Clarke Group International Limited

Annual report and financial statements

Registered number 11384033

Year to 31 May 2022

Contents

Company information

Directors	J.A. Clarke S.E. Clarke T. Clarke J. Williams
Secretary	J. Williams
Company number	11384033
Registered office	Sealand House Hemnall Street Epping Essex CM16 4LG
Auditor	RSM UK Audit LLP Chartered Accountants 25 Farringdon Street London United Kingdom EC4A 4AB

Strategic report

The directors present their strategic report for the year ended 31 May 2022.

Business review

The company acts as a holding company for Clarke International Limited and Machine Mart Limited. The company did not trade during the year.

The group sales for the year decreased by 21.7% compared with the comparative of the previous year due to changes in buyer behaviour and current market conditions.

Results, dividends and future developments

The group profit on ordinary activities before taxation was £8,192,951 *(2021: £19,744,658)*.

The directors propose to transfer the retained profit after taxation of £6,439,426 *(2021: £15,670,775)* to reserves.

The group had net assets at the year-end of £43,798,792 *(2021: £37,359,366)*.

During the year under review, the directors have also been seeking to acquire other companies that could create synergies with the group's existing product offerings.

Key performance indicators

The business is monitored on straightforward terms with key performance indicators being turnover, gross profit, net profit, cash generated and net assets.

The directors also use a number of non-financial key performance indicators as part of the regular review process to monitor business performance, such as health and safety, environmental compliance and supplier payment practices, all of which were satisfactory.

Principal risks and uncertainties

The group faces the same risks as most businesses in a similar sector and works very closely with its suppliers to provide a wide and competitive product choice for its customers.

The group continued to perform well despite the difficulties of the current economic climate and management believe that the group is well placed in offering value for money, a wide choice and high product availability to its diverse customer base.

Policy on payment to suppliers

It is the group's policy to pay suppliers' invoices in accordance with when they fall due for payment and to maximise any early settlement discount that may be available. The group will continue to agree terms of payments with all of its suppliers when agreeing the terms of each contract.

Strategic report *(continued)*

Environment

Management recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to mitigate any adverse impact that might be caused by its activities. Initiatives aimed at minimising the company's impact on the environment include refurbishment of equipment, the sale of second hand products, safe disposal of waste, recycling and reducing energy consumption.

Streamlined Energy & Carbon Reporting ("SECR")

Energy management at Machine Mart

Machine Mart takes action to improve company energy efficiency by reviewing its annual energy consumption.

During the year the company partnered with a third party to collate the data required to monitor the annual consumption with the aim of reducing this wherever economically possible in order to minimise its impact on the environment as mentioned in the S172 report.

The scope of this report includes all activities and sites operated by the Company. All sites and activities take place in the UK.

Energy use and greenhouse gas (GHG) emissions are set out below. The data relates to UK emissions for the 12 month period from 1 June 2021 to 31 May 2022.

Machine Mart Ltd Energy Use and Associated Greenhouse Gas Emissions

	Year to 31 May 2022	**Year to 31 May 2021**
Total Energy consumption	**6,165,165 kWh**	**6,689,329 kWh**
Emissions from combustion of gas (Scope 1)	584 tCO2e	641 tCO2e
Emissions from combustion of fuel for the purposes of transport (Scope 1)	112 tCO2e	111 tCO2e
Emissions from purchased electricity (Scope 2)	531 tCO2e	641 tCO2e
Total gross emissions	**1,228 tCO2e**	**1,393 tCO2e**
Emissions – tCO2e per £m turnover	18.2	16.1

Scope 3 emission relating to business travel conducted by employees in their own vehicles or hire vehicles have not been included as the amounts are immaterial.

Quantification and Reporting Methodology

Emissions are reported with reference to the latest Greenhouse Gas Protocol Corporate Accounting and Reporting Standard (GHG Protocol). The 2019 UK Government GHG Conversion Factors for Company Reporting published by the UK Department for Environment Food & Rural Affairs (DEFRA) are used to convert energy use in our operations to emissions of CO2e. Carbon emission factors for purchased electricity calculated according to the 'location-based grid average' method. This reflects the average emission of the grid where the energy consumption occurs. Data sources include billing, invoices and the Company's internal systems.

Intensity Ratio

In order to express emissions in a quantifiable factor, an intensity ratio has been calculated which shows emissions reported per £ million of revenue generated.

Strategic report *(continued)*

Energy Efficiency Action

The group is committed to reducing the environmental impact of all operations. In the period covered by the report, LED lighting has been installed in all new stores and a project is ongoing to install LED lighting at existing stores.

