

Company Registration Number 03418673

ARRK EUROPE LIMITED

Annual Report and Financial Statements

For the year ended 31 December 2022



ARRK EUROPE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2022

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ARRK EUROPE LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

T Hakuta (resigned 31 March 2022)
S Holmes
K Tanaka (appointed 1 April 2022)
E Terada (appointed 1 April 2023)
H Ueda (resigned 31 March 2023)
R Vickers

COMPANY SECRETARY

S Holmes

REGISTERED OFFICE

Caldwell Road
Nuneaton
Warwickshire
CV11 4NG

BANKERS

HSBC Bank UK PLC
HSBC House
Mitchell Way
Southampton
Hampshire
England
SO18 2XU

SOLICITORS

Stevens & Bolton LLP
Wey House
Farnham Road
Guildford
Surrey
GU1 4YD

AUDITOR

Deloitte LLP
Statutory Auditor
Bristol
United Kingdom

ARRK EUROPE LIMITED

STRATEGIC REPORT

BUSINESS MODEL

The directors consider the Company to be a key component of the worldwide ARRK Corporation Group and its operations. The principal activities of the Company include design engineering, craftsmanship products, composites, prototyping, tooling and low-volume manufacturing for the automotive, aerospace, motorsport and medical industries.

REVIEW OF THE BUSINESS

The sales revenue for the year amounted to £23,321,000 (2021: £26,432,000). The profit for the year after taxation amounted to £35,000 (2021: loss of £4,840,000).

Sales Revenues show a reduction due to the divestment of the Petersfield and Kings Norton sites and the closure of the Essex site in the previous period. With the retention of the higher margin sites in the UK, the profitability has improved as noted above.

Operating profit at the retained sites at Gloucester, Nuneaton & Barcelona all improved during 2022 due predominately to a 30% increase of sales in 2022 due to improved market conditions.

Net Assets / (Liabilities) for 2022 were £931,000 (2021: £896,000)

The profit for the year after taxation amounted to £35,000 (2021: loss of £4,840,000).

KEY PERFORMANCE INDICATORS

Due to the size and nature of the business the key performance indicators are sales revenue and profit/(loss) after taxation. These are monitored on a monthly basis and are discussed above in the review of the business. The sales revenue for the year amounted to £23,321,000 (2021: £26,432,000). The profit for the year after taxation amounted to £35,000 (2021: loss of £4,840,000). These are the key performance indicators upon which the Company is judged by its immediate shareholder.

The improvement seen in profit/(loss) for the year after taxation of 2021 to 2022 is the result of the divestment of our Petersfield & King Norton sites as well as the closure of our Essex site at the end of 2021.

PRINCIPAL RISKS AND UNCERTAINTIES

The Company's activities expose it to a number of financial risks including price risk, credit risk, cash flow risk and liquidity risk.

Price risk

The Company is exposed to commodity price risk. The Company does not manage its exposure to commodity price risk through derivatives due to cost benefit considerations.

Credit risk

The Company's principal financial assets are bank balances, cash, trade and other receivables. The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. The Company monitors any significant concentrations of credit risk and mitigates where possible seeking to spread exposure over a large number of counterparties and customers as necessary.

Cash flow risk

Interest-bearing assets and liabilities are held at a fixed rate, where appropriate, to ensure certainty of cash flows.

Sales and purchases are transacted in American Dollars and Euros as well as Great British Pounds which presents a small risk should currency rates fluctuate. However, the overall currency risk is deemed not significant enough to implement any forward contracts or hedging instruments.

ARRK EUROPE LIMITED

STRATEGIC REPORT (continued)

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Company uses a mixture of long-term and short-term debt finance.

Approved by the Board of Directors
and signed on behalf of the Board

DocuSigned by:
Simon Holmes
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S Holmes
Director

Date 29 September 2023 | 15:13 BST

ARRK EUROPE LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2022. ARRK Europe Limited is a private Company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales.

