

Arrow Industrial Group Limited

Report and Financial Statements

Year Ended

30 September 2022

Company Number 04410202



Arrow Industrial Group Limited

Report and Financial Statements for the year ended 30 September 2022

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Directors

M E Thistlethwayte
P R Bragg
R J D Colver
M T Burton

Registered office

Unit 1, Park Mill Way, Clayton West, Huddersfield, HD8 9XJ.

Company number

04410202

Auditor

Saffery Champness LLP, Midland House, 2 Poole Road, Bournemouth, Dorset, BH2 5QY

Arrow Industrial Group Limited

Strategic Report for the year ended 30 September 2022

The directors present their strategic report together with the audited financial statements for the year ended 30 September 2022.

Review of business, future developments and key performance indicators

The directors aim to present a balanced, comprehensive review of the development and performance of the Company during the period and its position at the year end, consistent with its size, complexity and considering the risks and uncertainties it faces. The directors consider that the key performance indicators are those that communicate the Company's financial performance and overall strength, those being turnover, pre-tax profit and gross margin.

| | 2022 £ | 2021 £ |
|-------------------|------------|------------|
| Turnover | 14,526,036 | 11,767,385 |
| Profit before tax | 681,480 | 314,048 |
| Gross profit | 5,027,307 | 4,174,197 |
| Gross margin | 34.6% | 35.5% |

The directors are pleased to report a 23% increase in turnover for the year ended 30 September 2022. The profit before tax has increased by 117%.

The directors continue to explore potential new markets, new products and opportunities and that will add long term value.

The directors are in the process of opening new Regional Business Centres in a number of geographical markets.

The directors consider the financial position of the Company to be satisfactory. During the year the Company continued to invest in its people, improved processes and IT systems. The directors expect future revenue, efficiencies and profits to arise from these ongoing investments.

Given the nature of the business, the directors are of the opinion that analysis using non-financial KPI is not necessary to give a clear understanding of the development, performance or position of the business overall.

Health and Safety

During the year, the directors commissioned a third-party independent report into the Company's health and safety procedures and reporting. The directors are very pleased to confirm that the independent report found no major issues and that Arrow is legally compliant. The directors have recently appointed a new Health, Safety, Environment and Quality Manager, and they are committed to continual improvements in the health and safety and well-being of their employees and subcontractors.

Arrow Industrial Group Limited

Strategic Report for the year ended 30 September 2022

Principal risks and uncertainties

The directors are of the opinion that the principal risks that the Company faces are linked to the general economy and the challenging trading conditions which may continue within the UK market. The directors feel that the Company has taken all appropriate measures to mitigate the impact of these principal risks and uncertainties as far as practical.

Availability of funding: The business has an excellent relationship with its bank and provides monthly management accounts. The company currently has substantial unutilised facilities in place.

Significant effort has been expended in trialling products with new discount supermarket players as well as exploring the main contractor market that provide services to supermarkets.

The directors feel that the development of a nation-wide presence in the service and repair of industrial doors during the period has been achieved. The company and its sales team are developing a number of strong relationships with major customers across the UK. The opening of new Regional Business Centres across the UK will further assist in the growth and strengthening of these relationships.

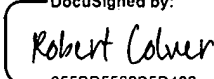
The process of risk management is addressed through a framework of policies, procedures and internal controls. All policies are subject to Board approval and ongoing review by management. Compliance with regulations, legal and ethical standards is a high priority for the Company.

Financial risk management

The businesses operations may expose it to a variety of financial risks. These are discussed further in note 3 of the financial statements.

Approval

This strategic report was approved by order of the Board on 13 December 2022 | 15:54:38 GMT

DocuSigned by:

655BD5560B5D402...
R J D Colver
Director

Arrow Industrial Group Limited

Report of the Directors for the year ended 30 September 2022

The directors present their Annual Report together with the audited financial statements for the year ended 30 September 2022.

Directors

The directors of the Company during the year were:

M E Thistlethwayte
P R Bragg (Appointed 10 March 2022)
D C Harbord (Resigned 10 March 2022)
R J D Colver
M T Burton

The Company purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its directors.

Strategic report

The information on likely future developments is not shown in the Directors' Report as it is shown in the Strategic Report in accordance with s414C(ii) of the Companies Act 2006.

Results and dividends

The statement of comprehensive income is set out on page 8 and shows the result for the year.

During the year dividends of £277,800 (2021 - £277,800) have been declared. Dividends with a value of £1,389,600 remained unpaid at 30 September 2022 (2021 - £1,111,800).

Directors' responsibilities

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 period. Under that law the directors have elected to prepare the financial statements in accordance with the requirements of the Companies Act 2006 and UK-adopted international accounting standards. 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 accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with the Companies Act 2006 and UK-adopted international accounting standards, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

Arrow Industrial Group Limited

Report of the Directors for the year ended 30 September 2022

Directors' responsibilities

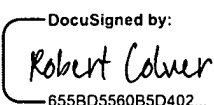
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

Saffery Champness LLP have expressed their willingness to continue in office.

On behalf of the Board

DocuSigned by:

655BD5560B5D402...

R J D Colver
Director

13 December 2022 | 15:54:38 GMT
Date

Arrow Industrial Group Limited

Independent Auditor's Report to the members of Arrow Industrial Group Limited

Opinion

We have audited the financial statements of Arrow Industrial Group Limited for the year ended 30 September 2022 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards.

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2022 and its profit for the year then ended;
- have been properly prepared in accordance with IAS in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with *International Standards on Auditing (UK) (ISAs (UK))* and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact.

We have nothing to report in this regard.

Arrow Industrial Group Limited

Independent Auditor's Report to the members of Arrow Industrial Group Limited

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 3 - 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud are detailed below.

Identifying and assessing risks related to irregularities:

We assessed the susceptibility of the company's financial statements to material misstatement and how fraud might occur, including through discussions with the directors, discussions within our audit team planning meeting, updating our record of internal controls and ensuring these controls operated as intended. We evaluated possible incentives and opportunities for fraudulent manipulation of the financial statements. We identified laws and regulations that are of significance in the context of the company by discussions with directors and updating our understanding of the sector in which the company operates.

Arrow Industrial Group Limited

Independent Auditor's Report to the members of Arrow Industrial Group Limited

Laws and regulations of direct significance in the context of the company include The Companies Act 2006, and UK Tax legislation.

Audit response to risks identified:

We considered the extent of compliance with these laws and regulations as part of our audit procedures on the related financial statement items including a review of financial statement disclosures. We reviewed the company's records of breaches of laws and regulations, minutes of meetings and correspondence with relevant authorities to identify potential material misstatements arising. We discussed the company's policies and procedures for compliance with laws and regulations with members of management responsible for compliance.

