

T.Clarke

BUILDING SERVICES GROUP

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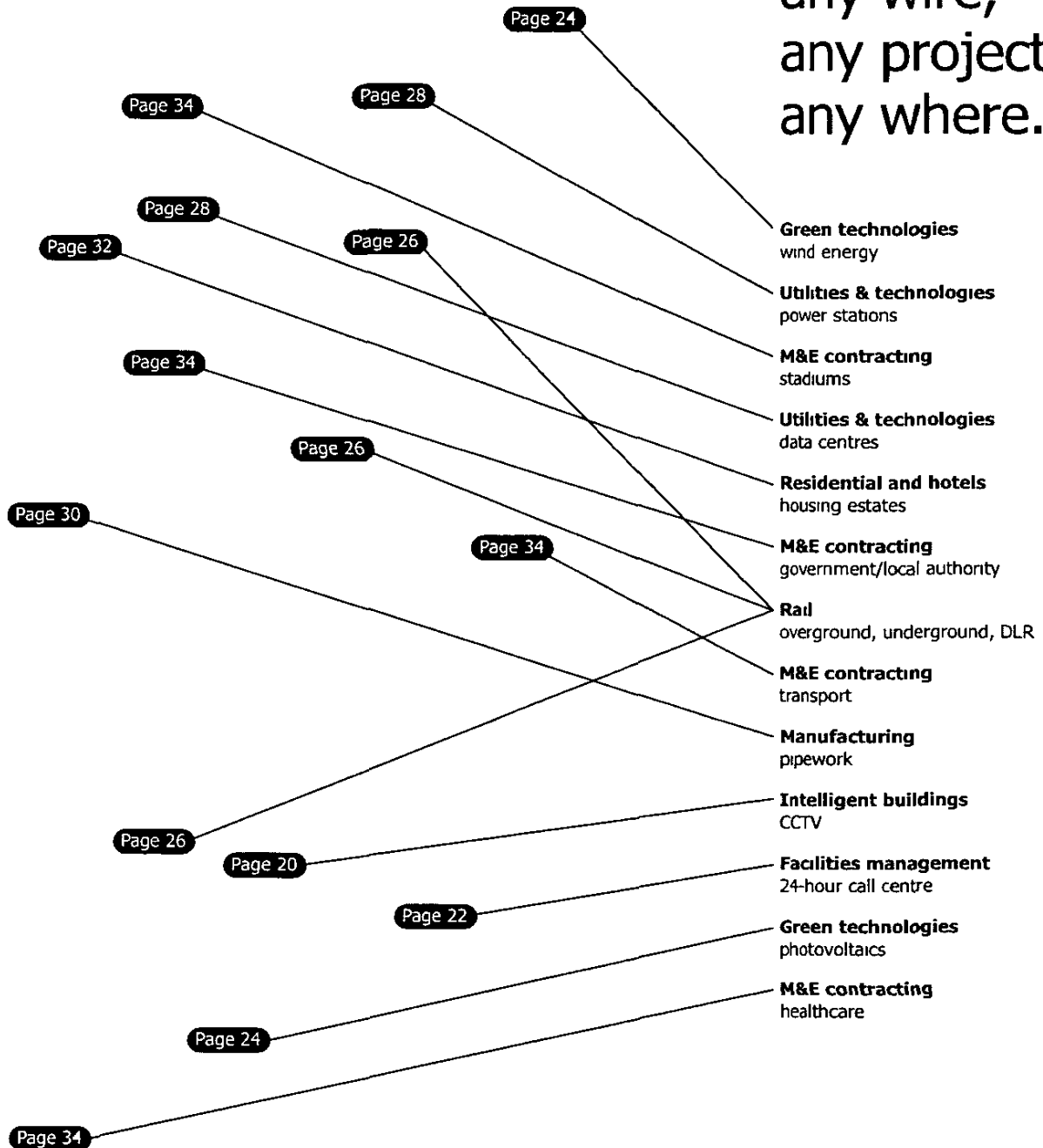
A world of building services

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T.Clarke

BUILDING SERVICES GROUP

Any pipe,
any wire,
any project,
any where.



T.Clarke highlights 2010

Revenue

£179.0

2009 £175.5*

**Intelligent
buildings
Page 20**

**Facilities
management
Page 22**

**Green
technologies
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Profit before tax

£5.7m

2009 £7.3m*

**Rail
Page 26**

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technologies
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**Manufacturing
Page 30**

Profit before tax margin

3.2%

2009: 4.2%*

**Residential
and hotels
Page 32**

**M&E contracting
Page 34**

Underlying operating profit

£7.3m

2009 £9.4m

Earnings per share

8.91p

2009 10.03p

Dividends per share

8.50p

2009 13.00p

Forward order book

£190m

2009 £160m

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A world of value

T.Clarke is a complete nationwide building services group. We deliver the highest levels of value to building projects, through the full lifecycle of design, installation, commissioning and maintenance.

Value is delivered by engineering excellence and innovative solutions. Value is also delivered by the ultimate reliability of our work quality and project delivery. Value is expressed in increased speed, reliability and cost effectiveness. All of this is made possible by the quality and commitment of our people.

T.Clarke is committed to delivering the most compelling value solutions for every project.

Chairman's statement

Whilst group turnover held up well and the order book was built during the course of 2010, the difficult trading conditions which affected results during 2009 continued to impact our results during the financial year just concluded. The underlying operating profit of £7.3 million was impacted adversely by prevailing margin pressure across the group and by specific trading issues in Scotland. After accounting for restructuring costs, acquisition expenses and amortisation of intangible assets, pre-tax profit fell by 21% to £5.7 million. Earnings per share were 11% lower at 8.91p (9.86p for continuing operations). Cash management and conservation has remained a key priority during 2010, but the very low level of interest rates meant that very little income was derived from our cash holdings. In the light of the reduced earnings, and the slow pace of recovery from recession, it has been thought prudent to reduce the recommended final dividend and to align the overall dividend payment for the year more closely with the underlying earnings.

Business performance overview

Operating profits in London and the North held up well under the pressures which the entire construction sector faced during 2010. Our Scottish subsidiary encountered difficulties with a specific large contract. It also had to bear the brunt of the bad weather in December when many sites were forced to close for a considerable period.

We have continued to work consistently through the year to develop T Clarke as a more rounded building services provider. As part of our strategy we have made two important acquisitions. These have enabled us to broaden the range of services we are offering to our clients. Since joining the group, we are very pleased that the performances of DGR and D&S have been solid and they have made a useful contribution to our profitability. We have worked hard to ensure that group companies share best practice and a common approach to the market place.

Considerable detail is contained within this report on the way in which we are seeking to shape the markets in which we operate rather than being driven by events. The present recession is undoubtedly the severest seen for many years and T Clarke is fortunate both in its ongoing financial strength and the quality of its staff. I would like to express thanks on behalf of the board for the sterling efforts which the executive team and our staff have put in during the last year.

Board changes

In June of 2010 Victoria French left the business and we wish her well for the future. We welcome her replacement Martin Walton to the position of Finance Director and Company Secretary. Martin has been with the group for over three years as Group Financial Controller. He has played a major role in

improving the group's financial controls and simplifying the reporting structure, including the development and implementation of a new IT platform to help manage our internal controls and management reporting.

Strategic focus

A very clear medium term strategy for the business has now been developed - one that builds on T Clarke's reputation for quality work delivered by excellent people. This enables us to focus on a truly integrated, nationwide organisation around the key growth opportunities in the market today.

The construction industry is changing rapidly and T Clarke has transformed itself from an electrical contractor with major regional presence, into a nationwide building services organisation adding powerful mechanical and ICT (information communications technology) capabilities. The company today can point to the benefits of this strategy, as our reputation and track record in fields such as intelligent buildings, green technologies, rail and facilities management becomes substantial and new profit opportunities emerge.

Whilst doing this, we have retained a clear sense of who we are. T Clarke today is as proud of its people and their work as ever. The commitment to training, health and safety, apprenticeships and consistent quality of work is renewed and expanded as the group gains momentum with further accreditations and reputations in new sectors. At the same time there is an absolute clarity at the highest level that T Clarke will not trade on reputation and heritage alone. Our future success will depend on our ability to enter these new markets with conviction and real energy, displaying our desire to offer the most compelling combinations of value and quality. This means introducing our company and approach to new people and showing longstanding clients a range of nationwide capabilities about which they may not have known.

Organisational developments to deliver the strategy

In 2010, reshaping of the organisation took place. Strategic acquisitions in the form of DGR and D&S were made to create an immediately credible and suitably high quality full-service solution - just as the industry clearly requires.

After acquiring D&S, we rationalised our north-west presence. From the 1st January 2011, and (following on from the rebranding in Scotland) three more existing subsidiaries were rebranded T Clarke. Aylward EMS Limited, based in Huntingdon and Anglia Electrical Services, based in Kings Lynn, came together as one business under the name of T Clarke East. Meanwhile, T Clarke Midlands, based in Peterborough was expanded to incorporate Mitchell and Hewitt based in Derby.

The integration of the group has become more apparent and across the country the picture is one of genuine integration - of systems, approach, response to opportunity and leadership. However, we have not rushed to re-brand local businesses with local names and reputations. We've worked on a sensible case-by-case basis.

Alongside the acquisition of practical capability, we have deliberately set out to acquire high calibre people in key roles from outside the organisation to bring us fresh insights and energy in order to deliver our strategy.

Take a fresh look at T.Clarke

T Clarke has remained a market leader throughout this year. In evidently very difficult market conditions we have kept a healthy forward order book and developed new strategic capabilities that we believe will rapidly deliver value for us and our shareholders. We are now saying to the market 'take a fresh look at T.Clarke - our value proposition is compelling'. The fact that we can say this with confidence is in the largest part due to the quality and commitment of more than 1,300 of our people, and I thank them, our clients and suppliers for their continued loyal support.

Outlook

The difficult conditions which we have faced during the last two years show little sign of immediate easing, but I have no doubt that our team will make the most of opportunities as they arise. We remain committed to provide the highest quality of service to our clients, together with the best possible return for our shareholders.

The longer-term prospects for the group are encouraging. A number of large scale commercial developments in London have been started and this bodes well for the future. However, in the short-term 2011 will be challenging, not only for T Clarke but for the wider construction sector. The board remains confident in the resilience of the business and we believe the group will benefit from the wider range of services that we now offer to our clients. We believe our excellent operational capabilities and financial strength supports our improved strategy and will underpin the delivery of long-term growth in the future.

Russell Race

Chairman

18th March 2011



A fresh focus on value

We are pleased to present respectable results achieved in challenging market conditions. Throughout 2010 we reported that the markets in which we operate have been extremely difficult and trading in the fourth quarter was particularly challenging. The diversity and strength of the group has however contributed to the overall performance.

T Clarke's reputation for 'never letting down' is the foundation of our success and it will remain so. The bedrock upon which we have built that foundation is the quality and commitment of our people. Therefore in order to stay as a market leader and attract new opportunities we need to move on from being known as an outstanding electrical contractor and become more widely recognised as a Building Services Contractor. We are certain that by presenting our significant capabilities and demonstrating the value our services represent clients will increasingly afford us more bidding opportunities.

A fresh vision

Our business strategy is driven by a desire to deliver a successful model for growth. Our vision is to be recognised as a top five building services contractor in all the sectors in which we operate. T Clarke's focus is to retain and enhance its traditional reputation for delivering good value, total trustworthiness and excellent work quality.

T Clarke aims to be known across the construction industry as a true nationwide operator, offering all the advantages of nationwide coverage and scale but retaining the genuine regional identity, relationships and market understanding it has today. In doing this T Clarke will provide a more compelling proposition and be better positioned for growth. To achieve this vision, we will focus our energies on industry sectors and market opportunities with significant growth and profit potential. We will organise ourselves so that we have the capabilities to maximise the group's potential.

Substance behind the vision

In 2010 we worked effectively to broaden the business. This involved investments in new people, new capabilities and in an internal organisation to create a true nationwide operation.

During 2010 the Group invested £17 million in two strategic acquisitions. The board is pleased to report that both businesses are trading in line with expectations and making positive contributions to the group.

D&S Engineering Facilities, acquired in March 2010, provides a wide range of facilities management services to a blue-chip UK client list. It was acquired as part of our strategy to broaden our range of services and to provide its customers with a comprehensive offering in this sector. D&S focuses on the maintenance and care of its customers' buildings and engineering activities, principally in the North West of England where it employs 150 people.

D&S was a significant acquisition, which firmly established T Clarke in the FM market. We are pleased to report the business has integrated well with the rest of the T Clarke group. We believe opportunities will be realised in the shorter term to build the scale of our FM operations across the UK.

DGR, acquired in August 2010, has an impressive portfolio of clients and experience across a wide range of sectors, including Education, Transport, Banking, Residential and Commercial Developments.

DGR offers to clients the full range of Mechanical Services, notably in

- Mechanical and public health services packaged solutions
- Prefabricated pipe work packaged solutions
- Gas system certification (gas safe - commercial and domestic)
- Heating and ventilation installation

In 2009 it was awarded the multi service pipe work installation for The Shard development at London Bridge which, when completed in 2013, will be London's tallest building at 310 metres

During 2010 we brought in a number of highly experienced executives from outside T.Clarke to join our business. Senior management, including Iain Clenaghan, Danny Robson and Stuart McKay, have vast experience in various areas of the industry. The expert new teams and successful integration with our business units and divisions can create real synergies which differentiates us from our competitors, presenting a strategic advantage in the near future.

This policy of bringing 'fresh blood' into the heart of the organisation will continue wherever it can deliver strategic advantage for us.

Mark Lawrence
Chief Executive



Business review continued

Market Developments

The broader market picture is complex. Cyclical factors and the remnants of the 2008 financial crisis continue to have a major effect on the construction industry across the country. This has been one of the worst recessions in construction in living memory. Nevertheless there are quite a large number of significant positive trends for us. These include the upswing in the rail and power industries, where major new projects and upgrades will be taking place across the country, the rapid emergence of ICT (information communications technology) as an integral and driving component within building services, and the shift of green technologies from peripheral to mainstream.

TClarke is well positioned for the upturn, particularly in the London commercial sector. This is seeing significant activity with several large office development schemes progressing. The newly positioned group, offering a wider range of services, is well placed to win a number of these new projects in the forthcoming year. We expect to see the benefit as soon as 2012.

South

In London we completed the developments at One New Change, Cheapside and the Ravensbourne College of Design and Communication, Greenwich Peninsula. We are nearing completion on the 2012 Olympic Stadium and Westfield's new shopping centre, Stratford City, due to open in the autumn of 2011.

Current projects in London include, Deutsche Bank, ITV, Park House, Rothschild's, The Pinnacle, The Shard and Victoria Station.

Other notable completions in the South include Southend Swimming and Diving Centre at Garon Park, which will be used as a training base for the British Olympic diving team prior to the London 2012 games, the regeneration of Brixham Fish Market, John Lewis Home Stores at Croydon and Tunbridge Wells.

Current projects include three Waitrose stores on the Island of Jersey, the first of which opened in January 2011, a number of work packages at the army bases at Aldershot, Bulford, Larkhill, Tidworth and Warminster.

Our new ECO Solar division based in the South West is now in operation and specifically aimed at providing customers with energy saving solutions, including for example solar photovoltaics. The Government's feed-in-tariff scheme enables customers to earn a good return on their investment in green technology. Going forward we are exploring a number of opportunities particularly with schools, colleges and housing associations.

The North

The contracting scene in the North has also seen increased competition and margin pressure. However the division has maintained market share and had success with several public sector projects.

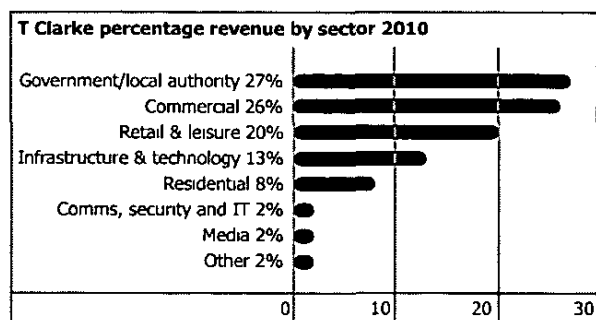
Notable completions include Bellbird Primary School, Sawston, Benfield School, Newcastle, Calderdale Leisure Centres, Cambridge Genetics Research Station, Cambridge, Derby University, Gateshead Leisure Centre, Harrogate Library, Longbenton School, Northern Ballet, Leeds, RAF Marham, Norfolk, Rolls Royce, Hucknall, Speedo World Headquarters, Nottingham.

Current projects include; ITV Yorkshire, HMP Buckley Hall, Shirley Primary School, Chesterton.

Recently secured projects include Campsmount Technology College, York, 3 Primary Schools in Sheffield, Gateshead International Stadium, Oxford Aviation Academy, Stockport, Greater Manchester, Roecroft Lower School, Bedfordshire, Tynedale Media Centre, Northumberland, Wellingborough Medical Centre, Northamptonshire.

Scotland

Recognising the importance of our Scottish operations we rebranded our Scottish business TClarke Scotland from 1st March 2010 to support and underscore its position as an integral part of the group. Since the rebranding, the business has been able to bid for and secure an ever improving quality of work allowing us to make progress expanding our operations in Scotland, despite the problems we experienced in December due to the extreme weather conditions.



