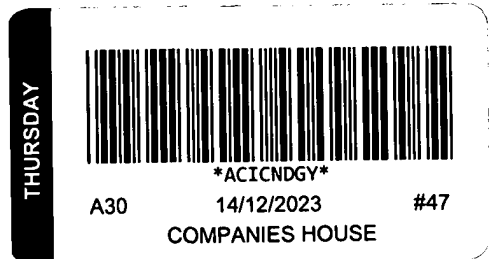


Registration number: 1341453

Clarke Energy Limited

Annual Report and Consolidated Financial Statements
for the Year Ended 31 December 2022



Clarke Energy Limited

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Clarke Energy Limited

Company Information

Directors	James Stuart Clarke Peter J Holliday Kyle D Quinn Karger David Kohler
Company secretary	Kyle D Quinn
Registered office	Power House Senator Point South Boundary Road, Knowsley Industrial Park Knowsley Liverpool L33 7RR
Solicitors	DLA Piper LLP 1 St Peters Square Manchester M2 3DE
Independent Auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 1 Hardman Square Manchester M3 3EB

Clarke Energy Limited

Strategic Report for the Year Ended 31 December 2022

The directors present their Group Strategic report for the year ended 31 December 2022.

Principal activities

The principal activities of the Group and company are the supply, installation and servicing of gas engines for power generation and combined heat and power applications.

Review of the business

Clarke Energy is a multinational specialist in distributed power generation solutions. Our international headquarters are in Knowsley, near Liverpool. Our capabilities range from the supply of a gas fuelled power generation engine, through to the turnkey installation of a multi-engine power plant. Clarke Energy can also engineer, install and service hybrid or microgrid energy projects using other technologies such as battery energy storage, diesel and solar.

Clarke Energy is an authorised distributor and service provider for INNIO's reciprocating gas engines with a strong focus on aftersales support. Clarke Energy's relationship with INNIO and in-country resources gives an ability to provide unparalleled service and maintenance, along with local supply of original equipment manufacturer approved spare parts.

In January 2017, Clarke Energy was acquired by Kohler Co. Kohler Co was founded in 1873 and headquartered in Kohler, Wisconsin. Kohler Co. is one of America's oldest and largest privately held companies. Kohler is a global leader in the manufacture of engines and power systems; kitchen and bath products; premier furniture, cabinetry, and tile; and owner/operator of two of the world's finest five-star hospitality and golf resort destinations in Kohler and St Andrews, Scotland.

This financial year has seen significant inflationary pressures on wages, raw material, and freight in the Global economy following the Covid-19 pandemic and exacerbated by the ongoing war in Ukraine. However, the business model of Clarke Energy has been robust and the results for 2022 demonstrate this. In many countries, Clarke Energy is supplying and maintaining key power generation infrastructure which has been critical to electricity supplies for homes, industry, hospitals and in support of the electricity grid.

Strategy

The Group's strategy is to:

- Provide best quality service to our customers;
- Establish long term customer relationships;
- Diversify our activities geographically;
- Build contracted and dependable service income; and
- Operate our business to the highest standards of business integrity.

This strategy will be achieved by working with our existing partners and customers to develop new business opportunities and by continuing to invest in our customer service.

Progress

The Group has focused more than ever on supporting customers and providing a high-quality service this year. We continue to focus on diversifying the business geographically but in 2023 we plan to have particular focus on the range of energy solutions we can offer including battery and hybrid power stations with and without gas engines.

Clarke Energy Limited

Strategic Report for the Year Ended 31 December 2022

Results and Performance

The results and financial position of the Group for the year, as set out on pages 17 and 19, show a profit for the financial year of £9,966,000 (2021: £18,906,000). The shareholders' funds of the Group total £112,826,000 (2021: £111,671,000).

Due to the potential investment mentioned in the Directors report under the statement of going concern (page 8), the signing of these financial statements was delayed due to the ongoing due diligence process.

During the delay, a litigation that had been ongoing in Clarke Energy Australia Ltd for many years between the company and a customer Territory Generation came to a preliminary legal conclusion.

The ruling of the arbitrator was not favourable for Clarke Energy Australia Ltd and resulted in the following amendments being made to these financial statements before they could be signed, due it being considered an adjusting post balance sheet event:

- Other debtors were amended for a write off of income, variations and costs totalling £4,852,716.
- Prepayments was adjusted for a total of £6,596,000 for costs and legal fees assumed previously to be reimbursable costs for the project.
- Provisions has been increased to take account of possible legal fees for the customer and for Clarke Energy Australia that we may have to reimburse and pay of £3,880,483.
- The total negative effect to the Profit and loss account of the group after tax was £11,213,063 which also includes fx movements.

The award is preliminary, so the adjustments made reflect the best estimate of our liabilities at the point of signing these financial statements but not the final position. Clarke Energy Australia has appealed the result of the arbitrator to the Kings Counsel and are hoping for a new ruling in 2024.

Prior to these adjustments the normalised group Profit after Tax would have been £21,049,264 (2021: £18,906,000). The shareholders' funds of the Group total £124,040,405 (2021: £111,671,000)

The performance of the Group during 2022 has produced positive financial results. The aftersales service part of our business has held up very well and we have been able to secure significant new equipment supply contracts in countries including UK, Tunisia, and Romania in particular.

The UK, France and Australia businesses continue to be the largest businesses for the Group.

Clarke Energy Limited

Strategic Report for the Year Ended 31 December 2022

Business environment

The Group will continue to consolidate its strong position in existing markets such as UK, France, Australia, India, and Bangladesh and concentrate its efforts on achieving growth in its new developing markets such as Indonesia, Romania and Greece.

The business environment remains positive and this is being driven by trends in distributed generation, dispatchable power generation or peaking, lower emissions, and high efficiency power generation.

The war in Ukraine continues to impact on Clarke Energy through increased volatility of gas and electricity prices in many countries. The price volatility and the publicised Government policies in Europe in particular, to reduce reliance on imported gas from Russia has an impact on both the economic viability of our customer's existing natural gas fuelled gas power plants and the prospects for future orders. However, electricity prices have also fluctuated in the same way as natural gas prices. As a result, the economic viability of existing plants and the prospects for future orders is actually supported by this uncertainty.

We expect the Russian invasion of Ukraine to accelerate a change in policies of Governments, in Europe in particular, to reduce the use of fossil fuels like natural gas imported from Russia for electricity generation. Clarke Energy is very well placed to benefit from this change, as we develop our capability to deliver alternative technologies and hybrid power plants which may or may not include natural gas fuelled power plants.

Key Performance Indicators

The Group has a range of key financial performance indicators that vary over time and from one region to another. These indicators are monitored by region and include order backlog, qualified enquiry levels, service contract profitability and availability. At an overall Group level the key performance indicators relate to profit on ordinary activities after tax and Group shareholders' funds, as disclosed above.

Non-financial indicators which are reviewed monthly include continuous improvement processes, quality system audits, project delivery reviews, service contract availability and customer relationships.

Clarke Energy Limited

Strategic Report for the Year Ended 31 December 2022

Principal risks and uncertainties

A large proportion of sales revenue for 2023 is underpinned by long term contracts for equipment supply and aftersales service contract, and we have also seen the prospects for sale of new equipment remain strong in most regions. We have record carry over of orderbook revenue backlog at the end of 2022 and so we are optimistic about trading performance in 2023 and beyond.

Several of our developed markets including UK and France continue to be driven by Government policy and incentives. The demand for our products and services is a function of these incentives but also power demand, unreliable grid supply, trends in distributed generation and the lower emission and high efficiency of generating power using gas as a fuel.

Interests of the Group's employees

The Group has policies in place and takes actions in relation to employee engagement, development and health and safety.

Business relationships

We use a variety of sources to gauge the needs of our customers with the aim of understanding our customers' views in relation to our performance and to measure our performance and level of improvement compared with last year's results.

Suppliers

The Group's main supplier is INNIO. The Group has been an authorised distributor and service provider for INNIO for more than 25 years and therefore has a strong relationship with the supplier. The Group works closely with INNIO to satisfy customer needs and continue to provide best quality service.

Customers

The Group provides a range of services to customers. This requires a close relationship with customers and regular meetings and conferences with customers facilitate this process. A key aspect of Clarke Energy Limited's strategy is to establish long term customer relationships, and this is achieved through long term service contracts and securing repeat equipment orders.

The future

Looking forward, we will focus on the continuous improvement of services to our customers through our key products and customer service levels.

