

Mars Capital Finance Limited

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

UK Registered No. 05859881

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Mars Capital Finance Limited
Annual report and financial statements

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Company information

Registered in England and Wales No: 05859881

Directors

O J Stratton (resigned 4 April 2022)

J Appleby

P W Shepherd

Registered Office

Belvedere

12 Booth Street

Manchester

M2 4AW

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Strategic report

Principal activities

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

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

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

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

Strategic review

As shown in the Company's statement of profit or loss and other comprehensive income on page 8, the Company's revenue has decreased by 23% to £2,655,000 in the year ended 31 December 2022 (31 December 2021: £3,262,000). The revenue largely relates to the fees received on servicing mortgage loans owned by third party clients.

The statement of financial position on page 9 shows that the Company's net assets have remained the same at £554,000 at 31 December 2022.

Risks and uncertainties

The Company faces largely those risks and uncertainties faced by the Group. The Group operates an Enterprise-Wide Risk Management Framework, which is underpinned by risk appetite statements and a suite of policies. Risk is governed by the Group board, executive management and the Group risk committee. Full details of the risks and uncertainties and mitigating actions are included in the Group's financial statements.

The significant risks and uncertainties faced by the Company are managed through this risk management framework and are summarised below:

Operational risk

Risk that the business is unable to withstand significant business disruption that could pose a threat to customer outcomes, corporate reputation and/or financial performance.

The Company relies on Group core systems for customer and data management, including data analytics. Should these systems experience performance issues or outage through, for example, cyber-attack, customers would be impacted, and we could experience financial loss and/or reputational damage. Business and wider economic disruption from external events such as COVID-19 places a sharp focus on the Company's ability to provide the necessary resilience for the wellbeing of all stakeholders.

Key mitigating actions

Our core systems are regularly tested, backed up and managed through a set of quality and security policies, supported by disaster recovery and business continuity plans. We are in the process of deploying a One Arrow IT infrastructure, which will enable us to be more efficient, drive process automation and manage data more effectively and securely. This is governed at a Group level, with aligned strategies for IT, digital, security and data.

Strategic report (*continued*)

Conduct risk

Risk of non-compliance with regulatory obligations, increased regulatory scrutiny and inappropriate conduct and customer treatment.

We operate in a highly regulated environment and any action that leads to poor customer outcomes or customer detriment could lead to a breach of regulations, resulting in censure, financial loss and reputational damage.

Poor customer outcomes or customer detriment could arise through the debt collection activities within our in-house operations or the third-party servicer network of collection agencies, whether we are collecting debt which we have acquired or on behalf of clients. We always seek to ensure we adhere to best practice collections approaches.

Key mitigating actions

Regulatory conduct and Treating Customers Fairly (TCF) are at the heart of our business and Arrow has clearly defined, documented and communicated policies and procedures in place to guide colleagues on the required standards for customer outcomes. Employees and third parties acting on our behalf receive mandatory training, with particular emphasis on vulnerable customers especially during the pandemic through our established Group-wide customer experience forums.

Horizon scanning and industry body presence helps to influence best practice across the sector and ensures our internal practices and training are updated accordingly. We maintain increasingly proactive relationships with our regulators.

Financial risk

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

Note 14 of these financial statements describes the Company's financial risk exposures.

Key mitigating actions

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

Outlook

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

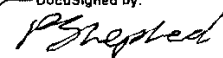
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Strategic report (*continued*)

Section 172 statement

From the perspective of the board, as a result of the Group governance structure, the matters that it is responsible for considering under Section 172 (1) of the Companies Act 2006 ('s172') have been considered to an appropriate extent by the board of Sherwood Topco Limited ("STL"), the Company's parent company, in relation both to the wider Arrow Global Group and to this entity. The board has also considered relevant matters where appropriate. To the extent necessary for an understanding of the development, performance and position of the entity, an explanation of how Mars Capital Finance Limited has considered the matters set out in s172 (for the wider Arrow Global Group and for the entity) is set out on page 13 of STL's 2022 annual report and accounts, which does not form part of this report.