Going forward we are working on a number of residential schemes for developers such as Barratt Homes, Cala Homes, David Wilson Homes, Mactaggart & Mickel Persimmon Homes, Taylor Wimpey

Other notable projects in progress, Collegelands Office Development, Glasgow, The State Hospital, Carstairs, CCTV installation Aberdeen University, Kings Buildings

Market Opportunities

For all the cyclical trends set out above we view it as extremely important to be positioned correctly in areas where we see the most opportunity for growth, so that at the right time profitability can be best realised

Going forward we are focused on eight key sectors in building services that offer good growth potential namely

- Intelligent buildings
- Facilities management
- Green technologies
- Rail
- Utilities and technologies
- Manufacturing
- Residential and hotels
- Mechanical and electrical contracting

In order to take maximum advantage of the opportunities that emerge, we recognise that T Clarke cannot rely on its past record of achievement. We need to do more than do a good job on each project we win, we also need to step forward consistently, with innovations that deliver increased value to clients and with a market presence that tells our full story accurately and with energy right across the industry

In 2010 our strategy has been to develop the business platform necessary to deliver what the market demands. Going forward, despite increased competition and continued pressure on margins, we will set out to present our case as effectively as we can and earn our place on tender lists in the areas of business we know to have the greatest growth potential and where we feel we are best placed to win those tenders

Principal risks and uncertainties

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

Market Conditions

The Board reported throughout 2010 that the markets in which it operates have been extremely difficult. The board has continued to take conservative assessments of final accounts from project completions and the likely outcome for a number of ongoing projects and repeatedly stated that it believes that the outlook for 2011 will continue to be challenging

During the current recession we moved quickly to align our cost base to a reduced workload. Further reductions could be undertaken if considered appropriate to reflect the market conditions. We enter 2011 with our business in great physical and financial shape and able to respond to future challenges and opportunities as they present themselves

Acquisitions

Our strategy is to be able to offer the complete range of building services across the UK. We will sensibly consider appropriate opportunities that can advance this strategy both in terms of geographical coverage and services offered. Acquisitions involve a degree of risk, we aim to mitigate this via due diligence prior to acquisition, ensuring effective local management are in place and by the implementation of group reporting and internal control procedures

Business review continued

Going forward in the shorter term we believe future growth will be best achieved by building upon the existing group structure and the services offered and by expanding our existing businesses into areas where we do not have a local presence

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 trades 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, have seen a steady surge during the course of the year. In addition, UK prices of materials that we procure could be affected by any weakness of sterling. The majority of projects we secure do not allow for the recovery of increased labour and material costs. We have in place formal supplier framework agreements across the UK to manage and where possible mitigate this risk.

Employee numbers at 31st December 2010

	Directors	Staff	Skilled operatives	Apprentices	Adult trainees	Total
2010	42	261	828	155	32	1,318
2009	40	263	809	181	51	1,344

People

Our people, their values and reputation create our success and we would not have been able to deliver respectable results in another tough year without them.

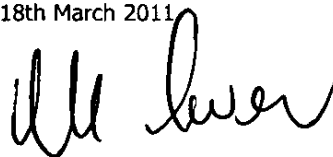
Providing a consistently high quality service to our clients is only possible with the right people, and attracting and retaining high calibre staff is key to our success. This is achieved through a remuneration system linked to performance and through strongly embedded training schemes throughout the group and by providing opportunity and encouragement to help our people reach their full potential.

The group remains committed to providing the best training for all members of staff and draws on the expertise of its people from all group companies across the UK. However as a result of the current market conditions we have and will continue to align our business at all levels to match our current expectations. We have continuous dialogue with the trade unions and continue to review our policies and procedures in managing this risk.

Mark Lawrence

Chief Executive

18th March 2011



Financial review

Summary of financial performance

Financial results	2010	2009	Change	
Continuing operations	£m	£m	%	
Revenue	179.0	175.5	2.0	
Underlying operating profit	7.3	9.4	-22.1	
Intangibles amortisation	(0.3)	0.0		
Acquisition expenses	(0.3)	0.0		
Long-term employee benefits arising on acquisition	(0.1)	0.0		
Restructuring costs	(0.6)	(1.3)		
Goodwill impairment	0.0	(0.8)		
Operating profit	6.0	7.3	-17.6	
Net interest	(0.3)	(0.0)		
Profit before tax	5.7	7.3	-21.3	
Tax	(1.7)	(2.3)		
Profit after tax	4.0	5.0	-20.3	
Discontinued operations	(0.4)	(1.0)		
Profit for the year	3.6	4.0	-10.1	
Earnings per share - basic	8.91p	10.03p	-11.2	
Earnings per share - continuing operations	9.86p	12.53p	-21.3	
Underlying earnings per share	12.44p	16.93p	-26.5	Underlying earnings per share is stated after adjusting for £0.3 m tax on adjusting items (2009 £0.4m)

Group performance

The group's performance during 2010 reflected a respectable performance in challenging trading conditions. We remain profitable, with profit before tax from continuing operations falling to £5.7 million (2009 £7.3 million), and we have invested significantly in the business to reshape it for the future, with two strategic acquisitions in the year and the consolidation of some of our regional operations into larger business units.

The group's revenue from continuing operations increased by 2% to £179.0 million (2009 £175.5 million), including £16.3 million from new acquisitions. Revenue on a like for like basis was £12.8 million lower than in 2009.

Operating profit from continuing operations decreased by £1.3 million to £6.0 million (2009 £7.3 million), representing an operating margin of 3.4% (2009 4.2%). Underlying operating profit before acquisition expenses, goodwill impairment, restructuring costs, amortisation of intangibles and long term employee benefit costs arising from acquisitions, fell by £2.1 million to £7.3 million (2009 £9.4 million).

The net finance cost was £0.3 million (2009 £nil), including a £0.3 million pension scheme finance charge (2009 £0.2 million).

Tax expense was £1.7 million (2009 £2.3 million), giving an effective tax rate of 30.5% (2009 31.3%). The main items giving rise to the difference between the effective tax rate and the standard UK corporation tax rate of 28% are goodwill impairment charges and acquisition related expenditure.

Financial review continued

T. Clarke - South

Revenue from our South operations decreased by £8.5 million to £99.5 million (2009 £108.0 million), including £3.9 million from acquisitions. Operating profit was £5.1 million (2009 £5.2 million), representing a profit margin of 5.1% (2009 4.8%), including £0.6 million from acquisitions. Underlying operating profit before acquisition expenses of £0.1 million (2009 £nil), long term employee benefit costs arising from acquisitions of £0.1 million (2009 £nil) and restructuring costs of £0.4 million (2009 £1.2 million) fell by £0.7 million to £5.7 million (2009 £6.4 million).

T. Clarke - North

Revenue from our North operations increased by £8.2 million to £58.4 million (2009 £50.2 million), including £12.4 million from acquisitions. Operating profit was £1.9 million (2009 £0.6 million), representing a profit margin of 3.2% (2009 1.1%), including £0.6 million from acquisitions. Underlying operating profit before acquisition expenses of £0.2 million (2009 £nil), goodwill impairment of £nil (2009 £0.8 million), amortisation of intangibles of £0.3 million (2009 £nil) and restructuring costs of £0.1 million (2009 £0.1 million) increased by £1.0 million to £2.5 million (2009 £1.5 million).

T. Clarke - Scotland

Revenue in Scotland increased by £3.8 million to £21.2 million (2009 £17.4 million), but the division reported an operating loss of £1.4 million (2009 profit £0.8 million) after restructuring and rebranding costs of £0.1 million, reflecting the tough market conditions particularly in the electrical residential market. Scotland in particular was also adversely impacted by the severe weather conditions shortly before year-end.

Property

The property division, which owns the freeholds of most of the buildings in use or formerly in use by the group, contributed an operating profit of £0.4 million (2009 £0.7 million, including £0.3 million from property disposals).

Acquisitions

The group made two acquisitions in the year, D&S (Engineering Facilities) Limited on 18th March 2010 for £11.6 million cash and DG Robson Mechanical Services Limited on 24th August 2010 for £5.6 million (including £2.0 million in new shares and contingent consideration fair valued at £0.5 million. The maximum contingent consideration payable is £0.8 million).

The two acquisitions in the year have performed in line with our expectations. D&S Engineering Facilities, based in the North-West, contributed revenue of £12.4 million and profit before tax of £0.6 million, after £0.3 million amortisation of intangible assets. DG Robson, based in Brentwood, Essex, contributed revenue of £3.9 million and profit before tax of £0.6 million. Acquisition expenses amounted to £0.3 million, and the group also incurred a £0.1 million charge in respect of a long term employee benefit arrangement arising on the acquisition of DG Robson.

Further details of the acquisitions are given in Note 28 to the financial statements on page 102.

Discontinued operations

JJ Cross Limited, based in Preston, was closed during the year, therefore this company's operations have been reclassified as discontinued operations and the comparatives restated accordingly. Loss from discontinued operations after tax was £0.4 million (2009 £1.0 million). Discontinued operations in 2009 also included GDI Electrical Company Limited, closed in 2009, and Kestrel Electrical Systems Limited, which was sold to its management in 2009.

Earnings per share

Basic earnings per share were 8.91p (2009 10.03p). Earnings per share from continuing operations were 9.86p (2009 12.53p), and underlying earnings per share from continuing operations after adjusting for goodwill impairment, amortisation of intangible assets, acquisition expenses, long term employee benefit costs arising from acquisitions and restructuring costs and the tax effect of these items, were 12.44p (2009 16.93p).

Dividends

As announced in January the board has decided to rebase the dividend and is proposing a final dividend of 4.25p (2009 8.75p), making a total dividend for the year of 8.5p (2009 13.0p). The dividend per share is covered by earnings 1.05 times (2009 0.8 times).

The final dividend will be paid, subject to shareholder approval, on 20th May 2011 to those shareholders on the register at 26th April 2011. The dividend will go ex-dividend on 20th April 2011. A dividend reinvestment plan (DRIP) is available to shareholders, further details of which are given in the report of the directors on page 40.

Cash flow and funding

Net cash outflow in the year was £5.4 million (2009 £17.8 million), including net outflow of £7.5 million on acquisitions. The group had positive net cash balances at 31st December 2010 of £7.2 million (2009 £23.5 million including £10.6 million held on deposit). The net cash outflow from operations of £2.9 million (2009 £2.6 million) arises in part due to the timing of payments and receipts over the life cycle of projects, but also reflects the tough trading conditions with employers and contractors seeking to stretch their payment terms. We have been able to negotiate favourable settlement terms with a number of our key suppliers.

The group has no long term debt apart from hire purchase and finance lease contracts. The group is funded by share capital and retained reserves and there are no plans to change this structure. The group has negotiated a new £5 million overdraft facility with its bankers, National Westminster Bank plc, to cover the short term fluctuations in cash flow that inevitably arise in the contracting industry.

Pension obligations

In accordance with IAS 19 'Employee Benefits', an actuarial loss of £1.3 million has been recognised in the year, with the pension scheme deficit increasing by £0.8 million to £9.1 million (2009 £8.3 million).

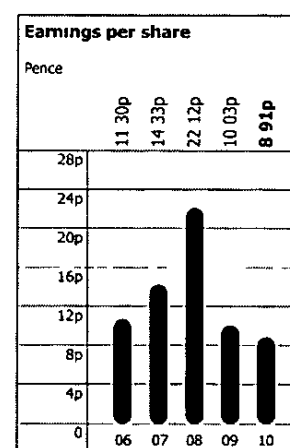
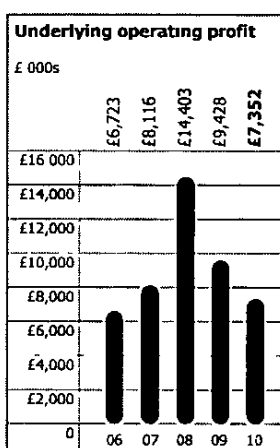
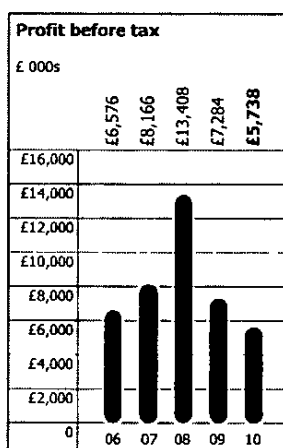
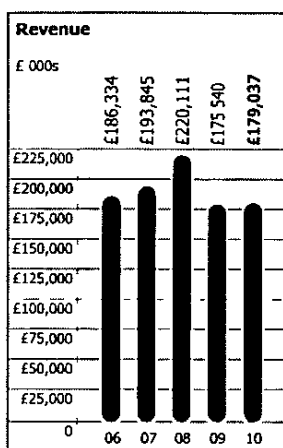
A triennial valuation of the pension scheme as at 31st December 2009 showed a deficit of £7.9 million which represents a funding level of 71.5%. The group has put in place a deficit reduction plan to eliminate the deficit over a number of years, with total employer contributions remaining at 16% of pensionable salary for three years, rising to 18% thereafter. The group had previously provided security to the pension scheme in the form of a charge for the greater of £1.5 million or half the market value of the group's head office property, and the group is intending to increase the charge to 100% of the value of this property.

Accounting policies

The group's accounting policies are set out in Note 3 to the financial statements. These policies are consistent with the accounting policies applied in previous years, except that the group has adopted IFRS 3 (revised) Business Combinations during the year, the main impact of which has been that acquisition related expenses are charged to the income statement when incurred rather than being capitalised as part of goodwill. The group has chosen not to apply the standard retrospectively, and therefore the standard was applied for the first time to acquisitions arising during 2010.

Financial review continued

Five year financial highlights



Significant judgements and sources of estimation uncertainty are discussed in Note 4 to the financial statements. The estimates and assumptions that have the most significant impact on the financial statements are the recognition of revenue and profit on construction contracts, the fair value of consideration and net assets acquired on business combinations, goodwill impairment, and costs, liabilities and assets associated with the retirement benefit scheme.

Management of financial risks

The main financial risks faced by the group are as follows

Credit risk

The group's main financial assets are contract and other trade receivables and cash and bank deposits. These assets represent the group's main exposure to credit risk, which is the risk that a counterparty will fail to discharge its obligations resulting in financial loss to the group. The group has procedures in place for mitigating the credit risk on trade receivables prior to accepting a contract and during the progression of the contract, and seeks to structure the payment profile on contracts to ensure that its exposure to risk from counterparty failure

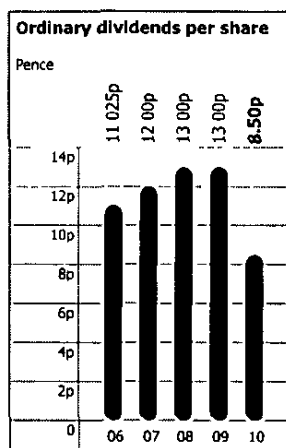
is minimised. The counterparty risk on cash and bank deposits is managed actively by the regular review of the credit-worthiness of the relevant banking institutions.

Liquidity risk

The group manages liquidity risk by maintaining adequate reserves and banking facilities, monitoring cash flows and by matching maturity profiles of financial assets and liabilities within the bounds of its contractual obligations. At the year end the group had £7.2 million net cash and bank deposits (2009: £23.2 million).

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 deposits at fixed or floating rates. The group's financial instruments comprise cash and cash equivalents, bank deposits, overdraft facilities, contract and other trade receivables, trade payables and similar balances arising directly from operations. The group does not trade in speculative financial instruments.



Martin Walton

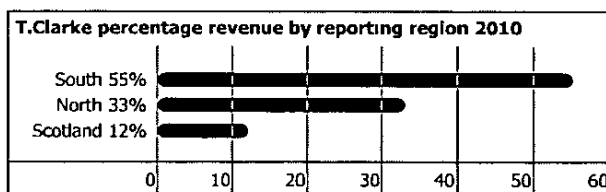
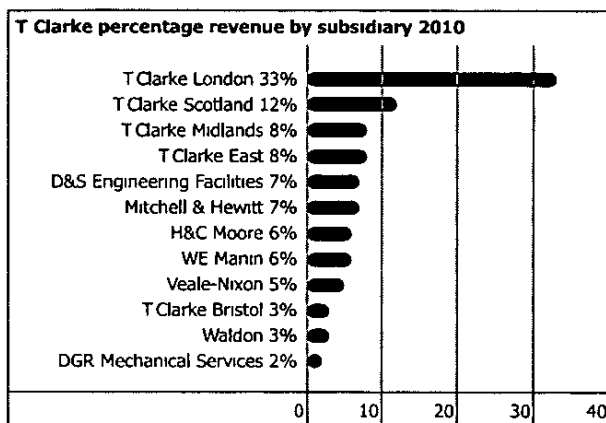
Finance Director
and Company Secretary
18th March 2011

Summary and prospects

2010 was a tough year, as expected, and the outlook for 2011 remains challenging. Nevertheless the strategic acquisitions we made during the year and the reshaping of the business to provide a platform for our nationwide business service offering, have placed the business in a strong position to take advantage of the opportunities that still exist in the market. Our order book across the country remains strong and, as confidence returns to the construction market, we are well placed to take advantage of future opportunities as they arise.

