26 March 2024

Arrow Global Group
Results for the year ended 31 December 2023

Group highlights

During 2023, the Group has deployed record levels of capital from our discretionary funds and significantly enhanced our capabilities, both in terms of people and infrastructure, across our three investment strategies, credit, real estate and lending. Our well-established model drives growth in capital light earnings and balance sheet de-leveraging, as the group makes strong progress towards our strategic goal of becoming the leading European integrated fund manager.

Building a multi-strategy vertically integrated fund management model

- Established three investment strategies; credit, real estate equity and lending, all utilising our local platforms and vertically integrated model
- Assets under management has grown by 50% during 2023 to €9.3 billion, including the final close of ACO 2 in H1 2023 reaching the hard cap of €2.75 billion
- €110 million initial close of our discretionary real estate equity fund (AREO) and launch of a dedicated discretionary lending fund
- Continued scaling of investment activity with €1,213 million deployed in 2023, up 45% on prior year (2022: €839 million), including the ACO 2 investment in AnaCap Financial Europe in Q4. An additional over €750m originated by Maslow using third party capital
- Delivering strong returns in both our ACO funds with Deal IRR (after servicing costs) of 16% and 20% in ACO 1 and ACO 2 respectively
- Appointment of Rob Leary as Chair of the Board, significantly enhancing the leadership of the Group.

Creating an efficient integrated fund manager to drive capital-light income and divestment of non-core UK platforms

- Integrated Fund Management EBITDA rose 12.6% to £44.7 million for 2023 (2022: £39.7 million)
- Growth in EBITDA has been moderated due to the investment in scaling activities with incremental operational costs of circa £10 million to deliver future revenue growth
- Alignment of our platforms with the integrated fund manager proposition with build of real estate and lending capabilities through the acquisitions of Maslow, Eagle Street and Details and the organic development of Blue Current Capital, Mica and bridge lending across multiple geographies. In addition, the divestment of our non-core Capquest and Mars UK platforms to Intrum UK was completed in Q2 2023, along with 50% of the UK wholly owned unsecured back book, for net proceeds of £129 million
- Continued third-party asset and servicing mandate wins across all our territories, with record contract wins in 2023, including a significant contract for servicing of circa €5 billion residential mortgages in Ireland and a strong pipeline of opportunities

Leverage decreased, maintaining our commitment to medium-term strategic target

- Leverage decreased by 0.2 times to 3.9 times as at 31 December 2023 (31 December 2022: 4.1 times), with further progress towards the medium-term strategic target of 3.0 times expected during 2024
- Collections were £375.4 million for 2023 (2022: £380.1 million) representing 104% of ERC for Q4 and 133% for 2023
- Adjusted EBITDA for the year was £331.9 million, a year on year increase of 5.2% (2022: £315.4m)
- Net free cash flow after portfolio investments rose by 57% to £51.2 million (2022: £32.7 million) facilitating net debt reduction of £27 million
- Maintained healthy liquidity headroom of £227 million as at 31 December 2023 with no bond maturities until 2026

Zach Lewy, Group chief executive officer at Arrow, commented:

"Arrow has made significant progress in expanding its asset management business, aiming to become the leading European vertically integrated alternative asset manager with a focus on opportunistic credit, real estate lending, and real estate equity.

In 2023, we achieved a strong 50% growth in assets under management (AUM), reaching €9.3 billion. This growth was supported by the successful final close of ACO 2 at its hard cap of €2.75 billion and the initial close of our discretionary real estate equity fund (AREO). We've also strengthened our leadership team by appointing Rob Leary as chair of the Arrow Board of Directors, alongside several key senior hires, further enhancing our platform franchise through strategic acquisitions and organic growth.

Our investment activity in 2023 was notably strong, with €1,213 million deployed, marking a 45% increase from the previous year, including a notable investment in Anacap Financial Europe. In addition, our specialist asset manager, Maslow Capital, continued to expand its franchise in real estate lending, originating over €750 million in 2023. Leveraging the prevailing macroeconomic conditions, ACO I and ACO II have delivered strong performance, with Deal IRRs post-servicing costs of 16% and 20% respectively. These achievements are testament to the strength of our local platforms and dedication of our colleagues."

Group financial highlights	**31 December 2023**	**31 December 2022**	**Change %**
Balance sheet collections (£m)	375.4	380.1	(1.2)
Adjusted EBITDA (£m)	331.9	315.4	5.2
Free cash flow (£m)	199.7	213.7	(6.6)
Total income (£m)	287.4	295.8	(2.8)
Third-party integrated fund and asset management income (£m)	193.6	162.3	19.3
Third-party integrated fund and asset management income before adjusting items (£m)	181.5	156.4	16.0
Loss before tax and adjusting items (£m)[1]	(67.1)	(33.4)	100.9
Loss before tax and after adjusting items (£m)	(125.3)	(83.7)	49.7

	31 December 2023	**31 December 2022**	**Change %**
Funds Under Management (FUM) (€bn)	9.3	6.2	50
Leverage (x)	3.9	4.1	(0.2)x
84-month ERC (£m)[2]	1,213.7	1,545.9	(21.5)
120-month ERC (£m)[2]	1,309.9	1,714.3	(23.6)
Net debt (£m)	1,338.9	1,365.7	(2.0)

[1] *The results presented exclude adjusting items. The reconciliation between these results and the condensed consolidated profit and loss is shown on pages 18 and 19.*

[2] *ERC for FVTPL and joint venture assets are reported on a 'net of servicing and collection costs' basis, as opposed to amortised cost assets which are typically measured gross. As the percentage of FVTPL and joint venture assets has grown from 14.6% to 59.1% since ACO 1 was launched in December 2019, a growing proportion of the Group's ERC is reported on net basis.*

Strategic development of the Group

The Group has continued to make strong progress towards becoming the leading European integrated fund manager with three investment strategies across credit, real estate equity and lending, all utilising our local platforms. The Group commenced building its fund management business in 2019 and has continued to scale operations at pace during 2023 with several senior hires and the expansion of our platform capabilities through both organic growth and 'bolt-on' acquisitions.