Approved by the board of directors on 25 April 2023 and signed and authorised for issue on its behalf by:

DocuSigned by:

FAE7D770944D4B8
Philip Shepherd
Director

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Directors' report

The directors present their annual report on the affairs of the Company, together with the financial statements, for the year ended 31 December 2022.

Going concern and outlook

The assessment of the going concern basis of preparation for the Company has considered both the position at 31 December 2022 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 2022, the directors have undertaken a thorough analysis of forecast cash flow models and scenarios for a period of at least 12 months from the date of approval of these accounts, with the primary focus of detailed forecasting running to the end of 2023.

A base case forecast, and several downside scenarios, have been prepared reflecting the Group's current financial position and expected future performance. The severe downside case is based upon the Oxford Economics severe downside IFRS 9 macroeconomic scenario. This scenario is also used for the Group's IFRS 9 modelling, as well as for modelling potential investment outcomes for limited partners. An in-house model is used to translate the OE macroeconomic forecasts into forecast outcomes for Estimated Remaining Collections (ERCs). The ERC impact of the severe downside macroeconomic scenario has been applied to all portfolio collections and income in the model, as well as an across the board decrease in servicing and fund management revenue of the same magnitude. This is then analysed against historical outcomes and associated levels of liquidity and leverage to assess plausibility. Key items considered within each forecast were the future outlook for HPI and default rates, including the length and severity of any potential macroeconomic shock, and the impact these may have on the Group's cash flows. These cash flows were considered against the Group's future liquidity position, taking into account that there are no bond maturities until 2026. Adherence to the Group's single financial covenant, its leverage covenant, was also considered in all scenarios.

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

Finally, a reverse stress test has also been prepared to identify the magnitude of a downside stress that needs to occur to cause the group to breach its liquidity headroom and/or leverage covenant. It has been concluded that this represents an overly severe and implausible scenario. Based on all of the above indicators, the directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

Dividends

No dividend was paid during the year (2021: £nil) and the directors do not propose a final dividend (2021: £nil).

Directors

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

O J Stratton (resigned 4 April 2022)

J Appleby

P W Shepherd

No director has any direct interest in the shares of the Company.

Political donations

The Company made no political donations and did not incur any political expenditure during the year (2021: nil).

Directors' indemnities

The Company has made qualifying third-party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

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Directors' report *(continued)*

Audit

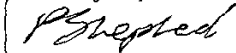
For the year ending 31 December 2022 the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

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

The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

By order of the board

DocuSigned by:



FA67D770844D4B8

Philip Shepherd

Director

25 April 2023

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Statement of Directors' responsibilities in respect of the strategic report, the directors' report and the financial statements

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

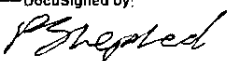
Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK-adopted international accounting standards and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with UK-adopted international accounting standards;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

By order of the board

DocuSigned by:

FAE7D770944D488

Philip Shepherd

Director

25 April 2023

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

		2022	2021
	Note	£000	£000
Income from asset management and servicing	5	2,655	3,262
Total revenue		2,655	3,262
Operating expenses:			
Collection activity costs		2,655	3,173
Other operating expenses		-	78
Total operating expenses		2,655	3,251
Operating profit		-	11
Finance costs	6	-	(11)
Profit before tax		-	-
Taxation charge on ordinary activities	9	-	-
Profit for the year attributable to equity shareholders		-	-

All revenue is derived from continuing operations in both the current and preceding years.

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

The notes on pages 12 to 19 form part of these financial statements.

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Statement of financial position at 31 December 2022

		2022	2021
Assets	Note	£000	£000
Cash and cash equivalents		200	224
Amounts due from Group undertakings	13	43	-
Trade and other receivables	10	347	571
Total assets		590	795
Liabilities			
Trade and other payables	11	36	62
Amounts due to Group undertakings	13	-	179
Total liabilities		36	241
Equity			
Share capital	12	30	30
Retained earnings		524	524
Total equity attributable to equity shareholders		554	554
Total equity and liabilities		590	795

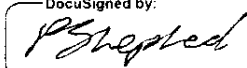
For the year ending 31 December 2022 the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

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

The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

The notes on pages 12 to 19 form part of these financial statements.

