
ARKAY GROUP LONDON LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

ARKAY GROUP LONDON LIMITED

COMPANY INFORMATION

Director	R R Radia
Registered number	12224864
Registered office	36-38 Caxton Way Watford WD18 8QZ
Independent auditors	Adler Shine LLP Chartered Accountants & Statutory Auditor Aston House Cornwall Avenue London N3 1LF

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**GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022**

Introduction

The Director presents the annual report and financial statements of Arkay Group London Limited. The principal activity of the Group is the manufacturing and installation of windows and doors.

Business review

During the year the Group acquired Quantum Windows Limited ("QWL"), a manufacturer and installer of UPVC windows and doors. From its date of acquisition, QWL contributed £3.99m and £0.39m to the Group's turnover and profit after tax respectively.

The Group's turnover increased from £17.88m to £23.62m, whilst its gross profit margin fell from 26.26% to 22.57% as a result of general inflationary pressures.

As a result of the acquisition of QWL the Group took the decision to stop its own manufacture of UPVC windows and doors through its subsidiary Arkay Windows Limited ("AWL"). This resulted in redundancy costs in the current period but AWL and the Group should see the benefit of reduced costs in the forthcoming period.

Overall, I am satisfied with the results of the Group during the period.

Principal risks and uncertainties

Principal risks and uncertainties the business have are as follows:

The group's principal financial instruments comprise bank balances, bank overdrafts, trade creditors, trade debtors and hire purchase creditors. The main purpose of these instruments is to fund the ongoing group's working capital. Due to the nature of these instruments the group is not exposed to price risk. The group's approach to managing other risks applicable to these finance instruments concerned is shown below.

In respect of bank balances, the liquidity risk is managed by maintaining a balance between the funding requirements to support operational and other activities and the banking facilities available from the bank. The group's liquidity risk management includes short-term cash projections and considering the level of liquid assets in relation thereto, and monitoring balance sheet liquidity on a frequent basis.

Trade debtors are managed in respect of credit and cash flow risk by policies concerning the credit offered to customers and the regular monitoring of amounts outstanding for both time and credit limits.

Trade creditors liquidity risk is managed by balancing purchases in line with sales and by ensuring sufficient funds are available to meet amounts due.

Financial key performance indicators

The Group's key performance indicators are:

	2022	2021
Sales	£23.62m	£17.88m
Gross profit margin	22.57%	26.26%
Profit before tax	£0.70m	£1.05m

Other key performance indicators

Th Group uses no other key performance indicators.

ARKAY GROUP LONDON LIMITED

**GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

This report was approved by the board on 25 September 2023 and signed on its behalf.

R R Radia
Director

**DIRECTOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022**

The director presents his report and the financial statements for the year ended 31 December 2022.

Director's responsibilities statement

The director is responsible for preparing the Group Strategic Report, the Director's Report and the consolidated financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the director is required to:

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The director is 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 the Group and to enable him to ensure that the financial statements comply with the Companies Act 2006. He is also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activity

The principal activity of the Company and that of its wholly owned subsidiary, Arkay Group Limited, in the period under review was that of an investment holding company.

The principal activity of Arkay Windows Limited and Quantum Windows Limited, wholly owned subsidiaries of Arkay Group London Limited, in the period under review was that of manufacturing and installation of windows.

Results and dividends

The profit for the year, after taxation, amounted to £335,433 (2021 - £704,398).

During the year the company paid dividends of £300,000 (2021: £127,000).

Preference dividends of £87,806 (2021: £87,806) were paid during the year and shown as an interest expense.

Director

The director who served during the year was:

R R Radia

ARKAY GROUP LONDON LIMITED

**DIRECTOR'S REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022**

Disclosure of information to auditors

The director at the time when this Director's Report is approved has confirmed that:

- so far as he is aware, there is no relevant audit information of which the Company and the Group's auditors are unaware, and
- he has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditors are aware of that information.

Post balance sheet events

There have been no significant events affecting the Group since the year end.

Auditors

The auditors, Adler Shine LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 25 September 2023 and signed on its behalf.