FUM have grown to €9.3 billion as at 31 December 2023, representing growth of €3.1 billion from €6.2 billion as at 31 December 2022. Discretionary fund Net Asset Value (NAV) across ACO 1, ACO 2 and AREO increased by 77% to €2.3 billion (2022: €1.3 billion). Despite the macro environment, the performances of ACO 1 and ACO 2 have continued to be strong with a Deal IRR (after servicing costs) of 16% and 20% for ACO 1 and ACO 2 respectively.

Rob Leary has joined the company as Chair of the Board significantly enhancing the leadership of the Group. Rob brings a distinguished investment and leadership career spanning over 30 years in asset management and insurance. His notable tenure includes his role as CEO at ING Investment Management, followed by his position as CEO at Nuveen, a TIAA company, where he managed approximately €850 billion in AUM. His leadership was instrumental in driving significant transformations at The Olayan Group as Group CEO, enhancing their global operations and governance model.

Important key hires have also been made with the appointment of Zach Vaughan as the Group's CIO of Real Estate and Toni McDermott as CIO across credit and lending. Zach was most recently at Brookfield Asset Management, where he was a Managing Partner in Brookfield's Real Estate Group. Toni joined Arrow from Morgan Stanley APAC, where she served as the Managing Director of Loan Solutions and Securitisation. Prior to this, she was a Managing Director in Centerbridge Partners Europe, responsible for the firm's Asset Backed Special Situations business in Europe.

The Group has had a successful fundraising year, most notably with the close of ACO 2 at the hard cap of €2.75 billion, which Private Debt Investor reported as the largest distressed debt fund and fourth largest debt fund closed globally in Q1 2023. In addition, The Group raised €110 million initial close of our discretionary real estate equity fund (AREO), raised €60 million in separate co-invest vehicles and continued progress in establishing a dedicated discretionary lending fund. The Group has invested in the fundraising team, with dedicated resource now covering North America, Europe and Asia.

In addition, the Group has increased the alignment of our platforms with the integrated fund manager proposition with the build of real estate and lending capabilities through the acquisitions of Maslow, Eagle Street and Details, the organic development of Blue Current Capital, Mica and bridge lending across multiple geographies and the divestment of our non-core Capquest and Mars UK platforms to Intrum UK in Q2 2023, along with 50% of the UK wholly owned unsecured back book, for net proceeds of £129 million.

The scaling of the business has delivered growth in deployment of 45% to €1,213 million for the year (2022: €839 million). These volumes exclude over €750 million deployed by Maslow with third-party capital outside of the Group's discretionary funds. During the year, the Group was able to leverage the capital available within ACO 2 and its platform capabilities to invest in AnaCap Financial Europe.

The investment in scaling our fundraising, investing and servicing capabilities across credit, real estate and lending drives capital-light revenue streams and facilitates de-leveraging. Leverage decreased by 0.2 times to 3.9 times as at 31 December 2023 (31 December 2022: 4.1 times), with further progress towards the medium-term strategic target of 3.0 times expected during 2024.

Group results and segmental commentary

Overall, the underlying loss before tax was £67.1 million (2022: £33.4 million).The Integrated Fund Management segment EBITDA increased by 12.6% to £44.7 million (2022: £39.7 million), the Balance Sheet segment EBITDA decreased by £27.8 million to £26.2 million (2022: £54.0 million) and the Group segment EBITDA decreased by £7.6 million to £(32.2) million (2022: £(24.6) million). Interest costs were £102.8 million, £20.4 million higher year-on-year (2022: £82.4 million).
The Balance Sheet segment performance has been impacted by year-on-year impairment variance of £15.6 million and the divestment of the non-core platforms, Capquest and Mars UK, to Intrum UK. The income and associated costs on 100% of the wholly owned UK portfolio investments subject to the profit share relationship with Intrum UK, from

September 2022 to completion at the end of May 2023, are not reported within our underlying results. The results are explained further in the segmental commentary and analysis below.

The cash performance of the Group has been strong. Collections were £375.4 million during the year (2022: £380.1 million), representing 104% of ERC for Q4 and 133% for 2023, which includes £91.5 million in respect of the collection arising from the disposal of 50% of the wholly owned UK portfolios. The robust collections and increasing capital-light earnings drove free cash flow of £199.7 million (2022: £213.7 million), a decrease of 6.6%. Free cash flow after portfolio investments increased to £51.2 million (2022: £32.7 million), with co-investment in ACO 2 and AREO investments at 10%, down from 25% in ACO 1. Adjusted EBITDA for the year was £331.9 million (2022: £315.4 million) and leverage decreased by 0.2 times to 3.9 times (31 December 2022: 4.1 times), with further progress towards the medium-term strategic commitment of 3.0 times expected during 2024. The strong cash performance facilitated net debt reduction of £27 million during 2023, after incurring £40m cash outflow in respect of the acquisition of the remaining 51% of Maslow.

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 asset management and servicing and fund management activity, through our various platforms, providing capital-light returns.

The Integrated Fund Management segment EBITDA increased by 12.6% to £44.7 million (2022: £39.7 million). The continued growth in discretionary fund net asset value (NAV) across ACO 1, ACO 2 and AREO, which increased by 77% to €2.3 billion (2022: €1.3 billion), together with the operational leverage has primarily driven the EBITDA growth. EBITDA has been impacted by additional costs of circa £10 million to scale the business and drive future revenue growth. These costs have delivered no or limited revenues during 2023.

