T.Clarke Review & Financial Statements 2008

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COMPANIES HOUSE

Back cover: The East India Docks around the time T.Clarke started trading. © National Maritime Museum, London.
Front cover: Canary Wharf today

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# Our unchanging reputation

T.Clarke plc is the UK's oldest electrical contractor.
Our reputation in the market today is for constant innovation and for the consistent quality needed to bring jobs in on time and find new ways to add value. We have a nationwide network, with major operations in London and across the country from Aberdeen to St Austell. We take pride and care of our reputation and our independence. Most of all we are proud of our people; the work they do and the relationships their work has built and sustained.

# The headlines of our year

**Page 04**

## Chairman's statement

A statement reviewing our 2008 results and performance from the T.Clarke Chairman, Russell Race.

**Page 05**

## Business review

A review of operations that sets out our core strategic objectives, the criteria by which we judge our performance against our objectives and a full review of our market and operations, including board changes and analysis of the principal risks and uncertainties affecting us today.

T. Clarke 120 1889·2009

**Page 14**

## Celebrating 120 years

In 1889 Tommy Clarke and his two brothers launched this high-tech start-up in the brand new world of electrical engineering. Right from the start, this firm had a reputation for quality and technical excellence. The 120th anniversary of T.Clarke is a celebration of our people: the apprentices, electricians, charge hands and project engineers who have made this firm what it is. T.Clarke has always stood by its belief in the power of our people to deliver. It was true when we started - it is true today.

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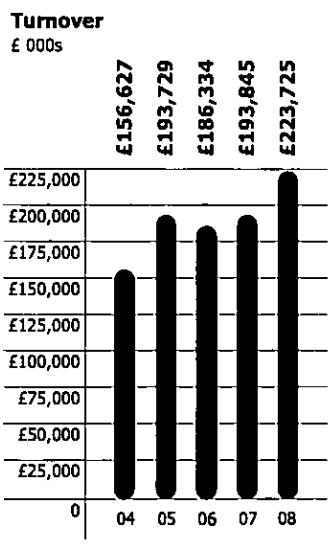
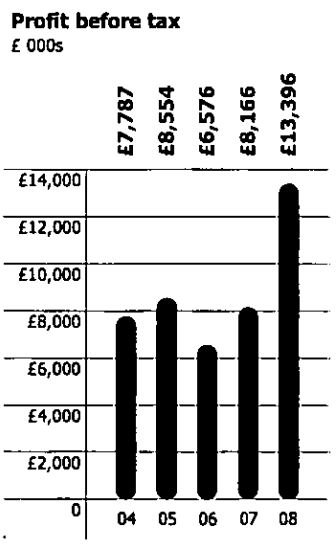
## Financial review



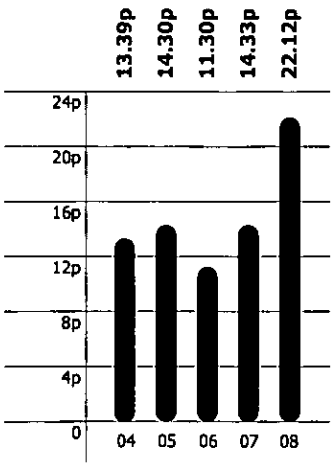



## Page 36

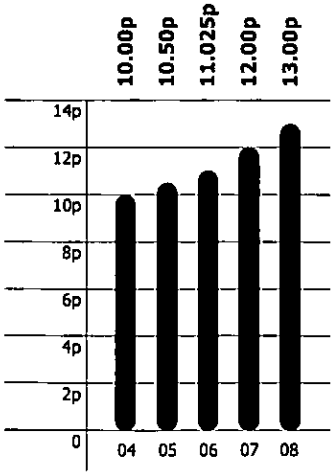
### 2009 and beyond

In 2009 Barry Defalco and Mark Lawrence lead the business forward. They set out their strategy of continuity, focusing on the same fundamental principles of innovation and quality for clients, delivered the classic T.Clarke way; by people with commitment and expertise.

**Earnings per share**
Pence




**Ordinary dividends per share**
Pence

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# Chairman's statement

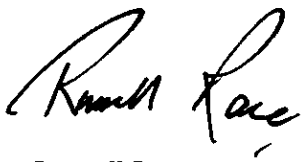
While the business environment is challenging, it is very pleasing to be able to report excellent results for the group in 2008. The London operations benefited from a high level of capacity utilisation and the successful completion of some major projects. In addition there was an overall improvement in the operating performance of our regional businesses.

The current economic problems have been well documented, and this uncertain environment is undoubtedly having an impact on the construction industry. As our skills tend to be used at the latter end of contracts, there is a delayed effect on our order book as the level of new build slows down. Nevertheless we can look to a solid and sustainable level of activity during the current year. Looking to the future we have also the underpinning for our London operations of some long-term, high-profile contracts which are detailed elsewhere in the report. For all our operations, we will continue to focus on positive cash flow and on the reduction of risk.

The difficulties of operating in the present business climate should not be underestimated, and the board is particularly appreciative of the professionalism and dedication of all our staff whose efforts continue to keep T.Clarke as a beacon of excellence in the industry. At the same time, we continue to value highly our long-standing links with our supportive client base.

There have been some changes to our non-executive directors. We are very grateful for the contribution made by Len Arnold who stood down during the year after ten years on the board. Bob Campbell, who joined at the beginning of 2008, brings relevant industry and city skills, and we look forward to working with Iain McCusker, who joined at the beginning of this year, and whose financial background will be particularly appropriate in current times.

The group is well placed to perform to the very best for shareholders in the year ahead, and to face the difficult business climate from a position of financial strength, and, equally importantly, with that unique asset - the T.Clarke team.



**Russell Race**
Chairman
18th March 2009

# Business review

## Operational review

**With 120 years in business, T.Clarke continues to be a market leader in the electrical contracting industry. The company is widely recognised for its excellent customer service and training of apprentices who become the skilled trades people and engineers of tomorrow.**

**Maintenance of this position is central to the company's long-term prosperity, which can be expressed in terms of value to shareholders and attracting and retaining the best people.**

**The T.Clarke group of companies provides services and coverage across the UK, from Aberdeen in Scotland to St Austell in Cornwall.**

**Our strategy and core objectives across the group are as follows:**

- Maintain our excellent reputation in the market place, provide top quality service to our customers and develop long-standing customer partnerships
- Focus on new market sectors to broaden the spread of the business and reduce market risk
- Provide a comprehensive service to all market sectors and achieve leading positions in each sector
- Controlled organic growth and growth by acquisition
- Offer ongoing apprentice schemes and train all staff in new technologies and systems
- Offer industry-leading remuneration packages to help retain and motivate our staff
- Provide a safe and healthy working environment for all our staff and operatives
- Reduce the impact of the group's business on the environment
- Involvement in social and community issues

To enhance its value for shareholders, the group will drive its operations and strategy from these core objectives and will look to improving efficiency, support for our customers and maintaining competitive advantage from having a highly skilled, directly employed labour force.

**Key performance indicators - KPIs**

It is difficult to establish external benchmarks with which to gauge our performance because, primarily, a significant number of our peers are business units working within larger construction groups and their figures and performance are not separately reported. Secondly, much of the most critical performance data within the construction industry is commercially sensitive and not released.

We monitor our performance against our strategy by reference to:

- Sales per employee - page 9
- Pre-tax profit margins - page 9
- Pre-tax profit per employee - page 9
- Remuneration per employee - page 9
- Customer feedback - page 10
- Health and safety - pages 10 and 41
- Environment - pages 10 and 41

**Market development**

Since autumn 2008 there has been a well-publicised downturn in new commercial property development, particularly in the City of London. Major developers are cancelling and delaying a number of large schemes. Private residential schemes have been similarly affected throughout the UK. There is however, continued demand in the public sector. Sectors such as health, education, prisons and rail, and also affordable housing and social housing continue to provide the group with work. Our strategy is to build strong relationships with our client base and supply chain, and to enhance our capabilities, skills and finances to operate in the current environment.

**Operations**

2008 was an excellent year and the group delivered record results. We are very pleased with the integration of our businesses. Operating at almost full capacity, due in the main to the accelerated Westfield Shopping Centre programme, our London operations again contributed to a very strong performance. Our regional business performed well but the results for the year were impacted by significant bad debts. We carefully assess our credit risk but in these uncertain times this is challenging, particularly where established contractors' bankers and other sources of finance take increasingly demanding and short term views.

**London**

London operations have commenced work with Team Stadium on the construction of the Olympic Stadium which is scheduled for completion in early 2011. Negotiations are continuing with Westfield for the new shopping centre in Stratford City, bordering Olympic Park, due to be opened in late 2010. Contracts have been signed for the Pinnacle Building, Bishopsgate, due for completion in early 2012. These projects, together with other contracts, represent most of the significant business available in the London market.

**Regions**

A selection of contracts recently secured by our regional operations is included below:
Carstairs State Hospital, Scotland; New Stand Falkirk Stadium; Haymarket Transport Hub, Newcastle; Burnside and Silksworth Swimming Pools, Wallsend and Sunderland, Tyne on Wear; Harrogate Library; Abraham Guest School, Wigan; HMP Norwich; Bell Bird Primary School, Sawston, Cambridge; RAF Bicester, Oxon; Truro Library, Cornwall; five Waitrose supermarkets and additional works at Tidworth Garrison.

**Board changes**

Bob Campbell, formerly Managing Director of Waterman Group plc (a leading quoted engineering consultancy), was appointed as an additional Independent Non-Executive Director on 1st January 2008. He was appointed Senior Independent Director after Len Arnold, having served a term of 10 years as an Independent Non-Executive Director, stood down from the board on 31st July 2008. It was the board's intention to appoint an additional Independent Non-Executive Director and Iain McCusker was appointed

as an Independent Non-Executive Director on 1st January 2009. Iain McCusker was previously a partner in Coopers & Lybrand (now PricewaterhouseCoopers), has held several senior roles in industry and was also appointed chair of the Audit Committee on 1st January 2009.

**Regional board**

For reporting and operational efficiency the regional board, consisting of the Regional Managing Directors, supported by the Group Financial Controller, reports to the Managing Director - Regions.

**People**

The group remains committed to providing the best training for all members of staff and currently employs 233 apprentices and 56 adult trainees. This is a key feature of our business and we are proud of the quality of our people. The group draws on the expertise of its people in thirteen subsidiary companies across the UK; each with its own local brand but with a shared reputation for excellence; see pages 18-25. Health and safety remains of paramount importance to the group and we remain vigilant in this area.

**Community and the Environment**

We are committed to the community in which we operate and we contribute to a number of charities and fundraising events each year; see pages 43 and 65. Equally important is our focus on minimising any impact caused by our business on the environment and we continue to monitor our progress in this area. See pages 41 and 43.

**Pensions**

The risk associated with the defined benefit scheme has to be weighed up against increased staff retention and other benefits to staff as a result of the scheme. During 2008, T.Clarke conducted a consultation with members and bonuses were removed from pensionable salary with effect from 1st January 2009. In order to contribute towards scheme funding, the group is granting a charge to the value of the greater of £1.5 million or half the value of our London property (current valuation £2.7 million) to the pension fund, before 31st March 2009. An advantage to the group would be the related reduction in the risk-based levy paid to The Pensions Protection Fund and the ability to spread deficit contributions over a longer period. T.Clarke will continue to monitor the scheme and consult with members as required.

## Principal risks and uncertainties

The main areas of uncertainty facing the group relate to market conditions, acquisitions, operational risk, cost inflation, people and health and safety. These are the main risk factors that could potentially impact the group's performance.

**Market conditions**

During 2009, market conditions have been more difficult as a result of the downturn. There is the possibility that projects may be delayed and there may be increased pressure on margins. However, whilst our business will always be subject to economic cycles, risk is reduced by the diversity of our markets, both in terms of geography and sector. There could also be opportunities because, although we are a clear leader in our industry, we still have a relatively small share of our target market and we may have the ability to exploit opportunities and bolt-on acquisitions at the appropriate time.

**Acquisitions**

We are not currently pursuing acquisitions; we will act only when opportunities advance our strategy at sensible prices.

**Operational risk**

We are continually assessing and managing operational risks through the bidding stage to the final commissioning of an installation and handover to the client. We have experienced teams of estimators and all bids are reviewed by a director and checks are carried out to avoid incorrect or non-competitive pricing. Inadequate supervision would result in poor quality and low productivity, both of which would result in loss of reputation and profit. Our contract engineers, supervisors, surveyors and skilled trade's people receive regular training to meet our demanding standards.

**Cost inflation**

Commodity prices of copper and steel, which are major component parts within our industry, are near to an all-time low as a result of the global downturn in demand. However, UK prices could be affected by the weakness of Sterling. We have in place formal supplier framework agreements to manage this risk.

**People**

Providing a high quality service to our clients is only possible with the right people, and attracting and retaining high calibre staff is key to our success. This is achieved through a remuneration system linked to performance and strongly embedded training schemes throughout the group. However, in the event of sharp downturns in the group's businesses or major contract slippages, having a large directly employed labour force could prove costly in the short term. We have continuous dialogue with the trades unions and continue to review our policies and procedures in managing this risk.

**Health and safety**

We need to ensure that we provide safe working conditions for our employees, sub-contractors and the public. We recognise that any lack of commitment in our health and safety approach will have a negative impact on individuals, attract financial penalties and adversely impact our reputation. The group has a comprehensive framework in place to manage health and safety risks. See accident statistics on page 10.

## Financial results

| **Overview of performance** | **2008 £m** | 2007 £m | Change |
|---|---|---|---|
| Group revenue | 223.73 | 193.85 | +15.4% |
| **Adjusted operating profit*** | | | |
| London operations* | 9.75 | 5.15 | +89.3% |
| UK regions* | 4.23 | 2.51 | +68.6% |
| Property rental income* | 0.40 | 0.46 | –11.8% |
| **Total** | **14.38** | **8.12** | **+77.2%** |
| Goodwill impairment | -1.80 | 0.00 | – |
| Operating profit after goodwill impairment | 12.58 | 8.12 | +55.0% |
| Investment income | 0.97 | 0.27 | +262.8% |
| Finance costs | -0.15 | -0.22 | –30.1% |
| Profit before tax | 13.40 | 8.17 | +64.0% |
| **Adjusted profit before tax*** | **15.20** | **8.17** | **+86.1%** |
| Basic earnings per share (pence) | 22.12p | 14.33p | +54.4% |
| **Adjusted earnings per share (pence) *** | **26.63p** | **14.33p** | **+85.8%** |

* Adjusted figures are calculated before goodwill impairment of £1.8 million

# Financial Key Performance Indicators - KPIs

Achieved target of above average sales per employee compared to selected peer group. 2008 showed an improvement over 2007.

| Sales (£000s) per employee | 2008 £000s | 2007 £000s | 2006 £000s | 2005 £000s |
|---|---|---|---|---|
| T.Clarke plc | **156** | **126** | **122** | **124** |
| Lorne Stewart plc | | 118 | 121 | 110 |
| Bailey Limited | | 151 | 123 | 132 |
| Emcor Group (UK) plc | | 120 | 124 | 106 |
| Rotary Group Limited | | 80 | 98 | 104 |
| Average | | 119 | 118 | 115 |

Achieved target of above-average pre-tax profit margins compared to peer group in each of the previous three years. 2008 showed a significant improvement over 2007.

| Pre-tax profit margin % | | | | |
|---|---|---|---|---|
| T.Clarke plc | **5.99** | **4.21** | **3.53** | **4.42** |
| Lorne Stewart plc | | 3.85 | 2.82 | 2.05 |
| Bailey Limited | | 1.34 | 3.31 | 2.71 |
| Emcor Group (UK) plc | | -1.21 | 1.39 | 1.57 |
| Rotary Group Limited | | 4.69 | 4.68 | 4.88 |
| Average | | 1.93 | 2.83 | 2.78 |

Achieved target of above-average pre-tax profits per employee in each of the previous three years. Pre-tax profit per employee in 2008 improved significantly relative to 2007.

| Pre-tax profit (£000s) per employee | | | | |
|---|---|---|---|---|
| T.Clarke plc | **9** | **5** | **4** | **5** |
| Lorne Stewart plc | | 4 | 3 | 2 |
| Bailey Limited | | 2 | 4 | 4 |
| Emcor Group (UK) plc | | (1) | 2 | 2 |
| Rotary Group Limited | | 4 | 4 | 5 |
| Average | | 3 | 3 | 4 |

Achieved target of above-average remuneration per employee in order to retain and attract high quality employees.

| Remuneration (£000s) per employee | | | | |
|---|---|---|---|---|
| T.Clarke plc | **39** | **34** | **33** | **30** |
| Lorne Stewart plc | | 34 | 31 | 29 |
| Bailey Limited | | 33 | 31 | 31 |
| Emcor Group (UK) plc | | 33 | 31 | 29 |
| Rotary Group Limited | | 26 | 30 | 26 |
| Average | | 32 | 31 | 29 |

| Base data: Sales | 2008 £000s | 2007 £000s | 2006 £000s | 2005 £000s |
|---|---|---|---|---|
| T.Clarke plc | **223,725** | **193,845** | **186,334** | **193,729** |
| Lorne Stewart plc | | 206,079 | 225,428 | 216,793 |
| Bailey Limited | | 413,254 | 406,616 | 425,222 |
| Emcor Group (UK) plc | | 378,699 | 415,304 | 390,418 |
| Rotary Group Limited | | 216,773 | 150,431 | 163,316 |

| Pre-tax profit (£000s) | | | | |
|---|---|---|---|---|
| T.Clarke plc | **13,396*** | **8,166** | **6,576** | **8,554** |
| Lorne Stewart plc | | 7,936 | 6,367 | 4,440 |
| Bailey Limited | | 5,546 | 13,455 | 11,531 |
| Emcor Group (UK) plc | | (4,595) | 5,760 | 6,116 |
| Rotary Group Limited | | 10,166 | 7,045 | 7,976 |

* After goodwill impairment of £1.8 million

Source: Companies House

# Non-financial Key Performance Indicators

### Customer feedback

In 2008 we have had a disappointingly low response rate to our customer feedback forms. So although the trend is positive, we do not believe it provides a useful measure of performance. Going forward we have decided to review the current mechanism and evaluate alternative ways to capture customer feedback on our work. However, the strength of our long-term client relationships, expressed in on-going project wins year on year, is in itself a measure of positive customer feedback.

BS EN ISO 14001
Certificate No. E912

### Environment

In November 2008, T.Clarke completed its third successful annual audit for ISO 14001. We are delighted to have once again achieved this substantive and internationally recognised measure of good environmental practice.

### Health & safety

**Accident statistics**

| | 2008 | 2007 | 2006 | 2005 |
|---|---|---|---|---|
| T.Clarke London | 49 | 79 | 129 | 141 |
| T.Clarke Bristol | 12 | 5 | 11 | 1 |
| T.Clarke Midlands | 7 | 14 | 9 | – |
| Anglia AES | 4 | 15 | 5 | – |
| Aylward EMS | 10 | 7 | 17 | 11 |
| JJ Cross | 7 | 10 | 5 | 3 |
| GDI | 1 | 1 | 1 | – |
| Kestrel | 2 | 2 | 2 | 6 |
| WE Manin | 9 | 9 | 6 | 4 |
| Mitchell & Hewitt | 7 | 4 | 6 | 4 |
| H&C Moore | 19 | 11 | 13 | 9 |
| SCS | 8 | 7 | 7 | 18 |
| Veale-Nixon | 1 | 2 | 10 | 5 |
| Waldon | 5 | 9 | 8 | 6 |
| | 141 | 175 | 229 | 208 |

**Customers, partners and suppliers**

**A selection of key customers**

British Land, Hammerson, Land Securities, Stanhope, Canary Wharf, RBS, Credit Suisse, Bank of America, Deutsche Bank, ABN Amro, John Lewis Partnership, Waitrose, Westfield Shoppingtowns, Cala Homes, Berkeley Homes, Barratt Homes, Newcastle University, Durham University, Leeds University, Home Office Prisons, MOD, British Energy, Imperial College and Kent International Airport.

**A selection of key suppliers**

Siemens, Schneider Electric, Chloride, ADT, Edmundsons Electrical, W.F. Electrical and GR Switchgear.

### Summary

Given the current economic climate 2008 was an exceptional year. Our core business is in 'late cycle' within the commercial property development cycle and our revenues were also increased due to the accelerated programme on Westfield Shopping Centre. We have tough challenges ahead and must face them head on. Whilst seeking sensible cost savings and new initiatives it is essential that we retain our skills base for future workload and for the upturn in the market when it comes.