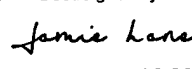
During the planning meeting with the audit team, the engagement partner drew attention to the key areas which might involve non-compliance with laws and regulations or fraud. We enquired of management whether they were aware of any instances of non-compliance with laws and regulations or knowledge of any actual, suspected or alleged fraud. We addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and identifying any significant transactions that were unusual or outside the normal course of business. We assessed whether judgements made in making accounting estimates gave rise to a possible indication of management bias. At the completion stage of the audit, the engagement partner's review included ensuring that the team had approached their work with appropriate professional scepticism and thus the capacity to identify non-compliance with laws and regulations and fraud.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

DocuSigned by:

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Jamie Lane (Senior Statutory Auditor)
for and on behalf of Saffery Champness LLP

Chartered Accountants
Statutory Auditors

Midland House
2 Poole Road
Bournemouth
Dorset
BH2 5QY

14 December 2022 | 11:41:06 GMT
Date:

Arrow Industrial Group Limited

Statement of Comprehensive Income for the year ended 30 September 2022

| | Note | 2022 £ | 2021 £ |
|---|------|-------------|-------------|
| Revenue | 5 | 14,526,036 | 11,767,385 |
| Cost of sales | | (9,498,729) | (7,593,188) |
| Gross profit | | 5,027,307 | 4,174,197 |
| Administrative expenses | | (4,285,052) | (3,828,370) |
| Impairment losses on financial instruments | | (14,939) | (15,817) |
| Operating profit | 7 | 727,316 | 330,010 |
| Finance income | 11 | - | 335 |
| Finance costs | 11 | (45,836) | (16,297) |
| Profit before tax | | 681,480 | 314,048 |
| Tax (expense) | 13 | (128,057) | (75,781) |
| Profit for the year from continuing operations | | 553,423 | 238,267 |
| Profit attributable to: | | | |
| Owners of the Company | | 553,423 | 238,267 |

The Company has no other items of comprehensive income and as such the Statement of Comprehensive Income for the year agrees to the profit for the year.

The notes on pages 12 to 38 form part of these financial statements.

Arrow Industrial Group Limited

Statement of Financial Position at 30 September 2022

| Company number 04410202 | Note | 2022 £ | 2022 £ | 2021 £ | 2021 £ |
|---|------|-----------|-----------|-----------|-----------|
| Assets | | | | | |
| Non-current assets | | | | | |
| Property, plant and equipment | 14 | 274,344 | | 321,377 | |
| Leases | 15 | 169,479 | | 212,887 | |
| Intangible assets | 16 | 2,569,456 | | 2,569,456 | |
| | | | | | |
| Total Non-current assets | | | 3,013,279 | | 3,103,720 |
| Current assets | | | | | |
| Inventories | 17 | 571,362 | | 451,190 | |
| Trade and other receivables | 18 | 3,262,347 | | 2,076,611 | |
| Cash and cash equivalents | 19 | 14,252 | | 220,183 | |
| | | | | | |
| | | | 3,847,961 | | 2,747,984 |
| | | | | | |
| Total assets | | | 6,861,240 | | 5,851,704 |
| Equity attributable to the owners of the Company | | | | | |
| Ordinary shares | 20 | 600,000 | | 600,000 | |
| Share premium | 21 | 331,215 | | 331,215 | |
| Retained earnings | 21 | 2,106,929 | | 1,831,306 | |
| | | | | | |
| Total equity | | | 3,038,144 | | 2,762,521 |
| Liabilities | | | | | |
| Total Non-current liabilities | | | | | |
| Deferred tax liability | 24 | 26,866 | | 29,663 | |
| Lease liabilities | 15 | 55,354 | | 110,445 | |
| | | | | | |
| Non-current liabilities | | | 82,220 | | 140,108 |
| Current liabilities | | | | | |
| Borrowings | 22 | 91,191 | | - | |
| Trade and other payables | 23 | 3,401,786 | | 2,786,355 | |
| Corporation tax liability | | 130,854 | | 57,277 | |
| Lease liabilities | 15 | 117,045 | | 105,443 | |
| | | | | | |
| | | | 3,740,876 | | 2,949,075 |
| | | | | | |
| Total liabilities | | | 3,823,096 | | 3,089,183 |
| | | | | | |
| Total equity and liabilities | | | 6,861,240 | | 5,851,704 |

The financial statements on pages 8 to 38 were approved and authorised for issue by the Board of Directors on 15 December 2022 and were signed on its behalf by:

DocuSigned by:
R J D Colver
Director

The notes on pages 12 to 38 form part of these financial statements.

Arrow Industrial Group Limited

Statement of Cash Flows for the year ended 30 September 2022

| | Note | 2022 £ | 2022 £ | 2021 £ | 2021 £ |
|---|------|-----------|-----------|-----------|-----------|
| Cash flows from operating activities | | | | | |
| Cash (outflow)/generated by operations | 26 | (15,620) | | 474,030 | |
| Interest paid | | (31,515) | | (992) | |
| Income tax paid | | (57,247) | | (81,684) | |
| Net cash (outflow)/generated by operating activities | | | (104,382) | | 391,354 |
| Cash flows from investing activities | | | | | |
| Purchase of property, plant and equipment | | (28,786) | | (85,569) | |
| Disposal of property, plant and equipment | | - | | 8,200 | |
| Loan to Group Companies | | - | | 250,000 | |
| Interest received | | - | | 335 | |
| Net cash (used in)/generated from investing activities | | | (28,786) | | 172,966 |
| Cash flows from financing activities | | | | | |
| New borrowings/(repayment) of borrowings | | 91,191 | | (86,638) | |
| Repayment of lease liability | | (163,954) | | (269,750) | |
| Dividends paid | | - | | (277,800) | |
| Net cash (used)/generated by in financing activities | | | (72,763) | | (634,188) |
| Net (decrease)/increase in cash and cash equivalents | | | (205,931) | | (69,868) |
| Cash and cash equivalents at the beginning of the year | 19 | | 220,183 | | 290,051 |
| Cash and cash equivalents at the end of the year | 19 | | 14,252 | | 220,183 |

The notes on pages 12 to 38 form part of these financial statements.

Arrow Industrial Group Limited

Statement of Changes in Equity for the year ended 30 September 2022

| | Ordinary Share Capital £ | Retained Earnings £ | Share premium £ | Total equity £ |
|---------------------------------------|-----------------------------------|---------------------------|-----------------------|----------------------|
| Balance at 30 September 2020 | 600,000 | 1,870,839 | 331,215 | 2,802,054 |
| Comprehensive income | | | | |
| Profit for the year | - | 238,267 | - | 238,267 |
| Total comprehensive income | - | 238,267 | - | 238,267 |
| Transactions with owners | | | | |
| Dividends payable | - | (277,800) | - | (277,800) |
| Total transactions with owners | - | (277,800) | - | (277,800) |
| Balance at 30 September 2021 | 600,000 | 1,831,306 | 331,215 | 2,762,521 |
| Comprehensive income | | | | |
| Profit for the year | - | 553,423 | - | 553,423 |
| Total comprehensive income | - | 553,423 | - | 553,423 |
| Transactions with owners | | | | |
| Dividends payable | - | (277,800) | - | (277,800) |
| Total transactions with owners | - | (277,800) | - | (277,800) |
| Balance at 30 September 2022 | 600,000 | 2,106,929 | 331,215 | 3,038,144 |

The notes on pages 12 to 39 form part of these financial statements.