R R Radia
Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ARKAY GROUP LONDON LIMITED

Opinion

We have audited the financial statements of Arkay Group London Limited (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2022, which comprise the Group Statement of Comprehensive Income, the Group and Company Balance Sheets, the Group Statement of Cash Flows, the Group and Company Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2022 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council'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 director's 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 Group's or the parent 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 director with respect to going concern are described in the relevant sections of this report.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ARKAY GROUP LONDON LIMITED (CONTINUED)

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our Auditors' Report thereon. The director is responsible for the other information contained within the Annual Report. 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.

Opinion 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 Group Strategic Report and the Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Group Strategic Report and the Director's 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 Group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group Strategic Report or the Director's 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 by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ARKAY GROUP LONDON LIMITED (CONTINUED)

Responsibilities of directors

As explained more fully in the Director's Responsibilities Statement set out on page 3, the director is 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 director determines 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 director is responsible for assessing the Group's and the parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the director either intends to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ARKAY GROUP LONDON LIMITED (CONTINUED)

Auditors' 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 Auditors' 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 Group 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 extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we have:

- considered the nature of the industry and sectors, control environment and business performance;
- made enquires of management about their own identification and assessment of the risk of irregularities;
- performed audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, and reviewing accounting estimates for bias;
- undertaken appropriate sample based testing of bank transactions;
- identified and evaluated compliance with relevant laws and regulations and made enquiries of any instances of non-compliance;
- discussed matters among the audit engagement team regarding how and where fraud might occur in the financial statements and potential indicators of fraud.

Due to the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance.

The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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 Auditors' Report.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ARKAY GROUP LONDON LIMITED (CONTINUED)

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 Auditors' 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.

Christopher Taylor (Senior Statutory Auditor)

for and on behalf of

Adler Shine LLP

Chartered Accountants

Statutory Auditor

Aston House
Cornwall Avenue
London
N3 1LF

25 September 2023

ARKAY GROUP LONDON LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 £	2021 £
Turnover		23,617,732	17,881,125
Cost of sales		(18,285,876)	(13,183,786)
Gross profit		5,331,856	4,697,339
Administrative expenses		(3,580,994)	(2,826,180)
Amortisation and depreciation costs		(1,137,163)	(1,000,768)
Other operating income		101,092	168,678
Fair value movements		-	28,125
Operating profit		714,791	1,067,194
Amounts written off investments		-	(70)
Interest receivable and similar income	9	91,390	91,766
Interest payable and similar expenses	10	(106,547)	(101,771)
Profit before taxation		699,634	1,057,119
Tax on profit	11	(364,201)	(352,721)
Profit for the financial year		335,433	704,398
Total comprehensive income for the year		335,433	704,398
Profit for the year attributable to:			
Owners of the parent Company		335,433	704,398
		335,433	704,398
Total comprehensive income for the year attributable to:			
Owners of the parent Company		335,433	704,398
		335,433	704,398

The notes on pages 22 to 44 form part of these financial statements.

ARKAY GROUP LONDON LIMITED
REGISTERED NUMBER: 12224864

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2022

	Note	2022 £	2021 £
Fixed assets			
Intangible assets	13	6,775,839	5,797,729
Tangible assets	14	2,378,437	1,575,486
Investments	15	141,765	141,765
		<u>9,296,041</u>	<u>7,514,980</u>
Current assets			
Stocks	16	2,947,506	1,901,691
Debtors	17	6,221,219	4,937,631
Cash at bank and in hand	18	2,694,513	2,608,125
		<u>11,863,238</u>	<u>9,447,447</u>
Creditors: amounts falling due within one year	19	<u>(6,482,608)</u>	<u>(3,027,941)</u>
Net current assets		<u>5,380,630</u>	<u>6,419,506</u>
Total assets less current liabilities		<u>14,676,671</u>	<u>13,934,486</u>
Creditors: amounts falling due after more than one year	20	(4,464,717)	(3,975,904)
Provisions for liabilities			
Deferred taxation	23	(337,654)	(119,715)
		<u>(337,654)</u>	<u>(119,715)</u>
Net assets		<u><u>9,874,300</u></u>	<u><u>9,838,867</u></u>
Capital and reserves			
Called up share capital	24	1,030	1,030
Share premium account	25	9,337,470	9,337,470
Profit and loss account	25	535,800	500,367
Equity attributable to owners of the parent Company		<u><u>9,874,300</u></u>	<u><u>9,838,867</u></u>

ARKAY GROUP LONDON LIMITED
REGISTERED NUMBER: 12224864

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2022

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 25 September 2023.