### Prospects

Despite these uncertain and challenging times we remain cautiously optimistic. The group is in very good shape and we have a very strong cash position. Our order book at the year end stood at £160m (2007: £215m) plus £30m of contracts currently under negotiation; £140m is due for completion in 2009 (2007: £180m). As previously announced, we anticipate revenues for 2009 to be at more modest levels. We will however seek to exploit growth opportunities where they arise.

**Pat Stanborough**
Chief Executive
18th March 2009

# Financial review

**Basis of preparation**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). There have been no changes in accounting policies during the year.

**Summary of financial performance**

Group financial performance was exceptional in 2008 in terms of revenue, profit and earnings per share. Revenue increased by £29.9m (15.4%) to £223.7m, operating profit increased by £4.5m (55.0%) to £12.6m, profit before tax increased by £5.2m (64.0%) to £13.4m and earnings per share increased by 7.79p (54.4%) to 22.12 pence per share.

**Revenue and operating profit**

The group's revenue increased by 15.4%, or £29.9m, to £223.7m (2007: £193.8m). Turnover in the London business increased by 32.3% to £102.1m (2007: £77.2m) as a result of the acceleration of major projects in London. Revenue in the UK regional businesses increased 4.3% to £121.6m (2007: £116.6m).

Group operating profit increased 55.0% to £12.6m (2007: £8.1m) and group operating margin increased to 5.6% (2007: 4.2%), after goodwill impairment of £1.8m (2007: £0m) relating to three regional subsidiaries.

Before goodwill impairment, group operating profit increased by £6.3m to £14.4m in 2008 and group operating margin was 6.4%.

The London business showed a £4.6m (89.3%) increase in operating profit to £9.8m (2007: £5.2m) due to favourable completions on contracts and the operating margin was 9.6% (2007: 6.7%).

Regional operating profit, before £1.8m of goodwill impairment, was £4.2m (2007: £2.5m) due to a greatly improved performance across a number of subsidiaries. Regional operating margin, before goodwill impairment, increased from 2.1% to 3.5%. After goodwill impairment, regional operating profit was £2.4m and operating profit margin was 2.0%.

Group administrative expenses increased by £5.5m to £26.0m (2007: £20.5m) due to increases in salary costs, bad debt and other operating expenses. Group bad debt expense totalled £1.4m in the year (2007: £0.1m) including a charge of £0.6m in London and a £0.8m charge from the regional businesses due to a number of regional customers experiencing difficulties.

**Profit before tax**

Group profit before tax before goodwill impairment was £15.2m (2007: £8.2m), a £7m (86.1%) increase on the previous year.

After goodwill impairment, group profit before tax increased £5.2m or 64.0% to £13.4m, uplifted by £0.9m of net interest income (2007: £0.1m) due to substantially higher levels of cash deposits held.

**Profit after tax**

Group profit after tax increased £3.1m (54.4%) to £8.8m (2007: £5.7m) after taxation of £4.6m (2007: £2.4m). The effective tax rate increased to 34.0% (2007: 29.9%) mainly due to £1.8m of tax disallowable goodwill impairment. Excluding goodwill impairment, the effective tax rate was 30.0% (2007: 29.9%).

Net profit margin was 3.95% in 2008 (or 4.75% excluding goodwill impairment), compared with 2.95% in prior year.

**Earnings per share**

Earnings per share increased 7.79p (54.4%) for 2008 to 22.12 pence per share (2007: 14.33p). Earnings per share, excluding goodwill impairment, were 26.63p.

**Dividend**

The board proposes a final dividend of 8.75p (2007: 8.10p). The total dividend in 2008 is 13p (2007: 12p), an 8.3% increase from 2007. The dividend per share is covered 1.7 times by earnings per share (2007: 1.2 times). The final dividend will be paid, subject to shareholder approval on 13th May 2009 to shareholders on the register as at 14th April 2009. The shares will go ex-dividend on 8th April 2009. Further information regarding a dividend reinvestment plan (DRIP) which is available to shareholders, is included in Note 17 on page 106.

**Cash flow**

Cash generation was very strong, with net cash from operating activities increasing £15.3m during the year to £26.3m as at 31st December 2008 (2007: £11m). The increase in cash was partly due to increased cash collection from debtors and a different business mix with payments being received directly from end user clients. Cash and cash equivalents (net of overdrafts) as at 31st December 2008 was £30.4m compared with £9.0m as at 31st December 2007. The improved cash position has prompted the board to increase the dividend for the year. Remaining cash will be held by the group to mitigate against the uncertain economic environment going forward and will also be available if an acquisition opportunity were to arise in the future.

**Pension obligations**

An actuarial gain before tax of £0.3m, in relation to the defined benefit scheme, (2007: gain of £3.2m) has been recognised in reserves on the balance sheet.

The pension scheme deficit before taxation has decreased by £0.6m (2007: decrease of £3.0m) to £2.7m (2007: £3.3m) due to the 0.9% increase in the discount rate assumptions from 5.8% to 6.7% (2007: an increase from 5.10% to 5.8%), offset by a lower return on scheme assets and an increase in the mortality assumptions from the medium to the long cohort projection.

In order to contribute towards the scheme funding, a contingent asset (to the value of the greater of £1.5m or half the current £2.7m value of the group's London property) is in the process of being granted to the T.Clarke pension scheme as outlined in the Section 'Pensions' on page 7.

The security documentation in this regard is expected to be completed prior to 31st March 2009.

**Treasury and funding**

The group currently manages its funding so that cash generated is used in day to day operations, invested in growth or in acquisitions. The group does not currently have any long-term debt apart from finance leases and similar hire purchase arrangements.

**Financial risks**

**Credit risk**

There is the risk that a counterparty will fail to discharge its obligations which may result in a financial loss. The group has procedures for mitigating the credit risk on trade receivables prior to accepting a contract and during the progression of the contract. The counterparty risk on cash and bank deposits is managed actively by the regular review of the credit-worthiness of the relevant banking institutions.

**Liquidity risk**

The group manages liquidity risk by maintaining adequate reserves and banking facilities, by monitoring cash flows and by matching the maturity profiles of financial assets and liabilities within the bounds of its contractual obligations. At the year end the group had £30.4m of net cash (2007: £9.0m).

**Cash flow interest rate risk**

The group is exposed to changes in interest rates on its bank borrowings and deposits. Surplus cash is placed on instant access, short-term or long-term deposit at fixed or floating rates of interest.

The group's financial instruments comprise cash and cash equivalents (short term deposits), overdraft facilities, contract and other trade receivables, trade payables and similar balances arising directly from its operations. The group does not trade in speculative financial instruments.

**Victoria French**
Finance Director
18th March 2009

# Celebrating 120 years

## It all started here

Advertising 'Speciality - Wires Encased in Fire-proof Material' as we did in 1889 would be like advertising an expertise in nanotechnology today. T.Clarke was one of the many firms of pioneering engineers, taking brand-new inventions and turning them into the practical technologies that would transform and shape the next century. And this was our city - Victorian London - inspiring, shocking and quite simply the capital of the world.

T. CLARKE & CO.

*Speciality*—
Wires Encased in Fire-proof
Material, &c 1889

# A business spread across industry sectors

Just outside the T.Clarke boardroom hangs this original poster from the early days. The advertising line 'List of Important Jobs carried out by us' might be a bit plain, but then so is the fact that already the firm had been very successful in the major sectors of the industry, as they were back then. In those days those sectors included 'Country Houses', 'Town Houses' and plenty of projects for 'H.M. Office of Works'. The clients ranged from HRH the Duke of Connaught to the Hon. Mrs Trollope and Lady Farquhar.

In 2009, the business has a different foundation. T.Clarke has nationwide capability across key market sectors, each of which operates in its own economic cycle. This breadth of presence limits the risk of over-exposure in any one market, while allowing us to take full advantage of opportunities as they arise.

Our ability to deliver consistent quality is as a result of our focus on skilled, directly employed people, the development of their capabilities and the promotion of their health and safety.

This breadth of sector capability helps balance the business performance - but equally importantly it allows us to develop best practice and skill, so that our practical standards of quality and innovation can remain at the highest levels.

| | Government/local authority | Commercial shell & core | Commercial fit out | Commercial refurbishment | Transport | Healthcare | Education | Media | Retail & leisure | Residential | Communications & security | Technologies | Industrial | Mechanical |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| % | 6 | 21 | | 4 | 2 | 10 | 1 | | 24 | 12 | 1 | 5 | 3 | 11 |

**Turnover analysis by work sector**

**Government/local authority 6%**
Beaufort Park, Hendon

**Commercial 21%**
Royal Bank of Scotland, London

**Transport 4%**
Docklands Light Railway, London

**Healthcare 2%**
Gartnavel Royal Hospital, Glasgow

**Education 10%**
Melville Lab, Cambridge University

**Media 1%**
BSkyB, London

**Retail & leisure 24%**
Westfield London

**Residential 12%**
Echo Building, Sunderland

**Communication/security 1%**
Canary Wharf, London

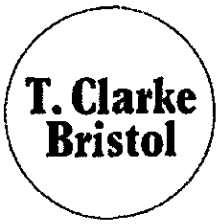
**Technologies 5%**
Dungeness Power Station, Kent

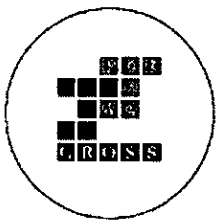
**Industrial 3%**
Bespak, Cambridgeshire

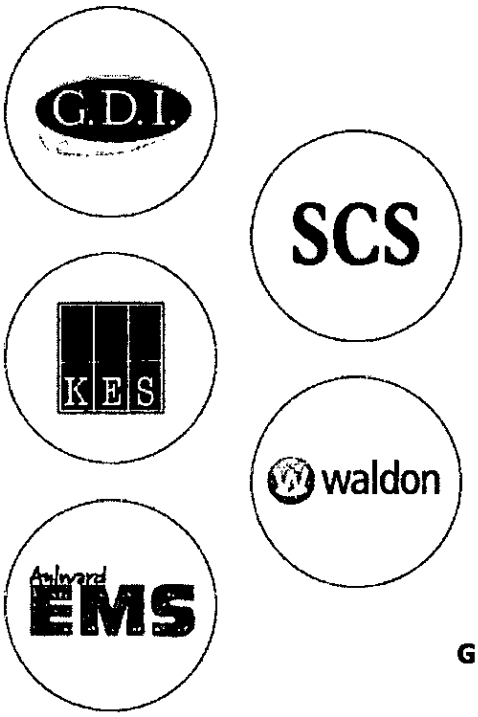
**Mechanical 11%**
Tidworth Aspire

# Nationwide electrical engineering capability

Today we can offer you a complete nationwide service. Our regional network offers the same clear advantages of a high quality, highly motivated and directly employed workforce and engineers to work on projects of any scale, anywhere you need them in the UK.






12 **SCS** Aberdeen

12 **SCS** Falkirk

2 **Veale-Nixon**
Newcastle upon Tyne

**JJCross** Preston 6
**GDI** Altrincham 11

7 **H&C Moore** Leeds

**Mitchell & Hewitt** Derby 8

8 **T.Clarke Midlands** Peterborough 3

10 **Kestrel** Warley 10

3 4 **Anglia AES** King's Lynn 4

9 **Aylward EMS**
Huntingdon 9

**T.Clarke Bristol** Bristol 5

**T.Clarke** London

1 **WE Manin** Sittingbourne

13 **Waldon** St Austell

# Stories from the regions: individual heritage, shared values

The story of our regional network is a central one. In 2008 the regions contributed 54% of turnover; the balance this provides is of strategic importance to the business.

But when T.Clarke set out 12 years ago to start building a regional network, there was no haphazard rush to bulk up the turnover. Instead, the board set out to find companies with the same commitment to quality and same resource of good directly-employed people. They looked for firms with the same attention to practical innovation, service and training that builds strong and long-lasting relationships.

Some of the firms which joined the group were old, some were relatively young. But in each case these fundamentals were right and so the fit with the T.Clarke brand and ethos was also right. By arranging systems of control to give the business certainty, but by also giving the regional companies the freedom to retain their identities and sense of pride and heritage, the board sought to create a nationwide network of real value. As we celebrate 120 years of T.Clarke, we can also take the opportunity to look out across the nation at the heritage, reputation and prospects of our regional companies - and we can see real consistency in the themes that emerge.

## ❶ WE Manin

Bill Manin founded the firm before the Second World War in Crescent Street, Sittingbourne as a small but specialised electrical contractor. The post-war years saw Manin expand to employ some 30 operatives and staff. Then, during the 1970s Manin's ownership changed twice, before it became a wholly-owned subsidiary of George Wimpey. Things changed again in 1984 when MD Bernard Hilling led a successful MBO and re-established Manin on new purpose-built premises, with a strong, diversified business and with the old name taking pride of place again. In 2001 Manin joined the T.Clarke group - keeping its name and its loyal and experienced team (the average length of staff service across the 60 strong workforce is 12 years). Together they have built the business to a turnover of £9 million and to serve a predominance of industrial and public sector clients ranging from HM Prisons and the Defence Establishment to British Energy, Railtrack, BT, Shepherd Neame and Pfizer. These relationships have helped Manin to build expertise in design and build 'Turnkey Contracts', incorporating project management with diverse activities such as civil works, mechanical engineering and data installations.

❷ ❸ ❹ ❶

Dungeness, Kent
**WE Manin**

## ❷ Veale-Nixon

Veale Nixon opened for business in 1944 - the year of the Normandy landings. Seventeen years later it joined the T.Clarke family. For those first three decades the firm was closely involved with the region's famous shipbuilding industry. As that industry declined, Veale Nixon made a successful move to serve the retail, education, health and industrial sectors. Today, the firm employs 90 staff and works on projects ranging from the Northumbria University sports facility, complete with a 'floating floor' swimming pool, to the regeneration of the Whitley Bay Playhouse.

## ❸ T.Clarke Midlands

We opened for business in Peterborough in the year of the Queen's Silver Jubilee. Winning the contract for the town's Queensgate shopping centre back in 1977 was a springboard from which to launch a business in the Midlands. Once launched, the business grew in the classic T.Clarke way: building relationships, building knowledge and focusing on a simple formula that managing director Kevin Bones describes as "quality and commitment; collaboration rather than confrontation". Retail has always been a major strength for the firm - as shown by the completion this year of the Grand Arcade shopping centre in Cambridge. The firm's longstanding relationship with Waitrose, with which it has worked nationwide for many years, underlines that truth.

## ❹ Anglia Electrical Services

From the very start, when Anglia was founded in 1994, it was serving the demanding pharmaceutical and medical worlds - in the form of a local hospital and Bespak Ltd - a cutting edge pharmaceutical component manufacturer. Fifteen years later Bespak is still a client and Anglia is currently working on a building to house plasma coating machines. The firm carries out all types of electrical contracting across Norfolk and Suffolk.

RadissonSAS Hotel, Durham
**Veale-Nixon**

The Lifeguard Centre, Blyth
**Veale-Nixon**

Grand Arcade, Cambridge
**T.Clarke Midlands**

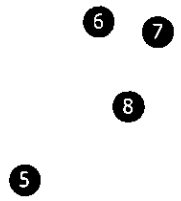
Liberty Village, US Airforce, Suffolk
**Anglia AES**

## ❺ T.Clarke Bristol

When it opened nearly 40 years ago, T.Clarke Bristol was a small satellite of the London office. Today T.Clarke Bristol is a major regional electrical and mechanical contractor, operating autonomously and fully diversified, with its own team of engineers, project managers and design, buying and estimating outfits, in a team of more than 75 people. The firm handles large multi-million pound projects like the series of buildings at MoD Tidworth, Drake's Circus in Plymouth and Bordeaux Quay in Bristol. The project with artist Damien Hirst on his £3 million Studio, comprising gallery, studios and workshops, is demanding in terms of quality and design and in the requirement for ground-breaking environmental aspects - such as ground source heat pumps and a biomass boiler plant. The electrical installation also includes the infrastructure and switchgear to accept Europe's largest single photovoltaic installation. Even the lighting installation is purpose-designed to allow for fine-tuned experimentation with lighting conditions and levels. Consistently working on projects of this calibre, with new challenges to overcome, is one of the biggest factors in giving T.Clarke Bristol the expertise and experience clients want.

## ❻ JJ Cross

Tommy Clarke started his business the same year that Edison got his patent for fire-proof wire. John J. Cross started his firm in 1958, the year the silicon chip, now so central to electrical installation, was invented. JJ Cross started small (with a domestic rewiring job), but good work builds reputation and the Preston firm quickly moved ahead with projects to convert steam-driven cotton mills to electric power. Work then progressed into the education, commercial and healthcare sectors. John J. Cross himself became a well-known and respected figure in the industry and was made chairman of the board of the Electrical Contractors Association. Today the firm still enjoys the same diversification and strength of regional relationships. The recent installation of photovoltaic power generation within an office development in Oldham is one the firm takes real pride in.




Cabot Circus car park, Bristol
**T.Clarke Bristol**

Bordeaux Quay, Bristol
**T.Clarke Bristol**

Tidworth Aspire
**T.Clarke Bristol**

Photovoltaic power generation, Oldham - **JJCross**

## ❼ H&C Moore

Herman and Cecil Moore started the firm back in the 1930s and for 30 years they built it up, until Cecil was tragically knocked down and killed in 1963. Herman then brought his nephew Chris Cribb into the business and the company's growth sped up. So when H&C Moore joined the T.Clarke group in 2000 it was already a well-established family firm with a powerful reputation regionally and a track record that covered mechanical and electrical services. Long-term customer relationships are a feature of the firm's strength, with some of those stretching back over 40 years. When you look at the staff, it's the same picture, with a very high percentage of site operatives having been with the firm for long periods - sometimes more than 25 years. So this is an old family firm that believes in its people and training apprentices; but of course, to keep trading over the years, it has stayed market-focused. The evidence of that is that today H&C Moore has a turnover in excess of £12 million and a full order book taking the firm into 2010. Herman Moore would have approved. His interested in the business never waned and he regularly came into the offices until his 93rd year! The firm still bears his name proudly.

## ❽ Mitchell & Hewitt

Having trained together at another local firm, David Mitchell and Barry Hewitt opened for business on Lodge Lane in Derby, back in 1969. Forty years later the firm's turnover is £15 million and its operation delivers the 'one stop shop' for mechanical and electrical services which the regional market requires. The firm joined T.Clarke in 2004 and, while David Mitchell stepped down from the helm for retirement in 2005, the emergence of the firm's longest time-served employee David Peck as MD provided evidence of the continuity and stability of the company. Developing strong relationships through good work - like the £3 million High Cross Quarter Car park for contractor Norwest Holst and client Hammerson - is going to stay at the heart of the firm's approach to business.

Herman Moore of **H&C Moore**

Operatives on-site in Leeds
**H&C Moore**

Beaufort Park, Hendon
**Mitchell & Hewitt**

Beaufort Park, Hendon
**Mitchell & Hewitt**

## ❾ Aylward EMS

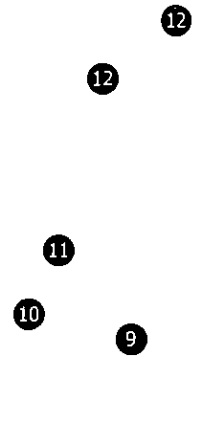
Ann Buckle was working in accounts, husband Mike was a local authority engineer: together they founded AG Aylward in 1978 to carry out small works and maintenance for local authorities. For 14 years they operated from a small shop and office. By 2008 the firm had expanded and built its base working with local authorities, to the point where last year it secured a four year maintenance contract with Peterborough City Council for both electrical and mechanical services across its school, library, leisure and general facilities portfolio. Beyond this, the firm developed its presence in other markets, winning mechanical and electrical installation contracts on multi-million pound developments across the commercial, industrial and public sectors.

## ❿ Kestrel Electrical

Kestrel Electrical System started trading in 1991, from the home of founders Steve and Francesca Kelsey. Starting small, the firm began by serving care homes and domestic customers. Then, with its reputation growing, the firm bid for and won periodic inspection contracts with the MOD and a range of commercial and residential installations. Kestrel is one of the smaller operations within the group, but it displays all the usual characteristics - good work, delivered by a loyal and good quality workforce, building relationships that last.

## ⓫ GDI Electrical

GDI Electrical was established in 1981 by John Welch. He built the firm up over 20 years and stepped down when the firm joined the T.Clarke group in January 2002. Throughout those years, as well as working on large electrical contracts, GDI provided a full response maintentance service to clients across several sectors. One of our major relationships was, and still is, with McCarthy & Stone, the nationwide retirement home builder. The firm has grown considerably in recent years and our first job for the NHS, at East Cheshire Hospice, best expresses the progression. The job, involving adaptation of nurse call systems, integration of alarm systems and sensitive ways of working, sets us new challenges and relies on longstanding skills. And despite growth, the firm is still populated by many old faces - which is what you'd expect from a T.Clarke firm.