Segmental revenue increased to £220.9 million (2022: £207.3 million), representing £40.7 million growth in management fees from the discretionary funds and strong asset management and servicing driven by continued third party contract wins across all territories, offset by £27.1 million impact of the divestment of the non-core platforms, Capquest and Mars UK. The trading revenue from these platforms during the year through to deal completion are shown in adjusting items, and not reported within our underlying results.

The Integrated Fund Management EBITDA margin increased by 1.0 percentage point from 19.2% for 2022 to 20.2% in 2023, reflecting the growth in the discretionary funds deployed, operational leverage and efficiency in scaling of our operations, partly offset by the investment for future growth.

The scaling of investment capabilities has driven the growth in deployment of 45% to €1,213 million during 2023 (2022: €839 million). The Fund Manager has continued to focus on off-market acquisitions, with circa 85% of ACO 2 investments being off-market with a continued focus on performing, real estate and cash in court portfolios. 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, with over 400 individual investments. ACO funds continue to deliver strong returns with a Deal IRR (after servicing costs) of 16% and 20% for ACO 1 and ACO 2 respectively.

Aligning our asset management and servicing platforms with our investment strategies is important to maximise the potential of the integrated fund manager model. The Group has expanded its origination and asset management capabilities through the acquisition of Eagle Street in Q1 2023, the remaining 25% of Details in Q4 2023 and the remaining 51% of Maslow not previously owned by the Group during Q3 2023 for £63.8 million (£40.0 million cash, £15.0 million deferred consideration and £8.8 million in equity). Maslow has continued to build its franchise and originated over €750 million in 2023, sourced 100% from external LPs. In addition, the Group is organically building a bridge lending proposition across our geographies, which is complementary to the activities of Maslow, and Mica, a real estate platform in the Netherlands.

We completed the divestment of our non-core Capquest and Mars UK platforms to Intrum in Q2 2023 along with 50% of the UK wholly owned unsecured back book, as announced in November 2022. The results of these platforms have been removed from our underlying results, which can be seen on pages 18 to 19.

Balance Sheet

This business includes all the portfolio investments that the Group owns, and the associated income and costs.

Collections were £375.4 million during the year, 1.2% lower than the prior year (2022: £380.1 million). Collections performance was robust, representing 104% of ERC for Q4 and 133% for 2023, which includes £91.5 million in respect of the collection arising from the disposal of 50% of the wholly owned UK portfolios. Performance excluding the divestment was broadly in line with ERC. Despite the current macro-economic backdrop, our collections continue to prove resilient with solid performance against our ERC assumptions. Timing impacts of the increasing element of ERC backed by real estate and collateral, which can be "lumpy" in their realisation, is an ongoing feature of the Group's collections profile. Net collections (balance sheet cash collections less collection activity costs) were £318.4 million, £169.9 million higher than portfolio purchases (including investments awaiting deployment).

Investment purchases[1] were £148.5 million in 2023 (2022: £181.0 million) with a strong investment pipeline. Portfolio investments typically represent a 10% co-investment in ACO 2 and AREO rather than the 25% level through ACO 1.

Segmental Balance Sheet EBITDA decreased by £27.8 million from £54.0 million in 2022 to £26.2 million in 2023. The reduction was largely driven by the divestment of the non-core platforms, Capquest and Mars UK, to Intrum UK and year-on-year impairment variances. On the divested portfolios, no income or associated collection costs (both 50% being sold, together with the 50% retained by Arrow) are reported within our underlying results up until deal completion. Performance under the lock-box mechanism adjusted the proceeds received from Intrum and the re-recognition value on the 50% retained by Arrow. Year on year EBITDA impact was £9.1 million, comprising of EBITDA recognised during 2023 for the period since completion of £7.3 million on the 50% retained portfolios, compared with EBITDA on 100% divested portfolios during 2022 of £16.4 million. In addition, impairment was £35.6 million for 2023 (2022: £20.0 million impairment), resulting in a year-on-year impairment variance of £15.6 million. The impairment during the year driven by the weakening macro-economic environment relates to non-cash adjustments to underlying ERC and represents circa 4% of total NPV.

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 2023 was £(32.2) million (2022: £(24.6) million). The increase reflects the ongoing investment in scaling the business, in such areas as fund raising. The cost of this investment as we scale the Group's capabilities with both organic and 'bolt-on' acquisitions with the formation of the three investment strategies will drive future earnings growth has exceeded the impacts of the increased allocation of Group overheads absorbed by the funds, strong cost control focus and the impact of the £20 million annualised cost savings delivered during 2022.

Underlying net interest costs of £102.8 million were £20.4 million higher year-on-year (2022: £82.4 million), primarily driven by rising interest rates. The Group has substantially mitigated the exposure to interest rate fluctuations with circa 80% of the bonds either fixed or hedged as at 31 December 2023.

Results Presentation – Conference call details

A presentation is available on the Company's website https://bit.ly/3Co0rvO from 07.00am (UK time).

There will be a conference call for bondholders at 10.00am (UK time) with Arrow Global's management team.

To join, register your details using the registration link below. Once registered, you'll receive a separate email containing your dial in number and PIN.

Registration Register for the call **here**

For further information:

Debt investor contact	**treasury@arrowglobal.net**
Media contact	**njones@arrowglobal.net**

[1] *Including investments awaiting deployment but excluding joint venture sale purchases.*

Notes:

A glossary of terms can be found at the end of the document.