Community and the Environment

Clarke Energy Limited provides equipment and services for customers to reduce carbon emissions and increase energy efficiency. As a business we continue to take steps to mitigate our own environmental impact through measures such as updating our offices with solar panels, energy efficient lighting and encouraging our employees to work remotely and use video meetings where appropriate.

The Group works with several local charities across the World. Clarke Energy Limited has an apprentice scheme in various countries which through working with local education colleges provide opportunities in a range of disciplines.

STREAMLINED ENERGY & CARBON REPORTING STATEMENT

Emissions data in respect of the 2022 reporting period, based on Operational Control is as follows:

The sections below contain the information which should be included within your 2022 Annual Report. Please note that you need to include the emissions, broken down by Scope, the intensity ratio, the Notes, the Statement of Exclusions and the Energy Efficiency Action taken.

Clarke Energy Limited

Strategic Report for the Year Ended 31 December 2022

Emission Type	kWh			CO2e tonnes (Location Based)		
	Previous Year	Current Year	Var. %	Previous Year	Current Year	Var. %
	(2021)	(2022)		(2021)	(2022)	
Scope 1: Combustion	3,076,789	5,588,690	81.6%	724.27	1,329.37	83.5%
TOTAL Scope 1	3,076,789	5,588,690	81.6%	724.27	1,329.37	83.5%
Scope 2: Purchased Energy	540,874	508,048	-6.1%	114.84	98.25	-14.4%
TOTAL Scope 2	540,874	508,048	-6.1%	114.84	98.25	-14.4%
Scope 3: Indirect Energy use	179,503	82,399	-54.1%	44.45	20.67	-53.5%
TOTAL Scope 3	179,503	82,399	-54.1%	44.45	20.67	-53.5%
Total	3,797,166	6,179,138	62.7%	884	1,448	63.9%

Greenhouse Gas Emissions Intensity Ratio:

Total Footprint (Scope 1, Scope 2 and Scope 3) - CO2e tonnes

	Previous Year (2021)	Current Year (2022)	Year on Year Variance
Turnover (£)	£151,000,000	£175,740,839	16.4%
Intensity Ratio (tCO2e/£100,000)	0.59	0.82	39.7%

Intensity Ratio Trend Review

	Previous Year (2021)	Current Year (2022)
Intensity Ratio	0.61 tCO2e total/100,000	0.84 tCO2e total/100,000
Difference		0.27 tCO2e total/100,000
Variance %		39.2%

Emission Type	CO2e tonnes (Dual Reporting Methodology)		
	Location Based	Market Based (Supplier Specific)	Var. %
Scope 1: Combustion	1,329.37	1,329.37	0.0%
TOTAL Scope 1	1,329.37	1,329.37	0.0%
Scope 2: Purchased Energy	98.25	132.60	35.0%
TOTAL Scope 2	98.25	132.60	35.0%
Scope 3: Indirect Energy use	20.67	20.67	0.0%
TOTAL Scope 3	20.67	20.67	0.0%
Total	1,448.28	1,482.64	2.4%

Clarke Energy Limited

Strategic Report for the Year Ended 31 December 2022

NOTES

- Our methodology has been based on the principals of the Greenhouse Gas Protocol, taking account of the 2015 amendment which sets out a 'dual reporting' methodology for the reporting of Scope 2 emissions. In the 'Total Footprint' summary above, purchased electricity is reported on a location-based method.
- We have reported on all the measured emissions sources required under The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, except where stated.
- The period of our report is 01/01/2022 – 31/12/2022.
- This includes limited emissions under Scope 1 and 2 (gas & fuel used in transport; purchased electricity), except where stated, and limited emissions under Scope 3 (fuel used in personal/hire cars for business purposes).
- Energy use and emissions figures relate to our UK operation (including offshore energy and emissions) only, except where stated
- Conversion factors for UK electricity (location-based methodology), gas and other emissions are those published by the Department for Environment, Food and Rural Affairs for 2022.
- Conversion factors for UK electricity (market-based methodology) are published on the supplier websites, via their most recent fuel mix disclosures.

STATEMENT OF EXCLUSIONS

- No known exclusions

ENERGY EFFICIENCY ACTION

In the reporting period, Clarke Energy has undertaken the following energy saving actions:

- All lights have changed to LED lighting and halogen spotlight has been replaced with an LED equivalent.
- All wastage has been 100% recycled from Clarke Energy
- Wastage heat from air conditioning units are being used to produce hot water for the facilities.
- All small power equipment has been PAT tested in the reporting year with the team having a focus on environmental week to reduce employees use of kettles.
- HVAC systems maintained in accordance with manufacturers requirements to maintain optimum performance and efficiency. All air con units are timer controlled to the 8-5 working day hours.
- Computer and IT efficiency gains with the computers screen down to 70%. The photocopier now has codes for the staff which has reduces printing costs.
- New build insulation requirements have been actioned at the site.

Clarke Energy Limited

Strategic Report for the Year Ended 31 December 2022

APPENDIX A: CARBON FACTORS

Location-Based Factors:

Carbon	Factor (tCO2e per unit)	Unit
Car - Diesel - Average (miles travelled) (22-23)	0.00027492	Miles
Car - Hybrid - Average (miles travelled) (22-23)	0.00019318	Miles
Car - Petrol - Average (miles travelled) (22-23)	0.00027436	Miles
Diesel (average biofuel blend) (litre) (22-23)	0.00255784	Litres
Petrol (average biofuel blend) (litre) (22-23)	0.00216185	Litres
Electricity (per kWh) - United Kingdom (22-23)	0.00019338	kWh
Gas (Natural gas - from grid) (kWh) (22-23)	0.00018254	kWh

Market-Based (Supplier Specific) Factors – Electricity Only:

Supplier	tCO2e - Market	Unit
KOH : SSE 2022	0.2610000000	kWh

Business conduct

The Clarke Energy Group maintains a strict code of conduct to promote and maintain high standards of business conduct and to ensure it acts fairly towards its various stakeholders. The Group's supplier code of conduct, gender pay gap, modern slavery and other documents are published on the Group's website.

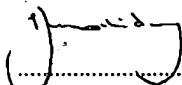
Section 172(1) statement

The directors satisfy their duty to promote the long-term success of the Company whilst having regard to the matters and stakeholders described in Section 172 (1) of the Companies Act. The ultimate long-term success of the Group is dependent upon the efforts of its stakeholders, including employees, suppliers and customers, and the directors take into consideration the interests of these stakeholders when making decisions.

Strategic, commercial, and operational decisions which affect the Clarke Energy Group companies, are made at the monthly board meetings.

As an example, in many countries during the Covid-19 pandemic it was necessary to have office-based employees working from home. This proved to be efficient and practical in many cases but also beneficial for some employees in reducing travel and maintaining a work/life balance. We continue to consult with employees in all countries on new hybrid working arrangements as this is likely to be important for employee retention, recruitment, and engagement in the future.

Approved and authorised by the Board on 6/12/23 and signed on its behalf by:



 Peter J Holliday
 Director

Clarke Energy Limited

Directors' Report for the Year Ended 31 December 2022

The directors present their Group Directors' report, Group Strategic report and the audited consolidated and company financial statements for the year ended 31 December 2022.

Directors of the Group

The directors who held office during the year and to the date of signing the financial statements were as follows:

Thomas G Adler (resigned 17 May 2022)

James Stuart Clarke

Peter J Holliday

Kyle D Quinn - Company secretary and director

Natalie Maciolek (resigned 10 August 2023)

Karger David Kohler (appointed 12 May 2022)

Financial risk management

Clarke Energy Limited uses various foreign exchange hedging instruments to mitigate the risk of transacting business in several currencies.

At the year-end there were no significant hedging instruments in place.

Other risks such as pricing, credit and liquidity are managed through a Group wide contract approval process, internal controls, and management oversight.

Credit risk

The Group's principal financial assets are cash held on deposit with financial institutions and trade and other debtors. The credit risk is primarily attributable to its trade debtors with potential recoverability issues mitigated by credit checks on potential customers. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings by international credit rating agencies. The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and a broad customer base.

Liquidity risk and interest rate risk

The Group seeks to manage financial risk by careful control of working capital and approval of discretionary capital expenditure only where sufficient liquidity exists to meet foreseeable operational needs.

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the group uses overdraft facilities. Adequate facilities are available to support the group's business for at least 12 months from the date of this report.