Approved by the board of directors 25 April 2023, signed and authorised for issue on its behalf by

DocuSigned by:

 FAE7D7709440468
Philip Shepherd
 Director
 Registered in England and Wales No: 05859881

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Statement of changes in equity for year ended 31 December 2022

	Ordinary shares £000	Retained earnings £000	Total £000
Balance at 1 January 2021	30	524	554
Profit for the year	-	-	-
Balance at 31 December 2021	30	524	554
Profit for the year	-	-	-
Balance at 31 December 2022	30	524	554

The notes on pages 12 to 19 form part of these financial statements.

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Statement of cash flow for year ended 31 December 2022

	2022 £000	2021 £000
Cash flows from operating activities		
Profit before tax	-	-
Adjusted for:		
Net interest payable	-	11
Decrease/(increase) in other receivables	224	(245)
(Increase)/decrease in amounts due from Group undertakings	(43)	104
(Decrease)/increase in amounts due to Group undertakings	(179)	35
(Decrease)/increase in trade and other payables	(26)	56
Net cash used in operating activities	(24)	(39)
Cash flows from financing activities		
Bank fees paid	-	(11)
Net cash used in financing activities	-	(11)
Net decrease in cash and cash equivalents	(24)	(50)
Cash and cash equivalents at beginning of year	224	274
Cash and cash equivalents at end of year	200	224

The notes on pages 12 to 19 form part of these financial statements.

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Notes to the Financial Statements

1.1 General information

Mars Capital Finance Limited is a private company limited by shares, incorporated in England and Wales. The address of the registered office is presented on page 1. The financial statements are presented in pounds sterling and are rounded to the nearest thousand.

The Company's principal activity is to identify, acquire and manage secured and unsecured defaulted and non-core loan portfolios from, and on behalf of financial institutions such as banks, institutional investors and credit card companies.

1.2. Basis of preparation and going concern

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

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

Going concern statement

The assessment of the going concern basis of preparation for the Company has considered both the position at 31 December 2022 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.

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

Finally, a reverse stress test has also been prepared to identify the magnitude of a downside stress that needs to occur to cause the group to breach its liquidity headroom and/or leverage covenant. It has been concluded that this represents an overly severe and implausible scenario. Based on all of the above indicators, the directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

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Notes to the Financial Statements (*continued*)

2. Accounting Standards

New standards

The following new standards and interpretations are mandatory for the year beginning 1 January 2022:

- Onerous contracts – cost of fulfilling a contract (Amendments to IAS 37);
- Annual improvements to IFRS standards 2018-2020;
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Reference to the Conceptual Framework (Amendments to IFRS 3).

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

2.1 Standards issued but not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2023 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements.

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

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

3. Significant Accounting Policies

Foreign currency

i. Foreign currency transactions

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

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the spot exchange rate at the reporting date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year and the carrying amount in the foreign currency, translated at the spot exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the spot exchange rate at the date on which the fair value is determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

Foreign currency differences arising on translation are generally recognised in profit or loss.

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Notes to the Financial Statements *(continued)*

3. Significant Accounting Policies *(continued)*

Income from asset management and servicing

i. Servicing fees

The Company undertakes various asset servicing and collection roles on behalf of its customers. The majority of this activity is performed at a point in time, and the service is deemed to have been provided to the customer either due to the passage of time, or upon the completion of an action such as making a collection or sending a notification to the customer. Therefore, in accordance with IFRS 15, the revenue from asset management and servicing activities is recognised either upon the completion of such actions. Where the Company is contracted to perform activities over time, such as master servicing arrangements, the fee is recognised as the services are performed, with time elapsed being the measure of progress.

