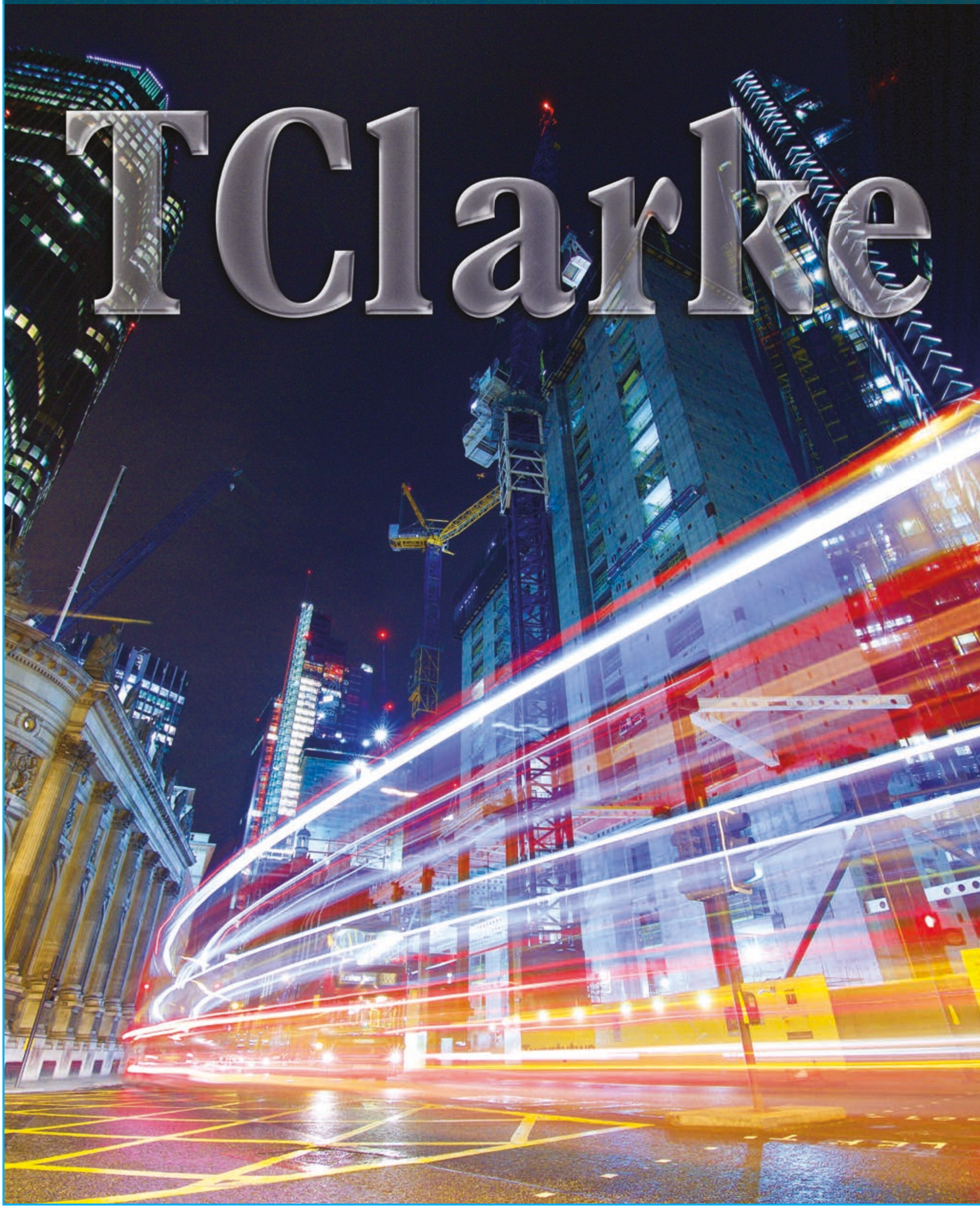
ANNUAL REPORT AND FINANCIAL STATEMENTS 2016

TClarke



WHO WE ARE

TClarke

We are a nationwide building services contractor delivering the full range of mechanical, electrical and ICT services.

Our strong teams across the country cover the whole lifecycle of the building from concept and design through construction to lifetime maintenance.

Our focus is on being the partner of choice in each of the specialist areas we work in - and equally on the retention and enhancement of our traditional reputation for delivering good value, total trustworthiness and excellent work quality.

OUR FINANCIAL HIGHLIGHTS

15%

REVENUE*
£278.6m
(2015: £242.4m)

48%

UNDERLYING PROFIT BEFORE TAX*
£6.2m
(2015: £4.2m**)

6%

PROFIT BEFORE TAX*
£3.7m
(2015: £3.5m)

18%

UNDERLYING OPERATING MARGIN
2.5%
(2015: 2.1%)

39%

NET CASH
£9.3m
(2015: £6.7m)

10%

FORWARD ORDER BOOK
£330m
(2015: £300m)

5.32p

BASIC EARNINGS PER SHARE
5.45p
(2015: 0.13p)

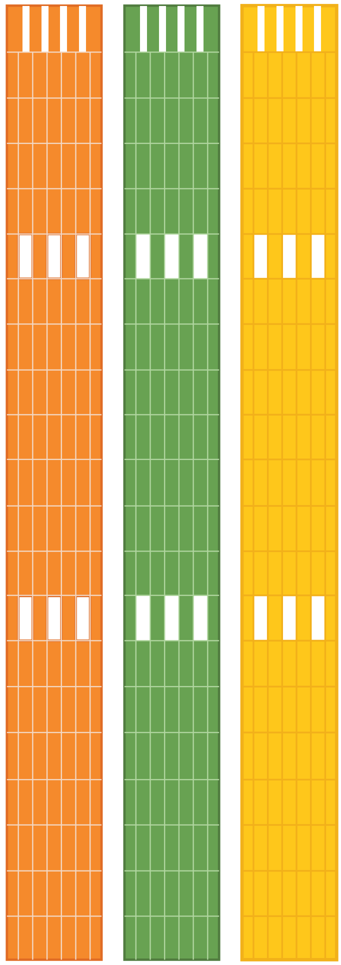
3%

DIVIDEND PER SHARE
3.2p
(2015: 3.1p)

* from continuing operations ** re-presented - see Note 7 to the financial statements

WHAT WE DO

PROJECT PROFILE: 22 BISHOPSGATE



A TClarke flagship building services project, 60 floors in the City of London, 1.3m Sq Ft., including delivery of a range of packages; electrical, shell & core, Cat A fit out, ELV (systems integration) package, BMS, ICT, security and fire alarm installation. It showcases so many aspects of **what we do** to deliver world class, leading-edge building services.

THROUGH THE FULL BUILDING LIFECYCLE

DESIGN
Design systems and value engineer them.

PROCURE
Add value and increase buildability through expert procurement.

INSTALL
In-house teams to install the building services on projects of every scale across the UK.

MAINTAIN
In-house teams to provide maintenance services across the UK.

NEW STANDARD OF BUILDING INTELLIGENCE

ACCESS SERVICES AND MY DATA
My computer, my data, my locker, my services.

FIND MY TEAM LOCATION
Identify my team's location and my place too.

SECURITY ACCESS
Manage my security access.

FACIAL/RETINA RECOGNITION
Recognise me.

BRINGING THE BUILDING TO LIFE

POWER
Distributed and controlled.

SERVICES
Heating, lighting, ventilation, water waste and their networks and controls.

DATA
Data network integrated with items that sit on those networks.

ALARM AND SECURITY
Alarm, security and safety systems integrated and controlled.

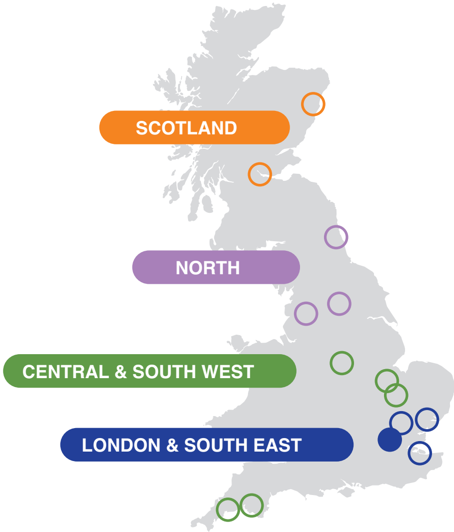
SYSTEMS AND INTERNET
Management systems, internet linked items and their data and control.

Cover image - 22 Bishopsgate

OUR SPECIALISMS

M&E contracting is our core business nationwide. In addition we specialise in market sectors where there are strong opportunities for us to create sustainable value.

WHERE WE ARE



SCOTLAND £21.0m (2015: £16.2m)
NORTH £53.6m (2015: £41.8m)
CENTRAL & SOUTH WEST £67.9m (2015: £56.9m)
LONDON & SOUTH EAST £142.9m (2015: £129.1m)

OUR BUSINESS MODEL

1

OUR AGILE BUSINESS STRATEGY
Sustain world class building services capability and execute against five Strategic Priorities to exploit fast-changing opportunities.

2

GUIDES OUR OPERATIONS
Deliver projects that enhance our reputation for safety, trustworthiness and work quality.

3

DELIVERS THE TCLARKE BRAND ADVANTAGES OUR CLIENTS WANT
Sustain our reputation for delivering 'The TClarke Way' with focus on Safety, Quality, Innovation, Value, People and Relationships.

4

CREATES SUSTAINED VALUE FOR OUR STAKEHOLDERS
Identify and exploit high value market opportunities and directing resources efficiently.

TClarke

OUR MARKET-LEADING RESOURCE

Directly employed resource
1,376

Apprentices
189

13%
SENIOR SITE OPERATIVES
consists of fully qualified, time-served including foremen, charge hands and senior charge hands

12%
SENIOR PROFESSIONALS
consists of fully qualified and highly experienced senior professionals

12%
SPECIALIST PROFESSIONALS
consists of QS, QA, design, safety and specialist engineering

37%
SITE OPERATIVES
consists of fully qualified time-served site operatives

13%
APPRENTICES & TRAINEES
consists of apprentices in their first, second and third years and adult trainees

4%
UNQUALIFIED STAFF
have basic health & safety qualifications and serve as labourers or stores staff

9%
SUPPORT STAFF
the remaining 9% of staff are in a range of support roles

AN ETHICAL COMPANY

HEALTH & SAFETY LEADERSHIP

CAREER PROGRESSION FROM APPRENTICESHIP TO BOARD

QUALITY FULL TIME JOBS

LEADING CONSTRUCTION INNOVATION

QUALITY APPRENTICESHIPS

TClarke has a strong and longstanding culture of leadership in health, safety and environmental responsibility. It also leads in apprenticeships, training, career path progression and full time employment opportunities in world class engineering.

CONTENTS

CHAIRMAN'S STATEMENT

Iain McCusker - Chairman

2016 HAS BEEN A YEAR OF STRONG PERFORMANCE ACROSS THE GROUP

The strategic initiatives and programmes implemented over the recent years of difficult market conditions are now delivering value and encouragingly these results are ahead of market expectation.

The business is emerging as an effective and cohesive nationwide team, strongly placed to focus on, and meet, client needs and to address the growing opportunities and continuing challenges of our market place.

The growth of our current and forward order book, combined with the quality of the significant and high visibility current and future projects, demonstrates the justified confidence of our clients and the market in general, in our performance, strength, strategic positioning, quality and ability to deliver.

Headline numbers ahead of market expectation

I am pleased to report that turnover increased by 15% in 2016 to £278.6m, with growth in all geographic regions and a significant number of large project wins for the Group.

More importantly, underlying profit before tax increased by 48% to £6.2m. Furthermore, the underlying operating margin showed an 18% year on year increase to 2.5% in 2016 and underlying EPS increased by 42% to 11.60p (2015: 8.16p). These are very pleasing and creditable achievements given the current market conditions, and are a testament to the leadership of our executive and delivery teams across the Group – both on our construction sites and in our offices.

Over previous years, we have steadily reported on a programme of strategic changes and initiatives, organically funded and internally designed and implemented, to reshape and refocus the business so that we are better aligned to focus on creating, delivering and growing value. These changes, initiatives and investments are now beginning to deliver financial returns as demonstrated by our improved margins, which other industry peers are aspiring to.

Growth matched by cost discipline and cash management

At the same time as winning and delivering the right kind of projects and growing our turnover, forward order book and activity levels, we have also concentrated on cost discipline and cash management. Mindful of the competitive nature of our markets, our 2016 results and performance have benefited from our strong disciplines in the internal management and delivery of projects, which resulted in effective cost and cash management.

Net underlying overhead for 2016 decreased to 9.2% of revenue, compared with 9.5% in 2015 and 10.1% in 2014. The net cash balance was up 39% at £9.3m at the end of 2016 compared with £6.7m in 2015 and £5.3m in 2014. Encouragingly there has been considerable year on year improvement in our average cash balances throughout the year. During 2016 we were able to renew and increase our long term banking facilities from £13m to £15m, provided at reduced cost to the business.

My fellow Non-Executive Directors and I have undertaken a programme of regular visits throughout the year to our offices and project sites across all our regions, meeting and listening to our people and teams. These visits play an essential role for us to better understand the business and appreciate the complex nature of the work our people undertake and succeed at, and enable us to see, in practice, the ideas and initiatives which are being designed and delivered in the field. We have seen at first hand the strength of our project management teams across the country, which is something that we, as Non-Executive and Executive Directors recognise and appreciate and value highly.

Dividend

The Board is pleased to propose a final dividend for the year ended 31st December 2016 of 2.7p pence per share, reflecting the Group's performance and our confidence in the business going forward, whilst balancing the rewards to shareholders with the interests of other stakeholders.

The Board remains committed to improving returns to shareholders and delivering a sustainable increase in dividend over the longer term is an important objective.

One disappointment

I am very disappointed we had to report the discovery during the year of a significant fraud at one of our subsidiary companies. The management response on discovery of the fraud was swift, decisive and appropriate. An independent and comprehensive review of our internal controls and procedures was commissioned immediately. As a result of the review, a number of recommendations were made which will further strengthen our controls and are in the process of being implemented. The Board is satisfied that the fraud was limited to the subsidiary company in question and that the full extent of the fraud has been identified. Legal proceedings are ongoing.

Outlook

2016 was an exceptionally good year, both in terms of underlying trading performance and our cash position at year end, driven by the timing of major project completions and stage payments received in the second half of the year. Our order book for the year has been replenished, with the performance of London being particularly strong. We have increased the focus on certain regions in order to bring them in line with internal targets yet, overall, our order book is at a record high.

Whilst we are focused on delivering sustained margin improvement over the long term, at this early stage of the current year we cannot ignore inflationary pressures which may hold back further margin improvement in 2017. Nevertheless, the Board is confident that the Group is well placed to meet market expectations for the year ahead.

Iain McCusker
Chairman
28th March 2017

Mark Lawrence - Chief Executive Officer

OUR PEOPLE HAVE PUT IN AN EXCELLENT PERFORMANCE IN 2016

The big story behind the record turnover is the quality of the jobs delivered and the order book that has been replenished so strongly this year.

We have seen a series of major projects be awarded to the Group across all our regions, signalling our valuable reputation, our capabilities and our ability to deliver.

TClarke is positioned for further confident and controlled growth with a clear and shared sense of value and how to create it.

Our business infrastructure is solid

The Group is shaped correctly and resourced nationwide for an agile response to market opportunities. Our people are clear about our strategies and their roles in achieving them. We have set parameters for evaluating opportunities and targeting those that suit our skills and our growth journey. There is always more to do, but when you add this to TClarke's exceptional culture of delivery and operational control, together with the strong sense of values, tradition and pride that is ingrained within 'The TClarke Way', we have a strong base to build on going forward.

Major projects won and delivered in our core London M&E business

It has been a particularly strong year for our London business. Our vision to grow from a famous electrical contractor into a true M&E contractor, known equally for both, has been realised. Delivery of major mechanical and M&E projects and the win of two towers at the enormous Southbank Tower project showed that we are a major player in the M&E market. This transforms the scale of our potential markets going forward - effectively more than doubling them. Our success in securing the even larger 22 Bishopsgate project will be equally transformative, providing us with a platform to lead in integrated building services, with major technology advances that have potentially vast market applications.

Major projects won and delivered across our regions

Success in London has been matched across our regions. Our vision for our nationwide offices has been to make a decisive shift from siloed local teams, delivering high quality small scale projects, to a series of regional operations targeting large scale, higher value projects, collaborating to maximise the value of their resources and building the TClarke brand. In 2016, TClarke regional teams won a very wide range of large scale projects; more than at any time in our history. We have built new strategic partnerships, expanded existing relationships, entered new sectors, expanded into new areas and combined our operations in new ways.

Innovation and investment in the career paths of our people

We launched the TClarke Academy in 2016, as a comprehensive internal training operation aimed at providing a clear route to the top of the organization, giving everyone, whether they be in an engineering, technical or support discipline, career advancement opportunities. At TClarke it is expected for an apprentice to aim for the top. I was an apprentice here and so were most of my senior executive team, so our Training Academy is something that we, as leaders, believe in and are personally committed to driving - and indeed we deliver modules ourselves. In a year when we again took on a far larger number of apprentices than the industry average, the Group retained a far higher percentage of staff than the industry average and built our resource of directly employed people with quality people - the Academy is a further mark of our intent to keep offering the best M&E resource in the UK.

Safety remains our paramount concern

We take enormous pride in every site safety award won by our people and, in 2016, we won more than ever before. The total number of those awards is not significant but the culture that earned them is. I am personally proud of the work our safety establishment carries out to further embed that culture and to keep driving standards forward. We can never rest or become complacent regarding health and safety - we need to keep investing in this area as safety is paramount to our business.

Mark Lawrence
Chief Executive Officer
28th March 2017

LOOKING FORWARD

POST-BREXIT VOTE, MARKETS ARE SOLID FOR THE MEDIUM TERM

Despite ongoing media speculation, there has been very little evidence to knock confidence but we have seen many positive signals. Major projects that might have been paused or cancelled are now underway.
While Brexit concerns are expected to continue, significant market opportunities have arisen as Sterling's realignment has prompted confidence in further inward investments into development, particularly in London and the South East.

NEW 26,000 SQ FT GROUP PREFABRICATION FACILITY AT STANSTED

In Spring 2017, TClarke will open a brand new prefabrication facility at Stansted in Essex, consolidating the previous operations at Harlow. In scale, efficiency and commercial potential, this is a major step forward for the TClarke Group that compliments the expansion and growth of our Mechanical operations and has strategic impact on the range and scale of capabilities we can offer when partnering our clients.

MAJOR PROJECT AND PARTNERSHIP OPPORTUNITIES

Our strategy of focusing on key partnerships nationwide and our culture of delivery has led to a range of significant opportunities for further work on large scale M&E projects in every region. There are also major transportation infrastructure projects getting underway, including HS2, for which we are well placed.

TClarke's new 26,000 sq ft manufacturing facility at Stansted, Essex offers substantially enhanced capability and commercial potential.

NEXT GENERATION TECHNOLOGIES

22 Bishopsgate will bring a new generation of building technology integration into the mainstream commercial office market. This will set a new standard for commercial office spaces and give us potential leadership in that market.

NEW REGIONAL MARKETS

TClarke is building its foothold in new markets and delivered high quality M&E projects in Manchester in 2016. It has also won projects at Manchester Airport and with Manchester City Council. The Group has also been successful in winning large scale M&E follow on work in Birmingham. Both of these markets offer substantial medium term prospects for us.

OPPORTUNITIES FROM OUR INCREASED AGILITY AND LONGER TERM INVESTMENTS

The investment over the past decade to establish our credentials in transportation has paid off. As we move to secure Airport work, we see major opportunities across the UK in the medium term and also in Rail as HS2 gets underway. Beyond this, our highly complex work at the Derriford Research Facility in Plymouth, alongside projects at universities nationwide, has given us a platform for entry into the Pharmaceutical and Research markets.

STRATEGIC OVERVIEW

OUR STRATEGIC OPERATING MODEL

1 FIVE STRATEGIC GOALS

1. Focus on **enhancing our core** London M&E **business**
2. **Sustain** our resource **advantage**
3. **Advance** our **partnerships** nationwide
4. Take opportunities in **specialist markets** and sectors
5. Mirror principal contractors in regions and focus on **targeted tendering**

2 GUIDES OUR OPERATIONS

Full range of high quality building services

World class directly employed resource of highly skilled, highly motivated people

Complete UK coverage through four regions to support our clients

3 DELIVERS PROJECTS 'THE TCLARKE WAY' (OUR BRAND ADVANTAGES)

Safety - Safety is our number one daily priority

Quality - High quality work that's right first time

Innovation - Expert in buildability and integrated thinking

Value - Delivering against innovative end-user-focused contracts

People - Directly-employed, high quality building services personnel

Relationships - Taking responsibility at every level for collaboration

4 CREATES SUSTAINED VALUE FOR OUR STAKEHOLDERS

Stakeholder value - ability to identify and take valuable opportunities

Market leadership - building our reputation for quality and delivery

The kind of progressive, ethical, high technology, people-focused business Britain needs

Operating environment

Skills shortages

With the market in an expansion phase, reliable, highly skilled teams are at a premium, particularly for larger, more complex projects which are our key target.

Market confidence despite Brexit

Major projects have moved ahead and a stream of new projects gives us confidence in markets for the medium term.

Technology driving change and opportunities

A range of technology advances are significantly increasing the complexity of projects, therefore the building services content becomes more central to value and delivery.

Investments in infrastructure

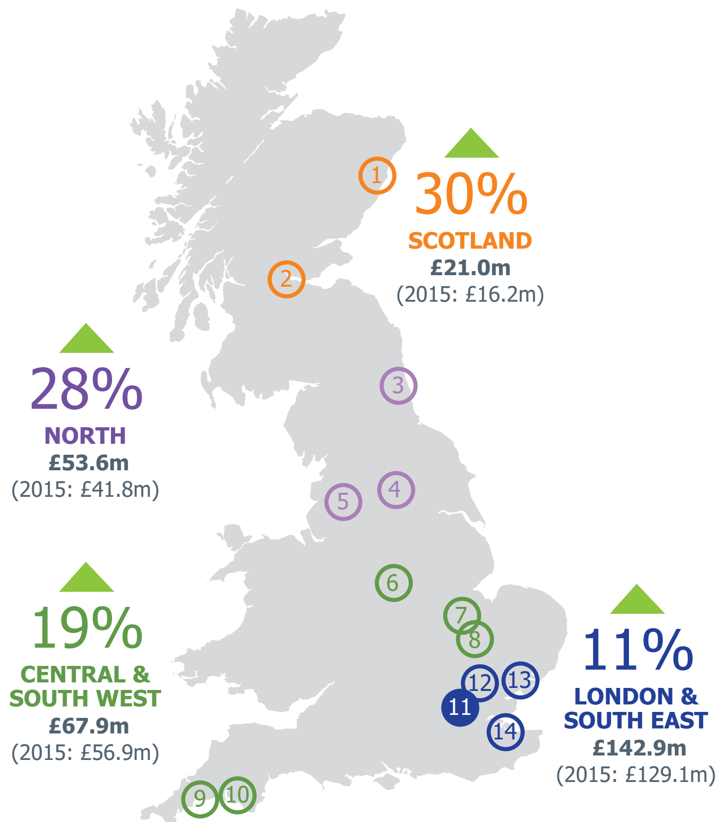
The UK plans a wide range of major infrastructure investments and major regional development projects over the next decade.

REVENUE BY REGION

We are a nationwide building services contractor delivering the full range of mechanical, electrical and ICT services.

Our strong teams across the country cover the whole lifecycle of the building from concept and design through construction to lifetime maintenance.

Our focus is on being the partner of choice in each of our specialist areas we work in - and equally on the retention and enhancement of our traditional reputation for delivering good value, total trustworthiness and excellent work quality.



SCOTLAND

1. Aberdeen
2. Falkirk

NORTH

3. Newcastle
4. Leeds
5. Chorley

CENTRAL & SOUTH WEST

6. Derby
7. Peterborough
8. Huntingdon
9. St Austell
10. Plymouth

LONDON & SOUTH EAST

11. London
12. Stansted
13. Colchester
14. Sittingbourne

Strategic opportunities for the medium term

Maximise value through best deployment of resource

Analyse and exploit market opportunities so we can deploy our people to our best advantage.

Maximise brand value nationwide

Further increase the penetration of our brand into new regions and markets and recognition of our full range of capabilities in existing ones.

Technology and complexity in market

Take the opportunities to develop our leadership in delivery of complex installations and new technologies to keep us at the forefront of industry excellence.

Develop presence and capability in specialism

Ensure that we are planning ahead for the medium term to make certain we have presence, accreditations and skills in specialist markets we target.

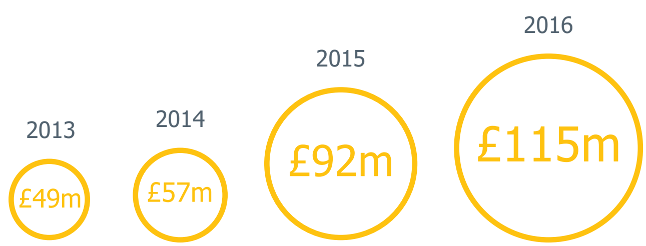
FOCUS ON ENHANCING OUR CORE M&E BUSINESS

Strategic goal number one

London M&E remains our core business. We see potential for managed growth both in scale and quality of the order book. There is significant short and medium term potential in London for us to grow our Mechanical and M&E work over time to match our Electrical work. At the same time, our strategy will be to sustain and enhance our market leadership in electrical contracting by winning a substantial share of the available projects in our markets and constantly renewing our technical leadership.

Key Risk Areas

- Resource retention during strong market conditions
- Maintenance of reputation for leadership in period of rapid technical and technology advances
- Maintenance of reputation for quality delivery as we install a series of landmark projects
- Potential for Brexit to slow the market



Growth in our core (London M&E) business

The overall growth in our core London M&E business is significant. The mechanical component of this has reached £30m (26%) by 2016.

Achievement Summary

2016 was a successful year for our London M&E business - with a record order book and margin improvement. This was the first year in which you could see a truly integrated M&E team at work in the London market place, delivering and winning projects. The team won big, complex and technically innovative projects in mechanical, electrical and combined M&E packages. These included a range of innovative ways of working. The year's achievements are ahead of expectations as a result of high professional standards onsite and in the office, within a cohesive and well-led team. Growth in the order book has been managed and carefully aligned to maximise value from our resource but not to over commit it. The continuing excellence of our staff retention, training and apprenticeship schemes in London have also been on show during the year.

ENHANCE
OUR CORE BUSINESS

Bloomberg Place
This is a classic TClarke project, working with Stanhope and the Principal Contractor, Sir Robert McAlpine, in a collaborative way to deliver a top quality, landmark addition to the City of London.

James Berry, Operations Manager: **Ruskin Square**, Croydon

Ruskin Square, which we completed in December 2016, is a large scale urban development, with 2 million square feet of offices, shops and homes over 9 acres with a rail station attached.

We've delivered our first large scale mechanical project here for Stanhope and there are 4 more major projects within this development. It's a big step forward again for our Mechanical operation.

Chris Richards, Project Director: **Rathbone Square**

One day soon, all M&E projects will be like this, with Building Information Modelling (BIM) integrating the work of all trades and our site operatives using iPADs loaded with the latest computer generated plans to guide and speed their work. This is Facebook's new London HQ and so it's great for TClarke to be delivering the installation.

Mike Enticott, Divisional Director: **London Wall Place**

We have two projects here - the shell and core for Multiplex and the fit out for Schroders. Our Intelligent Buildings team is also providing advanced gas suppression systems within the fire alarm and detection package. Overall, this is another good example of a major commercial office project where TClarke's core business is supporting the growth of our specialisms and delivering value for our partners.

Steve Mayne & Graham Fisk

Clive Carr, London Director: **IQL**, Stratford

IQL, Europe's largest urban development on the Olympic Park site in Stratford, showcases our mechanical capabilities. This year we're delivering two vast projects - one mechanical only, one M&E; we're also providing cost and technical assistance for two more. This project, alongside Ruskin Square and others, confirms our breakthrough to become a permanent major player on the mechanical side.

Clive Carr

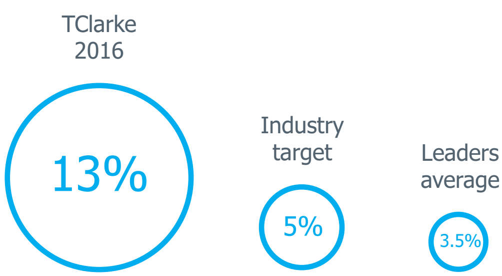
SUSTAIN OUR RESOURCE ADVANTAGE

Strategic goal number two

TClarke's critical business advantage is our skilled, expert, motivated resource of people. Our strategy will aim to sustain that advantage by continuing to attract and train the best apprentices, by offering high quality career paths for our people and to continue to offer the prospect of work on the most prestigious projects.

Key risk areas

- Sustaining of our pipeline of high quality new staff
- Maintaining and improve high levels of employee retention across all levels and disciplines
- The Group's ability to deliver industry leading career prospects



Percentage of apprentices and adult trainees

The construction industry is facing a major skills shortage. This chart shows the percentage of staff in apprenticeship and adult trainee schemes. The industry target for best practice is widely recognised and well respected '5% Club'. The Average is the average percentage for the top 5 construction companies in the construction index 2016. TClarke's apprenticeship scheme is recognised as leading the industry.

Achievement Summary

TClarke is recognised as the employer of choice - offering people a rewarding package, good prospects and the chance to work on the best, most challenging jobs in the industry. In 2016 that fact has been reaffirmed. The focus has been on bringing motivated individuals, with the attitude needed to deliver 'The TClarke Way', into our family for the long haul. 2016 was also the year in which the TClarke Academy got off the ground. The Academy is focused on providing structured career paths for all construction profession specialisms and all of our key professions ranging from ICT to project administration. The objective is to show our people a full commitment to their personal and professional growth. This also includes energetic and practical support for those who want to drive ahead with education. The fact that the Academy is led, and was conceived, by a team of our Senior Executives says a lot. This is not an outsourced or superficial exercise - making the Academy work is a strategic priority.

SUSTAIN
OUR ADVANTAGE

Chrissie Knight, 2nd Year Apprentice

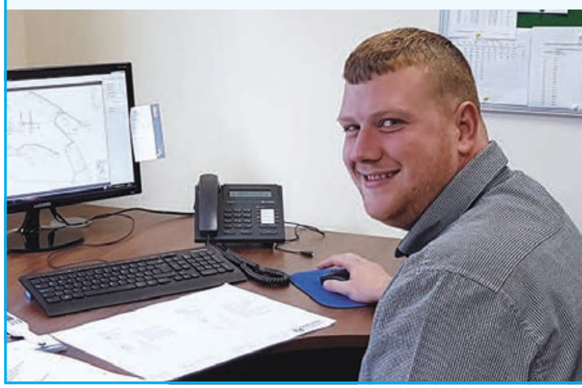
I enjoy the practical side of the work, especially wiring and second fixing and I thrive on being part of the team out on site. I am determined to finish my apprenticeship and look forward to being a qualified electrician.

Chris Marshall
1st year Apprentice

I was previously in the Royal Marines and when I left, I didn't want a dead end job - I wanted to find an opportunity where there was the challenge of real skills to master, valuable qualifications to attain and real career prospects if you did well. With TClarke I've got all of those three and here I am as an apprentice, working on a landmark project in the region. This is exactly what I was looking for.

Andrew Stephenson
Junior Estimator

I completed my apprenticeship in January 2013 whilst working at Duco/Technip cable facility. Shortly afterwards I was nominated for the TClarke apprentice of the year award, which I won. After working on many different jobs, I completed my SSSTS (site safety supervisors training scheme) in 2015 whilst working at Sunderland Royal Hospital. I ran my first job, Walkergate, Berwick in July 2016 with up to 14 electricians and subcontractors on site at any one time - and just before completing that job I applied for the junior estimator's role and was offered the position after a successful interview.



Junior Haynes
Senior Commissioning Engineer

What attracted me to TClarke was the chance to work on the large scale projects - and here I am commissioning fire alarm systems at one of London's top developments, London Wall Place.