The Group's exposure to interest rate risk is low as interest charged on amounts owed to and from group undertakings is at a fixed rate.

Exchange rate risk

As part of their normal operating activities, certain companies in the Group have exchange rate exposure on foreign currency transactions. Clarke Energy Limited uses various foreign exchange hedging instruments such as foreign exchange forwards and options to mitigate the risk of transacting business in a number of currencies. At year end there were no material hedging instruments in place (2021: no material hedging instruments).

Clarke Energy Limited

Directors' Report for the Year Ended 31 December 2022

Market risk and cash flow risk

A high proportion of the Group's turnover is derived from medium and long-term contracts with third party customers under renewable power generation operations and maintenance agreements, currently mainly in Sterling and Euros. These agreements generally adopt long term firm or index linked prices except for projects generating for energy markets where fluctuating prices are mitigated using forward sale contracts.

Employment of disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues, and the appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Employee involvement

Consultation with employees or their representatives takes place at all levels, with the aim of ensuring that views are considered when decisions are made that are likely to affect their interests, for example regular engagement surveys are undertaken. All employees are aware of the financial and economic performance of their business units and of the Group as a whole and are rewarded according to the results of both through an annual bonus scheme. Communication with all employees is performed through newsletters, briefing groups, and engagement surveys.

Stakeholder engagement

The Group maintains a close relationship with its main supplier INNIO which is critical for developing innovative new products that are designed to meet global customer's needs. Regular discussions with customers enable the business to continue to provide high quality service.

Clarke Energy provides equipment and services for customers to reduce carbon emissions and increase energy efficiency. As a business we continue to take steps to mitigate our own environmental impact through measures such as updating our offices with solar panels, energy efficient lighting and encouraging our employees to work remotely and use video meetings where appropriate.

The Group works with several local charities across the world. Clarke Energy has an apprentice scheme in various countries which through working with local education colleges provide opportunities in a range of disciplines.

Future developments

The overall strategy of the business remains unchanged in 2023. We expect to continue to grow organically, and we will consider strategic acquisition opportunities that may arise.

In 2023, we expect to achieve growth in Clarke Energy Group revenue, and this demonstrates the strength of our business model given the risk of recession in many countries, the Russian invasion of Ukraine and the dramatic increase in raw material prices. A large proportion of sales revenue is underpinned by long term contracts for aftersales service, and we have also seen the sale of new equipment remain strong in many regions. We had record orderbook at the end of 2022 and so we are optimistic about trading performance in 2023 and beyond.

Dividends

An interim dividend of £2,905,000 was paid during the year to Clarke Energy Holdings Limited (2021: £20,000,000).

Clarke Energy Limited

Directors' Report for the Year Ended 31 December 2022

Statement of going concern

The financial statements have been prepared on a going concern basis. The Company has sufficient working capital and banking facilities for a period of 12 months from date of signing these financial statements. The existing working capital and banking facilities should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. The banking facilities of the company are guaranteed by Kohler Co, the ultimate parent. Kohler Co has been exploring setting up Kohler Energy which includes the Company and all subsidiaries as a separate business with an investment partner acquiring a controlling stake in the new Energy group. These plans are not finalized and there is no certainty that any potential investment partner will intend to operate the business as a going concern or have the financing or liquidity to be able to do so. Accordingly, this indicates that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern and the Company may therefore be unable to realize its assets and discharge its liabilities in the normal course of business. The financial statements do not include adjustments that would result if the Company were not to continue as a going concern.

Post balance sheet events

Details of post balance sheet events can be found in the Results and Performance section of the Strategic Report, above.

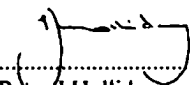
Disclosure of information to the auditors

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

Independent Auditors

PricewaterhouseCoopers LLP have indicated their willingness to continue in office and in accordance with section 487 of the Companies Act 2006 the auditors will be deemed to be reappointed.

Approved and authorised by the Board on 6/12/23 and signed on its behalf by:


.....
Peter J Holliday
Director

Clarke Energy Limited

Statement of Directors' Responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

Under company law, 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 group and company and of the profit or loss of the group for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

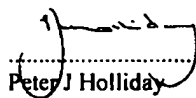
The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the group's and company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group's and company's auditors are aware of that information.

Approved by the Board on 6/12/23 and signed on its behalf by:


.....
Peter J Holliday
Director

Independent auditors' report to the members of Clarke Energy Limited

Report on the audit of the financial statements

Opinion

In our opinion, Clarke Energy Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2022 and of the group's profit and the group's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Consolidated Financial Statements (the "Annual Report"), which comprise: the Consolidated and Company Balance Sheets as at 31 December 2022; the Consolidated Profit and Loss Account, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Changes in Equity, and the Consolidated Statement of Cash Flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2 to the financial statements concerning the group's and the company's ability to continue as a going concern. The ultimate owner of the Company, Kohler Co, has been exploring setting up Kohler Energy which includes the Company and all subsidiaries as a separate business with an investment partner acquiring a controlling stake. The Directors do not have visibility to any strategic plans under new ownership and there is no certainty that any potential investment partner will intend to operate the business as a going concern or have the financing or liquidity to be able to do so. These conditions, along with the other matters explained in note 2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the group's and the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group and the company were unable to continue as a 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.

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

Clarke Energy Limited

Report on the audit of the financial statements (cont.)

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion on, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, 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 audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. 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 based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and 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 group or the company or to cease operations, or have no realistic alternative but to do so.

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 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.

Clarke Energy Limited

Report on the audit of the financial statements (cont.)

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to relevant tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to manipulation of the financial statements through fictitious journal postings and management bias within accounting estimates. Audit procedures performed by the engagement team included:

- Obtained an understanding of the legal and regulatory framework applicable to the Company and how the Company is complying with that framework;
- Discussions with management including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Reviewing relevant meeting minutes;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations to revenue;
- Challenging assumptions and judgements made by management in their significant accounting estimates; and
- Designing audit procedures to incorporate unpredictability around the nature, timing and extent of our testing.

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

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Clarke Energy Limited

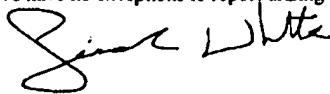
Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Simon White (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
6 December 2023

Clarke Energy Limited

Consolidated Profit and Loss Account for the Year Ended 31 December 2022

		Year ended 31 December 2022 £ 000	Year ended 31 December 2021 £ 000
Turnover	3	360,720	325,057
Cost of sales		<u>(275,326)</u>	<u>(245,489)</u>
Gross profit		85,394	79,568
Administrative expenses		<u>(72,031)</u>	<u>(55,024)</u>
Operating profit	4	13,363	24,544
Interest receivable and similar income	5	1,128	378
Interest payable and similar expenses	6	<u>(1,134)</u>	<u>(558)</u>
Profit before taxation		13,357	24,364
Tax on profit	10	<u>(3,391)</u>	<u>(5,458)</u>
Profit for the financial year		<u>9,966</u>	<u>18,906</u>
Profit attributable to:			
Owners of the company		<u>9,966</u>	<u>18,906</u>

The above results were derived from continuing operations.

Clarke Energy Limited

Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2022

	Year ended 31 December 2022 £ 000	Year ended 31 December 2021 £ 000
Profit for the year	9,966	18,906
Other comprehensive income/(expense) - Foreign currency translation gains/(losses)	<u>2,823</u>	<u>(2,851)</u>
Total comprehensive income for the year	<u>12,789</u>	<u>16,055</u>
Total comprehensive income attributable to:		
Owners of the company	<u>12,789</u>	<u>16,055</u>

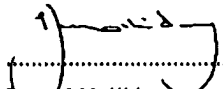
Clarke Energy Limited

(Registration number: 1341453)

Consolidated Balance Sheet as at 31 December 2022

	Note	31 December 2022 £ 000	31 December 2021 £ 000
Fixed assets			
Intangible assets	11	7,185	8,252
Tangible assets	12	9,016	9,898
		16,201	18,150
Current assets			
Stocks	14	38,837	32,307
Debtors	15	119,794	94,483
Cash at bank and in hand	16	47,605	38,590
		206,236	165,380
Creditors: Amounts falling due within one year	17	(105,731)	(71,813)
Net current assets		100,505	93,567
Total assets less current liabilities		116,706	111,717
Creditors: Amounts falling due after more than one year	17	-	(46)
Provisions for liabilities	18	(3,880)	-
Net assets		112,826	111,671
Capital and reserves			
Called up share capital	20	15	15
Share premium account		96	96
Capital redemption reserve		10	10
Profit and loss account		112,705	111,550
Total equity		112,826	111,671
Equity attributable to owners of the company		112,826	111,671