Disabled persons

It is the group's policy to give full consideration to suitable applicants for employment, including disabled persons, with all applicants being considered on their ability to do the job.

Employees who have a disability will receive the necessary help, within reason, to enable them to carry out their duties effectively. The group assesses its 'Equal Opportunities' policy at regular intervals to ensure that equality of opportunity is afforded to all employees.

S172 statement

Employees

The group is committed to involving all employees in the performance and development of the group. Employees are encouraged to discuss with management matters of interest to the employee and subjects affecting day to day operations of the group.

As a committed Equal Opportunities employer, the group ensures that all employees and job applicants are given equal opportunities in all aspects of employment and training regardless of their gender, ethnic origin, disability, age, marital status, sexual orientation or any religious affiliation. Employees have regular opportunity to provide input and feedback.

The directors throughout the year ended 31 May 2022 have acted to promote both the short term and long term growth and success of the company for the benefit of all stakeholders. These stakeholders include its customers, employees, suppliers and partners.

Communities and the Environment

The group partners with charities local to its various store locations and also contributes to employee led fund raising activities which are nationally recognised events.

The group is continually reviewing its activity to ensure that the impact on the environment is minimised by meetings its responsibility under various government led initiatives such as the SECR reporting to reduce its carbon footprint, reviewing its energy consumption with a view to using more efficient forms of lighting, meeting its obligations under the Packaging regulations by reviewing the materials used in the products for sale and the WEEE regulations to ensure that the waste arising from the electric and electronic waste is minimised as far as reasonably possible.

Relationships with regulatory bodies

The group sets out to ensure that it is aware of, and take steps to comply with relevant laws, policies and regulations at all times. Where the issue is complex, it seeks the assistance of specialists to assist in meetings its reporting requirements for the SECR reporting and Packaging Regulations. It also seeks to work with reputable organisations in order to meet its responsibility under the WEEE regulations. The group continues to obtain guidance from the FRC with regard to meeting its annual financial reporting obligations.

On behalf of the directors

Mr J.A. Clarke
Director

Date 30/03/23

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 May 2022.

Principal activities

The principal activity of the company is that of a holding company. The principal activities of the group are wholesale and retail of machinery, tools and equipment.

Directors

The directors of the company are as follows:

J.A. Clarke

S.E. Clarke

T. Clarke

J. Williams

Going concern

The directors have considered the outlook for the business, which indicates that the group will be cash generative for at least twelve months from the date of these financial statements. The directors are therefore of the opinion that the company and group can continue to operate with its existing banking arrangements and consequently the financial statements have been prepared on a going concern basis. In coming to this conclusion the directors have considered the impact of the broader economic environment and outlook.

Financial risk management

The group makes little use of financial instruments other than an operational bank account and trade receivables and payables. Exposure to price risk, credit risk, liquidity risk and foreign exchange risk is not considered material for the assessment of the assets, liabilities, financial position and profit or loss with the group financially strong and actively managing any exposure.

Information in the strategic report

The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's Strategic Report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the Directors' Report. The Strategic Report also includes information required under the Companies (Miscellaneous Reporting) Regulations 2018 on engagement with employees and the need to foster the company's business relationships with suppliers, customers and others.

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware; and all directors have taken all of the steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the directors

Mr J.A. Clarke
Director

Date 30/03/23

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report, the Strategic Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Generally Accepted Accounting Practice (UK Accounting Standards and applicable law).

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group 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. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Clarke Group International Limited

Opinion

We have audited the financial statements of Clarke Group International Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 May 2022 which comprise the consolidated profit and loss account, the consolidated and company balance sheets, the consolidated and company statements of changes in equity, the consolidated cash flow statement and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 May 2022 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;

have been prepared in accordance with the requirements of the Companies Act 2006

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

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

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

We have nothing to report in this regard.

Independent auditor's report to the members of Clarke Group International Limited *(continued)*

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the group audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the group and parent company operates in and how the group and parent company are complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, the Companies Act 2006 and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures, inspecting correspondence with local tax authorities, agreeing tax calculations to supporting documentation and evaluating advice received from external tax advisors.

The group audit engagement team identified the risk of management override of controls and revenue recognition as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business, testing sales to supporting documentation and reviewing transactions around the year end to ensure they were recognised in the correct accounting period.