Barrie Nightingale
Director TClarke London

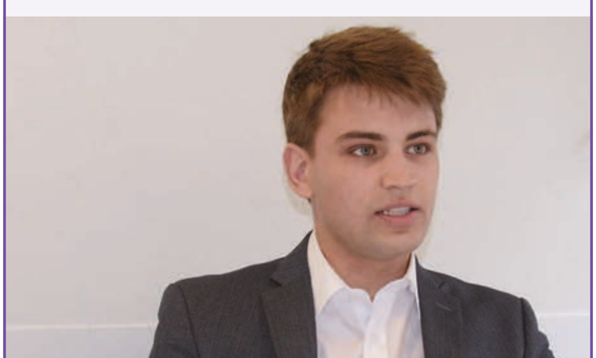
The Academy is something I'm personally passionate about - I want everyone at TClarke to have the chances that I have had. We want it to set a standard for the industry, just like our Safety and Apprenticeship programmes.

Elyse McBride
Trainee Quantity Surveyor

I started with TClarke in September 2013 after studying a degree in Sports Science at Robert Gordon University. I decided I wanted a career change and chose to join the company as an Apprentice Electrician until I fully qualified as an Electrician late last year. After being nominated as an entrant and achieving a top position for Apprentice of the Year within TClarke, I have pushed myself to become an integral part of the business and learn all I can in the many departments that Scotland currently has, whilst gaining knowledge of the Group services. I recently started to further my career by taking on the role of a Trainee Quantity Surveyor. I am currently studying at Fife College, alongside working in the office, and I am thoroughly enjoying the change of direction in my career and aspire to reach my goal of becoming a fully qualified Surveyor.

Joseph Wu, Project Engineer and degree student

I'm currently in the final year of my BEng (Hons) degree in building services engineering at London South Bank University. I am also working as a Mechanical Engineer/Project Manager on a 20 floor office fit-out project called IQL, Building S5, based in Stratford. I wish to undertake a part-time master's degree from September 2017. I've been recently offered a few conditional offers from universities and TClarke have confirmed company backing to support me with this.



ADVANCE OUR PARTNERSHIPS NATIONWIDE

Strategic goal number three

TClarke will endeavour to deepen and extend our partnerships with principal contractors and end clients with the purpose of delivering greater value to projects and strengthening our connections within the industry.

Key Risk Areas

- Ability to offer a market leading value proposition and resource
- Ability to be consistently proactive and collaborative, whilst commercially effective at the same time
- Ability to expand relationships into new regions and disciplines

Achievement Summary

The record turnover for 2016 reflects a year of partnerships extended and deepened. The forward order book has also grown through our success in doing that. For a partnership to grow, the professional relationship has to be strong at every level and delivery has to be top quality. In 2016, partnership has meant being there when our long term partners need us for particularly challenging tasks. It has meant being selected for early negotiation without the need to tender on major projects. It means partners trusting our brand and capability so much that they will actively choose to work with us in new disciplines or in new regions. The idea of 'never letting down' in our approach onsite and at senior level, has been ingrained in our culture for decades and we continue to think and act that way.

94.6% of the order book consists of major blue chip clients and public sector **end users**

97% of the order book is covered by major relationships with **principal contractors**

DEEPEN
AND EXTEND OUR PARTNERSHIPS

TClarke Project Engineer, Phil Howard within the Virtual Reality training environment at the BAE Training Academy

Phil Howard, Project Engineer working at BAE Systems new Training Academy

We've had a very long and successful relationship with BAE, providing Facilities Management services, but this year TClarke has successfully delivered full Design and Build M&E services for their major new Training Facility. Success has led to further major M&E projects with BAE - it is a big step forward for our business.

Andy Budge, Mechanical Supervisor, TClarke South West
Kier at Beckley Court

We are expanding our relationship with Kier, here at a development that dominates the Plymouth skyline. For TClarke in the South West, it is very good to be selected to work on the major projects in the region. It is good for us as Engineers and it is good for the reputation of our business. We've worked hard to earn the opportunity and we're determined to take it by delivering top quality work.

Gary Jackson, MD TClarke Scotland **and Barratt Homes**

We've got the kind of relationship with Barratt Homes where they see our people onsite as real representatives of their brand too - that's fantastic. Winning the Barratt Homes West contractor of the year award, was recognition for both our people onsite and our back office teams.

Martin Thomas, Divisional Director TClarke Mission Critical **and Stanhope at Selfridges**

Whilst one of the most famous retail spaces in the world carries on its daily business, an enormously challenging infrastructure upgrade programme has been underway and TClarke teams have been at the heart of it. Our Mission Critical team gives us the capability to support our long-term partners like Stanhope on a project that is as challenging as this one. It is hard work, but we enjoy this kind of challenge because it sharpens our skills.

Mike Enticott, Director TClarke London M&E **and Multiplex**

Our relationship with Multiplex is a mature and longstanding one and our team are working on a series of landmark projects with them. We are extremely proud that our teams are repeatedly selected for major projects like London Wall Place, Principal Place and 100 Bishopsgate.

TAKE OPPORTUNITIES IN SPECIALIST MARKETS AND SECTORS

Strategic goal number four

TClarke will focus on immediate opportunities and show agility in identifying those market areas where we can win high value work. In some cases, such as transport, healthcare, intelligent buildings and FM these will represent opportunities to develop a long term market presence. In other areas such as green technologies, these will be short term opportunities. In yet others, such as London residential, these will represent areas of flex, which we enter on a tactical basis as and when they represent value for us.

Key Risk Areas

- Over exposure to any individual markets
- Need to plan medium term and develop capability and credentials ahead of market need and specialist sector cycles
- Ability to manage the pace of technology-driven change

Healthcare	Intelligent Buildings	Transport	Design & Build
£8.7m (2016: £6.1m)	£5.9m (2016: £5.0m)	£19.5m (2016: £11.2m)	£30.2m (2016: £8.8m)

Forward orders

The growth of our forward order book in specialist markets.

Achievements Summary

2016 saw delivery on a major scale at a range of rail jobs in our highly successful Transport division. The very high profile projects at Bank and Victoria Station Upgrades have progressed well and we now have a strong and capable team of leaders in the business. We won our first foothold project at Manchester Airport. The Design and Build operation went from strength to strength, delivering Dagenham University Technical College and Summit House and moving on to the next level with major wins on a larger scale, including Hounslow Civic Offices and the Royal Free Pears Building.

TClarke Intelligent Buildings also had a highly successful year, winning breakthrough projects on both the fire alarm and detection side and also on the data and cabling side. TCIB now offers the group a potentially decisive strategic and commercial advantage over competitors where major M&E and building services projects are involved. The expansion of TClarke Healthcare in 2016, came after the rapid growth of our specialist medical controls business and its integration with existing healthcare expertise had led to partnership agreements with world class manufacturers and a stream of project wins.

STRONGER

SPECIALISMS

Ross McDonald, right**, Construction Manager, TClarke Transport at Victoria Underground Station Upgrade**
"The opening of the North Ticket Hall has been one of the biggest achievements to date for our Division. Our commitment to face all challenges head on, working collaboratively with our clients, Taylor Woodrow BAM Nuttall JV and London Underground, has enabled us to reduce risks that could have had an impact to the programme and cost."

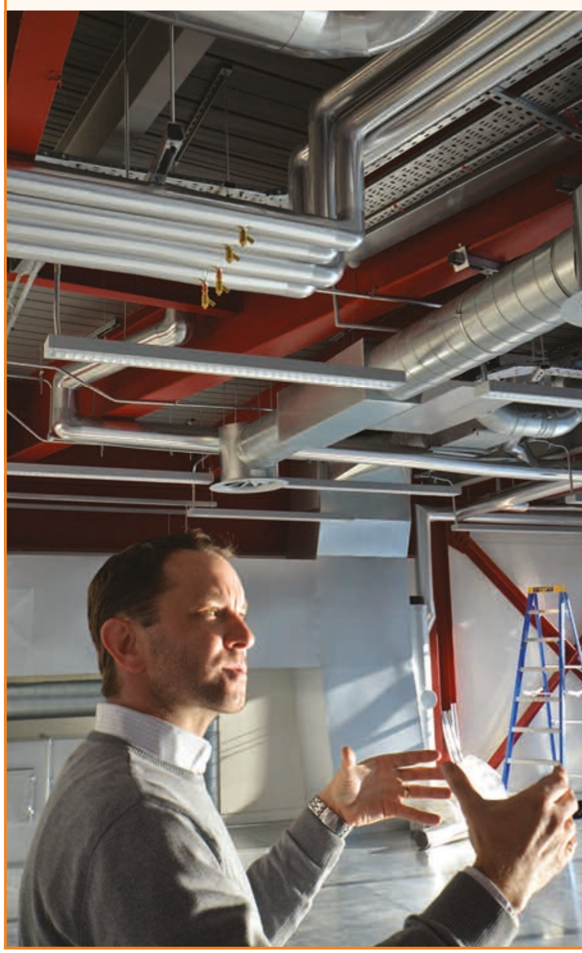
Iain Clenaghan, Divisional Director, **TClarke Intelligent Buildings** at London Wall Place

At London Wall Place we are installing 23 gas suppression systems in critical rooms and three water mist systems on the generators.

When we started out, we offered fire alarm systems. Today we have reached the point where we are probably the biggest open protocol system provider in London. The move now into gas suppression is a major extension of our capability - and our work at 22 Bishopsgate will establish us as a real market leader in Intelligent Buildings.

John Eagan, Project Manager, **TClarke Design & Build** at Summit House

What you get from TClarke Design & Build is concepts, solutions and ideas that add value. We've hit and exceeded all of our targets and have substantial secured order books looking ahead. Summit House is a superb job for Stanhope where there's been great collaboration with the architect and other partners to get all the exposed services looking fantastic, as well as doing their job. Our work here, and at Dagenham University Training College in particular, has proved our capabilities and set us up to take the business to the next level.



Joe Peters, Contracts Manager, **TClarke Healthcare** at BMI Bolton

We at TClarke are approved by GE, Siemens and Phillips Healthcare for turnkey M&E installations for a range of specialist installations including CT, MRI, X-Ray, PET, Nuclear medicine and Operating Theatres. We have the skills in-house to deliver to world class standards and this year we became an operating division in our own right. It has taken hard work from the whole team, but we are now recognised in the industry with many installations under our belts and a complete range of services.

Rob Faro, *left*, Managing Director **TClarke South West** at Derriford Research Facility

Derriford Research Facility is a world class laboratory complex with the highest level Cat 3 laboratories currently in the UK. TClarke are delivering an M&E project here of exceptional complexity. Delivery is itself a great achievement, but what this job has also done is renew our credentials in the Research and Pharmaceuticals world. Moreover, our South West team has taken full responsibility from start to finish and that also shows the true strength of our in-house engineering resource nationwide.

MIRROR PRINCIPAL CONTRACTORS REGIONALLY AND FOCUS ON TARGETED TENDERING

Strategic goal number five

In our regional operations, TClarke's strategy will be to focus on larger scale relationships and projects, as regional, rather than local, businesses and operating a selective targeting and tendering approach to bid for and win the work which best suits our capabilities and delivers the value we require.

Key Risk Areas

- Regional operations not aligned or focused on the larger scale projects that maximise resource skills and value opportunities
- Regional businesses locally focused and silo driven
- Regional businesses ineffective at collaboration and cross-selling of services

Kevin Mullen, Managing Director – **TClarke North**

We are mindful within TClarke North that we want to be here with clients for the next job, then the next job. It's all about being a non-confrontational contractor, doing a good job and building a strong brand name. It is a steady process and it has the right focus on quality.

2016 was a very good year with revenue up by 28.2% to £53.6m. It was also a busy one for us as we embedded a regional approach across all our operations. Our NW operation was a world class industrial FM operation, but in 2016 it proved itself to be a true TClarke M&E operation too, working first with ISG and then with Interserve - an entirely new partner for us there - on a series of major M&E projects for our long term partner BAE.

That's a great step ahead for us and it gave us the impetus to enter the Manchester market, winning an M&E installation taking a facility back to shell and core. We also won our first small project for Manchester City Council at the National Football Museum and so we're starting to get our name out into the market.

In Leeds our delivery of the M&E project for the new John Lewis store was extremely significant as a collaboration between TClarke offices. Our Leeds team also won and delivered a series of M&E school projects on the Bowmer and Kirkand framework - and we're now on the next phase of those.

In the North East, 2016 was the year when we changed our brand name from Veale Nixon to TClarke. The time was right and the transition has been smooth and welcomed by our partners and clients. Again, our approach has been marked by targeted tendering and has been successful with progress on time and budget at our installation for Rolls Royce, at a series of major educational and enterprise facilities in Sunderland and at the 1200 bed Park View Student Accommodation in Newcastle. It has also been a year in which the next generation of young leaders have emerged across our business.

TClarke North was a set of strong local businesses with quite separate focuses and skills. Now, whilst retaining our strengths, we are a unified high-quality Building Services operation that can deliver large scale M&E projects across the key markets of the region. That is a substantially more valuable proposition going forward as we look to new opportunities.

TARGETED

TENDERING

28%

NORTH

£53.6m

(2015: £41.8m)

Revenue

Joe Westworth, left**, Project Engineer, TClarke North**
Our work with ISG and Interserve on major M&E projects for BAE shows what TClarke can do in Manchester, the M6 corridor and the North West as a whole.

Gary Jackson, Managing Director
TClarke Scotland

This was a strong year for all parts of our Scotland business and that was well reflected in improved underlying operating margin, improved profit, record revenue and a very strong and balanced order book.

Those strong numbers are a reflection of a team which is well organised, well-focused on cost management, and motivated on site and in the office to deliver the standards of safety, quality and client service that mark TClarke Scotland out as a quality operator.

The residential business here goes from strength to strength, winning client and national NHBC awards, and being selected for the most prestigious jobs in the country. Our people's motivation and quality of work remains a major advantage. Over the last year or two we have also further developed our FM business across Scotland.

TClarke Intelligent Building's data operation (which serves the largest projects in London) is managed here in Scotland. 2016 was another highly successful year for that team which played a full role in securing the 22 Bishopsgate project and delivering other major projects like Rathbone Square.

Possibly the key strategic development in our business this year has been the re-emergence of our M&E operation as a real TClarke quality service. In 2016 our delivery of major projects like Irvine Leisure Centre, our continued work on high end education projects like the Easter Bush Innovation Centre and our securing of projects like the Mitsubishi Test Facility in Livingston, were evidence of our ability to target major M&E projects, to win them and to deliver them. Our M&E operation has the right focus from tender identification through to delivery and ongoing client relationships.

Across all measures - from turnover to succession planning, from health and safety to staff retention, TClarke Scotland is in a good place with a strong forward order book and tender opportunities. What we're looking for now is managed growth and a focus on all the aspects of quality delivery that will keep building our name.

Irving Leisure Centre, North Ayrshire

Kevin Bones, Managing Director
TClarke Central & South West

Targeted tendering has been the watchword across the group in 2016 and for us, in the first instance this is about deepening existing relationships. From that point of view, the fact that we won and delivered the M&E contract for the John Lewis store in Leeds and moved forward to win the John Lewis in Westfield, London, with our Leeds team doing the mechanical side and Peterborough the electrical, was a significant result. Just as the delivery and winning of phase after phase at the vast Beaufort Park development in Hendon for developer St George. These major contracts are delivered by our Derby team.

We've also been very successful in the buoyant Cambridge market, delivering major projects like Judge Business School and securing the Illumina Genomics Research Centre working for global high tech developer Biomed Realty.

It is also important to mention that 2016 saw us continue to develop our presence in Birmingham with another project for Deutsche Bank at Brindley Place. Our FM work in the city means that our vans are also out and about in the city too.

The Derby team has also targeted and secured a major healthcare M&E project at Stanmore Hospital. In 2016 the Group Healthcare team which has been based in this region, became a division in its own right and partnership between our central and south western operations saw several turnkey high tech equipment M&E installations across the UK.

M&E in the South West made major steps forward with projects like Beckley Court in Plymouth, the Derriford Research Facility and the Derriford Hospital Lightwell Theatres project. The South West team made outstanding progress during 2016 in building relationships with main contractors and delivering exceptional quality in complex projects, as well as taking a proactive role in developing and delivering our healthcare offer.

The overall impact of our strategic refocus towards larger M&E projects has been hugely positive for our whole team. For our engineers it has very practical advantages. If you are delivering a single multi-million pound job then you are onsite rather than moving between lots of smaller projects, you are using your skills and the latest technologies to the full and your team enjoys the focus and stability too. It is a completely different mindset and critically, it plays to our strengths as a business and helps us to establish our brand far better in the markets where the opportunities are best suited to our skills and resource.

19%
CENTRAL & SOUTH WEST
£67.9m
(2015: £56.9m)
Revenue

Nathan Fox and Andy Richter
at Judge Business School in Cambridge, a major market for TClarke's high quality services

PRINCIPAL RISKS

Risk management
The ability of the group to identify and manage effectively the risks to its business and operations is fundamental to the successful delivery of the Group's strategy and the protection of its assets and reputation.

The Board is responsible for defining the Group's appetite for and approach to risk, including the Group's system of risk management and internal controls. The board has delegated to the Audit Committee the responsibility for reviewing the effectiveness of the Group's internal controls, including the systems established to identify, assess, manage and monitor risk and provide assurance.

During the year ended 31st December 2016 the Group identified a significant fraud within the finance function of a subsidiary undertaking involving the misappropriation of funds over a number of years. Detailed investigations were initiated, under the supervision of the Audit Committee and utilising independent legal and forensic accounting assistance, to establish the quantum and nature of the fraud and to seek to recover the stolen funds. The Audit Committee also instigated an in depth review of the Group's internal control processes to provide assurance that the Group was not exposed to similar fraud risk elsewhere. Further information concerning the fraud and subsequent actions taken to mitigate the effect of the fraud and provide assurance over the Group's system of risk management and internal controls is provided in the Audit Committee report on pages 50 to 52.

Our risk management process
The Group's risk management framework requires all business units to identify, assess and quantify the specific risks facing them which could impact on their ability to deliver their financial and operational objectives. The business units maintain a register of the significant risks facing the business, including an assessment of the potential and likely impact pre- and post-mitigation, and an assessment of the effectiveness of the controls in place to identify and manage potential risks. Actions designed to mitigate identified risks and implement control and process improvements are discussed and agreed with group management. Developments in key risks, including an assessment of the effectiveness of mitigating actions and controls, are reported to and discussed by the Board each month.

Principal risks
The principal risks faced by the Group and the mitigating actions and controls in place to address these risks were reviewed in March 2017, and are presented below.

Risk	Strategy impact	Mitigation	Change from 2015	Main drivers of change
Political, economic and market conditions				
1. The construction sector is highly cyclical. The Group is dependent on the planned level of construction and maintenance expenditure by both the public and private sectors. 2. The Group is subject to complex and evolving tax, legal and regulatory requirements. A breach of laws and regulations could lead to litigation, investigations or disputes, resulting in additional costs being incurred, civil and/or criminal proceedings and reputational damage.	Enhance our core business. Advance our partnerships nationwide. Take opportunities in specialist markets and sectors.	1. The Group continues to operate throughout the UK using its core M&E skill base to enable agile movement in and out of sectors to meet changing market demands. 2. The Group monitors its order book to ensure an appropriate balance of work between London and the regions and across the various sectors in which it operates. 3. The Group develops long-term client and contractor relationships across its regional businesses and seeks to secure framework agreements to mitigate against demand fluctuations. 4. Cost and skills bases are aligned to reflect anticipated work load. 5. The Group monitors legal and regulatory developments in the areas in which it operates, and seeks legal or other specialist advice as appropriate. All employees, suppliers and subcontractors are required to comply with all applicable laws and regulations. Training is provided on legal and regulatory changes as required.	↔	Construction activity in London has increased despite the uncertainty created by the EU referendum result, with a number of significant projects commencing

Risk	Strategy impact	Mitigation	Change from 2015	Main drivers of change
Financial strength				
The Group's ability to secure and deliver work depends on its perceived financial strength and the availability of cash resources, banking facilities and the ability to provide performance and other bonds as necessary.	Enhance our core business. Advance our partnerships nationwide.	1. Capital structure and dividend policy managed to ensure adequate reserves maintained to fund growth strategy. 2. The Group monitors cash flow requirements and seeks to match maturity profiles of financial assets and liabilities at contract level. 3. Efficient utilisation of resources monitored via Group-wide business management system. 4. The Group has in place a £10m Revolving Credit Facility, committed to 31st March 2020, and a £5m overdraft facility to help manage short-term fluctuations in working capital. 5. The Group also has in place £20m committed bonding facilities. 6. Creditworthiness of counterparties monitored on an ongoing basis.	↓	The Group's banking facilities were renegotiated as planned during 2016 and now comprise a committed £10m revolving credit facility to 31st March 2020 and a £5m overdraft facility. Improved underlying performance during 2016.
Reputation				
The Group's ability to tender for new business and to maintain strong relationships with customers is dependent on maintaining its reputation for leadership in technological innovation and quality of delivery.	Enhance our core business.	1. The Group supports high standards of business ethics, sustainability and compliance, and is committed to improving health and safety at work for all. 2. Feedback is sought from key stakeholders on a regular basis, and actions arising from this feedback discussed and agreed at an appropriate level.	↔	
Winning new work				
Our ability to secure profitable new work is dependent on our ability to: • adequately resource tenders; • understand the technical and commercial challenges incumbent in each tender; and • price the associated risks accordingly. If risks are underpriced, contract losses and reputational damage may result; if risks are overpriced, the Group will not secure sufficient tenders to replenish the order book and grow the business.	Mirror principal contractors regionally and focus on targeted tendering. Take opportunities in specialist markets and sectors.	1. Focus on strong relationships enables us to understand client needs and focus our tendering activity accordingly. 2. We have experienced teams of estimators throughout the country, with all bids reviewed by a Director and checks carried out to avoid incorrect or non-competitive pricing. 3. The Board remains committed to the principle that we will not bid for work below commercially acceptable rates. 4. A detailed business case is prepared for any proposed expansion into new geographic areas or business sectors, and is subject to prior board approval.	↓	Tender prices and margins are improving as clients and contractors seek to lock in scarce M&E resource. The Group's order book has continued to grow.
Contract delivery				
The Group concurrently runs several hundred contracts across the country, some of huge complexity. These require high quality, proactive management to ensure delivery of value objectives for all stakeholders. Failure to deliver could result in significant financial and reputational damage.	Enhance our core business Sustain our resource advantage. Mirror principal contractors regionally and focus on targeted tendering.	1. Ongoing assessment and management of operational risk throughout project lifecycle. 2. Train and maintain industry leading teams of directly employed Engineers, Surveyors, Supervisors and skilled tradespeople 3. Regular performance reviews of all key suppliers and subcontractors. 4. Insurance cover reassessed each year, to guard against liability claims. 5. Profit and cash flow are monitored throughout the project lifecycle, with regular reviews at contract and business unit level. 6. Contracts of a significant size or risk are regularly reviewed by Executive Management and discussed at Board level.	↔	The Group is benefiting from its focus on relationships and targeted tendering approach with an improvement in the overall quality of secured work. The Group's core resource of skilled tradesmen and project delivery teams gives it a key advantage over competitors dependent on external resources for project delivery.

Risk	Strategy impact	Mitigation	Change from 2015	Main drivers of change
People and skills				
Attracting, retaining and developing high calibre staff and skilled tradespeople is key to our ability to deliver value for our stakeholders.	Sustain our resource advantage.	1. The Group remains committed to providing apprenticeships, career paths and ongoing training and development for all employees. 2. Remuneration packages for all staff are linked to performance and monitored to ensure they remain competitive. 3. Labour rates are monitored regularly to ensure tender rates are realistic and increases are managed. We have continuous dialogue with the trade unions and continue to review our policies and procedures in managing this risk.	↑	Vast numbers of skilled resource left the industry during the downturn and have not been replaced. As the construction sector grows, increasing demand for scarce engineering, commercial and site-based resources is making recruitment and retention of employees more difficult.
Health and safety				
Failure to manage health, safety and environmental risks could cause serious injury or loss to employees or third parties and expose the group to significant financial and reputational loss and litigation.	Sustain our resource advantage.	1. The Group Managing Director has overall responsibility for health and safety, ensuring safety is prioritised throughout the Group. 2. The Group Health and Safety Director monitors and responds to legal and regulatory developments. 3. Industry leading health and safety policies and procedures are maintained. 4. All employees received regular training and updates to ensure they are aware of their responsibilities. 5. All employees, suppliers and subcontractors are required to comply with all applicable laws, regulations and standards.	↔	
Supply chain				
To deliver projects to the correct specification and to budget requires the availability of components and materials of sufficient quality and at the right price. The majority of projects we secure do not allow for the recovery of increased material costs.	Advance our partnerships nationwide.	1. Formal supplier framework agreements are maintained to mitigate this risk, with prices locked in through procurement at the beginning of a contract wherever possible. 2. Regular performance reviews of all key suppliers and subcontractors.	↑	Inflationary pressures are increasing throughout the supply chain.
Pensions				
The Group is exposed to funding risks arising from changes in longevity, inflation and investment assumptions in relation to its defined benefit pension scheme.	Sustain our resource advantage.	1. The Group's defined benefit scheme closed to new members from January 2015. 2. Ongoing regulatory and funding requirements are monitored in conjunction with external actuarial advisers and regular meetings are held with the pension scheme trustees. 3. The Group is consulting with employees on an increase in employee contributions.	↑	Actuarial assumptions, driven by falling bond yields, have significantly increased the Group's exposure to defined benefits pension risk. The triennial valuation of the scheme as at 31st December 2015 showed that the scheme deficit has increased and the Group will need to make additional contributions to clear the deficit.
IT Systems				
The efficient operation of the Group is dependent on the proper operation and security of its IT systems.	Sustain our resource advantage.	1. The Group has implemented a system-wide business management system and undertakes a process of continual improvement. 2. The Group maintains robust cyber security policies to guard access third party access and malicious attacks. Warnings of specific threats are circulated to all relevant personnel.	↔	

VIABILITY STATEMENT

The Directors have assessed the Group's prospects and viability, taking into account its current position and the principal risks outlined on pages 30 to 32.

The nature of the Group's business is long-term and its business model is open-ended. The UK construction market in which the Group operates is subject to considerable peaks and troughs. The Directors consider a three year period as appropriate for assessing the ongoing viability of the Group as most of the projects undertaken by the Group are completed within a three year time horizon from initial tender and the Group uses a three year time frame for the preparation of its strategic business plans and financial projection models.

The Group's prospects are assessed primarily through its strategic business planning process and the ongoing monitoring of the principal risks and mitigating actions. The process is led by the Chief Executive and involves Senior Management throughout the Group.

All business units formally update their strategic plans on an annual basis. This process, which takes place in the fourth quarter each year, includes:

- an assessment of the business unit's current position taking into account its operating environment and the threats and opportunities it faces;
- the business unit's achievements over the previous twelve months measured against its strategic objectives;
- a detailed review of the risks faced by the business units and the strength of the controls and mitigating actions in place;
- the agreement of financial and strategic targets covering the following three years; and
- the preparation of detailed budgets and projections for the next three years in support of the strategic business plan.

The business unit strategic plans are formally reviewed and challenged by the Executive Directors prior to presentation to the full Board.

Based on the financial models submitted by the business units, the Group's financial projections are updated and tested using a range of sensitivities to identify potential threats to the financial viability of the Group over the three year projection period. These sensitivities include changing assumptions with regard to margins, workload and liquidity of financial assets and liabilities. The key assumptions underlying the financial model include the renewal and continuing availability on similar terms of the Group's existing banking facilities, which comprise a £5 million overdraft facility repayable on demand and a committed £10 million revolving credit facility expiring on 31st March 2020, and the ability to flex the cost base sufficiently to address any significant change in workload. The three year projections demonstrate that, taking into account any reasonable sensitivities, the Group will be able to operate within its existing facilities over the three year projection period, and the Directors are confident, as demonstrated by our experience during the recent recession, that the Group's business model allows sufficient flexibility to meet any significant change in demand for its services.

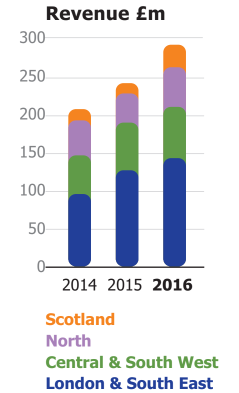
The Group takes a conservative approach to strategic risk. The business case for all significant investments and entry into or exit from specific markets is reviewed and signed off by the Board. Risk registers are maintained and reviewed regularly throughout the year to identify potential threats to the Group's business, to assess the financial, operational and strategic impact of these threats, and to determine appropriate mitigating actions.

Based on their assessment of prospects and viability above, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet is liabilities as they fall due over the three year period ending 31st December 2019.

The Directors also considered it appropriate to prepare the financial statements on the going concern basis, as explained in Note 3a on page 94.

FINANCIAL REVIEW

Martin Walton
Finance Director



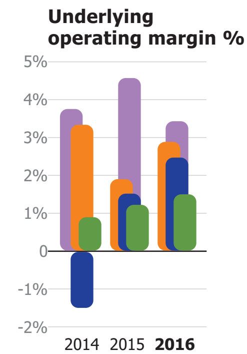
Summary of financial performance

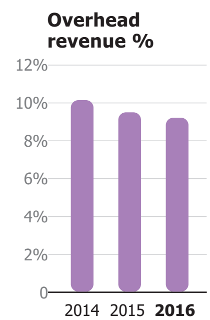
Continuing operations	2016 £m	2015 (Re-presented)[3] £m
Revenue	**278.6**	242.4
Operating profit		
- Underlying[1]	**6.9**	5.1
- Reported	**4.4**	4.4
Profit / (loss) before tax		
- Underlying[1]	**6.2**	4.2
- Reported	**3.7**	3.5
Profit / (loss) after tax		
- Underlying[2]	**4.9**	3.4
- Reported	**2.9**	2.8
Discontinued operations	**(0.5)**	(2.7)
Profit / (loss) for the year	**2.4**	0.1
Earnings per share:		
- Underlying[2]	**11.60p**	8.16p
- Continuing operations	**6.74p**	6.66p
- Reported	**5.45p**	0.13p
Dividend per share	**3.2p**	3.1p

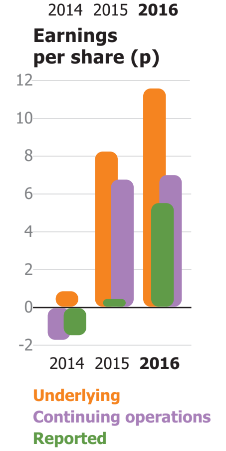
[1] Underlying operating profit and profit before tax are stated before amortisation of intangible assets and non-recurring items - see Note 7 to the financial statements.

[2] Underlying profit after tax and earnings per share are stated after adjusting for the tax effect of amortisation and non-recurring items.

[3] Prior year re-presented to reclassify certain immaterial cost of sales and underlying administrative expenses totalling £0.5m as non-recurring costs to aid comparison with the current year.







Accounting policies and segmental reporting

The Group's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. There have been no significant changes to accounting policies during the year ended 31st December 2016.

Underlying Group performance

Overview

Revenue from continuing operations increased by 14.9% to £278.6m (2015: £242.4m), and underlying operating profit increased by £1.8m to £6.9m (2015: £5.1m). Underlying operating profit, which excludes amortisation and non-recurring items, is the measure used to assess performance against targets and determine performance related remuneration. All regions delivered increased revenue, whilst London & South East and Scotland showed significant increases in margins. Net underlying overheads as a percentage of revenue fell to 9.2%. Our order book grew by 10% to £330m (2015: £300m).

London & South East

Revenue from our London & South East operations increased by 10.7% to £142.9m (2015: £129.1m), generating an underlying profit of £3.5m (2015: £2.0m). Underlying operating margin increased to 2.4% (2015: 1.5%).

We have secured a number of significant new orders across a wide spectrum of work for 2017 and beyond, including mechanical and IT as well as electrical services, with our clients continuing to value our teams of in-house engineers and tradesmen.

Central & South West

Revenue from our Central & South West operations increased by 19.3% to £67.9m (2015: £56.9m) and underlying operating profit improved to £1.0m (2015: £0.9m), with underlying operating margins down slightly at 1.5% (2015: 1.6%). The region continues to benefit from strong client relationships and repeat business. The expansion of our healthcare business and our burgeoning reputation in the South West have presented a number of growth opportunities which should lead to improved profitability going forward.