EXISTENCE OF BRANCHES OUTSIDE THE U.K.

The Company has branches, as defined in section 1046(3) of the Companies Act 2006, outside the UK in Spain.

RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £35,000 (2021: loss of £4,840,000).

The directors do not recommend the payment of a dividend (2021: £nil).

GOING CONCERN

The income statement shows that the Company made a profit during the reporting period.

The Company is dependent on financial support being provided by the parent Company, ARRK Corporation, mainly in the form of equity funding, and therefore the financial position of ARRK Corporation is a relevant factor in the directors' assessment of going concern. As at 31 March 2023 ARRK Corporation has net assets of £112m and approximately 3,163 employees throughout the world and is well positioned to ensure continued future profitable growth, with reported cash balances of £66m.

ARRK Corporation has indicated its willingness to provide financial support that may be necessary for the Group to be able to meet its financial obligations as they fall due for a period of at least 12 months from the date of approval of the financial statements. The Directors have satisfied themselves that ARRK Corporation has the necessary financial resources to provide this support during this period, should it be required. Consequently, the directors believe that it is appropriate to prepare the financial statements on a going concern basis.

DIRECTORS

The directors who served during the year and subsequently are set out on page 1.

DIRECTORS' INDEMNITIES:

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

FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a number of financial risks including price risk, credit risk, cash flow risk and liquidity risk. These are discussed further within the Strategic report.

FUTURE DEVELOPMENTS

The business continues to enjoy the support of its parent Company and intends to use this support to maintain its profitability following the streamlining of its operations in 2021. Further investment is planned for 2023 to 2025 to offer new manufacturing services to further increase sales volume as well as streamlining operations to improve efficiencies and save further costs.

EVENTS AFTER THE BALANCE SHEET DATE

None to report.

ARRK EUROPE LIMITED

DIRECTORS' REPORT (continued)

AUDITOR

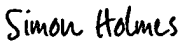
Each of the persons who is a director at the date of approval of this report confirms that:

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

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as the Company's auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board

DocuSigned by:

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S Holmes
Director

Date 29 September 2023 | 15:13 BST

ARRK EUROPE LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". 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 judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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.

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

ARRK EUROPE LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF ARRK EUROPE LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of ARRK Europe Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework" and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 23.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

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 Financial Reporting Council's (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 other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are 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.

ARRK EUROPE LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF ARRK EUROPE LIMITED (continued)

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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.

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

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 considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and directors about their own identification and assessment of the risks of irregularities including those that are specific to the company's business sector.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies act, foreign country laws applicable to the territories in which the company trades, and pension and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included data protection laws, employment laws and health and safety regulations.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our procedures performed to address it are described below:

- Completeness, accuracy, and occurrence of revenue surrounding manual adjustments to revenue. There is a risk that revenue is overstated through the posting of manual adjustments. We obtained schedules and analysis related to the revenue and the reconciliation to the general ledger. We ran analytics on manual adjustments to revenue and investigated any items identified by understanding the nature of the adjustments and their business purpose.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;

ARRK EUROPE LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF ARRK EUROPE LIMITED (continued)

- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Report on other legal and regulatory requirements

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.

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 any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception


Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

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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Edward Bell (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Bristol, United Kingdom
29 September 2023 | 15:15 BST

INCOME STATEMENT
For the year ended 31 December 2022

	Note	2022 £'000	2021 £'000
REVENUE	3	23,321	26,432
Cost of sales		(18,771)	(23,216)
GROSS PROFIT		<u>4,550</u>	<u>3,216</u>
Administrative expenses		(4,272)	(6,445)
OPERATING PROFIT/(LOSS)	5	278	(3,229)
Net finance costs	6	(249)	(559)
Asset impairment	9 & 10	-	(65)
Loss on Divestment		-	(1,545)
Other Income		6	558
PROFIT/(LOSS) BEFORE TAXATION		<u>35</u>	<u>(4,840)</u>
Tax on Profit/(Loss)	7 & 12	-	-
PROFIT/(LOSS) FOR THE YEAR		<u><u>35</u></u>	<u><u>(4,840)</u></u>

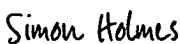
There are no comprehensive income or expenses for the current or preceding year other than as stated in the income statement. Accordingly, no separate statement of total comprehensive income has been presented.