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

Use of our report

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

RSM UK Audit LLP

David Fenton (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
25 Farringdon Street
London
EC4A 4AB

31/03/23

Consolidated profit and loss account
for the year ended 31 May 2022

	Note	2022 £	2021 £ Continuing operations	2021 £ Discontinued operations	2021 £ Total
Turnover	3	**74,247,104**	94,799,245	-	94,799,245
Cost of sales		**(39,991,560)**	(50,975,280)	-	(50,975,280)
Gross profit		**34,255,544**	43,823,965	-	43,823,965
Distribution costs		**(15,761,678)**	(16,485,038)	-	(16,485,038)
Administrative expenses		**(10,637,851)**	(9,809,813)	-	(9,809,813)
Other operating income		**87,925**	137,419	-	137,419
Trading profit	4	**7,943,940**	17,666,533	-	17,666,533
Other interest receivable and similar income	7	**254,006**	86,184	2,014,938	2,101,122
Interest payable and similar expenses	8	**(4,995)**	(22,997)	-	(22,997)
Profit before taxation		**8,192,951**	17,729,720	2,014,938	19,744,658
Tax on profit	9	**(1,753,525)**	(3,691,045)	(382,838)	(4,073,883)
Profit for the financial year		**6,439,426**	14,038,675	1,632,100	15,670,775

The company has no other comprehensive income.

The accompanying notes on pages 14 to 27 form part of these financial statements.

Consolidated balance sheet
at 31 May 2022

	Note	2022 £	2022 £	2021 £	2021 £
Fixed assets					
Intangible assets	*10*	**116,410**		95,660	
Tangible assets	*11*	**4,951,216**		5,024,546	
			5,067,626		5,120,206
Current assets					
Stocks	*13*	**23,231,650**		14,568,576	
Debtors	*14*	**26,193,966**		23,454,435	
Cash at bank and in hand	*15*	**15,187,486**		27,495,715	
		64,613,102		65,518,726	
Creditors: amounts falling due within one year	*16*	**(24,880,775)**		(32,138,631)	
Net current assets			**39,732,327**		33,380,095
Total assets less current liabilities			**44,799,953**		38,500,301
Provisions for liabilities	*19*		**(1,001,161)**		(1,140,935)
Net assets			**43,798,792**		37,359,366
Capital and reserves					
Called up share capital	*20*		**1,312,615**		1,312,615
Merger reserve			**130,416,218**		130,416,218
Other reserve			**(129,564,431)**		(129,564,431)
Profit and loss account			**41,634,390**		35,194,964
Shareholders' funds			**43,798,792**		37,359,366

These financial statements were approved by the board of directors and authorised for issue on 30/03/23 and were signed on its behalf by:

Mr J.A. Clarke
Director

Company registered number: 11384033

The accompanying notes on pages 14 to 27 form part of these financial statements.

Company balance sheet
at 31 May 2022

	Note	**2022**	2021
		£	£
Fixed assets			
Investments	*12*	**125,926,833**	131,728,833
Net assets		**125,926,833**	131,728,833
Capital and reserves			
Called up share capital	*20*	**1,312,615**	1,312,615
Merger reserve		**124,614,218**	130,416,218
Shareholders' funds		**125,926,833**	131,728,833

As permitted by section 408(3) of the Companies Act 2006, no profit and loss account of the company is presented.

The company made no profit or loss during the period *(2021 - £Nil).*

These financial statements were approved by the board of directors and authorised for issue on 30/03/23 and were signed on its behalf by:

Mr J.A. Clarke
Director

Company registered number: 11384033

The accompanying notes on pages 14 to 27 form part of these financial statements.

Consolidated statement of changes in equity
For the year ended 31 May 2022

	Called up share capital £	Merger Reserve £	Other Reserve £	Profit and loss account £	Total equity £
Balance at 1 June 2020	1,312,615	130,416,218	(129,564,431)	19,524,189	21,688,591
Total comprehensive income for the year	-	-	-	15,670,775	15,670,775
Balance at 31 May 2021	**1,312,615**	**130,416,218**	**(129,564,431)**	35,194,964	37,359,366
Total comprehensive income for the year	-	-	-	6,439,426	6,439,426
Balance at 31 May 2022	**1,312,615**	**130,416,218**	**(129,564,431)**	**41,634,390**	**43,798,792**

Company statement of changes in equity
For the year ended 31 May 2022

	Called up share capital £	Merger Reserve £	Profit and loss account £	Total equity £
Balance at 1 June 2020	1,312,615	130,416,218	-	131,728,833
Total comprehensive income for the year	-	-	-	-
Balance at 31 May 2021	1,312,615	130,416,218	-	131,728,833
Total comprehensive income for the year	-	-	-	-
Impairment of investment	-	(5,802,000)		(5,802,000)
Balance at 31 May 2022	**1,312,615**	**124,614,218**	-	**125,926,833**