North

In the North revenue increased by 28.2% to £53.6m (2015: £41.8m), with the region continuing to benefit from strong client relationships and repeat business. Underlying operating profit was £1.8m (2015: £1.9m). The underlying operating margin was 3.4% (2015: 4.5%), as we invested in our core mechanical and electrical contracting capabilities in the North West and the improved coordination and consistency of our offering across the region under a common managing director.

Scotland

Scotland's revenue increased by 29.6% to £21.0m (2015: £16.2m), and underlying operating profit was £0.6m (2015: £0.3m), representing an underlying operating margin of 2.9% (2015: 1.9%). Scotland's strong performance continued its recovery evident in the second half of 2015. As well as its continuing strength in the residential market, Scotland has generated significant IT, mechanical and electrical work streams in the commercial sector.

Exceptional and non-underlying items

Exceptional and non-underlying items comprise £0.2m (2015: £0.2m) amortisation of intangible assets, and £2.3m (2015: £0.5m) non-recurring costs relating to the misappropriation of funds uncovered towards the end of 2016. The total cost of the fraud, including investigation costs, is £3.3m, £1.0m of which had already been expensed in prior years. Results prior to and including 2015 have not been restated as the impact cumulatively and in each year was not considered to be material, however, the 2015 income statement has been re-presented to include £0.5m costs relating to the fraud as a non-recurring item. The cost in 2016 includes £0.4m fees incurred in investigating the fraud and pursuing civil and criminal remedies.

Finance costs

Net finance costs were £0.7m (2015: £0.9m), including a £0.6m (2015: £0.6m) non-cash finance charge in respect of the pension scheme. Net interest on bank loans and overdrafts fell to £0.2m (2015: £0.3m), reflecting improved cash performance throughout the year.

Taxation

As a wholly UK based group, our tax charge is dependent on UK corporation tax rates. For 2016, the tax charge was impacted by the fall in prospective tax rates on deferred tax assets and non-deductible expenses, which saw the effective tax rate increase to 23.5% (2015: 20.1%).

Discontinued operations
Following the decision to discontinue our Bristol and Cardiff operations in 2015, the Group has incurred further losses of £0.5m after tax (2015: £2.7m) closing out its contractual commitments in respect of these offices.

Earnings per share
Basic earnings per share after discontinued operations increased to 5.45p (2015: 0.13p), with basic earnings per share from continuing operations increasing to 6.74p (2015: 6.66p).

Basic underlying earnings per share after adjusting for amortisation of intangible assets and non recurring costs and the tax effect of these items, was 11.60p (2015: 8.16p).

Dividends
The Board is proposing a final dividend of 2.70p (2015: 2.60p), with the total dividend for the year increasing by 3.2% to 3.20p (2015: 3.10p). The dividend is covered 3.6 times by underlying earnings.

The final dividend will be paid, subject to shareholder approval, on 12th May 2017 to those shareholders on the register at 18th April 2017. The dividend will go ex-dividend on 13th April 2017. A dividend reinvestment plan (DRIP) is available to shareholders.

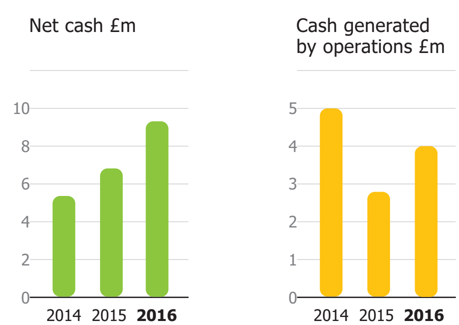
Pension obligations
The triennial valuation of the pension scheme at 31st December 2015 showed a deficit of £14.9m, representing a funding level of 67% (2012 valuation: deficit £11.5m, funding level 68%).

The Group has been pursuing an agreed deficit reduction plan over a number of years, however market factors have meant that the deficit has not been reduced as intended and the cost of funding current pension commitments has increased. Following provisional agreement of the draft 2015 valuation, the Group has proposed a revised deficit reduction plan which includes making additional contributions and continuing to provide security to the pension scheme in the form of a charge over property assets up to a combined market value of £3.1m. From 1st January 2017 the future service contribution will increase to 21.4% of pensionable payroll (including employee contributions) and the deficit reduction contribution has been set at £1.0m for the year ending 31st December 2017, £1.25m for the year ending 31st December 2018 and £1.5m per annum thereafter. The Group has proposed an increase in employee contributions from 8% to 10% of pensionable salary and is consulting with employees on this proposal.

The scheme is closed to new members and the Group continues to meet its ongoing obligations to the scheme.

In accordance with IAS 19 'Employee Benefits', an actuarial expense of £6.3m, net of tax, has been recognised in reserves, with the pension scheme deficit increasing by £7.2m to £20.6m (2015: £13.4m). The increase in the deficit is primarily due to a fall in the discount rate applied to scheme liabilities, which arose due to the significant fall in bond yields during 2016, offset by changes in mortality assumptions.

Cash flow and funding



The Group's net cash balances improved to £9.3m at 31st December 2016 (2015: £6.7m) after deducting the £3.0m (2015: £5.0m) outstanding under the revolving credit facility. This reflects the improved underlying performance of the Group and improved management of working capital.

During the year the Group renegotiated its banking facilities and now has in place a £10.0m revolving credit facility, which is committed until 31st March 2020 and a £5.0m overdraft facility, renewable annually. Interest on overdrawn balances is charged at 2.25% above base rate, and interest on balances drawn down under the revolving credit facility is charged at 2.25% above LIBOR, fixed for the duration of each drawdown (typically three to six months). The Group was compliant with the terms of the facilities throughout the year ended 31st December 2016 and the Board's detailed projections demonstrate that the Group will continue to meet its obligations in the future.

The Group also has in place £22.5m of bonding facilities, of which £11.1m were unused at 31st December 2016.

Net assets and capital structure

The Group is funded by equity capital, retained reserves and bank loans, and there are no plans to change this structure. In spite of the strong underlying performance, shareholders' equity decreased by £5.5m during the year to £14.1m (2015: £19.6m) due to the increase in the pension deficit (reported through other comprehensive income) and the misappropriation of funds referred to above.

At £22.8m (2015: £23.0m), goodwill and intangible assets arising on previous acquisitions represent a significant proportion of the Group's total assets of £112.1m (2015: £109.4m). The Board has undertaken a rigorous impairment review in respect of the intangible assets at 31st December 2016 and concluded that no impairment is necessary.

Group reorganisation

During the year the Group implemented the first phase of a group reorganisation, which saw all the Group's operating activities in London & the South East and Central & South West divisions come together into a single statutory entity, TClarke Contracting Limited, with a separate statutory entity, TClarke Services Limited providing engineering and support services to the enlarged operating company. TClarke Services Limited also became the principal employer of the Group's defined benefit pension scheme and in accordance with the Group's accountancy policies the defined benefit pension obligation was transferred to that company. Phase 2 of the Group reorganisation, which will see our operations in the North and Scotland merged into TClarke Contracting Limited, will be implemented during 2017. This reorganisation represents the culmination of a process of rationalisation and increased consistency of organisation and delivery that has been ongoing for a number of years.

Financial risk management

The Group's main financial assets are contract and other trade receivables and cash and bank balances. 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 may also be exposed to financial and reputational risk through the failure of a subcontractor or supplier.

The financial strength of counterparties is considered prior to signing contracts and reviewed as contracts progress where there are indications that a counterparty may be experiencing financial difficulty. Procedures include the use of credit agencies to check the creditworthiness of existing and new clients and the use of approved suppliers' lists and group-wide framework agreements with key suppliers.

Martin Walton
Finance Director
28th March 2017

The Company reinforces its ongoing commitment to conducting business with honesty and integrity, in a fair manner. Through high standards of corporate governance and setting the 'tone from the top', the Board is responsible for establishing and monitoring policies which seek to embed high ethical standards of behaviour throughout the Group. The Company has clear and concise policies in place to support the business and enable TClarke to operate in an open and transparent manner including, but not limited to: anti-bribery and corruption, health and safety, environmental, sustainable development, quality assurance, equal opportunities, equality and diversity, training and development and other human resources policies.

The Company expects its employees to conduct themselves in a manner which reflects the high calibre of the business, with a personal commitment to compliance with all applicable laws and regulations. The Company has a zero tolerance policy towards any form of bribery or corruption and has an appropriate procedure in place whereby any concerns in relation to malpractice can be raised in an appropriate forum.

It is our policy to ensure that the highest possible standards are achieved and maintained operationally throughout our full scope of operation. We are proud to operate a business management system in accordance with the requirements of ISO 9001:2015 (Quality Management Systems).

Health & Safety at TClarke

Health & Safety is at the core of our business and is the 'cornerstone' of all our operations. As such, we have continued our ongoing investment in this area.

The primary challenge in 2016, was, as ever, to keep Health & Safety at the forefront of everybody's mind and improve upon the existing procedures and systems, to continually evolve and improve our performance (see below).

Improved 'You See, You Say' Figures

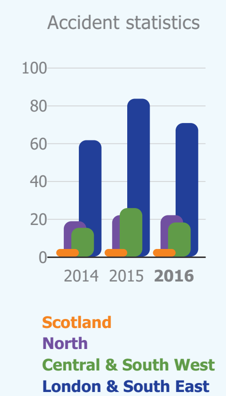
The 'You See, You Say', 'Near Miss' reporting initiative has, again, seen a substantial improvement with regards to the number of reports received. In fact, an increase of over 20% from 3,215 in 2015 to 4,076 in 2016, demonstrating our strong 'Culture' for accident reporting.

The iPad monthly Health & Safety Award is still given for the best 'You See, You Say', regional entry, drawn from a hat (a hard hat of course).

Absolute accident reporting

As described in 2016, the 'Absolute' Accident Reporting Regime, which ensures each accident is reported despite the level of severity, has been maintained. Therefore, every accident which occurs within the business, no matter how apparently small or insignificant, is dutifully recorded. No accident is accepted lightly but more importantly none are hidden and so it follows that no statistic is buried.

The Accident Statistics across the Group for 2016 compared to 2015 were down from 140 to 123 (12%) and RIDDORs (HSE Reportable) down from 16 to 11 (31%).



We continue to strive to ensure all our operatives are suitably trained to minimise the risks of incidents and accidents occurring.

A full range of Safety Initiatives

During 2016, TClarke continued to implement 'our' full range of Health & Safety initiatives under the well-established 'Switched on to Safety' banner which has run continuously since 2005. These initiatives included 'Have Your Say' which focuses on drawing out Health & Safety topics and issues for discussion, which encourages engagement and consultation with the employees, 'Good to Go' which is the TClarke procedure for pre-task briefings, 'Clear As You Go' which is our system for collecting waste as it is created and 'Would You?' which is the new poster and toolbox talk campaign focusing on Health, Safety, and Environmental risks.

Environment

TClarke recognises and accepts the known environmental implications of its engineering works and procedures.

As part of our commitment to sustainable development we undertake regular appraisals as a means of identifying significant impacts for our works including: health and safety, climate change and air quality, travel and transport, energy consumption, noise vibration, water and drainage, geology and soils and wastage.

TClarke maintains an Environmental Management System accredited to ISO 14001:2015 to provide its clients and other stakeholders with verifiable evidence that Environmental Performance is integral to business management.

As a registered waste carrier we ensure that materials are handled and disposed of in a manner that does not damage the environment or cause pollution. Furthermore, the Company aims to recycle so far as practicable.

Energy consumption was measured across the Group by recording data on the combustion of fuel and the use of electricity at its facilities.

Greenhouse gas emissions

As a responsible company we take our environmental responsibilities seriously. This is the fourth year we have been required to report on Greenhouse Gas ("GHG") emissions in accordance with the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

Energy consumption was measured across the Group by recording data on the combustion of fuel and the use of electricity at its offices and facilities and we have collated Scope 1 and Scope 2 emissions data for the year ended 31st December 2016 across the Group companies, which are reported in our consolidated financial statements.

Our GHG emissions have been calculated using UK Government guidelines for conversion of fuels and electricity.

Greenhouse gas emissions

2016	**Measure**	**London & SE**	**Central & SW**	**North**	**Scotland**	**Total**
Scope 1 emissions	$tC0_2e$	129	1,005	317	285	1,736
Scope 2 emissions	$tC0_2e$	113	51	42	37	243
Total scope 1 & 2 emissions	$tC0_2e$	242	1,056	359	322	1,979
Revenue	£m	142.9	67.9	53.6	21.0	285.4
Emissions / £1m revenue		1.7	15.6	6.7	15.3	6.9

2015	Measure	London & SE	Central & SW	North	Scotland	Total
Scope 1 emissions	$tC0_2e$	102	1,187	348	333	1,970
Scope 2 emissions	$tC0_2e$	147	77	57	43	324
Total scope 1 & 2 emissions	$tC0_2e$	249	1,264	405	376	2,294
Revenue	£m	129.1	56.2	41.8	15.3	242.4
Emissions / £1m revenue		1.9	22.5	9.7	24.6	9.5

Definitions

1. Scope 1 emissions	Combustion of fuel and operation of facilities
2. Scope 2 emissions	Electricity purchased from the national grid
3. $tC0_2e$	Tonnes Carbon Dioxide equivalent

Supporting charities and local communities

TClarke is pro-active in its corporate responsibility to the local and wider community in which we work. We engage in initiatives with our communities by liaising with local schools, attending career open days, holding skills workshops and offering work placements for young and mature trainees.

In addition to the support we give to providing employment to the local and wider community, TClarke and its people value the contribution we can make through supporting charitable organisations and sponsored events.

In 2016 several successful charity events were organised including a Group-wide 'Wear It Pink' day to support breast cancer awareness for the registered charity Breast Cancer Now.

Our regional offices organised various fundraising events for national and local charities, and supported their local communities, including the annual TClarke London Christmas raffle, which raised money for The Evelina London Children's Hospital.

Diversity and equality

The Group maintains an equality and diversity policy, selecting and promoting employees based on their aptitudes and abilities. TClarke is committed to providing equal opportunities to all current and future employees and values the differences that a diverse workforce can contribute to the organisation. Data concerning gender diversification is given below:

Gender diversification

2016	**Male**	**Female**	**Total**
Directors	6	1	7
Senior management	37	1	38
Staff	288	97	385
Skilled operatives	753	4	757
Apprentices and trainees	187	2	189
Total	1,271	105	1,376
2015	Male	Female	Total
Directors	7	1	8
Senior management	24	1	25
Staff	308	87	395
Skilled operatives	718	5	723
Apprentices and trainees	136	1	137
Total	1,193	95	1,288

When recruiting, TClarke gives full and fair consideration to suitable applicants, having regard to individuals' aptitudes and abilities and takes responsibility for its obligations towards employment of disabled people. The Company is committed to ensuring that any individual who becomes disabled during the course of their employment remains in their own role where possible, or is employed in another suitable position. Training, career development and promotion of disabled employees should, as far as possible, be identical to that of other employees.

The Company is committed to ensuring that everyone is treated equally regardless of disability or any other condition which cannot be shown to be relevant to performance.

Investing in our workforce

Our people are our biggest asset, and we recognise the need to attract and retain excellent staff which give TClarke the great reputation we are renowned for. Creating shareholder value is ultimately dependent on the skill, dedication, reliability and motivation of our workforce, and we prioritise investment in our employees as a key success factor.

Since the launch of the TClarke Training Academy and Career Pathway in January 2016 we have successfully rolled out our plan of monthly training modules to our new trainees and experienced staff to ensure all staff are trained in TClarke's procedures and kept up to date with new systems and technologies.

We have carried out appraisals with all staff members, which has been invaluable to allow us to understand our staffs training needs and helping them meet their career aspirations. We have paired junior team members with senior mentors to assist them in their journey within TClarke. This ensures that TClarke's values and aspirations are understood throughout the business.

We ensure employees are kept informed and take appropriate steps to ensure that we communicate with our employees in an effective manner to notify everyone regarding matters that are of concern to them and factors that affect the performance of the Company. When the Company needs to make decisions which affect our people's interests, we consult with employees, or their representatives, and value their opinions when making decisions which affect their interests.

The Strategic Report on pages 2 to 41 was approved by the Board of Directors on 28th March 2017.

Mark Lawrence
Chief Executive Officer
28th March 2017

Executive Directors

Mike Crowder, *back left*
Mark Lawrence, *seated*
Martin Walton, *right*

Mark Lawrence
Group Chief Executive Officer

Appointed to Board 2nd May 2003. Age 49.

Mark has 31 years with the company and started his career here by completing an electrical apprenticeship in 1987. He progressed through the company, becoming Technical Director in 1997, Executive Director in 2003 and Managing Director, London Operations in 2007. As Group Chief Executive Officer since January 2010, Mark has led strategic change across the group and remains a hands-on leader, taking personal accountability and pride in TClarke's performance and, ultimately our client's satisfaction. He regularly walks project sites and gets involved personally with many of our clients, contractors and our supply chain.

Mike Crowder
Group Managing Director

Appointed to Board 1st January 2007. Age 52.

Mike has over 25 years of significant experience in the construction industry and started at TClarke as an apprentice. His vast project based experience includes the delivery of many flagship jobs and a detailed knowledge of large infrastructure projects. Mike has overall responsibility for Operations and ensuring that all projects are properly managed. He also monitors our engineering departments and projects on a regular basis as a Main Board Member. Mike is responsible for Group health and safety and is actively involved with health and safety risk management and with raising awareness, influencing attitudes and changing behaviours.

Martin Walton
Group Finance Director

Appointed to Board 26th October 2010. Age 52.

Martin is a Chartered Accountant with over 25 years experience within the profession and across industry. He has worked with numerous plcs across a range of market sectors, both with KPMG and BDO. Martin holds a First Class Honours Degree in Accountancy and Finance from the London School of Economics. He joined TClarke as Group Financial Controller in October 2007 and has led the implementation of the Group's management reporting system.

Non-Executive Directors

Iain McCusker, *back left*
Mike Robson, *back right*
Beverley Stewart, *seated*
Tony Giddings, *right*

Iain McCusker
Chairman
Appointed to Board 1st January 2009. Age 65.

Iain is a Chartered Accountant and former partner at Coopers & Lybrand. He has significant international financial and management experience, gained through senior executive roles at Xerox, Unisys and ACCA. This includes in depth commercial, operational and risk management experience. Iain is a former member of the Qualifications Board of The Institute of Chartered Accountants of Scotland. He is a Non Executive Director of Cripps LLP, Visiting Fellow at Cass Business School and Chairman, NPA Insurance.

Tony Giddings
Senior Independent Non-Executive Director
Appointed to Board 1st October 2014. Age 65.

Tony holds a BSc in Building Administration and is a Fellow of the Chartered Institute of Building. Tony has had a long and successful career in property development including the delivery of over £1.8 billion in construction projects. He has previously held Board positions at Argent LLP and The British Council for Offices and was Chairman of The Design and Build Foundation from 2001 to 2003. Tony is a Trustee of CRASH and Director of London South Bank University.

Beverley Stewart
Independent Non-Executive Director
Appointed to Board 1st January 2005. Age 56.

Beverley holds a degree in Building Economics and qualified as a Chartered Surveyor in 1988. She has over 25 years Board level experience in the construction industry, including a successful career delivering Real Estate Integration programmes and Occupier Real Estate reorganisation for corporate clients. She gained over 15 years experience at Axtell Yates Hallett where she became a partner, before becoming owner of a partnership providing project management, cost planning and asset management consultancy.

Mike Robson
Independent Non-Executive Director
Appointed to Board 18th November 2015. Age 56.

Mike is a Chartered Accountant with experience of audit, financial management and reporting, gained at PwC and in industry. In a career including 23 years of Board level experience, Mike has worked in a range of business sectors as Finance Director, Managing Director, owner or Advisor. He has a strong focus on improving business performance and developing management teams. Mike has also launched, developed and successfully sold his own internationally based business. Mike also serves as Director, Azure Partners Ltd.

Corporate governance report

Iain McCusker
Chairman

Chairman's introduction

The Board is committed to high standards of corporate governance and continues to embrace the principles contained in the UK Corporate Governance Code ('the Code'). The Code sets out principles to which the Listing Rules require all listed companies to adhere, supported by more detailed provisions. This governance section describes the principal activities of the Board and its committees, and how the Company complies with the Code.

As a Board, we recognise that a high standard of corporate governance is essential to support the Group's strategy. Our Directors constructively challenge matters in an open and transparent manner for the best interests of our shareholders.

The Company uncovered a significant misappropriation of funds within a subsidiary company in the latter part of 2016, which led to immediate action being taken by the Board to commission an independent review of the Company's internal controls and procedures, as described in my Chairman's statement on pages 2 and 3. The key objectives going forward are to implement the recommendations which arose from the review to strengthen our internal controls and ensure our governance procedures effectively monitor and review these improvements.

As Chairman, I will continue to evolve our governance framework, being mindful of best practice and the latest developments surrounding corporate governance.

Iain McCusker
Chairman
28th March 2017

Statement of compliance

Alexandra Dent
Company Secretary

Throughout the year ended 31st December 2016 the Board considers that it has complied with the provisions of the Code. The Code is issued by the Financial Reporting Council (FRC) and is available on the FRC's website https://www.frc.org.uk

Structure of the Board

The Company is managed by the Board of Directors, which currently consists of four non-executive directors (including the Chairman) and three executive directors. Danny Robson also served as an executive director from the start of the year until his resignation on 21st March 2016.

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 Annual General Meeting ("AGM"). At the forthcoming AGM on 5th May 2017 Iain McCusker and Mike Crowder will retire and offer themselves for re-election. Beverley Stewart will not be offering herself for re-election at the 2017 AGM. As such, Mrs Stewart will retire at the conclusion of the next AGM.

All Executive Directors have signed service agreements which take into account best practice and contain a notice period of 12 months for all Executive Directors.

All Non-Executive Directors have letters of appointment specifying their roles, responsibilities and required time commitment to the Board.

Prior to his appointment as Chairman, Iain McCusker disclosed his significant commitments to the Board. These commitments, and all directors' biographies are provided on pages 42 and 43.

Beverley Stewart, by virtue of having served as a Director of the Company for more than eleven years, is deemed not to be independent according to the Code. Despite this, at least half of the directors were deemed to be independent throughout the year.

Board diversity

The Board recognises the benefits of board diversity including, but not limited to, the appropriate mix of skills, experience, gender, age, ethnicity, background and personality. The Board endorses a balance of diversity and experience to promote Board effectiveness, whilst taking into account the appropriate financial, managerial and industry skills which are relevant to the calibre of a Director of TClarke.

The Board stipulates that new appointments to the Board will be based on merit and suitability to the role, whilst also giving due consideration to diversity. Non-Executive Directors should have the ability to fulfil the requisite time commitment.

Board meetings

The composition of the Board is designed to ensure effective management, control and direction of the Group.

Matters reserved for the Board include:

- Consideration and approval of the Group's strategy, budgets, structure and financing requirements
- Consideration and approval of the Group's annual and interim reports and financial statements
- Consideration and approval of interim and final dividends
- Consideration and approval of the Group's interim management statements
- Ensuring the maintenance of a sound system of internal controls and risk management
- Conducting a robust assessment of the principal risks facing the Company, and setting risk appetite
- Changes to the structure, size and composition of the Board recommended by the Nomination Committee
- Establishing committees of the Board and determining their terms of reference

The Board is collectively responsible for the effective oversight of the Company and its businesses. It also determines the strategic direction and governance structure of the Company to enable it to achieve long-term success and deliver sustainable shareholder value. The Board takes the lead in safeguarding the reputation of the Company and ensuring that the Company maintains a sound system of internal control. The Board's full responsibilities are set out in the schedule of matters reserved for the Board.

The Chairman is responsible for the leadership and management of the Board and its governance. By promoting a culture of openness and debate, he facilitates the effective contribution of all Directors and helps maintain constructive relations between Executive and Non-Executive Directors.

The Chief Executive Officer is responsible for the Executive leadership and day to day management of the Company, to ensure the delivery of the strategy agreed by the Board. Through his leadership of the Group Management Board he demonstrates his commitment to health and safety, operational and financial performance.

The Senior Independent Director acts as a sounding board for the Chairman and serves as an intermediary for the other Directors, as well as shareholders as required.

Independent of management, the Non-Executive Directors bring diverse skills and experience vital to constructive challenge and debate. The Non-Executive Directors provide the membership of the Audit, Remuneration and Nomination Committees. The roles of Chairman, Chief Executive Officer and Senior Independent Director are clearly defined and disclosed on the Company's website.

The Board holds formal, full Board meetings once a month, with the exception of August, 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 formal scheduled Board and sub-committee meetings is set out below:

Number of meetings attended

	Board (Maximum 11)	Audit (Maximum 4)	Nomination (Maximum 2)	Remuneration (Maximum 6)
Iain McCusker	11	–	2	6
Tony Giddings	10	3	2	6
Beverly Stewart	11	4	2	6
Mike Robson	11	4	2	6
Mark Lawrence	11	–	–	–
Martin Walton	11	–	–	–
Mike Crowder	11	–	–	–
Danny Robson[1]	2	–	–	–

[1] Resigned 21st March 2016.

The Group Management Board

The Group Management Board comprises the Executive Directors and other key members of the Group's management team, including representatives of the regional businesses. The role of the Group Management Board is to co-ordinate and direct the efforts of the four regional businesses and the individual offices below them to manage risk and deliver value for the Group as a whole across our target sectors in line with the Group's strategy. The Group Management Board considers Group initiatives on matters such as Health & Safety, employee involvement, and the development of new services and areas of expertise. The Group Management Board also reviews the operational effectiveness of the business units in matters such as tender submission and success rates, cash generation and maintenance, and health and safety performance.

The Non-Executive Directors meet with members of the Group Management Board and other members of the senior management team at least once a year. In addition, the Non-Executive Directors make visits to the subsidiary companies in order to acquaint themselves with the regional businesses and their senior management.

Performance evaluation

The effectiveness of the contribution and level of commitment of each Director to fulfil the role of a Director of the Company is the subject of continuing evaluation, having regard to the regularity with which the Board meets, the limited size of the Board and the reporting structures which are in place within the Company to monitor performance.

The Chairman primarily, but acting in conjunction with the Chief Executive Officer, undertakes the task of annual evaluation of performance and commitment of individual members by conducting individual interviews. The evaluation of the Board as a whole, and its committees, is also undertaken on an annual basis. New Directors receive a formal induction, overseen by the Chairman in conjunction with the Company Secretary. Training is available for all Directors as and when necessary. The Senior Independent Director, in conjunction with the other independent Non-Executive Directors, undertakes the annual appraisal of the Chairman.

The Board conducted an internal appraisal of its own performance, led by the Chairman in conjunction with the Nomination Committee, covering the composition, procedures and effectiveness of the Board and its committees. The Board members are of the opinion that the Board operates effectively. Performance is regularly monitored to ensure ongoing obligations are adequately met and the Board regularly considers methods for continuous improvements.

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.

Board Committees

The Board has established the following committees, whose terms of reference are available on the Company's website.

Audit Committee

The roles and responsibilities of the Audit Committee include:

- Monitoring the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance, reviewing significant financial reporting issues and judgements contained therein
- Reviewing the Company's internal controls and risk management systems and review the need for an internal audit function on an annual basis
- Making recommendations to the Board, to be put to shareholders, in relation to the appointment of external auditors and their remuneration and terms of engagement
- Reviewing and approve the audit plan and ensure it is consistent with the scope of audit engagement
- Reviewing the independence of the external auditors and review the effectiveness of the audit process
- Reviewing the extent of non-audit services provided by the external auditors
- Reviewing the Company's whistleblowing and anti-bribery procedures

The Board is satisfied that Mike Robson (Chair) has the requisite relevant financial experience to Chair the Audit Committee.

Nomination Committee

The roles and responsibilities of the Nomination Committee include:

- Regularly reviewing the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and making recommendations to the Board with regard to any changes
- Evaluating the balance of skills experience, independence and knowledge on the Board and preparing or approving a description of the role and capabilities required for a particular appointment
- Responsibility for identifying and nominating, for the approval of the Board, candidates to fill board vacancies as and when they arise
- Satisfying itself with regard to succession planning for Directors and other senior executives, taking into account the challenges and opportunities facing the Company and the skills and expertise needed on the Board in the future
- Making recommendations to the Board concerning membership of Audit and Remuneration Committees
- Reviewing annually the time required from Non-Executive Directors

Remuneration Committee

The roles and responsibilities of the Remuneration Committee include:

- Determining the service contracts and base salary levels for the Executive Directors and other senior management
- Setting remuneration policy for all Executive Directors and the Company's Chairman, taking into account relevant legal and regulatory requirements, the provision of the Code and associated guidance
- Approving the design of, and determine targets for, any performance-related pay schemes operated by the Company and approve the total annual payments made under such schemes
- Determining the policy for, and scope of, pension arrangements for each Executive Director and other designated Senior Executives
- Reviewing the design of all share incentive plans for approval by the Board and shareholders
- Agreeing the policy for authorising claims for expenses from the Directors

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 their participation at the Annual General Meeting. All Board members present at the Annual General Meeting are available to answer questions from shareholders, including the Chairs of the Audit, Remuneration and Nomination Committees. Notice of the Annual General Meeting 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. Further shareholder information is available on our website at www.tclarke.co.uk under the Investor Relations tab.

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.

In accordance with the Code, the Board confirms that, for the year ended 31st December 2016, it has carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. The principal risks identified and the controls and mitigating actions in place are described on pages 30 to 32.

Risk management and internal control procedures are delegated to Executive 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. A three year strategic plan is prepared for each division and updated annually, including the identification and consideration of significant risks to the division's strategic objectives. Progress against the strategy and the management of the risks identified is formally reviewed on a quarterly basis.

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 monitors monthly progress on contracts formally. Furthermore, the Company's risk appetite is discussed and considered when making key decisions.

The Board reviews the Company's risk register and monitors risk management procedures as a regular agenda item and the Board receives reports thereon from

Group management. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. Given the importance of an effective risk management and internal controls processes, the Company has engaged external advisors to assist with further developing the Company's internal controls procedures in 2017.

At its meeting on 22nd March 2017, the Board carried out the annual internal controls and risk management assessment of the year ended 31st December 2016 by considering documentation from the Audit Committee and reviewing the need for an internal audit function. Further details concerning the Audit Committee's review of internal controls and risk management processes is included in the Audit Committee report on pages 50 to 52. Currently there is no formal internal audit function, this role being covered through regular site visits conducted by quality control and group finance personnel. As noted in the Audit Committee report, further consideration will be given to the creation of an internal audit function to augment existing procedures during 2017.

Going concern

The Group had positive net cash balances at the year end and has in place a £5 million overdraft facility.

The Group draws on the overdraft facility as and when required to meet working capital requirements. As with all such facilities, the overdraft is subject to annual review and is repayable on demand.

The Group has a three-year committed £10 million Revolving Credit Facility ('RCF') in place until 31st March 2020, of which £3 million was drawn at 31st December 2016. The RCF imposes certain financial and other covenants on the Group, which are tested on a quarterly basis. The Group was compliant with its obligations under the RCF throughout the year.

The Directors have received confirmation from the Company's lenders that they know of no reason why the overdraft facility will not be renewed when it next falls due for review. There is no other external debt apart from the RCF and finance lease and hire purchase commitments.

The Group prepares detailed three year profit, cash flow and covenant projections, taking into account secured work, pipeline and other opportunities, and available resources. The projections include sensitivities to test the resilience of the Group to changes in trading volumes, margins, interest rates and payment terms. After making appropriate enquiries the directors are satisfied that the Company and Group have adequate resources to continue their operations for at least the next twelve months following the date of this report. Accordingly the Directors continue to adopt the going concern basis in preparing the financial statements.

Further information relating to the financial position of the Group, its cash flows, liquidity position and borrowing facilities is given in the financial review on pages 34 to 37.

Approved by the Board and signed on its behalf
Alexandra Dent
Company Secretary
28th March 2017

Audit Committee's report

Mike Robson
Chair of the Audit Committee

The Audit Committee supports the Board by providing detailed scrutiny over the integrity and relevance of the Group's financial reporting, monitoring the appropriateness of the Group's internal control and risk management systems and overseeing the external audit process.