R R Radia

Director

The notes on pages 22 to 44 form part of these financial statements.

ARKAY GROUP LONDON LIMITED
REGISTERED NUMBER: 12224864

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2022

	Note	2022 £	2021 £
Fixed assets			
Investments	15	19,022,009	13,440,571
		<u>19,022,009</u>	<u>13,440,571</u>
Current assets			
Debtors	17	2,160,548	2,349,556
Cash at bank and in hand	18	105,565	1,069
		<u>2,266,113</u>	<u>2,350,625</u>
Creditors: amounts falling due within one year	19	(4,132,384)	(1,680,841)
Net current (liabilities)/assets		<u>(1,866,271)</u>	<u>669,784</u>
Total assets less current liabilities		<u>17,155,738</u>	<u>14,110,355</u>
Creditors: amounts falling due after more than one year	20	(3,902,500)	(3,902,500)
Net assets		<u><u>13,253,238</u></u>	<u><u>10,207,855</u></u>
Capital and reserves			
Called up share capital	24	1,030	1,030
Share premium account	25	9,337,470	9,337,470
Profit and loss account brought forward		869,355	917,932
Profit for the year		3,345,383	78,423
Other changes in the profit and loss account		(300,000)	(127,000)
		<u>3,914,738</u>	<u>869,355</u>
Profit and loss account carried forward		<u><u>13,253,238</u></u>	<u><u>10,207,855</u></u>

ARKAY GROUP LONDON LIMITED
REGISTERED NUMBER: 12224864

COMPANY BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2022

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 25 September 2023.

R R Radia
Director

The notes on pages 22 to 44 form part of these financial statements.

ARKAY GROUP LONDON LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	Called up share capital £	Share premium account £	Profit and loss account £	Equity attributable to owners of parent Company £	Total equity £
At 1 January 2022	1,030	9,337,470	500,367	9,838,867	9,838,867
Comprehensive income for the year					
Profit for the year	-	-	335,433	335,433	335,433
Contributions by and distributions to owners					
Dividends: Equity capital	-	-	(300,000)	(300,000)	(300,000)
Total transactions with owners	-	-	(300,000)	(300,000)	(300,000)
At 31 December 2022	1,030	9,337,470	535,800	9,874,300	9,874,300

The notes on pages 22 to 44 form part of these financial statements.

ARKAY GROUP LONDON LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Called up share capital	Share premium account	Profit and loss account	Equity attributable to owners of parent Company	Total equity
	£	£	£	£	£
At 1 January 2021 (as previously stated)	1,030	9,337,470	(17,045)	9,321,455	9,321,455
Prior year adjustment - correction of error	-	-	(59,986)	(59,986)	(59,986)
At 1 January 2021 (as restated)	1,030	9,337,470	(77,031)	9,261,469	9,261,469
Comprehensive income for the year					
Profit for the year	-	-	704,398	704,398	704,398
Contributions by and distributions to owners					
Dividends: Equity capital	-	-	(127,000)	(127,000)	(127,000)
Total transactions with owners	-	-	(127,000)	(127,000)	(127,000)
At 31 December 2021	1,030	9,337,470	500,367	9,838,867	9,838,867

The notes on pages 22 to 44 form part of these financial statements.

ARKAY GROUP LONDON LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	Called up share capital £	Share premium account £	Profit and loss account £	Total equity £
At 1 January 2022	1,030	9,337,470	869,355	10,207,855
Comprehensive income for the year				
Profit for the year	-	-	3,345,383	3,345,383
Total comprehensive income for the year	-	-	3,345,383	3,345,383
Contributions by and distributions to owners				
Dividends: Equity capital	-	-	(300,000)	(300,000)
Total transactions with owners	-	-	(300,000)	(300,000)
At 31 December 2022	1,030	9,337,470	3,914,738	13,253,238

The notes on pages 22 to 44 form part of these financial statements.