ARRK EUROPE LIMITED**BALANCE SHEET**
As at 31 December 2022

	Note	2022		2021	
		£'000	£'000	£'000	£'000
NON-CURRENT ASSETS					
Tangible fixed assets	8		1,486		1,632
Right of use assets	9		1,836		1,790
Intangible fixed assets	10		7		22
			<u>3,329</u>		<u>3,444</u>
CURRENT ASSETS					
Stocks	11	1,293		1,318	
Debtors	12	5,795		4,811	
Cash at bank and in hand		1,540		1,924	
		<u>8,628</u>		<u>8,053</u>	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR					
	13	(9,240)		(8,783)	
NET CURRENT (LIABILITIES)					
			<u>(612)</u>		<u>(730)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES					
			2,717		2,714
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR					
Lease Liabilities	14		(1,556)		(1,568)
Provisions	22		(230)		(250)
NET ASSETS					
			<u>931</u>		<u>896</u>
EQUITY					
Share capital	17		11,013		11,013
Retained earnings	18		(10,082)		(10,117)
EQUITY ATTRIBUTABLE TO THE OWNERS OF THE COMPANY					
			<u>931</u>		<u>896</u>

The financial statements of ARRK Europe Limited, registered number 03418673, were approved by the Board of Directors and authorised for issue on 29 September 2023 | 15:13 BST

Signed on behalf of the Board of Directors

DocuSigned by:

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S Holmes
 Director

ARRK EUROPE LIMITED**STATEMENT OF CHANGES IN EQUITY :
For the year ended 31 December 2022**

	Share capital	Retained earnings	Total
	£'000	£'000	£'000
As at 1 January 2021	3,672	(5,277)	(1,605)
Loss for the year, being total comprehensive expense	-	(4,840)	(4,840)
Issue of Share Capital	7,341	-	7,341
As at 31 December 2021	<u>11,013</u>	<u>(10,117)</u>	<u>896</u>
As at 1 January 2022	11,013	(10,117)	896
Profit for the year, being total comprehensive income	-	35	35
As at 31 December 2022	<u>11,013</u>	<u>(10,082)</u>	<u>931</u>

ARRK EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2022

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards.

Accounting convention

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

Basis of accounting

ARRK Europe Limited is a private Company limited by shares, incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the business review on page 2.

The Company meets the definition of a qualifying entity under FRS 101 (Financial Reporting Standard 101) issued by the Financial Reporting Council. These financial statements were prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council. These financial statements are presented in pounds sterling which is the currency of the primary economic environment in which the Company operates.

The financial statements have been prepared on the historical cost basis as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services. The principal accounting policies adopted are set out below.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of assets, financial instruments and related party transactions. Where required, equivalent disclosures are given in the group accounts of Mitsui Chemical Inc. The group accounts of Mitsui Chemical Inc. are available to the public and can be obtained as set out in note 22.

Going concern

The income statement shows that the company made a profit during the reporting period.

The Company is dependent on financial support being provided by the parent Company, ARRK Corporation, mainly in the form of equity funding, and therefore the financial position of ARRK Corporation is a relevant factor in the directors' assessment of going concern. As at 31 March 2023 ARRK Corporation has net assets of £112m and approximately 3,163 employees throughout the world and is well positioned to ensure continued future profitable growth, with reported cash balances of £66m.