The Audit Committee has continued to follow a programme of meetings which are timed to coincide with key events in the financial calendar. As a Committee, we are committed to discharging our responsibilities effectively and constructively challenge the information we receive. Over the past year the regular reports the Audit Committee has received from management and the external auditors have been timely and well presented, which has enabled the Committee to discharge its responsibilities effectively. Where necessary, we request additional detailed information so that we may better assess certain issues, and the risks and opportunities presented.

During the year the Group discovered that it had been the victim of a fraud involving the misappropriation of significant funds by an employee of a subsidiary company over a number of years. This has been a humbling and regrettable circumstance for the entire Group. The Company has acted quickly and appropriately to establish the scale of the fraud, to understand how the Group's systems and controls were circumvented and to strengthen internal controls, and to seek to recover the misappropriated funds as far as is possible. These actions are ongoing and are being vigorously pursued.

Further information concerning the activities of the Audit Committee during the year are set out below.

Mike Robson
Chair - Audit Committee
28th March 2017

Membership of the Audit Committee

The Audit committee is comprised of the Non-Executive Directors Mike Robson (Chair), Beverley Stewart and Tony Giddings. Biographies of the members of the Audit Committee are included on page 43.

Matters considered by the Audit Committee

The Audit Committee met on four occasions during the year ended 31st December 2016. The principal matters discussed at the meetings are set out below.

Principal matter considered

March 2016

- Draft annual report and financial statements for the year ended 31st December 2015, including significant judgements and disclosures therein
- Audit representation letter
- Annual assessment of internal controls and risk management
- Review of risk register and mitigating actions
- Finance Director's report on internal control
- Finance Director's report on going concern
- Consideration of the need for an internal audit function
- Independence of external auditors

July 2016

- Draft half-year report and financial statements for the six months ended 30th June 2016, including significant judgements and disclosures therein

October 2016

- Audit plan presented by the auditors
- Governance and independence of the external auditors
- Review of risk register and mitigating actions

December 2016

- Pre-year end audit work
- Fraud investigation update
- Review of goodwill carrying value
- Review of accounting policies
- Review of risk register and mitigating actions

Significant judgements, key assumptions and estimates

The Audit Committee pays particular attention to matters it considers to be important by virtue of their impact on the Group's results and remuneration of Senior Management, or the level of complexity, judgement or estimation involved in their application on the consolidated financial statements. The main areas of focus during the year are set out below:

Matter considered & Action

Matter considered: Misappropriation of funds

Action: Towards the end of the year it was discovered that an employee in the accounts function of a subsidiary undertaking had fraudulently misappropriated significant sums of money. Investigations initiated by management with the aid of external legal and forensic accounting advisers established that the fraud had been taking place over several years and that the total misappropriated amounted to £2.9m.

A full review of the controls over procurement and payments was initiated and completed in February. The Audit Committee considered the accounting and presentation of the fraud within the financial statements, including considering whether prior year financial statements should be restated to provide against £0.2m misstated balances arising as a result of the fraud and the reclassification of misappropriated funds and fraud investigation costs as a non-recurring item.

Matter considered: Carrying value of intangible assets and investments

Action: Intangible assets comprise a significant element of the Group's net assets. As required by IFRSs, the Company conducts an impairment review of these assets every year.

The Committee considered the papers presented by the Finance Director supporting management's assertion that goodwill and other intangible assets were not impaired. This assertion was supported by detailed cash flow and profit projections covering a three year period, including sensitivity analysis, and an analysis of secured workload. It also considered the independent auditors' comments on the key assumptions and detailed forecasts made. The issue of impairment involves making significant judgements about individual cash generating units and the risks they face. The Committee agreed with management's recommendation that no impairment charge should be made but that there remains a risk of impairment of TClarke Midlands and East, TClarke Scotland and TClarke South West in the future and relevant disclosures have therefore been included in the financial statements. Further details concerning the makeup of intangible assets, the assumptions used and the sensitivity of the carrying value of intangible assets can be found in Note 12 to the financial statements on page 111 to 113.

Aligned to the review of the carrying value of intangible assets, the committee also considered the carrying value of the subsidiaries in the parent company's financial statements.

Matter considered: Contract profit and revenue recognition

Action: The recognition of revenue and profit on construction contracts involves significant judgement due to the inherent difficulty in forecasting the final costs to be incurred on contracts in progress and the process whereby applications are made during the course of the contract with variations, which can be substantial, often being agreed as part of the final account negotiation.

The Committee considered the consistency and appropriateness of the Group's policies in respect of profit and revenue recognition during the year, and their specific application to a number of contracts.

The Committee concurred with management's assessment of the contracts and the revenue recognised at those times.

Matter considered: Going concern

Action: The Committee reviewed papers presented by the Finance Director on the Group's viability as a going concern. Discussion focused on the Group's cash flow projections, which covered a period of three years and included key sensitivities, facility headroom and projected covenant compliance. Where necessary, clarification of the bank's position was sought and appropriate disclosures made in the annual and interim reports.

Matter considered: Pension scheme accounting

Action: The Group's defined benefit pension scheme is valued annually by external advisers in accordance with IFRSs. The valuation is subject to significant fluctuations based on actuarial assumptions, including:

- discount rates;
- mortality assumptions;
- inflation;
- salary increases; and
- expected return on plan assets.

The Committee reviewed the basis of the valuation, including the assumptions used, and considered the sensitivity of the pension scheme valuation to changes in those key assumptions. Further details of the valuation, including the key assumptions used, are disclosed in Note 24 to the financial statements on pages 128 to 132. The Committee also considered the accounting implication of the group reorganisation, further details of which are disclosed in Note 29 on page 138.

Internal control assessment and internal audit

During the year the Group discovered that an employee in the finance department of a subsidiary had misappropriated £2.9m in cash over a number of years. The Audit Committee reviewed the actions undertaken by management including:

- The investigations to establish the quantum and timing of the fraud
- Investigation of the potential for collusion both within and outside the Group
- The initiation of civil and criminal proceedings to seek to recover the stolen funds and bring the perpetrator to justice.

The implications of the fraud for the wider Group control environment were investigated with the assistance of an external forensic accounting resource. We have established that:

- there were specific circumstances relating to the subsidiary and individual concerned (principally segregation of duties and access issues) that had allowed the fraud to go undetected for some years; and
- there is no evidence that a similar fraud has taken place elsewhere within the Group.

Reporting directly to the Audit Committee, an independent review of the group's payment and procurement controls has been completed. The review concluded that, taken as a whole, the processes and controls in place across the Group were appropriate to the business. This exercise has given us the opportunity to adopt best practice from across the industry. A number of recommendations, including changes to the segregation of duties between staff members, are now being implemented. These improvements will be enhanced by the consolidation of the Group's operations into one operating company.

At its meeting on 22nd March 2017 the Audit Committee carried out its formal review of the internal controls and risk management processes in place during the year and considered the need for an internal audit function. Except for the instance of fraud discussed above, the Audit Committee confirmed that the systems in place were appropriate, and whilst recommendations for improvements were being acted upon, no material weaknesses in controls were identified. The Audit Committee noted that currently there is no formal internal audit function, this role having been covered previously through regular site visits conducted by quality control and group finance personnel. Further consideration will be given to the creation of an internal audit function to augment existing procedures during 2017.

External audit

The Audit Committee is responsible for overseeing relations with the external auditors, including the approval of fees, and makes recommendations to the Board on their appointment and reappointment. Details of the auditors' remuneration can be found in Note 7 to the financial statements on page 105. The auditors fees for non-audit services during the year were £9,000 (2015: £nil).

The independence of the external auditors is essential to the provision of an objective opinion on the true and fair view presented in the financial statements. Auditor independence and objectivity is safeguarded by limiting the nature and value of non-audit services performed by the external auditors, ensuring that employees of the external auditors who have worked on the audit in the past two years are not appointed to senior financial positions in the Company, and ensuring the rotation of the lead engagement partner at least every five years.

The Audit Committee reviews the effectiveness of the audit process through quality service reviews with the external auditors post-audit. At the end of the review process the Audit Committee decides whether, given the results of the review, to recommend to shareholders that the auditors be reappointed.

The last audit tender process was in 2011 when PricewaterhouseCoopers LLP were initially appointed and have been auditors since. In accordance with the Auditing Practices Board (APB) Ethical Standard 3, a new audit partner was put in place following completion of the audit for the year ended 31st December 2015. The current lead engagement partner has held the position for one year.

Mike Robson
Chair - Audit Committee
28th March 2017

Nomination Committee report

Iain McCusker
Chairman

During the year, the Nomination Committee comprised Iain McCusker (Chair), Beverley Stewart, Tony Giddings and Mike Robson. Biographies of the members of the Nomination Committee are included on page 43.

The Nomination Committee met twice during the year to review the structure, size and composition of the Board and to consider succession planning for Directors and other Senior Executives.

The Committee gives due consideration to diversification in the make up of the Board but, due to the size of the Company, the most important consideration is to achieve an appropriate mix of skills, knowledge and experience, taking into account the Company's Board Diversity Policy on behalf of the Board.

Before any appointment is made by the Board, the Nomination Committee evaluates the balance of skills, experience, independence and knowledge on the Board and, in the light of this evaluation, prepares a description of the role and capabilities required for a particular appointment.

In 2016, the Nomination Committee recommended that Beverley Stewart be nominated for re-election at the Company's 2016 Annual General Meeting, even though Beverley had served as a Non-Executive Director for more than ten years. However, as the UK Corporate Governance Code ("the Code") suggests that Non-Executive Directors should not serve more than 9 years on the Board to remain independent in accordance with the Code, Mrs Stewart has decided to step down from the Board and will not offer herself for re-election at the forthcoming 2017 Annual General Meeting.

The Nomination Committee concluded that, post Mrs Stewart's departure from the Board, a further Non-Executive Director will not be required at present as the Non-Executive Directors will still maintain a majority vote given that the Chairman has a casting vote in accordance with the Company's Articles of Association. The Board composition will be further reviewed throughout the year.

Iain McCusker
Chair - Nomination Committee
28th March 2017

Directors' remuneration report

Annual statement by the Chair of the Remuneration Committee

Tony Giddings
Chair of the Remuneration Committee

Dear Shareholders,

I am pleased to present, on behalf of the Board, the report of the Remuneration Committee for the year ended 31st December 2016.

Our Directors' remuneration policy was last approved by shareholders in 2014. The policy has served the Company well over the last three years and having carried out a comprehensive review of Directors' remuneration with the assistance of external expertise in this area, the Committee concluded that the overall structure should continue to operate. However, we have identified some areas for change which will bring the policy up to date with good practice and to reinforce the Committee's desire to drive long-term performance. Details of the proposed amendments are set out below. Shareholders will be asked to approve the revised Directors' remuneration policy at the 2017 AGM in a binding vote. This annual statement, together with the annual report on remuneration, will be put to an advisory shareholder vote at the 2017 AGM.

There will also be a resolution to amend the terms of the LTIP which assists with the Committee's desired shift in emphasis from short-term to long-term performance without any aggregate increase to quantum.

Proposed changes to the remuneration policy

The primary objective of the remuneration policy is to promote the long-term success of the Company. In working towards the fulfilment of this objective our current remuneration structure is intended to be simple and transparent, and to contribute to the building of a sustainable performance culture. Our policy ensures that performance related components will form a significant proportion of the overall remuneration package, with maximum rewards earned only through the achievement of challenging performance targets based on measures aligned with our long-term strategy.

The Committee has reviewed the current remuneration policy and has concluded that the existing overarching framework of base salary, pension, benefits, annual bonus and a single long-term incentive plan (LTIP) is effective and remains aligned with TClarke's strategy. We are not therefore proposing fundamental changes to the policy, but are recommending a number of amendments to ensure, primarily, that: alignment between Executives and shareholders is further strengthened; incentive plan metrics and targets are aligned with the strategy and promote the long-term success of the Group; and the policy is sufficiently flexible to remain applicable over the three-year policy period, 2017 to 2019. The key changes are as follows:

- Additional flexibility on incentive plan metrics and targets – to ensure that bonus and LTIP targets are fully aligned with the strategic imperatives prevailing at the time they are set.
- Rebalancing of short- and long-term incentive potential – to enhance longer-term shareholder alignment without increasing quantum – overall incentive potential (in % of salary terms) will remain unchanged but annual bonus potential will reduce by 50% of salary while long-term incentive awards increase by 50%.
- Introduction of recovery and withholding provisions – in line with best practice, the revised policy will enable the Committee to recover and/or withhold remuneration in certain exceptional negative circumstances such as a material misstatement, error and gross misconduct.
- Share ownership guidelines – to enhance longer-term shareholder alignment – the guideline level will be increased to provide greater alignment between executives and shareholders.

Implementation of the remuneration policy for 2017

Subject to approval of the revised policy, the key highlights of how we intend to apply it for 2017 are:

- Base salaries – the Executive Directors' salaries were increased by 5% effective 1st January 2017. As part of the review undertaken the Committee determined that the Chief Executive's salary was not representative of his overall responsibility and, as a secondary factor, was significantly behind market for a company of this size and complexity. The Chief Executive declined a higher increase to his base salary and therefore his increase is in line with his fellow Executive Directors. The Committee believes that the increases applied to the Finance Director and Managing Director result in salaries that are appropriate for the roles being undertaken, are more reflective of the complexity and market rate for the roles and are commensurate with their significant experience and expertise.
- Variable pay – Annual bonus maximum will be 150% of salary (reduced from 200%) and an LTIP award will be made in May 2017 at 150% of salary (increased from the 100% allowed for in the previous policy).
- Performance measures – will continue to be focused on simple and transparent measures. For the annual bonus, underlying profit before tax will apply for 2/3 of the opportunity and key strategic objectives aligned with the Group's KPIs will apply for the remaining 1/3 of bonus. For the LTIP, stretching earnings per share targets will be set for financial year 2019.
- Share ownership guidelines – will be 30,000 shares (increased from 2,000).

Performance and reward for 2016

Underlying profit before tax increased by 48% to £6.2m (2015: £4.2m) and the performance of the Executive Directors in executing against the strategic annual bonus objectives set for them at the start of 2016 was robust. The level of underlying performance achieved resulted in 100% of the maximum cash bonus being payable. However, taking into consideration the non-recurring costs incurred during the year, the Committee determined to restrict the element of the bonus based on financial performance to 33%.

Earnings per share growth over the three year period to 31st December 2016 was negative. This was below the threshold vesting condition for the LTIP award granted in 2014 and, as a result, the award lapsed in full.

Further information on the actual targets set, and performance against them is provided on page 65.

Alignment with shareholders

We are mindful of our shareholders' interests and are keen to ensure a demonstrable link between reward and value creation. We are proud of the support we have received in the past from our shareholders, with 98.7% approval of the remuneration policy at the 2014 AGM and 99.13% approval of the remuneration report received last year. We hope that we will continue to receive your support on the remuneration-related resolutions at the forthcoming AGM.

Tony Giddings
Chair - Remuneration Committee
28th March 2017

Director remuneration policy report

This part of the Directors' Remuneration report sets out the remuneration policy for the Group's Directors. The 2014 Remuneration Policy has a three year life and therefore this revised Directors' remuneration policy will be put to shareholders for approval in a binding vote at the AGM on 5th May 2017. If approved, the effective date of the revised policy will be 5th May 2017 and it will operate as though it was in place for the whole of the 2017 financial year. The Committee's current intention is that the revised policy will operate for the three year period, 2017 to 2019.

Policy overview

The primary objective of the remuneration policy is to promote the long-term success of the Company. In working towards the fulfilment of this objective the Committee takes into account a number of factors when formulating the remuneration policy for the Executive Directors including the following:

- the need to provide a remuneration structure that is sufficiently competitive to attract, retain and motivate Executive Directors of an appropriate calibre to deliver long-term, sustainable growth of the business;
- the alignment of interests between executives and shareholders through share ownership and appropriate recovery and withholding provisions;
- internal levels of pay and employment conditions across the Group as a whole;
- the principles and recommendations set out in the UK Corporate Governance Code and the views of institutional shareholders and their representative bodies; and
- periodic external comparisons of market trends and practices in similar companies taking into account their size and complexity.

Our remuneration structure is intended to be simple and transparent, and to contribute to the building of a sustainable performance culture. Our policy ensures that performance related components will form a significant proportion of the overall remuneration package, with maximum total potential rewards earned only through the achievement of challenging performance targets based on measures selected to promote the long-term success of the Company.

The main elements of the remuneration package for Executive Directors are a base salary, benefits and pension provision and, subject to stretching performance conditions, an annual bonus plan and shares awarded under a long-term incentive plan (LTIP). The Committee has determined that this structure will provide an appropriate balance between fixed and performance-related pay elements. The Committee will continue to review the remuneration policy to ensure it takes due account of remuneration best practice and that it remains aligned with shareholders' interests.

How the Executive Directors' remuneration policy relates to the wider workforce

The Committee does not directly consult with employees regarding the remuneration of Directors. However, the pay and conditions elsewhere in the Company are considered when designing the policy for Executive Directors and continue to be considered in relation to implementation of the policy. The Committee regularly monitors pay trends across the workforce and salary increases will ordinarily be (in percentage of salary terms) in line with those of the wider workforce.

The remuneration policy described here provides an overview of the structure that operates for the most Senior Executives in the Company. Employees below executive level have a lower proportion of their total remuneration made up of incentive-based remuneration, with pay driven by market comparators and the impact of the role in question. Long-term incentives are reserved for those judged as having the greatest potential to influence the Group's strategic direction, earnings growth and share price performance.

How shareholders' views are taken into account

The Committee seeks to engage with its major shareholders when any significant changes to the remuneration policy are proposed. The Committee also considers shareholder feedback received in relation to the Directors' Remuneration Report and at the AGM each year and this, plus any additional feedback received from time to time, is considered as part of the Committee's annual review of remuneration policy. The Committee also closely monitors developments in institutional investors' best practice expectations.

Changes to the remuneration policy approved by shareholders at the 2014 AGM

The Committee has undertaken a thorough review of the existing remuneration policy taking full account of the Company's strategic objectives and developments in the executive pay environment. The Committee believes that the current overarching remuneration structure continues to be effective and that no significant changes are required. However, some amendments have been proposed to ensure that the policy remains appropriately aligned with the strategy and is sufficiently flexible to operate effectively over the next three year period. The key changes are as follows:

- **Flexibility on incentive plan metrics and targets** – the Committee has built in some additional flexibility with regard to the specific measures which will be used for the bonus and LTIP to ensure that any targets are fully aligned with the strategic imperatives prevailing at the time they are set.
- **Rebalancing of short- and long-term incentive potential** – The maximum annual bonus potential will reduce by 50% of salary (to 150% of salary) and the long-term incentive award will increase by 50% of salary per annum (to 150% of salary). This approach is intended to enhance longer-term shareholder alignment.
- **Introduction of recovery and withholding provisions** – the proposed policy will now enable the Committee to recover and/or withhold remuneration in certain exceptional negative circumstances.
- **Share ownership guidelines** – to provide greater alignment with shareholders, the guideline level for Executive Directors has been increased from 2,000 shares to 30,000 shares.

Summary Director policy table

The table below summarises the remuneration policy for Directors, as effective from the Company's 2017 AGM:

Element of remuneration: **Salary**

Purpose and link to strategy

- To provide competitive fixed remuneration to attract and retain Executive Directors of superior calibre in order to deliver growth for the business

Operation

- Normally reviewed annually with changes typically effective 1st January
- Paid in cash on a monthly basis; pensionable
- Comparison against companies with similar characteristics are taken into account in review
- Internal reference points, the responsibilities of the individual role, progression within the role and individual performance are also taken into account

Maximum

- There is no prescribed maximum annual basic salary or salary increase. Details of the current salary levels are set out in the Annual Report on Remuneration on page 64.
- Any salary increase (in percentage of salary terms) will ordinarily be up to the general increase for the broader employee population; however, a higher increase may be awarded to recognise, for example, an increase in the scale, scope or responsibility of the role and/or to take account of relevant market movements
- Where an Executive Director's salary is set below market levels at appointment, a series of increases may be given (in addition to the factors listed above) in order to achieve the desired salary positioning, subject to satisfactory individual performance

Performance targets

- None, although the overall performance of the individual is considered as part of the salary review process

Element of remuneration: **Benefits**

Purpose and link to strategy

- To promote recruitment and retention
- To provide a market consistent benefits package

Operation

- Benefits may include a combination of car or car allowance, private medical insurance and life assurance
- Executive Directors will be eligible for any other benefits which are introduced for the wider workforce on broadly similar terms
- Relocation or travel allowances may be offered if considered appropriate and reasonable by the Committee
- Any reasonable business related expenses (including tax thereon) can be reimbursed if determined to be a taxable benefit
- Executive Directors are also eligible to participate in any all-employee share plans operated by the Company, in line with prevailing HMRC guidelines (where relevant), on the same basis as for other eligible employees

Maximum

- There is no maximum limit but the Committee reviews the cost of the benefits provision on a regular basis to ensure that it remains appropriate.
- Participation in the all employee share plans is subject to the limits set out by HMRC.

Performance targets

- Not applicable

Element of remuneration: **Pension**

Purpose and link to strategy

- Provide competitive retirement benefits

Operation

- Defined benefit or defined contribution scheme (or cash alternative)
- Where the promised levels of benefits cannot be provided through an appropriate pension scheme, the group may provide benefits through the provision of salary supplements

Maximum

- Defined Contribution or cash allowance or combination of the two up to 10% of salary
- Current Employees who are existing members of the Company's defined benefit scheme may be entitled to continue to accrue benefits under these arrangements rather than participating in the defined contribution (or cash equivalent) arrangements. The maximum pension on retirement at age 65 is 1/60th of final pensionable salary for service before March 2010, and 1/80th of revalued pensionable salary for service thereafter. A salary supplement may be provided in order to compensate the individual up to the value of benefits lost as a result of HMRC limits.

Performance targets

- Not applicable

Element of remuneration: **Bonus**

Purpose and link to strategy
- Incentivise annual achievement of performance targets relating to the Company's KPIs
- Maximum bonus only payable for achieving demanding targets

Operation
- Normally payable in cash
- Non-pensionable
- Levels of award are determined by the Committee after the year end based on performance against the targets set at the start of the year
- All bonus payments are at the ultimate discretion of the Committee and the Committee retains an overriding discretion to ensure that overall bonus payments reflect its view of corporate performance during the year

Maximum
- 150% of salary per annum.

Performance targets
- Group financial measures (e.g. profit-related measures) will apply for the majority of the bonus
- If used, personal or strategic objectives will be applied for the minority of the bonus
- Measures and objectives will be determined over a one-year performance period

Element of remuneration: **Long-Term Incentive Plan**

Purpose and link to strategy
- Aligned to delivery of strategy and long-term value creation
- Align Executive Directors' interests with those of shareholders
- To promote retention

Operation
- LTIP awards take the form of conditional rights or nil, nominal cost or market value options and are normally granted annually
- Awards vest after no less than three years subject to the achievement of pre-set performance criteria and continued employment
- The Committee reviews the quantum of awards annually and monitors the continuing suitability of the performance measures
- The Committee may determine at grant that an amount (in cash or shares) equivalent to the dividends paid or payable on vested shares up to the vesting date may become payable; any amount payable may assume the reinvestment of dividends over the vesting period

Maximum
- Annual awards of no more than 150% of salary

Performance targets
- Performance normally measured over three years
- Awards currently vest based on performance against stretching Earnings per Share (EPS) targets set and assessed by the Committee. However, different financial, strategic or share-price based measures may be set for future award cycles as appropriate to reflect the strategic priorities of the business at that time
- Notwithstanding the performance outcome, the Remuneration Committee retains the discretion to adjust the vesting outcome upwards or downwards to reflect the underlying performance of the company over the three year period
- A maximum of 25% vests at threshold increasing to 100% vesting at maximum on a straight line basis
- Withholding and recovery provisions may apply in the event of a material misstatement, error in calculation of award/ performance or gross misconduct

Element of remuneration: **Share ownership guidelines**

Purpose and link to strategy
- To increase alignment between Executives and shareholders

Operation
- Executive Directors are required to build and maintain a shareholding of 30,000 shares through the retention of vested share awards or through open market purchases
- Only wholly owned shares will count towards the guideline

Maximum
- Not applicable

Performance targets
- Not applicable

Element of remuneration: **Non-executive director**

Purpose and link to strategy

- To provide competitive fees to attract and retain high calibre Non-Executive Directors
- To reflect the time commitment and responsibilities of the role

Operation

- The Chairman's fee is set by the Board on the recommendation of the Remuneration Committee. The Non-Executive Directors' fees are set by the Board on the recommendation of the Executive Directors. No Director takes part in discussions relating to their own remuneration
- Non-Executives may be paid additional fees for chairing one of the major Board committees or for holding the Senior Independent Director position
- The fees are set taking into account the time commitment and responsibilities of the role
- In exceptional circumstances, if there is a temporary yet material increase in the time commitments for Non-Executive Directors, the Board may pay extra fees to recognise the additional workload
- Fees are normally paid monthly in cash and are normally reviewed annually
- Directors can be reimbursed for any reasonable business related expenses (including the tax thereon if determined to be a taxable benefit)

Maximum

- There is no prescribed maximum fee or fee increase
- Any increase will be guided by changes in market rates, time commitments and responsibility levels as well as by increases for the broader employee population

Performance targets

- Not applicable

Notes

1 The choice of the performance metrics applicable to the 2017 annual bonus scheme reflect the Committee's belief that any incentive compensation should be appropriately challenging and tied to both the delivery of targets relating to a key financial measure, profit, and which support the Company's strategic objectives through individual and/or strategic performance measures intended to ensure that Executive Directors are incentivised to deliver across a range of objectives for which they are accountable. The Committee has retained some flexibility on the specific measures which will be used over the life of the policy to ensure that any measures are fully aligned with the strategic imperatives prevailing at the time they are set.

2 The performance condition applicable to the 2017 LTIP awards is earnings per share growth. EPS was selected by the Remuneration Committee on the basis that it is aligned with the delivery of long-term returns to shareholders and it is one of the Group's key financial metrics. The Committee has retained flexibility on the measures which will be used for future award cycles to ensure that the measures are fully aligned with the strategy prevailing at the time the awards are granted. Notwithstanding this, the Committee would seek to consult with major shareholders in advance of any material change to the choice of the LTIP performance measures.

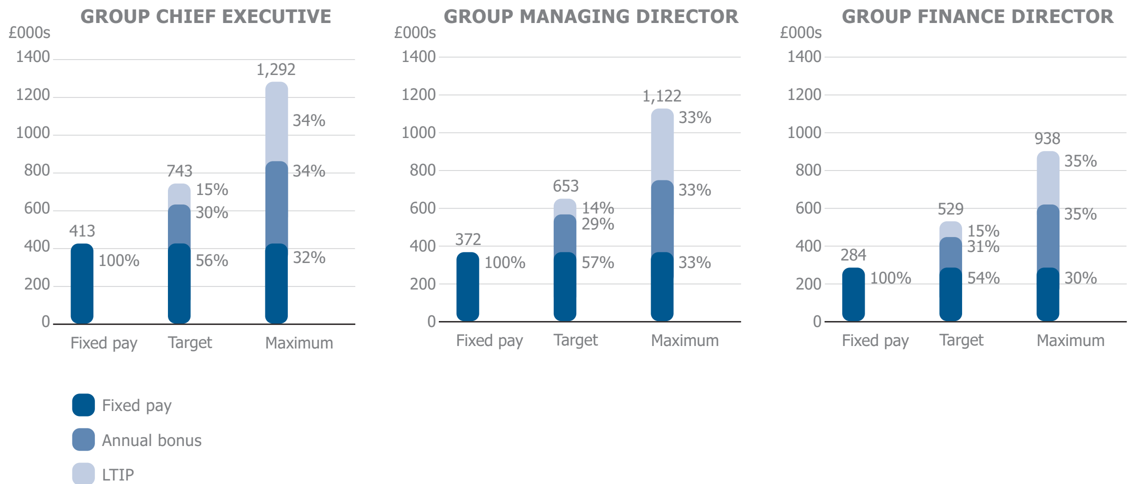
3 The Committee operates the annual bonus, LTIP and all employee share plans in accordance with the relevant plan rules and, where appropriate, the Listing Rules and HMRC legislation. The Committee, consistent with market practice, retains discretion over a number of areas relating to the operation and administration of the plans. These include, for example, the timing of awards and setting performance criteria each year, dealing with leavers, discretion to retrospectively amend performance targets in exceptional circumstances (providing the new targets are no less challenging than originally envisaged) and in respect of share awards, to adjust the number of shares subject to an award in the event of a variation in the share capital of the Company.

4 For the avoidance of doubt, in approving this Directors' Remuneration Policy, authority is given to the company to honour any commitments entered into with current or former directors (such as the payment of a pension or the vesting/exercise of past share awards). Details of any payments to former directors will be set out in the Annual Report on Remuneration as they arise.

5 Consistent with HMRC legislation, the HMRC all-employee share plans do not have performance conditions.

Remuneration scenarios for Executive Directors

The charts below show how the composition of the Executive Directors' remuneration packages vary under the policy at three performance levels (minimum (i.e. fixed pay only), target and maximum).



The charts above are based on:

- Salary levels effective 1st January 2017;
- The value of benefits received in 2016 (as per the Directors' remuneration table);
- The value of pension contribution received in 2016 (as per the Directors' remuneration table);
- A 150% of salary maximum annual bonus (with the on-target level assuming 50% of maximum); and
- A 150% of salary LTIP award (with target assumed to be 25% of the maximum). No share price appreciation or dividend assumptions in respect of the LTIP awards have been assumed.

Approach to recruitment and promotion

The remuneration package for a new Executive Director would be set in accordance with the terms of the prevailing approved remuneration policy at the time of appointment and take into account the skills and experience of the individual, the market rate for a candidate of that experience and the importance of securing the relevant individual.

Salary would be provided at such a level as required to attract the most appropriate candidate and may be set initially at a below mid-market level on the basis that it may progress towards the mid-market level once expertise and performance has been proven and sustained.

The maximum level of variable pay which may be awarded to new Executive Directors will be in line with the policy set out above. In addition to this, the Committee may make buyout awards in the form of additional cash and/or share-based elements to replace remuneration forfeited by an executive as a result of leaving his or her previous employer. It will, where possible, ensure that these awards are consistent with awards forfeited in terms of vesting periods and expected value.

The Committee may apply different performance measures, performance periods and/or vesting periods for initial awards made following appointment under the annual bonus and/or long-term incentive arrangements, subject to the rules of the scheme, if it determines that the circumstances of the recruitment merit such alteration. LTIP awards can be made shortly following an appointment (assuming the Company is not in a close period).

For an internal Executive Director appointment, any variable pay element awarded in respect of the prior role may be allowed to pay out according to its original terms.

For external and internal appointments, the Committee may agree that the Company will meet certain relocation and/or incidental expenses as appropriate.

The fee structure for Non-Executive Director appointments will be based on the Non-Executive Director fee policy as set out in the policy table.

Service contracts and approach to leavers

The Company's policy is for Executive Directors to have service contracts which may be terminated with no more than 12 months' notice from either party. The Executive Directors' service contracts are available for inspection by shareholders at the Company's registered office.

No Executive Director has the benefit of provisions in their service contract for the payment of pre-determined compensation in the event of termination of employment. It is the Committee's policy that the service contracts of Executive Directors will provide for termination of employment by giving notice or by making a payment of an amount equal to basic salary in lieu of the notice period. It is the Committee's policy that no Executive Director should be entitled to a notice period or payment on termination of employment in excess of the levels set out in his or her service contract. Incidental expenses may also be payable if appropriate.

Annual bonus may be payable with respect to the period of the financial year served although it will be pro-rated for time and paid at the normal pay-out date. Any share-based entitlements granted to an Executive Director under the Company's share plans will be determined based on the relevant plan rules. In certain circumstances, such as death, ill health, disability, retirement or other circumstances at the discretion of the Committee, 'good leaver' status may be applied. For good leavers, awards will normally vest at the normal vesting date, subject to the satisfaction of the relevant performance conditions at that time and reduced pro-rata to reflect the proportion of the vesting period actually served. However, under the plan rules, the Remuneration Committee has discretion to determine that awards vest at cessation of employment and/or to disapply the time pro-rating requirement if it considers it appropriate to do so.