ARKAY GROUP LONDON LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Called up share capital £	Share premium account £	Profit and loss account £	Total equity £
At 1 January 2021	1,030	9,337,470	917,932	10,256,432
Comprehensive income for the year				
Profit for the year	-	-	78,423	78,423
Total comprehensive income for the year	-	-	78,423	78,423
Contributions by and distributions to owners				
Dividends: Equity capital	-	-	(127,000)	(127,000)
Total transactions with owners	-	-	(127,000)	(127,000)
At 31 December 2021	1,030	9,337,470	869,355	10,207,855

The notes on pages 22 to 44 form part of these financial statements.

ARKAY GROUP LONDON LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 £	2021 £
Cash flows from operating activities		
Profit for the financial year	335,433	704,398
Adjustments for:		
Amortisation of intangible assets	815,635	730,542
Depreciation of tangible assets	321,523	270,224
Loss on disposal of tangible assets	(3,403)	(720)
Interest paid	106,547	101,771
Interest received	(91,390)	(91,766)
Taxation charge	364,201	352,721
Decrease/(increase) in stocks	9,046	(278,716)
(Increase) in debtors	(45,780)	(90,139)
Increase/(decrease) in creditors	69,314	(38,177)
Net fair value losses/(gains) recognised in P&L	-	(28,125)
Share of operating profit in associates	-	70
Corporation tax (paid)	(429,544)	(643,625)
Net cash generated from operating activities	1,451,582	988,458
Cash flows from investing activities		
Purchase of tangible fixed assets	(233,339)	(127,212)
Sale of tangible fixed assets	62,083	-
Purchase of short-term listed investments	-	(49,430)
Sale of short-term listed investments	-	32,473
Purchase of fixed asset investments, net of cash acquired	(683,213)	-
Interest received	91,390	128
HP interest paid	(18,741)	-
Dividends received	-	568
Net cash from investing activities	(781,820)	(143,473)
Cash flows from financing activities		
Other new loans	-	50,000
Repayment of/new finance leases	(195,568)	(105,413)
Loans due from/(repaid to) directors	-	126,183
Dividends paid	(300,000)	(127,000)
Interest paid	(87,806)	(6,149)
Net cash used in financing activities	(583,374)	(62,379)
Net increase in cash and cash equivalents	86,388	782,606

ARKAY GROUP LONDON LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 £	2021 £
Cash and cash equivalents at beginning of year	2,608,125	1,825,519
Cash and cash equivalents at the end of year	2,694,513	2,608,125
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	2,694,513	2,608,125
	2,694,513	2,608,125

The notes on pages 22 to 44 form part of these financial statements.

ARKAY GROUP LONDON LIMITED

**CONSOLIDATED ANALYSIS OF NET DEBT
FOR THE YEAR ENDED 31 DECEMBER 2022**

	At 1 January 2022 £	Cash flows £	Acquisition and disposal of subsidiaries £	New finance leases £	At 31 December 2022 £
Cash at bank and in hand	2,608,125	(2,446,684)	2,533,072	-	2,694,513
Debt due after 1 year	(3,902,500)	-	-	-	(3,902,500)
Finance leases	(156,779)	195,569	(316,749)	(297,106)	(575,065)
	<u>(1,451,154)</u>	<u>(2,251,115)</u>	<u>2,216,323</u>	<u>(297,106)</u>	<u>(1,783,052)</u>

The notes on pages 22 to 44 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

1. General information

Arkay Group London Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies (see note 3).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements.

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Balance Sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

2.3 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Consolidated Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income'.

On consolidation, the results of overseas operations are translated into Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Group has transferred the significant risks and rewards of ownership to the buyer;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

2.5 Operating leases: the Group as lessee

Rentals paid under operating leases are charged to profit or loss on a straight-line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight-line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.6 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to profit or loss at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Consolidated Statement of Comprehensive Income in the same period as the related expenditure.

2.7 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.8 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.9 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Group in independently administered funds.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

2.10 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.11 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight-line basis to the Consolidated Statement of Comprehensive Income over its useful economic life.

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

2.12 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, .

Depreciation is provided on the following basis:

Freehold property	-	2%	on cost
Short-term leasehold property	-	2%	on cost
Plant and machinery	-	15%	on a reducing balance basis
Motor vehicles	-	25%	on a reducing balance basis
Fixtures and fittings	-	20%	and 15% on a reducing balance basis
Computer equipment	-	25%	on cost

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.13 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in unlisted Group shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Consolidated Statement of Comprehensive Income for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

Investments in listed company shares are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in profit or loss for the period.