ARRK Corporation has indicated its willingness to provide financial support that may be necessary for the Group to be able to meet its financial obligations as they fall due for a period of at least 12 months from the date of approval of the financial statements. The Directors have satisfied themselves that ARRK Corporation has the necessary financial resources to provide this support during this period, should it be required. Consequently, the directors believe that it is appropriate to prepare the financial statements on a going concern basis.

ARRK EUROPE LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)**
For the year ended 31 December 2022**1. ACCOUNTING POLICIES (continued)****Foreign exchange**

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. The results of overseas operations are translated at the average rates of exchange during the period and their balance sheets at the rates ruling at the balance sheet date. All other exchange differences are included in the income statement.

Tangible fixed assets

Tangible fixed assets are stated at cost net of depreciation. Depreciation is provided on all tangible fixed assets other than freehold land. On other assets it is provided on cost in equal annual instalments over the estimated lives of the assets. The rates of depreciation are as follows:

Freehold buildings & Improvements	Straight-line over 3 to 50 years
Plant and machinery	Straight-line over 3 to 20 years
Right of use	Lower of useful life and lease period

Intangible fixed assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The rates of amortisation are as follows:

Software	Straight-line over 3 years
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The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis and included within administrative expenses. An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from de-recognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognised in profit or loss when the asset is derecognised.

Stocks

Stocks, including work in progress, are stated at the lower of cost and net realisable value, and utilised on a First-In-First-Out basis. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Net realisable value is based on selling price, less further costs expected to be incurred to completion, and costs to be incurred in marketing, selling and distribution. Provision is made for obsolete, slow-moving or defective items where appropriate.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

ARRK EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2022

1. ACCOUNTING POLICIES (continued)

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences between the Company's taxable profits and its results as stated in the financial statements arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold as it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue is recognised when control of the goods has transferred to the customer, being at the point the goods are shipped to the customer or when made available for collection as specified by the customer.

ARRK EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2022

1. ACCOUNTING POLICIES (continued)

Pensions

For defined contribution schemes the amount charged to the income statement in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Leases

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

The incremental borrowing rate depends on the term, currency and start date of the lease and is determined based on a series of inputs including: the risk-free rate based on government bond rates; a country-specific risk adjustment; a credit risk adjustment based on bond yields; and an entity-specific adjustment when the risk profile of the entity that enters into the lease is different to that of the Company and the lease does not benefit from a guarantee from the Company.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the balance sheet.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

ARRK EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 31 December 2022

1. ACCOUNTING POLICIES (continued)

Leases (continued)

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Company did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the right-of-use asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'impairment of tangible and intangible assets' policy.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in administrative expenses (see note 5).

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient. For contracts that contain a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

ARRK EUROPE LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)**
For the year ended 31 December 2022**1. ACCOUNTING POLICIES (continued)****Financial instruments**

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are measured initially at fair value, except for trade receivables that do not have a significant financing component which are measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost, trade debtors and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognises lifetime expected credit losses (ECL) for trade debtors and contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;

ARRK EUROPE LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)**
For the year ended 31 December 2022**1. ACCOUNTING POLICIES (continued)**

- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

1. the financial instrument has a low risk of default;
2. the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
3. adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Company considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there are no past due amounts.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company).

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

1. significant financial difficulty of the issuer or the borrower;
2. a breach of contract, such as a default or past due event (see (ii) above);
3. the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
4. it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
5. the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade debtors, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to

ARRK EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2022

1. ACCOUNTING POLICIES (continued)

enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(v) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

If the Company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Company measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Company recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account and does not reduce the carrying amount of the financial asset in the balance sheet.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to the profit and loss account reserve.

Adoption of new and revised standards

There are no amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2022 that have a material impact on the company's financial statements. These include amendments to IFRS 3 (Conceptual Framework), IAS 16 (Property, Plant and Equipment) and IAS 37 (Onerous Contracts).

ARRK EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2022

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 1 above, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Company's accounting policies

The directors are not of the opinion that there are any judgements of a critical nature required in the process of applying the Company's accounting policies which would have a significant effect on the amounts recognised in the financial statements.

