Building innovation
Building relationships
Building services

TClarke

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Underlying operating profit	Profit before tax	Profit before tax margin
£3.2m	£1.7m	0.8%
2012 : £2.9m	2012 : £1.2m	2012 : 0.6%

Dividend per share	Earnings per share
3.10p	2.51p
2012 : 3.00p	2012 : 2.05p

Revenue	Forward order book
£217.1m	£250m
2012 : £193.8m	2012 : £230m

Important dates

9th May 2014
Annual General Meeting

16th May 2014
Final Dividend Payment date

4th July 2014
Interim Management Statement

5th August 2014
Half Yearly Report

14th November 2014
Interim Management Statement

This year we have changed the way we present our annual report and financial statements. Our aim is to give you a clearer understanding of the strategic information, our business model and objectives - and how these feed into the results we have achieved and the value we deliver to all our stakeholders.

Chairman's statement

Reflecting on 2013

While the recession may appear to be officially over, its effects were still being felt in construction throughout 2013. Demand from the public sector remained suppressed and private sector confidence, though returning, was by no means translated into the demand that is found when markets are buoyant.

In January 2014 we reported one major contract was nearing completion but the final account settlement remained outstanding. We can confirm that the project, within our Mission Critical Division, has now achieved practical completion, however it is disappointing that while TClarke complied diligently and proactively with its contractual obligations, the principal contractor continues to frustrate the account settlement process. The Board, having reviewed an independently produced assessment of our account, continues to believe that we should vigorously pursue our full entitlement. At this stage we continue to recognise no profit or loss on this contract. As a result our year end cash position was also impacted but we recorded a net cash position of just over £1 million as at 31st December 2013.

Our headline numbers are all the more creditable given the pressures on margins that have persisted for several years now, and I am pleased to be able to announce a 5% increase in the proposed final dividend to 2.10p per share (2012: 2.00p per share).

Looking behind the headlines, as this report, in line with new reporting standards, sets out to do, you can see how in 2013 TClarke not only achieved sound financial figures, but also set itself for growth in ways that make compelling business sense.

A responsible company

In 2013 TClarke-sponsored sports teams turned out on playing fields across the country, our operatives dressed in pink, danced, wore wigs, went back to the 80s and put on Christmas jumpers - all in the name of charity.

At the same time we worked to achieve a range of new accreditations to improve our environmental and safety performance to deliver projects on every scale, from private homes to the Fife Renewables Innovation Centre and the new Brent Civic Centre - one of the first buildings to achieve the BREEAM Outstanding mark for its environmental performance.

TClarke in 2013 continued to train, to take on apprentices - both school leavers and adults - and create and sustain real engineering jobs. This is one very clear mark of our approach of which I'm particularly proud.

We have a primary duty to our shareholders - to create growth and value - and not only do we believe that our responsible approach is the right way to go about doing that - we also believe it is the most effective way.

Handing over after 16 years with TClarke

After the Annual General Meeting in May I shall be stepping down as Chairman of TClarke after 16 years with the company. So I feel it right to remark now on the nature of the brand and business with which I have been privileged to enjoy this long association.

'Authenticity' is something that marketing people work hard to present in the brands they promote - because being genuine and trustworthy is something customers value very highly. TClarke has more of this quality than most. This is an organisation that has retained a high reputation in the industry throughout my years of involvement. It is an organisation that motivated young people are excited to join. It is an organisation that, right across the country, can introduce you to customers with whom it has highly effective and long-term relationships. TClarke in 2014 is a fine British engineering company. It was also, during 2013, a company that worked extremely hard to organise itself for profitable growth, while some others in the market were primarily focused on survival. This places TClarke exceptionally well to take advantage of improving market conditions.

David Henderson will assume the Chairmanship role following the conclusion of the Annual General Meeting.

Looking ahead

We are a prudent and realistic organisation and over the years that approach has stood us in good stead. So while we do not see significant market recovery happening until 2015, we do look to 2014 with considerable relish. The work we have done in recent years to shape our organisation and market offer began to deliver in 2013, and so in 2014 I expect that process to gather pace. In as much as we are realistic about the continued delay of full recovery, we are also realistic about the market demand for the highest levels of quality, reliability and capability to deliver. As construction becomes more complex, as the need to drive down cost and project time-frame increases, as the push to improve safety goes on, there is considerable advantage in having the ability to win the most challenging projects and then adding that fresh experience to the portfolio for next time. This is what keeps our competitive edge - and that in turn gives us strong prospects for growth and value creation.