Key performance indicators

Financial KPIs



Financial key performance indicators

- 1 Achieved target of above average sales per employee in each of the last four years, compared with selected peer group
- 2 Achieved target of above average pre-tax profit margins, compared with peer group in each of the previous four years
- 3 Achieved target of above average pre-tax profits per employee in each of the previous four years
- 4 Achieved target of above average remuneration per employee in order to retain and attract high quality employees

Peer group comparisons

	2010	2009	2008	2007	2006
Sales (£000s) per employee					
T Clarke plc	124	131	154	126	122
Lorne Stewart plc		130	131	118	121
Bailey Limited		153	186	151	125
Emcor Group (UK) plc		101	112	120	124
Rotary Limited		116	94	80	98
Average		124	137	118	120

Pre-tax profit margin %					
T Clarke plc	3 20	4 15	6.09	4.21	3 53
Lorne Stewart plc		3 46	2 73	3 85	2 82
Bailey Limited		4 76	1 32	1 34	3 31
Emcor Group (UK) plc		3 50	3 03	(1 21)	1 39
Rotary Limited		4 04	5 39	4 67	4 68
Average		4 05	3 09	1 93	2 83

Pre-tax profit (£000s) per employee					
T Clarke plc	4 0	5 4	9.4	5 3	4 3
Lorne Stewart plc		4 5	3 6	4 5	3 4
Bailey Limited		7 3	2 5	2 0	4 1
Emcor Group (UK) plc		3 6	3 4	(1 5)	1 7
Rotary Limited		4 7	5 1	3 7	4 6
Average		5 0	4 2	2 3	3 4

Remuneration (£000s) per employee					
T Clarke plc	35	37	39	34	33
Lorne Stewart plc		38	37	34	31
Bailey Limited		36	36	33	30
Emcor Group (UK) plc		33	34	33	30
Rotary Limited		28	26	24	27
Average		34	34	31	30

Base data (£000s)

Sales					
T Clarke plc	179,037	175,540	220,111	193,845	186,334
Lorne Stewart plc		183,410	224,018	206,079	225,428
Bailey Limited		382,443	497,656	413,254	406,616
Emcor Group (UK) plc		320,887	357,418	378,699	415,304
Rotary Limited		185,452	140,739	216,773	150,431
Pre-tax profit (£000s)					
T Clarke plc	5,738	7,284	13,408	8,166	6,576
Lorne Stewart plc		6,343	6,113	7,936	6,367
Bailey Limited		18,217	6,579	5,546	13,455
Emcor Group (UK) plc		11,232	10,833	(4,595)	5,760
Rotary Limited		7,492	7,591	10,166	7,046

2010 and 2009 results are on a continuing basis
 2010 results for the peer group are unavailable at present
 Source Companies House

Meaningful non-financial KPIs

In accordance with the environmental, social responsibility and other quality standards that we meet, T Clarke monitors many details of our non-financial key performance indicators (KPIs), from the amount of paper we consume, to the energy we use in our buildings. This is our set of simple and meaningful non-financial KPIs

Training

We believe that the skills of our people are key to our success, with the ongoing expansion into other sectors of the building industry the need to train and develop our people is paramount

We can utilise new skills, whilst maintaining the technical expertise and know-how required to practise traditional techniques

This commitment, coupled with the knowledge that the business will always deliver gives our client an assurance that we will not let them down. Together we can deliver a project to be proud of

Average number of courses per employee in 2010 = 1.4

Apprenticeships

During 2010 through our apprentice training scheme T Clarke gave 100% commitment to the Olympic Development Authority's training target on the Olympic Park

Our apprentices within the group continue to achieve well, with a less than 1% drop-out rate

During the worst economic climate the construction industry has known for many years, the T Clarke group continue to train apprentices to a gold standard, in this way we can be confident the company will continue to carry good quality skilled people through and beyond the recession

Accreditations and memberships

The accreditations we hold to work in different environments and different industry sectors provide a critical indication of our capability to work in new and existing market sectors. A full list of our accreditations, memberships and registrations can be found on <http://www.tclarke.co.uk/content/2/27/membership-and-associations.html>

Memberships and accreditations for 2010 = 29

Health and safety

Health and safety demands and requirements continue to become more and more stringent year on year. T Clarke faces these demands 'head on' by ensuring that all aspects of its health and safety systems remain robust and evolve routinely

SHE committee meetings are undertaken quarterly

The SHE procedures manual ('A' File) was reviewed and amended on 17 occasions in the past year

90% of new initiatives suggested were implemented in 2010. These included

- A new health and safety poster campaign
- The 'YOU SEE, YOU SAY' near-miss reporting system
- T Clarke printed permit armband holders
- 'Switched onto Safety', clear as you go re-usable waste sacks
- 'Switched onto Safety' pocket guide and card holder

Quality standards

Our quality of work and environmental performance is best practice or industry leading. A measure of this is the number of contracts deemed to be delivered defect free

For 2010 this figure was 91.5%

Implementing our strategy

Operations

With the construction industry remaining depressed, it is reassuring to be able to report that in 2010 our operations were able to maintain a strong presence and strengthen our order book from £160 million (December 2009) to £190 million (December 2010)

At the beginning of the year we introduced a new Group Management Board. Our businesses are now managed in three divisions: Scotland, the North and the South of England. This improves our ability to quickly identify and exploit commercial opportunities across the group and equally as importantly, to manage our businesses in a more consistent and cohesive manner.

We are working in a number of ways to deliver the business vision of being recognised nationwide as a top five contractor in all the building services sectors in which we operate.

True nationwide capability

T Clarke now has a truly nationwide building services operation covering the full range of mechanical, electrical and information communication technologies (ICT) services for the whole construction lifecycle of design, commissioning, installation and maintenance.

In 2010 we were engaged on projects that demonstrated that capability, ranging from major maintenance projects for British Energy/EDF to Marylebone and London Bridge stations in the rail sector to the ICT infrastructure for the Olympic Stadium as well as in numerous other projects. 2010 also saw the launch of our photovoltaic capability in the Green Technologies sector, and the launch of our Intelligent Buildings Division as a fully operational nationwide service.

Building the T.Clarke brand

The development of a unified operation and market offering has been mirrored by the increased presence of a unified brand across the country. The move during the course of the year to bring our Scottish operations under the main brand has been continued with operations in the East and Midlands being rebranded T Clarke. Where it makes commercial sense in local market conditions, we have continued to trade under longstanding and well-recognised names of regional businesses.

Going forward, in the short term we believe future growth will be best achieved by building upon the existing group structure and the improved service offering and by expanding our existing businesses into areas where we do not have a local presence. In particular we believe there are opportunities in and around Inverness, Plymouth and the West Midlands. In early 2011 we opened an office in Cardiff serving South Wales as a branch office of our Bristol operations.

Core strength

While we have worked quickly to bring to market a complete package of building services, we have also maintained a very clear focus on our core areas of major M&E construction projects. In 2010 we were engaged on major projects such as The Shard, The Northern School of Ballet, Stratford City and One New Change.

As we entered 2011 work on The Pinnacle and Victoria Station underlined our continued ability to win work of this type. The integration of our new mechanical capability in London - in the shape of DGR - began in 2010. This should further enhance our ability to win a wider range of projects in London and the South East where mechanical and electrical contracts are let together.

Focus on growth opportunities

As we entered 2011, the business has identified eight areas in which we will focus for growth opportunities. In the following pages 20 to 37, we provide details of our market offering, capability and progress in each of these areas of opportunity.

Community and the environment

We are committed to the communities in which we operate and believe a strong community and environmental performance should be at the heart of any modern, successful business.

We support and contribute to a number of charities and fundraising events each year. Equally important is our focus on minimising any impact on the environment caused by our business and we continue to monitor our progress in this area.

Health and safety - accident statistics					
	2010	2009	2008	2007	2006
T Clarke London	43	49	49	79	129
T Clarke Bristol	2	11	12	5	11
T Clarke Midlands	7	9	7	14	9
T Clarke Scotland	4	2	8	7	7
Anglia Electrical Services	4	4	4	15	5
A G Aylwards	4	5	10	7	17
D&S Engineering Facilities	7	–	–	–	–
DGR Mechanical Engineering	3	–	–	–	–
H&C Moore	8	12	19	11	13
JJ Cross	2	1	7	10	5
Mitchell & Hewitt	4	7	7	4	6
Veale-Nixon	4	5	1	2	10
Waldon Electrical Services	5	8	5	9	8
WE Manin	5	4	9	9	6
	102	117	138	172	226
Notes					
1 D&S Engineering Facilities statistics from March 2010 when they joined the group					
2 DGR Mechanical Engineering statistics from August 2010 when they joined the group					

Mike Crowder
Managing Director
18th March 2011



Health and safety

Increasing safety and reducing risk is a core objective of T Clarke. We strive for an injury free environment and the safest workplace possible for our employees, clients, 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 and to ensure commitments and standards apply consistently to all of our operations. Our aim is to identify and correct potential risks through observations and regular monitoring. Our trained safety professionals develop and regularly refresh our safety plans and are focused on identifying areas for improvement and where good practices exist share them across the group.

Intelligent buildings

In a few short years, the construction industry has seen information communications technology (ICT) rise to prominence as an independent discipline alongside the mechanical and electrical sectors. It is expected that it will go on to dominate building services. T Clarke has acted with decisive speed to address this fact.

Our new Intelligent Buildings division, represents a series of major investments - in senior people from outside the business, in engineering capability and in resources nationwide. T Clarke sees this as an opportunity to take a leading role in the marketplace. This will improve the choice of the principal contractor and give clients a name they can trust, with experience of what the construction industry demands and the record of financial stability required in projects that last over several years.

Our service

T Clarke provides the complete ICT lifecycle service, integrating all the data and communications building management, lighting control, fire, security, access and AV systems delivered as necessary on internet-based systems on any scale. We have expertise in five specific areas:

- Structured cabling and connectivity
- Network infrastructure and security
- Networked energy management
- Data centre infrastructure
- Managed and support services

In January 2011, testing of the technology infrastructure for the London 2012 Games began viewed as 'one of the most complex operations in the world of sport'. The data infrastructure for the Stadium is being installed by T Clarke.

"We set out to challenge this market - even shake it - with a proposition that merits a fresh look. We intend to show the innovations clients demand alongside the reassurance they need."
Mike Crowder

Iain Clenaghan

Iain has 34 years' experience in the construction industry. Having sold his successful fire detection business to ADT, he now joins the T Clarke Intelligent Buildings division. "In the short period I've spent talking to clients I've detected a real relief that Clarke's has entered this field and provided a name you can trust completely. My objective is to draw together the substantial skills and experience the firm has developed and build a market-leading presence."

Stuart McKay

Stuart is Network Services Director at T Clarke Intelligent Buildings, working with a team of proven expertise and capability. "We have made the investment in our people and in forging the 'best of breed' supplier partnerships you need in order to deliver the quality of intelligent buildings solutions our clients demand. You can see the results of our work, from Cornwall to the North of Scotland - on every scale, from luxury private residences to the some of the most demanding ICT installations in the world today."

T.Clarke
INTELLIGENT BUILDINGS

© T Clarke 2011

Manor School is a new 1,200 place secondary school in York. T Clarke integrated all the building control and ICT systems

By the time the Games arrive at the Olympic Stadium, the IT services provider will have managed the deployment of 900 servers, 1,000 network and security devices and 9,500 computers. The data infrastructure is being installed by T Clarke

© Olympic Delivery Authority

Facilities management

Facilities management (FM)

The group's nationwide capability and experience is huge. Our portfolio of FM relationships shows our ability to meet the strictest service level agreements in every sector and every scale. FM has, however, been an untold story for TClarke in the past. In 2010, we changed this.

The strategic move to acquire D&S built our strength to the point where we could credibly go to market with a clear, unified FM proposition that ranks among the best in the country.

Our service

The TClarke service is comprehensive. We have relationships with numerous local authorities, education authorities, housing associations and schools, as well as with British Energy/EDF in the power sector and numerous organisations in the defence sectors, where we carry the necessary accreditations.

Our call centres provide a 24-hour on-call service. Our service ranges from simple works to the most complex preventative, reactive and planned maintenance solutions.

"We have a nationwide facilities management capability to rival any in the UK in terms of value - and a brand that stands for quality service. I see this as a substantial opportunity for growth in the short and medium term."
Mark Lawrence

For many longstanding TClarke clients, the knowledge that we offer a full FM service - including on-call technicians armed with PDAs - will come as a surprise!

A selection of our FM clients

24-hour on-call services and call centres - ranging from simple works to the most complex preventative, reactive and planned maintenance solutions

Green technologies

We are no longer talking about the future. In 2010 T.Clarke carried out an enormous range of green technology projects. EU and government regulations in carbon reduction and end-customer pressure have now had a decisive effect - not just on the way we build, but on what we build.

This organisation took a lead in meeting environmental standards - and now we are doing the same in delivering green technology projects. As the UK construction industry begins to treat these standards as intrinsic elements of most projects, T.Clarke now aims to build a market leading reputation for our capability and the value we can deliver to a project.

Our service

The core of our service is an ability to deliver fully integrated green solutions - including all the mechanical, electrical and technology elements - to the highest quality standards and at the right price. This core service is delivered right across the public sector - in schools, hospitals and residential projects as well as in commercial projects of every scale.

But beyond the core service we are also forging ahead with green technology projects in a number of specialist areas. These include photovoltaic solutions, groundbreaking new recycling projects and programmes designed to introduce various green solutions during the modernisation of nuclear power stations. These areas represent substantial opportunities for growth.

Photovoltaic specialists

In Waldon EcoSolar, we have a specialist expert capability to deliver photovoltaics on every scale and level of complexity in commercial and residential developments. This expertise is deliverable across the UK.

Photovoltaic panels in Cornwall

"Nationwide, we have the skill set and fresh thinking necessary to help clients achieve carbon reduction targets in the most intelligent and cost effective ways."
Mark Lawrence

Everything from solar power to rainwater harvesting...

T.Clarke can help all clients to audit their property portfolio and achieve carbon reduction targets in the most intelligent and effective ways, including

- photovoltaics
- rainwater harvesting
- biomass boilers
- groundsource heating
- airsource heating
- wind turbines
- carbon reduction audits
- lighting

Speedo headquarters,
Nottingham. Green technologies
incorporated in the design
include solar control glazing,
intelligent lighting (motion and
daylight sensitive), air to water
source heat pump, photovoltaics,
grey water system and Bri-Soliel

In 2010 we helped Canadian
company MachineX to make its
new recycling plant design UK
compliant and install it for
Wandsworth Council. There is a
£12bn market opportunity in this
area alone - and it is just one of
many areas where T Clarke has
market leading expertise

Operating review continued

Rail

The rail sector is one in which considerable investment is expected to take place in the next decade. T Clarke recognised this potential some years ago and embarked upon a rapid process to develop the specific skills and appropriate accreditations to build a body of work that could speak for itself

2010 saw our market proposition mature - with full accreditations alongside a substantial body of work for Network Rail, ScotRail, Newcastle Metro Rail, London Underground and the DLR

This process of rapid strategic investment is now reaping rewards, as an entirely new revenue stream and industry sector is opened up to the business at a time when the rail sector is set for major investment

Our service

T Clarke has full Achilles Link-up accreditation, which is necessary to work on London Underground and Network Rail. This means we have shown, through strict audit, that we have all the relevant management, safety and technical processes and skills necessary to meet the specific standards of this industry

Alongside these audited accreditations, we have also built very strong practical evidence of our ability to deliver in this sector, in exactly the same way as we do in our traditional areas of expertise. In the post-implementation reviews carried out with one of our clients, we were pleased to be scoring the highest marks for working hard, working clean and working safe. A reputation for consistent good quality, leading to consistent good value, is now being built and earned, project by project, by T.Clarke teams across the country

Our investments in significant capability - in Scotland and in England - and our successful achievement of the Achilles Link-up accreditation in both countries, has shown how we can quickly build and share skills across the group and create substantial commercial value and opportunity as a result

Haymarket Hub, Newcastle

"Our development as a major player in rail is proof that we can rapidly extend our brand and reputation into sectors where there is real growth potential."
Mark Lawrence

From the massive Reading Station redevelopment, to Crossrail, the Border Rail Link and the 10-year London Underground Power Upgrade, the rail sector is full of major investment programmes and opportunities

London Bridge Station is one of the UK's busiest transport hubs, the development will elevate the station to the highest standards of international transport design, and integrate it with the buildings and public realm at London Bridge Quarter

Marylebone Station work includes a new lighting and control system installed by T Clarke

Utilities and technologies

We see considerable potential within the utility industry and within the technology sector that focuses on large-scale data centres. Within the group, we have in recent years been successfully involved with major projects for British Energy/EDF and Springfield Nuclear Fuels as well as with Wessex Water, Deutsche Bank and, more recently, a major data centre in Slough, 30% of which is associated with cloud computing

Our strategy now, developing in the same way as in the rail sector, is to extend our reputation, through the evidence of projects completed and value delivered

Our services

TClarke offers the complete suite of full-lifecycle building services combining M&E with ICT, which is another significant advantage going forward in this sector. This, combined with our considerable body of practical experience and our longstanding reputation for technical excellence and service quality, creates a strong market proposition and an ability to work in partnership with a principal contractor, or if required, to take on the whole project.

"We are asking people to look at how we stack up in terms of value, reliability and quality, when set against the competition. We are going all out to win in these markets."
Mark Lawrence

T.Clarke has completed the electrical installation for phases one and two, and has commenced phase three of work at the data centre in Slough.

Dungeness power station at dusk. The site on the south coast of England contains two reactors. T Clarke provides facilities management year on year. Above the normal lighting and power upgrades we also undertake HV transformer, gas monitoring, valve pump replacement, switchgear and generator changes, leak detection, security and Vesda projects. T Clarke provides full building services on the DPCS replacements project which includes cabling, UPS, HVAC, floors, ceilings, decoration and steel-works along with design studies.

Manufacturing

T Clarke has the in-house capability to manufacture and prefabricate elements of an installation on every scale as well as to deliver high-quality bespoke engineering components. Manufacturing facilities nationwide include workshops in Essex, Yorkshire and Scotland

These give us four key advantages. Firstly, they allow us to play our role in setting and meeting demanding project timescales by introducing off-site prefabricating. Secondly, this capability can be extremely significant in helping clients to meet sustainability targets in manageable and readily measurable ways. Thirdly, these facilities are central to our ability to innovate and improve the speed and value of what we do. Finally, prefabrication allows us to improve the quality of the work and the health and safety of the working environment for our operatives.

Our services

The range and scale of manufacturing services is wide. On the small scale, we are able to manufacture ductwork to order. On the larger scale, we have been able to prefabricate major and complex elements - such as the complete prefabricated multi-service modules for The Shard, Europe's tallest building.

In addition to these mechanical and electrical fabrication services, we have the facility to do bespoke technical engineering manufacturing. Our workshops in Scotland have the high-spec engineering skills necessary to build everything from manne propellers to bespoke replacement pump components.

"Having this in-house manufacturing capability is a major advantage in allowing us to meet client needs in new and better ways."
Mike Crowder

Danny Robson

Danny Robson founded and built DGR over eight years into a first-rate mechanical services business. DGR joined the group in August 2010.

"Our credibility in this field has been built steadily, working on projects such as the National Gallery, O₂ Arena and The Shard. Our 9,000 ft² workshop in Harlow and a second 2,100 ft² unit based in Brentwood, are run with a stable workforce, which is highly skilled and highly dedicated, and that underpins our capability to delivery quality and value."

With two fabrication workshop facilities, one 9,000 ft² based at Harlow and the second 2,100 ft² based in Brentwood, we have a significant prefabrication capability available to us and our clients

Residential and hotels

The residential and hotel sectors across the UK may have experienced substantial downturns over recent years. However, these are cyclical sectors, and the underlying demand is both strong and increasingly sophisticated.

T.Clarke has developed great strength in servicing the residential new-build market, and our operation in Scotland has led the way in developing best practice standards around a complete one-stop-shop solution. Equally, in the hotel sector, our experience with projects such as the Great Eastern and the Tower Bridge Hilton demonstrate that capability.

The rapid rise of green technologies and ICT as leading components has also favoured us by raising the standards of capability and expertise required by the client base. T.Clarke offers levels of reassurance around capability, innovation and value that will be increasingly hard to beat - for these reasons we see excellent potential for growth as market demand returns.

Our services

T.Clarke offers a complete full-lifecycle service of design, installation, commissioning and maintenance for the residential market. We also offer a one-stop-shop for the full range of electrical, ICT and mechanical services required.

Our projects range from bespoke high-spec private homes to new-build housing estates, student accommodation, housing association developments and major hotel groups and brands. From Cornwall to the North East of Scotland, T.Clarke companies have regularly delivered innovative solutions and added value in the most direct ways through the quality of our design thinking and project execution.

