities	–	(11,944)
Operating adjusting items	10,644	62,408
Adjusted EBITDA	**350,732**	**331,870**

For details on adjusting items see pages 104 to 105.

ARROW GLOBAL

Additional information (Unaudited)

Loss before adjusting items

	Unaudited year to 31 December 2024 £000	Unaudited year to 31 December 2023 £000
Total income	**387,370**	**268,387**
Total operating expenses	**(301,318)**	**(235,711)**
Operating profit	**86,052**	**32,676**
Net finance costs	(107,999)	(102,825)
Share of profit in associate	–	3,089
Loss before tax and adjusting items	**(21,947)**	**(67,060)**
Taxation credit on underlying activities	(2,272)	(3,625)
Loss after tax before adjusting items	**(24,219)**	**(70,685)**
Non-controlling interest	136	(694)
Loss attributable to owners of the company	**(24,083)**	**(71,379)**
Tax rate on results before adjusting items	**(10.4%)**	**(5.4%)**

ARROW GLOBAL

Additional information (Unaudited) *(continued)*

Loss before adjusting items *(continued)*

Reconciliation between IFRS profit and profit before adjusting items:

	Year ended 31 December 2024			Year ended 31 December 2023		
	Loss before tax	Tax	Loss after tax	Loss before tax	Tax	Loss after tax
	£000	£000	£000	£000	£000	£000
IFRS reported loss	**(69,935)**	**647**	**(69,288)**	**(125,348)**	**75**	**(125,273)**
Adjusting items:						
Maslow acquisition costs	8,285	–	8,285	26,438	–	26,438
Acquisition costs related to the TDR takeover	25,457	–	25,457	12,232	–	12,232
Net other acquisition (income)/costs	(319)	–	(319)	16,786	–	16,786
Refinancing costs	14,565	–	14,565	–	–	–
Operations held for sale result	–	–	–	14,776	–	14,776
Profit on disposal of held for sale assets and Liabilities	–	–	–	(11,944)	–	(11,944)
Tax associated with adjusting items	–	(2,919)	(2,919)	–	(3,700)	(3,700)
Loss before adjusting items	**(21,947)**	**(2,272)**	**(24,219)**	**(67,060)**	**(3,625)**	**(70,685)**

Adjusting items are those items that by virtue of their size, nature or incidence (i.e. outside the normal trading activities of the Group) are not considered to be representative of the ongoing performance of the Group and these items are excluded to get to the loss before adjusted items.

The acquisition of Maslow occurred through an initial 49% acquisition and subsequently via the exercise of the option to acquire the remaining 51% and the acquisition has resulted in a reported loss of £26.4 million in 2023. The loss arose firstly due to the requirement under IFRS 3 and 9 to re-measure previously recognised assets and liabilities to fair value immediately prior to the full acquisition and secondly due to the potential contingent earn-out payments that do not qualify as business combination consideration under IFRS 3. Maslow acquisition costs in 2024 relate to the unwind of the contingent earn-out payments.

The acquisition of the Group by TDR created ongoing non-cash acquisition intangible and fair value or other accounting unwinds. Total acquisition cost in the year ended 31 December 2024 amounted to £33.4 million (YTD 2023: £29.0 million).

Net other acquisition income relates to the disposal of Blue Current Capital and the acquisitions relating to Amitra and Interboden, acquired in 2024.

£14.6 million costs were incurred by the Group in relation to the refinancing of the bonds which occurred on 11 December 2024.

ARROW GLOBAL

Additional information (Unaudited) *(continued)*

Reconciliation of profit after tax to the free cash flow result

The table below reconciles the reported profit after tax for the year to the free cash flow result.

Year ended 31 December 2024

Income	**Reported profit £000**	**Other items £000**	**Free cash flow £000**	
Integrated fund manager fee related income	267,068	–	267,068	Income from integrated fund and asset management income
Gain on disposal of subsidiary	2,429	(2,429)	–	
Total income from investments	117,962	261,944	379,906	Realisations in the period
Other income	232	–	232	Other income
Total income[1]	**387,691**	**259,515**	**647,206**	Cash income
Total operating expenses	(337,595)	41,121[2]	(296,474)	Cash operating expenses
Operating Profit	**50,096**	**300,636**	**350,732**	Adjusted EBITDA[4]
Net financing costs	(120,031)	8,339[3]	(111,692)	Cash financing costs
(Loss)/profit before tax	**(69,935)**	**308,975**	**239,040**	
Taxation credit on ordinary activities	647	(6,979)	(6,332)	Cash taxation
(Loss)/profit after tax	**(69,288)**	**301,996**	**232,708**	
			(19,161)	Capital expenditure
			213,547	**Free cash flow [5]**