Arrow Industrial Group Limited

Notes Forming Part of the Financial Statements for the year ended 30 September 2022

1 General information

Arrow Industrial Group Limited distributes, manufactures, services and repairs industrial doors.

The Company is a private limited Company and is incorporated and domiciled in the UK. The registered office is Unit 1, Park Mill Way, Clayton West, Huddersfield, HD8 9XJ.

2 Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

Basis of preparation

The financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

The financial statements have been prepared in accordance with those IFRS standard and IFRIC interpretations issued and effective or issued and early adopted as at the time of preparing these statements. The policies set out below have been consistently applied to all periods presented.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts in the financial statements. The areas involving a higher degree of judgement or complexity, or areas where assumptions or estimates are significant to the financial statements are disclosed in note 4.

These separate financial statements contain information about Arrow Industrial Group Limited as an individual Company and do not contain consolidated financial information as the parent of a group. The Company has taken advantage of the exemption under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiaries are included by full consolidation in the consolidated financial statements of its ultimate parent, Portchester Equity Limited, a Company incorporated in the United Kingdom. Copies of the financial statements of the ultimate parent are available from Portchester Equity Limited, 20 Jewry Street, Winchester, Hampshire, SO23 8RZ.

Arrow Industrial Group Limited

Notes Forming Part of the Financial Statements for the year ended 30 September 2022

2 Accounting policies

New accounting standards, interpretations and future accounting developments

During the financial year, the Company has adopted the following new IFRSs (including amendments thereto) and IFRIC interpretations, that became effective for the first time.

| Standard | Effective date, annual period beginning on or after |
|---|--|
| Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) | 1 January 2021 |
| Covid 19-Related Rent Concessions Beyond 30 June 2021 (Amendment to IFRS 16 Leases) | 1 April 2021 |

Their adoption has not had any material impact on the disclosures or amounts reported in the financial statements.

At the date of authorisation of these financial statements, the following standards and interpretations relevant to the Company and which have not been applied in these financial statements, were in issue but were not yet effective. As yet, none of these have been endorsed for use in the UK and will not be adopted until such time as endorsement is confirmed.

| Standard | Effective date, annual period beginning on or after |
|--|--|
| Updating a Reference to the Conceptual Framework (Amendments to IFRS 3 Business Combinations) | 1 January 2022 |
| Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) | 1 January 2022 |
| Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets) | 1 January 2022 |
| Annual improvements 2018-2020 cycle | 1 January 2022 |
| IFRS 17 - Insurance Contracts | 1 January 2023 |
| Amendments to IFRS 17 - Insurance Contracts; and Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4 Insurance Contracts) | 1 January 2023 |
| Disclosure of Accounting Policies (Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements) | 1 January 2023 |
| Definition of Accounting Estimates (Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors) | 1 January 2023 |
| Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 Income Taxes) | 1 January 2023 |
| Classification of Liabilities as Current or Non-Current: <i>amendments to IAS</i> | 1 January 2024 |

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The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Company in future periods.

Arrow Industrial Group Limited

Notes Forming Part of the Financial Statements for the year ended 30 September 2022

2 Accounting policies

Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Company's activities as described below:

a) Sale of goods – manufacture, distribution and installation

Sales of goods are recognised when the Company sells a product to the customer, the customer has accepted the order and delivery has been agreed. The Company will invoice the customer at this agreed date if the order is ready for dispatch albeit the customer may choose to delay delivery and recognise revenue for its own operational purposes.

b) Sale of goods – service and repair

Repair and maintenance work is invoiced and the revenue recognised upon completion of the provision of the service.

The Company maintains invoice discounting facilities to enable it to finance sales as and when liquidity requirements arise.

c) Government grants

Government grants are recognised when there is reasonable assurance that the grant conditions will be met and the grants will be received. Income from government grants is netted off against the relevant expense.

d) Interest income

Interest income is recognised using the effective interest method.

Going concern

The directors have assessed that the Company has adequate resources to continue in operational existence for the foreseeable future. The directors therefore believe it is appropriate to continue to adopt the going concern basis of accounting in preparing the financial statements.

Arrow Industrial Group Limited

Notes Forming Part of the Financial Statements for the year ended 30 September 2022

2 Accounting policies

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investments.

Foreign currency translation

(a) Functional and presentation currency

The functional and presentation currency of the Company is Pounds Sterling. Monetary values in these consolidated financial statements are rounded to the nearest whole £1, except where otherwise indicated.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Property, plant and equipment

All property, plant and equipment are stated at historical cost less accumulated depreciation. The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the assets.

The cost of repairs and maintenance are charged to the Statement of Comprehensive Income in the year in which they are incurred.

Depreciation on all property, plant and equipment is determined to allocate their cost to their residual values over their estimated useful lives, a summary of which is as follows:

| | | |
|------------------------|---|--|
| Leasehold improvements | - | 33% per annum on a written down basis |
| Plant and machinery | - | 15% per annum on a written down basis |
| Fixtures and equipment | - | 20% per annum on a written down basis |
| Computer equipment | - | 33% per annum on a written down basis |
| Motor vehicles | - | 25% per annum on a straight line basis |

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each statement of financial position date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within administrative expenses in the Statement of Comprehensive Income.

Arrow Industrial Group Limited

Notes Forming Part of the Financial Statements for the year ended 30 September 2022

2 Accounting policies

Intangible fixed assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

Goodwill is allocated to cash-generating units for the purposes of impairment testing. The allocation is made to those cash-generating units or groups of cash generating units that are expected to benefit from the business combination in which the goodwill arose.

Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Financial assets

Classification

The Company classifies its financial assets in one category - "loans and receivables". The classification depends on the purpose for which the financial assets were acquired and management determines the classification of its financial assets at initial recognition. The Company's loans and receivables comprise 'trade and other receivables' and cash balances in the Statement of Financial Position.

a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the Statement of Financial Position date. These are classified as non-current assets.

Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Company commits to purchase the asset. Financial assets are derecognised when the risk and reward of ownership have transferred.

Loans and receivables are subsequently carried at amortised cost using the effective interest rate method.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by using the weighted average method. The cost of finished goods comprises the purchase price including transport and handling costs.

Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Arrow Industrial Group Limited

Notes Forming Part of the Financial Statements for the year ended 30 September 2022

2 Accounting policies

Trade and other receivables

Trade receivables are amounts due from customers for manufacture, distribution, installation, service or repair of industrial doors provided in the ordinary course of business. They are generally due for settlement within 30 days and are therefore all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognised at fair value. The Company holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details about the Company's impairment policies and the calculation of the loss allowance are provided in note 3(a).