In relation to a termination of employment, the Committee may make payments in relation to any statutory entitlements or payments to settle compromise claims as necessary. The Committee also retains the discretion to reimburse reasonable legal expenses incurred in relation to a termination of employment and to meet any transitional costs if deemed necessary. Payment may also be made in respect of accrued benefits, including untaken holiday entitlement.

There is no provision for additional compensation on a change of control. In the event of a change of control, the LTIP awards will normally vest on (or shortly before) the change of control subject to the satisfaction of the relevant performance conditions at that time and, unless the Committee determines otherwise, reduced pro-rata to reflect the proportion of the vesting period served. Outstanding awards under any all employee share plans will vest in accordance with the relevant scheme rules. Bonuses may become payable, subject to performance and, unless the Committee determines otherwise, a pro-rata reduction to reflect the curtailed performance period.

External appointments
The Board allows Executive Directors to accept external Non-Executive Director positions provided the appointment is compatible with their duties as Executive Directors. The Executive Directors may retain fees paid for these services. Any appointment will be subject to approval by the Board.

Non-Executive Directors
The Chairman and Non-Executive Directors' terms are set out in letters of appointment. The letters of appointment of the Non-Executive Directors are available for inspection at the Company's registered office during normal business hours.

Annual report on remuneration

Implementation of the remuneration policy for the year ending 31st December 2017

A summary of how the Directors' Remuneration Policy will be applied during the year ending 31st December 2017 is set out below.

Basic salary

Increases for 2017 are shown below. The Executive Directors' salaries were increased by 5% effective 1st January 2017. As part of the review undertaken the Committee determined that the Chief Executive's salary was not representative of his overall responsibility and, as a secondary factor, was significantly behind market for a company of this size and complexity. The Chief Executive declined a higher increase to his base salary and therefore his increase is in line with his fellow Executive Directors. The Committee believes that the increases applied to the Finance Director and Managing Director result in salaries that are appropriate for the roles being undertaken, are more reflective of the complexity and market rate for the roles and are commensurate with their significant experience and expertise.

The Group's employees are, in general, receiving pay rises ranging from 2% to 5% depending on promotional increases and individual performance. The average increase across the business is 3%.

Director	2017	2016	% increase
Mark Lawrence	£293,000	£279,000	5%
Mike Crowder	£250,000	£238,000	5%
Martin Walton	£218,000	£207,500	5%

Benefits

Benefits will comprise a car or car allowance and private medical insurance.

Pension arrangements

The Company operates a defined benefit pension and death benefits scheme of which all the current Executive Directors are members. The defined benefits scheme is closed to new members. The life assurance benefit is four times pensionable salary.

Where the promised levels of benefits cannot be provided through the appropriate scheme, the Group can continue to provide benefits through the provision of salary supplements.

Annual bonus

The maximum bonus potential for the year ending 31st December 2017 is 150% of salary for all the Executive Directors.

Awards are determined based on a combination of both the Group's financial results being growth in Group profit before tax (2/3 of overall bonus), and strategic targets (1/3 of overall bonus) being met.

Maximum bonus will only be payable when both the financial results of the Group have significantly exceeded expectations and all strategic targets have been met.

The measures have been selected to reflect a range of key financial and operational goals which support the Company's strategic objectives. The respective targets have not been disclosed as they are considered by the Board to be commercially sensitive. However, retrospective disclosure of the targets and performance against them will be provided in the Remuneration Report for the year ending 31st December 2017 provided that they do not remain commercially sensitive at that time.

The Executive Directors' performance will be assessed individually by the Committee against the measures and targets, relying on audited information where appropriate, and having regard to the value which has been created for shareholders.

Long-term incentives

Consistent with past awards, LTIP awards that will be granted in 2017 will vest subject to continued employment with the Group and satisfaction of the following performance conditions over a three year period ending on the 31st December preceding the earliest vesting date:

Annual growth in EPS above RPI*	Proportion of award vesting
Less than 3%	Nil
3%	25%
Between 3% and 10%	Between 25% and 100% on a straight line basis
Above 10%	100%

*Base point from which performance is measured is based on average underlying EPS for the three years ended 31st December 2016

Non-Executive Directors

The Company's approach to Non-Executive Directors' remuneration is set by the Board with account taken of the time and responsibility involved in each role.

Director	2017	2016	% increase
Iain McCusker	£56,000	£51,000	10%
Beverley Stewart	£45,500	£45,500	nil
Tony Giddings	£45,500	£45,500	nil
Mike Robson	£45,500	£45,500	nil

No additional fees are paid in respect of membership of any Board committees. A summary of current fees is shown in the table below. The Chairman's fee was reviewed during the year and the fee was found to be significantly below market comparisons for similar roles in companies of a similar size and complexity. The fee has therefore been increased by 10% in order to move it towards the mid-market level.

Directors' remuneration for the year ended 31st December 2016

The Directors' remuneration for the year ended 31st December 2016 was as follows.

	Fees & Salary		Benefits[4]		Bonus[5]		Termination payments		LTIP[6]		Pension[7]		Total	
£000s	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015	2016	2015
Executive														
Mark Lawrence	279	270	23	23	190	105	–	–	–	–	97	38	589	436
Mike Crowder	238	231	28	26	162	90	–	–	–	–	94	51	522	398
Martin Walton	207	201	23	19	141	78	–	–	–	–	44	40	415	338
Danny Robson[1]	52	201	8	25	–	78	104	–	–	–	–	29	164	333
Non-executive														
David Henderson[2]	–	37	–	–	–	–	–	–	–	–	–	–	–	37
Iain McCusker	51	45	–	–	–	–	–	–	–	–	–	–	51	45
Beverley Stewart	45	44	–	–	–	–	–	–	–	–	–	–	45	44
Tony Giddings	45	44	–	–	–	–	–	–	–	–	–	–	45	44
Mike Robson[3]	45	5	–	–	–	–	–	–	–	–	–	–	45	5
Total	962	1,078	82	93	493	351	104	–	–	–	235	158	1,876	1,680

Notes

1 Danny Robson stepped down from the Board on 21st March 2016. Details of his termination payments can be found on page 68.

2 David Henderson stepped down from the Board on 30th September 2015.

3 Mike Robson joined the Board on 18th November 2015.

4 Benefits comprise a car or car allowance and private medical insurance.

5 The level of performance achieved resulted in a 100% profit related cash bonus and 35% strategic target bonus. However, the profit related cash bonus was reduced by 67% to 33% due to the impact of non-recurring items on the Group's overall financial performance.

6 No LTIP awards vested based on performance ending in 2016 or 2015 as EPS growth performance did not meet the RPI+3/p.a. target in either year.

7 Pensions are calculated based on HMRC's pension input method. Details of accrued pensions can be found on page 68.

Directors' interests in the TClarke Equity Incentive Plan (audited)

The Directors' interests over shares as a result of their participation in the TClarke Equity Incentive Plan are as follows:

Executive director	Award date	01/01/2016 Number	Granted	Lapsed	31/12/2016 number	Exercise price	Earliest date of exercise	Date of expiry
Mark Lawrence								
Conditional shares	30/04/2013	115,000	–	115,000	–	–	–	–
Conditional shares	29/04/2014	85,000	–	–	85,000	–	29/04/2017	29/04/2024
Conditional shares	29/04/2015	90,000	–	–	90,000	–	29/04/2018	29/04/2025
Conditional shares[1]	20/04/2016	–	60,000	–	60,000	–	20/04/2019	20/04/2026
Conditional Options	30/04/2013	59,000	–	59,000	–	–	–	–
Conditional Options[1]	20/04/2016	–	30,000	–	30,000	88.5p	20/04/2019	20/04/2026
Mike Crowder								
Conditional shares	30/04/2013	115,000	–	115,000	–	–	–	–
Conditional shares	29/04/2014	85,000	–	–	85,000	–	29/04/2017	29/04/2024
Conditional shares	29/04/2015	90,000	–	–	90,000	–	29/04/2018	29/04/2025
Conditional shares[1]	20/04/2016	–	60,000	–	60,000	–	20/04/2019	20/04/2026
Conditional Options	30/04/2013	59,000	–	59,000	–	–	–	–
Conditional Options[1]	20/04/2016	–	30,000	–	30,000	88.5p	20/04/2019	20/04/2026
Martin Walton								
Conditional shares	30/04/2013	115,000	–	115,000	–	–	–	–
Conditional shares	29/04/2014	85,000	–	–	85,000	–	29/04/2017	29/04/2024
Conditional shares	29/04/2015	90,000	–	–	90,000	–	29/04/2018	29/04/2025
Conditional shares[1]	20/04/2016	–	60,000	–	60,000	–	20/04/2019	20/04/2026
Conditional Options	30/04/2013	59,000	–	59,000	–	–	–	–
Conditional Options[1]	20/04/2016	–	30,000	–	30,000	88.5p	20/04/2019	20/04/2026
Danny Robson								
Conditional shares[1]	29/04/2015	90,000	–	90,000[2]	–	–	–	–

[1] The face value of conditional shares and conditional options made during 2016 was [£53,100] in conditional shares and [£26,550] in conditional options to each of the Executive Directors.

[2] Danny Robson's conditional share awards lapsed when he stepped down from the Board on 21st March 2016.

The conditional share awards and options will vest subject to continued employment with the Group and satisfaction of the following performance conditions over a three year period ending 31st December preceding the earliest vesting date

Annual growth in EPS above RPI*	Proportion of award vesting
Less than 3%	Nil
3%	25%
Between 3% and 10%	Between 25% and 100% on a straight line basis
Above 10%	100%

* For the years from 2013 to 2014 the base point from which performance is measured is based on basic EPS for the year preceeding the date of grant. For awards from 2015 onwards the base point is based on average underlying EPS for the three years ending with the year predeeding date of grant.

Directors' interests in the TClarke Savings Related Share Option Scheme ("SAYE Scheme") (audited)

The following options were outstanding during the year:

Executive director	Award date	01/01/2016 number	Granted	Exercised	31/12/2016 number	Exercise price	Earliest date of exercise	Date of expiry
Mark Lawrence	12/10/2012	12,857	–	12,857*	–	42.00p	01/01/2016	30/06/2016
	11/10/2013	1,666	–	–	1,666	54.00p	01/01/2017	30/06/2017
	08/10/2015	10,322	–	–	10,322	69.75p	01/12/2018	31/05/2019
Mike Crowder	12/10/2012	12,857	–	12,857*	–	42.00p	01/01/2016	30/06/2016
	11/10/2013	1,666	–	–	1,666	54.00p	01/01/2017	30/06/2017
	08/10/2015	10,322	–	–	10,322	69.75p	01/12/2018	31/05/2019
Martin Walton	12/10/2012	12,857	–	12,857*	–	42.00p	01/01/2016	30/06/2016
	11/10/2013	1,666	–	–	1,666	54.00p	01/01/2017	30/06/2017
	08/10/2015	10,322	–	–	10,322	69.75p	01/12/2018	31/05/2019

* Options exercised on 11th January 2016

The market price of a 10p ordinary share on 30th December 2016 (being the last day of trading of 2016) was 59.25p and the range during the year ended 31st December 2016 was 57.0p to 90.5p.

Pension scheme (audited)

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

Pension scheme (audited)

	Total pension accrued at 31/12/15 £ p.a.	Increase in accrued pension (including inflation) £ p.a.	Increase in accrued pension (excluding inflation) £ p.a.	**Total pension accrued at 31/12/16 £ p.a.**	Transfer value of accrued pension at 31/12/15 £	Increase in transfer value less director's contributions £	**Transfer value of accrued pension at 31/12/16 £**
Mark Lawrence	61,263	6,550	5,937	**67,813**	1,225,265	97,140	**1,356,253**
Mike Crowder	63,016	6,240	5,610	**69,256**	1,260,319	93,885	**1,385,125**
Martin Walton	18,321	3,172	2,988	**21,493**	366,429	43,888	**429,858**
Danny Robson	9,085	2,307	2,226	**–**	181,709	–	**–**

Inflationary increases were assumed to be 1.0% per annum during 2016 in line with increases in the Consumer Price Index during the year.

Directors' interests

Directors' interests in the issued share capital of TClarke plc are set out below. The Directors' interest in share options and conditional shares under long-term incentive schemes are set out on page 66 and 67. The executive directors do not hold any external appointments.

Payments for loss of office (audited)

A payment of £104k was made to Danny Robson for payment in lieu of notice for six months basic salary with effect from 1st April 2016. No pension contributions were paid for this period. Danny Robson's conditional share awards lapsed when he stepped down from the Board on 21st March 2016.

Directors' interests in the issued share capital of TClarke plc as at 31st December 2016 are:

	No. of ordinary shares[2]	No. of conditional share awards[3]	No. of conditional options[3]	No. of options held under SAYE[4]	Total as at 31/12/16[4]
Mark Lawrence	39,607	235,000	30,000	11,988	316,595
Mike Crowder	31,607	235,000	30,000	11,988	308,595
Martin Walton	29,607	235,000	30,000	11,988	306,595
Danny Robson[1]	–	–	–	–	–
Iain McCusker	2,000	–	–	–	2,000
Beverley Stewart	21,000	–	–	–	21,000
Tony Giddings	2,000	–	–	–	2,000
Mike Robson	2,000	–	–	–	2,000

Notes

[1] Danny Robson stepped down from the Board on 21st March 2016 and held 1,451,906 shares as at that date

[2] The minimum shareholding guideline for Executive Directors is 30,000 ordinary shares under the revised Remuneration Policy

For Non-Executive Directors the minimum shareholding requirement is 2,000 shares as defined in the Company's Articles of Association

[3] Subject to performance conditions

[4] There have been no changes to Directors' interests since 31st December 2016

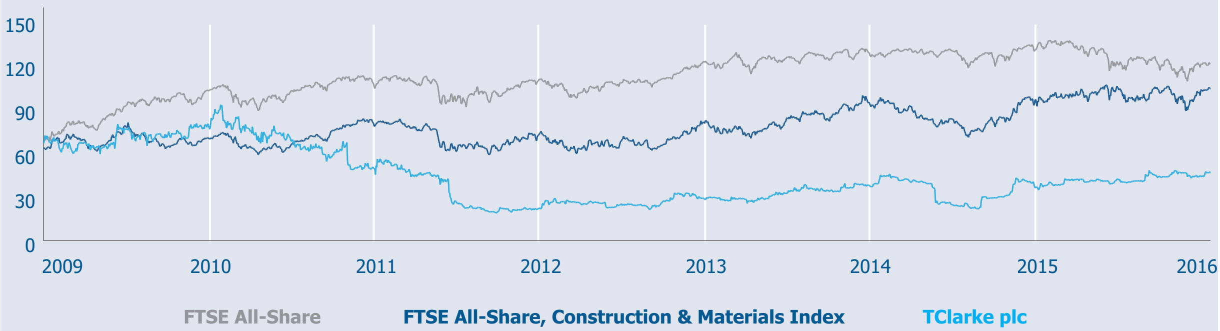
External appointments

The Executve Directors do not hold any external appointments.

Performance graph

The graph shows the total shareholder return that would have been obtained over the past eight years by investing £100 in shares of TClarke plc on 31st December 2009 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.

Shareholder return 2009-2016



Total remuneration

The total remuneration figures for the Chief Executive during each of the last five financial years are shown in the table below. The total remuneration figure includes the annual bonus based on that year's performance and LTIP awards based on three year performance periods ending in the relevant year. The annual bonus payout and LTIP vesting level as a percentage of the maximum opportunity are also shown for each of these years.

	2009	2010	2011	2012	2013	2014	2015	**2016**
Total remuneration (£000)	231[1]	234	245	266	308	300	436	**567**
Annual bonus %	0%	0%	0%	0%	9%	0%	24%	**32%**
LTIP vesting %	0%	0%	0%	0%	0%	0%	0%	**0%**

Notes

1. Pat Stanborough held the position of CEO in 2009

Percentage change in Chief Executive's remuneration

The table below shows the percentage change in the Chief Executive's salary, benefits and annual bonus between the financial year ended 31st December 2015 and 31st December 2016, compared with that of the total amounts for all UK employees of the Group for each of these elements of pay.

	2016	2015	% change
Salary			
Chief Executive	**279.0**	270.5	3.1%
UK employee average	**44.1**	42.0	4.5%
Benefits			
Chief executive	**23**	23	2.2%
UK employee average	**2**	1	9.6%
Annual bonus			
Chief executive	**190**	105	91.0%
UK employee average	**1.66**	1	228.5%
Average number of UK employees	**1,331**	1,247	

Relative importance of spend on pay

The following table shows the Group's total spend on pay relative to dividends and total operating expenses.

Total operating expenses comprise cost of sales and administrative expenses before amortisation of intangible assets and non-recurring costs.

	2016	2015	% change
Staff costs	67.1	59.6	12.6%
Dividend	1.3	1.3	0%
Total operating expenses	271.7	219.2	24.0%

Executive Directors' notice periods

All current Executive Directors have a 12 months notice period in accordance with their Service Agreements.

Consideration by the Directors of matters relating to Directors' remuneration

The Company's approach to the Chairman's and Executive Directors' remuneration is determined by the Board on the advice of the Remuneration Committee.

The members of the Remuneration Committee (all of whom were independent Non-Executive Directors) during the year under review were as follows:

- Tony Giddings (Chair)
- Beverley Stewart
- Mike Robson
- Iain McCusker

Biographical information on the committee members and details of attendance at the remuneration committee's meetings during the year are set out on pages 42 and 43 respectively.

The Remuneration Committee has access to independent advice where appropriate. New Bridge Street (NBS) (a trading name of Aon Hewitt Ltd, an Aon plc company) was appointed by the Committee in 2016 to provide independent advice on remuneration matters. Representatives from NBS attend Committee meetings and provide advice to the Committee Chairman outside of meetings as necessary. In 2016 NBS provided specific advice to the Committee in respect of its review of the Company's remuneration policy for directors. NBS also provided advice in relation to Non-Executive Director remuneration. Fees are charged on a cost incurred basis and for advice to the Committee totalled £25,750 in the year ended 31st December 2016. NBS is a member of the Remuneration Consultants Group and operates voluntarily under the Group's code which sets out the scope and conduct of the role of executive remuneration consultants when advising UK listed companies. NBS does not undertake any other work for the Company, and the Committee is satisfied that the advice provided by NBS remains objective and independent.

Statement of voting at Annual General Meeting

At last year's AGM, 99.13% of shareholders voted in favour to approve the Directors' Remuneration Report.

2016 AGM	Number	%
Votes cast in favour	15,014,721	99.13
Votes cast against	131,091	0.87
Total votes cast	15,145,812	
Abstentions	35,022	

By order of the Board
Tony Giddings
Chair - Remuneration Committee
28th March 2017

Directors' report

The Directors present their Annual Report and the Group audited financial statements for the year ended 31st December 2016.

The Strategic Report on pages 2 to 41, the Corporate Governance Report on pages 44 to 49 and certain Notes to the financial statements are also incorporated into this report by reference.

The Company's registered office is at 45 Moorfields, London EC2Y 9AE. The Company's principal place of business is the United Kingdom.

Strategic Report
A description and review of the Group's activities during the financial year and likely future developments within the business is described in the Strategic Report on pages 2 to 41, including the principal risks and uncertainties on pages 30 to 32, disclosure concerning employees on page 41 and greenhouse gas emissions on page 39.

Corporate governance
Details of how the Company has complied with the main provisions of the UK Corporate Governance Code can be found in the Corporate Governance report on pages 44 to 49.

Results for the year
The results for the year are set out in the Consolidated income statement on page 84.

Dividends
The Directors recommend the payment of a final dividend for the year of 2.7p per share, (2015: 2.60p) which, together with the interim dividend of 0.50p paid on 7th October 2016, makes a total distribution of 3.20p for the year (2015: 3.10p).

Subject to approval at the Annual General Meeting, the final dividend will be paid on 12th May 2017 to shareholders on the register at 18th April 2017. The shares will go ex-dividend on 13th April 2017.

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 2016 final payment, may do so by contacting Capita Registrars on 0871 664 0300 (lines are open 9:00 am - 5:30 pm Monday to Friday. Calls cost 12p per minute plus network charges). The last day for election for the final dividend reinvestment is 18th April 2017 and any request should be made in good time ahead of that date.

Waiver of dividends
Under the trust deed establishing the TClarke Employee Share Ownership Trust the trustee has waived any dividends in respect of shares held by the trust.

Directors
The Directors who held office throughout the year ended 31st December 2016 are as follows:

Iain McCusker, Tony Giddings, Beverley Stewart, Mike Robson, Mark Lawrence, Mike Crowder, Martin Walton and Danny Robson, who served on the Board during the period until his resignation on 21st March 2016.

Brief biographies of current serving Directors can be found on pages 42 and 43.

The Articles of Association state that a maximum of 12 Directors may sit on the Board of the Company. The Company has rules regarding the appointment of Directors with regard to their election at the first Annual General Meeting following their appointment, which are detailed in the Corporate Governance Report on pages 44 to 49. There are no specific rules relating to the replacement of Directors

Directors' interests
The beneficial interests of the Directors in the share capital of the Company are set out on page 68.

Powers of Directors
The powers of the Directors are determined by the Company's Articles of Association, the Companies Act 2006 and the directions given by the Company by resolutions passed in general meetings. The Directors are authorised by the Articles to issue and allot ordinary shares, to dis-apply statutory pre-emption rights and to make market purchases of the Company's shares. The directors currently have shareholder approval for the issue of ordinary share capital up to a maximum amount of £1,394,318 and for the buyback of ordinary shares up to a maximum aggregate of 10% of the issued ordinary share capital. The Directors will be seeking to renew their authorities at the forthcoming Annual General Meeting.

Share Capital
The Company's share capital consists of ordinary shares with a nominal value of 10p each.

The issued share capital as at 28th March 2017 was £4,182,957.70, consisting of 41,829,577 ordinary shares of 10p each. The Company's issued ordinary shares are fully paid and rank equally in all respects. There are no restrictions on the transfer of ordinary shares in the Company or on the exercise of voting rights attached to them, save that:

- certain restrictions may from time to time be imposed by laws and regulations (for example, insider trading laws and market requirements relating to close periods); and
- pursuant to the Listing Rules of the Financial Services Authority, whereby certain employees of the Company require the approval of the Company to deal in the Company's shares.

Further details on share capital are shown in Note 20 to the financial statements.

Substantial shareholdings

At 27th March 2017 the Company had been notified of the following substantial interests of 3% or more in its issued ordinary share capital:

	% of issued ordinary share capital	Number of shares held
Miton Group Plc	17.66	7,385,611
Hargreaves Lansdown Stockbrokers	5.87	2,456,595
Barclays Stockbrokers	5.26	2,198,869
Walker Crips Wealth Management Ltd	5.23	2,189,190
TD Asset Management Inc.	4.16	1,740,829
Charles Stanley & Co. Ltd	3.26	1,364,585

Significant agreements - change of control

The Directors are not aware of any significant agreements that take effect, alter or terminate upon a change of control of the Company following a takeover bid.

The Company has an Equity Incentive Plan ("EIP") in place for Directors and senior management, and an employee share save scheme in place which is available to all employees. The rules of the EIP provide that awards made under the EIP may vest on a change of control of the Company, at the discretion of the Remuneration Committee. The rules of the 2013 and 2015 Savings Related Share Option Schemes provide that in the event of a change of control, outstanding options may be exchanged or replaced with similar options on the same terms. Further details on employee share schemes are disclosed in Note 20 to the financial statements.

There are no other 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.

Significant interests

Save for interests in service agreements, none of which extend beyond 12 calendar months, the Directors have no material interest in any contract of significance that would have required disclosure under the continuing obligations of the Financial Conduct Authority Listing Rules, nor have they any beneficial interest in the issued share capital of the subsidiary companies.

Qualifying third party indemnities

The articles of association of the Company entitle the directors, to the extent permitted by the Companies Act 2006 and other applicable legislation, to be indemnified out of the assets of the Company in the event that they suffer any expenses in connection with certain proceedings relating to the execution of their duties as directors of the Company.

In addition the Company has in place insurance in favour of its Directors and officers in respect of certain losses or liabilities to which they may be exposed due to their office up to a limit of £10 million.

Research and development

The Group undertakes research and development activity in creating innovative design and construction solutions integral to the delivery of its projects. The direct expenditure incurred is not separately identifiable as the investment is usually contained within the relevant project.

Donations

The Group made no political donations during the year (2015: £nil).

Post balance sheet events

There were no post balance sheet events requiring disclosure in the annual report and financial statements.

Financial instruments

Details of the financial risk management objectives and policies of the Group, together with its exposure to material financial risk, are set out in Note 28 to the financial statements.

Going Concern
The statement regarding going concern forms part of the Corporate Governance Report and is set out on page 49.

Company status
So far as the Directors are aware, the Company is not a close company.

Stock exchange transactions
Members are advised that trading in the Company's shares is conducted via the London Stock Exchange SETS service. For further information we would refer you to our corporate broker N+1 Singer (020 7496 3000). The daily price of the Company's shares continues to be listed in the Financial Times under the construction and building materials sector, and on our website www.tclarke.co.uk.

Disclosure of information to 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 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.

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.

Annual General Meeting ("AGM")
The AGM of the Company will be held at 200 Aldersgate, St Pauls, London EC1A 4HD at 10.00am on 5th May 2017. The Notice of AGM will be sent to shareholders with this report.

Approved on behalf of the Board
Alexandra Dent
Company Secretary
28th March 2017

Statement of Directors' responsibilities in respect of the financial statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 parent company and of the profit or loss of the Group and parent company for that period. In preparing the financial statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and parent company 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.

The Directors are also responsible for safeguarding the assets of the Group and parent 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 parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and parent company's performance, business model and strategy.

Each of the Directors, whose names and functions are listed in pages 42 and 43 confirm that, to the best of their knowledge:

- the parent company financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Company;
- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Annual Report includes a fair review of the development and performance of the business and the position of the Group and parent company, together with a description of the principal risks and uncertainties that it faces.

In the case of each Director in office at the date the Directors' Report is approved:

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

On behalf of the Board

Martin Walton
Finance Director
Iain McCusker
Chairman

28th March 2017
TClarke plc
Registered number:
119351

Independent auditors' report to the members of TClarke plc

Report on the financial statements

Our opinion

In our opinion:

- TClarke plc's group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the parent company's affairs as at 31st December 2016 and of the group's profit and the group's and the parent company's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("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.

What we have audited

The financial statements, included within the Annual Report, comprise:

- the group and parent company statements of financial position as at 31st December 2016;
- the group income statement and statement of comprehensive income for the year then ended;
- the group and parent company statements of cash flows for the year then ended;
- the group and parent company statements of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is 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, and applicable law.

Our audit approach

Overview

- Overall group materiality: £570,000 which represents 0.25% of average revenue for the last five years.

- The majority of our audit work was conducted from the head office in London.
- We visited a number of the offices and sites across all four regions in the course of the audit, including 7 local operating locations.

- Revenue recognition and long term contract accounting in respect of construction contracts.
- Defined benefit pension plan net assets and liabilities and accounting treatment.
- Goodwill and intangibles impairment assessment.
- Going concern – compliance with loan covenants.
- Management override of control and financial irregularities in the period.

The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)").

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as "areas of focus" in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Area of focus	How our audit addressed the area of focus
Revenue recognition and long term contract accounting in respect of construction contracts *Refer to page 50 to 53 (Audit Committee Report) and Note 4 (Significant judgements and sources of estimation uncertainty).* We focused on the revenue and profit recognised on long term contracts because they result in material balances, involve judgements and can be complex. IFRSs require revenue to be recognised over the course of the contract, using a 'percentage completion' method. If a project is, or is forecast to be, loss making, they require the full loss to be recognised. The Group generates revenue from long term contracts relating mainly to mechanical and electrical services. The Group has a large number of contracts; we focused on contracts which stood out individually as being higher risk at the year end. Factors causing a contract to stand out included, for example, material amounts receivable which were not agreed by the client, disputes with clients or subcontractors, or a high level of variations or changes to the contract scope relative to the original contract total. The percentage completion of contracts is calculated based on the amount of costs incurred to date compared with the total expected costs to be incurred on the project, except where this would not be representative of the stage of completion and forecast end of life costs are inherently subjective.	We selected a sample of contracts to test, based on both quantitative and qualitative criteria including: • high levels of revenue recognised in the year; • high margins; • significant loss-making contracts; • contracts with significant balance sheet exposure; and • contracts with a large variance to the profit margin applied year on year. We obtained an understanding of and evaluated management's own process and controls for reviewing long term contracts (including the process for identifying loss-making and/or higher risk contracts and assessing the supporting revenue recognition and cost estimates, including contract variations) and gained an understanding of the key judgements involved and background to the specific contracts selected in our sample. As a result of the matter referred to below we did not seek to place any reliance on the operating effectiveness of the controls and our work comprised substantive testing. For the sample of contracts we selected for testing, we focused on the significant judgements adopted by management in relation to the revenue and margin recognition, and, in particular, judgements with respect to the percentage completion, by: • agreeing forecast costs to completion to documentary evidence (orders signed with subcontractors or supporting calculations) and applying industry knowledge and experience to critique the completeness of the forecast costs to completion; • agreeing total projected income to signed contracts plus a listing of variations; • tracing a sample of variations to supporting certifications or instructions from clients; • reconciling revenue recognised with amounts applied for and amounts certified by clients and confirming, using our industry knowledge and experience, that the reconciling items were appropriate; • re-performing the key calculations behind the margin applied, the profit taken and the stage of completion, as well as balance sheet exposure; and • assessing the recoverability of balance sheet items by comparing to external certification of the value of work performed. We assessed the Directors' estimates by comparing the budgeted total profit on each selected contract with that budgeted at the prior year end (where applicable) and tested significant variances to confirm they were supported by documentary evidence. We found these movements to be driven by contract specific issues, such as unforeseen delays, as opposed to inaccurate or optimistic budgeting. We considered the judgements made by the Directors concerning the recoverability of contract variations reasonable in light of the evidence.

Area of focus	How our audit addressed the area of focus
Defined benefit pension plan net assets and liabilities and accounting treatment *Refer to page 50 to 53 (Audit Committee Report), Note 4 (Significant judgements and sources of estimation uncertainty) and Note 24 (Pension commitments).* The Group operates a funded defined benefit pension scheme for qualifying employees which was closed to new members after 31st December 2014. The scheme has assets of £37.7m and post-retirement liabilities of £53.3m, which are significant in the context of the overall balance sheet of the Group. During the year the Group has restructured its operations to streamline the management structure and reduce costs. As part of this a service company has been created to employ all of the Group's staff and this company is now the sponsoring employer of the defined benefit pension scheme, replacing TClarke plc. The valuation of the pension liabilities requires significant levels of judgement and technical expertise in choosing appropriate assumptions. Unfavourable changes in a number of the key assumptions (including salary increases, inflation, discount rates and mortality) can have a material impact on the calculation of the liability. As a result of the size of the pension scheme deficit, the judgements inherent in the actuarial assumptions involved in the valuation of the pension obligation and the complexity associated with the accounting for the restructure in the year, we considered this to be an area of focus.	We obtained the actuarial report for the scheme as at 31st December 2016. We agreed the material assets of the scheme to independently obtained third party custodian confirmations. Where relevant we agreed asset valuations to independently obtained investment manager valuations. No material differences were identified. We tested the valuation of the pension liabilities as follows: • We agreed the discount and inflation rates used in the valuation of the pension liability to our internally developed benchmarks, finding these to be within an acceptable range. • We compared the inflation rate and mortality rate assumptions set by the Directors to national and industry averages, finding these to be within an acceptable range. The most recent triennial valuation was close to completion at 31st December 2016 therefore the census data supporting the actuarial report had been updated during the year. We agreed a sample of the data used to supporting payroll information. With respect to the restructure we performed the following: • We examined the legal terms of the pension scheme to check that the service company has become the sponsoring employer. • We understood the terms upon which the new operating company and the Group will transact with the service company to check that the service company has commercial substance and bears the risk of the pension scheme. Subject to finalisation of the necessary legal agreements, these arrangements took effect from 23rd December 2016. • We also examined the disclosures made in the financial statements to check that they describe the changes made in the year, including the guarantee provided by TClarke plc to the service company and we have concluded that the disclosures are appropriate.