Key sources of estimation uncertainty

The directors have not identified any key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

ARRK EUROPE LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)**
For the year ended 31 December 2022

3. REVENUE	2022	2021
	£'000	£'000
Geographical analysis of revenue by destination		
UK	17,864	18,770
Rest of Europe	3,795	6,152
Rest of world	1,662	1,510
	<u>23,321</u>	<u>26,432</u>
	£'000	£'000
Geographical analysis of revenue by origin		
UK	20,776	25,434
Rest of Europe	2,545	998
	<u>23,321</u>	<u>26,432</u>
	£'000	£'000
Analysis of revenue by business stream		
Prototyping	19,256	23,571
Composites	4,065	2,861
	<u>23,321</u>	<u>26,432</u>

ARRK EUROPE LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)**
For the year ended 31 December 2022**4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

	2022	2021
	£'000	£'000
Directors' remuneration:		
Emoluments	153	129
Social security costs	20	16
Contributions to defined contribution pension schemes	8	7
	<u>181</u>	<u>152</u>
	Number	Number
Number of directors accruing benefits under defined contribution schemes	<u>1</u>	<u>1</u>

It should be noted that only one director is remunerated by ARRK Europe Limited, all other directors are remunerated by other group companies and therefore it is not practical to assign their remuneration to their role as AEL Directors.

Employee costs (excluding directors) during the year:	£'000	£'000
Wages and salaries	5,852	8,176
Social security costs	772	827
Other pension costs	185	316
	<u>6,809</u>	<u>9,319</u>
Average monthly number of persons employed (excluding directors):	Number	Number
Production	105	200
Administration	48	54
	<u>153</u>	<u>254</u>

ARRK EUROPE LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended 31 December 2022****5. OPERATING LOSS**

	2022	2021
	£'000	£'000
Operating loss is stated after charging / (crediting):		
Inventory recognised as an expense	2,397	4,552
Depreciation and other amounts written off tangible fixed assets:		
- owned assets	327	631
- right of use assets	435	1,063
Amortisation and other amounts written off intangible fixed assets	15	41
Auditor's remuneration:		
- Audit of the Company's annual financial statements	75	107
- Tax compliance services	20	20
	<u> </u>	<u> </u>

6. FINANCE COSTS

	2022	2021
	£'000	£'000
Interest receivable and similar income		
Foreign exchange gains	325	148
Total interest receivable and similar income	<u>325</u>	<u>148</u>
Interest payable and similar charges		
Bank loans, overdrafts and other	(37)	(56)
Interest payable on Group undertakings	(88)	(192)
Foreign exchange loss	(389)	(273)
Right of Use asset lease interest	(60)	(186)
Total interest payable and similar charges	<u>(574)</u>	<u>(707)</u>
Total finance costs	<u>(249)</u>	<u>(559)</u>

ARRK EUROPE LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)**
For the year ended 31 December 2022

7. TAX ON PROFIT/(LOSS)	2022 £'000	2021 £'000
	£'000	£'000
Profit/(Loss) before tax	35	(4,840)
	<u>£'000</u>	<u>£'000</u>
Tax on loss at standard rate of 19.00% (2021: 19.00%)	7	(919)
Effects of:		
Adjustment in respect of prior years	-	-
Expenses not deductible	11	530
Tax rate changes	-	-
Income not taxable	(9)	(4)
Foreign tax	(44)	(21)
Revaluations/Impairment	1	-
Deferred tax not recognised	34	414
Total tax charge (credit) for the year	<u>-</u>	<u>-</u>

A deferred tax asset of £1,345,818 has not been recognised (2021: £3,017,122). This asset relates to the Company's short-term temporary trading differences (e.g. general provisions and unpaid remuneration), fixed asset timing differences and losses carried forward. This is on the assumption that there will be insufficient taxable profits against which the temporary difference will unwind.