Detail by detail, from the packaging and logistics associated with working with speed and accuracy on a new-build housing estate, to finding smarter technical solutions in ultra high-spec private homes, we can show real excellence and value.

Housing association homes for Tesco

"To be the best you need to offer excellence in intelligent building and green technologies - and lead in the detail of your project delivery methods. Our combination of expertise represents great value, right across the UK."
Mark Lawrence

© T.Clarke 2011

The home of Colin Montgomerie, Perthshire - high specification new-build, M&E, data, home entertainment and fire and security

© T.Clarke 2011

Cala Homes, Forest Park,
Peebles, East Scotland -
electrical, plumbing and heating
works to 54 detached properties

Rosedale Wynd, Bonnyrigg, East
Scotland - electrical, plumbing,
heating and communications to
49 houses and 45 apartments

M&E contracting

This is the heartland of our business. For many years T Clarke delivered mechanical services nationwide, but not in London. The acquisition of DGR in August 2010 changed that. DGR's integration into the organisation has given us the full service capability which is often required in our market. T Clarke regional group companies have long offered a combined M&E service nationwide and so, in one way, the addition of mechanical services in London represents a final piece in the nationwide jigsaw.

However, from a strategic perspective, this is more of a beginning, as the group stepped forward in 2010 as a nationwide building services contractor. And although the market has been severely depressed since the financial crisis of 2008, the strength of T Clarke's core business is clearly demonstrated by the fact that we've grown our forward order book from £160 million to £190 million and, substantially enhanced our service offer during a time of deep recession and market uncertainty.

Going forward, we have major opportunities to build the T Clarke brand presence across the country and win an increasing share of the market. We will do this by sticking to our core values - but also by going out into the market and demonstrating fresh levels of value and innovation.

Our services

T Clarke deliver M&E services in education, healthcare, government/local authority, retail and leisure, stadiums, transport, towers, plus media and residential sectors.

The T Clarke M&E contracting service is a clear market leader in the UK construction industry, with a longstanding reputation for 'never letting down' and delivering excellent project quality and value.

The value of that reputation to our stakeholders is enormous, and so it was with extreme care and diligence that we selected a business that would give us an appropriate mechanical capability in London. DGR shares our simple philosophy and focus on quality and is a worthy addition to our London operation.

Across the country, the T Clarke group is showing that even in tough times, if you can combine quality of work and expertise with a strong value story, you can still succeed in growing your order book and placing yourself well for the future upturn.

Flying Fish Bar, Cornwall

"We have increased the size of our project pipeline value and upgraded our product offer during the toughest market conditions in living memory. By taking nothing for granted - and by working hard to tell our story afresh - we see real opportunity to increase market share over the cycle." Mike Crowder

T Clarke installed complete electrical, fire alarm, data, security, PA and mechanical wiring at Croydon and Tunbridge Wells.

© T Clarke 2011

One New Change is one of the largest shopping centres in the City of London. A panoramic lift in the middle gives direct access to new and exciting views over St. Paul's Cathedral.

Westfield Stratford City connects a central arcade of retail and dining with spectacular terrace views overlooking London's Olympic Park.

Operating review continued

M&E contracting continued

Park House, Oxford Street.
This is a new building occupying
an entire city block in London's
West End. This is the latest of
several large-scale projects taken
on by T Clarke in recent years.

© Land Securities

The Dancehouse complex
occupies a 1930s Art Deco
building in Manchester, with
dance studios, theatre, library
and a cafe. This is the home of
Northern Ballet School.

© T Clarke 2011

The Pinnacle, also known as The Bishopsgate Tower and The Helter-Skelter, is a 288m (945ft), 63-storey skyscraper. T Clarke has been on site since December 2009, installing lightning protection and earthing systems.

The Shard will be the tallest building in Western Europe, a 310m (1,016ft) vertical city of offices, restaurants, 5-star hotel, residential apartments and the capital's highest viewing gallery offering 360° views.

Directors and advisors

Executive directors

Mark Lawrence
Chief Executive

43 years old,
26 years with the company.
Electrical Engineer,
Technical Director 1997,
Executive Director 2003,
Managing Director -
London Operations 2007,
Chief Executive from
1st January 2010

Mike Crowder
Managing Director

46 years old,
25 years with the company.
Electrical Engineer,
Technical Director 1997,
Executive Director 2007,
Managing Director from
1st January 2010

Martin Walton
**Financial Director
and Company Secretary**

46 years old,
three years with the company
Chartered Accountant
(ICAEW), Group Financial
Controller 2007
Financial Director from
26th October 2010

Non-executive directors

Russell Race
Chairman

64 years old,
13 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,
Rochester Mathematical
School, and a Court
Chairman, North Kent
Magistrates. Appointed
Non-Executive Director
of T Clarke 1998,
appointed Chairman 2000

Bob Campbell
**Senior Independent
Director**

68 years old,
fourth year with the company
Degree in engineering,
Chartered Engineer
Formerly Managing Director
of Waterman Group plc,
international multi-disciplinary
consulting engineers
Trustee of The College
of Estate Management
Appointed Non-Executive
Director of T Clarke 2008

Beverley Stewart
Independent Director

50 years old,
sixth year 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

Iain McCusker
Independent Director

59 years old,
third year with the company
Chartered Accountant, Partner
at Coopers & Lybrand (now
PricewaterhouseCoopers)
until 1994, held senior
Managing Principal and
Director positions within
Unisys and Xerox,
respectively, Managing
Director of ACCA (the
Association of Chartered
Certified Accountants)
2004 to 2007 Appointed
Non-Executive Director
of T Clarke 2009

Shareholder information and company advisors

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 0871 664 0300

Auditors

Moore Stephens LLP
Chartered Accountants
150 Aldersgate Street
London EC1A 4AB

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

Clockwise from top left

Mike Crowder

Mark Lawrence

Iain McCusker

Bob Campbell

Martin Walton

Beverley Stewart

Russell Race

Report of the directors

The directors present their annual report and the audited financial statements of the group for the year ended 31st December 2010.

Business review

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

A review of the business is included in the Chairman's Statement, the Business Review and Financial Review on pages 4 to 19 and is included by reference into this report.

Results and dividends

The results for the year ended 31st December 2010 are set out in the Consolidated Income Statement on page 53.

Profit for the year was £3,604,000 (2009 £4,006,000)

The directors recommend the payment of a final dividend for the year of 4 25p per share, which together with the interim dividend of 4 25p paid on 8th October 2010, makes a total distribution of 8 50p for the year (2009 13p)

Subject to approval at the Annual General Meeting, the final dividend will be paid on 20th May 2011 to shareholders on the register as at 26th April 2011. The shares will go ex-dividend on 20th April 2011.

A dividend reinvestment plan ('DRIP') 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 2010 final payment, may do so by contacting Capita Registrars on 0871 664 0300 (lines are open 8 30am - 5 30pm Monday to Friday. Calls cost 10p per minute plus network charges). The last day for election for the final dividend reinvestment is 26th April 2011 and any requests should be made in good time ahead of that date.

Movements on reserves are shown in Note 20 to the financial statements

Beneficial interests

Directors' interests in the issued share capital of TClarke plc are

Number of shares	Number of shares		
	1 1 2010	31 12 2010	18 3 2011
R H Campbell	15,000	35,000	35,000
B A Stewart	6,000	21,000	21,000
M Lawrence	10,000	10,000	10,000
R J Race	6,000	6,000	6,000
M C Crowder	4,000	4,000	4,000
I McCusker	2,000	2,000	2,000
M R Walton	—	2,000	2,000

Directors and their interests

The present membership of the board is set out in more detail in the Corporate Governance Report on pages 44 to 47. Directors' interests in the issued share capital of TClarke plc are shown above.

Mrs V.R. French resigned from the board as an executive director on 30th June 2010 and left the company on that date.

Mr M R Walton was appointed to the board as an executive director on 26th October 2010.

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. Mr R J Race does not have a service agreement with TClarke plc.

Mr R H Campbell 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. Mr M Lawrence has a rolling service agreement with TClarke plc which may be determined by 12 calendar months prior notice in writing. Mr R.H Campbell does not have a service agreement with TClarke plc.

Save for an interest in service agreements, none of which extend beyond 12 calendar months, 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', nor 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

Substantial shareholdings		
	% of issued ordinary share capital	Number of shares
AXA S A	9.72%	4,025,249
Liontrust	5.15%	2,130,228
Henderson Global Investors	5.14%	2,127,502
Legal & General Investment Management	3.91%	1,619,415
Walker Cripps Weddle Beck	3.67%	1,518,541
Bardays plc	3.55%	1,468,812
DG Robson	3.50%	1,451,906
TD Waterhouse (Europe)	3.12%	1,290,989
Brewin Dolphin Securities	3.01%	1,245,988

Share capital

The company's issued share capital comprises 41,399,795 ordinary shares of 10p each (2009 39,947,889 ordinary shares of 10p each). During the year 1,451,906 ordinary shares of 10p each were issued to the vendors of DG Robson Mechanical Services Limited

Property

It is the board's opinion that the current open market value of the group's interest in freehold land and buildings is approximately £8m, which is in excess of the book value of £5.1m as at 31st December 2010 (2009 £5.2m)

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 registered charities, which supported causes such as the Children's Hospice UK, Guide Dogs for the Blind, Children with Leukaemia and Cancer Research UK during the year amounted to £7,265 (2009 £8,910)

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.

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 that deals specifically with the payment of suppliers. At 31st December 2010 the company's trade creditors represented 81 days (2009 66 days) of annual purchases, and the group's trade creditors represented 67 days (2009 58 days) of annual purchases.

Report of the directors continued

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

Takeovers 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 a bid is contemplated

- The company's capital comprises ordinary shares of 10p each. Further details are shown in Note 20 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', on page 41
- 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 44 to 47. The Articles of Association state that a maximum of 12 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 amount of £860,021
- 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 is currently considering 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

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 financial statements for each financial year. Under that law the directors have elected to prepare the group and parent company financial statements in accordance with IFRS as adopted by the European Union and applicable law. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the

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

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable IFRS as adopted by the European Union have been followed,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements and the directors' remuneration report comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

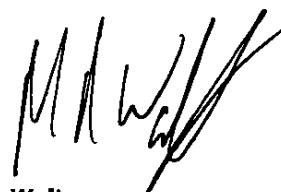
The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Statement of directors pursuant to the disclosure and transparency rules

Each of the directors, whose names and functions are listed on page 38, confirms that, to the best of each person's knowledge and belief

- the financial statements, prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the group and company, and
- the directors' report includes a fair review of the development and performance of the business and the position of the company and group, together with a description of the principal risks and uncertainties they face.

On behalf of the board



Martin Walton
Finance Director



Russell Race
Chairman

18th March 2011
T Clarke plc
Registered number: 00119351

Corporate governance

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 three 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 38. 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 2010 is set out below

Board changes

Victoria French resigned from the board with effect from 30th June 2010. Martin Walton was appointed as Finance Director on 26th October 2010. Prior to his appointment Martin Walton had been Group Financial Controller and had been acting Finance Director and Company Secretary following Victoria French's resignation

Number of meetings attended

	Board	Audit	Nomination	Remuneration
R J Race	13	—	1	—
M Lawrence	13	—	—	—
B A Stewart	13	2	1	1
M C Crowder	13	—	—	—
VR French ¹	6	—	—	—
R H Campbell	13	2	1	1
I McCusker	13	2	1	1
M R Walton ²	3	—	—	—
Total held	13	2	1	1

Notes

1 Resigned as an executive director on 30th June 2010

Attended all board meetings to date of resignation

2 Appointed 26th October 2010 and attended all meetings since that date

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 character and judgement, in spite of his length of service. In accordance with the Code, Russell Race will retire each year and, being eligible, will offer himself for re-election.

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 election at the next AGM. Bob Campbell and Mark Lawrence will retire and offer themselves for re-election and Martin Walton will offer himself for election at the next Annual General Meeting on 13th May 2011. 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

Group management board

With effect from 1st January 2010, a Group Management Board was established, consisting of the Chief Executive, Finance Director and the three Managing Directors of the South, North and Scotland divisions. The Group Management Board meets each month and considers matters in relation to the subsidiary companies. In addition, 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.

Audit committee

The audit committee is comprised of the non-executive directors Iain McCusker (Chairman), Beverley Stewart, and Bob Campbell

The committee meets at least twice a year and each meeting is attended by the group's auditors. The board of T.Clarke plc is 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 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 auditors and review the effectiveness of the audit process, and
- review the extent of non-audit services provided by the external auditors

In light of the procedures outlined in the section 'Internal control' (page 47) and after allowing for the internal procedures performed under the group quality control system, the committee does 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.

An analysis of the nature and amount of non-audit work undertaken by the group's auditors is shown in Note 7 to the financial statements. During the year, the only significant non-audit work undertaken comprised tax compliance advice, the audit of the company pension scheme and the provision of due diligence assistance in respect of acquisitions. 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 acquisition due diligence and tax compliance services are provided by separate personnel independent of the audit team.

Corporate governance continued

Remuneration committee

During 2010, the remuneration committee was comprised of the non-executive directors Beverley Stewart (chair), Bob Campbell and Iain McCusker. Russell Race is consulted regarding the setting of the executive directors' remuneration by the committee.

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.

Nomination committee

During 2010, the nomination committee was comprised of the non-executive directors Beverley Stewart (chair), Russell Race, Bob Campbell and Iain McCusker. 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 TClarke plc.

During 2010, the nomination committee considered a number of candidates for the role of Finance Director and Company Secretary following Victoria French's resignation with effect from 30th June 2010. External consultants were not used for the appointment because

the board considered the candidates available to it, both internally and via contacts of the company, were of a sufficiently high quality and public reputation to justify direct recruitment. Martin Walton was recommended to the board by the nomination committee and his appointment was approved by the board with effect from 26th October 2010 and announced to the market on that date.

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

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 Mark Lawrence and Martin Walton are present at these meetings 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 2010 and, up to the date of approval of the annual report and accounts, that it is regularly reviewed by the board and 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 divisional structure. Each division 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.

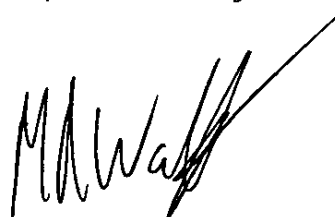
The board's agenda includes a regular item for consideration of risk and control and the board receives reports thereon from the monthly Engineering Executive Meeting, which is chaired by a member of the board. The board also receives reports or information from the chair of the Group Management Board. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

At its meeting on 17th March 2011, the board carried out the annual assessment of the year ended 31st December 2010 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 together with regular review visits by the group finance team to the subsidiaries provide a similar assurance that internal control systems are being properly adhered to.

Going concern

After making reasonable enquiries, the board is satisfied that the company and 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



Martin Walton
Company Secretary
18th March 2011

Remuneration report

Remuneration totals (audited)

Directors' remuneration for the year ended 31st December 2010 was as follows						
	Salary and fees £	Bonus percentage %	Bonus ¹ £	Benefits in kind £	2010 total £	2009 total £
M. Lawrence	210,000	2.5	–	14,258	224,258	199,243
M. C. Crowder	175,000	2.0	–	13,550	188,550	163,755
M. R. Walton ²	27,885	2.0	–	1,754	29,639	–
V. R. French ³	80,000	2.0	–	5,793	85,793	157,930
P. E. Stanborough ⁴	–	–	–	–	–	231,290
B. V. DeFalco ⁵	–	–	–	–	–	159,959
R. J. Race	42,500				42,500	42,500
R. Campbell	37,500				37,500	37,500
B. A. Stewart	35,000				35,000	35,000
I. McCusker	35,000				35,000	35,000
	642,885		–	35,355	678,240	1,062,177

Notes

1 The bonus percentage is applied to adjusted profits above the lower threshold of £5.5m (2009 £7.5m) and below the upper threshold of £10.5m (2009 £12.5m). Bonus entitlements of £30,000 were waived in relation to the 12 months ended 31st December 2010 (2009 £nil entitlement).

2 M. R. Walton was appointed to the board with effect from 26th October 2010. His emoluments included above are for the period 26th October 2010 to 31st December 2010.

3 V. R. French's employment terminated on 30th June 2010 and she received a settlement of £201,692. V. R. French's total emoluments in the year ended 31st December 2010 were £287,485.

4 P. E. Stanborough retired from the board on 31st December 2009.

5 B. V. DeFalco's employment terminated on 30th September 2009 and he received a settlement of £215,000 plus benefits in kind of £16,188 for the period 1st January 2009 to 30th September 2009. B. V. DeFalco's total emoluments accrued in the year to 31st December 2009 were £391,147.

Remuneration committee

The remuneration committee comprises the independent non-executive directors Beverley Stewart, Bob Campbell and Iain McCusker and is chaired by Beverley Stewart. The Chairman is consulted in relation to the remuneration of the executive directors.

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

Information relating to the emoluments and pension contributions of directors shown in the table above 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. The remuneration committee has reviewed the structure of the directors' remuneration and concluded that a long-term incentive plan is an appropriate vehicle to retain and reward the executive directors and other senior employees.

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.

Audited 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 09 £ 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 10 £ p a	Transfer value of accrued pension at 31 12 09 £	Increase in transfer value £	Transfer value of accrued pension at 31 12 10 £
M Lawrence	22,660	1,674	621	9,658	24,334	302,762	22,018	324,780
M C Crowder	28,840	1,674	334	17,766	30,514	411,355	30,126	441,481
M R Walton	2,463	983	868	2,160	3,446	26,009	9,418	35,427

Inflationary increases were assumed to be at 4.6% per annum during 2010 based on the revaluation provisions included in the scheme rules

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 8 to the accounts)

Pensions

The company operates a defined benefit pension and death benefits scheme (see Note 24 to the accounts) of which all the executive directors are members. The company contribution is 16% (2009 16%) of pensionable salary of which 5.2% related to the deficit reduction contribution, and the individual directors contributed 10% to 28th February 2010 and 8% thereafter (2009 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, in line with best practice. Details of the accrued pension benefits are shown on the table above. The life insurance benefit is 2.25 times pensionable salary, rising to 4 times pensionable salary after 5 years service with the group.

Annual bonuses

Executive directors are entitled to performance related remuneration, which is based on the group profit before taxation and bonuses adjusted for amortisation and impairment, capital profits and losses, and including discontinued operations. A percentage of the adjusted profits above a reference level is paid to each director.