[1] *Total income is largely derived from income from portfolio investments plus income from managing investment portfolios for our discretionary funds and other third parties, and income from asset management and servicing, being commission on balance sheet cash realisations for third parties and fee income received. The other items add back loan portfolio amortisation to get to balance sheet cash realisations. Amortisation reflects a reduction in the statement of financial position carrying value of the portfolio investments arising from balance sheet* cash realisations, *which are not allocated to income. Amortisation plus income from portfolio investments equates to balance sheet cash realisations.*

[2] *Includes non-cash items including depreciation and amortisation, foreign exchange gains and losses and adjusting items.*

[3] *Non-cash amortisation of fees and interest and non-recurring refinancing costs.*

[4] *Adjusted EBITDA is a key driver to free cash flow. This measure allows us to monitor the operating performance of the Group. See additional information provided on page 103 for detailed reconciliations of Adjusted EBITDA.*

[5] *Free cash flow is the Adjusted EBITDA after the effect of capital expenditure and working capital movements.*

ARROW GLOBAL

GLOSSARY OF ALTERNATIVE PERFORMANCE MEASURES

APM	Definition	Why is the measure used?
Adjusted EBITDA	The Adjusted EBITDA figure represents the Group's earnings before interest, tax, depreciation and amortisation (including investment portfolio amortisation), adjusted for any non-cash income or expense items and adjusting items.	Adjusted EBITDA is an approximate measure of the underlying cash EBITDA of the Group. In addition, the leverage ratio of the Group is calculated as the ratio of secured net debt to Adjusted EBITDA. This makes the Adjusted EBITDA figure a key component of this metric, which also features in the Group's banking covenant measures.
Free cash flow	The free cash flow represents current cash generation on a sustainable basis and is calculated as Adjusted EBITDA less cash interest, income taxes and overseas taxation paid, purchase of property, plant and equipment and purchase of intangible assets.	Free cash flow provides a measure of how much cash the Group generates across the reporting period which it can utilise on a discretionary basis.
Balance sheet cash realisations	Balance sheet cash realisations represent cash realisations on the Group's portfolio investments including realisations on the Group's co-investment into ACO 1, ACO 2 and AREO, portfolio sales and put-backs.	Balance sheet cash realisations is a key metric as it represents the Group's most significant cash inflow. It is also a key component of Adjusted EBITDA which is used to calculate the Group's leverage position.
Expected 84-month cumulative realisations	The expected 120-month cumulative realisations means the Group's estimated remaining balance sheet cash realisations on portfolio investments (of all classifications) over the next 120-months, representing the expected future balance sheet cash realisations on portfolio investments during this period. The expected future balance sheet cash realisations are calculated at the end of each month, based on the Group's proprietary expected cumulative realisations forecasting model, as amended from time to time.	The expected 120-month cumulative realisations is an important metric for the Group as this is the period used to value FVTPL portfolio investments, which is now the Group's most significant portfolio asset class. Additionally, the realisation profile of amortised cost portfolios can extend beyond 84-months, and as such, the 120-month expected cumulative realisations gives a more holistic view of potential remaining balance sheet cash realisations from the Group's portfolio investments.
Expected 120-month cumulative realisations	The expected 84-month cumulative realisations means the Group's estimated remaining balance sheet cash realisations on portfolio investments (of all classifications) over the next 84-months, representing the expected future balance sheet cash realisations on portfolio investments during this period. The expected future balance sheet cash realisations are calculated at the end of each month, based on the Group's proprietary expected cumulative realisations forecasting model, as amended from time to time.	The expected 84-month cumulative realisations shows the forecast cash inflows over the same period that is used to calculate the future cash flows of the Group's amortised cost portfolio investments.
Leverage	Leverage is calculated as secured net debt over Adjusted EBITDA.	The leverage metric provides an indication of the level of indebtedness of the Group, relative to its underlying cash earnings.
Underlying profit/loss	This is the profit/loss excluding adjusting items. Adjusting items are those items that by virtue of their size, nature or incidence (i.e. outside the normal trading activities of the Group)	The underlying profit/loss gives an indication of the trading performance of the Group.

ARROW GLOBAL

GLOSSARY OF OTHER ITEMS

'ACO 1' is Arrow Credit Opportunities SCSp SICAV-RAIF and related investment vehicles, our first closed fund.

'ACO 2' is our second closed fund, Arrow Credit Opportunities II SCSp, SICAV-RAIF, and related investment vehicles.