Waterhall
**Aylward EMS**

First office
**Aylward EMS**

Strada Restaurant, Manchester
**GDI**

## ⓬ SCS Building Services

In the 20 years since 1989 SCS has grown from a very small local electrical contractor into one of Scotland's major players. The real growth began in 1991, when contracts director Charles Kilpatrick started targeting main contractors running residential projects. As more public and private developers began working to meet government housing targets during the following years, the firm grew. At the same time, SCS had been developing in other areas, serving local authority, health and education clients with mechanical, electrical and communications services. Critically, the firm also succeeded in securing a strategic exclusive partnering arrangement with ITT Water & Waste Water Solutions. This relationship is now in its seventh year. The work is the non-glamourous but extremely necessary installation and maintenance of plant and pumping systems in waste water treatment plants. And the relationship has been productive to the extent that our engineers and ITT's have together developed a highly innovative (and technical) solution for the water industry - one of the larger customers that benefits from this is Scottish Water plc. Today, a continued focus on taking great care of the customers and relationships it has built are at the heart of the firm's long-term strategy.

## ⓭ Waldon Electrical

In 1976 Trevor Waller and Keith Donnithorne joined forces (and their names) to start Waldon. Keith is still chairman and Trevor's son Martyn is joint managing director. In 1976, Trevor and Keith were on the tools from 7am until 7pm and did the paperwork on Trevor's kitchen table. The firm grew quickly, based on quality of work and service. Today, in the face of growing competition in the region, Waldon's backing from the T.Clarke group is a major advantage in opening up opportunities. The kitchen table is a distant memory and being competitive today requires a lot more - from the marketing and the website to the quality of the administration behind a job. Today, Waldon is starting on the refurbishment of The Grand in Plymouth - another of the high technology and high quality projects the firm has done over recent years.

Monument Grange, Stirling
**SCS**

Telford College, Edinburgh
**SCS**

St Columb Retreat Hospital, an early project - **Waldon**

Rosareo Farm, Cornwall
**Waldon**

# Personal stories

### Dawn Wilks

I was 14 years with the firm on 6th February. I could say lots of things about this firm but you know it's actually very simple. This is a very friendly and easy going kind of place to work. Obviously the firm is professional in the way it does things, and people do take a lot of pride in what they do. But that doesn't stop it being a nice place to work, with good people who get on with each other.

## Hollen Jarrett

I look at it this way; work is where you spend the majority of your life, so you make the most of things and you have to be happy. I've been working here since 1975 and I am.

I do credit management and look after that side. One thing I take a pride in is the presentation and accuracy of our applications and our invoices. I can't have them going out in a somewhat scruffy state. I know no one will say "that's an attractive invoice - I'll pay it!" - but there's a real professionalism in all the details and it matters to us that we present the company in the right way.

## John Burrows

I started with Tommy's as an apprentice in 1970. I had a brief spell away, but other than that I worked my way up, first as a time-served apprentice, then through the ranks as a charge hand into supervisory roles and then on as a technician. Now I'm the Labour Manager.

There are a lot of other firms in the industry but the thing with T.Clarke is that you get the feeling you aren't just another number; you are a person who counts. You are made to feel needed and that, to me, goes a long way towards the job satisfaction you get.

When I was working on-site, I spent about 18 months working at the Savoy Hotel in the mid 70s and I think that was a typical Clarke's job. We built up a good rapport with that group of people, from the restaurant waiters up to the managing staff. That's really the way we've always done things.

## < Bill Hicks

A lot of the appeal for working with a company like ours is that you know everyone from the top to the bottom and they're all willing to help you along if you're prepared to play your part. It's surprising how much difference that makes.

And as it has grown in size and turnover, the actual people involved don't change a lot. If you've got the ability to learn and you can teach people and pass it on, then that's even more satisfying. That stability means that the T.Clarke way of doing things does get passed on.

Now, when I say something like that, you might see T.Clarke's as pretty traditional and of course we are. But if I take you back to the 70s. I was a single-parent dad, which was very unusual at the time and, I needed to get my son to nursery. Well, I was given time off to leave early - and coming into work our company secretary would go out of his way to pick me up in his company car so I could get my son to nursery. That was in an era when there were no 'rights' as such in that area - and the way most people thought was quite different.

The point is that the time off and all the help was given and given willingly - they valued me and showed it. This 'traditional' company was actually decades ahead of its time. Of course it works both ways, but you certainly know where you are in times like that.

## Mark Grimwood

Why stay? That's a good question! No actually it's quite easy to answer. I like the people I work with - they treat me well and I think I look after them too. In the office next door is Alan and when he was off work for a couple of months following a road traffic accident, we covered his work, and that's what I mean - we look after each other.

I do QA as well as supervising the payroll and I do like to get out and meet people. Actually I met my wife at this company. It was back in 1982 - the year I joined. I was helping sort out the firm's dinner and dance and so I just made sure we were sitting on the same table and took it from there! We were married not long afterwards.

## Gary Dormer

I've been with T.Clarke I think about 24 years. I was five or six years on the tools and then started as a charge hand and moved on. My first engineer was Mark Lawrence and my first project was £0.5 million; they have got bigger since then - now I'm project engineer on the Ropemaker development. One of the biggest changes in my time has been in the way the guys are treated. Obviously the safety and the correct PPE (personal protective equipment) is one thing, but if you look at things like the canteen here, washing facilities, toilets and so on - those have improved tenfold. Alongside that you also have jobs that are a lot faster than 20 years ago. Then you would be on a job for three years; now you're lucky if you have 13 or 14 months - everything is fast track and getting faster. For me, I enjoy what I do and I really get a lot of pleasure seeing a job through to the end. I like to think I get on quite well with the team in the office and I have all sorts of good conversations with guys on site. Of course there are odd mornings when you don't want to get out of bed, but the rest of the time I really do get a kick out of the work. Best job for me? I could mention a few - but just recently ABN Amro at Bishopsgate was a good one - everything was done correctly and really well by all parties - and all the details from achievable timescales to drawings were good. Everything just clicked into place!

## > John Beesley

I've been with Clarke's since 1985. My first job will have been a long way back - probably the Natural History Museum. It's much more fast track building these days and the time factor is much tighter - I think you just fit in with that. If you ask me about this company, well obviously my view is positive. T.Clarke has kept me in work continuously through all the years and they've done me no wrong. This has always been a fair company. Even during recession when things get tight we're picking up some good contracts and keeping people busy.

# Pat Stanborough

**Pat Stanborough joined T.Clarke in 1964. He became managing director in 1977. He reviews those years and the state of the business he has led.**

"We're fairly sure Tommy Clarke was the first to set up an electrical contracting business in Britain - certainly his firm is the only one that was around when Edison was inventing and is still here in 2009. Best of all, the name is still over the door - and that's not symbolic, the firm's values and approach to business are what they've always been. That's something I'm particularly proud and happy about. I think a lot of people feel the same.

"I've been the longest serving managing director - I got the job when I was quite young and so, unless people start working into their nineties - which might happen! - that record's going to stay. Having said that, like all the others, I've just been the caretaker - with a duty to preserve our independence and our way of doing things - and that's the task I've stuck to.

"Looking back to the distant past, when the company first passed out of the family's hands just after the war, it was a nephew, Dennis Sidney Clarke, who chose to float the company on the London Stock Exchange. Being just after the war the situation was unusual and Credit Suisse at that time had funds it couldn't repatriate and so a company that it owned - Electrowatt - took a 53% shareholding in us. That meant we had a major shareholder but, crucially, we remained an independently listed company.

"Over the years, the relationship with Electrowatt was a beneficial one. It was a healthy and robust one - but they saw the opportunities in using our relationships and brand reputation to help them introduce products and businesses into the UK market. Actually, when I was younger you could have said I was maybe a bit more cavalier and willing to chance things so, without the fact that our Swiss shareholders were solidly risk averse, we might not be here today!

"During the long period of Electrowatt's involvement we were able to keep building relationships and the T.Clarke name - and that's where so much of the value of the business was stored. Eventually, Credit Suisse sold Electrowatt to Siemens. I had seen Siemens take businesses and remove their brands and independence - and I was totally against that for us.

"When it came to it, I was able to place Electrowatt's stock around the City of London with fund managers and with a large private shareholder base. That was around 12 years ago and it's good to see that many of those people have retained their loyalty. Today we are truly independent, with no stock-holding over 20%.

"And that independence has been achieved sensibly. We have never been about chasing turnover - even where some shareholders want that. We are somewhat risk averse but this is clearly a risk industry. Reputation has always been everything. There have been jobs where we have taken hits and not made any profit (like Tate Modern). But we've still done a superb job and, most importantly of all, we haven't ever let down. And that is thanks to our people. We pay and reward well, and at this firm, as you can see, most of the directors have come up through the ranks, all the way from apprenticeships. New apprentices can see that opportunity.

"Our strategy to develop a regional presence has been very much about delivering growth and scale that shareholders looked for - and in managing out some of the risks involved in such a cyclical business, but as ever, we've done it the T.Clarke way and today half of our business is regional.

"What we did was to find good local brands with the same values as us - and the same strong reputation in their areas. Some choose to make it clear that they are part of T.Clarke, some push their own brands almost exclusively - we're happy for them to retain the right identity for their markets.

"Today I think we are very happy with the balance of the business and our national network. We've had one or two issues along the way but now we have the systems working the way we want - and I think that's to everyone's benefit.

"What occurred to me recently is that my career really kicked off when we were building the then largest covered shopping centre in Europe in the Arndale Centre in Manchester, and as I'm stepping down, we complete the new largest covered shopping centre in Europe - Westfield in White City. The differences between those two projects are big.

"Back in the 70s, the Manchester Arndale was the project that changed my life. I'd been working on the finance side and finding that pretty boring when suddenly I was pitched into an extreme situation. This was a very heavily unionised and very difficult situation with unions and the main contractor really playing cat and mouse in ways you can't credit now. It was an amazing time and I needed to deal with things head on. These were tough situations and they had their moments. I was a fit guy and I sometimes had to run for the station! But we got there. Personally, I learned to deal with people and how to build confidence and relationships with our clients. I think from that point on people recognised us as serious people who could get the job done and not let down.

"Westfield is a world apart and I've been very impressed with the way everyone delivered. It was accelerated and we ended up with 400 men on site, working in three shifts, seven days a week. And, as ever, the work of our guys played a big part in pulling the job over the line. It's still the same though; it's about a can do attitude and no hot air.

"As I said at the beginning, I've been a caretaker and I am proud that the name is still over the door. 120 years on, this firm is strong, independent and offering the basic combination of good people doing a good job and never letting people down. If we are traditional, then let's also be very clear that, as the only surviving Victorian electrical contractor, we're also the firm that's chosen for the toughest, most innovative and most exciting construction projects around today. On health and safety, engineering quality, human resources, true value engineering, client service and brand delivery, I'd say we were absolutely cutting edge."

Barry DeFalco and Mark Lawrence lead the business forward. Theirs is not exactly a new partnership, as Mark says: "We've been working together since Broadgate in the mid 80s, so we know each other. I know he's grumpy on Mondays. I also know we've got very clear shared ideas on how we maintain the T.Clarke name in the years to come."

Like Pat Stanborough, Barry DeFalco sees reputation as the critical factor in T.Clarke's success. "Over the last century we have had the reputation of being the premier electrical contractor. But we know reputations are there to be lost - you have to keep deserving it, job by job. You will see that the same attitude applies in our regional business - so I think it was a good idea, keeping all the individual names and identities. These are proud, motivated firms with their own reputations, their own people and their own loyal client base. We've aimed to build that feeling."

As Mark says, at times like these your reputation matters even more: "We are not immune to what's going on out there and obviously in the current climate things are changing fast and the outlook is fluid. But we have been lucky this year to secure three or four of the major schemes currently going on - and our reputation as it stands today has been central in each case. What's more, I do think you can see the financial strength of the business and its independence as giving clients real confidence - we are looked on as a robust and viable company that's going to be there to deliver whatever happens. That's another aspect of our reputation."

"Thinking about the current outlook, you can also see that diversifying our business, both in creating a regional network and in moving away from a focus on commercial fit-outs in London, has been the right thing to do. Our exposure is spread across sectors which operate in slightly different cycles."

Barry adds a regional point of view. "Some of our regional companies are quite small, but again, for clients in this climate, knowing that these firms are part of the T.Clarke group gives them that same confidence. And in any case, it isn't all doom and gloom. We've been through economic downturns before; we're still training and still producing a good flow of the future electricians and supervisors of this business and we can even now see the next two or three tiers of our leaders coming through. And that whole way of training may make us very unusual in our peer group now - but we believe in it right across the Group. Others may look to the pool of fresh university graduates for their engineers and quantity surveyors and to overseas labour pools for their electricians, but we don't.

"Of the 50 apprentices we have taken on in 2008 we might lose three or four but that will be it. You will see that people stay with us, stay loyal, feel valued, learn our ways and go forward with us. So we will go forward with them and with this philosophy that Mark and I have been brought up with. It has served our firm well for all these years."

Mark goes on to reiterate another of the firm's longstanding maxims: "I certainly agree that growing turnover is not our main goal. What we're always looking for is sensible growth and reasonable profitability. Sensible growth is, as we said at the start, about diversification away from commercial fit out but, as with our growing capability in fields like transport, retail, leisure and hospitals, we are never keen to rush. Instead we like to build up our capability and knowledge steadily, and move forward with the certainty that we can deliver - and keep our reputation where it needs to be. Recent projects like Romford Hospital, the DLR 3 Car project, the O2 and Westfield have all been instrumental in doing that."

"At the end of the day," says Barry, "we are, in 2009, a lean business and we don't have such a big organisation to support that we have to keep running to stand still. We've always had to react to what our clients want - and try and predict it too - and that has created a natural evolution in the business which we never resist. We go with it. That's how we develop and that's how we keep our offering right for the market. It's based on empowering people at the local level to make the right decisions for the project; we don't run the business by committee but we do have a common set of goals that everyone understands. We keep things simple, we keep standards high."

Reading those words two things strike you. This is an incredibly old-fashioned way of looking at business - and at the same time, this philosophy and organisational approach is exactly the one you'll find advocated by the best international management colleges and consultancies. These are the same ideas that global organisations are so keen to embed within their own cultures. As for the idea of a sensible approach to growth, recent events in world markets suggest that this too is an idea whose time is now.

## Innovation as a way of life

Working on the largest and most challenging commercial developments in the construction industry creates learning and the need for innovation on a massive scale. In recent years T.Clarke has become expert at taking these ideas into new sectors - and diversifying its business. The results have been incredibly successful, as Mike Crowder explains:

"This is all about using skills from the large commercial developments and going into different construction sectors and challenging the way things are 'always done'. When we first looked at hospitals a few years back we took lighting control systems and put them into a module system, then we did the same for nurse calls, panic alarms and all the building management systems too.

"We said 'why not try another way?' and we replaced the traditional hardwired system with a premade, totally modular system that delivered a great result for the customer in every way. And recently we've done something very similar in the rail industry.

"Now, the critical part of our formula for innovation, is that our solutions are deeply practical. We work to rationalise and standardise equipment, spending time on the drawing board and on the CAD system, thinking about how we would do the job on site. If, for example, we can design a standardised bracket for 90% of the job, then that is going to be of utmost importance to the guys on site.

"So not surprisingly, we involve our labour force and some of the best ideas do come from the men on site. That's in my view a critical advantage of the T.Clarke approach to innovation.

"And if you step back and realise that by being able to innovate like this and enter new sectors, T.Clarke has been able to diversify successfully away from our focus on the commercial sector towards areas where we can see significant activity in the immediate years ahead - like rail, retail and data centres.

"There are all sorts of aspects to innovation in the industry - but the basic point is the key one for us. If you are fortunate enough to work on the largest projects, and if you are fortunate to have a motivated and expert pool of engineering expertise, then you can keep on offering customers - in new sectors and old ones - the kind of practical innovation that delivers value."

# People, environment and community

T.Clarke continues to train and take on apprentices - as do our regional firms. Going forward in 2009, that will continue. Consistent innovation in training is part of our tradition and our business advantage. As we look back over the modern era of T.Clarke it is fascinating to note that 40 years ago, in 1969, we trained the first female apprentice ever to register with the Joint Industry Board. Ann Cox-Horton completed her four-year apprenticeship with us and became an engineer in 1974 and then went on to be awarded the 'Female Technician Engineer of the Year' by the ECA.

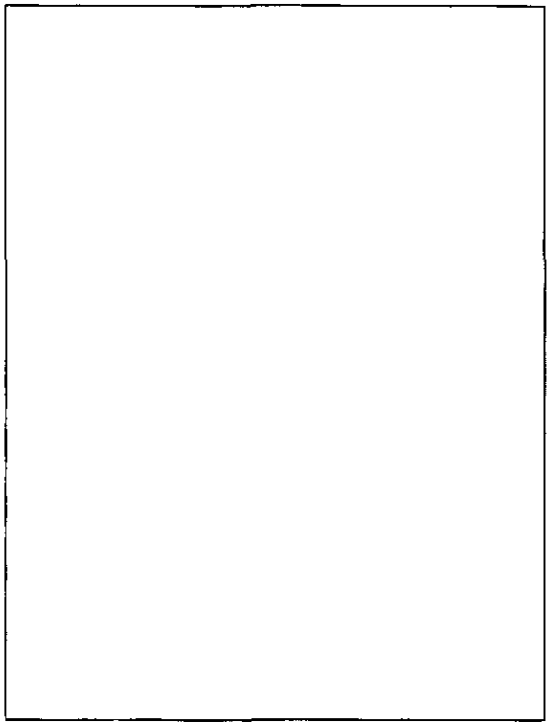
This year the quiet story of innovation continues and we carried out our first apprentice exchange scheme with EDF Energy to broaden skills knowledge. We train people at the start of their careers and we keep training them. For example, this year, all key managers and supervisors have had to take and pass a four-day 'managing safely in construction' course. The course is certified by the Institute of Occupational Safety and Health and it has also been delivered across our regions. This level of investment and attention is normal for us. The firm's health and safety training matrix covers 15 separate accredited courses. For each one we list the staff levels for which it is suitable. These courses are delivered every two, three or five years to ensure that, at all times, people's training is up to date.

In 2009, Marc Bailey took on the role of Group Health and Safety Manager: "We want to take our safety record to the next level. We're quite fortunate that our accident figures show a year on year decrease - but to keep the trend moving, we have to keep on finding new ways to get the message across - because if you don't keep at it people get complacent. In many ways it's not about ordering people - it's about working with them to change culture and behaviour."

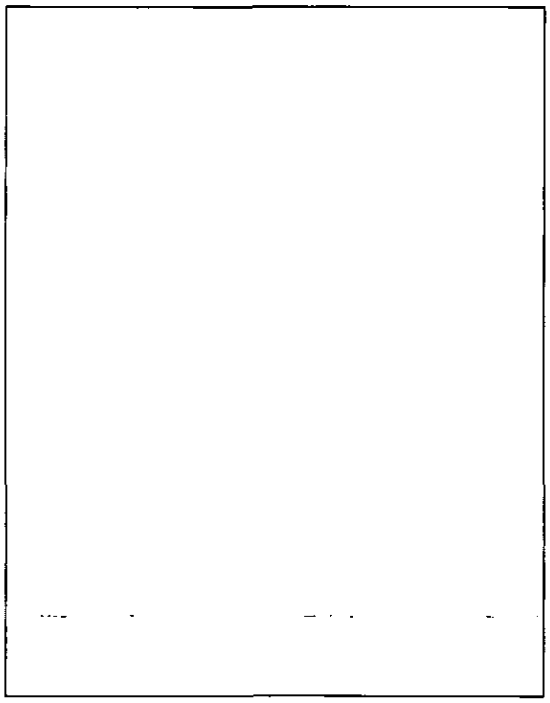
Yogesh Patel is the Group's Environmental Manager; he identifies 2008 as the year in which site waste management became a much bigger issue: "Legislation has come in during the last year and, although as a company we don't have a very significant impact on the environment, this legislation is still going to impact our teams more and more. It's all about minimising site wastage and it requires really good housekeeping on site - and close co-operation with our suppliers too. The point is we're not standing still."

HR Director Alan Crozier underlines the fact that in all these areas, the firm has to keep moving forward. "On everything from safety and environment to training and our community involvement, it's rewarding and necessary for us to keep the pressure on. There are lots of things at T.Clarke which fundamentally don't change, but in these areas our standards can only ever go one way - up."

The Prime Minister had the opportunity to meet two T.Clarke apprentices who are working on the Olympic Stadium construction site. Hayley Phippen is a Stage 3 Apprentice and Max Warnock is Stage 4 Apprentice; both are pictured with the Prime Minister and the ODA Chairman John Armitt.