The individual percentages are shown in the table on page 48. The reference level for the year ended 31st December 2010 was £5,500,000 (2009 £7,500,000) with a maximum reference level of £10,500,000 (2009 £12,500,000).

Bonuses paid are capped, with the maximum bonus achievable being the percentage shown in the table on page 48 multiplied by the difference between the lower and upper reference levels, the difference being £5,000,000 (2009 £5,000,000). Bonus entitlements in respect of the year ended 31st December 2010, which amounted to £30,000, have been waived (2009 £nil entitlement).

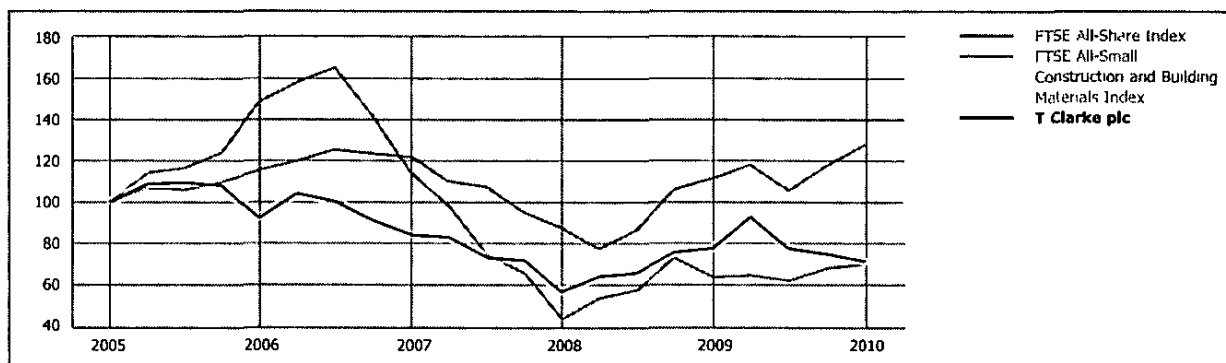
In respect of the year ending 31st December 2011, in the light of current economic conditions, the reference level set by the remuneration committee will remain at £5,500,000 (2009 £5,500,000) with a maximum reference level of £10,500,000 (2009 £10,500,000) based on the group structure as at 31st December 2010.

Long-term equity incentive plan

The remuneration committee has given further consideration during the year to the implementation of a long-term equity incentive plan in order to align more closely the interests of shareholders and executive directors.

Remuneration report continued

Total shareholder return 2005-2010



A Save As You Earn Share Option Scheme is also envisaged for the general body of employees. This is a share option plan which will encourage employees to save and give them the opportunity to become shareholders in the future.

The committee has taken advice from BDO LLP in relation to best practice in setting up both plans, setting performance targets for the Long-Term Incentive Plan in addition to other parameters. The committee has also consulted a number of shareholders about the design of the plan

The details of both plans will be put to shareholders at the Annual General Meeting

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 £3,487,000 (2009 £4,042,000) including termination payments of £26,000 (2009 £313,000). Pension contributions in respect of key management, excluding directors, were £432,000 (2009 £467,000)

Performance graph

The graph above 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 2005 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 reinvested

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

Beverley Stewart

Chair of the remuneration committee

18th March 2011

Independent auditor's report to the members of T.Clarke plc

We have audited the financial statements of T.Clarke plc for the year ended 31st December 2010 which are set out on pages 53 to 107. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 42 and 43, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31st December 2010 and of the group's profit for the year then ended,
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union,
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation

Independent auditor's report continued

Opinion on other matters prescribed by the Companies Act 2006

In our opinion

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006,
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements,
- the information given in the Corporate Governance Statement set out on pages 44 to 47 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following

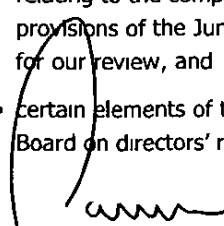
Under the Companies Act 2006 we are required to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or

- we have not received all the information and explanations we require for our audit

Under the Listing Rules we are required to review

- the directors' statement, set out on page 47, in relation to going concern,
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the June 2008 Combined Code specified for our review, and
- certain elements of the report to shareholders by the Board on directors' remuneration



Paul Clark

Senior Statutory Auditor

For and on behalf of
Moore Stephens LLP
Statutory Auditor
150 Aldersgate Street
London EC1A 4AB

18th March 2011

Financial statements 2010

Consolidated income statement

for the year ended 31st December 2010

	Notes	2010 £000	2009 £000
Continuing operations:			
Revenue	5	179,037	175,540
Cost of sales		(152,724)	(145,044)
Gross profit		26,313	30,496
Other operating income		124	100
Administrative expenses		(19,085)	(21,168)
Other expenses	7	(1,335)	(2,127)
Profit from operations	7	6,017	7,301
Finance income	6	102	221
Finance costs	6	(381)	(238)
Profit before taxation		5,738	7,284
Taxation	9	(1,750)	(2,280)
Profit for the year from continuing operations		3,988	5,004
Loss for the year from discontinued operations	11	(384)	(998)
Profit for the year		3,604	4,006
Earnings per share			
Attributable to equity holders of T.Clarke plc			
Basic	10	8 91p	10.03p
On continuing operations	10	9 86p	12 53p

Consolidated statement of comprehensive income

for the year ended 31st December 2010

	Notes	2010 £000	2009 £000
Profit for the year		3,604	4,006
Other comprehensive income			
Actuarial loss on defined benefit pension scheme	24	(1,343)	(5,872)
Tax relating to components of other comprehensive income		376	1,644
Other comprehensive income / (expense) for the year, net of tax		(967)	(4,228)
Total comprehensive income / (expense) for the year		2,637	(222)

Financial statements 2010

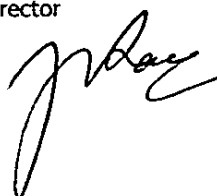
Consolidated statement of financial position

as at 31st December 2010

	Notes	31 12.2010 £000	31 12.2009 (Re-presented) £000	01 01.2009 (Re-presented) £000
Non current assets				
Intangible assets	12	24,533	11,775	12,584
Property, plant and equipment	13	6,666	6,659	7,747
Deferred tax assets	19	1,964	2,411	843
		33,163	20,845	21,174
Current assets				
Inventories	15	451	344	292
Amounts due from customers under construction contracts	16	12,179	11,126	11,255
Trade and other receivables	17	23,410	16,459	14,220
Bank deposits	21	–	10,660	–
Cash and cash equivalents	21	8,252	12,881	34,363
		44,292	51,470	60,130
Total assets		77,455	72,315	81,304
Current liabilities				
Bank overdraft and loans	22	1,047	306	4,002
Amounts due to customers under construction contracts	16	2,434	7,242	8,488
Trade and other payables	18	38,926	30,361	32,419
Current tax liabilities		1,188	965	2,954
Obligations under finance leases	25	143	167	216
		43,738	39,041	48,079
Net current assets		554	12,429	12,051
Non current liabilities				
Retirement benefit obligation	24	9,135	8,277	2,691
Obligations under finance leases	25	159	99	221
Other payables	18	183	–	–
		9,477	8,376	2,921
Total liabilities		53,215	47,417	50,991
Net assets		24,240	24,898	30,313
Equity attributable to owners of the parent				
Share capital	20	4,140	3,995	3,995
Share premium	20	3,049	1,234	1,234
Retained earnings	20	17,051	19,669	25,084
Total equity		24,240	24,898	30,313

These financial statements
were approved and authorised
for issue by the board
on 18th March 2011

Russell Race
Director



Mark Lawrence
Director



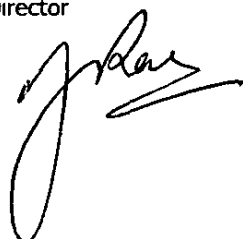
Company statement of financial position

as at 31st December 2010

	Notes	31.12.2010 £000	31.12.2009 (Re-presented) £000	01.01.2009 (Re-presented) £000
Non current assets				
Property, plant and equipment	13	29	49	36
Investments	14	31,786	18,600	20,970
Deferred tax assets	19	2,573	2,362	803
		34,388	21,011	21,809
Current assets				
Amounts due from customers under construction contracts	16	2,417	1,716	1,472
Trade and other receivables	17	10,569	7,691	8,320
Bank deposits	21	—	10,660	—
Cash and cash equivalents	21	3,174	9,125	31,703
		16,160	29,192	41,495
Total assets		50,548	50,203	63,304
Current liabilities				
Bank overdrafts and loans		—	—	2,937
Amounts due to customers under construction contracts	16	505	4,911	7,406
Trade and other payables	18	20,398	16,313	20,797
Current tax liabilities		74	209	2,449
		20,977	21,433	33,589
Net current (liabilities) / assets		(4,817)	7,759	7,906
Non current liabilities				
Retirement benefit obligation	24	9,135	8,277	2,691
Other payables	18	183	—	—
		9,318	8,277	2,691
Total liabilities		30,295	29,710	36,280
Net assets		20,253	20,493	27,024
Equity attributable to owners of the parent				
Share capital	20	4,140	3,995	3,995
Share premium	20	3,049	1,234	1,234
Retained earnings	20	13,064	15,264	21,795
Total equity		20,253	20,493	27,024

These financial statements
were approved and authorised
for issue by the board
on 18th March 2011

Russell Race
Director



Mark Lawrence
Director



Financial statements 2010

Consolidated statement of cash flows

for the year ended 31st December 2010

	Notes	2010 £000	2009 £000
Net cash used in operating activities	21	(2,943)	(2,586)
Investing activities			
Interest received		138	187
Cash placed on deposit		–	(10,625)
Cash taken off deposit		10,625	–
Purchase of property, plant and equipment		(297)	(205)
Receipts on disposal of property, plant and equipment		146	924
Net cash outflow on acquisitions of subsidiaries	28	(7,544)	–
Net cash inflow on disposals of subsidiaries		–	4
Net cash generated by / (used in) investing activities		3,068	(9,715)
Financing activities			
Equity dividends paid	20	(5,255)	(5,193)
Repayments of obligations under finance leases		(240)	(292)
Net cash used in financing activities		(5,495)	(5,485)
Net decrease in cash and cash equivalents		(5,370)	(17,786)
Cash and cash equivalents at beginning of year		12,575	30,361
Cash and cash equivalents at end of year	21	7,205	12,575

Company statement of cash flows

for the year ended 31st December 2010

	Notes	2010 £000	2009 £000
Net cash used in operating activities	21	(2,655)	(7,139)
Investing activities			
Interest received		115	166
Cash placed on deposit		–	(10,625)
Cash taken off deposit		10,625	–
Purchase of property, plant and equipment		–	(40)
Dividends received from subsidiaries		6,300	3,090
Net cash outflow on investments in subsidiaries	14	(15,081)	–
Net cash inflow on disposals of investment in subsidiaries		–	100
Net cash from / (used in) investing activities		1,959	(7,309)
Financing activities			
Equity dividends paid	20	(5,255)	(5,193)
Net cash used in financing activities		(5,255)	(5,193)
Net (decrease) in cash and cash equivalents		(5,951)	(19,641)
Cash and cash equivalents at beginning of year		9,125	28,766
Cash and cash equivalents at end of year	21	3,174	9,125

Financial statements 2010

Consolidated statement of changes in equity

for the year ended 31st December 2010

	Attributable to owners of the parent			
	Share capital £000	Share premium £000	Retained earnings £000	Total £000
At 1st January 2009	3,995	1,234	25,084	30,313
Comprehensive income:				
Profit for the year	–	–	4,006	4,006
Other comprehensive income				
Actuarial loss on retirement benefit obligation	–	–	(5,872)	(5,872)
Deferred income tax credit on actuarial loss on retirement benefit obligation	–	–	1,644	1,644
Total other comprehensive income	–	–	(4,228)	(4,228)
Total comprehensive income	–	–	(222)	(222)
Transactions with owners				
Dividends paid	–	–	(5,193)	(5,193)
Total transactions with owners	–	–	(5,193)	(5,193)
At 31st December 2009	3,995	1,234	19,669	24,898
Comprehensive income:				
Profit for the year	–	–	3,604	3,604
Other comprehensive income				
Actuarial loss on retirement benefit obligation	–	–	(1,343)	(1,343)
Deferred income tax credit on actuarial loss on retirement benefit obligation	–	–	376	376
Total other comprehensive income	–	–	(967)	(967)
Total comprehensive income	–	–	2,637	2,637
Transactions with owners				
Shares issued on business combination	145	1,815	–	1,960
Dividends paid	–	–	(5,255)	(5,255)
Total transactions with owners	145	1,815	(5,255)	(3,295)
At 31st December 2010	4,140	3,049	17,051	24,240

Company statement of changes in equity

for the year ended 31st December 2010

	Attributable to owners of the parent			
	Share capital £000	Share premium £000	Retained earnings £000	Total £000
At 1st January 2009	3,995	1,234	21,795	27,024
Comprehensive income:				
Profit for the year	–	–	2,890	2,890
Other comprehensive income				
Actuarial loss on retirement benefit obligation	–	–	(5,872)	(5,872)
Deferred income tax credit on actuarial loss on retirement benefit obligation	–	–	1,644	1,644
Total other comprehensive income	–	–	(4,228)	(4,228)
Total comprehensive income	–	–	(1,338)	(1,338)
Transactions with owners				
Dividends paid	–	–	(5,193)	(5,193)
Total transactions with owners	–	–	(5,193)	(5,193)
At 31st December 2009	3,995	1,234	15,264	20,493
Comprehensive income:				
Profit for the year	–	–	4,022	4,022
Other comprehensive income				
Actuarial loss on retirement benefit obligation	–	–	(1,343)	(1,343)
Deferred income tax credit on actuarial loss on retirement benefit obligation	–	–	376	376
Total other comprehensive income	–	–	(967)	(967)
Total comprehensive income	–	–	3,055	3,055
Transactions with owners				
Shares issued on business combination	145	1,815	–	1,960
Dividends paid	–	–	(5,255)	(5,255)
Total transactions with owners	145	1,815	(5,255)	(3,295)
At 31st December 2010	4,140	3,049	13,064	20,253

Notes to the financial statements

for the year ended 31st December 2010

Note 1 – General information

T Clarke plc is a public limited company incorporated and domiciled 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 38. The nature of the group's operations and its principal activities are described in Note 5 and in the Business and Financial Review on page 6 to 15.

Note 2 – Application of new and revised IFRSs

A. New and revised IFRSs having a material effect on the financial statements

The following new standards, interpretations and amendments, applied for the first time from 1st January 2010, have had an effect on the financial statements

IFRS 3 (Revised) 'Business combinations':

Much of the basic approach to business combination accounting required under the previous version of IFRS 3 "Business combinations" has been retained in this revised version of the standard. However, in some respects the revised standard may result in very significant changes to the accounting treatments previously adopted, including

- the requirement to write off all acquisition costs to profit or loss instead of including them in the cost of investment (which will have a consequent effect on the value of goodwill recognised),
- the requirement to measure all identifiable intangible assets at their fair value,
- an option to gross up the statement of financial position for goodwill attributable to non-controlling interests (known formerly as "minority interests") on a combination-by-combination basis,

- Contingent consideration in an IFRS 3 (Revised) business combination will also now fall within the scope of IAS 39 and be measured initially and subsequently at fair value with remeasurement movements being recognised in profit or loss. Changes in the value of contingent consideration in a business combination falling within the scope of the old IFRS 3 continue to be treated as adjustments to goodwill.

There are also some significant changes in the disclosure requirements of the revised standard, and numerous consequential amendments to other standards.

The revised standard does not require the restatement of previous business combinations and, in consequence, the group's acquisitions during 2010 of 100% interests in D&S (Engineering Facilities) Limited and DG Robson Mechanical Services Limited (see Note 28) are the first business combinations to fall within the scope of IFRS 3 (Revised).

The principal effect of the adoption of IFRS 3 (Revised) on those acquisitions is the recognition of £299,000 of acquisition expenses in the "other expenses" line within the income statement. This has reduced basic earnings per share by 0.74p.

Note 2 – Application of new and revised IFRSs continued

B. New and revised IFRSs applied with no material effect on the financial statements

The following new and revised IFRSs have also been adopted in these consolidated financial statements. The application of these new and revised IFRSs has not had any material impact on the financial statements.

- IAS 27 (revised) 'Consolidated and separate financial statements' – the revisions principally affect the accounting for subsidiaries not wholly owned, however all of the group's subsidiaries are wholly owned
- Amendment to IAS 39 'Financial instruments Recognition and Measurement – Eligible Hedged Items'
- Revised IFRS 1 'First-time adoption of International Financial Reporting Standards'
- Amendment to IFRIC 9 'Reassessment of embedded derivatives and IAS 39 'Financial instruments recognition and measurement'
- IFRIC 16 'Hedges of a net investment in a foreign operation'
- IFRIC 17 'Distribution of non-cash assets to owners'
- IFRIC 18 'Transfer of assets from customers'
- Improvements to IFRSs (2009)
- IFRS 2 (amendments) 'Group cash-settled share-based payment transactions'

C. New and revised IFRSs in issue but not yet effective

The group has not applied the following new and revised IFRSs that have been issued but are not yet effective

IFRS 9 'Financial instruments', issued in November 2009 and applicable from 1st January 2013, this standard has yet to be endorsed by the EU. The new standard is the first step in the process to replace IAS 39 'Financial instruments recognition and measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets. The group is yet to fully assess the impact of IFRS 9 but the new standard is not expected to have a material impact on the group's future financial statements.

IAS24 (Revised) 'Related party disclosures', issued in November 2009 and mandatory for periods beginning on or after 1st January 2011. The new standard clarifies and simplifies the definition of a related party but is not expected to have a material impact on the group's future financial statements.

IFRIC 19 'Extinguishing financial liabilities with equity instruments', effective for periods beginning on or after 1st July 2010 but not expected to have a material impact on the group's future financial statements.

'Prepayments of a minimum funding requirement' (amendments to IFRIC 14 – 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction') has been amended and is effective for periods beginning 1st January 2011 but not expected to have a material impact on the group's future financial statements.

In addition the IASB undertakes an annual improvement project. The current project is not expected to have a material effect on the group's financial statements.