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments, with original maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Trade and other payables

Trade and other payables are non-derivative financial liabilities with fixed or determinable payments and relate to obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are included in current liabilities, except for maturities greater than 12 months after the statement of financial position date. These are classified as non-current liabilities. Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of borrowings using the effective interest rate method.

Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date. Management periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation, it establishes provisions, when appropriate, as the basis of amounts expected to be paid to the tax authorities.

Arrow Industrial Group Limited

Notes Forming Part of the Financial Statements for the year ended 30 September 2022

2 Accounting policies

Current and deferred income tax

Deferred income tax is recognised in full, using the liability method, on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority.

Employee benefits

The Company operates a defined contribution scheme. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the funds do not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Leases

At inception, the company assesses whether a contract is, or contains, a lease within the scope of IFRS 16. Where a tangible asset is acquired through a lease, the company recognises a right-of-use asset and a lease liability at the lease commencement date.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date plus any initial direct costs and an estimate of the cost of obligations to restore the underlying asset and the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in: future lease payments arising from a change in an index or rate; the company's estimate of the amount expected to be payable under a residual value guarantee; or the company's assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The company has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less, or for leases of low-value assets. The payments associated with these leases are recognised in profit or loss on a straight-line basis over the lease term.

Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the shareholders.

Arrow Industrial Group Limited

Notes Forming Part of the Financial Statements for the year ended 30 September 2022

3 Financial risk management

Financial risk factors

The Company's operations expose it to a variety of financial risks that include the effects of foreign exchange risk, credit risk, liquidity risk and interest rate risk. The Company's overall risk management programme focuses on the unpredictability of the markets in which it operates and seeks to minimise associated volatility of the Company's financial performance. The Company does not use derivative financial instruments to manage interest rate costs and as such, no hedge accounting is applied.

Given the size and nature of the Company, the directors have delegated the responsibility of monitoring financial risk management to the board of each trading entity. The policies set by the Company board of directors are implemented by trading entities directors.

(a) Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. The Company has implemented policies that require maintaining appropriate credit limits on all customers. The Company's credit risk is primarily attributable to its trade receivables balance. The amounts presented in the Statement of Financial Position are net of allowances for doubtful debts.

The Company does not have significant concentrations of credit risk. The deposits with banks are only held with reputable financial institutions with a credit rating of 'B' or above. The credit worthiness is reviewed periodically in order to ensure active management of counter-party risk. If customers are independently rated, these ratings are used if there is no independent rating, the respective board of directors assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored.

Credit Risk

The Company's activities expose it to financial risks, including credit risk. The Company's credit risk is primarily attributable to its trade receivables.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

The expected loss rates are based on the payment profiles of sales over the previous 36 months and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

On that basis, the loss allowance as at 30 September 2022 and 30 September 2021 was determined as follows for trade receivables:

| 30 September 2022 | Current | More than 30 days past due | More than 60 days past due | More than 120 days past due | Total |
|---|---------------|----------------------------|----------------------------|-----------------------------|---------------|
| Expected loss rate | 0.60% | 7.49% | 8.68% | 50.00% | |
| Gross carrying amount – trade receivables | 2,750,573 | 136,242 | 99,999 | 68,279 | 3,055,093 |
| Loss allowance | 16,379 | 10,205 | 8,684 | 34,141 | 69,409 |

| 30 September 2021 | Current | More than 30 days past due | More than 60 days past due | More than 120 days past due | Total |
|---|--------------|----------------------------|----------------------------|-----------------------------|---------------|
| Expected loss rate | 0.54% | 19.98% | 15.93% | 59.45% | |
| Gross carrying amount – trade receivables | 1,674,403 | 64,667 | 80,842 | 84,514 | 1,904,426 |
| Loss allowance | 9,087 | 12,918 | 12,882 | 50,240 | 85,127 |

Arrow Industrial Group Limited

Notes Forming Part of the Financial Statements for the year ended 30 September 2022

3 Financial risk management

(b) Interest rate cash flow risk

The Company has both interest bearing assets and interest bearing liabilities. Interest bearing assets comprise only cash balances which earn interest at floating rates. Interest bearing liabilities include preference shares, loan notes, other loans and finance leases which attract interest at fixed rates and amounts due on invoice discounting facilities, bank overdrafts and bank loans which attract interest at floating rates.

(c) Capital risk management

Management regard the capital structure of the Company to consist of the ordinary shares in issue.

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company keeps the capital structure under review with a process of monthly financial forecasts updated quarterly. These forecasts, including a detailed cash flow forecast, provide the Board with an assessment of the Company's capital adequacy for the period under review. Management consider the current management of capital to be satisfactory.

(d) Liquidity risk

The Company manages liquidity risk by maintaining sufficient cash to enable it to meet its operational requirements. Operating cash flows are actively managed with annual cash flow forecasts updated as required and subject to board review.

The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

| | Less than 1 year £ | Between 1 and 5 Years £ |
|------------------------------------|--------------------------|----------------------------------|
| At 30 September 2022 | | |
| Borrowings | - | - |
| Lease liabilities | 117,045 | 55,354 |
| Trade and other payables | 1,846,062 | - |
| Borrowings from group undertakings | 1,389,600 | - |
| | <u> </u> | <u> </u> |
| At 30 September 2021 | | |
| Borrowings | - | - |
| Lease liabilities | 110,445 | 105,443 |
| Trade payables | 1,337,960 | - |
| Borrowings from group undertakings | 1,187,951 | - |
| | <u> </u> | <u> </u> |

Arrow Industrial Group Limited

Notes Forming Part of the Financial Statements for the year ended 30 September 2022

3 Financial risk management

(e) Market risk

The Company operates in the UK industrial door market and its main customers are construction, manufacturing and distribution companies, high street stores and supermarkets. It is therefore subject to the repair, renewal and capital expenditures policies within these different companies and market sectors. The Company is not dependent on any one customer or market sector. The industrial doors market is competitive and the Company is focused on winning new work in all areas of the market.

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates or assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Estimated Impairment of goodwill

The Company tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2. The recoverable amounts of cash-generating units (CGUs) have been determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five year period. Cash flows beyond five years are assumed to be constant. An appropriate discount rate is 9% (2021 – 12.5%), representing the CGUs current pre-tax cost of capital, has been applied to these projections. The risk profile of all CGU's are considered to be similar.

Provision for impairment of trade receivables

The Company assesses the recoverability of trade receivables, and in particular retention balances, with reference to the age of the debt and the customer's payment history, amongst other factors. The age profile of trade receivables which are overdue and/or provided against is presented in Note 18.