There is an unrecognised deferred tax allowance of £1,130,000 (2021: £2,521,000) on losses of £4.5m (2021: £10.2m) calculated at the rate of 25%.

The UK budget 2021 announcements on 3 March 2021 included measures to support the economic recovery as a result of the ongoing Covid-19 pandemic. These included an increase to the UK's main corporation tax rate to 25% which is effective from 1 April 2023.

ARRK EUROPE LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)**
For the year ended 31 December 2022**8. TANGIBLE FIXED ASSETS**

	Freehold land and buildings £'000	Plant and machinery £'000	Total £'000
Cost			
At 1 January 2022	2,851	11,428	14,279
Additions	-	177	177
Disposals	(1,591)	(3,334)	(4,925)
At 31 December 2022	<u>1,260</u>	<u>8,271</u>	<u>9,531</u>
Accumulated depreciation			
At 1 January 2022	2,142	10,505	12,647
Charge for the year	25	302	327
Disposals	(1,591)	(3,331)	(4,922)
FX	-	(8)	(8)
Impairment	-	-	-
At 31 December 2022	<u>576</u>	<u>7,468</u>	<u>8,044</u>
Net book value			
At 31 December 2022	<u><u>684</u></u>	<u><u>802</u></u>	<u><u>1,486</u></u>
At 31 December 2021	<u><u>709</u></u>	<u><u>923</u></u>	<u><u>1,632</u></u>

9. RIGHT OF USE ASSETS

	Leasehold land and buildings £'000	Plant and machinery £'000	Total £'000
Cost			
At 1 January 2021	4,102	854	4,956
Additions	234	279	513
Disposals	(2,622)	(167)	(2,789)
At 31 December 2022	<u>1,714</u>	<u>966</u>	<u>2,680</u>
Accumulated depreciation			
At 1 January 2022	2,715	451	3,166
Charge for the year	204	231	435
Disposals	(2,622)	(135)	(2,757)
At 31 December 2022	<u>297</u>	<u>547</u>	<u>844</u>
Net book value			
At 31 December 2022	<u><u>1,417</u></u>	<u><u>419</u></u>	<u><u>1,836</u></u>
At 31 December 2021	<u><u>1,387</u></u>	<u><u>403</u></u>	<u><u>1,790</u></u>

Cash payments made during 2022 total to £526,000 (2021: £1,224,000)

ARRK EUROPE LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)**
For the year ended 31 December 2022**10. INTANGIBLE FIXED ASSETS**

	Software
	£'000
Cost	
At 1 January 2022	917
Additions	-
Disposal	(477)
At 31 December 2022	<u>440</u>
Accumulated amortisation	
At 1 January 2022	895
Charge for the year	15
Disposal	(477)
At 31 December 2022	<u>433</u>
Net book value	
At 31 December 2022	<u><u>7</u></u>
At 31 December 2021	<u><u>22</u></u>

11. STOCKS

	2022	2021
	£'000	£'000
Raw materials and consumables	814	884
Work in progress	479	434
	<u>1,293</u>	<u>1,318</u>

ARRK EUROPE LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)**
For the year ended 31 December 2022

12. DEBTORS	2022	2021
	£'000	£'000
Trade debtors	4,618	3,399
Amounts owed by Group undertakings	249	106
Other debtors	563	537
Prepayments	365	269
	<u>5,795</u>	<u>4,811</u>

Amounts owed by Group undertakings are balances owed by other ARRK Group Companies from standard trading. They are unsecured and non-interest bearing. There are no defined repayment dates.

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2022	2021
	£'000	£'000
Trade creditors	1,018	1,462
Lease liabilities (see note 16)	393	461
Loan amounts owed to Group undertakings (see note 15)	4,819	4,360
Other amounts owed to Group undertakings	1,729	1,176
Other taxation and social security	417	379
Accruals and other current liability	864	945
	<u>9,240</u>	<u>8,783</u>

Loans from Group undertakings are all from ARRK Corporation. Other amounts owed to Group undertakings are operational costs owed to various subsidiaries of ARRK Corporation.