Forward looking statements

This document contains statements that constitute forward-looking statements relating to the business, financial performance and results of the Group and the industry in which the Group operates. All statements other than statements of historical fact included in this document may be forward looking statements. These statements may be identified by words such as "expectation", "belief", "estimate", "plan", "target", or "forecast" and similar expressions or the negative thereof; or by the forward-looking nature of discussions of strategy, plans or intentions; or by their context. All statements regarding the future are subject to inherent risks and uncertainties and various factors could cause actual future results, performance or events to differ materially from those described or implied in these statements. Such forward-looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which the Group will operate in the future. Further, certain forward-looking statements are based upon assumptions of future events which may not prove to be accurate and neither the Company, the Group nor any other person accepts any responsibility for the accuracy of the opinions expressed in this document or the underlying assumptions. The forward-looking statements in this document speak only as at the date of this presentation and the Company and the Group assume no obligation to update or provide any additional information in relation to such forward-looking statements, except as required pursuant to applicable law or regulation.

No statement in this report is intended as a profit forecast or estimate for any period. No statement in this report should be interpreted to indicate a particular level of profit and, as a consequence, it should not be possible to derive a profit figure for any future period from this report.

This report is intended solely to provide information to bondholders to assess the group's strategies and neither the company nor its directors accept liability to any other person, save as would arise under English law. The report should not be relied on by any other party or for any other purpose.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

Continuing operations	12 months to 31 December 2023 £000	12 months to 31 December 2022 £000	3 months to 31 December 2023 £000	3 months to 31 December 2022 £000
Income from portfolio investments at amortised cost	55,462	97,812	13,841	14,250
Fair value gains on portfolio investments at FVTPL	32,433	21,351	7,253	(9,226)
Impairment (losses)/gains on portfolio investments	(16,883)	9,130	(9,685)	(3,979)
Income from portfolio investments - real estate inventories	2,403	2,072	2,482	306
Share of profit in portfolio joint venture	7,266	–	3,992	–
Total income from portfolio investments	**80,681**	**130,365**	**17,883**	**1,351**
Integrated fund and asset management income	193,626	162,323	53,221	49,605
Profit on disposal of held for sale assets and liabilities[1]	11,944	–	–	–
Gain/(loss) on disposal of subsidiary	–	2,121	–	(599)
Other income	1,179	963	139	270
Total income	**287,430**	**295,772**	**71,243**	**50,627**
Operating expenses:				
Collection activity costs and fund management costs	(130,421)	(129,507)	(32,538)	(34,660)
(Loss)/profit on reclassification to held for sale	–	(21,342)	–	4,617
Other operating expenses	(194,528)	(142,314)	(51,679)	(39,122)
Total operating expenses	**(324,949)**	**(293,163)**	**(84,217)**	**(69,165)**
Operating (loss)/profit	**(37,519)**	**2,609**	**(12,974)**	**(18,538)**
Derivative fair value movements	12,018	(4,834)	–	(4,834)
Net finance costs	(102,936)	(83,149)	(25,949)	(24,026)
Share of profit in associate	3,089	1,684	–	–
(Loss) before tax[2]	**(125,348)**	**(83,690)**	**(38,923)**	**(47,398)**
Taxation on ordinary activities	75	(1,417)	(11,308)	(3,527)
(Loss) after tax	**(125,273)**	**(85,107)**	**(50,231)**	**(50,925)**
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	207	1,877	366	878
Movement on the hedging reserve	(1,803)	556	(3,510)	556
Total comprehensive loss	**(126,869)**	**(82,674)**	**(53,375)**	**(49,491)**
Loss attributable to:				
Owners of the Company	(125,967)	(84,756)	(50,129)	(50,105)
Non-controlling interest	694	(351)	(102)	(820)
	(125,273)	**(85,107)**	**(50,231)**	**(50,925)**

[1] *In the year to December 2023, 'Profit on disposal of held for sale assets and liabilities' includes the previously captioned 'Remeasurement of held for sale assets and liabilities' given the disposal of the Capquest and Mars UK platforms, together with 50% of the wholly owned UK portfolios, has been executed.*

[2] *The loss before tax of £125,348,000 for the year to 31 December 2023 (2022: £83,690,000), includes £58,288,000 of net adjusting costs (2022: £50,280,000), with an underlying loss before tax of £67,060,000 (2022: £33,410,000). For the reconciliation to the condensed consolidated profit and loss, please see pages 18 and 19.*

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

Assets	Note	31 December 2023 £000	31 December 2022 £000
Cash and cash equivalents		114,683	143,603
Derivative asset		558	808
Trade and other receivables		86,277	65,041
Portfolio investments – amortised cost	3	323,827	392,182
Portfolio investments – FVTPL	3	380,977	331,199
Portfolio investments – real estate inventories	3	54,588	51,463
Portfolio investments – joint venture	3	87,253	–
Property, plant and equipment		30,010	27,614
Intangible assets		118,632	104,890
Deferred tax asset		6,610	4,815
Current tax asset		1,759	–
Investment in associate		321	64,150
Goodwill		745,109	698,879
Assets held for sale[1]		–	270,986
Total assets		**1,950,604**	**2,155,630**
Liabilities			
Bank overdrafts	4	6,214	8,423
Revolving credit facility	4	157,592	169,104
Derivative liability		2,381	30,335
Trade and other payables		186,663	173,446
Current tax liability		–	1,902
Other borrowings	4	24,482	13,590
Asset-backed loans	4	–	8,246
Senior secured notes	4	1,246,132	1,258,358
Deferred tax liability		19,827	27,851
Liabilities held for sale[1]		–	36,927
Total liabilities		**1,643,291**	**1,728,182**
Equity			
Share capital		166,813	166,813
Share premium		419,609	410,859
Retained deficit		(283,657)	(156,428)
Hedging reserve		(1,247)	556
Other reserves		3,036	2,829
Total equity attributable to shareholders		**304,554**	**424,629**
Non-controlling interest		2,759	2,819
Total equity		**307,313**	**427,448**
Total equity and liabilities		**1,950,604**	**2,155,630**