Arrow Industrial Group Limited

Notes Forming Part of the Financial Statements for the year ended 30 September 2022

5 Revenue

An analysis of the Company's revenue is as follows:-

| | 2022 £ | 2021 £ |
|---|-------------------|-------------------|
| Revenue by class of business: | | |
| Manufacture, distribution, and installation – recognised at a point in time | 6,682,827 | 5,782,142 |
| Service and repair – recognised at a point in time | 7,843,209 | 5,985,243 |
| | <u>14,526,036</u> | <u>11,767,385</u> |
| | 2022 £ | 2021 £ |
| Revenue by geographical location: | | |
| United Kingdom | 14,526,036 | 11,767,385 |
| | <u>14,526,036</u> | <u>11,767,385</u> |

Management considers there to be only one operating segment within the business based on the way the business is organised and the way results are reported internally. All turnover arose in the UK.

Contract balances

| | 2022 £ | 2021 £ |
|---|-----------|-----------|
| Receivables included within 'Trade and other receivables' | 2,985,684 | 1,819,299 |
| Contract liabilities | - | - |
| | <u>-</u> | <u>-</u> |

Contract liabilities relate to consideration received from customers in advance of work being completed.

The significant changes in contract assets and contract liabilities are presented below:

| | 2022 £ | 2021 £ |
|--|-----------|-----------|
| Revenue recognised in the year that was included in the opening contract liability balance | - | - |
| | <u>-</u> | <u>-</u> |

Arrow Industrial Group Limited

Notes Forming Part of the Financial Statements for the year ended 30 September 2022

6 Operating costs

| | 2022 £ | 2021 £ |
|--|-------------------|-------------------|
| Purchase of materials and change in inventories and work in progress | 5,066,700 | 4,160,360 |
| Employee benefit expense | 4,508,218 | 3,523,623 |
| Depreciation, amortisation and impairment | 225,341 | 356,937 |
| Lease rentals | 209,823 | 263,511 |
| Other operating charges | 3,788,638 | 3,132,944 |
| | <u>13,798,720</u> | <u>11,437,375</u> |

7 Operating profit

| | 2022 £ | 2021 £ |
|---|-----------|-----------|
| This is arrived after charging/(crediting): | | |
| Raw materials and consumables used (sales) | 5,066,700 | 4,160,360 |
| Depreciation charges (note 14) | 75,819 | 93,359 |
| Depreciation charges (note 15) | 149,522 | 263,578 |
| Employee benefit costs (note 8) | 4,508,218 | 3,523,623 |
| Lease expense | 209,823 | 263,511 |
| | <u></u> | <u></u> |

8 Employee benefit expense

| | 2022 £ | 2021 £ |
|-----------------------|------------------|------------------|
| Wages and salaries | 3,963,594 | 3,150,493 |
| Social security costs | 446,082 | 335,455 |
| Pension costs | 98,542 | 66,026 |
| Furlough grant | - | (28,351) |
| | <u>4,508,218</u> | <u>3,523,623</u> |

The average monthly number of persons (including executive directors) employed during the year was:

| | 2022 Number | 2021 Number |
|-------------------------------------|----------------|----------------|
| Directors | 2 | 2 |
| Direct workforce | 47 | 43 |
| Sales, technical and administration | 56 | 52 |
| | <u>105</u> | <u>97</u> |

The number of employees at 30 September 2022 was 108 (2021 - 102).

Arrow Industrial Group Limited

Notes Forming Part of the Financial Statements for the year ended 30 September 2022

9 Directors' emoluments

| | 2022 £ | 2021 £ |
|----------------------|----------------|----------------|
| Emoluments | 248,740 | 277,141 |
| Long term benefits | 2,642 | 1,980 |
| | <u>251,382</u> | <u>279,121</u> |
| Aggregate emoluments | <u>251,382</u> | <u>279,121</u> |

There are 2 (2021 – 3) directors accruing benefits under pension schemes.

Highest paid Director

| | 2022 £ | 2021 £ |
|----------------------|----------------|----------------|
| Emoluments | 145,521 | 169,557 |
| Pension | 1,321 | 878 |
| | <u>146,842</u> | <u>170,435</u> |
| Aggregate emoluments | <u>146,842</u> | <u>170,435</u> |

10 Auditor's remuneration

During the year the following services were obtained from the Company's auditor.

| | 2022 £ | 2021 £ |
|---|---------------|---------------|
| Fees payable to Company's auditor for the audit of the Company's financial statements | 28,800 | 25,000 |
| | <u>28,800</u> | <u>25,000</u> |

Arrow Industrial Group Limited

Notes Forming Part of the Financial Statements for the year ended 30 September 2022

11 Finance income and costs

| | 2022 £ | 2021 £ |
|-----------------------------------|-------------------|-------------------|
| Finance costs: | | |
| On invoice discounting facilities | 31,515 | 992 |
| On leases | 14,321 | 15,305 |
| | <u> </u> | <u> </u> |
| Total finance costs | 45,836 | 16,297 |
| | <u> </u> | <u> </u> |
| Finance income: | | |
| On short term cash deposits | - | (335) |
| | <u> </u> | <u> </u> |
| Net finance costs | 45,836 | 15,962 |
| | <u> </u> | <u> </u> |

12 Dividends

Dividends of £277,800 (2021 - £277,800) were declared during the year (£2.50 per share) (2021 - £2.50).

13 Tax expense

| | 2022 £ | 2021 £ |
|--|-------------------|-------------------|
| <i>Current tax</i> | | |
| Current tax on profit for the year | 16,765 | 57,297 |
| Group relief | 113,780 | - |
| Adjustments in respect of prior periods | 309 | - |
| | <u> </u> | <u> </u> |
| Total current tax | 130,854 | 57,297 |
| | <u> </u> | <u> </u> |
| <i>Deferred tax</i> | | |
| Origination and reversal of temporary timing differences | (2,797) | 14,954 |
| Effect of tax rate change on opening balance | - | 3,530 |
| | <u> </u> | <u> </u> |
| Total deferred tax | (2,797) | 18,484 |
| | <u> </u> | <u> </u> |
| Total tax expense | 128,057 | 75,781 |
| | <u> </u> | <u> </u> |

Arrow Industrial Group Limited

Notes Forming Part of the Financial Statements for the year ended 30 September 2022

13 Tax expense (*continued*)

The tax on the profit before tax differs from the theoretical amount that would arise using the tax rate applicable to the profit of the Company as follows:

| | 2022 £ | 2021 £ |
|---|-----------|-----------|
| Profit before tax | 681,480 | 314,048 |
| Tax calculated at domestic tax rates applicable at 19% (2021 – 19%) | 129,481 | 59,669 |
| Effects of: | | |
| Fixed asset differences | (1,487) | 8,158 |
| Expenses not deductible for tax purposes | 372 | 834 |
| Adjustment in respect of previous periods | (309) | - |
| Remeasurement of deferred tax for changes to tax rates | - | 7,120 |
| Total tax charge | 128,057 | 75,781 |

In March 2021, the Chancellor announced that the corporation tax rate would increase to 25% in the year 2023. This rate was substantively enacted on the 24 May 2021 and has been used in the measurement of deferred tax.