Consolidated cash flow statement

For the year ended 31 May 2022

	Notes	2022 £	2021 £
Operating activities			
Cash used in operating activities	23	**(10,537,182)**	2,301,579
Interest paid	8	**(4,995)**	(22,997)
Taxes paid		**(1,726,444)**	(4,620,856)
Net cash used in operating activities		**(12,268,621)**	(2,342,274)
Investing activities			
Purchase of tangible fixed assets	11	**(460,859)**	(100,439)
Disposal of tangible fixed assets	11	**258,872**	(303,162)
Purchase of intangible fixed assets	10	**(91,627)**	363,299
Interest received	7	**254,006**	2,101,123
Net cash from investing activities		**(39,608)**	2,060,821
Net decrease in cash and cash equivalents		**(12,308,229)**	(281,453)
Cash and cash equivalents at the beginning of the year		**27,495,715**	27,777,168
Cash and cash equivalents at the end of the year		**15,187,486**	27,495,715

Notes
(forming part of the financial statements)

1 Accounting policies

Clarke Group International Limited (the "Company") is a private company limited by shares and incorporated and domiciled in England. The registered number is 11384033 and the registered address is Sealand House, Hemnall Street, Epping, Essex, United Kingdom, CM16 4LG. The company is the holding company to a group of companies (the "Group"). The principal activities of the company and the group are stated in the directors report.

These financial statements were prepared in accordance with Financial Reporting Standard 102 "*The Financial Reporting Standard*" applicable in the UK and Republic of Ireland (*"FRS 102"*) and the requirements of the Companies Act 2006, including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

The presentation currency of these financial statements is sterling.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 2.

The company has taken advantage of the exemption from disclosing the following information, as permitted by the reduced disclosure regime within FRS 102:-

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares.
- Section 11 'Basic Financial Instruments' & Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument.
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

1.1. Measurement convention

The financial statements are prepared on the historical cost basis.

1.2. Basis of consolidation

The consolidated financial statements incorporate those of the company and all of its subsidiaries. All financial statements are made up to 31 May 2022.

The company acquired 100% of the ordinary share capital of Clarke International Limited and Machine Mart Limited in a share for share exchange as part of a group reconstruction on 8 June 2018. As the business combination meets the definition of a group reconstruction, Clarke Group International Limited has applied merger accounting under section 19 of FRS 102 where the controlling party was the same before and after the transaction. In line with the requirement of merger accounting the consolidated financial statements have been prepared as if the group has always been in existence and the comparative information has been restated to include the results and statement of financial position of all combining entities.

The requirements of merger accounting state that the difference, if any, between the nominal value of the shares issued plus the fair value of any other consideration given, and the nominal value of the shares received in exchange shall be shown as a movement in the merger reserve in the consolidated financial statements. These movements shall be shown in the statement of changes in equity.

The directors consider it is appropriate to use merger accounting to present consolidated information for the group as if the new legal structure always existed. This will be necessary to ensure that the shareholders receive useful information about their investment on an on going basis, recognising that there has been no change in the substance of their investment.

The directors consider that the alternative approach of acquisition accounting, with the restatement of separable assets and liabilities to fair values, the creation of goodwill and inclusion of post reorganisation results only, would not give a true and fair view of the group results and financial position. The substance of the transaction was not the acquisition of a business but a group reconstruction under which a new holding company has been established with the former controlling party having the same control in the new holding company as they had previously held.

Notes *(continued)*

All intra group balances and transactions and any unrealised gains arising from intra group transactions are eliminated on consolidation unless the transaction provides evidence of an impairment of the asset transferred. Unrealised losses are eliminated in the same way as unrealised gains. No individual profit and loss account is presented for the company as permitted by section 408 of the Companies Act 2006.

1.3. Going concern

The directors have considered the outlook for the business, which indicates that the company and group will be cash generative for at least twelve months from the date of these financial statements. The directors are therefore of the opinion that the company and group can continue to operate with its existing banking arrangements and consequently the financial statements have been prepared on a going concern basis. . In coming to this conclusion the directors have considered the impact of the broader economic environment and outlook.

1.4. 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 company; and

(b) where the instrument will or may be settled in the group's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the group's own equity instruments or is a derivative that will be settled by the company's 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 group'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.

1.5. Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

1.6. Intangible assets

Intangible assets that are acquired by the group are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets.

Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Website and computer software - between 2 and 5 years

The group reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

Notes *(continued)*

1.7. Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and 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, for example land is treated separately from buildings.

The group assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

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. Land is not depreciated.

The depreciation rates used are as follows:

Freehold buildings	- 2% per annum
Improvements to short leasehold premises	- 5% per annum
Motor vehicles - vans	- 25% per annum
- cars	- 33% per annum
Fixtures, fittings and equipment	- between 2 and 6 years

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

1.8. Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition.