2.14 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

2.15 Debtors

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.16 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

2.17 Creditors

Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.18 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

2.19 Financial instruments

The Group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Investments in non-derivative instruments that are equity to the issuer are measured:

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

2. Accounting policies (continued)

2.19 Financial instruments (continued)

- at fair value with changes recognised in the Consolidated Statement of Comprehensive Income if the shares are publicly traded or their fair value can otherwise be measured reliably;
- at cost less impairment for all other investments.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.20 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

3. Judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of financial statements in conformity with generally accepted accounting practice requires management to make estimates and judgement that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period.

Depreciation

There is estimation uncertainty in calculating depreciation. A full line by line review of fixed assets is carried out by management regularly. Whilst every attempt is made to ensure that the depreciation policy is as accurate as possible, there remains a risk that the policy does not match the useful life of the assets.

Deferred Taxation

There is estimation uncertainty in calculating deferred tax. A full line by line review of deferred tax is carried out by management regularly. Whilst every attempt is made to ensure that the deferred tax is as accurate as possible, there remains a risk that the provisions do not match the actual tax liability when asset is disposed of.

Bad debt provision

There is estimation uncertainty in calculating bad debt provisions. A full line by line review of trade debtors is carried out at the end of each month. Whilst every attempt is made to ensure that the bad debt provisions are as accurate as possible, there remains a risk that the provisions do not match the level of debts which ultimately prove to be uncollectable.

Work in progresss

There is estimation uncertainty in calculating how complete various partially constructed windows and doors are at the year end. Whist every effort is made to calculate this as accurately as possible there remains a risk that the work in progress may be over or understated.

4. Other operating income

	2022	2021
	£	£
Other operating income	64,591	62,006
Net rents receivable	36,000	36,000
Government grants receivable	501	70,672
	101,092	168,678

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

5. Operating profit

The operating profit is stated after charging:

	2022	2021
	£	£
Exchange differences	-	3,028
Other operating lease rentals	482,392	571,157
Depreciation-owned assets	165,644	161,598
Depreciation - assets on hire purchase contracts	155,884	108,626
Goodwill amortisation	<u>815,635</u>	<u>730,542</u>

6. Auditors' remuneration

During the year, the Group obtained the following services from the Company's auditors:

	2022	2021
	£	£
Fees payable to the Company's auditors for the audit of the consolidated and parent Company's financial statements	7,200	12,000
Fees payable to the Company's auditors for the audit of the subsidiaries financial statements	50,300	29,118
	<u>57,500</u>	<u>41,118</u>

ARKAY GROUP LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

7. Employees

Staff costs, including director's remuneration, were as follows:

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Wages and salaries	4,067,294	3,030,557	-	-
Social security costs	348,438	278,021	-	-
Cost of defined contribution scheme	81,289	53,536	-	-
	<u>4,497,021</u>	<u>3,362,114</u>	<u>-</u>	<u>-</u>

The average monthly number of employees, including the director, during the year was as follows:

	2022 No.	2021 No.
Sales	5	4
Production	111	83
Administrative	17	23
	<u>133</u>	<u>110</u>

8. Director's remuneration

	2022 £	2021 £
Director's emoluments	46,034	44,000
Group contributions to defined contribution pension schemes	1,133	1,133
	<u>47,167</u>	<u>45,133</u>

During the year retirement benefits were accruing to 1 director (2021 - 1) in respect of defined contribution pension schemes.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

9. Interest receivable

	2022 £	2021 £
Interest receivable from group companies	-	2
Other interest receivable	91,390	91,764
	<u>91,390</u>	<u>91,766</u>

10. Interest payable and similar expenses

	2022 £	2021 £
Other loan interest payable	-	2,887
Preference share dividends	87,806	87,806
Finance leases and hire purchase contracts	18,741	11,078
	<u>106,547</u>	<u>101,771</u>