The financial statements and notes on pages 16 to 52 were approved by the Board on 6/12/23 and signed on its behalf by:



 Peter J Holliday
 Director

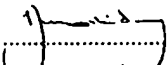
Clarke Energy Limited

**(Registration number: 1341453)
Company Balance Sheet as at 31 December 2022**

	Note	31 December 2022 £ 000	31 December 2021 £ 000
Fixed assets			
Intangible assets	11	3,011	3,308
Tangible assets	12	1,435	2,116
Investments	13	<u>28,058</u>	<u>28,058</u>
		<u>32,504</u>	<u>33,482</u>
Current assets			
Stocks	14	11,952	12,341
Debtors	15	57,319	54,666
Cash at bank and in hand	16	<u>21,027</u>	<u>8,144</u>
		90,298	75,151
Creditors: Amounts falling due within one year	17	<u>(46,588)</u>	<u>(36,079)</u>
Net current assets		<u>43,710</u>	<u>39,072</u>
Total assets less current liabilities		<u>76,214</u>	<u>72,554</u>
Net assets		<u>76,214</u>	<u>72,554</u>
Capital and reserves			
Called up share capital	20	15	15
Share premium account		96	96
Capital redemption reserve		10	10
Profit and loss account		<u>76,093</u>	<u>72,433</u>
Total equity		<u>76,214</u>	<u>72,554</u>

The company made a profit for the financial year of £15,294,353 (2021 - Profit of £15,219,000).

The financial statements and notes on pages 16 to 52 were approved by the Board on 6/12/23 and signed on its behalf by:


Peter J Holliday
Director

Clarke Energy Limited

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2022 Equity attributable to the parent company

	Note	Called up share capital £ 000	Share premium account £ 000	Capital redemption reserve £ 000	Profit and loss account £ 000	Total equity £ 000
At 1 January 2022		15	96	10	111,550	111,671
Profit for the year		-	-	-	9,966	9,966
Other comprehensive income		-	-	-	2,823	2,823
Total comprehensive income		-	-	-	12,789	12,789
Dividends	23	-	-	-	(2,905)	(2,905)
Group restructure and capital reduction	15	-	-	-	(8,729)	(8,729)
At 31 December 2022		15	96	10	112,705	112,826

	Note	Called up share capital £ 000	Share premium account £ 000	Capital redemption reserve £ 000	Profit and loss account £ 000	Total equity £ 000
At 1 January 2021		15	96	10	115,495	115,616
Profit for the year		-	-	-	18,906	18,906
Other comprehensive expense		-	-	-	(2,851)	(2,851)
Total comprehensive income		-	-	-	16,055	16,055
Dividends		-	-	-	(20,000)	(20,000)
At 31 December 2021		15	96	10	111,550	111,671

The notes on pages 25 to 55 form an integral part of these financial statements.

Clarke Energy Limited

Company Statement of Changes in Equity for the Year Ended 31 December 2022

	Note	Called up share capital £ 000	Share premium account £ 000	Capital redemption reserve £ 000	Profit and loss account £ 000	Total equity £ 000
At 1 January 2022		15	96	10	72,433	72,554
Profit for the financial year		-	-	-	15,294	15,294
Dividends	23	-	-	-	(2,905)	(2,905)
Group restructure and capital reduction	15	-	-	-	(8,729)	(8,729)
At 31 December 2022		<u>15</u>	<u>96</u>	<u>10</u>	<u>76,093</u>	<u>76,214</u>

	Called up share capital £ 000	Share premium account £ 000	Capital redemption reserve £ 000	Profit and loss account £ 000	Total equity £ 000
At 1 January 2021	15	96	10	77,214	77,335
Profit for the financial year	-	-	-	15,219	15,219
Dividends	-	-	-	(20,000)	(20,000)
At 31 December 2021	<u>15</u>	<u>96</u>	<u>10</u>	<u>72,433</u>	<u>72,554</u>

The notes on pages 25 to 55 form an integral part of these financial statements.

Clarke Energy Limited

Consolidated Statement of Cash Flows for the Year Ended 31 December 2022

	Note	Year ended 31 December 2022 £ 000	Year ended 31 December 2021 £ 000
Cash flows from operating activities			
Profit for the year		9,966	18,906
Adjustments to cash flows from non-cash items:			
Depreciation and amortisation	4	4,055	4,343
Dividends		(2,904)	-
Profit on disposal of tangible assets		(526)	(12)
Finance income	5	(1,128)	(378)
Finance costs	6	1,134	558
Corporation tax expense	10	3,391	5,458
		<u>13,988</u>	<u>28,875</u>
Working capital adjustments			
(Inflow)/outflow in stocks	14	(5,813)	192
(Inflow) in debtors	15	(18,172)	(224)
Inflow/(outflow) in creditors	17	23,084	(13,838)
Increase in provisions	18	3,880	-
		<u>16,967</u>	<u>15,005</u>
Cash generated from operations		16,967	15,005
Interest paid		(262)	(243)
Corporation taxes paid		(5,112)	(6,345)
		<u>11,593</u>	<u>8,417</u>
Net cash flow generated from operating activities		<u>11,593</u>	<u>8,417</u>
Cash flows from investing activities			
Interest received		233	47
Acquisitions of tangible assets		(2,244)	(1,778)
Proceeds from sale of tangible assets		783	590
		<u>783</u>	<u>590</u>
Net cash flows used in investing activities		<u>(1,228)</u>	<u>(1,141)</u>
Cash flows from financing activities			
Interest paid to finance lease creditors		(4)	(14)
Payments to finance lease creditors		(95)	(251)
Dividends paid		-	(20,000)
		<u>-(99)</u>	<u>(20,265)</u>
Net cash flows used in financing activities		<u>(99)</u>	<u>(20,265)</u>
Net increase/(decrease) in cash and cash equivalents		10,266	(12,989)
Foreign exchange losses on cash held		(1,251)	(1,462)
Cash and cash equivalents at 1 January		<u>38,590</u>	<u>53,041</u>
Cash and cash equivalents at 31 December		<u><u>47,605</u></u>	<u><u>38,590</u></u>

The notes on pages 25 to 55 form an integral part of these financial statements.

Clarke Energy Limited

Consolidated Statement of Cash Flows for the Year Ended 31 December 2022

The Company is a qualifying entity for purposes of FRS 102 and has elected to take exemption under paragraph 1.12(b) of FRS 102 not to present the Company Statement of Cashflows.

Clarke Energy Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

1 General information

The company is a private company limited by share capital, incorporated in England, United Kingdom.

The address of its registered office is:

Power House

Senator Point

South Boundary Road, Knowsley Industrial Park

Knowsley

Liverpool

L33 7RR

England

These financial statements were authorised for issue by the Board on 6/12/23

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

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

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Companies Act 2006.

Basis of preparation

These consolidated and separate financial statements have been prepared on a going concern basis, under the historical cost convention as modified by the recognition of certain financial assets and liabilities measured at fair value.

The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The Group consolidated financial statements include the financial statements of the company and all of its subsidiary undertakings to 31 December 2022. Accounting policies are applied consistently across the Group. Any subsidiary undertakings sold or acquired during the year are included up to, or from, the date of change of control.

Clarke Energy Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

2 Accounting policies (continued)

Summary of disclosure exemptions

The parent company is included in the consolidated financial statements of KK Daytona Holding Ltd, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- The reconciliation of the number of shares outstanding from the beginning to the end of the year has not been included a second time;
- No company statement of cash flows with related notes is included;
- Key Management Personnel compensation has not been included; and
- Related party transactions with other members of the Group have not been included.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 102 in its next financial statements.

The company has taken advantage of the exemption in section 408 of the Companies Act from presenting its individual profit and loss account. The profit of the company for the year was £15,294,353 (2021: Profit of £15,219,000).