**Above:** September 2008 saw the start of a 12-month safety poster campaign that will be displayed on all our sites and offices. See September poster above.
**Below:** Waitrose recognition of service award certificate.



T.Clarke Group Apprentice of the Year 2008:
Winner: Nicola Zeni from T.Clarke in London, presented by Simon Hughes MP.
Runners up: Phillip Hadaway of WE Manin and Lee Holmes of JJ Cross.

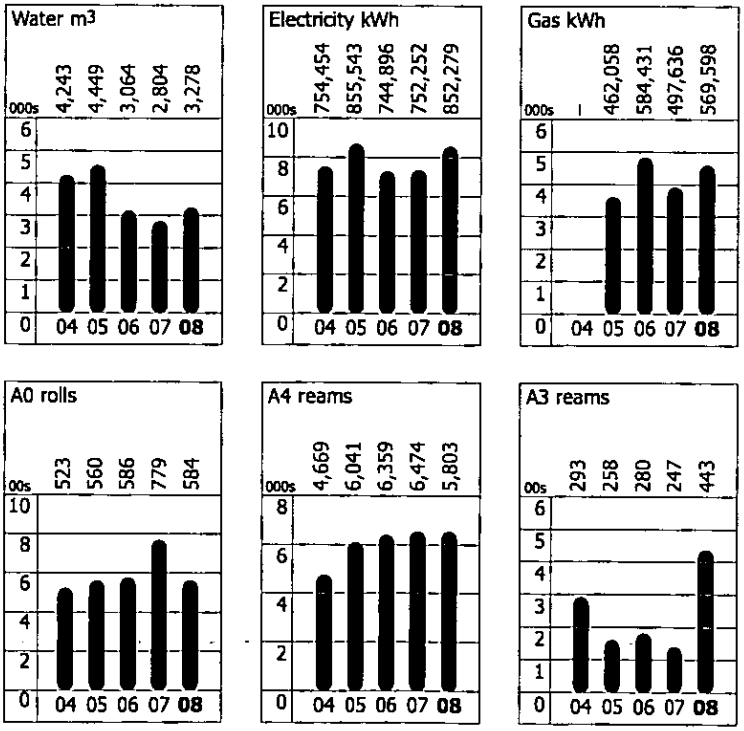
**Workforce**

| | Directors | Staff | Skilled operatives | Apprentices | Adult trainees |
|---|---|---|---|---|---|
| **2008** | 45 | 286 | 813 | 233 | 56 |
| 2007 | 44 | 301 | 863 | 275 | 58 |

Members of the Westfield T.Clarke team at the 26 mile round trip beginning and ending at Ham Common, in aid of Leukaemia Research.

**Charitable donations and sponsorship**

**2008**: £20,047 2007: £22,300 2006: £15,099 2005: £15,495




"Thanks so much for the support from T.Clarke.
I completed the bike ride this weekend and have attached a photograph of me after my successful ride from London to Paris. There were 34 cyclists in our team and we raised in excess of £34,000 for the Meningitis Trust." Scott Tester

**Consumables**

The move from A0 to A3 drawings has led to an overall decrease in the amount of paper consumed. Other consumable figures have increased in line with increased activity as indicated by increased turnover across the group. However, when factoring in new site waste management processes and our constant improvement driven by our ISO 14001 accreditation, overall environmental performance for the group continues to show improvement.

# Our 2008 project portfolio

Looking through the list of projects that we started, worked on and completed in 2008, you can see major expertise in power and transportation, as well as in our traditional areas of towers, residential and commercial projects. You can also see some of the biggest and most exciting projects in the construction industry today.

**Excelsior Academy** - Group company **Veale-Nixon** completed this electrical installation for one of the new breed of city academies. The Excelsior Academy serves the Newcastle upon Tyne community with four schools, each with one focus and an entrance onto a central courtyard. Photograph: Beach Design

**Olympic Stadium London** - We worked on the BBC Broadcasting Centre at the Olympic Games in 1948; now 60 years on **T.Clarke** is very proud to have been chosen for this, the flagship project for the Olympic Stadium.
© London 2012 Olympic and Paralympic Games. Inset pictures photographer: Joanne Nightingale of Copia

**Bank of America** - Today's major commercial and banking facilities require and get the most advanced lighting, power, security, heating and environmental systems. This project is one of many where we break new ground in terms of speed, sophistication and efficiency of the electrical installation.
Photographer: Steve Mayne

**Data Centre, London** - Technology advances in the global financial industry have been made at a startling pace. In 2008 **T.Clarke's** work on this HV/LV switchroom and other projects has established our reputation for delivery in this 'business critical' field of electrical installation. Photographer: Robby Whitfield, Central Photography

**Beaufort Park, Hendon** - Group company **Mitchell & Hewitt** carried out the complete mechancial and electrical building service package for 600 luxury residential units developed by St George on the old RAF Hendon site. Photographer: Michael Lewis

**Docklands Light Railway** - The Three Car Capacity Enhancement Project sees **T.Clarke** delivering its 'one stop shop' for major transport projects, working from design and costing to installation and handover. © DLR.

**Ropemaker** - This will be one of the City's most sustainable buildings - and today sustainability is expressed in many details of the electrical installation itself and the project we undertake to deliver it. The building will also be literally 'green', with extensive roof terraces to complement the trading floors. © British Land plc.

**Grand Arcade - T.Clarke Midlands** carried out the £4 million electrical installation on this £100 million project for full landlord's services to shopping arcades, including both front and back of house and multi-storey car park. © Bovis Lend Lease

**Dungeness Power Station** - Group firm **WE Manin** has a long and strong reputation in the energy and industrial sectors. The firm's work with client British Energy will help extend the safe and profitable working life for a further 10 years. © British Energy.

**Meadowfield School** - Over the years, **H&C Moore** has developed a strong reputation in the regional education field. Meadowfield Primary School in Osmondthorpe is another example of a successful project carried out for Education Leeds. Photographer: Paul White.

**Walkergate Primary School** - **Veale Nixon** worked on this project to build a replacement for the 1909 building on the existing site in the east of Newcastle as part of the Newcastle Schools Private Finance Initiative. Photograph: Beach Design.

**Westfield London, W12** - The largest and most ambitious urban retail project in Europe, Westfield involved **T.Clarke** in finding entirely new ways to do things and add value. At the same time our longstanding commitment and ability to help bring even the most demanding job in on time was once again on show. Photographer: Anthony Weller, Archimage.

# Financial statements 2008

**Pages 58-120**

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# Directors and advisers

## Shareholder information and company advisers

**Registered office**
Stanhope House
116-118 Walworth Road
London SE17 1JY
Registered in England
No. 119351

**Registrar**
Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
West Yorkshire
HD8 0LA
Tel: 08701 623 100

**Auditors**
Moore Stephens LLP
Chartered Accountants
St Paul's House
Warwick Lane
London EC4M 7BP

**Bankers**
Royal Bank of Scotland
Corporate Banking
280 Bishopsgate
London EC2M 4RB

**Corporate broker**
Arbuthnot Securities Ltd
Arbuthnot House
20 Ropemaker Street
London EC2Y 9AR
Tel: 020 7012 2000

## Executive Directors

**Pat Stanborough**
**Chief Executive**
64 years old,
45 years with the company
Accountant, appointed
Finance Director 1973,
Managing Director 1977
and Chairman 1992.
Chief Executive from 2000.

**Barry DeFalco**
**Managing Director**
**UK Regional Operations**
53 years old,
36 years with the company
Electrical Engineer,
Member of The Institution of
Engineering and Technology
(MIET), Technical Director
1991, Executive Director 1998,
Managing Director -
UK Regions 2007.

**Mark Lawrence**
**Managing Director**
**London Operations**
41 years old,
24 years with the company
Electrical Engineer,
Technical Director 1997,
Executive Director 2003,
Managing Director -
London Operations 2007.

**Mike Crowder**
**Executive Director**
44 years old,
23 years with the company
Electrical Engineer,
Technical Director 1997,
Executive Director 2007.

**Victoria French**
**Finance Director**
**Company Secretary**
42 years old,
two years with the company
Master of Science degree,
Chartered Accountant
(ICAEW), Finance Director
and Company Secretary
T.Clarke 2007.

## Non-Executive Directors

**Russell Race**
**Chairman**
**Independent Director**
62 years old,
11 years with the company
Retired stockbroker with Hoare Govett. Chairman of Chatham Maritime Trust; on the Court of Assistants, Rochester Bridge Trust and Glaziers Company; Trustee, Mathematical School; Trustee, RMBI; and a Court Chairman, North Kent Magistrates. Appointed Non-Executive Director of T.Clarke 1998, appointed Chairman 2000.

**Beverley Stewart**
**Independent Director**
48 years old,
four years with the company
Degree in building economics, qualified Chartered Surveyor in 1988. Co-owner of a partnership since 1993 providing building services, cost planning and asset management consultancy. Appointed Non-Executive Director of T.Clarke 2005.

**Bob Campbell**
**Senior Independent Director**
66 years old,
second year with the company
Degree in Engineering. Formerly Managing Director of Waterman Group plc. Appointed Non-Executive Director of T.Clarke 2008.

**Iain McCusker**
**Independent Director**
57 years old,
first year with the company
A Chartered Accountant, previously a Partner in Coopers & Lybrand (now PricewaterhouseCoopers) until 1994. He then held senior Managing Principal and Director positions within Unisys and Xerox, respectively, and was Managing Director of ACCA (the Association of Chartered Certified Accountants) from 2004 to 2007. Appointed Non-Executive Director of T.Clarke 2009.

# Senior Management

**Paul Brown**
**Divisional Director**
39 years old,
21 years with the company
Electrical Engineer,
Technical Director 1997,
Divisional Director 2007.

**Mike Enticott**
**Divisional Director**
49 years old,
32 years with the company
Electrical Engineer,
Technical Director 1997,
Divisional Director 2008.

**Barrie Nightingale**
**Divisional Director**
40 years old,
24 years with the company
Electrical Engineer,
Technical Director 1997,
Divisional Director 2008.

**Mark Preston**
**Technical Director Design**
46 years old,
27 years with the company
Design Engineer, Technical
Director Design 2002.

**Andy Griffiths**
**Commercial Director**
40 years old,
23 years with the company
Quantity Surveyor,
Commercial Director 2007.

**Alan Crozier**
**HR Director**
57 years old,
38 years with the company
Administration, Payroll
Manager, Quality Assurance
Manager, HR Director 2007.

**Martin Walton**
**Group Financial Controller**
44 years old,
two years with the company
Chartered Accountant (ICAEW),
Group Financial Controller 2007.

# Report of the directors

The directors present their annual report and the audited financial statements of the group for the year ended 31st December 2008.

**Business review**

The principal activities of the group during the year were the installation of electrical services and supply of associated equipment.

A review of the business is included in the Business Review and Financial Review on pages 5 to 13.

**Results and dividends**

The results for the year ended 31st December 2008 are set out in the Consolidated Income Statement on page 80.

Profit after taxation for the year was £8,837,000 (2007: £5,725,000).

The directors recommend the payment of a final dividend for the year of 8.75p per share, which together with the interim dividend of 4.25p paid on 10th October 2008, makes a total distribution of 13p for the year (2007: 12p).

Subject to approval at the Annual General Meeting, the final dividend will be paid on 13th May 2009 to shareholders on the register as at 14th April 2009. The shares will go ex-dividend on 8th April 2009.

Movements on reserves are shown in Note 17 to the financial statements.

**Directors and their interests**

The present membership of the board is set out in more detail in the Corporate Governance Report on pages 68 to 73.

Mr R.H. Campbell was appointed to the board as a non-executive director with effect from 1st January 2008. Mr L.J. Arnold, non-executive director, resigned from the board on 31st July 2008 after more than nine years on the board.

Mr I.C. McCusker was appointed to the board as a non-executive director with effect from 1st January 2009. Mr I.C. McCusker is the chair of the audit committee and is a member of the nomination and remuneration committees.

Mr I.C. McCusker will, in accordance with the company's Articles of Association, offer himself for re-election at the Annual General Meeting on 8th May 2009. Mr R.J. Race, having served on the board for more than nine years, will in accordance with the Combined Code, retire each year and being eligible will offer himself for re-election. Neither Mr I.C. McCusker nor Mr R.J. Race have a service agreement with T.Clarke plc.

Mr P.E. Stanborough and Mr M. Lawrence will, in accordance with the company's Articles of Association, retire by rotation and being eligible will offer themselves for re-election at the Annual General Meeting. Both Mr P.E. Stanborough and Mr M. Lawrence have a service agreement with T.Clarke plc which expires on 31st December 2009 and may be determined thereafter by 12 calendar months prior notice in writing.

**Beneficial interests**

Directors' interests in the issued share capital of T.Clarke plc are shown below:

| | T.Clarke plc ordinary shares | | |
|---|---|---|---|
| | 1.1.2008 | 31.12.2008 | 18.3.2009 |
| P.E. Stanborough | 160,000 | 170,000 | 170,000 |
| B.V. DeFalco | 81,000 | 86,000 | 86,000 |
| R.H. Campbell | – | 15,000 | 25,000 |
| V.R. French | 2,000 | 7,000 | 12,000 |
| R.J. Race | 6,000 | 6,000 | 6,000 |
| M. Lawrence | 6,000 | 10,000 | 10,000 |
| B.A. Stewart | 6,000 | 6,000 | 6,000 |
| M.C. Crowder | 4,000 | 4,000 | 4,000 |
| I. McCusker | | | 2,000 |

Mr D.J. Stewart, the husband of Mrs B.A. Stewart, non-executive director, had an interest in 15,000 shares as at 18th March 2009.

Save for an interest in service agreements, none of which extends beyond a one year term, and which are then subject to 12 months prior written notice the directors have no material interest in any contract of significance which would have required disclosure under the continuing obligations of the Financial Services Authority 'Listing Rules'. Neither have they any beneficial interest in the issued share capital of the subsidiary companies.

**Substantial shareholdings**

The company has been advised of the following substantial interests of 3% or more in its issued ordinary share capital:

| | % of issued ordinary share capital | Number of shares |
|---|---|---|
| AXA S.A. | 18.39% | 7,347,193 |
| Aberforth Partners LLP | 6.17% | 2,463,106 |
| Liontrust Investment Services Ltd | 5.33% | 2,130,228 |
| Barclays Plc | 5.16% | 2,060,523 |
| Henderson Global Investors | 4.12% | 1,647,437 |
| Legal & General Group Plc | 4.06% | 1,623,350 |

**Tangible fixed assets**

It is the board's opinion that the current open market value of the group's interest in freehold land and buildings is materially in excess of the book value of £5.9m as at 31st December 2008 (2007: £5.7m) in spite of a marked decrease in property values during the year.

**Company status**

So far as the directors are aware T.Clarke plc is not a close company for taxation purposes.

**Donations**

The group's contribution to charities, which supported causes such as the Leukaemia Research Fund, The Caring and Sharing Trust, St Christopher's Hospice, The Royal Marsden Hospital and The Salvation Army during the year amounted to £13,100 (2007: £10,818).

**Stock exchange transactions**

Members are advised that trading in the company's equity is conducted via the Stock Exchange SETS service. For further information we would refer you to our corporate broker Arbuthnot Securities Limited (020 7012 2000). The daily price of company shares continues to be listed in the Financial Times under the construction and building materials sector.

**Capital gains tax reform**

At 31st March 1982, (the rebasing date for capital gains tax purposes) the adjusted middle market price of T.Clarke plc 10 pence ordinary shares was 16.4 pence per share (adjusted by virtue of the 1990 capitalisation issue). Indexation allowance is available from the date of acquisition or 31st March 1982 (whichever is the later) until 6th April 1998 at which date indexation ceases. A form of taper relief then applies until 5th April 2008 after which capital gains are taxable at a flat rate of 18%. Shareholders are, however, advised to seek professional advice in this regard.

**Disabled employees**

The group recognises its obligation towards employment of disabled persons and gives full and fair consideration to suitable applicants.

Opportunities exist within the group, for staff employees of the group companies who may become disabled, either to continue in their employment or to be retrained for other suitable positions.

It is group policy that training, career development and promotion, of disabled employees should as far as possible be identical to that of other employees.

**Employee consultation**

The group appreciates the mutual benefits of keeping employees informed and takes appropriate steps to ensure that employees are kept aware of matters which are of concern to them including an appreciation of the group's financial position.

**Payments to suppliers**

The group agrees payment terms with its suppliers when it enters into binding purchase contracts and seeks to abide by the payment terms agreed with suppliers whenever it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. The group does not follow any standard or code, which deals specifically with the payment of suppliers. At 31st December 2008 the company's trade creditors represented 44 days (2007: 57 days) of annual purchases.

**Indemnity provision**

The company is a party to an insurance contract whereby Chubb Insurance Company of Europe S.A. will indemnify the directors and officers against claims up to a limit of £10,000,000 in respect of their actions on behalf of the company.

**Special Resolutions**

Details of Special Resolutions to be considered at the forthcoming Annual General Meeting are given in the notice to the Annual General Meeting.

**Takeover Directive disclosures**

As a result of the implementation of the Takeovers Directive into UK law, disclosures are required for public companies that have securities carrying voting rights trading on a regulated market at the end of the reporting period. The following disclosures are relevant to T.Clarke plc and are required by law, irrespective of whether or not a bid is contemplated:

- The company's capital comprises ordinary shares of 10 pence each. Further details are shown in note 16 to the accounts.
- There are no restrictions on the transfer of shares or on voting rights.
- Details of each person with a significant direct or indirect holding of shares and the size of the holding is shown in the section 'Substantial Shareholdings', above.
- The company has rules regarding the appointment of directors with regard to their election at the first AGM which are detailed in the section on Corporate Governance on pages 68 to 73. The Articles of Association state that a maximum of twelve directors may sit on the board of the company. There are no specific rules relating to the replacement of directors.
- The directors have shareholder approval for the issue of ordinary share capital up to a maximum nominal amount of £1,005,211.
- The directors have shareholder approval for the buyback of ordinary shares up to a maximum aggregate of 10% of the issued ordinary share capital.
- The company does not have an employee share scheme.
- There are no significant agreements that take effect, alter or terminate upon a change of control of the company following a takeover bid.
- There are no known agreements between the company and its directors or employees providing for compensation for loss of office or employment that occurs because of a takeover bid.

**Auditors**

Moore Stephens LLP have expressed their willingness to continue in office as auditors of the company and group and a resolution for their re-appointment will be proposed at the Annual General Meeting. A resolution will also be put forward, proposing that the directors be authorised to fix the auditors remuneration.

**Disclosure of information**

As far as each director, who is in office at the time when the directors' report is approved, is aware, there is no relevant audit information of which the auditors are unaware and that each such director has taken all reasonable steps to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

**Statement of directors' responsibilities**

The directors are responsible for preparing the annual report, the directors' remuneration report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare the financial statements for each financial year. Under that law the directors have prepared the group and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, the Companies Act 1985, and as regards the group financial statements, Article 4 of the IAS Regulation.

The directors confirm, to the best of their knowledge, that the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and group as at the end of the financial year. In preparing those 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; and
- state whether applicable accounting standards have been followed;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and group will continue in business.

The directors also confirm, to the best of their knowledge, that the Business and Financial Review includes a fair review of the development and performance of the business and position of the company and the group, together with a description of its principal risks and uncertainties.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and group and enable them to ensure that the financial statements comply with the Companies Act. They are also responsible for safe-guarding the assets of the company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's and group's website.

On behalf of the board

**Victoria French**
Finance Director
18th March 2009

**Russell Race**
Chairman

# Corporate governance

## Introduction

The board is committed to high standards of corporate governance and continues to embrace the principles contained in the Combined Code on Corporate Governance issued by the Financial Reporting Council in 2003 and updated in June 2008. The Listing Rules require listed companies to disclose how they have complied with the code by applying its principles and whether they have complied with its provisions. This section of the report demonstrates how T.Clarke plc has complied with the principles of the code and explains any non-compliance with its provisions.

## Board of directors

The company is managed by the board of directors, which is comprised of five Executive Directors and four Independent Non-Executive Directors, including the Chairman. (Brief biographies of each director, including the Chairman, Chief Executive and Senior Independent Director are provided on page 60). The Chairman provides leadership to the board members and facilitates board effectiveness by the provision of timely, accurate and relevant information.

The board meets once a month to consider and decide on matters specifically reserved for its attention. Board papers are circulated sufficiently in advance of board meetings to enable time for review.