Arrow Industrial Group Limited

Notes Forming Part of the Financial Statements for the year ended 30 September 2022

| 14 Property, plant and equipment | Leasehold Improvements | Plant and Machinery | Fixtures and equipment | Motor vehicles | Computer Equipment | Total |
|---|-----------------------------------|--------------------------------|-----------------------------------|---------------------------|-------------------------------|--------------|
| At 30 September 2020 | £ | £ | £ | £ | £ | £ |
| Cost | 319,157 | 125,156 | 157,678 | - | 426,339 | 1,028,330 |
| Accumulated depreciation | (220,752) | (53,981) | (121,551) | - | (274,032) | (670,316) |
| Balance at 1 October 2020 | 98,405 | 71,175 | 36,127 | - | 152,307 | 358,014 |
| Additions | 28,412 | 25,023 | 11,474 | - | 20,660 | 85,569 |
| Disposals | (28,847) | - | - | - | - | (28,847) |
| Depreciation charge | (29,723) | (12,496) | (7,823) | - | (43,317) | (93,359) |
| Net book value at 30 September 2021 | 68,247 | 83,702 | 39,778 | - | 129,650 | 321,377 |
| At 30 September 2021 | | | | | | |
| Cost | 154,219 | 150,179 | 169,152 | - | 446,999 | 920,549 |
| Accumulated depreciation | (85,972) | (66,477) | (129,374) | - | (317,349) | (599,172) |
| Net book value at 30 September 2021 | 68,247 | 83,702 | 39,778 | - | 129,650 | 321,377 |
| Balance at 1 October 2021 | 68,247 | 83,702 | 39,778 | - | 129,650 | 321,377 |
| Additions | 4,099 | 4,762 | 3,311 | - | 16,614 | 28,786 |
| Disposals | - | - | - | - | - | - |
| Depreciation charge | (20,086) | (12,077) | (7,693) | - | (35,963) | (75,819) |
| Net book value at 30 September 2022 | 52,260 | 76,387 | 35,396 | - | 110,301 | 274,344 |
| At 30 September 2022 | | | | | | |
| Cost | 158,318 | 154,941 | 172,463 | - | 463,613 | 949,335 |
| Accumulated depreciation | (106,058) | (78,554) | (137,067) | - | (353,312) | (674,991) |
| Net book value at 30 September 2022 | 52,260 | 76,387 | 35,396 | - | 110,301 | 274,344 |

Arrow Industrial Group Limited

Notes Forming Part of the Financial Statements for the year ended 30 September 2022

| 15 Leases | Leasehold Improvements | Plant and Machinery | Fixtures and equipment | Motor vehicles | Computer Equipment | Total |
|-------------------------------------|---------------------------|------------------------|---------------------------|-------------------|-----------------------|-----------|
| <i>(a) Right of use assets</i> | £ | £ | £ | £ | £ | £ |
| At 30 September 2020 | | | | | | |
| Cost | 290,469 | - | - | 225,346 | - | 515,815 |
| Accumulated depreciation | (106,327) | - | - | (98,615) | - | (204,942) |
| Balance at 1 October 2020 | 184,142 | - | - | 126,731 | - | 310,873 |
| Additions | 95,363 | - | - | 70,229 | - | 165,592 |
| Additions (adoption of IFRS 16) | - | - | - | - | - | - |
| Depreciation charge | (137,416) | - | - | (126,162) | - | (263,578) |
| Net book value at 30 September 2021 | 142,089 | - | - | 70,798 | - | 212,887 |
| At 30 September 2021 | | | | | | |
| Cost | 385,832 | - | - | 295,575 | - | 681,407 |
| Accumulated depreciation | (243,743) | - | - | (224,777) | - | (468,520) |
| Net book value at 30 September 2021 | 142,089 | - | - | 70,798 | - | 212,887 |
| Balance at 1 October 2021 | 142,089 | - | - | 70,798 | - | 212,887 |
| Additions | 87,775 | - | - | 18,369 | - | 106,144 |
| Depreciation charge | (96,420) | - | - | (53,132) | - | (149,552) |
| Net book value at 30 September 2022 | 133,444 | - | - | 36,035 | - | 169,479 |
| At 30 September 2022 | | | | | | |
| Cost | 318,994 | - | - | 85,867 | - | 404,861 |
| Accumulated depreciation | (185,550) | - | - | (49,832) | - | (235,381) |
| Net book value at 30 September 2022 | 133,444 | - | - | 36,035 | - | 169,479 |

Arrow Industrial Group Limited

Notes Forming Part of the Financial Statements for the year ended 30 September 2022

15 Leases (continued)

| <i>(b) Lease liabilities</i> | 2022 £ | 2021 £ |
|--|-----------|-----------|
| <i>Maturity analysis – contractual undiscounted cash flows</i> | | |
| Less than one year | 117,433 | 117,570 |
| One to five years | 71,484 | 109,370 |
| More than five years | - | - |
| | <hr/> | <hr/> |
| Total undiscounted lease liabilities at 30 September 2022 | 188,917 | 226,940 |
| | <hr/> | <hr/> |
| Future finance charges and other adjustments | (16,518) | (11,052) |
| | <hr/> | <hr/> |
| Total discounted lease liabilities at 30 September 2022 | 172,399 | 215,888 |
| | <hr/> | <hr/> |
| <i>Lease liabilities included in the statement of financial position</i> | | |
| Current | 117,045 | 105,443 |
| Non current | 55,354 | 110,445 |
| | <hr/> | <hr/> |
| | 172,399 | 215,888 |
| | <hr/> | <hr/> |
| <i>Amounts recognised in profit or loss</i> | 2022 £ | 2021 £ |
| Interest on lease liabilities | 14,321 | 15,305 |
| Expenses relating to short-term leases | 189,005 | 235,397 |
| Expenses relating to leases of low-value assets | 20,818 | 28,114 |

Arrow Industrial Group Limited

Notes Forming Part of the Financial Statements for the year ended 30 September 2022

16 Intangible assets

| | Goodwill £ |
|------------------------------|---------------|
| <i>Cost</i> | |
| At 1 October 2020 | 3,610,456 |
| Accumulated impairment | (1,041,000) |
| | <hr/> |
| <i>Cost</i> | |
| At 1 October 2021 | 3,610,456 |
| Accumulated impairment | (1,041,000) |
| | <hr/> |
| Balance at 30 September 2022 | 2,569,456 |
| | <hr/> |

Impairment test for goodwill

Management consider that the Company has only one operating segment. As such, management also regard the Company as consisting of only one cash generating unit.

The recoverable amount of a cash generating unit is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by the management covering a three year period. Cash flows beyond the three year period are extrapolated using the estimated growth rates shown below. The growth rate does not exceed the long-term average growth rate for the country in which the Company operates.