Loans owed to Group undertakings are on an unsecured basis. Interest is payable on loans to group undertakings at the market compatible rates between 1.20% and 3.4%. The loans have no fixed repayment date and are not payable on demand.

Other amounts owed to Group undertakings are on payment terms ranging from 30 days to 90 days from invoice date.

ARRK EUROPE LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)**
For the year ended 31 December 2022

14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	2022	2021
	£'000	£'000
Lease liabilities (see note 16)	1,556	1,568
	<u>1,556</u>	<u>1,568</u>
15. BORROWINGS	2022	2021
	£'000	£'000
Loans owed to Group undertakings:		
Due within one year	4,819	4,360
Between one and two years	-	-
Between two and five years	-	-
More than five years	-	-
	<u>4,819</u>	<u>4,360</u>
	£'000	£'000
Total borrowings:		
Due within one year	4,819	4,360
Between one and two years	-	-
Between two and five years	-	-
More than five years	-	-
	<u>4,819</u>	<u>4,360</u>

Borrowings from Group undertakings are granted to the Company from time to time as required for working capital or investment purposes and are on an unsecured basis. Interest is payable on loans from Group undertakings at market compatible rates between 1.2% and 3.4%. The loans have no fixed repayment date and are payable on demand.

ARRK EUROPE LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)**
For the year ended 31 December 2022**16. RIGHT OF USE LEASE COMMITMENTS**

	2022	2021
	£'000	£'000
Leasehold Land & Buildings		
- within one year	203	153
- within two to five years	826	661
- more than five years	533	711
	<u>1,562</u>	<u>1,526</u>

	2022	2021
	£'000	£'000
Plant & Machinery		
- within one year	189	307
- within two to five years	198	196
- more than five years	-	-
	<u>387</u>	<u>503</u>

17. SHARE CAPITAL

	2022	2021
	£'000	£'000
Authorised		
11,013,267 Ordinary shares of £1 each	<u>11,013</u>	<u>11,013</u>
Allotted, called-up and fully paid		
11,013,267 Ordinary shares of £1 each	<u>11,013</u>	<u>11,013</u>

18. RESERVES

	Retained	Retained
	Earnings	Earnings
	2022	2021
	£'000	£'000
Opening Balance	(10,117)	(5,277)
Profit/Loss for the year	35	(4,840)
Closing Balance	<u>(10,082)</u>	<u>(10,117)</u>

19. PENSION SCHEMES

The Company operates a defined contribution pension scheme for all qualified employees. The assets of the scheme are held in separate trustee-administered funds. Contributions made during the year amounted to £185,000 (2021: £335,000); no amount was outstanding as a liability at the year-end (2021: £nil).

ARRK EUROPE LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)**
For the year ended 31 December 2022**20. RELATED PARTIES**

Advantage has been taken of the exemption contained in FRS 101, which does not require the Company to disclose transactions with other wholly owned group companies.

21. SUBSEQUENT EVENTS

None to report.

22. PROVISIONS:

	2022	2021
	£'000	£'000
Premises Dilapidation Provision	230	250
	<u>230</u>	<u>250</u>

23. ULTIMATE CONTROLLING PARTY:

The immediate parent of the Company is ARRK Product Development Group Limited, a Company incorporated in the U.K The ultimate parent and controlling party is Mitsui Chemicals Inc., a company incorporated in Japan. Mitsui Chemicals Inc. is the parent of the largest and smallest group into which the results of ARRK Europe limited are consolidated. Copies of the financial statements of Mitsui Chemicals Inc., are available from Mitsui Chemicals Inc. registered office:

Mitsui Chemicals Inc.,
Yaesu Central Tower, Tokyo Midtown Yaesu, 2-2-1 Yaesu
Chuo-ku, Tokyo 104-0028, Japan.