Notes to the financial statements continued

for the year ended 31st December 2010

Note 3 – Accounting policies

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

A. Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), IFRIC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRS and have been prepared on the historic cost basis. They comprise the parent company financial statements of TClarke plc and the consolidated financial statements of TClarke plc and all its subsidiaries made up to 31st December 2010 and have been presented in £000s

The preparation of financial statements in conformity with IFRS as adopted by the EU, requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

B. Change in presentation

The comparative and pre-comparative statements of financial position have been re-presented to disclose the deferred tax asset arising on the retirement benefit obligation within deferred tax assets in both the consolidated and parent company financial statements, and to disclose amounts due to customers under construction contracts separately on the face of the statement of financial position. Previously the retirement benefit obligation had been shown net of the related deferred tax asset in the financial statements and amounts due to customers under construction contracts were included within trade and other

payables. This change in presentation has the effect of increasing gross assets and liabilities by £2,318,000 as at 31st December 2009 in the consolidated and parent company financial statements, but does not affect net assets, profit or other comprehensive income

Following its closure in 2010, the operations of JJ Cross Limited have been reclassified as discontinued operations and the results for the year ended 31st December 2009 have been re-presented accordingly. This change in presentation has decreased turnover for the year ended 31st December 2009 by £2,038,000 to £175,540,000, increased profit before taxation by £474,000 to £7,284,000 but has had no effect on the profit for the year attributable to equity holders

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. Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses 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 internal reporting provided to the Chief Executive, who is the chief operating decision maker responsible for allocating resources to and assessing the performance of operating divisions.

Note 3 – 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 3F). Revenue from the rendering of services that do not fall to be accounted for as construction contracts is accounted for by reference to the stage of completion of the relevant contract, determined by reference to the proportion of costs incurred.

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 reporting date, measured based on the proportion of contract 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 is 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. Variations are included to the extent that the amount can be measured reliably and receipt is considered probable, but no account is taken of claims receivable until agreed. Full provision is made for any

foreseeable losses to completion. 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. Acquisitions and goodwill

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the aggregate of the fair values at the acquisition date of assets transferred, liabilities incurred and equity instruments issued, to the former owners by the group in exchange for control of the acquiree. As stated in Note 2, following the adoption of IFRS 3 (Revised) acquisition related expenses are recognised directly in the income statement.

Purchased goodwill is measured as the excess of the sum of the fair value of the consideration transferred over the net of the acquisition date fair values of the identifiable assets and liabilities acquired, and is capitalised and classified as an intangible asset in the statement of financial position.

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 Held for Sale and Discontinued Operations.

When the consideration transferred by the group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill.

Notes to the financial statements continued

for the year ended 31st December 2010

Note 3 – Accounting policies continued

Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date. The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

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.

H. Impairment of goodwill and other non-financial assets

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

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 (i.e. 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 (i.e. the lowest group of assets in which the asset belongs for which there are separately identifiable cash flows). For the purposes of impairment testing, 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 other expenses line item in the consolidated income statement, except to the extent they reverse gains previously recognised in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed.

I. Intangible assets

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at cost, being their fair value at the acquisition date.

Subsequent to initial recognition intangible assets are reported at cost less accumulated amortisation and

Note 3 – Accounting policies continued

impairment losses. Amortisation is recognised on a straight line basis over the estimated useful lives of the relevant assets, determined on an individual basis and ranging from 1 to 10 years

J. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation

Depreciation is calculated on a straight line basis so as to write off the cost less residual values of the relevant assets over their useful lives, using the following rates

Freehold properties 2%

Plant and machinery 10%-25%

Improvements to property 10%

Motor vehicles 25%-33%

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease

K. Inventories

Inventories of raw materials and consumables are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost is determined on a first-in first-out basis and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the asset to its present location and condition.

L. 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 statement of financial position 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 except where they relate to qualifying assets in which case they are capitalised in accordance with the group's borrowing costs policy (see below)

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 lease term

M. Financial instruments

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

Trade receivables

Trade receivables, 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. 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 receivable is reduced to its estimated recoverable amount through the use of an allowance account and

Notes to the financial statements continued

for the year ended 31st December 2010

Note 3 – Accounting policies continued

the expense recognised in the income statement in administrative expenses. When a trade receivable is uncollectible it is written off against the allowance account for trade receivables.

Bank deposits

Bank deposits comprise cash placed on deposit with financial institutions with an initial maturity of six months or more, and are measured at amortised cost. Finance income is recognised using the effective interest method and is added to the carrying value of the asset as it arises.

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 statement of financial position. 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 payables

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

N. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Tax is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income. 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 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 reporting 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.

O. Borrowing costs

Borrowing costs are recognised in the income statement in the period in which they are incurred except where they are directly attributable to qualifying assets, in which case they are added to the cost of the asset.

P. 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.

Note 3 – Accounting policies continued

R. 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 reporting date. Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised outside the income statement and presented as a component of other comprehensive income

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 represents the fair value of the defined benefit obligation at each reporting date 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

S. Long-term employee benefits

Long-term employee benefits are accrued when the group has a legal or constructive obligation to make payments under long-term employee benefits and the amount of the obligation can be reliably measured. The liability is discounted to present value where it is due after more than one year

Notes to the financial statements continued

for the year ended 31st December 2010

Note 4 - 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 reporting date and the amounts of revenue and expenses incurred during the period that may not be readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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 a contract in progress and the process whereby applications are made during the course of the contract with variations, which can be significant, 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 on page 63. The directors also take into account the recoverability of contract balances and trade receivables and allowances are made for those balances which are considered to be impaired.

Fair value of consideration and assets and liabilities acquired in business combinations

Key judgements in estimating the fair value of assets and liabilities acquired in business combinations include the identification and measurement of identifiable intangible assets, and the valuation of contract balances and receivables. Key judgements in determining the fair value of consideration payable include assessment of the monetary amount of contingent consideration that will be transferred in the future and the appropriate discount rate to be applied. Details of the acquisitions undertaken during the year, including the fair values assigned to consideration payable and the net assets acquired, are given in Note 28.

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 12.

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 24, and include the discount rate, expected return on assets, rate of inflation and mortality rates. 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 income statement, statement of comprehensive income and the statement of financial position. A reduction in the discount rate of 0.5% to 4.9% would increase the deficit by £3,665,000.

Note 5 - Segment information

A. Reportable segments

The group is organised into geographic segments reporting to the Chief Executive, who is the chief operating decision maker

For management and internal reporting purposes the group was organised into two operating divisions, London and UK Regions, and an internal property division until 31st December 2009, and the group has previously reported segmental information on that basis

Following a strategic review, from 1st January 2010 for management and internal reporting purposes the group has been reorganized into three regional divisions, South, North and Scotland, and an internal property division. Segmental information has been presented on this basis for the year ended 31st December 2010, and segmental information for the year ended 31st December 2009 has been restated.

The segmental information for the year ended 31st December 2009 has been restated to exclude the results of operations reclassified as discontinued operations at 31st December 2010. Further information on discontinued operations is given in Note 11

All assets and liabilities of the group have been allocated to segments, apart from the retirement benefit obligation, tax assets and liabilities and assets and liabilities relating to discontinued operations

All transactions between segments are undertaken on normal commercial terms. All the group's operations are carried out within the United Kingdom, and there is no significant difference between revenue based on the location of assets and revenue based on location of customers. The accounting policies for the reportable segments are the same as the group's accounting policies disclosed in Note 3

Notes to the financial statements continued

for the year ended 31st December 2010

Note 5 - Segment information continued

B. Segment information - current year

31st December 2010	South £000	North £000	Scotland £000	Property £000	Unallocated & elimination £000	Total £000
Total sales revenue	99,438	58,366	21,237	–	–	179,041
Inter segment revenue	–	(4)	–	–	–	(4)
Revenue from external operations	99,438	58,362	21,237	–	–	179,037
Profit from operations	5,110	1,884	(1,372)	395	–	6,017
Finance income	86	43	1	–	(28)	102
Finance costs	(384)	(25)	–	–	28	(381)
Profit before taxation	4,812	1,902	(1,371)	395	–	5,738
Taxation expense						(1,750)
Profit for the year from continuing operations						3,988
The following amounts are included in profit from operations						
Acquisition expenses	138	161	–	–	–	299
Depreciation	121	411	36	129	–	697
Amortisation of intangibles	50	294	–	–	–	344
Restructuring charges	376	98	77	–	–	551
Long-term employee benefits (see Note 28)	141	–	–	–	–	141
Bad debt (credit) / expense	(349)	(21)	36	–	–	(334)
Other segment information						
Additions to non-current assets						
Property plant and equipment	247	522	5	–	44	818
Goodwill	4,455	5,759	–	–	–	10,214
Other intangible assets	200	2,688	–	–	–	2,888
	4,902	8,969	5	–	44	13,920
Assets	35,729	33,964	7,960	5,201	(5,399)	77,455
Liabilities	(27,213)	(14,452)	(4,569)	(3,635)	(3,346)	(53,215)
Net assets	8,516	19,512	3,391	1,566	(8,745)	24,240

Note 5 - Segment information continued**C. Segment information - prior year**

31st December 2009	South £000	North £000	Scotland £000	Property £000	Unallocated & elimination £000	Total £000
Total sales revenue	107,976	50,186	17,398	–	–	175,560
Inter segment revenue	–	(20)	–	–	–	(20)
Revenue from external customers	107,976	50,166	17,398	–	–	175,540
Profit from operations	5,209	580	799	713	–	7,301
Finance income	203	40	12	–	(34)	221
Finance costs	(239)	(31)	(2)	–	34	(238)
Profit before taxation	5,173	589	809	713	–	7,284
Taxation expense						(2,280)
Profit for the year						
from continuing operations						5,004
The following amounts are included in profit from operations						
Goodwill impairment	–	809	–	–	–	809
Depreciation	109	388	58	133	–	688
Restructuring charges	1,228	90	–	–	–	1,318
Bad debt expense	1,060	699	112	–	–	1,871
Other segment information						
Additions to non-current assets						
Property plant and equipment	113	211	14	31	–	369
Assets	41,748	26,067	6,970	5,599	(8,069)	72,315
Liabilities	(28,419)	(13,449)	(2,530)	(4,256)	1,237	(47,417)
Net assets	13,329	12,618	4,440	1,343	(6,832)	24,898

Notes to the financial statements continued

for the year ended 31st December 2010

Note 5 - Segment information continued

D. Revenue	2010 £000	2009 £000
Total revenue comprises		
Sales revenue		
Construction contracts	151,047	167,223
Other services	27,940	8,317
	178,987	175,540
Other operating income		
Rent	52	57
Other	72	43
	124	100
Total revenue and other operating income	179,111	175,640

E. Information about major customers

Included in revenues arising from construction contracts in 2010 are revenues of £19,116,000 which arose from sales to a single customer in the southern region. No other single customer contributed 10% or more of the group's revenue for either 2010 or 2009.

Note 6 – Finance income and finance cost

	2010 £000	2009 £000
Finance income		
Interest on bank deposits	101	203
Other interest receivable	1	18
	102	221
Finance cost		
Interest on bank overdrafts and loans	(2)	(2)
Interest on obligations under finance leases	(30)	(31)
Other interest (including finance charge related to pension obligations)	(349)	(205)
	(381)	(238)
Net total of finance income and finance cost	(279)	(17)

Note 7 – Profit from operations

	2010 £000	2009 £000
Operating profit is stated after charging / (crediting)		
Other expenses		
Goodwill impairment charge (see Note 12)	–	809
Amortisation of intangible assets	344	–
Acquisition expenses	299	–
Long-term employee benefits (see Note 8)	141	–
Restructuring costs	551	1,318
Depreciation of property, plant and equipment	697	688
Profit on sale of freehold property	–	(254)
(Profit) / loss on sale of other property, plant and equipment	(32)	29
Operating lease charges		
– land and buildings	54	29
– plant, machinery and vehicles	859	983
Raw materials and consumables	60,511	47,709
Rent receivable	(52)	(57)
Bad debt (credit) / expense	(334)	1,871
Auditor's remuneration Moore Stephens LLP		
– statutory audit fee	143	143
– compliance taxation services	12	17
– tax advisory services	–	–
– pension scheme audit	6	6
– acquisition due diligence services	87	–
– other	2	–
Other group company auditors		
– statutory audit fee	133	123
– compliance taxation services	9	7
– tax advisory services	5	4
– other services	46	40

Notes to the financial statements continued

for the year ended 31st December 2010

Note 8 – Directors and employees

	2010 £000	2009 £000
Staff costs		
Staff costs during the year were as follows		
Wages and salaries	50,340	49,717
Long-term employee benefits	141	–
Termination costs	538	1,585
Social security costs	5,126	5,108
Other pension costs	624	1,020
	56,769	57,430
Average number of employees		
– staff (including directors)	317	303
– operatives	1,124	1,041
	1,441	1,344

Long-term employee benefits relate to accrued bonuses in respect of certain key employees of DG Robson Mechanical Services Limited arising out of pre-acquisition agreements whereby bonuses are deemed to vest post-acquisition as a result of the acquisition by the group (see Note 28)

	2010 £000	2009 £000
Directors' remuneration		
Staff costs include the following remuneration in respect of directors		
Remuneration in respect of qualifying services as directors of the company	678	1,062
Termination costs	202	231
	880	1,293

The directors (other than the independent non-executive directors) receive company cars and medical insurance, the taxable benefits of which amount to £35,000 (2009 £68,000) and are included above.

The number of directors to whom retirement benefits are accruing under a defined benefit scheme is three (2009 three). There are no accrued lump sum benefits.

Additional information concerning directors' remuneration is included in the remuneration report on pages 48 to 50

Note 9 – Taxation

	2010 £000	2009 £000
Taxation expense		
Current tax expense		
UK corporation tax payable on profits for the year	1,663	2,318
Adjustment for (over) / under provision in prior periods	(30)	(115)
	1,633	2,203
Deferred tax expense		
Arising on		
Origination and reversal of temporary differences	117	77
	117	77
Total income tax expense	1,750	2,280
Reconciliation of tax charge		
Profit for the year from continuing operations	5,738	7,284
Tax at standard UK tax rate of 28% (2009: 28%)	1,607	2,040
Tax effect of:		
Goodwill impairment	–	226
Acquisition related expenses	84	–
Amortisation of intangible assets	96	–
Property disposals	–	43
Other permanently disallowable items	(7)	86
Under / (over) provision in prior years	(30)	(115)
	1,750	2,280

Notes to the financial statements continued

for the year ended 31st December 2010

Note 10 – Earnings per share

A. Basic earnings per share

The earnings per share represents the profit for the year divided by the weighted average number of ordinary shares in issue. The number of ordinary shares for the purpose of this calculation is 40,433,184 (2009 39,947,889). The profit for the year is as follows

	2010 £000	2009 £000
Profit attributable to equity holders of the company	3,604	4,006
Loss from discontinued operations attributable to equity holders of the company	384	998
Profit from continuing operations attributable to equity holders of the company	3,988	5,004
Basic earnings per share	8.91p	10.03p
Earnings per share from continuing operations	9.86p	12.53p

B. Underlying earnings per share

Underlying earnings per share represents profit for the year from continuing operations adjusted for goodwill impairment, amortisation of intangible assets, acquisition expenses, other long-term employee benefit costs and restructuring costs, divided by the weighted number of ordinary shares in issue. The number of ordinary shares for the purpose of this calculation is 40,433,184 (2009 39,947,889). The underlying profit for the year is calculated as follows

	2010 £000	2009 £000
Profit from continuing operations attributable to equity holders of the parent	3,988	5,004
Goodwill impairment	–	809
Amortisation of intangible assets	344	–
Acquisition expenses	299	–
Long-term employee benefit costs (see Note 8)	141	–
Restructuring costs	551	1,318
Tax effect of adjustments	(290)	(369)
	5,033	6,762
Underlying earnings per share	12.44p	16.93p

Note 11 – Discontinued operations

During 2010 the group wound down and closed the operations of JJ Cross Limited, based near Preston, Lancashire. In accordance with IFRS 5 this operation has been classified as a discontinued operation and the comparatives for 2009 have been restated to show income generated and expenses incurred by this operation within loss on discontinued operations in the income statement. The income and expenses of Kestrel Electrical Systems Limited, which was sold in 2009, and GDI Electrical Company Limited, which was closed in 2009, were classified as discontinued operations in the 2009 financial statements.

The post-tax loss from discontinued operations was determined as follows

Results of discontinued operations	2010 £000	2009 £000
Revenue	1,033	4,006
Cost of sales	(958)	(3,792)
Gross profit	75	214
Other operating income	64	–
Administrative expenses	(662)	(1,507)
Operating loss	(523)	(1,293)
Finance income	4	–
Finance costs	–	(3)
Loss from discontinued operations before taxation	(519)	(1,296)
Taxation	135	348
Loss from discontinued operations after tax	(384)	(948)
Loss on disposal of discontinued operations	–	(50)
Loss on discontinued operations, net of tax	(384)	(998)
Basic loss per share (pence)	(0.95p)	(2.50p)

The income and expenses of JJ Cross Limited were included in the UK Regions business segment in the 2009 consolidated financial statements. All items of income and expense, relating to discontinued operations, were recognised directly in the income statement for both 2009 and 2010.

The consolidated statement of cash flows includes the following amounts relating to discontinued operations

	2010 £000	2009 £000
Operating activities	(403)	(32)
Investing activities	(127)	(101)
Financing activities	350	(185)
Net cash used in discontinued activities	(180)	(318)

Notes to the financial statements continued

for the year ended 31st December 2010

Note 12 – Intangible assets

	Goodwill £000	Other intangible assets £000	Total £000
Cost:			
At 1st January 2009	14,385	–	14,385
Disposal	(379)	–	(379)
At 31st December 2009	14,006	–	14,006
Acquisitions (see Note 28)	10,214	2,888	13,102
At 31st December 2010	24,220	2,888	27,108
Impairment:			
At 1st January 2009	1,801	–	1,801
Impairment charge	809	–	809
Disposal	(379)	–	(379)
At 31st December 2009	2,231	–	2,231
Amortisation	–	344	344
At 31st December 2010	2,231	344	2,575
Net book value:			
1st January 2009	12,584	–	12,584
31st December 2009	11,775	–	11,775
31st December 2010	21,989	2,544	24,533

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 operating company within the group has been assessed as a separate cash generating unit, being the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other groups of assets. As a result of the merger of their operations from 1st January 2011, T.Clarke Midlands and Mithcell & Hewitt, which previously have been treated as separate cash generating units, have been combined into a single cash generating unit. Value in use has been calculated using budgets and forecasts approved by management covering the period 2011 to 2013, which take into account secured orders, business plans and management actions. The results of periods subsequent to 2013 have been projected using 2013 forecasts with no growth assumed.