[1] *As at 31 December 2022, balance sheet items of £234,059,000, following impairment of £21,342,000, were moved to 'Assets held for sale' and 'Liabilities held for sale' on the condensed consolidated statement of financial position given the expected disposal of Capquest and Mars UK platforms, together with the wholly owned UK portfolios. The transaction completed in 2023.*

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Share capital £000	Other equity reserves £000	Total equity attributable to shareholders £000	Non-controlling interest £000	Total equity £000
Balance at 1 January 2023	166,813	257,816	**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	–	(2,403)	**(2,403)**	–	**(2,403)**
Tax on hedged items	–	600	**600**	–	**600**
Total comprehensive loss for the year	–	(127,563)	**(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**	**137,741**	**304,554**	**2,759**	**307,313**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Year ended 31 December 2023 £000	Year ended 31 December 2022 £000
Net cash flows from operating activities before proceeds from the sale of UK non-core portfolios and purchases of portfolio investments	**177,999**	**242,262**
Proceeds from sale of UK non-core portfolios[1]	183,023	–
Portfolio purchases and movement in investments awaiting deployment[2]	(239,990)	(181,019)
Net cash generated by operating activities	**121,031**	**61,243**
Net cash generated used in investing activities	**(41,522)**	**(21,692)**
Net cash flows used in financing activities	**(109,499)**	**(106,127)**
Net decrease in cash and cash equivalents	**(29,990)**	**(66,576)**
Cash and cash equivalents at beginning of year	143,603	202,263[1]
Effect of exchange rates on cash and cash equivalents	1,070	7,916
Cash and cash equivalents at end of year	**114,683**	**143,603**

Included within cash and cash equivalents is £11,838,203 (2022: £8,021,000) 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.

[1] The £183,023,000 proceeds reflect 100% derecognition of the portfolios subject to the divestment of non-core Capquest and Mars UK platforms. 50% of these portfolios have been immediately repurchased into a new category entitled 'Joint venture'. This treatment is required by IFRS. The net proceeds of £91,511,000 have been reported in the underlying collections figure of £375,376,000. The net proceeds from the sale of the platforms of £37,651,000 are included within the caption 'Net cash generated by/(used in) investing activities'.

[2] Includes the investment for 50% of the wholly owned UK portfolios retained by the Arrow Group, which were repurchased into a new category entitled 'Joint venture'.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Significant accounting policy updates

These financial statements are unaudited and do not include all the information required for annual reporting. These results should be read in conjunction with the Sherwood Parentco Limited Group's consolidated statutory report and accounts for the year to 31 December 2023. The Sherwood Parentco Limited Group's consolidated statutory report and accounts for the year to 31 December 2023 are available on our website at https://bit.ly/3Co0rvO.

The Group's consolidated report and accounts are prepared in accordance with UK-adopted international accounting standards and in accordance with the requirements of the Companies Act 2006. These financial statements have been prepared by applying the accounting policies and presentation that were applied in the preparation of the Sherwood Parentco Limited Group's consolidated statutory report and accounts for the year to 31 December 2023.

2. Segmental reporting

In line with IFRS 8 Operating Segments, the Group reports under three separate reportable segments, being Integrated Fund Management, 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 collection 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 and AREO, 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 collection 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (*continued*)

2. Segmental reporting *(continued)*

Year ended 31 December 2023

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (*continued*)

2. Segmental reporting *(continued)*

Year ended 31 December 2022

	Integrated Fund Management £000	Balance Sheet £000	Group £000	Intra-segment elimination £000	Adjusting items £000	Total exc. adjusting items £000	Total inc. adjusting items £000
Total income	207,274	135,723	6	(50,831)	3,600	292,172	295,772
Collection activity costs	(89,806)	(81,726)	(283)	50,831	(8,523)	(120,984)	(129,507)
Gross margin	**117,468**	**53,997**	**(277)**	**–**	**(4,923)**	**171,188**	**166,265**
Gross margin %	*56.7%*	*39.8%*				*58.6%*	*56.2%*
Loss on reclassification to held for sale	–	–	–	–	(21,342)		(21,342)
Other operating expenses excluding depreciation, amortisation and forex	(77,763)	–	(24,366)	–	(6,261)	(102,129)	(108,390)
EBITDA	**39,705**	**53,997**	**(24,643)**	**–**	**(32,526)**	**69,059**	**36,533**
EBITDA margin %	*19.2%*	*39.8%*				*23.6%*	*12.4%*
Depreciation and amortisation	(8,814)	–	(2,113)	–	(12,203)	(10,927)	(23,130)
Foreign exchange translation loss	–	–	(10,794)	–	–	(10,794)	(10,794)
Operating profit/(loss)	**30,891**	**53,997**	**(37,550)**	**–**	**(44,729)**	**47,338**	**2,609**
Derivative fair value movements	–	–	–	–	(4,834)		(4,834)
Net finance costs	–	–	(82,432)	–	(717)	(82,432)	(83,149)
Share of profit in associate	1,684	–	–	–	–	1,684	1,684
Profit/(loss) before tax	**32,575**	**53,997**	**(119,982)**	**–**	**(50,280)**	**(33,410)**	**(83,690)**

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (*continued*)

3. Portfolio investments

Movements in portfolio investments were as follows:

As at 31 December 2023

	Amortised cost £000	FVTPL £000	Real estate inventories £000	Joint venture £000	Total £000
As at 1 January 2023 including held for sale	641,194	331,199	51,463	–	1,023,856
Portfolios 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
Collections 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 portfolio investments at amortised cost	55,462	–	–	–	55,462
Fair value gains on portfolio investments at FVTPL	–	32,433	–	–	32,433
Income from portfolio investments - real estate inventories	–	–	2,403	–	2,403
Share in profit in portfolio joint venture	–	–	–	7,266	7,266
Net impairment (losses)/gains	(16,088)	–	(795)	–	(16,883)
Loss on sale of UK non-core portfolios	(16,773)	–	–	–	(16,773)
Capital expenditure on real estate inventories	–	–	21,633	–	21,633
Exchange and other movements	(2,720)	(9,825)	2,030	(146)	(10,661)
As at 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 year 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. The net proceeds of £91,511,000 have been reported in the underlying collections figure of £375,376,000.*

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (*continued*)

3. Portfolio investments *(continued)*

As at 31 December 2022 (re-presented)[1]

	Amortised cost £000	FVTPL £000	Real estate inventories £000	Total £000
As at 1 January 2022	704,944	302,808	41,029	1,048,781
Portfolios purchased during the year	37,007	129,500	9,207	175,714
Investments awaiting deployment[2]	–	5,305	–	5,305
Balance sheet cash collections in the year	(233,657)	(134,608)	(11,858)	(380,123)
Income from portfolio investments at amortised cost	97,812	–	–	97,812
Fair value gain on portfolio investments at FVTPL	–	21,351	–	21,351
Income from portfolio investments – real estate inventories	–	–	2,072	2,072
Net impairment losses	8,992	–	138	9,130
Capital expenditure on real estate inventories	–	–	12,114	12,114
Exchange and other movements	26,096	6,843	(1,239)	31,700
As at the 31 December 2022 including held for sale	**641,194**	**331,199**	**51,463**	**1,023,856**
Portfolios moved to liabilities held for sale[3]	(249,012)	–	–	(249,012)
As at 31 December 2022 excluding held for sale	**392,182**	**331,199**	**51,463**	**774,844**

[1] *Movements in portfolio investments for 2022 has been re-presented to provide a comparative for capital expenditure on real estate inventories previously disclosed within Exchange and other movements. This has been disclosed separately for 2023 and 2022 as such expenditure has become more significant in 2023.*

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

[3] *Portfolio investments include £249,012,000 wholly owned UK portfolios subject to divestment as at 31 December 2022, which for disclosure purposes has been moved to 'Assets held for sale' on the condensed consolidated statement of financial position. Therefore, there is £392,182,000 of 'portfolio investments – amortised cost' on the consolidated statement of financial position as at 31 December 2022.*

4. Borrowings and facilities

Secured borrowing at amortised cost	31 December 2023 £000	31 December 2022 £000
Senior secured notes (net of transaction fees of £16,297,000, 31 December 2022: £21,745,000)	1,246,132	1,258,358
Revolving credit facility (net of transaction fees of £2,176,000, 31 December 2022: £3,109,000)	157,592	169,104
Asset backed loan (net of transaction fees of £nil, 31 December 2022: £73,000)	–	8,246
Bank overdrafts	6,214	8,423
Other borrowings	24,482	13,590
Total borrowings	**1,434,420**	**1,457,721**

Total borrowings including held for sale		
Amount due for settlement within 12 months	178,580	186,771
Amount due for settlement after 12 months	1,255,840	1,270,950
	1,434,420	**1,457,721**

Senior secured notes

On 27 October 2021, the Group successfully placed €400 million 4.5% Euro fixed rated bonds due 2026, €640 million 4.625% over three months EURIBOR floating rate notes due 2027, and £350 million 6% fixed rate bonds due 2026, with the proceeds being used to prepay all the outstanding bonds at that time and certain drawings under the revolving credit facility. The bonds were issued by Sherwood Financing plc and the floating rate notes are subject to a zero percent EURIBOR floor. The bonds are secured on the majority of the Group's assets and subject to market conditions, the Group may initiate a repurchase.

Revolving credit facility

On 6 October 2021, the Group entered into a new £285 million revolving credit facility with a margin of 325bps, maturing in April 2026. The margin is subject to a ratchet downwards based upon decreasing leverage levels. The facility ranks senior secured and therefore has a similar security package to the cancelled facility and the bonds issued during 2021. Under the terms of an 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. The facility has one financial covenant, being a leverage test.

Asset Backed Securitisation

The Group has repaid in full (31 December 2022 balance: £8.3 million) the non-recourse committed asset-backed securitisation term loan during the year (December 2022: the Group had one ABS loan).

The loan was secured on UK unsecured assets, paid SONIA plus 3.1% and had a spread adjustment cost of 0.0325%. The Group initially established a £100 million asset-backed facility in April 2019 with £137 million of ERC being sold to a wholly owned subsidiary, AGL Fleetwood Limited, and further ERC was sold to AGL Fleetwood Limited at various times since the initial set up allowing further borrowings to be drawn.

During 2020, the Group entered into further arrangements in connection with the non-recourse facility and an additional £33 million of 84-month ERC was sold into the structure with no additional borrowings made.