The attendance of individual directors at board and sub-committee meetings during the year ended 31st December 2008 was as follows:

| | Number of meetings attended | | | |
|---|---|---|---|---|
| | Board | Audit | Nomination | Remuneration |
| R.J. Race[1] | 12 | 1 | 1 | 1 |
| P.E. Stanborough | 12 | – | – | – |
| B.V. DeFalco | 12 | – | – | – |
| L.J.D. Arnold[2] | 6 | 1 | – | – |
| M. Lawrence | 12 | – | – | – |
| B.A. Stewart | 11 | 1 | 1 | 1 |
| M.C. Crowder | 12 | – | – | – |
| V.R. French | 12 | – | – | – |
| R.H Campbell | 12 | 2 | 1 | 1 |
| Total held: | 12 | 2 | 1 | 1 |

Notes:

1. Resigned from the audit committee on 16th October 2008; attending all meetings up to that date.
2. Resigned from board on 31st July 2008; attended 6 out of 7 board meetings and all audit committee meetings to 31st July 2008.

– indicates the person is not a member of the sub-committee.

## Board changes

A number of board changes have been made during 2008 and in 2009 to date.

Bob Campbell was appointed to the board as an Independent Non-Executive Director on the 1st January 2008 and was appointed to the audit, remuneration and nomination sub-committees.

The Senior Independent Director, Len Arnold, having served a term of 10 years, stood down from the board on the 31st July 2008. Bob Campbell was subsequently appointed Senior Independent Director with effect from 28th August 2008.

Iain McCusker was appointed to the board as an Independent Non-Executive Director on the 1st January 2009 and was appointed to the remuneration and nomination sub-committees and was appointed as chair of the audit committee. Iain McCusker has sufficient and relevant financial experience, previously having been a Partner in Coopers & Lybrand (now PricewaterhouseCoopers) and having held various senior roles in industry and as Managing Director of the Association of Chartered Certified Accountants (ACCA).

Russell Race, the Chairman, having served on the board for more than nine years and due to his position as Chairman of the board, is deemed not to be independent according to the Combined Code (A.3.1). Russell Race is, however, deemed by the board to be independent, in spite of his length of service, as he operates as an independent member of the board and is not tied to the company in any way. In accordance with the Combined Code, Russell Race will retire each year and being eligible, will offer himself for re-election.

Pat Stanborough has previously announced his intention to retire from the Board and the Board is in the process of considering timing and succession plans. The Board is currently of the opinion that an appointment from within the company is most likely to best suit shareholders' interests.

The Articles of Association require that one-third of the directors shall retire by rotation each year and become eligible for re-election. This excludes those directors who may be newly appointed during the year, who are eligible for re-election at the next AGM. Iain McCusker, who is newly appointed, will be eligible for re-election and Pat Stanborough and Mark Lawrence will offer themselves for retirement and re-election at the next Annual General Meeting on 8th May 2009. As outlined above, Russell Race, due to his length of service, will retire each year and being eligible, will offer himself for re-election.

## Performance Evaluation

The effectiveness of the contribution and the level of commitment of each director to fulfilling the role of a director of the company is the subject of continuing evaluation, having regard to the regularity with which the board of directors meets, the limited size of the board of directors and the reporting structures which are in place within the company to monitor performance.

The chief executive primarily, but acting in conjunction with the chairman, undertakes the task of annual evaluation of performance and commitment of individual members of the board and the board of directors as a whole and its committees.

## Regional Board

The Regional Board is responsible for controlling the subsidiary company operations and meets formally every quarter. The Regional Board is chaired by Barry DeFalco, the managing director - regional operations, and the other members of the Regional Board are managing directors of subsidiary companies of T.Clarke plc. The independent directors make periodic visits to the subsidiary companies in order to acquaint themselves with the regional businesses and the senior management.

## Company Secretary

All directors have access to the advice and services of the Company Secretary, who ensures that the board receives appropriate and timely information, that board procedures are followed and that statutory and regulatory requirements are met.

The board has decided to make the role of the Company Secretary independent from that of the Finance Director, at a future date.

## Audit Committee

The audit committee is comprised of the non-executive directors Iain McCusker (Chairman), Beverley Stewart, and Bob Campbell. Len Arnold resigned from the audit committee on 31st July 2008 and Bob Campbell, assumed the temporary position of Chairman from that date to the end of 2008. In addition, Russell Race, the Chairman, who has served on the main board for over nine years, stood down from the audit committee on 16th October 2008, in accordance with Combined Code guidelines. With effect from 1st January 2009, Iain McCusker was appointed as the chair of the audit committee.

The committee meets at least twice a year and each meeting is attended by the Group's auditors. The board of T.Clarke plc are satisfied that at least one member of the audit committee has relevant financial experience.

The roles and responsibilities of the audit committee are to:

- monitor the integrity of the financial statements of the company and any formal announcements relating to the company's financial performance;
- review the company's internal financial controls and internal control and risk management systems and to review the need for an internal audit function on an annual basis;
- make recommendations to the board, for it to put to shareholders, in relation to the appointment of external auditors and their remuneration and terms of engagement;
- review the independence of the external auditor and to review the effectiveness of the audit process; and
- review the extent of non-audit services provided by the external auditor.

In light of the procedures outlined in the section 'Internal Control' and after allowing for the internal procedures performed under the group quality control system, the committee do not currently consider the need for a separate internal audit function, primarily because many elements of this role are covered by the quality control audit procedures. In addition, the appointment of a Group Financial Controller has resulted in the improved quality of financial reporting by the subsidiary companies in the Group, although that role is not one of internal audit.

An analysis of the nature and amount of non-audit work undertaken by the group auditors is shown in Note 4 to the accounts. During the year, the only significant non-audit work undertaken comprised tax compliance advice and the audit of the company pension scheme. The audit committee believes that the independence of the auditors is not compromised by the level of non-audit work performed, as the levels are low and do not conflict with the audit.

The terms of reference of the various sub-committees of the board are available on the company's website.

## Remuneration Committee

During 2008, the remuneration committee was comprised of the non-executive directors Beverley Stewart (Chair), Len Arnold (to 31st July 2008), Russell Race and Bob Campbell. Iain McCusker joined the committee from 1st January 2009. The committee meets as required.

The roles and responsibilities of the remuneration committee are to:

- determine the service contracts and base salary levels for executive directors and other senior management;
- consider whether executive directors should be eligible for annual bonuses and the performance conditions attached thereto;
- consider whether directors should be eligible for benefits under long-term incentive schemes; and
- consider the pension consequences and associated costs of salary increases.

The committee and the board followed the principles and provisions in Section B and Schedule A of the Combined Code in designing performance related remuneration packages and disclosing relevant information apart from the provisions in Schedule A.6 where only basic salary should be pensionable. However, the company consulted with pension scheme members during 2008 and with effect from 1st January 2009, bonuses have been removed from the pensionable salary definition.

## Nomination Committee

During 2008, the nomination committee was comprised of the non-executive directors Beverley Stewart (Chair), Len Arnold (to 31st July 2008), Russell Race and Bob Campbell. Iain McCusker joined the committee from 1st January 2009. The chair of the nomination committee, Beverley Stewart, is an independent non-executive director.

The role of the committee is to lead the process for succession planning and board appointments and to make recommendations to the main board of T.Clarke plc.

During 2008, the nomination committee considered a number of candidates for the role of independent non-executive director. External consultants were not used for the appointment because the board considered the candidates available to it, via contacts of the company, were of a sufficiently high quality and public reputation to justify direct recruitment. Following the recruitment process, Iain McCusker was recommended to the board by the nomination committee and his appointment was approved by the board with effect from 1st January 2009.

## Shareholder relations

The company recognises the importance of dialogue with both institutional and private shareholders. Presentations are made to brokers, analysts and institutional investors at the time of the announcement of final and interim results and there are regular meetings with analysts and investors throughout the year. The aim of the meetings is to explain the strategy and performance of the group and to establish and maintain a dialogue so that the investor community can communicate its views to the executive management.

It is usual that Pat Stanborough, Mark Lawrence and Victoria French are present at these meetings in either a team of two or three and that feedback reports provided by the company's broker are communicated to the non-executive directors so that they can be informed regarding shareholder opinion. In addition, the Chairman is available to meet with major shareholders periodically to discuss board governance and strategy.

The board has always invited communication from private investors and encouraged participation by them at the Annual General Meeting. All board members present at the AGM are available to answer questions from shareholders, as are the chairs of the audit, remuneration and nomination committees. Notice of the AGM is given in accordance with best practice and the business of the meeting is conducted with separate resolutions, each being voted on initially by a show of hands, with the results of the proxy voting being provided at the meeting.

## Internal control

The board is responsible for the group's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The board is of the view that there is an ongoing process for identifying, evaluating and managing the group's significant risks, that it has been in place for the year ended 31st December 2008 and up to the date of approval of the annual report and accounts, that it is regularly reviewed by the board and that it accords with the internal control guidance for directors in the Combined Code (Turnbull Guidance).

The internal control procedures are delegated to executive directors, technical directors and senior management in the group, operating within a clearly defined departmental structure. Each department or subsidiary assesses the level of authorisation appropriate to its decision-making process after the evaluation of potential benefits and risks. The board monitors monthly progress on contracts formally.

On a quarterly basis the board reviews management accounts in order to provide effective monitoring of financial performance. At the same time the board considers other significant strategic risk management, operational and compliance issues to ensure that the group's assets are safeguarded and financial information and accounting records can be relied upon.

The board's agenda includes a regular item for consideration of risk and control and receives reports thereon from the Engineering Executive Meeting, which takes place quarterly and which is chaired by a member of the board. It receives similar reports from the Regional Board meetings which also take place quarterly. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

At its meeting on 18th March 2009, the board carried out the annual assessment of the year ended 31st December 2008 by considering documentation from the audit committee and reviewing the need for an internal audit function. It was considered unnecessary to establish an internal audit function because the regular site audits under the quality control procedures provide a similar assurance that internal control systems are being properly adhered to. In addition, the ongoing implementation of a group-wide IT system, which will promote consistency and quality of reporting, was deemed to be a key area of improvement in internal control.

## Going concern

After making reasonable enquiries the board are satisfied that the group has adequate resources to continue its operations for the foreseeable future. The Group continues to adopt the going concern basis in preparing the financial statements.

Approved by the Board and signed on its behalf

**Victoria French**
Company Secretary
18th March 2009

# Remuneration report

## Remuneration committee

The remuneration committee comprises the independent non-executive directors Beverley Stewart, Bob Campbell and Iain McCusker and is chaired by Beverley Stewart. Russell Race, the Chairman, is also a member of the remuneration committee. Len Arnold resigned from the committee on 31st July 2008, after ten years on the main board. Iain McCusker was appointed to the board of T.Clarke plc and to the remuneration and other sub-committees on 1st January 2009.

The remuneration committee took advice during the year from its solicitors, Hamlins LLP, in connection with the terms of service contracts for executive directors and matters concerning the appointment of a non-executive director and other members of senior management. The Committee have considered any potential conflicts of interest and have decided that there are none and will continue to monitor the position.

Information relating to the emoluments and pension contributions of directors on page 76 has been audited.

## Policy on directors' remuneration

The objective is to develop remuneration packages that enable the company to attract and retain executive directors and senior managers of the necessary calibre and experience to manage the company successfully. The objective is to design packages that motivate individuals to perform at the highest level and to advance the interests of shareholders.

**Basic salary**

Salaries are reviewed annually and any increase takes effect from 1st January. In determining the appropriate level of salary and other benefits, the committee considers the abilities, experience and responsibilities of the individual and the need to attract, retain and motivate without paying more than is necessary for that purpose. The committee does give consideration to comparative information for companies of a similar size in the same industry sector and does not consider that salaries awarded fall outside the median for companies of a similar size in the same sector.

**Benefits**

Benefits consist of private medical insurance and the provision of a fully expensed motor vehicle of a suitable type or the payment of a motor vehicle allowance (see Note 5 to the accounts).

**Pensions**

The company operates a defined benefit pension and death benefits scheme (see Note 22 to the accounts) of which all the executive directors are members. The company contribution is 16% (2007: 16%) of pensionable salary of which 5.2% relates to the deficit removal contribution and the individual director contributes 10% (2007: 10%). Until 31st December 2008, averaged

bonuses were included in pensionable salary under the rules of the scheme, but the rules changed with effect from 1st January 2009 to exclude executive directors' bonuses from pensionable salary going forward. Details of the accrued pension benefits are shown on page 76. The life insurance benefit is between 2.25 and 4 times pensionable salary, depending on length of service.

**Annual bonuses**

Executive directors are entitled to performance related remuneration, which is based on the group profit before taxation. A percentage of the adjusted profits above a reference level is paid to each director. The individual percentages are shown in the table overleaf. The reference level for the year ended 31st December 2008 was £7,500,000 (2007: £7,500,000), with a maximum reference level of £12,500,000 (2007: £12,500,000).

Bonuses paid are capped, with the maximum bonus achievable being the percentage shown in the table on page 76 multiplied by the difference between the lower and upper reference levels, being £5,000,000 (2007: £5,000,000). Bonuses payable in respect of the year ended 31st December 2008 totalled £262,500 (2007: £34,532).

**Long-term equity incentive plan**

The remuneration committee has previously considered the implementation of a long-term equity incentive plan in order to align more closely the interests of shareholders and executive directors. The plan has been put on hold for the time being but it may be put to shareholders in the future for further consultation.

## Independent directors

The board determines the fees payable to the independent directors. None of the independent directors are entitled to any other benefits, bonuses or membership of the group pension scheme.

## Directors' notice periods

The service contracts for the executive directors are renewed each year as at 31st December and are terminable by either party with 12 months' notice. There is no specific provision for any compensation upon early termination of the contract.

All of the independent directors are elected for a period of office as determined by the Articles of Association, which do not confer any period of notice on either party.

## Key management remuneration

The remuneration of key management, excluding directors, was £3,694,000 (2007: £3,520,128). Pension contributions in respect of key management, excluding directors, were £449,000 (2007: £410,000).

## Remuneration totals

Directors' remuneration for the year ended 31st December 2008 was as follows:

| | Salary and fees £ | Bonus Percentage % | Bonus £ | Benefits in kind £ | **2008 Total £** | 2007 Total £ |
|---|---|---|---|---|---|---|
| P.E. Stanborough | 210,000 | 1.25 | 62,500 | 12,352 | 284,852 | 218,946 |
| B.V. DeFalco | 175,000 | 1 | 50,000 | 20,346 | 245,346 | 185,244 |
| M. Lawrence | 175,000 | 1 | 50,000 | 13,773 | 238,773 | 162,357 |
| M.C. Crowder | 140,000 | 1 | 50,000 | 13,304 | 203,304 | 134,255 |
| V.R. French[1] | 140,000 | 1 | 50,000 | 7,915 | 197,915 | 56,511 |
| R.J. Race | 40,000 | | | | 40,000 | 35,000 |
| R. Campbell[2] | 31,667 | | | | 31,667 | – |
| B.S. Stewart | 30,000 | | | | 30,000 | 25,000 |
| L.J.D Arnold[3] | 23,333 | | | | 23,333 | 30,000 |
| | 965,000 | | 262,500 | 67,690 | 1,295,190 | 874,313 |

Notes

1. Prior year comparative lower as appointed 1st August 2007
2. No prior year comparative as appointed 1st January 2008
3. Resigned 31st July 2008

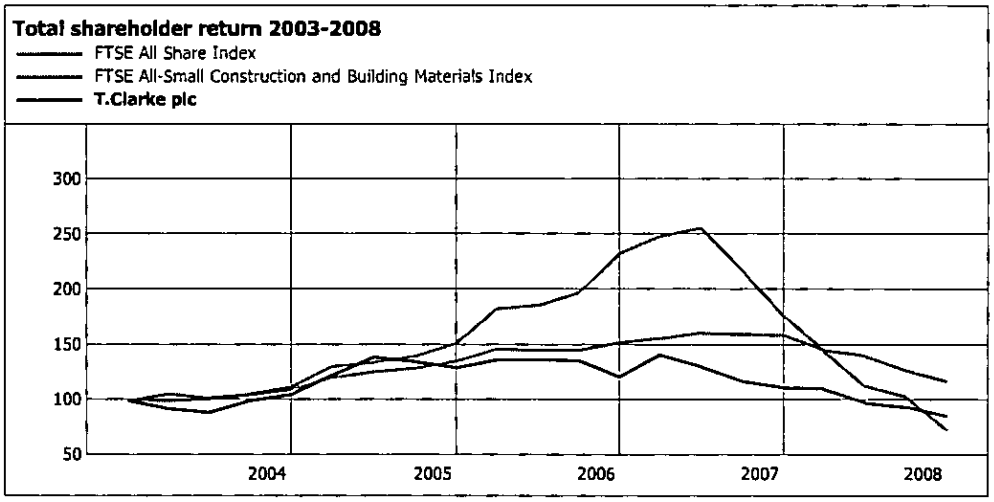
Details of the accrued pension benefits that the directors would be entitled to on leaving service are as follows:

| | Total pension accrued at 31.12.07 £ p.a. | Increase in accrued pension (including inflation) £ p.a. | Increase in accrued pension (excluding inflation) £ p.a. | Transfer value of increase in accrued pension less directors' contributions £ | Total pension accrued at 31.12.08 £ p.a. | Transfer value of accrued pension at 31.12.07 £ | Increase in transfer value £ | Transfer value of accrued pension at 31.12.08 £ |
|---|---|---|---|---|---|---|---|---|
| M. Lawrence | 16,920 | 2,680 | 1,834 | 7,660 | 19,600 | 172,810 | 32,709 | 205,519 |
| M.C. Crowder | 19,466 | 3,439 | 2,466 | 16,400 | 22,905 | 216,517 | 44,143 | 260,660 |
| V.R. French | 1,253 | 2,014 | 1,951 | 10,152 | 3,267 | 13,725 | 22,901 | 36,626 |

## Performance graph

The graph shows the total shareholder return that would have been obtained over the past five years by investing £100 in shares of T.Clarke plc on 31st December 2003 and £100 in a notional investment in the FTSE All-Share Index and the FTSE All-Small Construction and Building Materials Index on the same date. In all cases it has been assumed that all income has been re-invested.

The FTSE All-Share Index and the FTSE All-Small Construction and Building Materials Index are considered to be the most appropriate broad equity indices to use as a comparison because the company is a constituent of both.




By order of the board
**B.A. Stewart**
Chair of the Remuneration Committee
**18th March 2009**

# Independent auditors' report

to the shareholders of T.Clarke plc

We have audited the group and parent company financial statements (the "financial statements") of T.Clarke plc for the year ended 31st December 2008 which comprise the consolidated income statement, consolidated statement of recognised income and expense, consolidated balance sheet, company balance sheet, consolidated cash flow statement, consolidated statement of changes in equity, company cash flow statement, company statement of changes in equity and Notes 1 to 28. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 the auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement and Business Review that is cross referred from the Business Review and Operations section of the Directors' Report.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the 2006 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report, unaudited part of the Directors' Remuneration Report, the Chairman's Statement, the Business Review and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent company financial statements. Our responsibilities do not extend to any other information.

**Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

**Opinion**

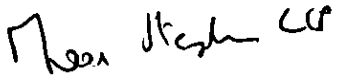
In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31st December 2008 and of its profit for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31st December 2008;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the group financial statements, Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the financial statements.

**Separate opinion in relation to IFRSs**

As explained in Note 1 to the group financial statements, the group in addition to complying with its legal obligation to comply with IFRSs as adopted by the European Union, has also complied with the IFRSs as issued by the International Accounting Standards Board.

In our opinion, the group financial statements give a true and fair view, in accordance with IFRSs, of the state of the group's affairs as at 31st December 2008 and of its profit for the year then ended.



**Moore Stephens LLP** St. Paul's House **18th March 2009**
Registered Auditors Warwick Lane
Chartered Accountants London EC4M 7BP

# Consolidated income statement

for the year ended 31st December 2008

| | Notes | 2008 £000 | 2007 £000 |
|---|---|---|---|
| **Revenue** | 1e | 223,725 | 193,845 |
| Cost of sales | | (185,242) | (165,326) |
| **Gross profit** | | 38,483 | 28,519 |
| Other operating income | | 100 | 90 |
| Administrative expenses | | (26,001) | (20,493) |
| **Profit from operations** | 4 | 12,582 | 8,116 |
| Investment income | 3 | 965 | 266 |
| Finance costs | 3 | (151) | (216) |
| **Profit before taxation** | | 13,396 | 8,166 |
| Taxation | 6 | (4,559) | (2,441) |
| **Profit for the period from continuing operations** | | 8,837 | 5,725 |
| Earnings per share | 7 | 22.12 pence | 14.33 pence |

All the revenue and profit arose from continuing operations.