Going concern

The financial statements have been prepared on a going concern basis. The Directors have prepared a cashflow forecast (including assessing a severe but plausible downside scenario) and have concluded that the Company has sufficient working capital and banking facilities for a period of 12 months from date of signing these financial statements. The existing working capital and banking facilities should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. The banking facilities of the company are guaranteed by Kohler Co, the ultimate parent. Kohler Co has been exploring setting up Kohler Energy which includes the Company and all subsidiaries as a separate business with an investment partner acquiring a controlling stake in the new Energy group. The Directors do not have visibility to any strategic plans under new ownership and there is no certainty that any potential investment partner will intend to operate the business as a going concern or have the financing or liquidity to be able to do so. Accordingly, this indicates that a material uncertainty exists, that may cast significant doubt on the Company's ability to continue as a going concern and the Company may therefore be unable to realize its assets and discharge its liabilities in the normal course of business. The financial statements do not include adjustments that would result if the Company were not to continue as a going concern.

Clarke Energy Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

2 Accounting policies (continued)

Revenue recognition

Turnover for Project work is recognised using the percentage of completion method. Installation and projects revenue includes the initial amount agreed in the contract plus any variations to the initial agreed works to the extent that it is probable that they will result in revenue and can be measured reliably. The stage of completion is assessed by reference to the percentage of cost complete. Any expected loss is recognised straight away in the profit and loss account. The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at the cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years. Provision is made for any losses as soon as they are foreseen.

Turnover in relation to services is recognised on provision of the service.

Operation and Maintenance contracts are billed and recognised based on the hours run during the period. The hourly rate charged on the contracts can include or not include the major services on the engines expected during the life of a maintenance contract. If the major service is included in the rate per hour charged then part of the income will be deferred to future periods and recognised when the major service occurs. If the major services are not included in the contract and are therefore chargeable at the relevant service interval the revenue will be recognised in the same way as a project on stage of completion.

Turnover in relation to the sales of parts is recognised on dispatch.

All Turnover excludes VAT.

Foreign currency transactions and balances

Transactions in foreign currencies are translated to the company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account. The assets and liabilities of overseas subsidiaries are translated into Sterling at the closing rate of exchange for the accounting period. Profit and loss accounts of such undertakings are consolidated at the average rates of exchange during the year. Gains and losses arising on these translations are taken to reserves.

Where intercompany balances are intended to be, for all practical purposes, as permanent as equity, the foreign exchange differences arising are recorded to reserves.

Tax

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

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Group operates and generates taxable income.

Clarke Energy Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

2 Accounting policies (continued)

Tax (continued)

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Tangible assets

Tangible assets are stated in the balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Leases in which the entity assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. Lease payments are accounted for as described on page 30.

The Group assesses at each reporting date whether tangible fixed assets are impaired.

Clarke Energy Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

2 Accounting policies (continued)

Depreciation

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives.

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since the last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

The estimated useful lives are as follows:

Depreciation (continued)

Asset class	Depreciation method and rate
Land and buildings	2% straight line
Motor vehicles	25 % straight line
Furniture, fittings and equipment	10-25% straight line

Depreciation of tangible assets is included within administrative expenses. The assets are reviewed for impairment if there are any indicators that the carrying value is not recoverable.

Business combinations

Business combinations are accounted for using the purchase method. The consideration for each acquisition is measured at the aggregate of the fair values at acquisition date of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquired, plus any costs directly attributable to the business combination. When a business combination agreement provides for an adjustment to the cost of the combination contingent on future events, the Group includes the estimated amount of that adjustment in the cost of the combination at the acquisition date if the adjustment is probable and can be measured reliably.

Goodwill

Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses. Goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the business combination from which it arose. Goodwill is amortised on a straight line basis over its useful life. Goodwill has no residual value. The finite useful life of goodwill is estimated to be between 10 and 20 years. The Group and Company reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

Goodwill and other intangible assets are tested for impairment in accordance with FRS 102, Section 27. Impairment of assets when there is an indication that goodwill or an intangible asset may be impaired.

Investments

Investments in subsidiary undertakings, are stated at cost less accumulated impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

Clarke Energy Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

2 Accounting policies (continued)

Trade debtors

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined using the first-in, first-out (FIFO) method. Net realisable value is based on selling price less further costs to completion and disposal.

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the Group does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Borrowings

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the Profit and Loss Account over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Provisions

i. Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations might be small.

Clarke Energy Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

2 Accounting policies (continued)

In particular:

- I. Restructuring provisions are recognised when the Group has a detailed, formal plan for the restructuring and has raised a valid expectation in those affected by either starting to implement the plan or announcing the main features to those affected and therefore has a legal or constructive obligation to carry out the restructuring ; and
- II. Provision is not made for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre- tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in provision due to the passage of time is recognised as a finance cost.

ii. Contingencies

Contingent liabilities are not recognised, except those acquired in a business combination. Contingent liabilities arise as a result of past events when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the Group's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Contingent assets are disclosed in the financial statements when an inflow of economic benefits is virtually certain.

Leases

Operating leases

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Finance leases

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Dividends

Dividends are only recognised as a liability to the extent that they are declared prior to the period end. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

Defined contribution pension obligation

The Company and Group operate two defined contribution pension schemes.

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Clarke Energy Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

2 Accounting policies (continued)

Financial instruments

The Group has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

Financial assets

Basic financial assets, including trade and other debtors, cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial liabilities

Basic financial liabilities, including trade and other creditors, bank and other loans, loans from fellow Group companies and preference shares, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Classification of financial instruments issued by the Group

In accordance with FRS 102.22, financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and

(b) where the instrument will or may be settled in the entity's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the entity's own equity instruments or is a derivative that will be settled by the entity exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the entity's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Where a financial instrument that contains both equity and financial liability components exists these components are separated and accounted for individually under the above policy. Transaction costs are allocated between the debt component and the equity component on the basis of their relative fair values.

Clarke Energy Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

2 Accounting policies (continued)

Financial instruments (continued)

Recognition

Financial instruments not considered to be Basic financial instruments (Other financial instruments)

Other financial instruments not meeting the definition of Basic Financial Instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss except as follows:

- investments in equity instruments that are not publicly traded and whose fair value cannot otherwise be measured reliably shall be measured at cost less impairment.

Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Clarke Energy Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

2 Accounting policies (continued)

Impairment (continued)

Non-financial assets

The carrying amounts of the entity's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to cash-generating units, or ("CGU") that are expected to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs on a non-arbitrary basis, the impairment of goodwill is determined using the recoverable amount of the acquired entity in its entirety, or if it has been integrated then the entire group of entities into which it has been integrated.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

Financial guarantee contracts

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

Derivatives

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

Related party transactions

The Group discloses transactions with related parties which are not wholly owned within the same Group.

Clarke Energy Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

2 Accounting policies (continued)

Critical accounting judgements and estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Key accounting estimates and assumptions

(i) Revenue recognition

Turnover on installation contracts is recognised on a stage of completion basis and therefore management estimation is required in assessing the stage of completion, including consideration of the current progress of the contract and likely final outcome of the project in order to ensure any losses are recognised immediately.

(ii) Carrying values of investments, intangibles and goodwill

The Group assesses annually whether there is an indication that investments, intangibles and goodwill may be impaired. If there is an indication of impairment, the recoverable amount will be calculated, based on value in use. These calculations require the use of estimates, predominantly in respect of future cash flows and also selection of appropriate discount rates in order to calculate the net present value of those cash flows.

(iii) Debtor provisioning

The Group makes an estimate of the recoverable value of trade debtors by considering the ageing profile of debtors and historic experience to assess required provisions.

(iv) Installation and overhaul reserves

Estimates are made in relation to costs associated with contracts and required accruals. Estimates are also made in relation to the expected margin.

No critical accounting judgements were made.

3 Turnover

The analysis of the Group's turnover for the year from continuing operations is as follows:

	Year ended 31 December 2022 £ 000	Year ended 31 December 2021 £ 000
Sale of goods	256,509	224,671
Rendering of services	104,211	100,386
	<u>360,720</u>	<u>325,057</u>

Clarke Energy Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

3 Turnover (continued)

The Group's activities consist of gas-engine power station design, installation and service in the UK and overseas. No segmental information has been disclosed, as the directors have determined that such disclosures would be seriously prejudicial to the Group's interests. Included in sale of goods is revenue from construction contracts. The revenue from construction contracts was £189,990,744 (2021: £163,007,006).