Area of focus	How our audit addressed the area of focus
Goodwill and intangibles impairment assessment *Refer to page 50 to 53 (Audit Committee Report), Note 4 Significant judgements and sources of estimation uncertainty) and Note 12 (Intangible assets).* We focused on this area because the Directors' assessment of the carrying value of goodwill and intangible assets involves complex and subjective judgements about the future results of the business. No impairment was recognised during the year. We focused on those Cash Generating Units (CGUs) we considered to carry more judgement because of current year losses or historic underperformance against budgets, or for which management's impairment assessment model gave lower headroom relative to other CGUs. The value in use calculations in relation to the Group's TClarke South West CGU (goodwill of £1.3m) was most sensitive to changes in key assumptions. The key judgements involved were future revenue growth, margin assumptions and the discount rate applied as set out in Note 12 to the Group financial statements.	We evaluated the Directors' future cash flow forecasts, which were prepared to a sufficiently detailed level, including comparing them to the latest Board approved budgets, testing the integrity of the underlying calculations and assessing how both internal and external drivers of performance were incorporated into the projections. We also challenged the discount rate used by independently recalculating the cost of capital. TClarke South West CGU has been loss making historically, and the carrying value of the goodwill is dependent on the CGUs ability to make profits from 2017 onwards. We tested the level of secured work by tracing it to supporting orders. 65% of the 2017 forecast revenue for TClarke South West's revenue has been secured. We tested the cost forecasts by comparing a sample to tenders from subcontractors or calculations of man hours required. We compared 2016 financial performance to budget and understood the reasons for the differences from the forecasts prepared for the 31 December 2015 financial statements and their impact on the future drivers of improvement in profitability. For the Group's TClarke South West CGU, we also performed sensitivity analysis around the key drivers of the cash flow forecasts, in particular the revenue growth and margin assumptions. Having ascertained the extent of change in those assumptions that either individually or collectively would be required for the goodwill and intangible assets to be impaired, we considered the likelihood of such movement arising in those key assumptions. We noted that the value in use of this business is more sensitive to changes in the assumptions concerning future revenue growth and, in particular, gross margin than assumptions surrounding the discount rate. The Directors have built increased profitability into their forecasts for the CGU and we challenged them on the realistic impact of the actions they have taken, and intend to take, to improve the profitability. We particularly challenged management on the changes they have made to the CGU this year and in recent years in order to achieve the future forecast revenue and profit, in light of the margins actually achieved in recent years. Although we considered the Directors' expectations of the impact of their actions to be reasonable in light of the evidence available, failure to meet these forecasts and to generate a profit may result in impairment of the goodwill and investment value associated with the TClarke South West CGU. Therefore we also examined the disclosures made in the financial statements and concluded that they are appropriate. Management have also presented sensitivity analysis in respect of the Scotland and Central CGU's. We examined the disclosures made in the financial statements and compared these to the sensitivity analysis performed by management. We concluded that the disclosures are appropriate.

Area of focus	How our audit addressed the area of focus
Going concern – compliance with loan covenants *Refer to page 50 to 53 (Audit Committee Report), Note 3 (Accounting Policies – Basis of Preparation) and Note 22 (Bank overdraft and loans).* We focused on the Directors' conclusion that it is appropriate to adopt the going concern basis in preparing the financial statements. The Group operates in the construction industry, which has continued to experience low margins and has been significantly impacted by the economic downturn in recent years resulting in lower margins and cash flow pressures. In addition to a £5m overdraft facility renewable annually, the Group has a new £10m Revolving Credit Facility (RCF) which was renegotiated during December 2016 (2015: £8m overdraft facility and £5m RCF). The RCF includes financial covenants around interest cover and net leverage ratios which are required to be tested quarterly.	We obtained copies of the new overdraft and RCF agreements and read the relevant parts of the agreements relating to available financing and the applicable covenants. We obtained the Directors' forecast of the Group's funding requirements and covenant compliance for years 2017-2019 and details of the financing facilities in place and we focused on the 12 months from the date of signing of the Annual Report. The forecasts, which are consistent with those used for the impairment assessment, showed sufficient funding and compliance with covenants. We performed sensitivity analysis around the covenant forecasts and the cash flow forecasts including adjusting future revenue growth and margin assumptions to industry average forecast levels. We further evaluated assumptions relating to changes in working capital, including debtors/creditors days by comparing to the actual changes over the previous year and found them to be consistent with our expectation, which was based on previous experience by the Group. We assessed the Directors' budgeting ability by comparing past budgets to actual results achieved. We discussed with the Directors the actions they consider they could take to alter the timing and/or amount of cash flows, considered whether they were consistent with previous actions taken by the Directors and used our knowledge of the business to consider the feasibility and likely impact of the Directors' intentions. We then assessed the sensitivity of the Directors' calculations to changes in key inputs, in particular forecast underlying profit before tax. Our conclusion on Going Concern is outlined below.

Area of focus	How our audit addressed the area of focus
Management override of control and financial irregularities in the period *Refer to page 50 to 53 (Audit Committee Report), and Note 7 (Profit from operations).* As in all of our audits we addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud. On 31st October 2016, the Group announced that it had uncovered the misappropriation of cash of £2.9m over a number of years in the DG Robson Mechanical Services Limited (DGR) subsidiary. In the light of this management carried out a detailed internal review of the factors which gave rise to this misappropriation and the controls associated with payments made by the group, as well as investigating the extent of the misappropriation. Management employed external advisors to assist in this investigation. Our audit considered the scope and results of the investigation, including the quantification by management of the amount of the misappropriation. We also considered whether there was any material impact on prior period financial statements of the issues identified during the current year. The impact of the misappropriation has been separately identified in the income statement as non-recurring. The impact on the 2015 income statement is not material however the income statement has been re-presented to provide comparative analysis of the non-underlying amounts.	We tailored specific procedures to focus on the misappropriation in the period, including the procedures set out below. • Through enquiry with management, we obtained an understanding of how the misappropriation occurred, its implications for the Group and management's response including their assessment of whether it involved any collusion among employees. • We met with management's external advisors to understand the scope of their procedures and their findings. We also obtained confirmation of their independence of the Group. • On a sample basis, we tested the population of payments identified by management as being misappropriated to the cash transfer in the bank statements and to the associated posting in the accounting records to confirm that these were appropriately reported in the 2016 financial statements. • We selected a sample of journals posted in the year and corroborated these to supporting documentation. In particular, we focused on those journals posted by individuals with access to make payments as well as testing journals with unusual descriptions and unexpected account combinations. • For a sample of supplier accounts, we obtained third party confirmation, or performed alternative procedures over invoices recorded on the year end subcontractor and purchase ledgers. • We performed testing to establish whether further misappropriation might have been concealed through recording invalid contract costs or retention releases, and whether there was evidence of inappropriate amendment of supplier bank details to facilitate misappropriation of funds. Our procedures did not identify any further evidence of material misappropriation over and above that identified by management. We also tested management's analysis of the amounts relating to prior periods, and the re-presentation of the income statement. The impact on 2015 profits was £0.2m, which was below the materiality of £0.6m that we determined applicable for the 2015 audit. After considering the nature and quantum of the amounts relating to prior periods we concurred with the Directors that these were not material. We concurred with this accounting treatment and the disclosures made in the financial statements about the impact of the misappropriation.

How we tailored the audit scope

The Group is structured into four regional trading segments which are subdivided into twenty five legal entities (nine of which are dormant) for the purposes of financial reporting. We performed a full scope audit over all 16 active entities.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed at the reporting units by us, as the Group engagement team, or component auditors from PwC operating under our instruction. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those components, in order to be able to conclude whether sufficient appropriate audit evidence had been obtained, as a basis for our opinion on the Group financial statements as a whole.

The majority of our audit work, including the audit of the consolidation, was conducted from the head office in London as this is where the key accounting processes and controls are undertaken. We also received reporting from two component auditor teams from PwC in the UK and attended the planning and clearance meetings with the component auditors. Together the Group and component teams visited a number of the offices and sites across all four regions, including 7 local operations, to obtain a comprehensive understanding from local management of key matters that had arisen in the year.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall Group materiality	£570,000 (2015: £605,000).
How we determined it	0.25% of average revenue for the last 5 years (2015: 0.25% of average revenue).
Rationale for benchmark applied	We used revenue as a basis for materiality as the Group's profit margins have historically been low, consistent with the industry as a whole, and therefore revenue is used by the Group as a key performance indicator. An average measure was applied to avoid the volatility caused by fluctuations in revenue over the business cycle.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £28,500 (2015: £30,250) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

Under the Listing Rules we are required to review the Directors' statement, set out on page 49, in relation to going concern. We have nothing to report having performed our review.

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to the Directors' statement about whether they considered it appropriate to adopt the going concern basis in preparing the financial statements. We have nothing material to add or to draw attention to.

As noted in the Directors' statement, the Directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. The going concern basis presumes that the Group and parent company have adequate resources to remain in operation, and that the Directors intend them to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the Directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's and parent company's ability to continue as a going concern.

Other required reporting

Consistency of other information and compliance with applicable requirements

Companies Act 2006 reporting

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

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

In addition, in light of the knowledge and understanding of the Group, the parent company and their environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

ISAs (UK & Ireland) reporting

- information in the Annual Report is:
  - materially inconsistent with the information in the audited financial statements; or
  - apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group and parent company acquired in the course of performing our audit; or
  - otherwise misleading.

We have no exceptions to report.

- the statement given by the Directors on page 74, in accordance with provision C.1.1 of the UK Corporate Governance Code (the "Code"), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's and parent company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and parent company acquired in the course of performing our audit.

We have no exceptions to report.

- the section of the Annual Report on page 51, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We have no exceptions to report.

The Directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to:

- the Directors' confirmation on page 48 of the Annual Report, in accordance with provision C.2.1 of the Code, that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.

We have nothing material to add or to draw attention to.

- the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.

We have nothing material to add or to draw attention to.

- the Directors' explanation on page 33 of the Annual Report, in accordance with provision C.2.2 of the Code, as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing material to add or to draw attention to.

Under the Listing Rules we are required to review the Directors' statement that they have carried out a robust assessment of the principal risks facing the Group and the Directors' statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit. We have nothing to report having performed our review.

Adequacy of accounting records and information and explanations received

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

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

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Directors' remuneration report - Companies Act 2006 opinion

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Other Companies Act 2006 reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Corporate governance statement

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to ten further provisions of the Code. We have nothing to report having performed our review.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Directors' Responsibilities Statement set out on page 74, 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 ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

What an audit of financial statements involves

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.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

Richard Porter
(Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
28th March 2017

Consolidated income statement

for the year ended 31st December 2016

	Note	2016 Underlying items £m	2016 Non-underlying items £m	2016 Total £m	2015* Underlying items £m	2015* Non-underlying items £m	2015* Total £m
Continuing operations:							
Revenue	5	**278.6**	**–**	**278.6**	242.4	–	242.4
Cost of sales		**(246.2)**	**–**	**(246.2)**	(214.4)	–	(214.4)
Gross profit		**32.4**	**–**	**32.4**	28.0	–	28.0
Other operating income		**0.2**	**–**	**0.2**	0.1	–	0.1
Administrative expenses:							
Amortisation of intangible assets	7	**–**	**(0.2)**	**(0.2)**	–	(0.2)	(0.2)
Non-recurring costs	7	**–**	**(2.3)**	**(2.3)**	–	(0.5)	(0.5)
Other administrative expenses		**(25.7)**	**–**	**(25.7)**	(23.0)	–	(23.0)
Total administrative expenses		**(25.7)**	**(2.5)**	**(28.2)**	(23.0)	(0.7)	(23.7)
Profit / (loss) from operations:		**6.9**	**(2.5)**	**4.4**	5.1	(0.7)	4.4
Finance income	6	**–**	**–**	**–**	0.1	–	0.1
Finance costs	6	**(0.7)**	**–**	**(0.7)**	(1.0)	–	(1.0)
Profit / (loss) before taxation	7	**6.2**	**(2.5)**	**3.7**	4.2	(0.7)	3.5
Taxation	9	**(1.3)**	**0.5**	**(0.8)**	(0.8)	0.1	(0.7)
Profit / (loss) from continuing operations	10	**4.9**	**(2.0)**	**2.9**	3.4	(0.6)	2.8
Loss for the year from discontinued operations		**–**	**(0.5)**	**(0.5)**	–	(2.7)	(2.7)
Profit / (loss) for the year		**4.9**	**(2.5)**	**2.4**	3.4	(3.3)	0.1
Earnings / (loss) per share from continuing operations							
Attributable to owners of TClarke plc: Basic	11	**11.60p**	**(4.86)p**	**6.74p**	8.16p	(1.50)p	6.66p
Diluted	11	**11.20p**	**(4.70)p**	**6.50p**	7.88p	(1.44)p	6.44p
Earnings / (loss) per share							
Attributable to owners of TClarke plc: Basic	11	**11.60p**	**(6.15)p**	**5.45p**	8.16p	(8.03)p	0.13p
Diluted	11	**11.20p**	**(5.95)p**	**5.25p**	7.88p	(7.76)p	0.12p

* Re-presented to classify certain immaterial cost of sales and underlying administrative expenses totalling £0.5m as non-recurring administrative expenses. Further details are given in Note 7.

Consolidated statement of comprehensive income

for the year ended 31st December 2016

	2016 £m	2015 £m
Profit for the year	**2.4**	0.1
Other comprehensive (expense) / income:		
Items that will not be reclassified to profit or loss		
Actuarial (loss) / gain on defined benefit pension scheme	**(6.3)**	2.2
Other comprehensive (expense) / income for the year, net of tax	**(6.3)**	2.2
Total comprehensive (expense) / income for the year	**(3.9)**	2.3

Consolidated statement of financial position

for the year ended 31st December 2016

	Note	2016 £m	2015 £m
Non current assets			
Intangible assets	12	**22.8**	23.0
Property, plant and equipment	13	**3.9**	4.6
Deferred tax assets	19	**3.3**	2.3
		30.0	29.9
Current assets			
Inventories	15	**0.6**	0.4
Amounts due from customers under construction contracts	16	**27.8**	31.1
Trade and other receivables	17	**41.8**	36.3
Cash and cash equivalents	21	**12.3**	11.7
		82.5	79.5
Total assets		**112.5**	109.4
Current liabilities			
Amounts due to customers under construction contracts	16	**(4.4)**	(4.1)
Trade and other payables	18	**(70.1)**	(67.1)
Current tax liabilities		**(0.2)**	–
Obligations under finance leases	25	**(0.1)**	(0.1)
		(74.8)	(71.3)
Net current assets		**7.7**	8.2
Non current liabilities			
Bank loans	22	**(3.0)**	(5.0)
Other payables	18	**–**	(0.1)
Retirement benefit obligation	24	**(20.6)**	(13.4)
		(23.6)	(18.5)
Total liabilities		**(98.4)**	(89.8)
Net assets		**14.1**	19.6
Equity attributable to owners of the parent			
Share capital	20	**4.2**	4.2
Share premium	20	**3.1**	3.1
ESOT share reserve		**(0.8)**	(0.4)
Revaluation reserve		**0.5**	0.6
Retained earnings		**7.1**	12.1
Total equity		**14.1**	19.6

The financial statements on pages 84 to 139 were approved by the Board of Directors on 28th March 2017 and were signed on its behalf by:

I. McCusker Director **M. Lawrence** Director

Company statement of financial position

as at 31st December 2016

	Note	2016 £m	2015 £m
Non current assets			
Property, plant and equipment	13	–	0.3
Investments	14	**39.7**	32.1
Deferred tax assets	19	–	2.6
		39.7	35.0
Current assets			
Amounts due from customers under construction contracts	16	–	13.6
Trade and other receivables	17	**0.2**	13.7
Current income tax receivables		–	–
Cash and cash equivalents	21	**13.1**	14.1
		13.3	41.4
Total assets		**53.0**	76.4
Current liabilities			
Amounts due to customers under construction contracts	16	–	(1.7)
Trade and other payables	18	**(4.3)**	(37.6)
Current income tax payable		**(0.3)**	(0.3)
		(4.6)	(39.6)
Net current assets		**8.7**	1.8
Non current liabilities			
Bank loans	22	**(3.0)**	(5.0)
Intra-group loans		**(30.0)**	–
Retirement benefit obligation	24	–	(13.4)
		(33.0)	(18.4)
Total liabilities		**(37.6)**	(58.0)
Net assets		**15.4**	18.4
Equity attributable to owners of the parent			
Share capital	20	**4.2**	4.2
Share premium	20	**3.1**	3.1
ESOT share reserve		**(0.6)**	(0.1)
Retained earnings		**8.7**	11.2
Total equity		**15.4**	18.4

The Company has taken advantage of the exemption conferred by section 408 of the Companies Act 2006 from presenting it's own income statement. The profit after tax for the year was £5.0m (2015: £2.5m)

The financial statements on pages 84 to 139 were approved by the Board of Directors on 28th March 2017 and were signed on its behalf by:

I. McCusker Director **M. Lawrence** Director Registered number: 119351

Consolidated statement of cash flows

for the year ended 31st December 2016

	Note	2016 £m	2015 £m
Net cash generated from operating activities	21	**4.0**	2.7
Investing activities			
Interest received		**–**	0.2
Purchase of property, plant and equipment		**(0.2)**	(0.5)
Receipts on disposal of property, plant and equipment		**0.5**	0.5
Net cash generated from investing activities		**0.3**	0.2
Financing activities			
Repayment of bank borrowing	22	**(2.0)**	–
Equity dividends paid	20	**(1.3)**	(1.3)
Acquisition of shares by ESOT	20	**(1.5)**	(0.7)
Disposal of share by ESOT	20	**1.1**	0.5
Net cash used in financing activities		**(3.7)**	(1.5)
Net increase in cash and cash equivalents		**0.6**	1.4
Cash and cash equivalents at beginning of year	21	**11.7**	10.3
Cash and cash equivalents at end of year	21	**12.3**	11.7

Company statement of cash flows

for the year ended 31st December 2016

	Note	**2016 £m**	2015 £m
Net cash generated from operating activities	21	**8.1**	7.4
Investing activities			
Interest received		**0.1**	0.1
Purchase of property, plant and equipment		**–**	(0.2)
Additional investment in subsidiaries		**(7.9)**	–
Dividends received from subsidiaries		**2.6**	1.9
Net cash (used in) / generated from investing activities		**(5.2)**	1.8
Financing activities			
Repayment of bank borrowing	22	**(2.0)**	–
Equity dividends paid	20	**(1.3)**	(1.3)
Loan to ESOT	20	**(0.6)**	(0.5)
Repayment of loan by ESOT	20	**–**	0.5
Net cash used in financing activities		**(3.9)**	(1.3)
Net (decrease) / increase in cash and cash equivalents		**(1.0)**	7.9
Cash and cash equivalents at beginning of year	21	**14.1**	6.2
Cash and cash equivalents at end of year	21	**13.1**	14.1

Consolidated statement of changes in equity

for the year ended 31st December 2016

	Attributable to owners of the parent					
	Share capital £m	Share premium £m	ESOT share res. £m	Revaluation reserve £m	Retained earnings £m	Total £m
At 1st January 2015	4.1	3.1	(0.1)	0.8	11.0	18.9
Comprehensive income:						
Profit for the year	–	–	–	–	0.1	0.1
Other comprehensive income						
Actuarial gain on retirement benefit obligation	–	–	–	–	2.9	2.9
Deferred income tax charge on actuarial gain on retirement benefit obligation	–	–	–	–	(0.6)	(0.6)
Effect of change in tax rate	–	–	–	–	(0.1)	(0.1)
Total other comprehensive income	–	–	–	–	2.2	2.2
Total comprehensive income	–	–	–	–	2.3	2.3
Transactions with owners						
Share based payment debit	–	–	–	–	(0.1)	(0.1)
Shares acquired by ESOT	–	–	(0.7)	–	–	(0.7)
Shares distributed by ESOT	–	–	0.5	–	–	0.5
Shares issued to ESOT	0.1	–	(0.1)	–	–	–
Dividends paid	–	–	–	–	(1.3)	(1.3)
Total transactions with owners	0.1	–	(0.3)	–	(1.4)	(1.6)
Transfers	–	–	–	(0.2)	0.2	–
At 31st December 2015	4.2	3.1	(0.4)	0.6	12.1	19.6
Comprehensive expense:						
Profit for the year	**–**	**–**	**–**	**–**	**2.4**	**2.4**
Other comprehensive income						
Actuarial loss on retirement benefit obligation	**–**	**–**	**–**	**–**	**(7.3)**	**(7.3)**
Deferred income tax credit on actuarial loss on retirement benefit obligation	**–**	**–**	**–**	**–**	**1.4**	**1.4**
Effect of change in tax rate	**–**	**–**	**–**	**–**	**(0.4)**	**(0.4)**
Total other comprehensive expense	**–**	**–**	**–**	**–**	**(6.3)**	**(6.3)**
Total comprehensive expense	**–**	**–**	**–**	**–**	**(3.9)**	**(3.9)**
Transactions with owners						
Share based payment credit	**–**	**–**	**–**	**–**	**0.1**	**0.1**
Shares acquired by ESOT	**–**	**–**	**(0.9)**	**–**	**–**	**(0.9)**
Shares distributed by ESOT	**–**	**–**	**0.5**	**–**	**–**	**0.5**
Dividends paid	**–**	**–**	**–**	**–**	**(1.3)**	**(1.3)**
Total transactions with owners	**–**	**–**	**(0.4)**	**–**	**(1.2)**	**(1.6)**
Transfers	**–**	**–**	**–**	**(0.1)**	**0.1**	**–**
At 31st December 2016	**4.2**	**3.1**	**(0.8)**	**0.5**	**7.1**	**14.1**

Company statement of changes in equity

for the year ended 31st December 2016

	Attributable to owners of the parent				
	Share capital £m	Share premium £m	ESOT share res. £m	Retained earnings £m	Total £m
At 1st January 2015	4.1	3.1	(0.1)	7.9	15.0
Comprehensive income:					
Profit for the year	–	–	–	2.5	2.5
Other comprehensive income					
Actuarial gain on retirement benefit obligation	–	–	–	2.9	2.9
Deferred income tax charge on actuarial loss on retirement benefit obligation	–	–	–	(0.6)	(0.6)
Effect of change in tax rate	–	–	–	(0.1)	(0.1)
Total other comprehensive expense	–	–	–	2.2	2.2
Total comprehensive expense	–	–	–	4.7	4.7
Transactions with owners					
Share based payment debit	–	–	–	(0.1)	(0.1)
Loan repaid by ESOT	–	–	(0.4)	–	(0.4)
Loan to ESOT	–	–	0.5	–	0.5
Shares issued to ESOT	0.1	–	(0.1)	–	–
Dividends paid	–	–	–	(1.3)	(1.3)
Total transactions with owners	0.1	–	–	(1.4)	(1.3)
At 31st December 2015	4.2	3.1	(0.1)	11.2	18.4
Comprehensive expense:					
Profit for the year	**–**	**–**	**–**	**5.0**	**5.0**
Other comprehensive income					
Actuarial loss on retirement benefit obligation	**–**	**–**	**–**	**(7.3)**	**(7.3)**
Deferred income tax credit on actuarial loss on retirement benefit obligation	**–**	**–**	**–**	**1.4**	**1.4**
Effect of change in tax rate	**–**	**–**	**–**	**(0.4)**	**(0.4)**
Total other comprehensive expense	**–**	**–**	**–**	**(6.3)**	**(6.3)**
Total comprehensive expense	**–**	**–**	**–**	**(1.3)**	**(1.3)**
Transactions with owners					
Share based payment credit	**–**	**–**	**–**	**0.1**	**0.1**
Loan repaid by ESOT	**–**	**–**	**(0.5)**	**–**	**(0.5)**
Dividends paid	**–**	**–**	**–**	**(1.3)**	**(1.3)**
Total transactions with owners	**–**	**–**	**(0.5)**	**(1.2)**	**(1.7)**
At 31st December 2016	**4.2**	**3.1**	**(0.6)**	**8.7**	**15.4**

Notes to the financial statements

for the year ended 31st December 2016

Note 1 – General information

TClarke plc is a public limited company listed on The London Stock Exchange, incorporated and domiciled in the United Kingdom. The address of its registered office and principal place of business is disclosed in the Directors' report on page 71. The nature of the Group's operations and its principal activities are described in Note 5 and in the Strategic report on pages 2 to 41.

Note 2 – Application of new and revised IFRSs

A. New standards, interpretations and amended standards adopted by the Group

The following standards, interpretations and amended standards have been applied for the first time for the financial year beginning 1st January 2016.

Annual Improvements 2012-2014 Cycle

Amendments to various standards and interpretations under the Annual Improvements 2012-2014 Cycle are applicable for the first time for the year ending 31st December 2016, but none of these amendments has had a significant effect on the financial statements.

B. New standards, interpretations and amended standards in issue but not yet adopted by the Group

IFRS9 'Financial Instruments'

IFRS 9 introduced new requirements for the classification and measurement of financial instruments, including impairment requirements for financial assets. The key requirements of IFRS 9 are:

- All financial assets are required to be classified and measured, on initial recognition and subsequently, at either fair value or amortised cost. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.
- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses at each reporting date to reflect changes in credit risk since initial recognition.
- For financial liabilities, IFRS 9 retains most of IAS39's requirements. The main change is that where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

The Group is yet to assess the full impact of IFRS9 and intends to adopt the standard no later than the accounting period beginning 1st January 2018.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2015 and will become mandatory with effect from accounting periods beginning on or after 1st January 2018, with early adoption permitted. IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supercede the current revenue recognition guidance including IAS 18 'Revenue', IAS11 'Construction contracts' and the related interpretations when it becomes effective. The core principle of IFRS15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under IFRS 15 an entity recognises revenue when, or as, a performance obligation is satisfied, that is when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

The Group is still assessing the impact of IFRS 15, which as a minimum is likely to have significant disclosure

Note 2 – Application of new and revised IFRSs continued

implications, and intends to adopt the new standard no later than the accounting period beginning 1st January 2018.

IFRS 16 Leases

IFRS 16 was issued on 13th January 2016 and will become mandatory for accounting periods beginning on or after 1st January 2019, with early adoption permitted. IFRS 16 will replace the current guidance under IAS 17. The main feature of IFRS 16 is that lessees will have to recognise a lease liability reflecting future lease payments and a 'right of use asset' for almost all lease contracts, whereas at present a distinction is drawn between finance leases and operating leases depending on whether substantially all the risk and reward of ownership have been transferred to the lessee. The Group is yet to assess the full impact of IFRS 16, and intend to adopt the new standard no later than the accounting period beginning 1st January 2019.

Amendments to IAS 19 'Defined Benefit Plans: Employee Contributions'

The amendments to IAS 19 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee. For contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction in the service cost in the period in which the related service is rendered, or attribute them to the employee's periods of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employee's periods of service. The amendments are mandatory for accounting periods beginning on or after 1st February 2016. The directors do not anticipate the application of these amendments will have a significant impact on the Group's consolidated financial statements.

Disclosure Initiative (amendments to IAS 7)

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including those arising from both cash flow and non-cash flow changes.

The amendments are effective for annual periods beginning on or after 1st January 2017, with early adoption permitted.

To satisfy the new disclosure requirements, the Group intends to present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities.

Recognition of Deferred Tax Assets for Unrealised Losses (amendments to IAS 12)

The amendments clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value. The amendments are effective for annual periods beginning on or after 1st January 2017, with early adoption permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the amendments. So far, the Group does not expect any significant impact.

Annual improvements

The annual improvements programme undertaken by the International Accounting Standards Board covers a number of amendments to various IFRS's, including:

- Amendments to various definitions in IFRS 2 'Share based payments';
- Amendments to IFRS 3 'Business combinations' regarding the measurement of contingent consideration;
- Amendments to IFRS 8 'Operating segments' regarding the aggregation criteria for operating segments, none of which are expected to have a significant impact on the Group's consolidated financial statements;
- Clarification that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis;
- Clarification that under IAS 16 'Property, plant and equipment' and IAS 38 'Intangible assets', the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount.

There are no others IFRSs or IFRS IC interpretations that are not yet effective that would be expected to have a material impact on the Group's consolidated financial statements.

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), IFRS IC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRS and have been prepared on a going concern basis under the historic cost convention as modified by the revaluation of land and buildings. 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 2016 and have been presented in £m.

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.

The consolidated income statement for the year ended 31st December 2015 has been re-presented to reclassify funds misappropriated and expenses in that year from cost of sales and underlying administrative expenses to non-recurring items, to assist in the comparison of underlying performance. The comparative figures have not been restated as the overall impact is not considered to be material.

Going concern
The Group had positive net cash balances at the year end and has in place a three year £10 million committed Revolving Credit Facility, £3 million of which was drawn down, and a £5 million overdraft facility. For details of the covenants in place refer to Note 22 on page 126. The Group draws on the overdraft facility as and when required to meet working capital requirements. As with all such facilities the overdraft is subject to annual review and is repayable on demand. The overdraft facility was renewed in January 2017. The directors have received confirmation from the bank that they know of no reason why the overdraft facility will not be renewed when it next falls due for review. There is no other external debt apart from finance lease and hire purchase contracts.
After making appropriate enquiries the directors are satisfied that the Company and Group have adequate resources to continue their operations for at least the next twelve months following the date of this report. Accordingly the Directors continue to adopt the going concern basis in preparing the financial statements.

B. 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 when the Company has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee, and has the ability to use its power to affect its returns.

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.

C. Employee Share Ownership Trust (ESOT)
As the Company is deemed to have control of its ESOT, it is included in the consolidated financial statements. The ESOT's assets (other than investments in the Company's shares), liabilities, income and expenses are included on a line-by-line basis in the consolidated financial statements. The ESOT's investment in the Company's shares is deducted from equity in the consolidated statement of financial position as if they were treasury shares.

D. Segmental reporting
Operating divisions are reported in a manner consistent with internal reporting provided to the Group 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 performed 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. Revenue from the sale of materials and finished goods is recognised when the Group has transferred the significant risks and rewards of ownership to the buyer and it is probable that the Group will receive payment. These criteria are considered to be met when the materials or goods have been delivered to and accepted by the buyer.

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

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

Dividend income 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 (instances of which are rare).

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. 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 consolidated 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.

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

Note 3 – Accounting policies continued

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 non-recurring costs 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 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

Land and buildings comprise mainly offices occupied by the operating units of the Group. Land and buildings are shown at fair value, based on valuations carried out by external independent valuers, less subsequent depreciation. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. On disposal of the asset the balance of the revaluation reserve pertaining to the asset is transferred from the revaluation reserve to retained earnings.

All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Note 3 – Accounting policies continued

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as revaluation reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against revaluation reserves directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement, and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings. On disposal of the asset the balance of the revaluation reserve pertaining to the asset is transferred from the revaluation reserve to retained earnings.

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%
Leasehold improvements
10% or life of lease if shorter
Plant, machinery and motor vehicles 10%-25%

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. Investments
Investments in subsidiaries are recorded at cost, being the fair value of consideration paid, and subsequently at cost less provisions for impairment. Cost includes the fair value of equity-settled share based payment arrangements relating to options to acquire shares in TClarke plc granted to subsidiary employees under savings related share option schemes.

L. 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.

M. 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 Note 3P).

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.

N. Financial instruments
The Group's financial instruments comprise trade and other receivables (excluding prepayments), trade and other payables (excluding deferred income), finance leases and similar hire purchase contracts, bank deposits, bank loans and cash and cash equivalents net of overdrafts. The Group does not trade in any financial derivatives. Financial assets and liabilities are offset at the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Trade and other receivables

Trade and other 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

Note 3 – Accounting policies continued

receivable may be impaired. The carrying amount of a trade receivable is reduced to its estimated recoverable amount through the use of an allowance account and the expense recognised in the income statement in administrative expenses. When a trade 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 in 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.

Bank loans

Interest bearing bank loans are recorded at the fair value of the proceeds received, net of direct issue costs. Finance charges are accounted for on an accruals basis in the income statement using the effective interest method, and are added to the carrying value of the instrument to the effect that they are not settled in the period in which they arise.