The key assumptions to which the assessment of the recoverable amounts of cash generating units are sensitive are the projected turnover and operating margin to 2013 and beyond, and the discount rate. The group's businesses are expected to continue to face challenging market conditions throughout 2011, but trading conditions are expected to return to more normal levels by 2013 and beyond. A discount rate of 10.8% (2009: 9.4%) has been applied to the extrapolated cash flow projections.

Note 12 – Intangible assets continued

The significant elements of goodwill at 31st December 2010 are as follows

	Operating segment £000	£000
T Clarke Midlands	South	5,776
T.Clarke Scotland	Scotland	3,046
D&S Engineering Facilities	North	2,709
DG Robson Mechanical Services	South	2,255
T Clarke London	South	2,200
T.Clarke East	North	1,995
Waldon Electrical Contractors	South	1,300
Other		2,708
		21,989

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. The elements of goodwill most sensitive to a change in the key assumptions are T Clarke Midlands, T Clarke East and Waldon Electrical Contractors. The recoverable amounts of these business units exceed their carrying amounts by 72%, 79% and 102% respectively. A fall in projected operating margin of 42%, 55% and 52% respectively would result in the recoverable amount of these businesses being equal to the carrying amounts.

Other intangible assets comprise customer relationships and related contracts acquired on the acquisition of subsidiaries. Further details of the acquisition are given in Note 28 below.

Goodwill impairment and amortisation of other intangible assets are included in other expenses in the income statement.

Notes to the financial statements continued

for the year ended 31st December 2010

Note 13 – Property, plant and equipment

GROUP	Freehold properties £000	Plant, machinery and vehicles £000	Total £000
Cost			
At 1st January 2009	7,119	5,794	12,913
Additions	31	338	369
Disposals	(650)	(881)	(1,531)
At 1st January 2010	6,500	5,251	11,751
Additions	–	818	818
Disposals	–	(613)	(613)
At 31st December 2010	6,500	5,456	11,956
Accumulated depreciation and impairment			
At 1st January 2009	1,259	3,907	5,166
Charge for the year	133	555	688
Disposals	(72)	(690)	(762)
At 1st January 2010	1,320	3,772	5,092
Charge for the year	129	568	697
Disposals	–	(499)	(499)
At 31st December 2010	1,449	3,841	5,290
Net book value at 1st January 2009	5,860	1,887	7,747
Net book value at 31st December 2009	5,180	1,479	6,659
Net book value at 31st December 2010	5,051	1,615	6,666

The net book value of group plant, machinery and vehicles includes an amount of £476,000 (2009 £428,000) in respect of assets held under finance leases. Depreciation of £64,000 (2009 £67,000) was charged during the year on assets held under finance leases.

The group has granted a charge in favour of the T.Clarke Group Pension Scheme for the greater of £1.5m or half the market value in respect of a property occupied by T.Clarke plc, to secure the future pension obligations of the pension scheme. It is the group's intention to increase this charge to 100% of this property. The book value of the property at 31st December 2010 was £924,000 and its current value is approximately £3.1m.

Note 13 – Property, plant and equipment continued

COMPANY	Freehold properties £000	Plant, machinery and vehicles £000	Total £000
Cost			
At 1st January 2009	–	691	691
Additions	–	41	41
At 1st January 2010	–	732	732
Disposals	–	(102)	(102)
At 31st December 2010	–	630	630
Accumulated depreciation and impairment			
At 1st January 2009	–	655	655
Charge for the year	–	28	28
At 1st January 2010	–	683	683
Charge for the year	–	20	20
Disposals	–	(102)	(102)
At 31st December 2010	–	601	601
Net book value at 1st January 2009	–	36	36
Net book value at 31st December 2009	–	49	49
Net book value at 31st December 2010	–	29	29

Notes to the financial statements continued

for the year ended 31st December 2010

Note 14 – Investments

COMPANY	2010 £000	2009 £000
Investments in subsidiaries comprise		
Cost:		
At 1st January	23,855	24,550
Additions	17,536	–
Disposals	(572)	(695)
At 31st December	40,819	23,855
Impairment:		
At 1st January	5,255	3,580
Impairment charge	4,350	2,220
Disposals	(572)	(545)
At 31st December	9,033	5,255
Net book value:		
At 1st January	18,600	20,970
At 31st December	31,786	18,600

Additions

On 18th March 2010 the company acquired the entire issued share capital of D&S (Engineering Facilities) Limited for £11,600,000, and on 24th August 2010 the company acquired the entire issued share capital of DG Robson Mechanical Services Limited for £5,586,000 including £3,131,000 in cash. Further details of these acquisitions are given in Note 28. An additional £350,000 cash was invested in JJ Cross Limited

Disposals

Meggitt Marsh & Co Limited, a non-trading subsidiary which had been fully impaired in a previous year, was wound up during the year.

Impairment

An annual impairment review is undertaken at 31st December each year in conjunction with the goodwill impairment review (see Note 12), using the same underlying cash flow projections and other key assumptions

The impairment provision comprises the entire cost of subsidiaries where operations have ceased, or where there has been a significant reduction in underlying trading and significant losses have been incurred such that the group is unable to recover the cost of the investment through future trading. The provision also includes an amount equivalent to dividends paid out of pre-acquisition reserves in respect of D&S (Engineering Facilities) Limited.

Note 14 – Investments continued

The impairment provision comprises the following amounts		2010 £000
Company		
JJ Cross Limited ¹		1,500
Anglia Electrical Services Limited ²		2,000
GDI Electrical Company Limited ³		1,533
D&S (Engineering Facilities) Limited ⁴		4,000
		9,033

Notes

1. JJ Cross Limited has suffered losses for a number of years and ceased operations in 2010. The investment was written down to £nil at 31st December 2009. An additional £350,000 cash was injected into the company in 2010 to enable it to continue to meet its financial obligations, this additional investment has also been impaired to £nil.

2. Anglia Electrical Services Limited's operations were severely curtailed in 2008 and 2009, and its remaining operations transferred to T.Clarke East Limited with effect from 1st January 2011. The investment was written down to £nil at 31st December 2009.

3. GDI Electrical Company Limited suffered severe losses and ceased operations in 2009. The investment was written down to £nil at 31st December 2009.

4. Following its acquisition D&S (Engineering Facilities) Limited distributed £4,000,000 cash to the company by way of a dividend out of pre-acquisition reserves. The dividend has been recognised as income in the company's income statement and an impairment charge of £4,000,000 recognised against the carrying value of the investment.

Notes to the financial statements continued

for the year ended 31st December 2010

Note 15 – Inventories

GROUP	2010 £000	2009 £000
Raw materials	451	344

Note 16 – Construction contracts

	Group		Company	
	2010 £000	2009 £000	2010 £000	2009 £000
Contract work in progress comprises:				
Contract costs incurred plus recognised profits				
less recognised losses to date	158,478	120,376	56,983	37,482
Less progress payments	(148,733)	(116,492)	(55,071)	(40,677)
	9,745	3,884	1,912	(3,195)
Contracts in progress at the reporting date				
Gross amounts due from customers	12,179	11,126	2,417	1,716
Gross amounts due to customers	(2,434)	(7,242)	(505)	(4,911)
	9,745	3,884	1,912	(3,195)

At 31st December 2010 retentions held by customers of the group for contract work amounted to £8,012,000 (2009 £7,429,000) and retentions held by customers of the company for contract work amounted to £3,648,000 (2009 £3,447,000). These amounts are included in trade receivables (see Note 17).

Advances received from customers for contract work amounted to £nil (2009 £nil)

Note 17 – Trade and other receivables

GROUP	2010 £000	2009 £000
Trade receivables - gross	21,091	16,558
Trade receivables - allowances for credit losses	(587)	(1,202)
Trade receivables	20,504	15,356
Other receivables	893	218
Prepayments and accrued income	2,013	885
	23,410	16,459
Movements in allowances for credit losses are as follows:		
At 1st January	(1,202)	(1,291)
Arising on acquisition	(127)	–
Credited / (charged) in year	(96)	(2,349)
Recovered in year	430	478
Written off in year	408	1,960
At 31st December	(587)	(1,202)
Trade receivables (including retentions) are due as follows:		
Due within 3 months	10,314	8,475
Due in 3 to 6 months	889	1,196
Due in 6 to 12 months	1,840	2,187
Due after more than one year	2,262	1,165
Overdue	5,786	3,535
	21,091	16,558
The ageing of trade receivables past due but not impaired is as follows:		
Less than 30 days	2,122	880
31-60 days	1,112	499
61-120 days	816	629
Greater than 120 days	1,149	325
	5,199	2,333

Notes to the financial statements continued

for the year ended 31st December 2010

Note 17 – Trade and other receivables continued

COMPANY	2010 £000	2009 £000
Trade receivables - gross	6,130	3,258
Trade receivables - allowances for credit losses	(94)	(464)
Trade receivables	6,036	2,794
Owed by group companies	4,171	4,428
Other receivables	159	180
Prepayments and accrued income	203	289
	10,569	7,691
Movements in allowances for credit losses are as follows:		
At 1st January	(464)	(619)
Credited / (charged) in year	254	(119)
Recovered in year	120	252
Written off in year	(4)	22
At 31st December	(94)	(464)

Note 17 – Trade and other receivables continued

COMPANY	2010 £000	2009 £000
Trade receivables (including retentions) are due as follows:		
Due within 3 months	3,170	1,826
Due in 3 to 6 months	192	168
Due in 6 to 12 months	313	339
Due after more than one year	1,141	329
Overdue	1,314	596
	6,130	3,258
The ageing of trade receivables past due but not impaired is as follows:		
Less than 30 days	721	–
31-60 days	95	46
61-120 days	133	22
Greater than 120 days	271	64
	1,220	132

As of 31st December 2010 allowances of £587,000 (2009 £1,202,000) are held against trade receivables of the group and allowances of £94,000 (2009 £464,000) are held against trade receivables 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 to the financial statements continued

for the year ended 31st December 2010

Note 18 – Trade and other payables

GROUP	2010 £000	2009 £000
Amounts falling due within one year		
Trade payables	26,966	21,209
Other taxation and social security payable	4,422	3,080
Accruals and deferred income	7,391	5,481
Other payables	147	591
	38,926	30,361
Amounts falling due after more than one year		
Other payables	183	–
	39,109	30,361
COMPANY		
Amounts falling due within one year		
Trade payables	11,000	8,742
Owed to group companies	6,915	5,291
Other taxation and social security payable	923	757
Accruals and deferred income	1,225	1,228
Other payables	335	295
	20,398	16,313
Amounts falling due after more than one year		
Other payables	183	–
	20,581	16,313
Trade payables payments terms are as follows		
GROUP	2010 £000	2009 £000
30 days or less	17,143	12,549
31-60 days	8,122	6,998
Greater than 60 days	1,701	1,662
	26,966	21,209
COMPANY		
30 days or less	9,660	6,788
31-60 days	447	1,020
Greater than 60 days	893	934
	11,000	8,742

Note 19 – Deferred taxation

GROUP	Retirement benefit obligation £000	Accelerated capital allowances £000	Other £000	Total £000
Asset at 1st January 2009	753	61	29	843
Disposals	–	2	–	2
Credited to other comprehensive income	1,644	–	–	1,644
Credit / (charge) to income	(79)	3	(2)	(78)
Asset at 1st January 2010	2,318	66	27	2,411
Acquisitions	–	–	(706)	(706)
Credit / (charge) to income	(136)	(18)	37	(117)
Credited to other comprehensive income	376	–	–	376
Asset at 31st December 2010	2,558	48	(642)	1,964

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

	2010 £000	2009 £000
Deferred tax liabilities	(833)	(23)
Deferred tax assets	2,797	2,434
	1,964	2,411

COMPANY	Retirement benefit obligation £000	Accelerated capital allowances £000	Other £000	Total £000
Asset at 1st January 2009	753	23	27	803
Credited to other comprehensive income	1,644	–	–	1,644
Credit / (charge) to income	(79)	(4)	(2)	(85)
Asset at 1st January 2010	2,318	19	25	2,362
Charge to income	(136)	(4)	(25)	(165)
Credited to other comprehensive income	376	–	–	376
Asset at 31st December 2010	2,558	15	–	2,573

Notes to the financial statements continued

for the year ended 31st December 2010

Note 20 – Capital and reserves

A. Components of owners equity

The nature and purpose of the components of owners equity are as follows

Component of owners equity	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
Retained earnings	Cumulative net gains and losses recognised in the income statement and the statement of comprehensive income to the extent not distributed by way of dividends

B. Share capital and premium	Number of shares	Ordinary shares £000	
Authorised:			
Ordinary share of 10p each			
At 1st January 2009, 31st December 2009 and 31st December 2010	50,000,000	5,000	
Allotted, called up and fully paid:	Number of shares	Ordinary shares £000	Share premium £000
At 1st January and 31st December 2009	39,947,889	3,995	1,234
Issue of shares on acquisition of subsidiary (see Note 28)	1,451,906	145	1,815
At 31st December 2010	41,399,795	4,140	3,049

All shares rank equally in respect of shareholder rights.

The group issued 1,451,906 10p ordinary shares to the shareholders of DG Robson Mechanical Services Limited as part of the purchase consideration for 100% of the share capital. The fair value of the shares issued amounted to £1,960,000.

Note 20 – Capital and reserves continued

C. Retained earnings - group	£000
At 1st January 2009	25,084
Profit for the year	4,006
Dividends paid	(5,193)
Actuarial loss on retirement benefit obligation	(5,872)
Deferred income tax credit on actuarial loss on retirement benefit obligation	1,644
At 31st December 2009	19,669
Profit for the year	3,604
Dividends paid	(5,255)
Actuarial loss on retirement benefit obligation	(1,343)
Deferred income tax credit on actuarial loss on retirement benefit obligation	376
At 31st December 2010	17,051

D. Retained earnings - company	£000
At 1st January 2009	21,795
Profit for the year	2,890
Dividends paid	(5,193)
Actuarial loss on retirement benefit obligation	(5,872)
Deferred income tax credit on actuarial loss on retirement benefit obligation	1,644
At 31st December 2009	15,264
Profit for the year	4,022
Dividends paid	(5,255)
Actuarial loss on retirement benefit obligation	(1,343)
Deferred income tax credit on actuarial loss on retirement benefit obligation	376
At 31st December 2010	13,064

The company has taken advantage of the exemption conferred by section 408 of the Companies Act 2006 from presenting its own income statement. Profit after taxation amounting to £4,022,000 (2009 £2,890,000) has been included in the financial statements of the holding company.

Notes to the financial statements continued

for the year ended 31st December 2010

Note 20 – Capital and reserves continued

E. Dividends paid	2010 £000	2009 £000
Final dividend of 8.75p (2009: 8.75p) per ordinary share proposed and paid during the year relating to the previous year's results	3,495	3,495
Interim dividend of 4.25p (2009: 4.25p) per ordinary share paid during the year	1,760	1,698
	5,255	5,193

The directors are proposing a final dividend of 4.25p (2009: 8.75p) per ordinary share totalling £1,760,000 (2009: £3,495,000). This dividend has not been accrued at the reporting date.

Note 21 – Notes to the statement of cash flows**A. Reconciliation of operating profit to net cash inflow from operating activities**

GROUP	2010 £000	2009 £000
Profit / (loss) from operations		
Continuing operations	6,017	7,301
Discontinued operations	(519)	(1,291)
Depreciation charges	697	688
Amortisation	344	–
Goodwill impairment charge	–	809
Defined benefit pension scheme credit	(805)	(485)
Profit on sale of fixed assets	(32)	(225)
Operating cash flows before movements in working capital	5,702	6,797
(Increase) in inventories	(68)	(81)
(Increase) in contract balances	(5,577)	(1,117)
(Increase) in trade and other receivables	(2,853)	(2,340)
Increase / (decrease) in trade and other payables	1,959	(1,968)
Cash (used in) / generated by operations	(837)	1,291
Corporation tax paid	(2,059)	(3,835)
Interest paid	(47)	(42)
Net cash used in operating activities	(2,943)	(2,586)
COMPANY		
(Loss) / profit from operations	(1,058)	657
Depreciation charges	20	28
Impairment charge - investments in subsidiaries	4,350	2,220
Defined benefit pension scheme credit	(805)	(485)
Loss on sale of investment in subsidiary	–	50
Operating cash flows before movements in working capital	2,507	2,470
(Increase) in contract balances	(5,107)	(2,738)
(Increase) / decrease in trade and other receivables	(2,877)	594
Increase / (decrease) in trade and other payables	3,762	(4,450)
Cash used in operations	(1,715)	(4,124)
Corporation tax paid	(896)	(2,977)
Interest paid	(44)	(38)
Net cash used in operating activities	(2,655)	(7,139)

Notes to the financial statements continued

for the year ended 31st December 2010

Note 21 – Notes to the statement of cash flows continued

B. Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and other short-term highly liquid investments that are readily convertible into cash, less bank overdrafts, and are analysed as follows

GROUP	2010 £000	2009 £000
Cash and cash equivalents	8,252	12,881
Bank overdrafts	(1,047)	(306)
	7,205	12,575

COMPANY		
Cash and cash equivalents	3,174	9,125
Bank overdrafts	—	—
	3,174	9,125

C. Bank deposits

Bank deposits comprise fixed rate deposits with initial maturity dates of six months or more

D. Significant non-cash transactions

Additions to plant, machinery and vehicles during the year amounting to £276,000 (2009 £164,000) were financed by new finance leases.

1,451,906 ordinary 10p shares were issued at fair value of £1,960,000 as part of the consideration for the acquisition of DG Robson Mechanical Services Limited (see Note 28)

Note 22 – Bank overdrafts & loans

GROUP	2010 £000	2009 £000
Bank overdrafts	1,047	306
The borrowings are repayable as follows.		
– on demand or within one year	1,047	306
The weighted average interest rates paid were as follows	Year ended 31 12 2010 %	Year ended 31 12 2009 %
Bank overdrafts	4.0	5.0
COMPANY	2010 £000	2009 £000
Bank overdrafts	–	–
The borrowings are repayable as follows		
– on demand or within one year	–	–
The weighted average interest rates paid were as follows	Year ended 31 12 2009 %	Year ended 31 12 2009 %
Bank overdrafts	–	–

Bank overdrafts with a value of £1,047,000 (2009 £nil) are secured against the assets of the subsidiaries in which they are held. At 31st December 2010 the group had unused overdraft facilities of £5,803,000 (2009 £1,244,000). At 31st December 2010 the company had an unused overdraft facility of £5,000,000 (2009 £nil).