11. Taxation

	2022 £	2021 £
Corporation tax		
Current tax on profits for the year	246,692	361,816
Adjustments in respect of previous periods	7,920	1,905
	<u>254,612</u>	<u>363,721</u>
Total current tax	<u>254,612</u>	<u>363,721</u>
Deferred tax		
Origination and reversal of timing differences	109,589	(11,000)
Total deferred tax	<u>109,589</u>	<u>(11,000)</u>
Tax on profit	<u>364,201</u>	<u>352,721</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

11. Taxation (continued)**Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2021 - *higher than*) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

	2022 £	2021 £
Profit on ordinary activities before tax	<u>699,634</u>	<u>1,057,119</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	132,930	200,852
Effects of:		
Non-tax deductible amortisation of goodwill and impairment	154,970	-
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	4,376	21,213
Depreciation in excess of capital allowances/(Capital allowances in excess of depreciation)	(45,865)	9,956
Adjustments to tax charge in respect of prior periods	7,920	(1,622)
Deferred tax provision	109,589	(11,000)
Other timing differences leading to an increase (decrease) in taxation	927	-
Non-taxable income	-	(5,481)
Profit on disposal of fixed assets	(646)	-
Other differences leading to an increase (decrease) in the tax charge	-	138,803
Total tax charge for the year	<u><u>364,201</u></u>	<u><u>352,721</u></u>

Factors that may affect future tax charges

From 1 April 2023 the corporation tax rate has increased to 25% for companies with profits of over £250,000. A small profits rate has also been introduced for companies with profits of £50,000 or less so that they will continue to pay corporation tax at 19%. From this date companies with profits between £50,000 and £250,000 will pay tax at the main rate reduced by a marginal relief providing a gradual increase in the effective corporation tax rate.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

12. Dividends

	2022 £	2021 £
Dividends paid on Ordinary shares	300,000	127,000
Dividends paid on 2.25% Redeemable preference shares	87,806	87,806
	<u>387,806</u>	<u>214,806</u>

13. Intangible assets

Group and Company

	Goodwill £
Cost	
At 1 January 2022	7,358,968
Additions	1,691,428
On acquisition of subsidiaries	102,317
	<u>9,152,713</u>
At 31 December 2022	
Amortisation	
At 1 January 2022	1,561,239
Charge for the year on owned assets	815,635
	<u>2,376,874</u>
At 31 December 2022	
Net book value	
At 31 December 2022	<u>6,775,839</u>
At 31 December 2021	<u>5,797,729</u>

During the year the company acquired Quantum Windows Limited. Information on that acquisition is provided in note 26.

ARKAY GROUP LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

14. Tangible fixed assets

Group

	Freehold property £	Short-term leasehold property £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Office equipment £	Computer equipment £	Total £
Cost or valuation								
At 1 January 2022	940,000	90,912	1,458,558	116,300	197,446	44,360	308,065	3,155,641
Additions	-	-	145,183	225,903	34,058	37,612	87,689	530,445
Acquisition of subsidiary	-	-	472,590	180,124	-	-	-	652,714
Disposals	-	-	-	(97,048)	-	-	-	(97,048)
At 31 December 2022	940,000	90,912	2,076,331	425,279	231,504	81,972	395,754	4,241,752
Depreciation								
At 1 January 2022	27,600	49,519	1,028,461	69,394	143,476	6,712	254,993	1,580,155
Charge for the year on owned assets	13,800	6,535	73,779	9,080	11,251	7,200	43,999	165,644
Charge for the year on financed assets	-	-	101,781	54,103	-	-	-	155,884
Disposals	-	-	-	(38,368)	-	-	-	(38,368)
At 31 December 2022	41,400	56,054	1,204,021	94,209	154,727	13,912	298,992	1,863,315
Net book value								

ARKAY GROUP LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

14. Tangible fixed assets (continued)

	<u>898,600</u>	<u>34,858</u>	<u>872,310</u>	<u>331,070</u>	<u>76,777</u>	<u>68,060</u>	<u>96,762</u>	<u>2,378,437</u>
At 31 December 2022								
	<u>912,400</u>	<u>41,393</u>	<u>430,097</u>	<u>46,906</u>	<u>53,970</u>	<u>37,648</u>	<u>53,072</u>	<u>1,575,486</u>
At 31 December 2021								

The net book value of land and buildings may be further analysed as follows:

	2022 £	2021 £
Freehold	898,600	912,400
Short leasehold	34,858	41,392
	<u>933,458</u>	<u>953,792</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