# Consolidated statement of recognised income and expense

for the year ended 31st December 2008

| | | 2008 £000 | 2007 £000 |
|---|---|---|---|
| Actuarial gains on defined benefit pension scheme | 22 | 324 | 3,173 |
| Tax on items taken directly to equity | | (91) | (1,006) |
| **Net income recognised directly in equity** | | 233 | 2,167 |
| Profit for the period | | 8,837 | 5,725 |
| **Total recognised income and expense for the period** | | 9,070 | 7,892 |

# Consolidated balance sheet

at 31st December 2008

| | Notes | 2008 **£000** | 2007 **£000** |
|---|---|---|---|
| **Non current assets** | | | |
| Goodwill | 8 | 12,584 | 14,385 |
| Property, plant and equipment | 9 | 7,747 | 7,768 |
| Deferred taxation | 15 | 90 | 88 |
| | | 20,421 | 22,241 |
| **Current assets** | | | |
| Inventories | 11 | 292 | 287 |
| Construction contracts | 12 | 11,255 | 11,096 |
| Debtors | 13 | 14,220 | 25,072 |
| Cash and cash equivalents | 18 | 34,363 | 10,762 |
| | | 60,130 | 47,217 |
| **Total assets** | | 80,551 | 69,458 |
| **Current liabilities** | | | |
| Bank overdraft and loans | 20 | 4,002 | 1,811 |
| Creditors and accruals | 14 | 40,907 | 36,934 |
| Corporation tax liabilities | | 2,954 | 1,660 |
| Obligations under finance leases | 23 | 216 | 259 |
| | | 48,079 | 40,664 |
| **Net current assets** | | 12,051 | 6,553 |
| **Non current liabilities** | | | |
| Retirement benefit obligation | 22 | 1,938 | 2,395 |
| Obligations under finance leases | 23 | 221 | 222 |
| | | 2,159 | 2,617 |
| **Total liabilities** | | 50,238 | 43,281 |
| **Net assets** | | 30,313 | 26,177 |
| **Equity** | | | |
| Share capital | 16 | 3,995 | 3,995 |
| Share premium | 17 | 1,234 | 1,234 |
| Profit and loss account | 17 | 25,084 | 20,948 |
| **Total equity** | | 30,313 | 26,177 |

These financial statements were approved and authorised for issue by the board on 18th March 2009.

**Pat Stanborough**
Director

**Russell Race**
Director

# Company balance sheet

at 31st December 2008

| | Notes | 2008 £000 | 2007 £000 |
|---|---|---|---|
| **Non current assets** | | | |
| Property, plant and equipment | 9 | 36 | 52 |
| Investments | 10 | 20,970 | 23,978 |
| Deferred taxation | 15 | 50 | 60 |
| | | 21,056 | 24,090 |
| **Current assets** | | | |
| Construction contracts | 12 | 1,472 | 4,160 |
| Debtors | 13 | 8,320 | 10,682 |
| Cash and cash equivalents | 18 | 31,703 | 7,495 |
| | | 41,495 | 22,337 |
| **Total assets** | | 62,551 | 46,427 |
| **Current liabilities** | | | |
| Bank overdraft and loans | 20 | 2,937 | – |
| Creditors and accruals | 14 | 28,203 | 17,707 |
| Corporation tax liabilities | | 2,449 | 1,160 |
| | | 33,589 | 18,867 |
| **Net current assets** | | 7,906 | 3,470 |
| **Non current liabilities** | | | |
| Retirement benefit obligation | 22 | 1,938 | 2,395 |
| **Total liabilities** | | 35,527 | 21,262 |
| **Net assets** | | 27,024 | 25,165 |
| **Equity** | | | |
| Share capital | 16 | 3,995 | 3,995 |
| Share premium | 17 | 1,234 | 1,234 |
| Profit and loss account | 17 | 21,795 | 19,936 |
| **Total equity** | | 27,024 | 25,165 |

These financial statements were approved and authorised for issue by the board on 18th March 2009.

**Pat Stanborough**
Director

**Russell Race**
Director

# Consolidated cash flow statement

for the year ended 31st December 2008

| | Notes | 2008 £000 | 2007 £000 |
|---|---|---|---|
| **Net cash from operating activities** | 18 | 26,314 | 10,998 |
| **Investing activities** | | | |
| Interest received | | 905 | 266 |
| Purchase of property, plant and equipment | | (1,024) | (595) |
| Receipts on disposal of property, plant and equipment | | 320 | 122 |
| **Net cash from / (used in) investing activities** | | 201 | (207) |
| **Financing activities** | | | |
| Equity dividends paid | | (4,934) | (4,494) |
| Repayments of obligations under finance leases | | (171) | (254) |
| **Net cash used in financing activities** | | (5,105) | (4,748) |
| **Net increase in cash and cash equivalents** | | 21,410 | 6,043 |
| **Cash and cash equivalents at beginning of period** | | 8,951 | 2,908 |
| **Cash and cash equivalents at end of period** | 18 | 30,361 | 8,951 |

# Consolidated statement of changes in equity

for the year ended 31st December 2008

| | Notes | 2008 £000 | 2007 £000 |
|---|---|---|---|
| **Balance at start of period** | | 26,177 | 22,779 |
| Profit for period | | 8,837 | 5,725 |
| Interim dividend paid | 17 | (1,698) | (1,558) |
| Prior year final dividend paid | 17 | (3,236) | (2,936) |
| Actuarial gain on defined benefit pension scheme | 22 | 324 | 3,173 |
| Corporation tax provision on pension benefits | | (91) | (888) |
| Effect of change in tax rate on deferred tax recognised through equity | | – | (118) |
| **Balance at end of period** | | 30,313 | 26,177 |

# Company cash flow statement

for the year ended 31st December 2008

| | Notes | 2008 £000 | 2007 £000 |
|---|---|---|---|
| **Net cash from operating activities** | 18 | 22,844 | 4,854 |
| **Investing activities** | | | |
| Interest received | | 721 | 97 |
| Dividends received from subsidiary companies | | 2,650 | 5,036 |
| Purchase of property, plant and equipment | | (12) | (6) |
| Receipts on disposal of property, plant and equipment | | 2 | – |
| Investment in / acquisition of subsidiaries | | – | (5) |
| **Net cash from investing activities** | | 3,361 | 5,122 |
| **Financing activities** | | | |
| Equity dividends paid | | (4,934) | (4,494) |
| **Net cash used in financing activities** | | (4,934) | (4,494) |
| **Net increase in cash and cash equivalents** | | 21,271 | 5,482 |
| **Cash and cash equivalents at beginning of period** | | 7,495 | 2,013 |
| **Cash and cash equivalents at end of period** | 18 | 28,766 | 7,495 |

# Company statement of changes in equity

for the year ended 31st December 2008

| | Notes | 2008 £000 | 2007 £000 |
|---|---|---|---|
| **Balance at start of period** | | 25,165 | 19,991 |
| Profit for period | | 6,560 | 7,501 |
| Interim dividend paid | 17 | (1,698) | (1,558) |
| Prior year final dividend paid | 17 | (3,236) | (2,936) |
| Actuarial gain on defined benefit pension scheme | 22 | 324 | 3,173 |
| Corporation tax provision on pension benefits | | (91) | (888) |
| Effect of change in tax rate on deferred tax recognised through equity | | – | (118) |
| **Balance at end of period** | | 27,024 | 25,165 |

# Notes to the financial statements

for the year ended 31st December 2008

## Note 1 – Accounting policies

### a. General information

T.Clarke plc is a public limited company incorporated in the United Kingdom. The address of its registered office and principal place of business is disclosed in the introduction to the annual report on page 59. The nature of the group's operations and its principal activities are described in Note 2 and in the Business Review on page 5.

### b. Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and have been prepared on the historic cost basis. They comprise the parent company financial statements of T.Clarke plc and the consolidated financial statements of T.Clarke plc and all its subsidiaries made up to 31st December 2008 and have been presented in £000s.

During the year the group has adopted IFRIC 14 'The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'. IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of a pension fund surplus that can be recognised as an asset, and explains how a pension asset or liaibility may be affected by a statutory or contractual minimum funding requirement. This interpretation does not have any impact on the group's financial statements as the group has a pension fund deficit and is not subject to any statutory or contractual minimum funding requirements.

The group elected to adopt IFRS 8 'Operating Segments' in the financial statements for the year ended 31st December 2007, which was earlier than its effective date (accounting periods beginning on or after 1st January 2009). The impact of adopting this standard has been to increase the level of disclosure concerning the group's operating segments. Information on operating segments is disclosed in Note 2.

A summary of new standards and interpretations issued but not yet in force is included in Note 28.

### c. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company (its subsidiaries) made up to 31st December each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

### d. Segmental reporting

Operating divisions are reported in a manner consistent with the internal reporting provided to the Chief Executive, who is the chief operating decision-maker responsible for allocating resouces to and assessing the performance of operating divisions.

# Notes continued for the year ended 31st December 2008

## Note 1 – Accounting policies (continued)

### e. Revenue recognition

Sales revenue is measured at the fair value of work done and goods and services provided in the normal course of business, net of discounts and VAT. Revenue from construction contracts is recognised in accordance with the group's policy on construction contracts (see Note 1f).

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Dividend revenue from investments is recognised when the company's right to receive payment has been established.

### f. Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date, measured based on the proportion of contracts costs (prime costs and overheads) incurred for the work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. The earliest point at which profit has been taken is that at which the outcome of the contract, based on an assessment by officials of the company, can be reliably foreseen, taking into account the circumstances of each contract. Full provision is made for any foreseeable losses to completion, but no account is taken of claims receivable until agreed. Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable.

### g. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. The group has taken advantage of the transitional provisions of IFRS 1 to use previous valuation as deemed cost on the move to IFRS. Depreciation is calculated on a straight line basis using the following rates:

| | |
|---|---|
| Freehold properties 2% | Plant and machinery 10%-25% |
| Improvements to property 10% | Motor vehicles 25%-33% |

### h. Acquisitions and goodwill

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets.

Purchased goodwill, being the excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired, is capitalised and classified as an asset on the balance sheet. Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amount subject to being tested for impairment.

Goodwill is reviewed for impairment on an annual basis. When the directors consider the initial value of the acquisition to be negligible the goodwill is written off to the income statement immediately.

# Notes continued for the year ended 31st December 2008

## Note 1 – Accounting policies (continued)

### i. Impairment of goodwill and other non-financial assets

Impairment tests on goodwill are undertaken annually at the financial year end. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (ie. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit (ie. the lowest group of assets in which the asset belongs for which there are separately identifiable cash flows). Goodwill is allocated on initial recognition to each of the group's cash-generating units that are expected to benefit from the synergies of the combination giving rise to the goodwill.

Impairment charges are included in the administrative expenses line item in the consolidated income statement, except to the extent they reverse gains previously recognised in the consolidated statement of recognised income and expense. An impairment loss recognised for goodwill is not reversed.

### j. Inventories

Stocks of raw materials and consumables are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the stock to its present location and condition.

### k. Leasing and hire purchase commitments

Leases (including similar hire purchase arrangements) are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised as assets of the group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the income statement.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the minimum lease term.

### l. Financial instruments

The group's financial instruments comprise trade debtors, trade creditors, finance leases and similar hire purchase contracts, and cash and cash equivalents net of overdrafts. The group does not trade in any financial derivatives.

**Trade debtors and receivables**

Trade debtors, which are non-interest bearing, are measured on initial recognition at fair value and subsequently at amortised cost. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired, measured as the difference between the asset's carrying value and the fair value of the estimated recoverable amount, if any.

# Notes continued for the year ended 31st December 2008

## Note 1 – Accounting policies (continued)

Insolvency or significant financial difficulties of the debtor, late payments and disputes are considered indicators that a receivable is impaired. The carrying amount of the trade debtor is reduced to its estimated recoverable amount through the use of an allowance account and the expense recognised in the income statement in administrative expenses. When a trade debtor is uncollectible it is written off against the allowance account for trade debtors.

**Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and in hand, bank overdrafts, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Bank overdrafts are included within current liabilities on the balance sheet. Finance income and expense are recognised using the effective interest method and are added to the carrying value of the asset or liability as they arise.

**Trade creditors**

Trade creditors are initially measured at fair value and subsequently at amortised cost. Trade creditors and payables are non-interest bearing.

**m. Taxation**

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The amount of any deferred tax asset or liability recognised is determined using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the deferred tax liabilities or assets are settled or recovered.

Deferred tax assets and liabilities are offset as the group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied on either the same company, or on different companies where there is an intention to settle current tax assets and liabilities on a net basis.

**n. Borrowing costs**

Borrowing costs are recognised in the income statement in the period in which they are incurred.

**o. Dividends**

Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when they are paid. In the case of final dividends, this is when approved by the shareholders at the AGM.

# Notes continued for the year ended 31st December 2008

## Note 1 – Accounting policies (continued)

### p. Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

For defined benefit retirement benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised outside the income statement account and presented in the statement of recognised income and expense.

Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight line basis over the average period until the benefits become vested.

The retirement benefit obligation in the balance sheet represents the fair value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

### q. Significant judgements and sources of estimation uncertainty

In the application of the group's accounting policies, which are described above, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities at the balance sheet date and the amounts of revenue and expenses incurred during the period. Actual results may differ from these estimates. The estimates and assumptions that have the most significant impact are set out below.

**Revenue and margin**

The recognition of revenue and profit on construction contracts is a key source of estimation uncertainty due to the difficulty of forecasting the final costs to be incurred on the contract and the process whereby applications are made during the course of the contract with variations often being agreed as part of the final account negotiation. The group's policies for the recognition of revenue and profit on construction contracts are set out above. The directors also take into account the recoverability of contract balances and trade debtors and allowances are made for those balances which are considered to be impaired.

**Impairment of goodwill**

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating unit giving rise to the goodwill, including the estimation of the timing and amount of future cash flows generated by the cash generating unit and a suitable discount rate. Further details are provided in Note 8.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

**Retirement benefit obligations**

The costs, assets and liabilities of the defined benefit scheme operated by the group are determined using methods relying on actuarial estimates and assumptions. Details of the key assumptions are set out in Note 22. The group takes advice from independent actuaries relating to the appropriateness of the assumptions. Changes in the assumptions used may have a significant effect on the consolidated income statement, consolidated statement of recognised income and expense and the balance sheet.

# Notes continued for the year ended 31st December 2008

## Note 2 – Segmental analysis

The group considers that it has only one business segment, being mechanical and electrical contracting.

For management and internal reporting purposes the group is organised into two operating divisions, London and UK Regions, and an internal property division. All assets and liabilities of the group have been allocated to divisions, apart from the retirement benefit obligation and tax assets and liabilities.

All the group's operations are carried out within the United Kingdom, and there is no significant difference between turnover based on the location of assets and turnover based on location of customers.

**Segment information about the group's continuing operations is presented below:**

| Year ended 31st December 2008 | London £000 | UK Regions £000 | Property £000 | Elimination £000 | Total £000 |
|---|---|---|---|---|---|
| Revenue | 102,132 | 121,593 | 637 | (637) | 223,725 |
| Profit from operations | 9,753 | 2,425 | 404 | – | 12,582 |
| Investment income | 781 | 275 | – | (91) | 965 |
| Finance costs | (97) | (145) | – | 91 | (151) |
| Profit before tax | 10,437 | 2,555 | 404 | – | 13,396 |
| Taxation | | | | | (4,559) |
| Profit for the period from continuing operations | | | | | 8,837 |

Profit from operations for the UK regions is stated net of a goodwill impairment charge of £1,801,000 (2007: £nil). Further details are given in Note 8.

| Year ended 31st December 2007 | London £000 | UK Regions £000 | Property £000 | Elimination £000 | Total £000 |
|---|---|---|---|---|---|
| Revenue | 77,210 | 116,635 | 610 | (610) | 193,845 |
| Profit from operations | 5,152 | 2,506 | 458 | – | 8,116 |
| Investment income | 97 | 218 | – | (49) | 266 |
| Finance costs | (141) | (124) | – | 49 | (216) |
| Profit before tax | 5,108 | 2,600 | 458 | – | 8,166 |
| Taxation | | | | | (2,441) |
| Profit for the period from continuing operations | | | | | 5,725 |

# Notes continued for the year ended 31st December 2008

## Note 2 – Segmental analysis (continued)

**Other segment information:**

| | 2008 | | 2007 | |
|---|---|---|---|---|
| | Capital additions **£000** | Depreciation **£000** | Capital additions **£000** | Depreciation **£000** |
| London | 12 | 28 | 5 | 42 |
| UK Regions | 677 | 658 | 793 | 681 |
| Property | 463 | 142 | – | 134 |
| | 1,152 | 828 | 798 | 857 |

| | 2008 | | |
|---|---|---|---|
| | Assets **£000** | Liabilities **£000** | Net assets **£000** |
| London | 41,532 | (31,140) | 10,392 |
| UK Regions | 38,996 | (15,236) | 23,760 |
| Property | 6,027 | (5,064) | 963 |
| Unallocated | 90 | (4,892) | (4,802) |
| Eliminations | (6,094) | 6,094 | – |
| Consolidated | 80,551 | (50,238) | 30,313 |

| | 2007 | | |
|---|---|---|---|
| | Assets **£000** | Liabilities **£000** | Net assets **£000** |
| London | 22,389 | (17,708) | 4,681 |
| UK Regions | 45,012 | (20,196) | 24,816 |
| Property | 5,846 | (5,199) | 647 |
| Unallocated | 88 | (4,055) | (3,967) |
| Eliminations | (3,877) | 3,877 | – |
| Consolidated | 69,458 | (43,281) | 26,177 |

| **Total revenue comprises:** | 2008 **£000** | 2007 **£000** |
|---|---|---|
| Sales revenue - construction contracts | 223,725 | 193,845 |
| Other operating income: | | |
| Rents | 68 | 90 |
| Other | 32 | – |
| | 100 | 90 |
| | 223,825 | 193,935 |

# Notes continued for the year ended 31st December 2008

| Note 3 – Investment income / finance cost | 2008 £000 | 2007 £000 |
|---|---|---|
| **Investment income** | | |
| Interest on bank deposits | 890 | 256 |
| Other interest receivable | 75 | 10 |
| | 965 | 266 |
| **Finance cost** | | |
| Interest on bank overdrafts and loans | (17) | (73) |
| Interest on obligations under finance leases | (46) | (47) |
| Other interest (including finance charge related to pension obligations) | (88) | (96) |
| | (151) | (216) |
| Net total of investment income and finance cost | 814 | 50 |

| Note 4 – Profit from operations | 2008 £000 | 2007 £000 |
|---|---|---|
| Operating profit is stated after charging / (crediting): | | |
| Goodwill impairment charge (see note 8) | 1,801 | – |
| Depreciation of property, plant and equipment | 828 | 857 |
| Loss on sale of fixed assets | 25 | 16 |
| Auditor's remuneration: Moore Stephens LLP | | |
| – statutory audit fee | 145 | 109 |
| – compliance taxation services | 16 | 13 |
| – tax advisory services | 4 | 4 |
| – pension scheme audit | 5 | 5 |
| – other | 3 | 9 |
| Other group company auditors | | |
| – statutory audit fee | 120 | 89 |
| – compliance taxation services | 7 | 7 |
| – tax advisory services | – | 6 |
| – other services | 18 | 33 |
| Operating lease charges | | |
| – land and buildings | 134 | 122 |
| – plant, machinery and vehicles | 1,004 | 894 |
| Raw materials and consumables | 84,523 | 77,278 |
| Rent receivable | (68) | (90) |
| Bad debt expense | 1,480 | 135 |

# Notes continued for the year ended 31st December 2008

## Note 5 – Directors and employees

| | 2008 £000 | 2007 £000 |
|---|---|---|
| **Directors' emoluments** | | |
| Staff costs include the following emoluments in respect of the qualifying service of directors of the company: | | |
| Emoluments | 1,295 | 926 |

The directors (other than the independent non-executive directors) receive company cars and medical insurance, the taxable benefits of which amount to £68,000 (2007: £72,000) and are included above.

The number of directors to whom retirement benefits are accruing under a defined benefit scheme is three (2007: five). There are no accrued lump sum benefits.

Additional information concerning directors' remuneration is included in the remuneration report on page 74.

| | 2008 £000 | 2007 £000 |
|---|---|---|
| **Staff costs** | | |
| Staff costs during the year were as follows: | | |
| Wages and salaries | 55,690 | 52,081 |
| Social security costs | 5,568 | 5,164 |
| Other pension costs | 1,209 | 1,634 |
| | 62,467 | 58,879 |
| Average number of employees | | |
| – staff (including directors) | 331 | 345 |
| – operatives | 1,102 | 1,196 |
| | 1,433 | 1,541 |

# Notes continued for the year ended 31st December 2008

## Note 6 – Taxation

| Taxation expense | 2008 £000 | 2007 £000 |
|---|---|---|
| **Current tax expense** | | |
| UK corporation tax payable on profits for the year | 4,451 | 2,653 |
| Adjustment for under / (over) provision in prior periods | 23 | (81) |
| | 4,474 | 2,572 |
| **Deferred tax expense** | | |
| Arising on: | | |
| Origination and reversal of temporary differences | 85 | (137) |
| Effect of change in tax rates on brought forward deferred tax balances | – | 6 |
| | 85 | (131) |
| **Total income tax expense** | 4,559 | 2,441 |
| | | |
| **Reconciliation of tax charge** | | |
| Profit before tax | 13,396 | 8,166 |
| | | |
| **Tax at standard UK tax rate of 28.5% (2007: 30%)** | 3,818 | 2,450 |
| **Tax effect of:** | | |
| Permanently disallowable items | 718 | 66 |
| Changes in deferrred tax arising from change in tax rates | – | 6 |
| Under / (over) provision in prior years | 23 | (81) |
| | 4,559 | 2,441 |

£87,000 of the deferred tax charge (2007: deferred tax credit £35,000) to the income statement has been included within the retirement benefit obligation (see Note 22).