Trade and other payables

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

O. 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.

P. Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Q. Borrowing costs

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case the fee is deferred until the loan is drawn down. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowing costs that are directly attributable to qualifying assets are added to the cost of the asset. All other

Note 3 – Accounting policies continued

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

R. 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.

S. 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 in the income statement.

The retirement benefit obligation represents the fair value of the defined benefit obligation at each reporting date as reduced by the fair value of scheme assets.

T. 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 benefit arrangements 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.

U. Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 20.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity.

V. Non-recurring items

Non-recurring items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

W. Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale, that has been disposed of, has been abandoned or that meets the criteria to be classified as held for sale.

Discontinued operations are presented in the consolidated statement of comprehensive income as a single line which comprises the post-tax profit or loss of the discontinued operation along with the post-tax gain or loss recognised on the re-measurement to fair value less costs to sell or on disposal of the assets or disposal groups constituting discontinued operations.

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 in Note 3F on page 95. Commercial reviews of all live contracts are undertaken on a regular basis, with all significant contracts being reviewed on a monthly basis. 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.

Non-underlying items
Non-underlying items are items of financial performance which the Group believes should be separately identified on the face of the income statement to assist in understanding the underlying financial performance achieved by the Group. The quantification, disclosure and presentation in the financial statements of non-underlying items requires judgement.

Discontinued operations
The judgement as to whether an activity that has ceased constitutes a discontinued operation requires an assessment of whether it forms a separate component of the Group's business and represents a separate major line of business or geographical area of operations that has been disposed of, has been abandoned or that meets the criteria to be classified as held for sale.

Impairment of goodwill and investments
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. The estimation of the value in use is also used to assess the carrying value of investments in the relevant subsidiaries in the Company's financial statements.

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, which are largely dependent on factors outside the control of the Group. 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 sensitivity analysis is included in Note 24 on page 128.

Note 5 - Segment information

A. Reportable segments

The Group provides electrical and mechanical contracting and related services to the construction industry and end users.

For management and internal reporting purposes the Group is organised geographically into four regional divisions; London and South East, Central and South West, the North and Scotland, reporting to the Chief Executive Officer, who is the chief operating decision maker.

The measurement basis used to assess the performance of the divisions is underlying profit from operations, stated before amortisation of intangible assets and non-recurring items. Non-recurring items for each segment are disclosed on pages 102 to 103 and in Note 7. All assets and liabilities of the Group have been allocated to segments apart from the retirement benefit obligation and tax assets and liabilities.

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.

Note 5 - Segment information continued

B. Segment information - current year

31st December 2016	London & South East £m	Central & South West £m	North £m	Scotland £m	Unallocated & elimination £m	Total £m
Total revenue	142.9	67.9	53.6	21.0	–	285.4
Inter segment revenue	–	(1.1)	(3.4)	(2.3)	–	(6.8)
Revenue from external operations	142.9	66.8	50.2	18.7	–	278.6
Underlying profit from operations	3.5	1.0	1.8	0.6	–	6.9
Amortisation of intangibles	–	–	(0.2)	–	–	(0.2)
Non-recurring items (see note 7)	(2.3)	–	–	–	–	(2.3)
Profit from operations	1.2	1.0	1.6	0.6	–	4.4
Finance income	–	–	0.1	–	(0.1)	–
Finance costs	(0.8)	–	–	–	0.1	(0.7)
Profit before tax	0.4	1.0	1.7	0.6	–	3.7
Taxation expense						(0.8)
Profit for the year from continuing operations						2.9
Other segment information:						
Depreciation	0.3	0.1	0.1	–	–	0.5
(Profit) on sale of property, plant and equipment	(0.1)	–	–	–	–	(0.1)
Bad debt expense	0.1	0.1	–	–	–	0.2
Additions to non-current assets:						
Property, plant and equipment	–	0.1	0.1	–	–	0.2
Assets	57.8	43.9	22.5	10.0	(21.7)	112.5
Liabilities	(53.4)	(31.5)	(13.1)	(4.7)	4.3	(98.4)
Net assets / (liabilities)	4.4	12.4	9.4	5.3	(17.4)	14.1

Note 5 - Segment information continued

C. Segment information - prior year

31st December 2015	London & South East **£m**	Central & South West **£m**	North **£m**	Scotland **£m**	Unallocated & elimination **£m**	Total **£m**
Total revenue	129.1	56.9	41.8	16.2	–	244.0
Inter segment revenue	–	(0.7)	–	(0.9)	–	(1.6)
Revenue from external operations	129.1	56.2	41.8	15.3	–	242.4
Underlying profit from operations	2.0	0.9	1.9	0.3	–	5.1
Amortisation of intangibles	–	–	(0.2)	–	–	(0.2)
Non-recurring items (see Note 7)	(0.5)	–	–	–	–	(0.5)
Profit from operations	1.5	0.9	1.7	0.3	–	4.4
Finance income	0.1	–	0.1	–	(0.1)	0.1
Finance costs	(1.0)	–	–	(0.1)	0.1	(1.0)
Profit before tax	0.6	0.9	1.8	0.2	–	3.5
Taxation expense						(0.7)
Profit for the year from continuing operations						2.8
Other segment information:						
Depreciation	0.3	0.1	0.1	–	–	0.5
Bad debt expense	–	–	0.2	–	–	0.2
Additions to non-current assets:						
Property, plant and equipment	0.2	0.2	0.1	–	–	0.5
Assets	55.2	28.6	24.2	9.2	(7.8)	109.4
Liabilities	(48.5)	(16.2)	(13.9)	(4.7)	(6.5)	(89.8)
Net assets / (liabilities)	6.7	12.4	10.3	4.5	(14.3)	19.6

Note 5 - Segment information continued

D. Revenue	**2016 £m**	2015 £m
Total revenue comprises:		
Sales revenue		
Construction contracts	**253.1**	219.0
Other services	**25.5**	23.4
	278.6	242.4
Operating income:		
Other operating income	**0.2**	0.1
	0.2	0.1

E. Information about major customers

Revenue includes £33.3m (2015: £20.8m) which arose from sales to a single customer. No other single customer contributed 10% or more of the Group's revenue for either 2016 or 2015.

Note 6 – Finance income and finance cost

Finance income	**2016 £m**	2015 **£m**
Interest on bank deposits	**–**	0.1
Finance cost		
Interest on bank overdrafts and loans	**(0.1)**	(0.4)
Interest cost in respect of defined benefit pension scheme	**(0.6)**	(0.6)
	(0.7)	(1.0)
Net total of finance income and finance cost	**(0.7)**	(0.9)

Note 7 – Profit from operations

A. Operating profit is stated after charging / (crediting):	2016 £m	2015 £m
Amortisation of intangible assets	**0.2**	0.2
Non-recurring costs (see Note B below)	**2.3**	0.5
Depreciation of property, plant and equipment	**0.5**	0.5
Profit on disposal of property, plant and equipment	**(0.1)**	(0.1)
Operating lease charges:		
– Land and buildings	**0.5**	0.5
– Plant, machinery and vehicles	**0.3**	0.4
Project related raw materials and consumables	**74.5**	64.7
Rent receivable	**–**	(0.1)
Bad debt expense	**0.2**	0.2
Fees payable to the Company's auditors for the audit of:		
– The Company and consolidation	**0.2**	0.2
– Subsidiary companies	**0.1**	0.1
Employee benefit expense (see Note 8)	**67.1**	59.8

The auditors' fees for non-audit services during the year were £9,000 (2015: £nil).

B. Non-recurring costs:	2016 £m	2015 £m
Misappropriation of funds	**1.9**	0.5
Investigation costs	**0.4**	–
	2.3	0.5

During the year ended 31st December 2016 the Group uncovered financial irregularities within the accounting function of a wholly owned subsidiary, DG Robson Mechanical Services Limited ('DGR'). £2.9m of cash was misappropriated over a number of years, of which £1.9m has been expensed in 2016 and £1.0m had been charged to the income statement in previous years within cost of sales and administrative expenses. The 2016 expense has been separately disclosed as a non-recurring item. Results prior to and including 2015 have not been restated as the impact cumulatively and in each year was not considered to be material, however, the 2015 results have been re-presented to show funds misappropriated in that year as non-recurring, in order to aid the comparison of underlying performance.

The Group engaged expert professional advisers to assist in the investigation and recovery of the stolen funds. The cost of the investigation to 31st December 2016 is £0.4m.

Note 8 – Employees

A. Employee benefit expense	**GROUP**		**COMPANY**	
	2016 £m	2015 **£m**	**2016 £m**	2015 **£m**
Staff costs during the year were as follows:				
Wages and salaries	**58.4**	52.2	**21.5**	17.8
Share awards and options granted to directors and employees (see Note 20)	**0.1**	(0.1)	**0.1**	–
Termination costs	**0.3**	0.5	**0.1**	–
Social security costs	**6.2**	5.5	**2.3**	1.9
Other pension costs	**2.1**	1.7	**0.7**	0.5
	67.1	59.8	**24.7**	20.2

Of the above employee costs of the Group, £66.9m (2015: £58.1m) relates to continuing operations and £0.2m (2015: £1.7m) to discontinued operations. All employee costs of the Company relate to continuing operations.

B. Average number of employees	**GROUP**		**COMPANY**	
	2016 Number	2015 Number	**2016 Number**	2015 Number
Staff (including directors)	**409**	424	**144**	126
Operatives	**922**	823	**239**	210
	1,331	1,247	**383**	336

Average number of employees of the Group comprises 1,331 (2015: 1,217) in continuing operations and nil (2015: 30) in discontinued operations. All company employees were engaged in continuing operations.

Note 9 – Taxation

	2016 £m	2015 £m
Taxation expense		
Current tax expense		
UK corporation tax payable on profits for the year	**0.8**	0.8
	0.8	0.8
Deferred tax expense / (credit)		
Arising on:		
Origination and reversal of temporary differences	**–**	(0.1)
	–	(0.1)
Total income tax expense	**0.8**	0.7
Reconciliation of tax charge		
Profit before taxation for the year from continuing operations	**3.7**	3.5
Tax at standard UK tax rate of 20.00% (2015: 20.25%)		
Tax effect of:	**0.7**	0.7
Permanently disallowable items	**0.1**	–
Total income tax expense	**0.8**	0.7
Income tax (credited) / charged to other operating income	**(1.0)**	0.7

The main rate of corporation tax was reduced from 21% to 20% on 1st April 2015.

Further reductions in the main rate of corporation tax to 19% from 1st April 2017 and 17% from 1st April 2020 had been substantially enacted at 31st December 2016 for the purposes of IAS12 'Income Taxes'. Deferred tax balances have been reassessed using an income tax rate of 17%, taking into account the period over which temporary differences are expected to reverse. The impact of the change in tax rate has been recognised in profit or loss, except to the extent that it relates to items previously recognised outside profit or loss. The effect of these changes was to reduce the UK deferred tax asset at the balance sheet date by £0.4m.

Note 10 - Discontinued operations

A. Description

On 19th November 2015 the Group announced its intention to discontinue its operations in the Cardiff and Bristol areas. The Group's activities in these areas ceased and the closure of Cardiff and Bristol offices was successfully completed by 31st December 2015, with the remaining employees and any outstanding contractual commitments transferring to our expanded TClarke South West operation. The Group incurred further losses closing out these contractual commitments during 2016, and as at 31st December 2016 these have been completed.

B. Financial performance	2016 £m	2015 £m
Revenue	**4.5**	5.0
Cost of sales	**(5.1)**	(6.8)
Gross loss	**(0.6)**	(1.8)
Administrative expenses[1]	**–**	(1.6)
Loss from operations and before taxation	**(0.6)**	(3.4)
Taxation	**0.1**	0.7
Loss for the financial year	**(0.5)**	(2.7)

[1] Administrative expenses incudes £nil (2015: £0.3m) directly related to the closure.

C. Cash flow information	2016 £m	2015 £m
Net cash outflow from operating activities	**(0.6)**	(3.5)
Net cash outflow from investing activities	**–**	–
Net cash outflow from financing activities	**–**	–
Net cash outflow from discontinued operations	**(0.6)**	(3.5)

Note 11 – Earnings / (loss) per share

A. Basic earnings / (loss) per share

Basic earnings / (loss) per share is calculated by dividing the profit / (loss) attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2016 £m	2015 **£m**
Earnings / (loss):		
Profit / (loss) attributable to owners of the Company:		
Continuing operations	**2.9**	2.8
Discontinued operations	**(0.5)**	(2.7)
	2.4	0.1
Weighted average number of ordinary shares in issue (000s)	**41,613**	41,670

B. Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has three categories of dilutive potential ordinary shares: share options granted under the Savings Related Share Option Scheme and conditional share awards and options granted under the Equity Incentive Plan. Further details of these schemes are given in Note 20.

For the share options, a calculation is made to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2016 £m	2015 **£m**
Earnings / (loss):		
Profit / (loss) attributable to owners of the Company:		
Continuing operations	**2.9**	2.8
Discontinued operations	**(0.5)**	(2.7)
	2.4	0.1
Weighted average number of ordinary shares in issue (000s)	**41,613**	41,670
Adjustments:		
- Savings Related Share Option Schemes (000s)	**170**	465
- Equity Incentive Plan		
Conditional share awards (000s)	**854**	957
Options (000s)	**447**	72
Weighted average number of ordinary shares for diluted earnings per share (000s)	**43,084**	43,164

Note 11 – Earnings / (loss) per share continued

C. Underlying earnings per share

Underlying earnings per share represents profit for the year from continuing operations adjusted for amortisation of intangible assets and non-recurring items and the tax effect of these items, divided by the weighted average number of shares in issue. Underlying earnings is the basis on which the performance of the operating divisions of the business is measured.

	2016 £m	2015 (re-presented)* **£m**
Profit from continuing operations attributable to owners of the Company	**2.9**	2.8
Adjustments:		
Amortisation of intangible assets	**0.2**	0.2
Non-recurring costs (see Note 7)	**2.3**	0.5
Tax effect of adjustments	**(0.5)**	(0.1)
Underlying earnings from continuing operations	**4.9**	3.4
Weighted average number of ordinary shares in issue (000s)	**41,613**	41,670
Adjustments:		
– Savings Related Share Option Schemes (000s)	**170**	465
– Equity Incentive Plan:		
Conditional share awards (000s)	**854**	957
Options (000s)	**447**	72
Weighted average number of ordinary shares for diluted earnings per share (000s)	**43,084**	43,164

* See Note 7

Note 12 – Intangible assets

	Goodwill £m	Other intangible assets £m	Total £m
Cost:			
At 1st January 2015, 31st December 2015 and 31st December 2016	24.2	2.9	27.1
Impairment and amortisation:			
At 1st January 2015	2.2	1.7	3.9
Amortisation	–	0.2	0.2
At 31st December 2015	2.2	1.9	4.1
Amortisation	–	0.2	0.2
At 31st December 2016	2.2	2.1	4.3
Net book value:			
1st January 2015	22.0	1.2	23.2
31st December 2015	22.0	1.0	23.0
31st December 2016	22.0	0.8	22.8

Goodwill relates to the purchase of subsidiary undertakings. Goodwill is not amortised but is tested for impairment in accordance with IAS 36 'Impairment of assets' at least annually or more frequently if events or changes in circumstances indicate a potential impairment. Other intangible assets comprise customer relationships arising on acquisitions. Amortisation of other intangible assets is included in administrative expenses in the income statement.

Goodwill is allocated to cash generating units as follows:

Cash generating unit	Operating segment	**£m**
TClarke London	London & South East	8.1
TClarke Midlands and East	Central & South West	4.8
TClarke Scotland	Scotland	3.0
TClarke North West	North	2.7
TClarke South West	Central & South West	1.3
TClarke Leeds	North	1.2
TClarke Newcastle	North	0.9
		22.0

Following the Group reorganisation (see Note 29 on page 138) the Group will continue to manage the above divisions as seperate CGUs.

Note 12 – Intangible assets continued

Value in use

The carrying value of goodwill has been compared to its recoverable amount based on the value in use of the cash generating units ('CGU's) to which the goodwill has been allocated. Each operating division within the Group has been assessed as a separate CGU, being the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other groups of assets.

Value in use has been calculated using budgets and forecasts approved by the Board covering the period 2017 to 2019, which take into account secured orders, business plans and management actions. The results of period subsequent to 2019 have been projected using 2019 forecasts with no growth assumed. The extrapolated cash flow projections have been discounted using a pre-tax discount rate derived from the Company's cost of capital.

Assumptions

The key assumptions to which the assessment of the recoverable amounts of CGUs are sensitive are the projected revenue and operating margin to 2019 and beyond, and the discount rate applied. The range of these assumptions applied to the CGUs within each segment is as follows:

	2016	2015
Pre-tax discount rate	**12.0%**	13.3%
Average annual revenue growth 2017-2019 (2015: 2016-2018)		
London & South East	**6.7%**	11.0%
Central & South West	**1.3%**	7.7%
North	**4.2%**	13.6%
Scotland	**6.0%**	15.1%
Average operating margins 2017-2019 (2015: 2016-2018)		
London & South East	**2.2%-2.4%**	3.1%-4.3%
Central & South West	**1.5%-2.0%**	2.1%-2.3%
North	**3.4%-3.9%**	3.1%-4.9%
Scotland	**2.8%-2.9%**	2.8%-3.1%
Average operating margins beyond 2019 (2015: beyond 2018)		
London & South East	**2.2%-2.4%**	4.0%-4.4%
Central & South West	**1.8%-2.1%**	2.5%-2.9%
North	**3.3%-4.9%**	3.2%-5.1%
Scotland	**2.9%**	3.1%

Note 12 – Intangible assets continued

Sensitivities

TClarke Scotland, TClarke South West and TClarke Midlands and East are considered to be the CGUs most vulnerable to impairment. The key assumptions used in respect of these CGUs are as follows:

	TClarke Midlands & East	TClarke Scotland	TClarke South West
Pre-tax discount rate	12.0%	12.0%	12.0%
Annual revenue growth 2017-2019	1.3%	6.0%	5.7%
Average operating margins 2017-2019	2.0%	2.9%	1.1%
Operating margins beyond 2019	2.1%	2.9%	1.8%

Annual revenue growth and operating margin assumptions are supported by an analysis of the secured order book and opportunities identified by the CGUs, with TClarke Scotland having secured 83% of its forecast revenue, TClarke South West 65% of its forecast revenue and TClarke Midlands and East 50% of its forecast revenue for 2017.

Sensitivity analysis has been applied to the cash flow projections for TClarke Scotland, TClarke Midlands & East and TClarke South West. The two assumptions to which the cash flow projections are most sensitive are the projected profit (derived from the projected revenue and margins) and the discount rate. The amount by which these assumptions would be required to change to trigger an impairment in respect of each of these CGUs is as follows:

	TClarke Midlands & East	TClarke Scotland	TClarke South West
Percentage point increase in pre-tax discount rate	3.7%	6.6%	7.9%
Decrease in operating profit	24.3%	36.1%	44.5%

For other CGUs, management has considered the level of headroom resulting from the impairment tests, and performed further sensitivity analysis by changing the base case assumptions applicable to each CGU. This analysis has indicated that no reasonably possible changes in any individual key assumption would cause the carrying amount of the CGU to exceed its recoverable amount.

At 31st December 2016, based on these valuations, no increase in the impairment provision was required against the carrying value of goodwill (2015: £nil).

An assessment of the subsidiary investments using consistent methodology amended for post tax cash flows indicates that there is no requirement for any additional impairment provision.

Note 13 – Property, plant and equipment

GROUP	Freehold properties £m	Leasehold improvements £m	Plant, machinery and vehicles £m	Total £m
Cost or valuation				
At 1st January 2015	3.9	0.6	3.4	7.9
Additions	–	0.1	0.4	0.5
Disposals	(0.4)	–	(0.6)	(1.0)
At 31st December 2015	3.5	0.7	3.2	7.4
Additions	–	–	0.2	0.2
Disposals	(0.3)	–	(0.8)	(1.1)
At 31st December 2016	**3.2**	**0.7**	**2.6**	**6.5**
Accumulated depreciation and impairment				
At 1st January 2015	0.2	0.3	2.4	2.9
Charge for the year	0.1	0.1	0.3	0.5
Disposals	–	–	(0.6)	(0.6)
At 31st December 2015	0.3	0.4	2.1	2.8
Charge for the year	0.1	0.1	0.3	0.5
Disposals	(0.1)	–	(0.6)	(0.7)
At 31st December 2016	**0.3**	**0.5**	**1.8**	**2.6**
Net book value at 1st January 2015	3.7	0.3	1.0	5.0
Net book value at 31st December 2015	3.2	0.3	1.1	4.6
Net book value at 31st December 2016	**2.9**	**0.2**	**0.8**	**3.9**

The Group's freehold land and buildings were valued at 31st December 2011 based on an external valuation provided by an independent valuer dated 14th October 2011. The external valuation was conducted on the basis of market value as defined by the RICS Valuation Standards, and was determined by reference to recent market transactions on arms length terms. The revaluation surplus, net of applicable deferred income taxes, was credited to other comprehensive income and is shown in the revaluation reserve in shareholders' equity. A further external valuation was concluded as at 29th February 2016 which indicated that the market value of the Group's property was not significantly different to the book value, and as there have been no subsequent indicators of impairment the Directors continue to consider this to be the case. The net book value of the freehold properties on a historic cost basis would have been £2.3m (2015: £2.5m).

The net book value of Group plant, machinery and vehicles includes £0.1m (2015: £0.1m) in respect of assets held under finance leases and hire purchase contracts. Depreciation of £nil (2015: £nil) was charged on these assets during the year.

The Group has granted a charge in favour of the TClarke Group Retirement and Death Benefits Scheme over a number of properties occupied by the Group up to a maximum value of £3.1m, to secure the future pension obligations of the scheme. The book and fair value of the properties at 31st December 2016 was £2.6m (2015: £2.9m).

Note 13 – Property, plant and equipment continued

COMPANY	Leasehold improvements £m	Plant, machinery and vehicles £m	Total £m
Cost			
At 1st January 2015	0.4	0.7	1.1
Additions	–	0.2	0.2
Disposals	–	(0.2)	(0.2)
At 31st December 2015	0.4	0.7	1.1
Disposals	–	(0.7)	(0.7)
At 31st December 2016	**0.4**	**–**	**0.4**
Accumulated depreciation and impairment			
At 1st January 2015	0.2	0.6	0.8
Charge for the year	0.1	0.1	0.2
Disposals	–	(0.2)	(0.2)
At 31st December 2015	0.3	0.5	0.8
Charge for the year	0.1	–	0.1
Disposals	–	(0.5)	(0.5)
At 31st December 2016	**0.4**	**–**	**0.4**
Net book value at 1st January 2015	0.2	0.1	0.3
Net book value at 31st December 2015	0.1	0.2	0.3
Net book value at 31st December 2016	**–**	**–**	**–**

Note 14 – Investments

COMPANY	2016 £m	2015 £m
Investments in subsidiaries comprise:		
Cost:		
At 1st January	**41.4**	41.4
Additions	**7.9**	–
At 31st December	**49.3**	41.4
Impairment:		
At 1st January	**9.3**	9.0
Charge for the year	**0.3**	0.3
At 31st December	**9.6**	9.3
Net book value:		
At 1st January	**32.1**	32.4
At 31st December	**39.7**	32.1

As part of a planned group reorganisation (see Note 29 on page 138) the Company invested a further £7.9m in its subsidiaries during the year.

A full list of the Company's subsidiaries is included in Note 30 on page 139).

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 a reduction to recoverable amount 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 its net asset value or future trading. The provision also includes an amount equivalent to dividends paid out of pre-acquisition reserves in respect of TClarke North West Limited.

Note 15 – Inventories

GROUP	2016 £m	2015 £m
Raw materials and consumables	**0.6**	0.4

Note 16 – Construction contracts

	GROUP		COMPANY	
	2016 £m	2015 £m	**2016[1] £m**	2015 £m
Contract work in progress comprises:				
Contract costs incurred plus recognised profits				
less recognised losses to date	**250.3**	181.6	**–**	102.1
Less: progress payments	**(226.9)**	(154.6)	**–**	(90.2)
	23.4	27.0	**–**	11.9
Contracts in progress at the reporting date:				
Gross amounts due from customers	**27.8**	31.1	**–**	13.6
Gross amounts due to customers	**(4.4)**	(4.1)	**–**	(1.7)
	23.4	27.0	**–**	11.9

[1] See Note 29 - Group reorganisation on page 138

At 31st December 2016 retentions held by customers of the Group for contract work amounted to £14.7m (2015: £13.1m) and retentions held by customers of the Company for contract work amounted to £nil (2015: £5.4m). These amounts are included in trade receivables (see Note 17).

Advances received from customers for contract work amounted to £nil (2015: £nil).

Note 17 – Trade and other receivables

	GROUP		COMPANY	
	2016 £m	2015 £m	**2016[1] £m**	2015 £m
Trade receivables - gross	**30.0**	25.1	**–**	6.9
Trade receivables - allowances for credit losses	**(0.5)**	(0.5)	**–**	–
Net trade receivables	**29.5**	24.6	**–**	6.9
Owed by group companies	**–**	–	**0.2**	1.7
Other receivables	**0.1**	–	**–**	0.3
Accrued income	**10.1**	8.8	**–**	3.8
Prepayments	**2.1**	2.9	**–**	1.0
	41.8	36.3	**0.2**	13.7
Movements in allowances for credit losses are as follows:				
At 1st January	**(0.5)**	(0.9)	**–**	–
Charged in year	**(0.2)**	(0.2)	**–**	–
Recovered in year	**–**	0.1	**–**	–
Written off in year	**0.2**	0.5	**–**	–
At 31st December	**(0.5)**	(0.5)	**–**	–
Trade receivables (including retentions) are due as follows:				
Due within 3 months	**13.9**	12.5	**–**	2.3
Due in 3 to 6 months	**2.2**	1.4	**–**	0.9
Due in 6 to 12 months	**2.9**	1.4	**–**	0.4
Due after more than one year	**6.9**	5.1	**–**	2.8
Overdue	**4.1**	4.7	**–**	0.5
	30.0	25.1	**–**	6.9
The ageing of trade receivables past due but not impaired is as follows:				
Less than 30 days	**1.6**	1.6	**–**	–
31-60 days	**0.9**	0.7	**–**	0.1
61-120 days	**0.4**	0.3	**–**	0.1
Greater than 120 days	**0.7**	1.6	**–**	0.3
	3.6	4.2	**–**	0.5

[1] See Note 29 - Group reorganisation on page 138

Allowances for credit losses have been assessed against individual debtor balances. Where overdue balances are still considered to be recoverable in full no allowance has been made. The allowances mostly relates to small building contractors who have become insolvent or are facing severe financial difficulties at present. Credit risk is spread across a large number of customers and there are no significant concentrations of credit risk.

Note 18 – Trade and other payables

	GROUP		COMPANY	
	2016 £m	2015 £m	**2016 £m**	2015 £m
Current:				
Trade payables	**46.9**	49.7	**–**	22.4
Owed to group companies	**–**	–	**2.8**	4.2
Other taxation and social security payable	**6.6**	6.3	**1.4**	2.3
Accruals	**13.9**	9.2	**–**	8.0
Deferred income	**1.9**	1.1	**–**	0.5
Other payables	**0.8**	0.8	**0.1**	0.2
	70.1	67.1	**4.3**	37.6
Non-current:				
Owed to group companies (see Note 29)	**–**	–	**30.0**	–
Other payables	**–**	0.1	**–**	–
	–	0.1	**30.0**	–
Trade payables payments terms are as follows:				
30 days or less	**18.1**	28.1	**–**	13.1
31-60 days	**13.6**	16.0	**–**	6.6
Greater than 60 days	**15.2**	5.6	**–**	2.7
	46.9	49.7	**–**	22.4

[1] See Note 29 - Group reorganisation on page 138

Note 19 – Deferred taxation

GROUP	Revaluations £m	Retirement benefit obligation £m	Accelerated capital allowances £m	Other £m	Total £m
Asset at 1st January 2015	(0.2)	3.3	–	(0.2)	2.9
Charged to income	0.1	–	(0.1)	0.1	0.1
Credited to other comprehensive income	–	(0.7)	–	–	(0.7)
Asset at 31st December 2015	(0.1)	2.6	(0.1)	(0.1)	2.3
Charged to income	–	(0.1)	0.1	–	–
Charged to other comprehensive income	–	1.0	–	–	1.0
Asset at 31st December 2016	**(0.1)**	**3.5**	**–**	**(0.1)**	**3.3**

The amount of deferred tax recoverable within one year is insignificant. Certain deferred tax assets and liabilities have been offset. The deferred tax asset arises in respect of the deficit on the retirement benefit obligation. A deficit reduction plan is in place to reduce this deficit over a number of years (see Note 24). The deferred tax asset will be recovered over time as the deficit is reduced.

The following is the analysis of the deferred tax balances for financial reporting purposes.

	2016 £m	2015 £m
Deferred tax liabilities	**(0.2)**	(0.3)
Deferred tax assets	**3.5**	2.6
	3.3	2.3

COMPANY	Retirement benefit obligation £m	Total £m
Asset at 1st January 2015	3.3	3.3
Credited to other comprehensive income	(0.7)	(0.7)
Asset at 31st December 2015	2.6	2.6
Credited to income	(0.1)	(0.1)
Charged to other comprehensive income	1.0	1.0
Transferred to subsidiary	(3.5)	(3.5)
Asset at 31st December 2016	**–**	**–**

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.
ESOT share reserve	Acquires and holds shares in the Company to be issued to employees in settlement of options exercised and conditional share awards under the Group's employee share schemes.
Revaluation reserve	Cumulative gains recognised on revaluation of land and buildings above depreciated cost.
Retained earnings	Cumulative net gains and losses recognised in the income statement and the statement of comprehensive income.

B. Share capital and premium

Allotted, called up and fully paid:	Number of **shares**	Ordinary shares **£m**	Share premium **£m**
At 1st January 2015	41,401,670	4.1	3.1
Shares issued to Employee Share Ownership Trust	427,897	0.1	–
At 31st December 2015 and 31st December 2016	41,829,567	4.2	3.1

All shares rank equally in respect of shareholder rights.

Note 20 – Capital and reserves continued

C. Save As You Earn Scheme

The following options granted to employees and directors of the Group under the TClarke plc Savings Related Share Option Scheme ('the SAYE scheme'), an approved save as you earn ('SAYE') share option scheme, were outstanding at the end of the year:

Scheme	Number of options	Grant date	Exercise date	Exercise price	Fair value at date of grant
2013 SAYE	398,933	11/10/13	01/01/17 to 30/06/17	54.00p	18.55p
2015 SAYE	1,505,445	09/10/15	01/12/18 to 31/05/19	69.75p	1.57p

The SAYE scheme was approved by HM Revenue and Customs on 14th July 2011. In accordance with the scheme rules all employees of the Group with at least six months continuous service were eligible to participate in the scheme, the only vesting condition being that the individual remains an employee of the Group over the savings period. The impact of recognising the fair value of employee share option plan grants as an expense under IFRS2 is £nil for the year ended 31st December 2016 (2015: £nil). The scheme is open to all eligible employees including the executive directors. Under the rules of the scheme all participating employees have entered into an approved Save As You Earn contract ('SAYE contract') under which the employee agrees to make monthly contributions, between £5 and £150 in respect of the 2013 scheme and of between £5 and £200 in respect of the 2015 scheme for a period of three years, at the end of which the employee may use part or all of the proceeds to acquire the shares under option. Options will be exercisable within a period of six months commencing on the date of maturity of the participants SAYE contract.

The number of options outstanding during the year were as follows:

	2016 Number	**2016 Weighted average exercise price (p)**	2015 Number	2015 Weighted average exercise price (p)
At 1st January	**2,891,484**	**60.53**	2,482,074	43.32
Granted	**–**	**–**	1,744,284	69.75
Exercised	**(717,397)**	**42.00**	(1,206,807)	40.02
Lapsed	**(269,709)**	**67.97**	(128,067)	45.99
At 31st December	**1,904,378**	**66.45**	2,891,484	60.53

The weighted average remaining contractual life of the options at 31st December 2016 was 551 days (2015: 697 days).