4 Operating profit

Arrived at after charging/(crediting)

		Year ended 31 December 2022 £ 000	Year ended 31 December 2021 £ 000
Depreciation expense	Note 12	2,988	3,276
Amortisation expense	11	1,067	1,067
Legal and professional fees		2,507	4,196
Foreign exchange (gains)/losses		(58)	210
Operating lease expense - property		1,747	1,431
Operating lease expense - plant and machinery		449	471
Profit on disposal of property, plant and equipment	12	<u>(526)</u>	<u>(12)</u>

5 Interest receivable and similar income

	Year ended 31 December 2022 £ 000	Year ended 31 December 2021 £ 000
Interest income on bank deposits	233	378
Interest on Intercompany receivables	895	-
	<u>1,128</u>	<u>378</u>

6 Interest payable and similar expenses

	Year ended 31 December 2022 £ 000	Year ended 31 December 2021 £ 000
Interest on bank overdrafts and borrowings	262	544
Interest on Intercompany payables	868	-
Interest on obligations under finance leases and hire purchase contracts	4	14
	<u>1,134</u>	<u>558</u>

Clarke Energy Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

7 Staff costs

The aggregate payroll costs for the Group (including directors' remuneration) were as follows:

	Year ended 31 December 2022 £ 000	Year ended 31 December 2021 £ 000
Wages and salaries	45,205	42,062
Social security costs	6,842	6,381
Other pension costs	1,966	2,931
	<u>54,013</u>	<u>51,374</u>

The aggregate payroll costs for the company (including directors' remuneration) were as follows:

	Year ended 31 December 2022 £ 000	Year ended 31 December 2021 £ 000
Wages and salaries	22,077	21,242
Social security costs	2,619	2,412
Other pension costs	794	755
	<u>25,490</u>	<u>24,409</u>

The monthly average number of persons employed by the Group (including directors) during the year, analysed by category was as follows:

	Year ended 31 December 2022 No.	Year ended 31 December 2021 No.
Administration	270	265
Sales and installation	252	221
Service	741	748
	<u>1,263</u>	<u>1,234</u>

Clarke Energy Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

7 Staff costs (continued)

The monthly average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	Year ended 31 December 2022 No.	Year ended 31 December 2021 No.
Administration	73	72
Sales and installation Service	79	75
	223	222
	<u>375</u>	<u>369</u>

8 Directors' remuneration

The directors' remuneration for the year was as follows:

	Year ended 31 December 2022 £ 000	Year ended 31 December 2021 £ 000
Remuneration	<u>1,238</u>	<u>983</u>

In respect of the highest paid director:

	Year ended 31 December 2022 £ 000	Year ended 31 December 2021 £ 000
Remuneration	<u>504</u>	<u>492</u>

Key management compensation is disclosed in note 24.

Clarke Energy Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

9 Auditors' remuneration

	Year ended 31 December 2022 £ 000	Year ended 31 December 2021 £ 000
Audit of these financial statements	141	97
Audit of the financial statements of subsidiaries of the company pursuant to legislation by PricewaterhouseCoopers	279	252
Audit of the financial statements of subsidiaries of the company pursuant to legislation by other Auditors	26	27
	446	376

10 Tax on profit

Tax charged in the income statement

	Year ended 31 December 2022 £ 000	Year ended 31 December 2021 £ 000
Current taxation		
UK corporation tax	1,918	2,199
UK corporation tax adjustment to prior years	14	1
	1,932	2,200
Foreign tax	6,659	3,594
Total current income tax	8,591	5,794
Deferred taxation		
Arising from origination and reversal of timing differences	(5,200)	(336)
Charge in the profit and loss account	3,391	5,458

Clarke Energy Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

10 Tax on profit (continued)

The tax on profit before taxation for the year is higher than the standard rate of corporation tax in the UK (2021 - higher than the standard rate of corporation tax in the UK) of 19% (2021: 19%).

The differences are reconciled below:

	Year ended 31 December 2022 £ 000	Year ended 31 December 2021 £ 000
Profit before taxation	<u>13,357</u>	<u>24,364</u>
Corporation tax at standard rate	2,538	4,629
Effect of revenues exempt from taxation	-	(1,125)
Effect of non deductibles in determining taxable profit (tax loss)	357	6
Effect of foreign tax rates	5,068	1,543
Permanent differences	363	444
Arising on timing differences	(4,808)	-
Adjustment in respect of prior years	-	1
Tax (decrease)/increase from effect of capital allowances and depreciation	(5)	5
Tax decrease arising from group relief	<u>(122)</u>	<u>(45)</u>
Total tax charge	<u>3,391</u>	<u>5,458</u>

In the Budget 2020, the government announced that the corporation tax main rate (for all profits except ring fence profits) for the years starting 1 April 2020 and 2021 would remain at 19%. In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25% (rather than remaining at 19%, as previously enacted). This new law was substantively enacted on 24 May 2021. In the Autumn Statement in November 2022, the government confirmed the increase in corporation tax rate to 25% from April 2023 will go ahead and this rate has been incorporated in the tax values above.

Deferred tax liabilities of £2,540,569 (2021: £2,075,774) have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries. Such amounts are permanently reinvested. Unremitted earnings totalled £44,679,458 at 31 December 2022 (£45,695,351 at 31 December 2021).

Clarke Energy Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

11 Intangible assets

Group

	Goodwill £ 000	Total £ 000
Cost or valuation		
At 1 January 2022	<u>15,182</u>	<u>15,182</u>
At 31 December 2022	<u>15,182</u>	<u>15,182</u>
Accumulated Amortisation		
At 1 January 2022	6,930	6,930
Amortisation charge	<u>1,067</u>	<u>1,067</u>
At 31 December 2022	<u>7,997</u>	<u>7,997</u>
Carrying amount		
At 31 December 2022	<u>7,185</u>	<u>7,185</u>
At 31 December 2021	<u>8,252</u>	<u>8,252</u>

Company

	Goodwill £ 000	Total £ 000
Cost or valuation		
At 1 January 2022	<u>5,816</u>	<u>5,816</u>
At 31 December 2022	<u>5,816</u>	<u>5,816</u>
Accumulated Amortisation		
At 1 January 2022	2,508	2,508
Amortisation charge	<u>297</u>	<u>297</u>
At 31 December 2022	<u>2,805</u>	<u>2,805</u>
Carrying amount		
At 31 December 2022	<u>3,011</u>	<u>3,011</u>
At 31 December 2021	<u>3,308</u>	<u>3,308</u>

Clarke Energy Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

12 Tangible assets

Group

	Land and buildings £ 000	Furniture, fittings and equipment £ 000	Motor vehicles £ 000	Total £ 000
Cost or valuation				
At 1 January 2022	1,108	23,966	7,646	32,720
Additions	-	1,707	537	2,244
Disposals	-	(364)	(2,145)	(2,509)
Foreign exchange movements	(48)	803	97	852
At 31 December 2022	<u>1,060</u>	<u>26,112</u>	<u>6,135</u>	<u>33,307</u>
Accumulated Depreciation				
At 1 January 2022	399	17,119	5,304	22,822
Charge for the year	27	1,822	1,182	3,031
Eliminated on disposal	-	(258)	(1,909)	(2,167)
Foreign exchange movements	(1)	550	56	605
At 31 December 2022	<u>425</u>	<u>19,233</u>	<u>4,633</u>	<u>24,291</u>
Carrying amount				
At 31 December 2022	<u>635</u>	<u>6,879</u>	<u>1,502</u>	<u>9,016</u>
At 31 December 2021	<u>708</u>	<u>6,848</u>	<u>2,342</u>	<u>9,898</u>

Included within the net book value of land and buildings above is £635,000 (2021: £708,000) in respect of long leasehold land and buildings.

Foreign exchange movements relate to assets held in overseas subsidiaries when retranslated at the year end sterling rate.