## Note 7 – Earnings per share

The earnings per share represents the profit for the period from continuing operations divided by the weighted average number of ordinary shares in issue. The number of ordinary shares for the purpose of this calculation is 39,947,889 (2007: 39,947,889).

# Notes continued for the year ended 31st December 2008

## Note 8 – Goodwill

| | 2008 £000 |
|---|---|
| **Cost:** | |
| At 1st January 2007, 31st December 2007 and 31st December 2008 | 14,385 |
| **Impairment:** | |
| At 1st January 2007 and 31st December 2007 | – |
| Impairment charge | 1,801 |
| At 31st December 2008 | 1,801 |
| Net book value at 1st January 2007 and 31st December 2007 | 14,385 |
| **Net book value at 31st December 2008** | 12,584 |

Goodwill relates to the purchase of subsidiary undertakings. The carrying value of goodwill has been compared to its recoverable amount based on the value in use of the cash generating units to which the goodwill has been allocated. Each subsidiary has been assessed as a separate cash generating unit.

The key assumptions to which the assessment of the recoverable amounts of cash generating units are sensitive are the projected turnover, projected operating margin and the discount rate. In assessing the value in use, the directors have considered the trading history, business plans, management actions and trading forecasts for 2009, reflecting the level and quality of secured work, in each business. In respect of future periods beyond 2009, no growth has been assumed. A discount rate of 9.3% (2007: 8.15%) has been applied to the extrapolated cash flow projections.

Following the annual impairment review undertaken at 31st December 2008, the Directors concluded that the goodwill arising on the acquisitions of JJ Cross Limited, Kestrel Electrical Systems Limited and GDI Electrical Company Limited, all of which form part of the UK Regions operating division, had been impaired. Goodwill in respect of these cash generating units has been written down to £nil in the consolidated balance sheet. No other class of asset other than goodwill was impaired. The impairment charge has been included in 'Administrative expenses' in the consolidated income statement.

The carrying value of the Company's investment in certain subsidiary undertakings has also been impaired to their estimated recoverable amount (see Note 10).

The significant elements of goodwill at 31st December 2008 are as follows:

| | | |
|---|---|---|
| Mitchell & Hewitt Limited | £ | 4,076,000 |
| SCS Building Services Limited | £ | 2,546,000 |
| Aylward EMS Limited | £ | 1,995,000 |

The directors believe that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of each cash generating unit.

# Notes continued for the year ended 31st December 2008

## Note 9 – Property, plant and equipment

| GROUP | Freehold properties £000 | Plant, machinery and vehicles £000 | Total £000 |
|---|---|---|---|
| **Cost** | | | |
| At 1st January 2007 | 6,797 | 5,774 | 12,571 |
| Additions | – | 798 | 798 |
| Disposals | – | (559) | (559) |
| At 1st January 2008 | 6,797 | 6,013 | 12,810 |
| Additions | 463 | 689 | 1,152 |
| Disposals | (141) | (908) | (1,049) |
| At 31st December 2008 | 7,119 | 5,794 | 12,913 |
| **Accumulated depreciation and impairment** | | | |
| At 1st January 2007 | 994 | 3,612 | 4,606 |
| Charge for the year | 134 | 723 | 857 |
| Disposals | – | (421) | (421) |
| At 1st January 2008 | 1,128 | 3,914 | 5,042 |
| Charge for the year | 142 | 686 | 828 |
| Disposals | (11) | (693) | (704) |
| At 31st December 2008 | 1,259 | 3,907 | 5,166 |
| Net book value at 1st January 2007 | 5,803 | 2,162 | 7,965 |
| Net book value at 31st December 2007 | 5,669 | 2,099 | 7,768 |
| **Net book value at 31st December 2008** | 5,860 | 1,887 | 7,747 |

The net book value of group plant, machinery and vehicles includes an amount of £658,000 (2007: £762,000) in respect of assets held under finance leases. Depreciation of £233,000 (2007: £244,000) was charged during the year on assets held under finance leases.

# Notes continued for the year ended 31st December 2008

## Note 9 – Property, plant and equipment (continued)

| COMPANY | Freehold properties £000 | Plant, machinery and vehicles £000 | Total £000 |
|---|---|---|---|
| **Cost** | | | |
| At 1st January 2007 | – | 708 | 708 |
| Additions | – | 6 | 6 |
| At 1st January 2008 | – | 714 | 714 |
| Additions | – | 12 | 12 |
| Disposals | – | (35) | (35) |
| At 31st December 2008 | – | 691 | 691 |
| **Accumulated depreciation and impairment** | | | |
| At 1st January 2007 | – | 620 | 620 |
| Charge for the year | – | 42 | 42 |
| At 1st January 2008 | – | 662 | 662 |
| Charge for the year | – | 28 | 28 |
| Disposals | – | (35) | (35) |
| At 31st December 2008 | – | 655 | 655 |
| Net book value at 1st January 2007 | – | 88 | 88 |
| Net book value at 31st December 2007 | – | 52 | 52 |
| **Net book value at 31st December 2008** | – | 36 | 36 |

# Notes continued for the year ended 31st December 2008

## Note 10 – Investments

| COMPANY | 2008 £000 | 2007 £000 |
|---|---|---|
| Investments in subsidiaries comprise: | | |
| **Cost:** | | |
| At 1st January | 24,550 | 24,545 |
| Additions | – | 5 |
| At 31st December | 24,550 | 24,550 |
| **Impairment:** | | |
| At 1st January | 572 | 572 |
| Impairment charge | 3,008 | – |
| At 31st December | 3,580 | 572 |
| | | |
| **Net book value:** | | |
| At 1st January | 23,978 | 23,973 |
| At 31st December | 20,970 | 23,978 |

Details of the impairment charge are disclosed in Note 8.

# Notes continued for the year ended 31st December 2008

## Note 11 – Inventories

| GROUP | 2008 £000 | 2007 £000 |
|---|---|---|
| Raw materials | 292 | 287 |

## Note 12 – Construction contracts in progress

| | Group | | Company | |
|---|---|---|---|---|
| | 2008 £000 | 2007 £000 | 2008 £000 | 2007 £000 |
| **Contract work in progress comprises:** | | | | |
| Contract cost incurred plus recognised profits less recognised losses to date | 182,842 | 140,056 | 102,200 | 67,499 |
| Less: progress payments | (180,075) | (133,889) | (108,134) | (65,451) |
| | 2,767 | 6,167 | (5,934) | 2,048 |
| Contracts in progress at the balance sheet date: | | | | |
| Gross amounts due from customers | 11,255 | 11,096 | 1,472 | 4,160 |
| Gross amounts due to customers, included in creditors and accruals | (8,488) | (4,929) | (7,406) | (2,112) |
| | 2,767 | 6,167 | (5,934) | 2,048 |

# Notes continued for the year ended 31st December 2008

## Note 13 – Debtors

| GROUP | 2008 £000 | 2007 £000 |
|---|---|---|
| Trade debtors - gross | 14,736 | 23,953 |
| Trade debtors - allowances for credit losses | (1,291) | (639) |
| Trade debtors | 13,445 | 23,314 |
| Other debtors | 188 | 600 |
| Prepayments and accrued income | 587 | 1,158 |
| | 14,220 | 25,072 |
| Movements in allowances for credit losses are as follows: | | |
| At 1st January | (639) | (697) |
| Provided in year | (1,252) | (132) |
| Recovered in year | 227 | 189 |
| Written off in year | 373 | 1 |
| At 31st December | (1,291) | (639) |

| | | |
|---|---|---|
| **Trade receivables (including retentions) are due as follows:** | | |
| Overdue | 3,938 | 2,102 |
| Due within 3 months | 7,035 | 16,766 |
| Due in 3 to 6 months | 788 | 1,655 |
| Due in 6 to 12 months | 2,129 | 2,897 |
| Due after more than one year | 846 | 533 |
| | 14,736 | 23,953 |
| **The ageing of overdue debtors is as follows:** | | |
| Less than 30 days | 661 | 124 |
| 31-60 days | 639 | 89 |
| 61-120 days | 718 | 459 |
| Greater than 120 days | 1,920 | 1,430 |
| | 3,938 | 2,102 |

# Notes continued for the year ended 31st December 2008

## Note 13 – Debtors (continued)

| COMPANY | 2008 £000 | 2007 £000 |
|---|---|---|
| Trade debtors - gross | 2,822 | 3,450 |
| Trade debtors - allowances for credit losses | (619) | – |
| Trade debtors | 2,203 | 3,450 |
| Owed by group companies | 5,955 | 6,792 |
| Other debtors | 139 | 155 |
| Prepayments and accrued income | 23 | 285 |
| | 8,320 | 10,682 |
| Movements in allowances for credit losses are as follows: | | |
| At 1st January | – | – |
| Provided in year | (619) | – |
| At 31st December | 619 | – |

| | | |
|---|---|---|
| **Trade receivables (including retentions) are due as follows:** | | |
| Overdue | 929 | 1,229 |
| Due within 3 months | 1,289 | 1,405 |
| Due in 3 to 6 months | 107 | 257 |
| Due in 6 to 12 months | 497 | 559 |
| | 2,822 | 3,450 |
| **The ageing of overdue debtors is as folows:** | | |
| Less than 30 days | – | – |
| 31-60 days | 106 | 34 |
| 61-120 days | 160 | 254 |
| Greater than 120 days | 663 | 941 |
| | 929 | 1,229 |

As of 31st December 2008 allowances of £1,291,000 (2007: £639,000) are held against trade debtors of the group and allowances of £619,000 (2007: £nil) are held against trade debtors of the company. The allowance has been assessed against each individual debtor balance. Where overdue balances are still considered to be recoverable in full no allowance has been made. The impairment mostly relates to small building contractors who have become insolvent or are facing severe financial difficulties at present.

# Notes continued for the year ended 31st December 2008

## Note 14 – Creditors

| | Amounts falling due within one year | |
|---|---|---|
| **GROUP** | 2008 **£000** | 2007 **£000** |
| Payments received on account | 8,488 | 4,929 |
| Trade creditors | 19,759 | 21,861 |
| Other taxation and social security payable | 5,012 | 4,407 |
| Accruals and deferred income | 7,648 | 5,737 |
| | 40,907 | 36,934 |

| **COMPANY** | | |
|---|---|---|
| Payments received on account | 7,406 | 2,112 |
| Trade creditors | 9,178 | 9,030 |
| Owed to group companies | 6,684 | 2,916 |
| Other taxation and social security payable | 2,688 | 2,203 |
| Accruals and deferred income | 2,247 | 1,446 |
| | 28,203 | 17,707 |

Trade creditors payments terms are as follows:

| **GROUP** | 2008 **£000** | 2007 **£000** |
|---|---|---|
| 30 days or less | 9,809 | 12,078 |
| 31-60 days | 8,255 | 8,231 |
| Greater than 60 days | 1,695 | 1,552 |
| | 19,759 | 21,861 |

| **COMPANY** | | |
|---|---|---|
| 30 days or less | 5,226 | 4,636 |
| 31-60 days | 3,191 | 3,712 |
| Greater than 60 days | 761 | 682 |
| | 9,178 | 9,030 |

# Notes continued for the year ended 31st December 2008

## Note 15 – Deferred taxation

| GROUP | Accelerated tax depreciation £000 | Other £000 | Total £000 |
|---|---|---|---|
| Liability at 1st January 2007 | (8) | – | (8) |
| Credit to income | 61 | 35 | 96 |
| Asset at 1st January 2008 | 53 | 35 | 88 |
| Credit / (charge) to income | 8 | (6) | 2 |
| Asset at 31st December 2008 | 61 | 29 | 90 |

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes.

| | 2008 £000 | 2007 £000 |
|---|---|---|
| Deferred tax liabilities | (37) | – |
| Deferred tax assets | 127 | 88 |
| | 90 | 88 |

| COMPANY | Accelerated capital allowances £000 | Other £000 | Total £000 |
|---|---|---|---|
| Asset at 1st January 2007 | 43 | – | 43 |
| (Charge) / credit to income | (18) | 35 | 17 |
| Asset at 1st January 2008 | 25 | 35 | 60 |
| Charge to income | (2) | (8) | (10) |
| Asset at 31st December 2008 | 23 | 27 | 50 |

# Notes continued for the year ended 31st December 2008

## Note 16 – Called up equity share capital

| | 2008 No: | 2007 No: | 2008 £000 | 2007 £000 |
|---|---|---|---|---|
| Authorised: | | | | |
| ordinary shares of 10 pence each | 50,000,000 | 50,000,000 | 5,000 | 5,000 |
| Allotted called up and fully paid: | | | | |
| ordinary shares of 10 pence each | 39,947,889 | 39,947,889 | 3,995 | 3,995 |

All shares rank equally in respect of shareholder rights.

# Notes continued for the year ended 31st December 2008

## Note 17 – Reserves

| GROUP | Share premium account £000 | Revaluation reserve £000 | Profit & loss account £000 |
|---|---|---|---|
| Balance at 1st January 2007 | 1,234 | 32 | 17,518 |
| Transfer | – | (32) | 32 |
| Net profit for the period | – | – | 5,725 |
| Dividends paid | – | – | (4,494) |
| Net actuarial gain on pension scheme | – | – | 2,167 |
| Balance at 1st January 2008 | 1,234 | – | 20,948 |
| Net profit for the period | – | – | 8,837 |
| Dividends paid | – | – | (4,934) |
| Net actuarial gain on pension scheme | – | – | 233 |
| Balance at 31st December 2008 | 1,234 | – | 25,084 |

| COMPANY | | | |
|---|---|---|---|
| Balance at 1st January 2007 | 1,234 | – | 14,762 |
| Net profit for the period | – | – | 7,501 |
| Dividends paid | – | – | (4,494) |
| Net actuarial gain on pension scheme | – | – | 2,167 |
| Balance at 1st January 2008 | 1,234 | – | 19,936 |
| Net profit for the period | – | – | 6,560 |
| Dividends paid | – | – | (4,934) |
| Net actuarial gain on pension scheme | – | – | 233 |
| Balance at 31st December 2008 | 1,234 | – | 21,795 |

The company has taken advantage of the exemption conferred by section 230 of the Companies Act 1985 from presenting its own income statement. Profit after taxation amounting to £6,560,000 (2007: £7,501,000) has been included in the financial statements of the holding company.

# Notes continued for the year ended 31st December 2008

## Note 17 – Reserves (continued)

| Dividends | 2008 £000 | 2007 £000 |
|---|---|---|
| Final dividend of 8.1 pence (2007: 7.35 pence) per ordinary share proposed and paid during the year relating to the previous year's results | 3,236 | 2,936 |
| Interim dividend of 4.25 pence (2007: 3.9 pence) per ordinary share paid during the year | 1,698 | 1,558 |
| | 4,934 | 4,494 |

The directors are proposing a final dividend of 8.75 pence (2007: 8.1 pence) per ordinary share totalling £3,495,000 (2007: £3,236,000). This dividend has not been accrued at the balance sheet date. A dividend reinvestment plan is available to shareholders. Those shareholders who have not elected to participate in the plan, and who would like to do so in respect of the 2008 final payment, may do so by contacting Capita Registrars on 0871 664 0300 (calls cost 10p per minute plus network charges). The last day for election for the final dividend reinvestment is 18th April 2009 and any requests should be made in good time ahead of that date.

The following describes the nature and purpose of each reserve within owners' equity:

| Reserve | Description and purpose |
|---|---|
| Share capital | Amount subscribed for share capital at nominal value. |
| Share premium | Amount subscribed for share capital in excess of nominal value, net of allowable expenses. |
| Revaluation reserve | Gains arising on the revaluation of the group's property prior to transition to IFRS. The remaining balance on this reserve was transferred to the profit and loss reserve during 2007 following the prior disposal of the relevant properties. |
| Profit and loss account | Cumulative net gains and losses recognised in the income statement and the statement of recognised income and expense. |

# Notes continued for the year ended 31st December 2008

## Note 18 – Notes to the cashflow statement

### a. Reconciliation of operating profit to net cash inflow from operating activities

| **GROUP** | 2008 **£000** | 2007 **£000** |
|---|---|---|
| Profit from operations | 12,582 | 8,116 |
| Depreciation charges | 828 | 857 |
| Goodwill impairment charge | 1,801 | – |
| Defined benefit pension scheme (credit) / charge | (252) | 110 |
| Loss on sale of fixed assets | 25 | 16 |
| Operating cash flows before movements in working capital | 14,984 | 9,099 |
| (Increase) / decrease in inventories | (5) | 83 |
| Decrease / (increase) in debtors | 10,852 | (2,228) |
| (Increase) / decrease in contract balances | (159) | 2,905 |
| Increase in creditors | 3,973 | 3,808 |
| Cash generated by operations | 29,645 | 13,667 |
| Corporation tax paid | (3,179) | (2,499) |
| Interest paid | (152) | (170) |
| Net cash from operating activities | 26,314 | 10,998 |

| **COMPANY** | | |
|---|---|---|
| Profit from operations | 6,744 | 4,252 |
| Depreciation charges | 28 | 42 |
| Impairment charge - investments in subsidiaries | 3,008 | – |
| Defined benefit pension scheme (credit) / charge | (252) | 110 |
| Profit on sale of fixed assets | (2) | – |
| Operating cash flows before movements in working capital | 9,526 | 4,404 |
| Decrease / (increase) in debtors | 2,362 | (3,003) |
| Decrease in contract balances | 2,688 | 5,804 |
| Increase / (decrease) in creditors | 10,496 | (1,291) |
| Cash generated by operations | 25,072 | 5,914 |
| Corporation tax paid | (2,132) | (966) |
| Interest paid | (96) | (94) |
| Net cash from operating activities | 22,844 | 4,854 |

# Notes continued for the year ended 31st December 2008

## Note 18 – Notes to the cashflow statement (continued)

### b. Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less, less bank overdrafts, and are analysed as follows.

| GROUP | 2008 £000 | 2007 £000 |
|---|---|---|
| Cash and cash equivalents | 34,363 | 10,762 |
| Bank overdrafts | (4,002) | (1,811) |
| | 30,361 | 8,951 |

| COMPANY | | |
|---|---|---|
| Cash and cash equivalents | 31,703 | 7,495 |
| Bank overdrafts | (2,937) | – |
| | 28,766 | 7,495 |

### c. Significant non-cash transactions

Additions to plant, machinery and vehicles during the year amounting to £128,000 (2007: £203,000) were financed by new finance leases.

# Notes continued for the year ended 31st December 2008

## Note 19 – Related party transactions

The amounts due to and from subsidiaries are disclosed in Notes 13 and 14 respectively. T.Clarke plc was charged rent of £160,000 (2007: £160,000) during the year by a subsidiary company for occupation of group properties. T.Clarke plc charged subsidiary companies £293,000 (2007: £345,000) during the year for insurance services, and waived advances of £1,000,000 (2007: £900,000) made to subsidiaries.

All transactions relating to key management (including directors) are as shown in the remuneration report on page 74.

## Note 20 – Bank overdrafts & loans

| **GROUP** | 2008 **£000** | 2007 **£000** |
|---|---|---|
| Bank overdrafts | 4,002 | 1,811 |
| The borrowings are repayable as follows: | | |
| – on demand or within one year | 4,002 | 1,811 |

| The weighted average interest rates paid were as follows: | Year ended 31.12.2008 **%** | Year ended 31.12.2007 **%** |
|---|---|---|
| Bank overdrafts | 6.0 | 7.0 |

| **COMPANY** | 2008 **£000** | 2007 **£000** |
|---|---|---|
| Bank overdrafts | 2,937 | – |
| The borrowings are repayable as follows: | | |
| – on demand or within one year | 2,937 | – |

| The weighted average interest rates paid were as follows: | Year ended 31.12.2008 **%** | Year ended 31.12.2007 **%** |
|---|---|---|
| Bank overdrafts | 5.5 | 6.5 |

Bank overdrafts with a value of £644,000 (2007 : £1,157,000) are secured against the assets of the subsidiaries in which they are held. At 31st December 2008 the group had unused overdraft facilities of £2,104,000 (2007: £4,088,000). At 31st December 2008 the company had no overdraft facility (2007: £3,300,000), the Directors considering such a facility unnecessary at the present time due to the level of cash held on deposit. The overdraft included in the company's financial statements represents uncleared payments at 31st December 2008.