On 1st January 2017, 398,933 options granted under the SAYE Scheme became exercisable at an exercise price of 54p per 10p ordinary share. Options exercised to date have been satisfied by shares held in treasury by the Employee Share Ownership Trust.

Note 20 – Capital and reserves continued

D. Equity Incentive Plan

All employees, including Executive Directors, are eligible to participate in the TClarke Equity Incentive Plan ('the Plan') at the discretion of the Remuneration Committee. Awards may be made in the form of approved options, unapproved options, conditional awards of shares and matching awards of shares. Awards may be made in the six-week periods after adoption of the Plan and after the announcement of the Group's interim or final results. No award may be made more than ten years after the date on which the Plan was approved by shareholders (11th May 2011). Options and awards of shares are subject to performance conditions as determined by the Remuneration Committee.

The total number of shares issued or made available pursuant to the Plan, when aggregated with the total number of shares issued or made available pursuant to any other employee share scheme in the ten years immediately preceding the date upon which an award is made, shall not exceed ten percent of the Company's issued share capital at the date of the grant.

At 31st December 2016 705,000 conditional share awards, 90,000 conditional options and 630,000 conditional matching awards have been granted under the TClarke Equity Incentive Plan as follows:

	Conditional shares	Conditional shares	Conditional shares	Conditional options	Matching awards
Date of grant	29/4/2014	29/4/2015	20/4/2016	20/4/2016	20/4/2016
Number of awards	255,000	270,000	180,000	90,000	63,000
Share price at grant	82.00p	71.50p	71.50p	88.50p	88.50p
Exercise price	Nil	Nil	71.50p	Nil	88.50p
Option life	3 years	3 years	3 years	3 years	3 years

The conditional share awards and options will vest on the third anniversary of the date of grant, subject to continued employment with the Company and satisfaction of the following performance conditions:

Awards granted 29th April 2014:

Annual growth in EPS above RPI*	**Proportion of award vesting**
Less than 3%	Nil
3%	25%
Between 5% and 10%	Between 25% and 100% on a straight line basis
Above 10%	100%

Awards granted 29th April 2015 and 20th April 2016:

Annual growth in underlying EPS above RPI*	**Proportion of award vesting**
Less than 3%	Nil
3%	25%
Between 5% and 10%	Between 25% and 100% on a straight line basis
Above 10%	100%

* Based on average underlying EPS for the three years preceding the date of grant

Matching awards will vest three years from date of grant conditional on the Group achieving profit targets set at the beginning of each year.

Note 20 – Capital and reserves continued

E. Share based payment expense

The charge to the income statement takes into account the number of shares and options that are expected to vest. The impact of recognising the fair value of Equity Incentive Plan grants as an expense under IFRS2 is £0.1m charge for the year ended 31st December 2016 (2015: £0.1m credit).

F. Dividends paid	2016 £m	2015 £m
Final dividend of 2.60p (2015: 2.60p) per ordinary share proposed and paid during the year relating to the previous year's results	**1.1**	1.1
Interim dividend of 0.50p (2015: 0.50p) ordinary share paid during the year	**0.2**	0.2
	1.3	1.3

The Directors are proposing a final dividend of 2.70p (2015: 2.60p) per ordinary share totalling £1.1m (2015: £1.1m). 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 (outflow) / inflow from operating activities

GROUP	2016 £m	2015 £m
Profit / (loss) from operations:		
Continuing operations	**4.4**	4.4
Discontinued operations	**(0.6)**	(3.4)
Depreciation charges	**0.5**	0.5
Profit on sale of property, plant and equipment	**(0.1)**	(0.1)
Equity settled share based payment (credit) / expense	**0.1**	(0.1)
Amortisation	**0.2**	0.2
Defined benefit pension scheme credit	**(0.7)**	(0.5)
Operating cash flows before movements in working capital	**3.8**	1.0
Increase in inventories	**(0.2)**	–
Decrease / (increase) in contract balances	**3.5**	(3.1)
Increase in trade and other receivables	**(5.5)**	(1.6)
Increase in trade and other payables	**3.1**	7.1
Cash generated from operations	**4.7**	3.4
Corporation tax paid	**(0.5)**	(0.3)
Interest paid	**(0.2)**	(0.4)
Net cash generated from operating activities	**4.0**	2.7

COMPANY	2016 £m	2015 £m
Profit from operations:		
Continuing operations	**3.9**	1.6
Equity settled share based payment expense	**0.1**	–
Depreciation charges	**0.1**	0.2
Investment impairment	**0.3**	0.3
Defined benefit pension scheme credit	**(0.7)**	(0.5)
Operating cash flows before movements in working capital	**3.7**	1.6
Decrease in contract balances	**11.9**	0.8
Decrease / (increase) in trade and other receivables	**13.5**	(1.0)
(Decrease) / increase in trade and other payables	**(20.2)**	5.8
Cash generated from / (used in) operations	**8.9**	7.2
Corporation tax received	**(0.6)**	0.6
Interest paid	**(0.2)**	(0.4)
Net cash generated from / (used in) operating activities	**8.1**	7.4

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		COMPANY	
	2016 £m	2015 £m	**2016 £m**	2015 £m
Cash and cash equivalents	**12.3**	11.7	**13.1**	14.1

C. Group reorganisation

On 31st December 2016 the Company transferred its trade and operating assets and liabilities at book value to a subsidiary as part of a planned group reorganisation. The consideration for the transfer was settled through the issue of £30m 10 Year Variable Rate secured loan notes by the Company to its subsidiary companies. The loan rates incur interest at 2.5% above base rate. Further details of the group reorganisation are given in Note 29 on page 138.

Note 22 – Bank overdrafts and loans

During the year the Group had in place an £8m overdraft facility and a £5m Revolving Credit Facility ('RCF'), both with National Westminster Bank plc. Interest was charged at 2.75% (2015: 2.75%) above base rate on overdraft balances and 3.0% (2015: 3.0%) above LIBOR on drawn balances under the RCF.

In December 2016 the Group renegotiated its bank facilities and now has in place a £10m RCF committed until 31st March 2020 and a £5m overdraft facility, renewable annually and repayable on demand. Interest is charged at 2.25% above LIBOR on drawn balances under the RCF and 2.25% above base rate on overdrawn balances. A fee of 0.9% is payable on undrawn balances under the RCF. The RCF includes financial covenants in respect of interest cover and net leverage ratios which are tested quarterly.

All operating companies within the Group are included within the overdraft facility, and cross guarantees and charges have been granted in favour of National Westminster Bank plc. No value has been attributed to the guarantee contracts in the Company's financial statements as the amount is considered to be negligible.

At 31st December 2016 the Group had unused overdraft facilities of £5m (2015: £11m, including an additional £3m short term overdraft facility expiring in January 2015), and had £7m undrawn committed facilities (2015: £nil) under the RCF.

The Group was compliant with its obligations under the RCF and the overdraft facility throughout the year.

Note 23 – Related party transactions

A. Directors remuneration	2016 £m	2015 £m
Salaries, fees and other short-term employee benefits	**1.5**	1.5
Share-based payment charge	**0.1**	–
Termination benefits	**0.1**	–
Post-employment benefits	**0.1**	0.2
Total	**1.8**	1.7

Further disclosures, including details of the highest paid Director, are included in the Director's remuneration report on pages 54 to 70.

B. Key management remuneration

Compensation payable to key management for employee services is shown below. Key management includes members of the Group Management Board and Directors of subsidiary companies.

	2016 £m	2015 £m
Salaries, fees and other short term employee benefits	**3.0**	2.9
Termination benefits	**0.1**	0.2
Share-based payments charge	**0.1**	–
Post-employment benefits	**0.4**	0.5
Total	**3.6**	3.6

C. Sales and purchases of goods and services to / from subsidiaries

The amounts due from and to subsidiaries are disclosed in Notes 17 and 18 respectively. All balances are interest free and repayable on demand.

TClarke plc charged subsidiary companies £0.7m (2015: £0.5m) during the year for insurance services and £0.2m (2015: £0.2m) for IT services. Sales to other Group companies of £nil (2015: £0.2m) and cost of sales from other group companies of £27.6m (2015: £19.9m) are included in the financial statements of the Company.

Note 24 – Pension commitments

Defined contribution schemes

The Group operates defined contribution pension schemes for all qualifying employees of all its operating companies. The assets of these schemes are held separately from those of the Group in funds under the control of the trustees.

The Group also contributes to an industry-wide multi-employer defined benefit pension scheme on behalf of certain employees. The assets of the scheme are held separately from those of Group in an independently administered fund. The plan exposes participating employers to actuarial risks associated with the current and former employees of other entities with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual participating in the scheme, and the Group does not have access to sufficient information to enable it to use defined benefit accounting. Therefore, the scheme has been accounted for as a defined contribution scheme. The latest formal actuarial valuation as at 5th April 2015 showed that the scheme had a funding level of 101%.

The total cost charged to income of £1.3m (2015: £1.0m) 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. The scheme is registered with HMRC and is administered by the trustees.

With effect from 1st March 2010 the benefit structure was 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.

Contribution rates during the year ended 31st December 2016, expressed as a percentage of pensionable payroll, were as follows:

	2016 %	2015 %
Deficit reduction contribution	**13.0**	13.0
Future service contribution	**15.7**	15.7
Total contribution	**28.7**	28.7
Less employee contribution	**(8.0)**	(8.0)
TClarke contribution	**20.7**	20.7

The most recent triennial actuarial valuation of the scheme, carried out at 31st December 2015 by Mr J Seed, Fellow of the Institute of Actuaries, showed a deficit of £14.9m, which represented a funding level of 67%. The valuation was impacted by the significant fall in bond yields over the period leading up to the date of the valuation and a change in mortality assumptions, caused by macro-economic factors beyond the Group's control. As a result, the ongoing cost of funding the scheme has increased significantly. Following provisional agreement of the draft valuation, a revised funding and deficit reduction plan has been proposed to the Pension Regulator, which includes making additional contributions and continuing to provide security in the form of a contingent asset over the Group's property portfolio up to a combined value of £3.1m, with the aim of eliminating the deficit by 31st March 2029.

Note 24 – Pension commitments continued

From 1st January 2017 the future service contribution will increase to 21.4% of pensionable payroll (including employee contributions) and the deficit reduction contribution has been set at £1.0m for the year ending 31st December 2017, rising to £1.25m for the year ending 31st December 2018 and £1.5m per annum thereafter. The Group has proposed an increase in employee contributions from 8% to 10% of pensionable salary and is consulting with employees on this proposal.

As part of a group reorganisation, a subsidiary company, TClarke Services Limited, became the principal employer of the scheme with effect from 23rd December 2016, and the pension scheme liability and related deferred tax asset were transferred to TClarke Services Limited at that date. The Company and its subsidiary TClarke Contracting Limited have provided a guarantee to the Trustees of the scheme in respect of TClarke Services Limited's obligations to the pension scheme. Further details concerning the group reorganisation can be found in Note 29 on page 138.

The key assumptions used to value the pension scheme liability in the financial statements are set out below:

	2016 %	2015 %
Rate of increase in salaries	**2.60**	2.85
Rate of increase of pensions in payment	**3.05**	3.05
Discount rate	**2.80**	4.05
Inflation assumption	**3.30**	3.35

The mortality assumptions used in the IAS 19 valuation were:		**2016 Years**	2015 Years
Life expectancy at age 65 for current pensioners	- Men	**21.9**	23.7
	- Women	**23.1**	25.0
Life expectancy at age 65 for future pensioners (current age 45)	- Men	**24.2**	25.0
	- Women	**25.7**	26.5

The amounts recognised in the statement of financial position are as follows:

	2016 £m	2015 £m
Present value of funded obligations	**53.3**	43.2
Fair value of plan assets	**(32.7)**	(29.8)
Deficit of funded plans	**20.6**	13.4

Note 24 – Pension commitments continued

The movement in the defined benefit obligation is as follows:	Present value of obligation £m	Fair value of plan assets £m	Total £m
At 1st January 2015	44.5	(28.2)	16.3
Current service cost	0.7	–	0.7
Interest expense	1.7	(1.1)	0.6
	2.4	(1.1)	1.3
Remeasurements:			
Return on plan assets excluding amounts included in interest expense	–	0.3	0.3
Gain from change in financial assumptions	(3.2)	–	(3.2)
	(3.2)	0.3	(2.9)
Contributions:			
- Employers	–	(1.3)	(1.3)
- Employees	0.5	(0.5)	–
Payment from plans:			
- Benefit payments	(1.0)	1.0	–
At 31st December 2015	43.2	(29.8)	13.4
Current service cost	0.9	–	0.9
Interest expense	1.8	(1.2)	0.6
	2.7	(1.2)	1.5
Remeasurements:			
Return on plan assets excluding amounts included in interest expense	–	(0.7)	(0.7)
Loss from change in financial assumptions	9.8	–	9.8
Experience gains	(1.8)	–	(1.8)
	8.0	(0.7)	(7.3)
Contributions:			
- Employers	–	(1.6)	(1.6)
- Employees	0.4	(0.4)	–
Payment from plans:			
- Benefit payments	(1.0)	1.0	–
At 31st December 2016	53.3	(32.7)	20.6

Current service cost is included in administrative expenses.
Interest expense is included in finance costs.
Remeasurement gains and losses have been included in other comprehensive income/expense.

Note 24 – Pension commitments continued

Plan assets are held in professionally managed multi asset funds, cash and bank accounts managed by the trustees, and an insurance annuity contract. Plan assets are comprised as follows:

	2016				2015			
	Quoted £m	**Unquoted £m**	**Total £m**	**%**	Quoted £m	Unquoted £m	Total £m	%
Equities	**19.7**	**–**	**19.7**	**60%**	19.0	–	19.0	64%
UK quoted	**3.0**	**–**	**3.0**		4.1	–	4.1	
Overseas quoted	**7.1**	**–**	**7.1**		6.2	–	6.2	
Hedge funds	**9.6**	**–**	**9.6**		8.7	–	8.7	
Debt instruments	**7.4**	**–**	**7.4**	**22%**	5.1	–	5.1	17%
Fixed interest corporate bonds	**5.0**	**–**	**5.0**		3.8	–	3.8	
Inflation-linked bonds	**0.8**	**–**	**0.8**		0.6	–	0.6	
Government bonds	**1.6**	**–**	**1.6**		0.7	–	0.7	
Property	**–**	**2.1**	**2.1**	**7%**	–	2.3	2.3	8%
Cash	**–**	**1.9**	**1.9**	**6%**	–	1.9	1.9	6%
Insurance annuity contracts	**–**	**1.6**	**1.6**	**5%**	–	1.5	1.5	5%
Total	**27.1**	**5.6**	**32.7**	**100%**	24.1	5.7	29.8	100%

Through the defined benefit pension scheme the Group is exposed to a number of risks, the most significant of which are set out below.

Asset volatility

The objective of the investment strategy is to have sufficient assets to pay benefits to members as they fall due. The scheme assets are invested in a diversified portfolio of growth assets (such as multi-asset funds and equities) and matching assets (such as bonds held in multi-asset funds and cash). Multi-asset funds include property investments. The scheme does not directly own any property assets. In addition the scheme holds a number of annuity policies which are used to back a number of pensions in payment, reducing the volatility of the results.

The plan liabilities are calculated using a discount rate set with reference to corporate bond yields. If plan assets underperform this yield, this will create a deficit. A significant proportion of scheme assets are held in equities, which are expected to outperform bond yields in the long term while providing volatility and risk in the short term.

The Group believes that due to the long term nature of scheme liabilities and the strength of the Group, it is appropriate to continue to hold a significant proportion of the assets in equities. The proportion of equities held was increased following a review of the investment strategy and taking into account expected improvements in equity markets and the maturity profile of the scheme.

Change in corporate bond yields

A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the scheme's bond holdings.

Note 24 – Pension commitments continued

Inflation risk

Some of the pension obligations are linked to inflation, and higher inflation will lead to higher liabilities. Caps are in place for inflationary increases which protect the scheme against the impact of extreme inflation. The majority of the plan's assets are largely unaffected by inflation, meaning that any increase in inflation will also increase the deficit.

Life expectancy

Pension obligations are payable for the life of the member, and where elected by the member, the member's spouse. Increases in life expectancy will result in increases in scheme liabilities.

Age profile

The weighted average duration of the unsecured liabilities is approximately 22 years.

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.5%	Decreased by 10%	Increased by 12%
Inflation rate	0.5%	Increase by 6%	Decrease by 8%
		Increase by 1 year in assumption	Decrease by 1 year in assumption
Life expectancy		Increase by 3%	Decrease by 3%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

Note 25 – Obligations under finance leases

	Minimum lease payment		Present value of minimum lease payment	
	2016 £m	2015 £m	**2016 £m**	2015 £m
Amounts payable under finance leases:				
Within one year	**0.1**	0.1	**0.1**	0.1
	0.1	0.1	**0.1**	0.1
Less: future finance charges	**–**	–	**–**	–
Present value of lease obligations	**0.1**	0.1	**0.1**	0.1

The average lease term is three to four years. For the year ended 31st December 2016 the average effective borrowing rate was 6% (2015: 6%). 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

Total outstanding commitments for future minimum lease payments under non-cancellable operating leases fall due as follows:

GROUP	**Land and buildings 2016 £m**	**Other operating leases 2016 £m**	Land and buildings 2015 £m	Other operating leases 2015 £m
Within one year	**0.4**	**0.9**	0.5	1.0
In the second to fifth years inclusive	**0.2**	**0.8**	0.3	0.9
	0.6	**1.7**	0.8	1.9

COMPANY	**Land and buildings 2016 £m**	**Other operating leases 2016 £m**	Land and buildings 2015 £m	Other operating leases 2015 £m
Within one year	**0.3**	**0.3**	0.3	0.3
In the second to fifth years inclusive	**–**	**0.2**	–	0.2
	0.3	**0.5**	0.3	0.5

Note 27 – Contingent liabilities

Group banking facilities and surety bond facilities are supported by cross guarantees given by the Company and participating companies in the Group. There are contingent liabilities in respect of surety bond facilities and guarantees under contracting and other arrangements entered into in the normal course of business.

Group's defined benefit pension

As part of a group reorganisation, a subsidiary company, TClarke Services Limited, became the principal employer of the scheme with effect from 23rd December 2016, and the pension scheme liability and related deferred tax asset were transferred to TClarke Services Limited at that date. The Company and its subsidiary TClarke Contracting Limited have provided a guarantee to the Trustees of the scheme in respect of TClarke Services Limited's obligations to the pension scheme. Further details concerning the group reorganisation can be found in Note 29 on page 138.

Note 28 – 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; to maintain a strong financial position to support business development, tender qualification and procurement activities; and to maximise 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. The Board considers that it has sufficient capital to undertake its activities for the foreseeable future. The Group's overall capital strategy remains unchanged from 2015.

The capital structure of the Group consists of net funds, including cash and cash equivalents, bank loans and overdrafts and finance lease obligations, and equity attributable to equity holders of the parent company, comprising issued capital, reserves and retained earnings. The Group does not use derivative financial instruments.

The capital structure of the Group at 31st December 2016 and 2015 was as follows:

	2016 £m	2015 £m
Cash and cash equivalents	**12.3**	11.7
Less total borrowings	**(3.1)**	(5.1)
Net funds	**9.2**	6.6
Total equity	**14.1**	19.6

Note 28 – Financial instruments continued

B. Financial assets and liabilities

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the bases 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.

Financial assets

The Group's financial assets comprise loans and receivables at amortised cost, and cash and cash equivalents as follows:

31st December 2016	Cash and cash equivalents **£m**	Trade and other receivables[1] **£m**	Amounts due from customers under construction contracts **£m**	Total **£m**
Carrying value	**12.3**	**39.7**	**27.8**	**79.8**
Contractual cash flows:				
Less than one year	**12.3**	**32.8**	**27.8**	**72.9**
One to two years	**–**	**5.5**	**–**	**5.5**
Two to three years	**–**	**1.2**	**–**	**1.2**
Three to four years	**–**	**0.2**	**–**	**0.2**
Total	**12.3**	**39.7**	**27.8**	**79.8**

31st December 2015				
Carrying value	11.7	33.4	31.1	76.2
Contractual cash flows:				
Less than one year	11.7	28.3	31.1	71.1
One to two years	–	5.1	–	5.1
Total	11.7	33.4	31.1	76.2

[1] Trade and other receivables exclude prepayments

Note 28 – Financial instruments continued

B. Financial assets and liabilities continued

Financial liabilities – analysis of maturity dates

At 31st December 2016 the carrying value of the Group's financial liabilities and the maturity profile of the associated contractual cash flows were as follows:

31st December 2016	Trade and other payables[1] **£m**	Amounts due to customers under construction contracts **£m**	Bank loans[2] **£m**	Obligations under finance leases **£m**	Total **£m**
Carrying value	**61.6**	**4.4**	**3.0**	**0.1**	**69.1**
Contractual cash flows:					
Less than one year	**59.8**	**4.4**	**0.3**	**0.1**	**64.6**
One to two years	**1.3**	**–**	**0.2**	**–**	**1.5**
Two to three years	**0.4**	**–**	**0.2**	**–**	**0.6**
Three to four years	**0.1**	**–**	**3.0**	**–**	**3.1**
Total	**61.6**	**4.4**	**3.7**	**0.1**	**69.8**

31st December 2015					
Carrying value	59.7	4.1	5.0	0.1	68.9
Contractual cash flows:					
Less than one year	59.6	4.1	0.2	0.1	64.0
One to two years	0.1	–	5.2	–	5.3
Total	59.7	4.1	5.4	0.1	69.3

[1] Trade and other payables exclude deferred income and other taxation and social security payable.
[2] Details of the Group's bank facilities are given in Note 22 on page 126.

Note 28 – Financial instruments continued

C. Financial risk management

Financial risk management is integral to the way in which the Group is managed. The overall aim of the Group's financial risk management policies is to minimise any potential adverse effects on financial performance and net assets.

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.

The financial risks to which the Group is exposed comprise credit risk, market risk and liquidity risk.

The Group seeks to manage these risks as follows:

Credit risk

Credit risk is the risk that a 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's policy is to mitigate 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 and other receivables and cash on deposit represents the Group's maximum exposure to credit risk. There were no significant concentrations of credit risk at 31st December 2016.

Liquidity risk

Liquidity risk is the risk that the Group will not generate sufficient cash and liquid funds to be able to settle its financial liabilities as and when they fall due. The Group manages liquidity risk by maintaining adequate reserves and banking facilities, by monitoring cash flows and by matching the maturity profiles of financial assets and liabilities within the bounds of its contractual obligations.

The Group had in place throughout the year an £8 million overdraft facility with National Westminster Bank plc and a £5 million Revolving Credit Facility ('RCF') agreed with the same bank in February 2014.

The Group's facilities were successfully renegotiated in December 2016 and now comprise a £10 million RCF and a £5 million overdraft facility. The RCF is a committed facility available until 31st March 2020 and is subject to quarterly financial covenant tests. Management has prepared 3 year cash flow projections that demonstrate that the Group will be able to meet these financial covenants. There have been no other significant changes to the nature of financial risks or the Group's objectives and policies for managing these risks.

Based on an interest rate of 3.5%, 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 £0.1 million (2015: £0.1 million) 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 £0.1 million (2015: £0.1 million) 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 of 2.25% above base rates. The interest rate on amounts drawn down under the RCF are fixed at LIBOR plus 2.25% at the time of drawdown for periods of up to six months. 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 £0.1 million (2015: £0.1 million) per annum. Details of the Group's and the Company's bank facilities are disclosed in Note 22.

Details of finance lease commitments are disclosed in Note 25.

Note 29 - Group reorganisation

During the year the Group undertook the first phase of a planned group reorganisation to rationalise its legal structure and improve the efficiency of its operations. The first phase comprised the amalgamation of the Group's operations in London & South East and Central & South West regions into a single trading subsidiary, TClarke Contracting Limited, with a separate subsidiary, TClarke Services Limited, employing all of the staff in these regions and providing internal support services to support the operations of TClarke Contracting Limited. The reorganisation was effected as follows:

- On 23rd December 2016 the employment contracts of all of the Group's staff in London & South East and Central & South West regions were transferred to TClarke Services Limited and TClarke Services Limited became the principal employer of the Group's defined benefit pension scheme, the TClarke Group Retirement and Death Benefits Scheme. The Group's liability in respect of the pension scheme deficit, including the related deferred tax asset, was transferred to TClarke Services Limited at book value in consideration for £17.1m 10 Year Variable Rate Unsecured Loan Notes.
- On 31st December 2016 the businesses and trading assets and liabilities of all of the Group's operations in the Central & South West and London & South East regions, including those of the Company, were transferred to TClarke Contracting Limited at book value, in consideration for £12.9m 10 Year Variable Rate Loan Notes.
- 10 Year Variable Rate Unsecured Loan Notes receivable from or payable to TClarke Contracting Limited by other subsidiary undertakings were assigned to TClarke plc in consideration for equivalent TClarke plc Loan Notes.
- All loan notes earn interest at 2.5% above base rate.

The impact of the reorganisation on the Company's statement of financial position is as follows:

TClarke plc **Summarised statement of financial position**	Pre-reorganisation **£m**	Transfer to TCSL[1] **£m**	Transfer to TCCL[2] **£m**	at 31st December 2016 **£m**
Property, plant and equipment	0.2	–	(0.2)	**–**
Investments	39.7	–	–	**39.7**
Deferred tax assets	3.5	(3.5)	–	**–**
Amounts due from customers				
under construction contracts	12.5	–	(12.5)	**–**
Trade and other receivables	18.0	–	(17.8)	**0.2**
Cash and cash equivalents	13.1	–	–	**13.1**
Amounts due to customers				
under construction contracts	(1.4)	–	1.4	**–**
Trade and other payables	(46.3)	–	42.0	**(4.3)**
Current income tax payable	(0.3)	–	–	**(0.3)**
Bank loans	(3.0)	–	–	**(3.0)**
Retirement benefit obligation	(20.6)	20.6	–	**–**
Intra-Group Loan Notes Payable	–	(17.1)	(12.9)	**(30.0)**
Net assets	15.4	–	–	**15.4**

[1] TClarke Services Limited [2] TClarke Contracting Limited

Note 30 – Subsidiary companies

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

Electrical and mechanical contractors	Type of shares
DG Robson Mechanical Services Limited*	Ordinary
TClarke Contracting Limited[1]	Ordinary
TClarke East Limited*[2]	Ordinary
TClarke Leeds Limited[3]	Ordinary
TClarke North West Limited[4]	Ordinary
TClarke (Scotland) Limited[5]	Ordinary
TClarke South-East Limited*[1]	Ordinary
TClarke South West Limited*[6]	Ordinary
TClarke Newcastle Limited[7]	Ordinary

* Trade transferred to TClarke Contracting Limited on 31st December 2016 (see Note 29).

Property holding company	
Weylex Properties Limited[1]	Ordinary

Group services company	
TClarke Services Limited[1]	Ordinary

Non-trading and dormant companies	
AG Aylward EMS (Maintenance and Minor Works) Limited[2]	Ordinary
Anglia Electrical Services Limited[1]	Ordinary
D&S (Engineering Facilities) Limited[1]	Ordinary
GDI Electrical Company Limited[1]	Ordinary
JJ Cross Limited[1]	Ordinary
JJ Cross Services Limited[1]	Ordinary
Mitchell and Hewitt Limited[8]	Ordinary
SCS Building Services (Scotland) Limited[5]	Ordinary
Smith Contracting Services Limited[1]	Ordinary
TClarke (Northern) Limited[9]	Ordinary
Waldon Data Limited[1]	Ordinary
Waldon Electrical Contractors Limited[1]	Ordinary
Waldon Security Limited[1]	Ordinary
WE Manin Limited[1]	Ordinary

Registered Offices

[1] 45 Moorfields, London EC2Y 9AE
[2] 3 Kym Road, Bicton Industrial Park, Kimbolton, Cambridgeshire PE28 0LW
[3] Low Hall Road, Horsforth, Leeds, West Yorkshire LS18 4EF
[4] Wilton House, Ackhurst Park, Foxhole Road, Chorley PR7 1NY
[5] 6 Middlefield Road, Middlefield Industrial estate, Falkirk, Stirlingshire FK2 9AG
[6] 20 St Austell Business Park, Carclaze, St Austell, Cornwall PL25 4FD
[7] Hunter House, 17-19 Byon Street, Newcastle Upon Tyne NE2 1XH
[8] Windsor Court, Ascot Drive, Derby, Derbyshire DE24 8GZ
[9] 116-118 Walworth Road, London SE17 1JL

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Company Secretary

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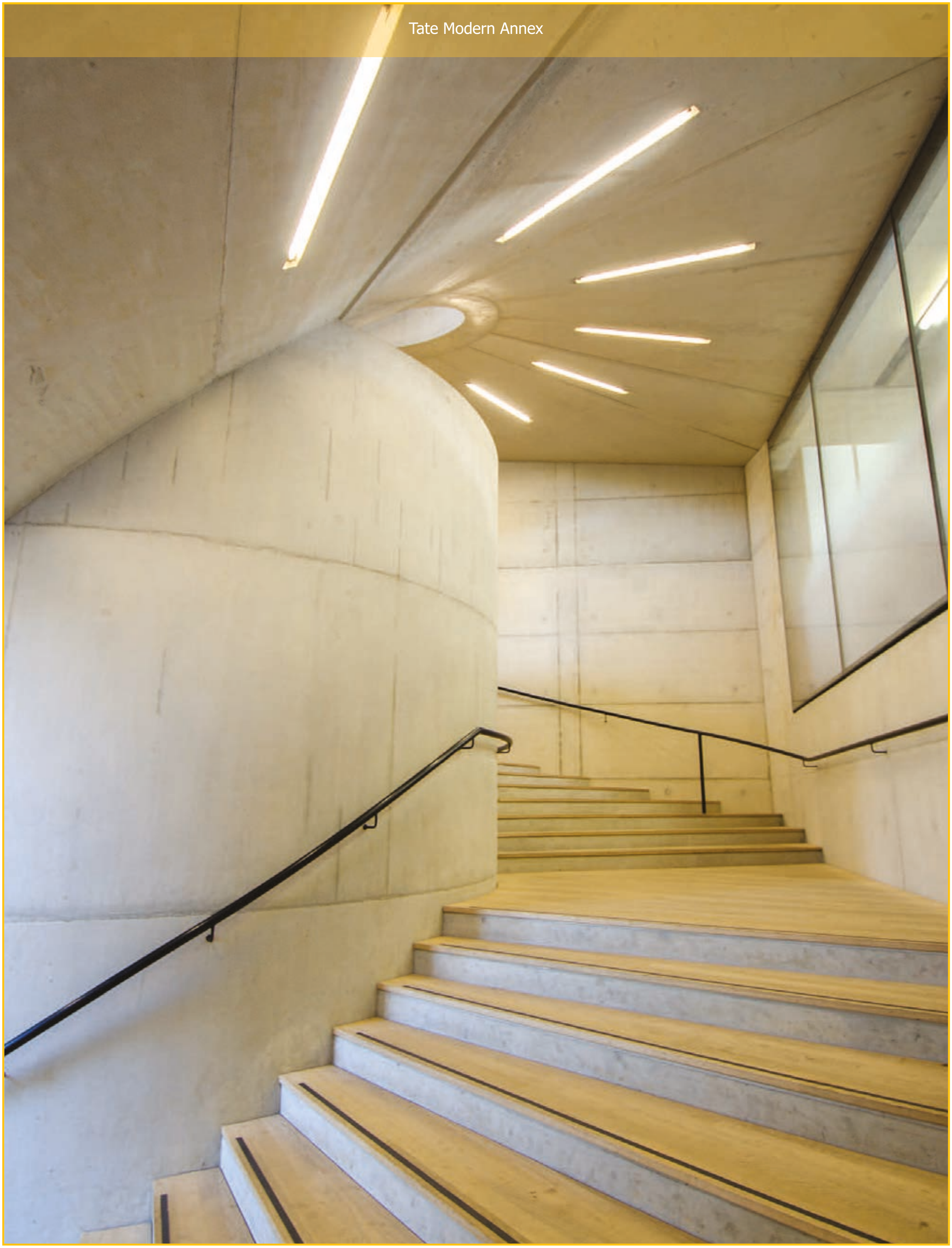
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