ADDITIONAL INFORMATION

The Adjusted EBITDA reconciliations for the years ended 31 December 2023 and 31 December 2022 respectively are shown below:

Reconciliation of net cash flow to EBITDA	31 December 2023 £000	31 December 2022 £000
Net cash flow generated by operating activities	121,031	61,243
Portfolio purchases and movement investments awaiting deployment[1]	239,990	181,019
Proceeds from sale of UK non-core portfolios[2]	(91,511)	–
Income taxes paid / (received)	11,306	(270)
Working capital and other adjustments	32,437	63,289
Share of profit in associate	3,089	1,684
Cash operating adjusting items	15,528	8,420
Adjusted EBITDA	**331,870**	**315,385**
Reconciliation of balance sheet cash collections to EBITDA		
Income from portfolio investments including fair value and impairment losses and gains	80,681	130,365
Portfolio amortisation	294,695	249,758
Balance sheet cash collections (includes proceeds from disposal of portfolio investments)[2]	**375,376**	**380,123**
Integrated fund and asset management income, gain on disposal of subsidiary and other income	194,805	165,407
Operating expenses	(324,949)	(293,163)
Depreciation and amortisation	25,082	23,130
Foreign exchange (gains)/losses	(4,016)	10,794
Net loss/(profit) on disposal and write off intangible assets and property, plant and equipment	75	(231)
Share of profit in associate	3,089	1,684
Profit on disposal of subsidiary	–	(2,121)
Loss on reclassification to held for sale	–	21,342
Operating adjusting items	62,408	8,420
Adjusted EBITDA	**331,870**	**315,385**
Reconciliation operating profit to EBITDA		
Loss after tax	(125,273)	(85,107)
Net finance costs	102,936	83,149
Share of profit in associate	(3,089)	(1,684)
Tax credit on ordinary activities	(75)	1,417
Derivative fair value movements	(12,018)	4,834
Operating profit	**(37,519)**	**2,609**
Portfolio amortisation	294,695	249,758
Depreciation and amortisation	25,082	23,130
Foreign exchange (gains)/losses	(4,016)	10,794
Net loss/(profit) on disposal and write off of intangible assets and property, plant and equipment	75	(231)
Share of profit in associate	3,089	1,684
Profit on disposal of subsidiary	–	(2,121)
Profit on disposal of held for sale assets and liabilities	(11,944)	–
Loss on reclassification to held for sale	–	21,342
Operating adjusting items	62,408	8,420
Adjusted EBITDA	**331,870**	**315,385**

[1] Includes 50% of the proceeds in connection with the divestment of wholly owned UK portfolios, which have been immediately repurchased into a new category entitled 'Joint venture'.

[2] The £91,511,000 relates to proceeds received from the divestment of wholly owned UK portfolios, which were not subject to immediate repurchase into a new category entitled 'Joint venture'. The other 50% portfolio net proceeds of £91,511,000, have been reported in the underlying collections figure of £375,376,000. For details on adjusted items see pages 18 and 19.

ADDITIONAL INFORMATION *(continued)*

Loss before adjusting items

	Year ended 31 December 2023 £000	Year ended 31 December 2022 £000
Total income	**268,387**	**292,172**
Collection activity and fund management costs	(114,728)	(120,984)
Other operating expenses	(120,983)	(123,850)
Total operating expenses	**(235,711)**	**(244,834)**
Operating profit	**32,676**	**47,338**
Derivative fair value movements	–	–
Net finance costs	(102,825)	(82,432)
Share of profit in associate	3,089	1,684
Loss before tax and adjusting items	**(67,060)**	**(33,410)**
Taxation charge on underlying activities	(3,625)	(4,026)
Loss after tax before adjusting items	**(70,685)**	**(37,436)**
Non-controlling interest	(694)	351
Loss before adjusting items attributable to owners of the company	**(71,379)**	**(37,085)**
Tax rate on results before adjusting items	**(5.4)%**	**(12.1)%**

Reconciliation between IFRS profit and profit before adjusting items:

	Year ended 31 December 2023			Year ended 31 December 2022		
	loss before tax £000	**tax £000**	**loss after tax £000**	**loss before tax £000**	**tax £000**	**loss after tax £000**
IFRS reported loss	**(125,348)**	**75**	**(125,273)**	**(83,690)**	**(1,417)**	**(85,107)**
Adjusting items:						
Maslow acquisition costs	26,438	–	26,438	–	–	–
Other acquisition costs (including amortisation of acquisition intangible assets)	29,018	–	29,018	17,397	–	17,397
Operations held for sale result	14,776	–	14,776	8,828	–	8,828
Loss on reclassification to held for sale	–	–	–	21,342	–	21,342
Profit on disposal of held for sale assets and Liabilities	(11,944)	–	(11,944)	–	–	–
Non-cash derivative fair value movements	–	–	–	4,834	–	4,834
Gain on disposal of subsidiary	–	–	–	(2,121)	–	(2,121)
Tax associated with adjusting items	–	(3,700)	(3,700)	–	(2,609)	(2,609)
Loss before adjusting items	**(67,060)**	**(3,625)**	**(70,685)**	**(33,410)**	**(4,026)**	**(37,436)**

Adjusting items are those items that by virtue of their size, nature or incidence (i.e. outside the normal operating 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.

ADDITIONAL INFORMATION *(continued)*

Loss before adjusting items *(continued)*

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 within adjusting items. The loss arises 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. The total consideration for Maslow was £64.5 million cash, £21 million equity issuance and £15 million deferred consideration, across both the initial 49% acquisition and option payment for the remaining 51%.

Other acquisition costs, primarily relate to impact of the acquisition of Arrow Group by TDR, but also includes the acquisitions of Details, with the initial 75% acquired in 2022 and the remaining 25% in 2023, Eagle Street and Blue Current Capital, both acquired in 2023. These acquisitions create ongoing non-cash acquisition intangible and fair value accounting unwinds, which in 2023 amounted to £29.0 million (2022: £17.4 million).

Following a strategic review, in Quarter 3 2022, the Group agreed to divest our non-core UK platforms, Capquest and Mars UK, to Intrum UK, and the UK unsecured back book, which is subject to a 50:50 profit share arrangement with Intrum UK, and this divestment completed in Quarter 2 2023, for net proceeds of £129 million. £91.5 million of the net proceeds were received in respect of 50% of the wholly owned UK portfolios, with £37.5 million being received for the platforms. In the year, this resulted in a £2.9 million loss in the statement of comprehensive income (being a £11.9 million profit on disposal of held for sale assets and liabilities offset by £14.8 million of operations held for sale result), which has been moved to adjusting items (2022: £30.1m).