1.9. Investments

In the company statement of financial position, investments in subsidiaries are measured at cost less any impairment.

1.10. 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.

Non-financial assets

The carrying amounts of the group'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.

1.11. Pension costs

The group contributes to group personal pension arrangements for its employees. The assets of the schemes are held separately from those of the group in independently administered funds. The amount charged to the profit and loss account represents the contributions payable to the schemes in respect of the accounting period.

1.12. Provisions

A provision is recognised in the balance sheet when the group has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Notes *(continued)*

1.13. Turnover

Turnover represents the amounts (excluding value added tax) derived from the retail and wholesale of machinery, equipment and related goods and services to customers during the year. Revenue is recognised when the group has transferred the significant risks and rewards of ownership to the customer.

1.14. Expenses

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.

Interest receivable and payable

Interest receivable and interest payable are recognised in profit or loss as they accrue, using the effective interest method.

1.14. Foreign currency

Transactions in foreign currencies are translated to the group'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. Foreign exchange differences arising on translation are recognised in the profit and loss account.

1.15. Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

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. 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 measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

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

2 Accounting estimates and judgements

The preparation of the group financial statements requires management to make certain judgements and estimates that affect the application of policies and the reported amounts of assets and liabilities and income and expenses appearing within them. Estimates and assumptions are made by reference to both previous experience and also what is considered reasonable based on current circumstances such as economic conditions affecting the business.

The judgements and key sources of estimation that have a significant effect on amounts recognised in the financial statements are detailed below:

Stock provision

All stock lines are reviewed on a regular basis with regard to demand levels and current market value and any necessary provision is made in order to ensure that they are stated at what management reasonably estimate to be the lower of cost and net realisable value.

Notes *(continued)*

2 Accounting estimates and judgements *(continued)*

Warranty provision

The warranty provision is reviewed on a regular basis by management to ensure that it is reasonable based on past experience of the stock lines. This is recognised at the best estimate of the amount required to settle any potential obligation at the reporting date.

Investment in subsidiaries

Against a background of a cost of livng crisis and reduced retail spending an assessment of the carrying value of the subsidiaries has been made as at the balance sheet date based on a discounted cashflow model considering a number of uncertain variables. This indicated a small provision was required which has been made to reduce the carrying value in these accounts.

3 Turnover

	2022	2021
By activity:	**£**	£
Sale of goods and services		
	74,247,104	94,799,245
By geographical market		
United Kingdom	**73,716,406**	94,051,485
Europe	**296,288**	493,279
Rest of the World	**234,410**	254,481
	74,247,104	94,799,245

4 Expenses and auditor's remuneration

Included in the profit and loss account are the following:

	2022	2021
	£	£
Rentals payable in respect of operating leases - short leasehold property	**2,356,474**	2,260,408
Profit on disposal of fixed assets	**(33,241)**	(26,846)
Depreciation of tangible fixed assets	**534,189**	489,546
Amortisation of intangible fixed assets	**70,878**	73,527
Exchange (profit) / loss	**(6,788)**	9,026
Cost of stocks recognised as an expense	**37,115,942**	47,809,465

Auditor's remuneration:		
Audit of these financial statements	**97,000**	66,500
Amounts receivable by the company's auditor and its associates in respect of:		
Other services	**17,000**	18,398

5 Staff numbers and costs

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

	Number of employees	
	2022	2021
Distribution and sales	**427**	444
Administration	**98**	101
	525	545

The company has no employees other than the directors.

Notes *(continued)*

The aggregate payroll costs of these persons comprised:

	2022	2021
	£	£
Wages and salaries	**14,264,864**	14,786,061
Social security costs	**1,305,984**	1,280,571
Contributions to defined contribution plans	**575,514**	537,961
	16,146,362	16,604,593

6 Directors' remuneration

	2022	2021
	£	£
Remuneration for qualifying services	**250,218**	248,571

Remuneration for the highest paid director in the year was £135,119 (*2021: £133,224*).

No directors accrued benefits under defined contribution pension schemes during the year (*2021: £Nil*). The directors emoluments were borne by a separate group company.