The company is a joint guarantor in respect of banking facilities granted to certain subsidiaries. The amounts outstanding under this arrangement are not significant and no value has been attributed to the guarantee.

Note 23 – Related party transactions

The amounts due to and from subsidiaries are disclosed in Notes 17 and 18 respectively. T.Clarke plc was charged rent of £160,000 (2009 £160,000) during the year by a subsidiary company for occupation of group properties. T.Clarke plc charged subsidiary companies £399,000 (2009 £342,000) during the year for insurance services and £150,000 for IT services (2009 £165,000), and waived advances of £nil (2009 £1,000,000) made to subsidiaries.

All transactions relating to key management (including directors) are as shown in the remuneration report on pages 48 to 50.

Notes to the financial statements continued

for the year ended 31st December 2010

Note 24 – 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.

The total cost charged to income of £542,000 (2009 £630,000) 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. During 2009 the group consulted with members and with effect from 1st March 2010 the benefit structure has been altered from a final salary scheme with an accrual rate of 1/60th to a Career Average Revalued Earnings scheme with an accrual rate of 1/80th. 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 31st December 2009 by Mr. J Seed, Fellow of the Institute of Actuaries, showed a deficit of £7,905,000, which represented a funding level of 71.5%.

The most recent IAS19 actuarial valuation of plan assets and the present value of the defined benefit obligation was carried out at 31st December 2010. 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	2010 %	2009 %
Rate of increase in salaries	4.40	4.70
Rate of increase of pensions in payment	3.00	3.25
Discount rate	5.40	5.65
Inflation assumption	3.40	3.70
Expected return on scheme assets	6.10	6.45

Note 24 – Pension commitments continued

	2010 Years	2009 Years
The mortality assumptions used in the IAS 19 valuation were		
Life expectancy at age 65 for current pensioners - Men	24.0	23.7
- Women	26.4	26.8
Life expectancy at age 65 for future pensioners (current age 45) - Men	26.0	24.8
- Women	28.3	27.8

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

	2010 £000	2009 £000
Current service cost	58	429
Interest cost	1,569	1,270
Expected return on scheme assets	(1,249)	(1,071)
	378	628

Of the charge for the year £58,000 (2009 £429,000) has been included in administrative expenses and a charge of £320,000 (2009 £199,000) in finance costs. Actuarial gains and losses have been reported in the statement of comprehensive income. The cumulative actuarial loss recognised in the statement of comprehensive income since the date of transition to IFRS is £5,618,000 (2009 loss £4,275,000).

There was a positive return on scheme assets in 2010 of £2,299,000 (2009 positive return of £2,923,000).

The amount included in the statement of financial position arising from the group's obligations in respect of its defined benefit retirement scheme is as follows

	2010 £000	2009 £000
Present value of defined benefit obligations	31,489	28,005
Fair value of scheme assets	(22,354)	(19,728)
Deficit in scheme	9,135	8,277
Unrecognised past service cost	-	-
	9,135	8,277

This amount is presented in the statement of financial position under non-current liabilities.

The deferred tax asset in respect of the retirement benefit obligation (see Note 19) has been calculated using a corporation tax rate of 28% (2009 28%).

Notes to the financial statements continued

for the year ended 31st December 2010

Note 24 – Pension commitments continued

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

	2010 £000	2009 £000
At 1st January	28,005	18,924
Current service cost	58	429
Interest cost	1,569	1,270
Employee contributions	539	571
Transfers received	–	–
Actuarial loss	2,393	7,724
Benefits paid	(1,075)	(913)
At 31st December	31,489	28,005

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

	2010 £000	2009 £000
At 1st January	19,728	16,233
Expected return on scheme assets	1,249	1,071
Gain on scheme assets	1,050	1,852
Employer contributions	863	914
Employee contributions	539	571
Transfers received	–	–
Benefits paid	(1,075)	(913)
At 31st December	22,354	19,728

The actuarial loss of £1,343,000 (2009 loss £5,872,000) represents the net movement between the actuarial losses of £2,393,000 (2009 actuarial losses £7,724,000) and gains of £1,050,000 (2009 gain £1,852,000).

Note 24 – Pension commitments continued

The analysis of the scheme assets and the expected rate of return at the reporting date were

	Expected return		Fair value of assets	
	2010 %	2009 %	2010 £000	2009 £000
Insurance contracts				
Equities	7.00	7.45	8,620	7,915
Bonds	5.40	5.65	7,611	5,989
Property	7.00	7.45	2,344	1,988
Cash	4.00	4.45	1,235	1,361
Insurance annuity contracts	5.40	5.65	2,544	2,475
Weighted average expected return	6.10	6.45	22,134	19,728

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

	2010 £000	2009 £000	2008 £000	2007 £000	2006 £000
Present value of defined benefit obligations	(31,489)	(28,005)	(18,924)	(22,290)	(24,035)
Fair value of scheme assets	22,354	19,728	16,233	18,963	17,692
Deficit in the scheme	(9,135)	(8,277)	(2,691)	(3,327)	(6,343)
Experience adjustments on scheme liabilities					
Amount (£000)	(2,393)	(7,724)	5,048	3,212	(727)
Percentage of scheme liabilities (%)	8%	28%	27%	14%	3%
Experience adjustments on scheme assets					
Amount (£000)	1,050	1,852	(4,724)	(39)	642
Percentage of scheme assets (%)	5%	9%	29%	0%	4%

The estimated amount of employer contributions expected to be paid to the scheme during the current financial year to 31st December 2011 is £757,000 (year to 31st December 2010 £813,000)

Notes to the financial statements continued

for the year ended 31st December 2010

Note 25 – Obligations under finance leases

	Minimum lease payment		Present value of minimum lease payment	
	2010 £000	2009 £000	2010 £000	2009 £000
Amounts payable under finance leases				
Within one year	158	192	143	167
In the second to fifth years inclusive	182	114	159	99
	340	306	302	266
Less future finance charges	(38)	(40)	–	–
Present value of lease obligations	302	266	302	266
Less Amount due for settlement within 12 months			(143)	(167)
Amount due for settlement after 12 months			159	99

The average lease term is three to four years. For the year ended 31st December 2010 the average effective borrowing rate was 10.4% (2009: 9.0%). 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.

Note 26 – Operating lease obligations

	Land and buildings 2010 £000	Other operating leases 2010 £000	Land and buildings 2009 £000	Other operating leases 2009 £000
Minimum lease payments under operating leases recognised in income for the year	54	860	29	983

At the reporting 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	70	859	6	563
In the second to fifth years inclusive	–	1,845	9	1,630
After five years	–	721	–	764
	70	3,425	15	2,957

Note 27 – 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 reporting date amounted to £45,000 (2009 £50,000). 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 three subsidiary companies.

Notes to the financial statements continued

for the year ended 31st December 2010

Note 28 – Business combinations

A Subsidiaries acquired

On 18th March 2010 the group acquired the entire issued share capital, being 100% of the voting equity interests, of D&S (Engineering Facilities) Limited ('D&S'), a facilities maintenance business based in Accrington, specialising in mechanical, electrical and related civil engineering services. D&S is reported as part of the North operating segment. The acquisition significantly enhances the group's facilities maintenance capabilities and provides a strong regional base in the North-West.

On 24th August 2010 the group acquired the entire issued share capital, being 100% of the voting equity interests, of DG Robson Mechanical Services Limited ('DGR'), a mechanical services and public health contractor based in Brentwood, Essex. DGR is reported as part of the South operating segment. The acquisition gives the group a mechanical contracting and prefabrication presence in the London market and enables the group to bid for work requiring a combined mechanical and electrical solution.

The fair value of the assets and liabilities acquired and the fair value of the consideration are disclosed below.

B Consideration transferred	D&S £000	DGR £000
Cash - at date of completion	10,600	1,875
Cash - on agreement of net assets	1,000	1,256
Ordinary shares issued in T Clarke plc	–	1,960
Contingent consideration	–	495
Total	11,600	5,586

i) D&S (Engineering Facilities) Limited

The consideration has been settled in cash, including the additional consideration which was paid on agreement of the completion accounts on the basis that cash and net asset targets set out in the sale and purchase agreement had been met.

ii) DG Robson Mechanical Services Limited

1,451,906 10p ordinary shares were issued to the vendors as part of the consideration and have been fair valued using the closing share price at the date of acquisition.

Under the contingent consideration arrangement the group is required to pay additional amounts to the vendors equivalent to

- 58 125% of the amount by which DGR's pre-tax profits exceed £900,000 for the year to 24th August 2011, capped at £348,750, and
- 38 75% of the amount by which the pre-tax profits of the company exceed £900,000 in the year to 24th August 2012, capped at £426,250

The maximum contingent consideration payable is £775,000 and the minimum contingent consideration payable is £nil. The fair value of the contingent consideration at the date of acquisition was £495,000, based on projected future profits and discounted at 9.75%.

Note 28 – Business combinations continued

C Assets acquired and liabilities recognised at date of acquisition	D&S Fair value £000	DGR Fair value £000
Intangible assets	2,688	200
Property plant and equipment	230	15
Deferred tax	(701)	(5)
Inventories	–	38
Amounts due from customers under construction contracts	683	426
Trade and other receivables	3,246	850
Cash and cash equivalents	5,215	1,972
Amounts due to customers under construction contracts	(824)	–
Trade and other payables	(4,340)	(1,939)
Corporation tax	(356)	(426)
Identifiable net assets	5,841	1,131
Goodwill	5,759	4,455
	11,600	5,586

i) D&S (Engineering Facilities) Limited

The gross contractual amounts of trade and other receivables are not significantly different from their fair values, and no allowance has been made for credit losses

Intangible assets represent the value attributed to D&S's customer relationships and related framework contracts.

The principal constituent elements of goodwill are the synergies and opportunities expected to arise from the acquisition and the skilled and accredited workforce employed by D&S, none of which qualify for separate recognition. The goodwill is not deductible for tax purposes

ii) DG Robson Mechanical Services Limited

The gross contractual amounts of trade and other receivables was £977,000 at the date of acquisition, and an allowance of £127,000 has been made for trade and other receivables which are not expected to be collected

Intangible assets represent the value attributed to DGR's customer relationships and related contracts

The principal constituent elements of goodwill are the synergies and opportunities expected to arise from the acquisition, which gives the group a mechanical contracting presence in London, management know how and the skilled workforce employed by DGR, none of which qualify for separate recognition. The goodwill is not deductible for tax purposes.

DGR had contracted to pay certain employees future bonuses in respect of their past services to the company prior to the acquisition, totalling £750,000. These bonus arrangements include limited vesting conditions which nevertheless mean that they fall to be treated as post acquisition expenses of the group, and will be charged to the income statement over the vesting period, which is the two years following the acquisition

Notes to the financial statements continued

for the year ended 31st December 2010

Note 28 – Business combinations continued

D Net cash outflow on business combinations	D&S £000	DGR £000
Consideration paid in cash	11,600	3,131
Less cash and cash equivalent balances acquired	(5,215)	(1,972)
	6,385	1,159

E Impact of the acquisitions on the results of the group

D&S contributed £12,474,000 revenue, £891,000 profit before tax and before amortisation of £294,000, and operating cash inflows of £1,634,000 to the group's results for the year ended 31st December 2010

DGR contributed £3,882,000 revenue, £826,000 profit before tax and before intangibles amortisation of £50,000 and long-term employee benefits arising out of pre-acquisition agreements of £141,000, and operating cash inflows of £702,000 to the group's results for the year ended 31st December 2010.

Had D&S and DGR been part of the group throughout the reporting period the group's total revenue would have been approximately £190 million and the profit for the year from continuing operations would have been approximately £4.6 million

The group incurred acquisition costs of £299,000, comprising £161,000 arising on the acquisition of D&S and £138,000 arising on the acquisition of DGR, which have been expensed during the reporting period and included in other expenses

Note 29 – 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. Dividends form an important part of the overall return to shareholders. The group is mindful of the need to ensure that the dividend is covered by earnings over the business cycle and paid out of cash reserves in order to secure the long-term interests of shareholders, and therefore the group has rebased its dividend policy in 2010. Otherwise, the group's overall strategy remains unchanged from 2009 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 Note 20. 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 25.

B. Financial instruments

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

Cash and cash equivalents	Note 21
Bank deposits	Note 21
Bank overdrafts	Note 22
Trade receivables	Note 17
Trade payables	Note 18

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the bases on which income and expenses are recognised in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 3.

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 to the financial statements continued

for the year ended 31st December 2010

Note 29 – Financial instruments continued

C. Financial risk management

The group is exposed to credit risk, liquidity risk and cash flow interest rate risk. During the year the group negotiated a new £5 million overdraft facility with National Westminster Bank plc. There have been no other significant changes to the nature of these risks or the group's objectives and policies for managing these risks, but as noted last year the current prolonged economic downturn has heightened the likelihood of these risks crystallising and the group continues to be vigilant in its monitoring and management of 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 reporting 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 receivables and cash on deposit represents the group's maximum exposure to credit risk. At the reporting date the largest balance outstanding was £4.9 million held as cash or 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%, the effect of a delay / acceleration in the maturity of the group's trade receivables at the balance sheet date would be to decrease / increase profit by approximately £51,000 for each month of delay / acceleration, and the effect of a delay / acceleration in the maturity of the group's trade payables at the reporting date would be to increase / decrease profit by approximately £67,000 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 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% increase in interest rates on the group's floating and short-term fixed rate cash, cash equivalents and bank overdrafts at the reporting date would be to increase profits by approximately £72,000 per annum. Details of the group's and the company's overdraft facilities are disclosed in Note 22. Details of finance lease commitments are disclosed in Note 25.

The group does not enter into any derivative transactions and has minimal exposure to exchange rate movement as its trade is based in the United Kingdom.

Note 30 – 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
DGR Mechanical Services Limited	Ordinary
D&S (Engineering Facilities) Limited	Ordinary
H&C Moore Limited	Ordinary
Mitchell & Hewitt Limited	Ordinary
T.Clarke (Bristol) Limited	Ordinary
T.Clarke East Limited (formerly Aylward EMS Limited)	Ordinary
T.Clarke (Midlands) Limited	Ordinary
T.Clarke (Scotland) Limited	Ordinary
Veale-Nixon Limited	Ordinary
Waldon Electrical Contractors Limited	Ordinary
W.E. Manin Limited	Ordinary
Property holding company	
Weylex Properties Limited	Ordinary

T.Clarke address book 2011

T.Clarke

BUILDING SERVICES GROUP

London

T.Clarke plc
Group Chief Executive
Mark Lawrence
Head office
Stanhope House
116-118 Walworth Road
London
SE17 1JY
T 020 7358 5000
mark.lawrence@tclarke.co.uk
www.tclarke.co.uk

Aberdeen

T.Clarke
Operations Manager
Jim Douglas
Unit 17, Robert Leonard
Industrial Centre
Howe Moss Drive
Kirkhill Industrial Estate
Dyce
Aberdeen
Scotland
AB21 0GL
T 01224 729800
jdouglas@
tclarke-scotland.co.uk
www.tclarke-scotland.co.uk

Brentwood

DGR Mechanical
Managing Director
Danny Robson
Ashwells Court
Ashwells Road
Brentwood
Essex
CM15 9SR
T 01277 372211
danny@dgrmechanical.com
www.dgrmechanical.com

Cardiff

T.Clarke
Director
Mark Clark
One Caspian Point
Pierhead Street
Cardiff Bay
CF10 4DQ
T 02920 444100
mark.clark@tclarke.co.uk
www.tclarke.co.uk

Accrington

D&S Engineering
Managing Director
Andy Smith
Junction 7 Business Park
Blackburn Road
Clayton-le-Moors
Accrington
Lancashire
BB5 5JW
T 01254 302 600
F 01254 302 601
andy.smith@ds-fac.co.uk
www.ds-fac.co.uk

Bristol

T.Clarke
Managing Director
Ellis John
Unit No 1
Montpelier Business Park
Station Road
Montpelier
Bristol
BS6 5EE
T 0117 944 0550
ellis.john@
tclarke-bristol.co.uk
www.tclarke-bristol.co.uk

Derby

T.Clarke
Director
David Peck
Windsor Court
Ascot Drive
Derby
Derbyshire
DE24 8GZ
T 01332 332 177
david.peck@tclarke.co.uk
www.tclarke-midlands.co.uk

Falkirk

T.Clarke
Managing Director
Martin Swan
6 Middlefield Road
Falkirk
Scotland
FK2 9AG
T 01324 888 000
mswan@
tclarke-scotland co uk
www tclarke-scotland co uk

Kings Lynn

T.Clarke
Operations Director
Richard Edwards
Anglia House
Hamburg Way
North Lynn Industrial Estate
Kings Lynn
PE30 2ND
T 01553 773 366
richard.edwards@
tclarke-east co uk
www tclarke-east co uk

Newcastle

Veale-Nixon
Managing Director
Roy Hutchinson
Hunter House
17-19 Byron Street
Newcastle upon Tyne
NE2 1XH
T 0191 261 2727
rhutchinson@
veale-nixon co uk
www veale-nixon co uk

Sittingbourne

W.E. Manin
Managing Director
Pat Jackson
Excelsior House
Ufton Lane
Sittingbourne
Kent
ME10 1JA
T 01795 427181
pat.jackson@
wemanin co uk
www wemanin co uk

Huntingdon

T.Clarke
Managing Director
Ray White
Bicton Industrial Park
Kym Road
Kimbolton
Huntingdon
Cambridgeshire
PE28 0LW
T 01480 861 544
ray.white@tclarke-east co uk
www tclarke-east co uk

Leeds

H&C Moore
Managing Director
Trish Meakin
Low Hall Road
Horsforth
Leeds
West Yorkshire
LS18 4EF
T 0113 258 6711
trishmeakin@hcmoore co uk
www hcmoore co uk

Peterborough

T.Clarke
Managing Director
Kevin Bones
Fengate
Peterborough
PE1 5XB
T 01733 342624
kevin.bones@
tclarke-midlands co uk
www tclarke-midlands co uk

St Austell

Waldon
Managing Director
Martyn Waller
Chapel Hill
Sticker
St Austell
Cornwall
PL26 7HG
T 01726 65635/
01726 66552
martyn.waller@
waldons co uk
www waldons co uk

T.Clarke

BUILDING SERVICES GROUP

T.Clarke plc

Stanhope House
116-118 Walworth Road
London SE17 1JY
020 7358 5000
info@tclarke.co.uk
www.tclarke.co.uk