15. Fixed asset investments

Group

Listed
investments
£

Cost or valuation

At 1 January 2022

141,765

At 31 December 2022

141,765

Company

Investments in
subsidiary
companies
£

Cost or valuation

At 1 January 2022

13,440,571

Additions

5,581,438

At 31 December 2022

19,022,009

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding
Arkay Group Limited	Ordinary	100 %
Arkay Windows Limited	Ordinary	100 %
Quantum Windows Limited	Ordinary	100 %

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

16. Stocks

	Group 2022 £	Group 2021 £
Raw materials and consumables	2,494,828	1,481,599
Work in progress (goods to be sold)	83,631	139,120
Finished goods and goods for resale	369,047	280,972
	<u>2,947,506</u>	<u>1,901,691</u>

The difference between purchase price or production cost of stocks and their replacement cost is not material.

17. Debtors

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Trade debtors	2,216,643	1,351,832	-	-
Amounts owed by group undertakings	-	-	27,287	-
Other debtors	3,577,533	3,356,944	2,133,261	2,349,556
Prepayments and accrued income	427,043	228,855	-	-
	<u>6,221,219</u>	<u>4,937,631</u>	<u>2,160,548</u>	<u>2,349,556</u>

18. Cash and cash equivalents

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Cash at bank and in hand	2,694,513	2,608,125	105,565	1,069
	<u>2,694,513</u>	<u>2,608,125</u>	<u>105,565</u>	<u>1,069</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

19. Creditors: Amounts falling due within one year

	Group	<i>Group</i>	Company	<i>Company</i>
	2022	<i>2021</i>	2022	<i>2021</i>
	£	<i>£</i>	£	<i>£</i>
Trade creditors	1,960,035	1,142,253	-	-
Amounts owed to group undertakings	-	-	1,560,018	1,488,418
Corporation tax	311,591	125,237	-	-
Other taxation and social security	600,375	515,292	-	-
Obligations under finance lease and hire purchase contracts	182,090	83,375	-	-
Other creditors	2,606,506	306,198	2,565,166	180,423
Accruals and deferred income	822,011	855,586	7,200	12,000
	<u>6,482,608</u>	<u>3,027,941</u>	<u>4,132,384</u>	<u>1,680,841</u>

Included in other creditors is an amount of £2,345,148 in respect of deferred consideration payable in respect of the acquisition of Quantum Windows Limited.

20. Creditors: Amounts falling due after more than one year

	Group	<i>Group</i>	Company	<i>Company</i>
	2022	<i>2021</i>	2022	<i>2021</i>
	£	<i>£</i>	£	<i>£</i>
Net obligations under finance leases and hire purchase contracts	392,975	73,404	-	-
Other creditors	169,242	-	-	-
Share capital treated as debt	3,902,500	3,902,500	3,902,500	3,902,500
	<u>4,464,717</u>	<u>3,975,904</u>	<u>3,902,500</u>	<u>3,902,500</u>

Disclosure of the terms and conditions attached to share capital treated as debt is made in note 24.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

21. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	Group 2022 £	Group 2021 £
Within one year	182,090	83,376
Between 1-5 years	392,975	73,404
	<u>575,065</u>	<u>156,780</u>

22. Financial instruments

	Group 2022 £	Group 2021 £	Company 2022 £	Company 2021 £
Financial assets				
Financial assets measured at fair value through profit or loss	<u>2,836,278</u>	<u>2,749,890</u>	<u>105,565</u>	<u>1,069</u>

Financial assets measured at fair value through profit or loss comprise cash at bank and in hand and listed investments.

23. Deferred taxation

Group

	2022 £
At beginning of year	(119,715)
Charged to profit or loss	(109,589)
Arising on business combinations	(108,350)
At end of year	<u>(337,654)</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

23. Deferred taxation (continued)

The provision for deferred taxation is made up as follows:

	Group 2022 £	Group 2021 £
Accelerated capital allowances	(337,654)	(119,715)
	<u>(337,654)</u>	<u>(119,715)</u>

24. Share capital

	2022 £	2021 £
Shares classified as equity		
Allotted, called up and fully paid		
1,030 (2021 - 1,030) Ordinary shares of £1.00 each	<u>1,030</u>	<u>1,030</u>
	2022 £	2021 £
Shares classified as debt		
Allotted, called up and fully paid		
3,902,500 (2021 - 3,902,500) Preference shares of £1.00 each	<u>3,902,500</u>	<u>3,902,500</u>

25. Reserves

Share premium account

Share premium represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.