The key assumptions used for the value-in-use calculations are as follows:

Discount rate 9% (2021 – 12.5%)

Growth rate 24% on revenue for 2022-23, followed by 2% for revenues (2021 – 2%), 2% for direct and indirect expenses (2021 - 2%).

Sensitivity analysis indicates that revenue in 2022-23 could fall by 11% before there is a risk of goodwill impairment. Based on current and forecast trading post year end, management does not consider this likely.

The discount rate could increase to 45% at which point there is risk of impairment. Management does not consider this likely.

The growth rate used is consistent with management's expectations taking into account the current economy and industry information. The discount rate used is a pre-tax risk adjusted cost of capital.

Arrow Industrial Group Limited

Notes Forming Part of the Financial Statements for the year ended 30 September 2022

17 Inventories

| | 2022 £ | 2021 £ |
|------------------|----------------|----------------|
| Work in progress | 35,936 | 57,196 |
| Raw materials | 535,426 | 393,994 |
| | <u>571,362</u> | <u>451,190</u> |

The cost of inventories recognised as an expense and included in cost of sales amounted to £5,066,700 (2021 - £4,160,360).

The directors consider that the difference between the purchase price of inventories and their replacement cost is not material.

18 Trade and other receivables

| | 2022 £ | 2021 £ |
|---|------------------|------------------|
| Trade receivables | 3,055,093 | 1,904,426 |
| Less: provision for impairment of trade receivables | (69,409) | (85,127) |
| | <u>2,985,684</u> | <u>1,819,299</u> |
| Trade receivables (net) | 2,985,684 | 1,819,299 |
| Amounts owed by group undertakings | 143,927 | 143,927 |
| Prepayments and accrued income | 132,736 | 113,386 |
| | <u>3,262,347</u> | <u>2,076,612</u> |

The fair value of trade and other receivables at 30 September 2022 approximate to the book value stated above.

As of 30 September 2022, trade receivables of £242,249 (2021 - £153,984) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

| | 2022 £ | 2021 £ |
|----------------|----------------|----------------|
| Up to 3 months | 216,449 | 51,749 |
| 3 to 6 months | 25,800 | 67,959 |
| Over 6 months | - | 34,276 |
| | <u>242,249</u> | <u>153,984</u> |

Arrow Industrial Group Limited

Notes Forming Part of the Financial Statements for the year ended 30 September 2022

18 Trade and other receivables (continued)

As at 30 September 2022, trade receivables of £69,409 (2021 - £85,217) were impaired and provided for.

The ageing of these receivables is as follows:

| | 2022 £ | 2021 £ |
|----------------|---------------|---------------|
| Up to 3 months | 26,584 | 22,005 |
| 3 to 6 months | 8,684 | 12,882 |
| Over 6 months | 34,141 | 50,240 |
| | <u>69,409</u> | <u>85,217</u> |

Movements in the provision for impairment of trade receivables are as follows:

| | | |
|--|---------------|---------------|
| At 1 October | 85,217 | 172,825 |
| Receivables written off in the year as uncollectable | (15,000) | (15,817) |
| Net amounts (released)/provided for during the year | (808) | (71,791) |
| | <u>69,409</u> | <u>85,217</u> |

19 Cash and cash equivalents and borrowings

| | 2022 £ | 2021 £ |
|--|---------------|----------------|
| Cash at bank and in hand | 14,252 | 220,183 |
| | <u>14,252</u> | <u>220,183</u> |
| Cash and cash equivalents for the purposes of cash flows | <u>14,252</u> | <u>220,183</u> |

Arrow Industrial Group Limited

Notes Forming Part of the Financial Statements for the year ended 30 September 2022

19 Cash and cash equivalents and borrowings

Reconciliation of borrowings

| | 2021 | Non cash flows | Cash flows | 2022 |
|---|---------|----------------|------------|---------|
| | £ | £ | £ | £ |
| Invoice discounting | - | - | 91,191 | 91,191 |
| Lease liabilities | 215,888 | 120,465 | (163,954) | 172,399 |
| Total liabilities from financing activities | 215,888 | 120,465 | (72,763) | 263,590 |

20 Share capital

| | Number of shares | Ordinary shares £ | Deferred Ordinary Shares £ | Total £ |
|--|------------------|----------------------|-------------------------------|------------|
| At 30 September 2021 and 30 September 2022 | 111,111 | 111,111 | 488,889 | 600,000 |

The total authorised number of ordinary shares is 111,111 (2021 - 111,111) with a par value of £1 per share (2021 - £1 per share). All of the ordinary shares are fully paid in the current and prior year.

The total authorised number of deferred ordinary shares is 488,889 (2021 - 488,889) with a par value of £1 per share (2021 - £1 per share). All of the ordinary shares are fully paid in the current and prior year.

The deferred ordinary shares have no right to receive a dividend and do not entitle the holder to attend or to vote at any general meeting or on any resolution of the Company.

On a winding-up or other return of capital the deferred shares have the right to receive an amount equal to the amount of the capital and premium paid up on each deferred ordinary share provided that each holder of an equity share shall have first received the sum of £100,000,000 on such winding-up or other return of capital and subject thereto shall have no right to share in the profits of the Company on a winding-up or other return of capital.

The deferred ordinary shares are redeemable by the Company at any time by the payment of £1 in aggregate.

The ordinary shares do not carry a right to dividends except those recommended by the directors.

Arrow Industrial Group Limited

Notes Forming Part of the Financial Statements for the year ended 30 September 2022

21 Reserves

Share premium

The premium paid by the subscribers to the Company's share capital in excess of their par value.

Retained earnings

The retained earnings represent cumulative net gains and losses recognised in the Statement of Comprehensive Income.

22 Borrowings

| | 2022 £ | 2021 £ |
|---------------------|----------------|----------------|
| Invoice discounting | 91,191 | - |
| Lease liabilities | 172,399 | 215,888 |
| | <u>263,590</u> | <u>215,888</u> |

The Company has facilities available utilising their trade receivables as security. Amounts drawn down on these facilities are repayable within 120 days of the original invoice date. These facilities are subject to service charges based on the value drawn down.

The Group has the following undrawn borrowing facilities:

| | 2022 £ | 2021 £ |
|------------------------------|------------------|------------------|
| Floating rate | | |
| - Expiring in more than year | 1,706,469 | 1,644,463 |
| | <u>1,706,469</u> | <u>1,644,463</u> |

The facility relates to an invoice discounting facility, which is subject to annual review.