7 Other interest receivable and similar income

	2022	2021
	£	£
Bank interest	**254,006**	28,350
Other interest income	-	2,072,772
	254,006	2,101,122

8 Other interest payable and similar expenses

	2022	2021
	£	£
Interest payable	**4,995**	22,997

9 Taxation

Total tax expense recognised in the profit and loss account, other comprehensive income and equity

Group	2022	2021
	£	£
Current tax		
Current tax on income for the year	**1,751,252**	4,030,046
Adjustments in respect of prior year	**(6,266)**	-
Total current tax	**1,744,986**	4,030,046

Notes *(continued)*

9 Taxation (continued)

Deferred tax (note 17)		
Deferred tax charge for the year	**8,539**	43,837
Total tax charge	**1,753,525**	4,073,883

Reconciliation of effective tax rate:

	2022 **£**	2021 £
Profit excluding taxation	**9,102,944**	19,744,658
Tax using the UK corporation tax rate of 19% *(2021: 19%)*	**1,729,559**	3,781,842
Group consolidation adjustment	**-**	202,101
Non-deductible expenses	**2,392**	1,995
Depreciation on assets not qualifying for capital allowances	**21,433**	36,176
Adjustment to tax charge in respect of previous periods	**(6,266)**	-
Movement in deferred tax not recognised	**4,406**	-
Re-measurement of deferred tax for changes in tax rates	**2,001**	51,769
Total tax expense included in profit or loss	**1,753,525**	4,073,883

10 Intangible assets

Group	**Trademarks** **£**	**Website/ Software** **£**	**Total** **£**
Cost			
At 1 June 2021	8,176	322,687	330,863
Additions	-	91,628	91,628
At 31 May 2022	8,176	414,315	422,491
Amortisation			
At 1 June 2022	8,176	227,027	235,203
Amortisation charge for the year	-	70,878	70,878
At 31 May 2022	8,176	297,905	306,081
Net book value			
At 31 May 2022	-	**116,410**	**116,410**
At 31 May 2021	-	95,660	95,660

Amortisation charged for the year is included with administrative expenses.

Notes *(continued)*

11 Tangible fixed assets

Group	Freehold land and buildings	Improvements to short leasehold premises	Motor vehicles	Fixtures, fittings and equipment	Total
	£	£	£	£	£
Cost					
At 1 June 2021	7,274,782	6,668,737	1,020,468	5,969,603	20,933,590
Additions	-	124,911	147,152	188,796	460,859
Disposals	-	-	(213,559)	(12,072)	(225,631)
At 31 May 2022	7,274,782	6,793,648	954,061	6,146,327	21,168,818
Depreciation					
At 1 June 2021	3,367,598	6,119,534	762,665	5,659,247	15,909,044
Depreciation charge for the year	127,901	82,492	122,684	201,112	534,189
Disposals	-	-	(213,559)	(12,072)	(225,631)
At 31 May 2022	3,495,499	6,202,026	671,790	5,848,287	16,217,602
Net book value					
At 31 May 2022	**3,779,283**	**591,622**	**282,271**	**298,040**	**4,951,216**
At 31 May 2021	3,907,184	549,203	257,803	310,356	5,024,546

12 Investments

Company	£
In subsidiaries	
At 31 May 2021	**131,728,833**
Impairment	**(5,802,000)**
At 31 May 2022	**125,926,833**

The company has the following investments in subsidiaries:

Company	Class of share	Proportion	Registered Office	Nature of Business
Clarke International Limited	Ordinary shares	100%	Hemnall Street Epping CM16 4LG	Wholesale
Machine Mart Limited	Ordinary shares	100%	Parliament Street Nottingham NG1 1GN	Retail

The investments are stated at cost less any impairment provision.

Notes *(continued)*

13 Stocks

Group	2022 £	2021 £
Raw materials and consumables	**325,630**	309,167
Goods for resale	**22,906,020**	14,259,409
	23,231,650	14,568,576

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £37,115,942 *(2021: £47,809,465)*. The write-down of stocks to net realisable value amounted to £998,247 (*2021: £657,443*). The reduction in stock provision during the year credited to the profit and loss account was £344,363 (*2021: £189,102 decrease charged to profit and loss*).

14 Debtors

Group	2022 £	2021 £
Trade debtors	**1,413,257**	1,599,119
Loans due from associated companies	**22,140,392**	20,516,507
Other debtors and prepayments	**2,640,317**	1,338,809
	26,193,966	23,454,435

15 Cash and cash equivalents

Group	2022 £	2021 £
Cash at bank and in hand	**15,187,486**	27,495,715

16 Creditors: amounts falling due within one year

Group	2022 £	2021 £
Trade creditors	**7,534,297**	6,924,323
Corporation tax	**665,746**	647,201
Taxation and social security	**1,723,024**	5,210,994
Other creditors and accruals	**11,561,539**	15,683,253
Amounts owed to associated companies	**3,396,169**	3,672,860
	24,880,775	32,138,631