The Group agreed the sale of subsidiaries Whitestar Italia S.r.l, New Call S.r.l and PARR S.H.P.K (together “Whitestar Italy”) on 11 March 2022. The disposal concerned business process outsourcing of Italian utility collections, which was considered non-core to the Group’s operations. The secured and unsecured investment portfolios and their collections activity previously undertaken by Whitestar Italy were moved to other Arrow subsidiaries pre-disposal. £2.1 million of net profit has been recognised in adjusting items in the prior year in relation to this.

ADDITIONAL INFORMATION *(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 2023

Income	**Reported loss £000**	**Other items £000**	**Free cash flow £000**	
Total income from portfolio investments	80,681	294,695	375,376	Balance sheet cash collections in the year[5]
Income from integrated fund and asset management income	193,626	–	193,626	Income from integrated fund and asset management income
Profit on disposal of held for sale of assets and liabilities	11,944	(11,944)	–	
Other income	1,179	–	1,179	Other income
Total income[1]	**287,430**	**282,751**	**570,181**	Cash income
Total operating expenses	(324,949)	86,638[2]	(238,311)	Cash operating expenses
Operating (loss)/profit	**(37,519)**	**369,389**	**331,870**[4]	
Derivative fair value movements	12,018	(12,018)	–	
Net financing costs	(102,936)	5,256[3]	(97,680)	Cash financing costs
Share of profit in associate	3,089	(3,089)	–	
(Loss)/profit before tax	**(125,348)**	**359,538**	**234,190**	
Taxation credit/(charge) on ordinary activities	75	(11,381)	(11,306)	Cash taxation
(Loss)/profit after tax	**(125,273)**	**348,157**	**222,884**	
			(23,184)	Capital expenditure
			199,700	**Free cash flow**[6]

[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 collections for third-parties and fee income received. The other items add back loan portfolio amortisation to get to balance sheet cash collections. Amortisation reflects a reduction in the statement of financial position carrying value of the portfolio investments arising from balance sheet cash collections, which are not allocated to income. Amortisation plus income from portfolio investments equates to balance sheet cash collections.

[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 17 for detailed reconciliations of Adjusted EBITDA.

[5] Includes £91,511,000 of net proceeds for the 50% portfolios in connection with the divestment of the wholly owned UK portfolios, which have not been repurchased.

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

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 collections	Balance sheet cash collections represent cash collections on the Group's portfolio investments including collections on the Group's co-investment into ACO 1, ACO 2 and AREO, portfolio sales and put-backs.	Balance sheet cash collections 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.
84-month ERC	The 84-month ERC means the Group's estimated remaining balance sheet cash collections on portfolio investments (of all classifications) over the next 84-months, representing the expected future balance sheet cash collections on portfolio investments during this period. The expected future balance sheet cash collections are calculated at the end of each month, based on the Group's proprietary ERC forecasting model, as amended from time to time.	The 84-month ERC is particularly important for the Group as it 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.
120-month ERC	The 120-month ERC means the Group's estimated remaining balance sheet cash collections on portfolio investments (of all classifications) over the next 120-months, representing the expected future balance sheet cash collections on portfolio investments during this period. The expected future balance sheet cash collections are calculated at the end of each month, based on the Group's proprietary ERC forecasting model, as amended from time to time.	The 120-month ERC 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. In some cases the collection profile of amortised cost portfolios can extend beyond 84-months, and as such, the 120-month ERC gives a more holistic view of potential remaining balance sheet cash collections from the Group's 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.

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.

'Adjusted EBITDA' see the glossary of alternative performance measures on page 21 for the definition.

'APM' means alternative performance measure.

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

'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.

'**Deal IRR (after servicing costs)**' means the internal rate of return adjusted for actual collections and the latest ERCs. 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.

'ERC' means Estimated Remaining Collections. See the glossary of alternative performance measures on page 21 for the definition of 84-month ERC and 120-month ERC.

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

'Funds under management (FUM)' means the value of all fund management assets and commitments managed by Arrow Global Group Limited, including ACO 1,ACO 2 and AREO, Norfin Investimentos, Europa Investimenti, Saggita, Maslow and any of Arrow's own capital which it has committed to invest alongside third-parties committed capital. FUM is an important metric used to understand the scale of the Group's fund management activities and how this compares to others in the market.

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

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

'IFRS' means EU adopted international financial reporting standards.

'Leverage' is secured net debt to Adjusted EBITDA. See the glossary of alternative performance measures on page 21 for more detail.

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

'NCI' means non-controlling interest.

GLOSSARY OF OTHER ITEMS *(continued)*

'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 2023 is as follows:

	31 December 2023 £000	31 December 2022 £000
Cash and cash equivalents	(114,683)	(143,603)
Senior secured notes (pre-transaction fees net off)	1,251,605	1,270,761
Revolving credit facility (pre-transaction fees net off)	159,768	172,213
Asset-backed loans (pre-transaction fees net off)	–	8,296
Secured net debt	**1,296,690**	**1,307,667**
Deferred consideration – portfolio investments	737	23,433[1]
Deferred and contingent consideration – business acquisitions	–	3,197
Senior secured loan notes interest	10,824	9,342
Asset backed loan interest	–	23
Bank overdrafts	6,214	8,423
Other borrowings	24,482	13,590
Net debt	**1,338,947**	**1,365,675**

[1] *Deferred consideration – portfolio investments includes £17,123,000 as at 31 December 2022, in respect of the Capquest and Mars UK platforms, which for disclosure purposes has been moved to 'Liabilities held for sale' on the condensed consolidated statement of financial position.*

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

'Portfolio investments' are on the Group's statement of financial position and represent all debt 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.

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