'AREO' is our Real Estate Opportunity discretionary fund, Arrow Real Estate Opportunities I SCSp, SICAV-RAIF.

'ALO' is our discretionary real estate lending funds, Arrow Lending Opportunities 1 A SCSp, SICAV-RAIF, Arrow Lending Opportunities 1 B SCSp, SICAV-RAIF, Arrow Lending Bridging SCSp, SICAV-RAIF, and related investment vehicles.

'Adjusted EBITDA' see the glossary of alternative performance measures on page 107 for the definition.

'APM' means alternative performance measure.

'Capital-light income' income and costs associated with managing Investment portfolios on behalf of the Group, our discretionary funds and other third parties, the income and costs associated with providing other servicing activities to third parties and income and costs associated with investment and asset management.

'CGU' means cash generating unit.

'**Deal IRR (after servicing costs)**' means the internal rate of return adjusted for actual realisations and the latest expected cumulative realisations. This is post-servicing fee, but pre-management fees, carry/performance fees and other fund level costs.

'EBITDA' means earnings before interest, taxation, depreciation and amortisation.

'ECL' means expected credit losses.

'EIR' means effective interest rate (which is based on the portfolio investment's gross internal rate of return) calculated using the portfolio investments purchase price and forecast gross expected cumulative realisations at the date of purchase.

'Expected cumulative realisations' means Estimated Remaining Realisations. See the glossary of alternative performance measures on page 107 for the definition of 84-month expected cumulative realisations and 120-month expected cumulative realisations.

'FCA' means the Financial Conduct Authority.

Funds under management (FUM) The value of assets and undrawn commitments in respect of our fund management activities specifically, within both our discretionary fund management and third party asset management business (that is, covered by both discretionary and non-discretionary mandates), including any of Arrow's own capital which it has committed to invest alongside third parties' capital committed.

'FVOCI' means fair value through other comprehensive income.

'FVTPL' means financial instruments designated at fair value with all gains or losses being recognised in the profit or loss.

'Free cashflow' or **'FCF'** means Adjusted EBITDA after the effects of capital expenditure, financing and tax cash impacts.

'FY' means full year being the 12 months to 31 December.

ARROW GLOBAL

GLOSSARY OF OTHER ITEMS *(continued)*

‘HPI’ means house price index.

‘IAS’ means international accounting standards.

‘IFRS’ means UK adopted international financial reporting standards.

‘Leverage’ is secured net debt to Adjusted EBITDA. See the glossary of alternative performance measures on page 107 for more detail.

‘Liquidity headroom’ is cash on balance sheet, excluding the reclassified cash as detailed in the unaudited consolidated statement of cash flows, together with headroom on committed facilities.

‘NCI’ means non-controlling interest.

‘Net debt’ means the sum of the outstanding principal amount of the senior secured notes and asset-backed loans, interest thereon, amounts outstanding under the revolving credit facility and deferred consideration payable in relation to the acquisition of portfolio investment, less cash and cash equivalents. Net debt is presented because it indicates the level of debt after removing the Group’s assets that can be used to pay down outstanding borrowings, and because it is a component of the maintenance covenants in the revolving credit facility. The breakdown of net debt as at 31 December 2024 is as follows:

	31 December 2024 £000	31 December 2023 £000
Cash and cash equivalents	(87,570)	(114,683)
Senior secured notes (pre-transaction fees net off)	1,352,554	1,251,605
Revolving credit facility (pre-transaction fees net off)	18,000	159,768
Secured net debt	**1,282,984**	**1,296,690**
Deferred consideration – portfolio investments	703	737
Senior secured loan notes interest	6,750	10,824
Bank overdrafts	5,734	6,214
Other borrowings	7,436	24,482
Net debt	**1,303,607**	**1,338,947**

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‘NPL’ means non-performing loan.

‘NPV’ means net present value.

‘Off-market’ means those loans that were not acquired through a process involving a competitive bid or an auction like process.

‘POCI’ means purchased or originated credit impaired.

GLOSSARY OF OTHER ITEMS *(continued)*

'Portfolio amortisation' represents total balance sheet cash realisations plus income from portfolio investments.

'Portfolio investments' are on the Group's statement of financial position and represent all Investment portfolios that the Group owns at the relevant point in time. Example portfolios comprise of groups of customer accounts or real estate, purchased in a single transaction.

'REO' means a real estate owned assets.

'Secured net debt' see table in 'Net debt' definition.

'SPPI' means solely payments of principal and interest.

'Translation reserve' comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.