# Notes continued for the year ended 31st December 2008

## Note 21 – Subsequent events

There are no material subsequent events to report.

## Note 22 – Pension commitments

**Defined contribution scheme**

The group operates defined contribution pension schemes for all qualifying employees of all its operating subsidiaries. The assets of these schemes are held separately from those of the group in funds under the control of the trustees. Where there are employees who leave the scheme prior to vesting fully in the contributions, the contributions payable by the group are reduced by the amount of forfeited contributions.

The total cost charged to income of £614,000 (2007: £585,000) represents contributions payable to these schemes by the group at rates specified in the rules of the separate plans.

**Defined benefit scheme**

The group operates a funded defined benefit scheme for qualifying employees. Under the scheme employees are entitled to retirement benefits of one sixtieth of final salary for each year of pensionable service on attainment of a retirement age of 65. No other post-retirement benefits are provided. The assets of the scheme are held separately from those of the participating companies, being mainly invested in an insurance contract, under the control of the trustees.

The most recent triennial valuation of the scheme, carried out as at 1st January 2007 by Mr M.B. Pegrum, Fellow of the Institute of Actuaries, showed a deficit of £3,147,000, which represents a funding level of 85%.

The most recent IAS19 actuarial valuation of plan assets and the present value of the defined benefit obligation was carried out at 31st December 2008. The present value of the defined benefit obligation, the related current service cost and past service cost were measured using the projected unit credit method.

| Key assumptions used: | 2008 % | 2007 % |
|---|---|---|
| Rate of increase in salaries | 3.70 | 4.40 |
| Rate of increase of pensions in payment | 2.40 | 3.00 |
| Discount rate | 6.70 | 5.80 |
| Inflation assumption | 2.70 | 3.40 |
| Expected return on scheme assets | 6.60 | 6.90 |

| The mortality assumptions used in the IAS 19 valuation were: | 2008 Years | 2007 Years |
|---|---|---|
| Life expectancy at age 65 for current pensioners - Men | 23.7 | 21.9 |
| - Women | 26.8 | 24.8 |
| Life expectancy at age 65 for future pensioners (current age 45) - Men | 24.8 | 23.0 |
| - Women | 27.8 | 25.8 |

# Notes continued for the year ended 31st December 2008

## Note 22 – Pension commitments (continued)

Amounts recognised in the income statement in respect of the defined benefit scheme are as follows:

| | 2008 **£000** | 2007 **£000** |
|---|---|---|
| Current service cost | 655 | 911 |
| Interest cost | 1,270 | 1,231 |
| Expected return on scheme assets | (1,330) | (1,184) |
| | 595 | 958 |

Of the charge for the year £655,000 (2007: £911,000) has been included in administrative expenses and a credit of £60,000 (2007: £47,000 charge) in finance costs. Actuarial gains and losses have been reported in the statement of recognised income and expense. The cumulative actuarial gain recognised in the statement of recognised income and expense since the date of transition to IFRS is £1,597,000 (2007: £1,273,000).

There was a negative return on scheme assets in 2008 of £3,394,000 (2007: positive return of £1,145,000).

The amount included in the balance sheet arising from the group's obligations in respect of its defined benefit retirement scheme is as follows:

| | 2008 **£000** | 2007 **£000** |
|---|---|---|
| Present value of defined benefit obligations | 18,924 | 22,290 |
| Fair value of scheme assets | (16,233) | (18,963) |
| Deficit in scheme | 2,691 | 3,327 |
| Unrecognised past service cost | – | – |
| | 2,691 | 3,327 |
| Related deferred tax asset | (753) | (932) |
| Liability recognised in the balance sheet | 1,938 | 2,395 |
| The amount is presented in the balance sheet as follows: | | |
| Current liabilities | – | – |
| Non-current liabilities | 1,938 | 2,395 |
| | 1,938 | 2,395 |

The deferred tax asset has been calculated using a corporation tax rate of 28% (2007: 28%).

# Notes continued for the year ended 31st December 2008

## Note 22 – Pension commitments (continued)

Movements in the present value of defined benefit obligations in the current period were as follows:

| | 2008 £000 | 2007 £000 |
|---|---|---|
| At 1st January | 22,290 | 24,035 |
| Current service cost | 655 | 911 |
| Interest cost | 1,270 | 1,231 |
| Employee contributions | 570 | 481 |
| Transfers received | 2 | 20 |
| Actuarial gain | (5,048) | (3,212) |
| Benefits paid | (815) | (1,176) |
| At 31st December | 18,924 | 22,290 |

Movements in the fair value of scheme assets in the current period were as follows:

| | 2008 £000 | 2007 £000 |
|---|---|---|
| At 1st January | 18,963 | 17,692 |
| Expected return on scheme assets | 1,330 | 1,184 |
| Loss on scheme assets | (4,724) | (39) |
| Employer contributions | 907 | 801 |
| Employee contributions | 570 | 481 |
| Transfers received | 2 | 20 |
| Benefits paid | (815) | (1,176) |
| At 31st December | 16,233 | 18,963 |

The actuarial gain of £324,000 (2007: £3,173,000) represents the net movement between the actuarial gains of £5,048,000 (2007: £3,212,000) and losses of £4,724,000 (2007: £39,000).

# Notes continued for the year ended 31st December 2008

## Note 22 – Pension commitments (continued)

The analysis of the scheme assets and the expected rate of return at the balance sheet date were:

| | Expected return | | Fair value of assets | |
|---|---|---|---|---|
| | 2008 % | 2007 % | 2008 £000 | 2007 £000 |
| Equities | 6.74 | 7.60 | 7,580 | 9,511 |
| Bonds | 6.70 | 5.80 | 3,874 | 3,844 |
| Property | 6.74 | 7.60 | 1,926 | 2,284 |
| Cash | 3.74 | 4.60 | 568 | 750 |
| Insurance annuity contracts | 6.70 | 5.80 | 2,285 | 2,574 |
| Weighted average expected return | 6.60 | 6.90 | 16,233 | 18,963 |

The assets of the scheme are held in a cash accumulation policy (valued in accordance with its surrender value) and various professionally managed funds (valued at market value). In addition, annuities in payment purchased from an insurance company are valued on the assumptions used to value the corresponding liabilities. The overall expected rate of return has been determined as a weighted average of the expected rate of return on the underlying assets. The five year history of experience adjustments is as follows:

| | 2008 £000 | 2007 £000 | 2006 £000 | 2005 £000 | 2004 £000 |
|---|---|---|---|---|---|
| Present value of defined benefit obligations | (18,924) | (22,290) | (24,035) | (21,904) | (18,501) |
| Fair value of scheme assets | 16,233 | 18,963 | 17,692 | 15,784 | 13,029 |
| Deficit in the scheme | (2,691) | (3,327) | (6,343) | (6,120) | (5,472) |
| Experience adjustments on scheme liabilities | | | | | |
| Amount (£000) | 5,048 | 3,212 | (727) | (1,761) | (1,552) |
| Percentage of scheme liabilities (%) | 27% | 14% | 3% | 8% | 8% |
| Experience adjustments on scheme assets | | | | | |
| Amount (£000) | (4,724) | (39) | 642 | 1,223 | 275 |
| Percentage of scheme assets (%) | 29% | 0% | 4% | 8% | 2% |

The estimated amount of employer contributions expected to be paid to the scheme during the current financial year to 31st December 2009 is £842,000 (year to 31st December 2008: £871,000).

# Notes continued for the year ended 31st December 2008

## Note 23 – Obligations under finance leases

| | Minimum lease payment | | Present value of minimum lease payment | |
|---|---|---|---|---|
| | 2008 **£000** | 2007 **£000** | 2008 **£000** | 2007 **£000** |
| Amounts payable under finance leases: | | | | |
| Within one year | 246 | 285 | 216 | 259 |
| In the second to fifth years inclusive | 243 | 246 | 221 | 222 |
| After five years | | – | | – |
| | 489 | 531 | 437 | 481 |
| Less: future finance charges | (52) | (50) | – | – |
| Present value of lease obligations | 437 | 481 | 437 | 481 |
| Less: Amount due for settlement within 12 months | | | (216) | (259) |
| Amount due for settlement after 12 months | | | 221 | 222 |

The average lease term is three to four years. For the year ended 31st December 2008 the average effective borrowing rate was 8.2 per cent (2007: 9.3 per cent). Interest rates are fixed at the contract dates. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

Obligations under finance leases are secured by the lessor's charges over the leased assets.

# Notes continued for the year ended 31st December 2008

## Note 24 – Operating lease obligations

| | Land and buildings 2008 **£000** | Other operating leases 2008 **£000** | Land and buildings 2007 **£000** | Other operating leases 2007 **£000** |
|---|---|---|---|---|
| Minimum lease payments under operating leases recognised in income for the year | 134 | 1,004 | 122 | 894 |

At the balance sheet date the group had total outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

| | | | | |
|---|---|---|---|---|
| Within one year | 54 | 548 | 57 | 555 |
| In the second to fifth years inclusive | 17 | 1,614 | 123 | 1,127 |
| After five years | – | 271 | – | 133 |
| | 81 | 2,433 | 180 | 1,815 |

## Note 25 – Contingent liabilities

The company is guarantor in respect of banking facilities granted to certain of its subsidiary companies. The extent to which these facilities were utilised at the balance sheet date amounted to £nil (2007: £189,000). The fair value of the financial guarantee contracts has not been accounted for in the company as the directors consider the amount is not material.

The company and group have contingent liabilities in respect of guarantees given for commitments in the normal course of trade.

The company has given a commitment to provide continuing financial support to four subsidiary companies.

# Notes continued for the year ended 31st December 2008

## Note 26 – Financial instruments

### a. Capital risk management

The group manages its capital to ensure that each entity within the group will be able to continue as a going concern while maximising the overall return to shareholders over time. The group's overall strategy remains unchanged from 2007 and the board considers that it has sufficient capital to undertake its activities for the foreseeable future.

The capital structure of the group consists of net funds, including cash and cash equivalents, bank overdrafts and finance lease obligations, and equity attributable to equity holders of the parent company, comprising issued capital, reserves and retained earnings as disclosed in Notes 16 and 17. The group does not use derivative financial instruments and has no long term debt facilities other than finance leases and similar hire purchase arrangements as disclosed in Note 23.

### b. Financial instruments

The group financial instruments comprise cash and cash equivalents (being short term deposits), overdraft facilities, contract and other trade debtors and trade creditors and similar balances arising directly from its operations. The carrying values of these financial instruments are disclosed as follows:

| | |
|---|---|
| Cash and cash equivalents | Note 18 |
| Bank overdrafts | Note 20 |
| Trade debtors | Note 13 |
| Trade creditors | Note 14 |

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1.

The fair value of the group's and the company's financial assets and financial liabilities is not materially different to the carrying value.

# Notes continued for the year ended 31st December 2008

## Note 26 – Financial instruments (continued)

### c. Financial risk management

The group is exposed to credit risk, liquidity risk and cash flow interest rate risk. The current economic downturn has led to an increase in the likelihood of these risks crystallising, and the group has strengthened its management processes accordingly. There have been no other significant changes to the nature of these risks or the group's objectives and policies for managing these risks.

The group seeks to manage these risks as follows:

**Credit risk**

Credit risk is the risk that the counter party will fail to discharge its obligations and create a financial loss. Credit risk exists, amongst other factors, to the extent that at the balance sheet date there were significant balances outstanding. The group mitigates this risk by assessing the credit-worthiness of prospective clients prior to accepting a contract, requesting progress payments on contract work in progress and investing surplus cash only with large highly-regarded UK financial institutions. The carrying value of construction contracts, trade debtors and cash on deposit represents the group's maximum exposure to credit risk. At the balance sheet date the largest single amount outstanding was £27,000,000 held on deposit at National Westminster Bank plc. There were no other significant concentrations of credit risk.

**Liquidity risk**

The group manages liquidity risk by maintaining adequate reserves and banking facilities, by monitoring cash flows and matching the maturity profiles of financial assets and liabilities within the bounds of its contractual obligations. Based on an interest rate of 3.5%, the effect of a delay / acceleration in the maturity of half the group's trade debtors at the balance sheet date would be to decrease / increase profit by approximately £39,000 for each month of delay / acceleration, and the effect of a delay / acceleration in the maturity of the group's trade creditors at the balance sheet date would be to increase / decrease profit by approximately £58,000 for each month of delay / acceleration.

**Cash flow interest rate risk**

The group is exposed to changes in interest rates on its bank deposits and borrowings. Surplus cash is placed on short term deposit, typically on a weekly basis, at fixed rates of interest. Bank overdrafts are at floating rates, at a fixed margin above base rates. The group's finance lease obligations are at fixed rates of interest determined at the inception of the lease. The effect of each 1% fall in interest rates on the group's floating and short-term fixed rate cash, cash equivalents and bank overdrafts at the balance sheet date would be to decrease profits by approximately £288,000 per annum. Details of the group's and the company's overdraft facilities are disclosed in Note 20. Details of finance lease commitments are disclosed in Note 23.

The group does not enter into any derivative transactions and has minimal exposure to exchange rate movement as its trade takes place entirely within the United Kingdom.

# Notes continued for the year ended 31st December 2008

## Note 27 – Subsidiary companies

The wholly owned trading subsidiaries are all directly held by T.Clarke plc. The trading subsidiaries are all incorporated and operate within the United Kingdom.

| Electrical and mechanical contractors | Type of shares |
|---|---|
| T.Clarke (Midlands) Limited | Ordinary |
| Veale-Nixon Limited | Ordinary |
| H&C Moore Limited | Ordinary |
| J.J. Cross Limited | Ordinary |
| T.Clarke (Bristol) Limited | Ordinary |
| G.D.I. Electrical Company Limited | Ordinary |
| W.E. Manin Limited | Ordinary |
| Kestrel Electrical Systems Limited | Ordinary |
| Aylward EMS Limited | Ordinary |
| Mitchell & Hewitt Limited | Ordinary |
| Anglia Electrical Services Limited | Ordinary |
| SCS Building Services Limited | Ordinary |
| Waldon Electrical Contractors Limited | Ordinary |

| Property holding company | |
|---|---|
| Weylex Properties Limited | Ordinary |

# Notes continued for the year ended 31st December 2008

## Note 28 – New standards and interpretations not in force

The following new standards and interpretations are in issue but not in force:

**New standards and interpretations**

IFRIC 15 Agreements on the Construction of Real Estate
IFRIC 16 Hedges of a Net Investment in a Foreign Operation
IFRIC 17 Distributions of Non-cash Assets to Owners
IFRIC 18 Transfers of Assets from Customers

**Revisions to existing standards**

A large number of existing standards and interpretations were revised during the year, many as a result of the completion of the IASB's annual improvement project for 2007, published in May 2008.

Most of the new standards and interpretations and changes to existing standards and interpretations will have no impact on the group, however the following changes should be noted:

IAS 1 Presentation of Financial Statements

The revisions to this standard will prohibit the presentation of items of income and expenditure within the statement of changes in equity. All items of income and expenditure will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the 'statement of comprehensive income') or two statements (the 'income statement' and 'statement of comprehensive income'). Also, where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning of the comparative period in addition to the current requirement to present balance sheets at the end of the current period and the comparative period. The revisions to this standard are effective for accounting periods beginning on or after 1st January 2009. It is likely that the group will present both the income statement and the statement of comprehensive income as performance statements.

IAS 19 Employee Benefits

The principal effect of the amendment is to clarify that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if its results in a reduction in the present value of the defined benefit obligation. The revisions to this standard are effective for accounting periods beginning on or after 1st January 2009.

IAS 23 Borrowing Costs

The revisions to this standard will require capitalisation of borrowing costs incurred on qualifying assets together with transitional provisions for companies who have previously written off such costs. The group's current accounting policy is to expense all borrowing costs as they are incurred. The revisions to this standard are effective for accounting periods beginning on or after 1st January 2009.

IFRIC 15 Agreements on the Construction of Real Estate

IFRIC 15 clarifies whether IAS 18 'Revenue' or IAS 11 'Construction contracts' should be applied to particular transactions. Generally it is likely to result in IAS 18 being applied to a wider range of transactions, however the directors do not believe there will be any significant impact on the classification of the group's revenues. IFRIC 15 is effective for accounting periods beginning on or after 1st January 2009.

# T.Clarke plc group of companies

**T.Clarke plc**
**Head office**
Stanhope House
116-118 Walworth Road
**London**
SE17 1JY
T: 020 7358 5000
info@tclarke.co.uk
www.tclarke.co.uk

**T.Clarke Midlands Limited**
Managing Director:
Kevin Bones
Fengate
**Peterborough**
PE1 5XB
T: 01733 342624
admin@tclarke-midlands.co.uk

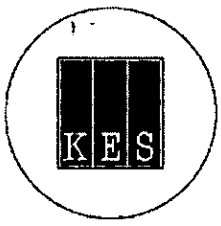
**Anglia Electrical Services Limited**
Managing Director:
Alastair Barrett
Anglia House
Hamburg Way
North Lynn Industrial Estate
**Kings Lynn**
PE30 2ND
T: 01553 773 366
www.anglia-group.co.uk

**J.J. Cross Limited**
Managing Director:
Andy Smith
22 Sceptre Court
Sceptre Way
Bamber Bridge
Preston
**Lancashire**
PR5 6AW
T: 01772 315505
mail@jjcross.co.uk

**T.Clarke Bristol Limited**
Managing Director:
Ellis John
Unit No.1
Montpelier Business Park
Station Road
Montpelier
**Bristol**
BS6 5EE
T: 01179 440550
info@tclarke-bristol.co.uk

**Aylward EMS Limited**
Managing Director:
Ray White
Bicton Industrial Park
Kym Road
Kimbolton
Huntingdon
**Cambridgeshire**
PE28 0LW
T: 01480 861 544
info@aylwardems.co.uk
www.aylwardems.co.uk

**G.D.I. Electrical Company Limited**
Managing Director:
David Cooke
Caspian House
6 Caspian Road
Altrincham
**Cheshire**
WA14 5HH
T: 0161 928 0549/941 2684
contracts@gdielectrical.co.uk




**Kestrel Electrical Systems Limited**
Managing Director:
Nick Knowles
85/86 High Street
Rowley Regis
Warley
**West Midlands**
B65 0EH
T: 0121 559 2929
info@keslimited.co.uk
www.keslimited.co.uk

**W.E. Manin Limited**
Managing Director:
Pat Jackson
Excelsior House
Ufton Lane
Sittingbourne
**Kent**
ME10 1JA
T: 01795 427181
enquiries@wemanin.co.uk

**Veale-Nixon Limited**
Managing Director:
Roy Hutchinson
Hunter House
17-19 Byron Street
**Newcastle upon Tyne**
NE2 1XH
T: 01912 612727
rhutchinson@
veale-nixon.co.uk

**SCS Building Services Limited**
Managing Director:
Martin Swan
6 Middlefield Road
Falkirk
**Scotland**
FK2 9AG
T: 01324 888 000
enquiries@
scsbuildingservices.co.uk
www.scsbuildingservices.co.uk

Unit 22a
Frederick Street Business Center
Frederick Street
Aberdeen
**Scotland**
AB24 5HY
T: 01224 647711
enquiries@
scsbuildingservices.co.uk
www.scsbuildingservices.co.uk

**H&C Moore Limited**
Managing Director:
Trish Meakin
Low Hall Road
Horsforth, Leeds
**West Yorkshire**
LS18 4EF
T: 0113 258 6711
info@hcmoore.co.uk

**Mitchell & Hewitt Limited**
Managing Director:
David Peck
Windsor Court
Ascot Drive
Derby
**Derbyshire**
DE24 8GZ
T: 01332 332 177
admin@
mitchellandhewitt.co.uk
www.mitchellandhewitt.co.uk

**Waldon Electrical Contractors Limited**
Chairman:
Keith Donnithorne
Joint Managing Directors:
Martyn Waller
Peter Congo
Chapel Hill
Sticker
St Austell
**Cornwall**
PL26 7HG
T: 01726 65635/ 01726 66552
electrical@waldons.co.uk
www.waldons.co.uk

Written by Rahil Sheikh. Researched, designed, project managed and produced by Sally Bamber. Printed by CTD.
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**T.Clarke plc, London**
Electrical Engineers & Contractors
Stanhope House
116-118 Walworth Road
London SE17 1JY
020 7358 5000
info@tclarke.co.uk
www.tclarke.co.uk