Notes *(continued)*

17 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2022	2021	**2022**	2021	**2022**	2021
Group	**£**	£	**£**	£	**£**	£
Accelerated capital allowances	**-**	-	**165,983**	134,721	**165,983**	134,721
Short-term timing differences	**(11,729)**	(12,296)	**69,983**	93,273	**58,254**	80,977
Net tax liability	**(12,296)**	(12,296)	**235,966**	227,994	**224,237**	215,698

18 Financial Instruments

Group	**2022**	2021
	£	£
Carrying amount of financial assets		
Debt instruments measured at amortised cost	**23,553,648**	22,275,401
Carrying amount of financial liabilities		
Measured at amortised cost	**22,492,006**	26,280,436

19 Provisions

Group	**Warranty provision** **£**	**Deferred tax** **£**	**Total** **£**
Balance at 1 June 2021	925,237	215,698	1,140,935
Provisions made during the year	(148,313)	8,539	(139,774)
Balance at 31 May 2022	**776,924**	**224,237**	**1,001,161**

The warranty provision relates to anticipated future costs to rectify goods sold in the period, and returned under warranty where the group rctains liability for the rectification costs. The group, through its terms of trade, anticipates that the majority of warranty claims will have been incurred within twelve months of the date of sale, and thus a provision is made based on the anticipated claims from products sold in that period.

20 Share capital

Group	**2022**	2021
	£	£
Allotted, called up and fully paid		
13,126,146 ordinary shares of £0.10 each	**1,312,615**	1,312,615
Company		
	£	£
Allotted, called up and fully paid		
13,126,146 ordinary shares of £0.10 each	**1,312,615**	1,312,615

Notes *(continued)*

20 Share capital (continued)

Group and company	£
Balance at 31 May 2021 and 31 May 2022	**1,312,615**

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

21 Operating leases

Group

Non-cancellable operating lease rentals are payable as follows:

	2022 £	2021 £
Less than one year	**760,395**	760,395
Between one and five years	**2,652,944**	2,506,408
More than five years	**1,871,555**	759,735
	5,284,894	4,026,538

22 Retirement benefit schemes

Group

	2022 £	2021 £
Defined contribution schemes		
Charge to profit and loss in respect of defined contribution schemes	**575,514**	537,961

The group companies operate defined contribution pension schemes for all qualifying employees. The assets of the schemes are held separately from those of the company in an independently administered fund.

Notes *(continued)*

23 Cash generated from operations

Group	2022 £	2021 £
Profit for the year after tax	**6,439,426**	15,670,775
Adjustments for:		
Taxation charged	**1,753,525**	4,073,883
Finance costs	**4,995**	22,997
Investment income	**(254,006)**	(2,101,123)
(Gain)/Loss on disposal of tangible fixed assets	**(33,241)**	(26,846)
Depreciation of tangible fixed assets	**308,558**	156,973
Depreciation of intangible fixed assets	**70,878**	73,527
(Increase)/(Decrease) in provisions	**(148,313)**	103,866
Movements in working capital:		
(Increase) in stocks	**(8,663,073)**	5,041,079
(Increase) in debtors	**(2,739,532)**	(12,643,485)
(Decrease) in creditors	**(7,276,399)**	(8,070,067)
Cash used in operations	**(10,537,182)**	2,301,579

24 Capital commitments

The group and company had no contractual commitments to purchase tangible fixed assets at the year-end *(2021: £Nil)*.

At 31 May 2022 the group and company had foreign exchange contracts to buy 8,400,000 US dollars at exchange rates against GB pounds of between 1.24 and 1.25 US dollars until 1 December 2022. The total value of these contracts was £6,728,935.

25 Related parties

Transactions with Directors

During the year the group held a loan account in respect of amounts due to a director. At the start of the year the amount due was £3,438,657 *(2021: £727,746)*. During the year, payments to or made totalled £192,177 *(2021: £2,710,911)*. At 31 May 2022 the group owed the director £3,246,480 *(2021: £3,438,657)*. The maximum amount due during the year was £3,438,657 *(2021: £3,438,657)*.

During the year the company held a loan account in respect of amounts due to a director. At the start of the year the amount due was £3,433,659 *(2021:£769,450)*. During the year, payments to or made totalled £201,404 *(2021: £2,664,209)*. At 31 May 2022 the company owed the director £3,232,255 *(2021: £3,433,659)*. The maximum amount due during the year was £3,433,659 *(2021: £3,433,659)*.

Rent of £75,000 (*2021: £75,000*) was paid during the year to The Clarke Group Pension Scheme. The directors, J.A. Clarke and S.E. Clarke, are trustees and beneficiaries of the scheme.