23 Trade and other payables

| | 2022 £ | 2021 £ |
|-------------------------------------|------------------|------------------|
| <i>Current</i> | | |
| Trade payables | 1,540,259 | 1,101,524 |
| Amounts due to group undertakings | 1,389,600 | 1,187,591 |
| Social security and other taxes | 166,124 | 254,525 |
| Accrued expenses and other payables | 305,803 | 242,715 |
| | <u>3,401,786</u> | <u>2,786,355</u> |
| Total trade and other payables | 3,401,786 | 2,786,355 |

Arrow Industrial Group Limited

Notes Forming Part of the Financial Statements for the year ended 30 September 2022

24 Deferred tax

| | 2022 £ | 2021 £ |
|---|---------------|---------------|
| Deferred tax liability | | |
| To be settled after more than 12 months | 26,866 | 29,663 |
| | <u>26,866</u> | <u>29,663</u> |

The gross movement on the deferred income tax account is as follows:

| | 2022 £ | 2021 £ |
|--|---------------|---------------|
| At 1 October | 29,663 | 11,179 |
| Charged to the Statement of Comprehensive Income | (2,797) | 18,484 |
| | <u>26,866</u> | <u>29,663</u> |
| At 30 September | 26,866 | 29,663 |

The balance of the deferred taxation account consists of the tax effect of timing differences in respect of:

| | 2022 £ | 2021 £ |
|--------------------------------|---------------|---------------|
| Temporary differences | (1,640) | (1,248) |
| Accelerated capital allowances | 28,506 | 30,911 |
| | <u>26,866</u> | <u>29,663</u> |
| Deferred taxation liability | 26,866 | 29,663 |

Deferred tax is calculated on the temporary differences under the liability method using a tax rate of 25% (2021 - 25%).

25 Financial instruments

Financial assets at amortised cost

a) By category

| | 2022 £ | 2021 £ |
|-----------------------------|------------------|------------------|
| Trade and other receivables | 3,129,611 | 1,963,226 |
| Cash and cash equivalents | 14,252 | 220,183 |
| | <u>3,143,863</u> | <u>2,183,409</u> |

Arrow Industrial Group Limited

Notes Forming Part of the Financial Statements for the year ended 30 September 2022

25 Financial instruments

Financial liabilities at amortised cost

| | 2022 £ | 2021 £ |
|--------------------------|------------------|------------------|
| Borrowings | 91,191 | - |
| Lease liabilities | 172,399 | 215,888 |
| Trade and other payables | 3,235,662 | 2,531,830 |
| | <u>3,499,252</u> | <u>2,747,718</u> |

b) Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Trade receivables

The credit quality of trade receivables that are neither past due nor impaired have been assessed based on historical information about the counterparty default rate. The Company does not hold any receivable balances with customers, whose past default has resulted in no recovery of the receivables balance.

Cash at bank

| | 2022 £ | 2021 £ |
|-----|---------------|----------------|
| AAA | <u>14,252</u> | <u>220,183</u> |

26 Cash generated from operations

| | 2022 £ | 2021 £ |
|---|-----------------|----------------|
| Profit before tax | 681,480 | 314,048 |
| Adjustments for: | | |
| Finance costs (note 11) | 45,836 | 16,297 |
| Finance income (note 11) | - | (335) |
| (Profit)/loss on disposal of fixed assets | - | 20,647 |
| Depreciation | 225,341 | 356,937 |
| Changes in working capital: | | |
| Inventories | (120,172) | (94,483) |
| Trade and other receivables | (1,185,736) | 808,700 |
| Trade and other payables | 337,631 | (947,781) |
| Cash (outflow)/generated from operations | <u>(15,620)</u> | <u>474,030</u> |

Arrow Industrial Group Limited

Notes Forming Part of the Financial Statements for the year ended 30 September 2022

27 Contingencies

At 30 September 2022 the Company had outstanding indemnities to Barclays Bank plc amounting to £nil (2021 - £70,000) in respect of a bond to HM Revenue and Customs.

The Company is subject to an unlimited cross guarantee dated 2 November 2016 with its fellow group Company, Arrow Industrial Holdings Limited, in favour of the Company's bankers. The total debt owing to the Company's bankers under this cross guarantee at 30 September 2022 was £91,191 (2021 - £nil).

On 19 October 2016, Arrow Industrial Group Limited entered into a debenture agreement with its ultimate parent, Portchester Equity Limited. No amounts were outstanding under this debenture at 30 September 2022 (2021 - £nil).

28 Related party transactions

Transactions with fellow subsidiary undertakings

None.

a) Key management compensation

The directors of the Company are considered to be the only key management of the business. The directors received remuneration as follows in respect of services provided to the Company.

| | 2022 £ | 2021 £ |
|--|-----------|-----------|
| Aggregate emoluments inclusive of employer social security, benefits in kind and pension costs | 281,604 | 309,200 |

During the financial year, Portchester Equity Limited transferred 9,500 £1 ordinary shares of Arrow Industrial Holdings Limited to R J D Colver, a director of the Company, for £1 of consideration. Portchester Equity Limited remain the majority shareholder and ultimate parent undertaking. The directors do not believe the fair value transferred to be material to the financial statements and has not been recognised.

b) Payments/(receipts) in respect of corporation tax group relief

| | 2022 £ | 2021 £ |
|----------------------------|-----------|-----------|
| Portchester Equity Limited | 57,277 | - |

Taxable losses exist within the group, principally with Portchester Equity Limited. In these accounts the benefit of group relief has been recognised to the extent that an amount payable by group companies has been recognised, equivalent to the corporation tax charge for the year. At the date of approval of these financial statements, it is uncertain from which party or parties this payment will be receivable.

Arrow Industrial Group Limited

Notes Forming Part of the Financial Statements for the year ended 30 September 2022

28 Related party transactions (continued)

c) Group balances

Portchester Equity Limited is the ultimate parent Company controlled by M E Thistlethwayte. During the year Portchester Equity Limited provided professional services to the Company amounting to £82,000 (2021 - £82,000) and non-executive director services to the Company amounting to £20,000 (2021 - £20,000). Amounts owing for these services at 30 September 2022 were £27,380 (2021 - £27,380).

The Company paid £277,800 (2021 - £277,800) to Arrow Industrial Holdings Limited, the immediate parent Company, in respect of dividends declared on Ordinary Shares. At 30 September 2022 £1,389,600 (2021 - £1,111,800) of these dividends were outstanding.

Amounts owed to/(from) fellow group companies at the year-end are as follows:

| | 2022 £ | 2021 £ |
|-----------------------------------|-----------|-----------|
| Arrow Industrial Holdings Limited | (143,927) | (143,927) |

Arrow Industrial Group Limited and its parent Company Arrow Industrial Holdings Limited are subject to cross guarantee arrangements dated 31 October 2002 with Barclays Bank plc. There are current liabilities of £91,191 (2021 - £nil) associated with these guarantees, in relation to invoice discounting facilities.

29 Ultimate controlling party

The immediate parent Company is Arrow Industrial Holdings Limited and the ultimate parent Company is Portchester Equity Limited, a private Company incorporated in the UK. The largest and smallest Company in which the results of the Company are consolidated is that headed by Portchester Equity Limited. Copies of these financial statements can be obtained from 20 Jewry Street, Winchester, Hampshire, SO23 8RZ.

The directors recognise M E Thistlethwayte as the ultimate controlling party by virtue of his majority holding in the ordinary shares of Portchester Equity Limited.