Preference shares - shares classified as debt

Preference shares are non-voting and carry a preferential right to an annual 2.25% dividend (cumulative). These shares have a preferential right to be repaid at par on winding up, but do not have any further rights to participate in profits and capital gains.

These shares are redeemable at the Company's or the holder's option.

Profit and loss account

Profit and loss account represents retained profits and losses.

ARKAY GROUP LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

26. Business combinations

On 4 August 2022 Arkay Group London Limited purchased 100% of the ordinary shares of Quantum Windows Limited.

Acquisition of Quantum Windows Limited

Recognised amounts of identifiable assets acquired and liabilities assumed

	Book value £	Fair value adjustments £	Fair value £
Fixed Assets			
Tangible	652,714	-	652,714
Intangible	102,317	-	102,317
	<u>755,031</u>	<u>-</u>	<u>755,031</u>
Current Assets			
Stocks	1,054,861	-	1,054,861
Debtors	1,237,808	-	1,237,808
Cash at bank and in hand	2,553,072	-	2,553,072
	<u>5,600,772</u>	<u>-</u>	<u>5,600,772</u>
Total Assets			
Creditors			
Due within one year	(1,372,157)	-	(1,372,157)
Due after more than one year	(230,254)	-	(230,254)
Deferred taxation	(108,350)	-	(108,350)
	<u>3,890,011</u>	<u>-</u>	<u>3,890,011</u>
Total identifiable net assets			
Goodwill			1,691,427
			<u>5,581,438</u>
Total purchase consideration			
Consideration			
			£
Cash			3,153,928
Deferred consideration			2,345,148
Directly attributable costs			82,362
			<u>5,581,438</u>
Total purchase consideration			

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

26. Business combinations (continued)

Cash outflow on acquisition

	£
Purchase consideration settled in cash, as above	3,153,928
Directly attributable costs	82,362
	<u>3,236,290</u>
Less: Cash and cash equivalents acquired	(2,553,072)
Net cash outflow on acquisition	<u>683,218</u>

The goodwill arising on acquisition is attributable to the excess of consideration payable over the net assets acquired.

The results of Quantum Windows Limited since acquisition are as follows:

	Current period since acquisition £
Turnover	<u>3,988,542</u>
Profit for the period since acquisition	<u><u>376,730</u></u>

27. Capital commitments

At 31 December 2022 the Group and Company had capital commitments as follows:

	Group 2022 £	Group 2021 £
Contracted for but not provided in these financial statements	615,000	-
	<u>615,000</u>	<u>-</u>

28. Pension commitments

The Group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £81,289 (2021 - £53,536). Contributions totalling £11,905 (2021 - £10,399) were payable to the fund at the balance sheet date and are included in creditors.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

29. Commitments under operating leases

At 31 December 2022 the Group and the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	Group 2022 £	<i>Group 2021 £</i>
Not later than 1 year	700,918	<i>405,462</i>
Later than 1 year and not later than 5 years	1,960,410	<i>637,954</i>
Later than 5 years	1,843,726	<i>-</i>
	<u>4,505,054</u>	<i><u>1,043,416</u></i>

30. Transactions with directors

Included in other debtors are amounts due from a director of £708,927 (2021: £972,624). The highest amount outstanding during the year was £972,624. The amounts outstanding in interest free and repayable on demand.

31. Related party transactions

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

The director holds listed investments and cash with the investment brokers on behalf of the Company.

The company undertook the following transactions with companies with common director and shareholder.

	2022 £	<i>2021 £</i>
Sales	1,246,595	<i>2,472,841</i>
Recharge of expenses	64,392	<i>61,990</i>
Rent charged	36,000	<i>36,000</i>
Net trade balance due from related party at balance sheet date	165,026	<i>491,441</i>
Net loan balance due from related party at balance sheet date	<u>2,335,071</u>	<i><u>828,000</u></i>

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.