Assets held under finance leases and hire purchase contracts

The net carrying amount of tangible assets includes the following amounts in respect of assets held under finance leases and hire purchase contracts:

	31 December 2022 £ 000	31 December 2021 £ 000
Motor vehicles	<u>55</u>	<u>101</u>

Clarke Energy Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

12 Tangible assets (continued)

Company	Furniture, fittings and equipment £ 000	Motor vehicles £ 000	Total £ 000
Cost or valuation			
At 1 January 2022	3,937	4,411	8,348
Additions	312	211	523
Disposals	(127)	(1,754)	(1,881)
At 31 December 2022	<u>4,122</u>	<u>2,868</u>	<u>6,990</u>
Accumulated Depreciation			
At 1 January 2022	3,110	3,122	6,232
Charge for the year	238	787	1,025
Eliminated on disposal	(127)	(1,575)	(1,702)
At 31 December 2022	<u>3,221</u>	<u>2,334</u>	<u>5,555</u>
Carrying amount			
At 31 December 2022	<u>901</u>	<u>534</u>	<u>1,435</u>
At 31 December 2021	<u>827</u>	<u>1,289</u>	<u>2,116</u>

13 Investments

Company	31 December 2022 £ 000	31 December 2021 £ 000
Investments in subsidiaries	<u>28,058</u>	<u>28,058</u>
Subsidiaries		£ 000
Cost or valuation		
At 1 January 2022 and 31 December 2022		<u>28,058</u>
Carrying amount		
At 31 December 2022		<u>28,058</u>
At 31 December 2021		<u>28,058</u>

Clarke Energy Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

13 Investments (continued)

Details of undertakings

The following were subsidiary undertakings of Clarke Energy Limited:

Name	Address of registered office and country of incorporation	Class of shares/Holding	Principal activity
Clarke Energy (India) Pvt Limited	Shivkiran Lane, No. 4, Dahanukar Colony, Kothrud, Pune 411038, Maharashtra, India	Ordinary 100%	Gas engine installation and maintenance
Clarke Energy (France) SAS	La Malle, Zone D'Activites de la Malle RD 6, 13320 Bouc Bel Air, France	Ordinary 100%	Gas engine installation and maintenance
Clarke Energy (Australia) Pty Limited	2-4 Stirling Street, Thebarton, Adelaide, SA 5301, Australia	Ordinary 100%	Gas engine installation and maintenance
Clarke Energy Ireland Limited	Unit 7, Newtown Business & Enterprise Park, Newtownmountkennedy, Wicklow, Ireland	Ordinary 100%	Gas engine installation and maintenance
Clarke Energy Nigeria Limited	No 28 Joël Ogunnaïke Street, I Keja, GRA Lagos, Nigeria	Ordinary 100%	Gas engine installation and maintenance
Clarke Energy Tanzania Limited	11th Floor, PPF Tower, Ohio Street, Garden Avenue, Dar Es Salaam, Tanzania	Ordinary 100%	Gas engine installation and maintenance
Clarke Energy Cameroon Limited	Douala Boite Postale, Numero 5563, Littoral Region, Republic of Cameroon	Ordinary 100%	Gas engine installation and maintenance

Clarke Energy Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

13 Investments (continued)

Clarke Energy (PNG) Limited	8 Kaia Place, Korobosea, National Capital District, PNG	Ordinary 100%	Gas engine installation and maintenance
Clarke Energy Bangladesh Limited	12th Floor, Laila Tower, 8 Gulshan South Avenue, Gulshan-1 Dhaka - 1212, Bangladesh	Ordinary 100%	Gas engine installation and maintenance
Clarke Energy South Africa Pty Limited	Unit 2, Blue Drop Business Park, 105 EP Malan Road, Pomana, Gautang 1619, South Africa	Ordinary 100%	Gas engine installation and maintenance
Clarke Energy Mozambique LDA	Mozambique, Mapito Cidade, Distrito Urbano1, Barrio Central C, Rua 1233 no 72/C, Mozambique	Ordinary 100%	Gas engine installation and maintenance
Clarke Energy Tunisie SARL*	Residence Wafa Mezzanine, Bloc A, Avenue de la Bourse, les berges du lac 2, 1053, Tunis, Tunisia	Ordinary 100%	Gas engine installation and maintenance
Clarke Energy Tunisie Trading SARL*	Residence Wafa Mezzanine, Bloc A, Avenue de la Bourse, les berges du lac 2, 1053, Tunis, Tunisia	Ordinary 100%	Gas engine installation and maintenance
Clarke Energy Tunisie Services CETS*	Residence Wafa Mezzanine, Bloc A, Avenue de la Bourse, les berges du lac 2, 1053, Tunis, Tunisia	Ordinary 100%	Gas engine installation and maintenance
Clarke Energy Maroc SARL*	Espace Porte D'Anta 3, Rue Bab El Mansor, 1 ER Etage, Bureau N 3, 20050 Casablanca Anta, Morocco	Ordinary 100%	Gas engine installation and maintenance
Clarke Energy Romania*	Calea Floreasca 55,6th Floor, Bucharest, 014453, Romania.	Ordinary 100%	Gas engine installation and maintenance

Clarke Energy Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

13 Investments (continued)

Clarke Energy Hellas Llc*	61, Lagoumitzi Street, 11741, Neos Kosmos, Athens, Greece.	Ordinary 100%	Gas engine installation and maintenance
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* indirect subsidiary undertakings

Clarke Energy (PNG) Limited is not consolidated on the basis of materiality. The entity did not trade during the last few years. The net liabilities of the company at 31 December 2022 were £17,000 (2021: £17,000).

Clarke Energy (India) Pvt Limited has a financial year end of 31 March. The consolidated figures include three months from the audited results to 31 March 2022 and interim figures to 31 December 2022.

The directors consider the carrying value of the investments to be supported by the underlying assets and future trading forecasts.

During November 2022, the Clarke Energy group of companies undertook a series of restructuring steps to simplify its group structure. The effect of these restructuring transactions was to remove Clarke Energy Trading Ltd, Clarke Energy Operations Ltd and Clarke Energy Topco Ltd all non-trading holding companies from the structure.

As a result the main transactions relate to dividend income received, and impairment of investments, related to the restructuring.

The Directors acknowledge that during the restructuring and simplification process a dividend in specie to KK Daytona Ltd was not in strict compliance with the provisions set out in the Companies Act. This was made and received in good faith and the directors confirm that no creditors or shareholders were adversely affected by the distribution.

14 Stocks

	Group		Company	
	31 December 2022 £ 000	31 December 2021 £ 000	31 December 2022 £ 000	31 December 2021 £ 000
Spare parts and consumables	38,837	32,307	11,952	12,341

The Group undertook an impairment review and judged that a provision was not necessary (2021: no provision).

Clarke Energy Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

15 Debtors

	Note	Group		Company	
		31	31	31	31
		December 2022 £ 000	December 2021 £ 000	December 2022 £ 000	December 2021 £ 000
Current					
Trade debtors		66,802	37,916	19,965	15,299
Amounts owed by group undertakings	25	10,201	21,396	27,536	31,526
Other debtors		30,738	21,344	6,239	4,343
Prepayments and accrued income		5,826	11,992	3,032	2,726
Deferred tax assets	10	6,227	1,027	399	455
Corporation tax	10	-	808	148	317
		<u>119,794</u>	<u>94,483</u>	<u>57,319</u>	<u>54,666</u>

Amounts owed by group undertakings are unsecured and repayable on demand and interest is charged at between 2% and 6% (2021: between 2% and 6%).

Group trade debtors are stated after provisions for impairment of £2,915,205 (2021: £2,095,244). Company trade debtors are stated after provisions for impairment of £76,041 (2021: £67,854).

Other debtors includes Accrued Income on Installation Projects of £7,496,578 (2021: £7,859,071), Operation and Maintenance Income of £520,623 (2021: £466,079) and Jenbacher refundable engine block deposits of £482,083 (2021: £314,165), accrued operation and maintenance income of £16,200,000 (2021: £6,100,000).

Clarke Energy Limited waived the amount due from Clarke Energy Operations Limited of £8,729,000 which is considered a distribution upwards, as seen in the Statement of Changes in Equity.

Post balance sheet event

Other debtors have been adjusted for a write off of £4,852,716 which represents accrued income, variations and costs that may now not materialise due to the Arbitrator's decision against Clarke Energy Australia in the litigation that has been ongoing for many years.

Prepayments have been adjusted for a write off of £6,596,000 which represents the accrued income for the Tgen project in Australia which may now not materialise due to the Arbitrator's decision against Clarke Energy Australia in the litigation that has been ongoing for many years.