During the year, J.A. Clarke had a loan account with the group and received loan payments of £619,504 (*2021: repayments £371,340*). Interest of £4,995 (*2021: £22,997*) was credited to J.A. Clarke during the year. At 31 May 2022 the balance on the loan account was £(17,097) (*2021: £607,403*) and is included within "Other creditors" in note 16. Interest is charged at a rate of 2% above the bank base rate.

Machine Mart Limited rented retail properties owned by a director and his connected parties outside of the Clarke Group International Limited group of companies for use in its trade. These rents amounted to £1,516,000 *(2021: £1,516,000)*.

Notes *(continued)*

25 Related parties *(continued)*

Transactions with other related parties

During the year net loan advances of £1,490,000 *(2021: £14,950,000)* were made to Clarke Group Finance Limited. Interest due for the year was £172,217 (2021: *£57,834*) which has been added to the loan balance. The amount outstanding at 31 May 2022 was £21,952,089 *(2021: £20,462,089)* and is included in loans to associated companies in note 14.

The advance of £8,710,000 *(2021: £9,812,000)* is treated as an interest free loan ("the loan") repayable by notice given by Machine Mart of not less than 12 months after the cessation of the trading relationships between Machine Mart and Clarke International and/or after the average of the advance during any preceding 12 months falls below £4.0 million during 2022 *(2021: £4.0 million).*

Subject to the loan, amounts advanced by Machine Mart to Clarke Group Finance in excess of the advance constitute demand loans by Machine Mart at an interest rate equivalent to 1% above the bank base rate providing the average cash balance of Clarke Group Finance and the average amounts due to it by Hemnall Limited during the year, calculated on a month end basis, is not less than £40 million.

The premium over bank base rate increases by 0.5% for every £5 million or part of £5 million Clarke Group Finance Limited's average cash balance and the amount due to it by Hemnall Limited (calculated as aforesaid) falls below £40 million.

Hemnall Limited is a company in which J.A. Clarke holds 100% of the share capital and in which J.A. Clarke is a director.

During the year net loan repayments of £251,334 *(2021: repayments £16,466,098)* were received by Clarke Group Finance Limited, a company in which J.A. Clarke, S.E. Clarke, T. Clarke and J. Williams are directors. The amount outstanding at 31 May 2022 was £3,421,526 *(2021: £3,672,860)* and is included in amounts owed to associated companies in note 16.

During the year net loan repayments of £Nil *(2021: £3,307,975)* were made by Majestic Property & Estates Limited, a company in which J.A. Clarke and S.E. Clarke hold 100% of the share capital and J.A. Clarke and S.E. Clarke are director. The amount outstanding at 31 May 2022 was £Nil *(2021: £Nil)* and is included in loans due from associated companies in note 14.

During the year net loan repayments of £85,431 (loan advances £15,017, repayments of £100,448) *(2021: loan advances of £461,289, repayments of £583,264)* were made from Hemnall Limited, a company in which J.A. Clarke holds 100% of the share capital and J.A. Clarke and S.E. Clarke are directors. As from the 1 June 2015 all interest is to be charged at 7% per annum above the Bank of England base rate, with interest charged at 6% per annum above the Bank of England base rate on all new development projects from 7 December 2017. Interest due for the year was £Nil *(2021: £Nil)* which has been added to the loan balance. The amount due from Clarke International Ltd to Hemnall Limited at 31 May 2022 £2,917,579 *(2021: amount due from Clarke International Ltd of £5,320,899)* and is included within amounts owed to associated companies in note 16.

During the year loan advances of £Nil *(2021: advances £1,919,369)* were made to Hemnall Investments Limited, a company in which J.A. Clarke holds 100% of the share capital and J.A. Clarke and S.E. Clarke are directors. As from 1 June 2015 all interest is to be charged at 7% per annum above the Bank of England base rate, with interest charged at 6% per annum above the Bank of England base rate on all new development projects from 7 December 2017. Interest due for the year was £Nil *(2021: £Nil)* which has been added to the loan balance. The amount due from Clarke International Ltd to Hemnall Investment Limited at 31 May 2022 was £707,307 *(2021: amount due to Hemnall Investments Limited of £707,307)* and is included within amounts owed to associated companies in note 16.

Notes *(continued)*

26 Reserves

Merger reserve
The merger reserve represents the difference between the nominal value of the shares issued and their valuation has been recognised as a merger reserve.

Other reserve
The other reserve represents the difference arising on consolidation between the value of the shares in the company and the nominal value of the share capital eliminated.

Profit and loss account
The profit and loss reserve represents cumulative profit and loss net of distributions to owners.

27 Controlling party

The ultimate controlling party is Mr J.A. Clarke.