Taxation

i. Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The Company has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore has accounted for them under IAS 37 Provisions, Contingent Liabilities and Contingent Assets and has recognised the related expenses in 'other expenses'.

ii. Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

iii. Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- Temporary differences related to investments in subsidiaries to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if there is any.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

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Notes to the Financial Statements (*continued*)

3. Significant Accounting Policies (*continued*)

Financial assets and financial liabilities

i. Recognition and initial measurement

The Company initially recognises financial assets and liabilities on the trade date, which is the date on which the Company becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus or minus, in the case of a financial asset or liability not at FVTPL, transaction costs that are directly attributable to its acquisition or issue of a financial asset or liability. The fair value of a financial instrument at initial recognition is generally its transaction price.

ii. Classification

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI).

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis. No such elections have been made by the Company.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or as at FVOCI as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. No such designations have been made by the Company.

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

iii. Impairment

The Company holds material amounts due from group undertakings within its statement of financial position. These have been assessed under IFRS 9 expected credit loss (ECL) criteria, measuring expected losses over the longest contractual period the company is exposed to credit risks. The Company has concluded that these assets have no material ECL.

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

iv. Derecognition of financial assets and liabilities

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

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

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Notes to the Financial Statements (continued)

3. Significant Accounting Policies (continued)

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that the Company will be required to settle that obligation. Provisions are measured at the directors' best estimate of the consideration required to settle that obligation at the date of the statement of financial position and are discounted to present value.

Cash and cash equivalents

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

Operating expenses

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

Interest payable and receivable

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

4. Critical accounting judgements and estimates

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

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

The directors do not believe that there are any critical judgements that have been made in respect of applying the Company's accounting policies.

5. Income from asset management and servicing

	2022	2021
	£000	£000
Income from asset management and servicing	2,655	3,262

6. Finance costs

	2022	2021
	£000	£000
Bank interest	-	11

7. Auditor remuneration

The analysis of auditor remuneration is as follows:

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

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

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Notes to the Financial Statements (*continued*)

8. Staff costs and other operating expenses

The Company has no employees. Directors' remuneration is borne by another Group company, Arrow Global Limited. It is not formally recharged as it is not practicable to allocate directors' remuneration between Group companies.

9. Tax

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

	2022 £000
Profit before tax	-
Tax charge at standard UK corporation tax rate of 19% (2021: 19%)	-
Current tax charge on the profit for the period	-
Effective tax rate	0%

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

10. Trade and other receivables

	2022 £000	2021 £000
Trade receivables	86	188
Accrued income	257	347
Other receivables	4	36
	347	571

11. Trade and other payables

	2022 £000	2021 £000
Trade payables	-	21
Other liabilities and accruals	36	41
	36	62

12. Share capital

	2022 £	2021 £
Issued and fully paid:		
30,000 ordinary shares of £1 each	30,000	30,000

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

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Notes to the Financial Statements (*continued*)

13. Related party transactions

	Amounts due from group undertakings		Amounts due to group undertakings	
	2022	2021	2022	2021
	£000	£000	£000	£000
Mars Acquisition Limited	-	-	-	144
Mars Capital Management Limited	43	-	-	35
Total	43	-	-	179

The Company settled a long-term subordinated loan for £112,000 with Mars Acquisition Limited in the year. No interest was charged on this loan.

The Company had the following reportable transactions with related parties:

	Management fee recharges	
	2022	2021
	£000	£000
Mars Capital Management Limited	1,996	2,478
Total	1,996	2,478

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

14. Financial instruments

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

Credit risk

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

	2022	2021
	£000	£000
Cash and cash equivalents	200	224
Trade and other receivables	347	571
Amounts due from group undertakings	43	-
	590	795

Liquidity risk

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

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

	2022	2021
	£000	£000
Amounts owed, due within one year:		
Trade and other payables	36	62
Amounts due to Group undertakings	-	67
Amounts owed, due in more than one year:		
Amounts due to Group undertakings	-	112
	36	241

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Notes to the Financial Statements (*continued*)

14. Financial instruments (*continued*)

Interest rate risk

The Company is exposed to interest rate risk during the year on cash and cash equivalents. The recoverability of debts may be influenced by movements in the interest rate environment.

Fair values

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

15. Parent Undertaking

The immediate parent Company is Mars Acquisition Limited, which is incorporated in England and Wales. Registered address: Belvedere, 12 Booth Street, Manchester, United Kingdom M2 4AW.

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

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