Deferred tax asset

	Group	
	2022 £ 000	2021 £ 000
As at opening	1,027	1,363
Deferred tax credit/(charge)	5,200	(336)
As at closing	<u>6,227</u>	<u>1,027</u>

Clarke Energy Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

15 Debtors (continued)

	Company	
	2021	2020
	£ 000	£ 000
As at opening	455	257
Deferred tax (charge)/credit	<u>(56)</u>	<u>198</u>
As at closing	<u>399</u>	<u>455</u>

The deferred tax asset consists of the tax effect of timing differences in respect of:

	Group		Company	
	31 December	31 December	31 December	31 December
	2022	2021	2022	2021
	£ 000	£ 000	£'000	£'000
Difference between accumulated depreciation and capital allowances	<u>6,227</u>	<u>1,027</u>	<u>399</u>	<u>455</u>

16 Cash at bank and in hand

	Group		Company	
	31 December	31 December	31 December	31 December
	2022	2021	2022	2021
	£ 000	£ 000	£ 000	£ 000
Cash at bank	<u>47,605</u>	<u>38,590</u>	<u>21,027</u>	<u>8,144</u>

Clarke Energy Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

17 Creditors

	Note	Group		Company	
		31 December 2022 £ 000	31 December 2021 £ 000	31 December 2022 £ 000	31 December 2021 £ 000
Amounts falling due within one year					
Loans and borrowings	21	48	90	-	-
Trade creditors		45,835	22,875	15,034	9,635
Amounts owed to group undertakings		439	-	11,215	13,479
Corporation Tax	10	2,288	-	-	-
Other creditors		21,594	17,177	9,166	6,684
Other taxation and social security		15,216	8,418	6,787	2,596
Accruals and deferred income		20,311	23,253	4,386	3,685
		<u>105,731</u>	<u>71,813</u>	<u>46,588</u>	<u>36,079</u>
Amounts falling due after more than one year					
Loans and borrowings	21	-	46	-	-

Other creditors for the Group include the Installation cost reserve £7,262,279 (2021: £6,332,566) and the Operation and maintenance reserve £14,020,963 (2021: £10,844,620). Other creditors for the company include the Installation cost reserve £6,471,510 (2021: £5,911,253) and the Operation and maintenance reserve £2,401,464 (2021: £772,701).

Amounts owed to group undertakings are unsecured and repayable on demand and interest is charged at between 2% and 6% (2021: between 2% and 6%).

18 Provisions for liabilities

Group

The movement in the provisions during the year was:

	Legal fees £ 000	Total £ 000
At 1 January 2022	-	-
Provision	<u>3,880</u>	<u>3,880</u>
At 31 December 2022	<u>3,880</u>	<u>3,880</u>

Provisions includes a legal fees provision of £3,880,483 that may be awarded by the arbitrator to Tgen and payable for costs in 2024. (Post balance sheet note page 47).

Clarke Energy Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

19 Pension and other schemes

Defined contribution pension scheme

The Group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Group to the scheme and amounted to £1,966,000 (2021: £2,931,000)

20 Called up share capital

Allotted, called up and fully paid shares Group and Company

	31 December 2022		31 December 2021	
	No.	£	No.	£
Ordinary shares of £0.01 each	1,500,000	15,000	1,500,000	15,000

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

21 Loans and borrowings

	Group		Company	
	31 December 2022 £ 000	31 December 2021 £ 000	31 December 2022 £ 000	31 December 2021 £ 000
Non-current loans and borrowings				
Finance lease liabilities	-	46	-	-

	Group		Company	
	31 December 2022 £ 000	31 December 2021 £ 000	31 December 2022 £ 000	31 December 2021 £ 000
Current loans and borrowings				
Hire purchase contracts	48	90	-	-

Refer to note 21 for further details.

22 Obligations under leases and hire purchase contracts

Group

Finance leases

Clarke Energy Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

22 Obligations under leases and hire purchase contracts (continued)

The total of future minimum lease payments is as follows:

	31 December 2022 £ 000	31 December 2021 £ 000
Not later than one year	50	96
Later than one year and not later than five years	<u>-</u>	<u>50</u>
Total Gross Payments	50	146
Finance charges	<u>(2)</u>	<u>(9)</u>
Carrying amount of liability	<u>48</u>	<u>137</u>

Obligations under finance lease and hire purchase contracts are secured on the assets concerned. Interest rates typically range between 7-10%.

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Notes to the Financial Statements for the Year Ended 31 December 2022

22 Obligations under leases and hire purchase contracts (continued)

Operating leases

The total of future minimum lease payments is as follows:

	31 December 2022	31 December 2021
	£ 000	£ 000
Not later than one year	2,045	1,936
Later than one year and not later than five years	4,356	4,566
Later than five years	2,399	2,747
	8,800	9,249

Company

Operating leases

The total of future minimum lease payments is as follows:

	31 December 2022	31 December 2021
	£ 000	£ 000
Not later than one year	444	400
Later than one year and not later than five years	1,732	1,507
Later than five years	2,395	2,465
	4,571	4,372

23 Dividends

Dividends paid

	31 December 2022	31 December 2021
	£ 000	£ 000
Interim dividend of £1.94 (2021 - £13.33) per each ordinary share	2,905	20,000

24 Contingent liabilities

Group

Performance retention and advance payment bonds of £43,857,644 (2021: £22,832,879) were in relation to projects and installation contracts.

Company

Performance retention and advance payment bonds of £13,532,477 (2021: £6,307,611) were in relation to projects and installation contracts.

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Notes to the Financial Statements for the Year Ended 31 December 2022

25 Related party transactions

Key management compensation

	31 December	31 December
	2022	2021
	£ 000	£ 000
Salaries	1,238	983

Transactions with other Group companies

	Revenue		Expenses		(Creditors)/Debtors balance	
	2022	2021	2022	2021	2022	2021
	£ 000	£ 000	£ 000	£ 000	£ 000	£ 000
UK	227	-	30	2	-	11
Ireland	-	-	1	-	(1)	-
Australia	62	-	10,432	4,893	(749)	(789)
France	49	64	52	93	(3)	(13)
Nigeria	318	16	1	1,815	(5,273)	(1,730)
India	116	109	-	4	(7)	13
	772	189	10,516	6,807	(6,033)	(2,508)

26 Financial instruments

Financial risk management policies are included in the directors' report.

	Group		Company	
	31 December	31 December	31 December	31 December
	2022	2021	2022	2021
	£ 000	£ 000	£ 000	£ 000
Financial assets				
Financial assets measured at amortised cost:				
Trade debtors	66,803	37,916	19,965	15,299
Amounts owed by group undertakings	10,201	21,396	27,536	31,526
Other debtors	30,738	21,344	6,239	4,343
	107,742	80,656	53,740	51,168

Clarke Energy Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

26 Financial Instruments (continued)

	Group		Company	
	31 December 2022 £ 000	31 December 2021 £ 000	31 December 2022 £ 000	31 December 2021 £ 000
Financial liabilities				
Financial liabilities measured at amortised cost:				
Loans and borrowings due within one year	48	90	-	-
Trade creditors	45,835	22,875	15,034	9,635
Amounts due to group undertakings	439	-	11,215	13,595
Other creditors	7,262	6,333	6,471	6,684
Accruals	20,311	23,253	4,386	3,685
Loans and borrowings due after one year	-	46	-	-
	73,895	52,597	37,106	33,599

27 Post balance sheet events

Due to the potential investment mentioned in the Directors report under the statement of going concern (page 8), the signing of these financial statements was delayed due to the ongoing due diligence process.

During the delay, a litigation that had been ongoing in Clarke Energy Australia Ltd for many years between the company and a customer Territory Generation came to a preliminary legal conclusion.

The ruling of the arbitrator was not favourable for Clarke Energy Australia Ltd and resulted in the following amendments being made to these financial statements before they could be signed, due it being considered an adjusting post balance sheet event:

- Other debtors were amended for a write off of income, variations and costs totalling £4,852,716.
- Prepayments was adjusted for a total of £6,596,000 for costs and legal fees assumed previously to be reimbursable costs for the project.
- Provisions has been increased to take account of possible legal fees for the customer and for Clarke Energy Australia that we may have to reimburse and pay of £3,880,483.
- The total negative effect to the Profit and loss account of the group after tax was £11,213,063 which also includes fx movements.

The award is preliminary, so the adjustments made reflect the best estimate of our liabilities at the point of signing these financial statements but not the final position. Clarke Energy Australia has appealed the result of the arbitrator to the Kings Counsel and are hoping for a new ruling in 2024.

Prior to these adjustments the normalised group Profit after Tax would have been £21,049,264 (2021: £18,906,000). The shareholders' funds of the Group total £124,040,405 (2021: £111,671,000)

Clarke Energy Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

28 Parent and ultimate parent undertaking

The company's immediate parent is KK Daytona Holding Ltd, incorporated in England. Financial statements are available from Kohler EMEA Corporate Services, Carter Court, 4 Davy Way, Quedgeley, Gloucester, GL2 2DE.

KK Daytona Holding Ltd is the parent of the smallest and largest Group to produce publicly available consolidated financial statements and Kohler Co. is the parent of the largest Group to produce consolidated financial statements, but these are not publicly available

The ultimate parent is Kohler Co., incorporated in USA.

The ultimate controlling party is Kohler Co.