Thanks to our people and all our stakeholders

As a final note, I would like to take the opportunity to thank our people across Britain, working in our manufacturing facilities to design vast prefabricated modules with fine precision, working on extraordinary FM challenges for some of Britain's most famous engineering companies, working on homes, offices, factories, academies, hospital units and iconic projects nationwide, showing their skills and professionalism and passing all that on to the next generation of TClarke engineers. I am very proud indeed to have been associated with them and their work. I am proud of the working relationships they have forged. I should also like to thank our supply chain partners and our clients for their work and collaboration. Finally, I should like to thank our shareholders for their continued support. The company in which we are all stakeholders is one that continues to grow and make progress in the right way - and to be a very positive force in the places in which it operates.

Russell Race
Chairman
18th March 2014

Chief Executive Officer's review

Reflections on 2013

For TClarke, this was a key year - a year in which the impact of our medium-term strategy began to deliver results across the whole organisation, despite the market conditions.

There was modest growth in UK GDP in every quarter during 2013; however this slow recovery did not result in any major change in business conditions in the construction industry. Price-driven competition retained its grip across our markets and we continued to see some competitors exit our markets and many competitors making non-economic bids in order to keep going.

With the extremely challenging market conditions persisting for yet another year, the continued excellence in performance which our people have achieved is all the more creditable. In winning safety awards and client commendations up and down the country, in finding new ways to collaborate, in winning work and in building our reputation for quality, our people demonstrated that there is substance to the brand commitments we make.

I am also very pleased to report on all the work in 2013 that was carried out to shape and improve our business; throughout the year we executed on our strategic plans to further integrate various aspects of our nationwide operations, introduce new areas of skill and service and indeed to successfully develop our new business units - particularly the Mission Critical and Transport teams which enjoyed breakthrough years in their respective sectors.

How we performed during 2013

TClarke, throughout these challenging times, has worked incredibly hard to find and win opportunities where our combination of advantages allows us to tender for and win work at realistic rates. Margins remain under severe pressure; but nonetheless, with our commitment only to tender for work at commercially viable rates, we still managed to increase the value of our order book during the period from £230 million to £250 million.

We are fortunate to be involved in many complex and high profile projects in 2013 and into 2014. These included:

Contract	Location	TClarke division
A1 Millbay	Plymouth	Residential & Hotels
AIG, Fenchurch Street	London	M&E Contracting
Arc Academy	Putney, London	M&E Contracting, Intelligent Buildings
BAE Projects	Barrow, Samlesbury & Warton	FM
BBC White City	London	M&E Contracting
Bloomberg London, shell & core	London	M&E Contracting
British American Tobacco	Cambridge	M&E Contracting
Cameron Gardens, Residential	Midlothian	Residential & Hotels, Intelligent Buildings
Castle Hill Police Station	Truro	M&E Contracting
Catherine School	Leicester	M&E Contracting
Deutsche Bank, Brindley Place	Birmingham	M&E Contracting
Dock Street Care Home	Sunderland	Residential & Hotels
First Bus, Regional HQ and Maintenance Facility	Glasgow	M&E Contracting, Transport
Gower College	Swansea	M&E Contracting
Imperial Tobacco, Nursery	Bristol	M&E Contracting
Merck Sharp & Dohme	Cramlington	M&E Contracting
Moyes End Stand, Peterborough FC	Peterborough	M&E Contracting
Newcastle College, Parsons Tower	Newcastle	M&E Contracting
Newcastle Metro, Fire Alarm replacement	Newcastle	Intelligent Buildings
Pulsant Generator Upgrades	Croydon and Milton Keynes	Mission Critical
RAF Mildenhall SOG Heli Ramp	Mildenhall	M&E Contracting, FM
Riverwalk House, Residential Development	London	M&E Contracting, Intelligent Buildings
Samuel Lucas School	Hitchin	M&E Contracting
Silwood Sidings	London	Transport
Telehouse West	London	Mission Critical
Yorkshire Building Society	Bradford	M&E Contracting
450 South Oak Way, Commercial Development	Reading	M&E Contracting, Manufacturing
1,400 Residential Units secured to date for 2014	Scotland	Residential & Hotels, Intelligent Buildings
Waitrose Distribution Depot	Coulsdon	M&E Contracting
Waitrose Stores	Hereford Keynsham Sherbourn Leek Teignmouth	M&E Contracting

2013 was also very much the year in which effective, nimble, cross-group collaborations became a reality for TClarke. Major contracts across sectors including residential, commercial, data centres and large-scale industrial FM were won due to cross selling, new combinations of regional teams, new combinations of specialist teams and newly combined marketing activities. Organic growth of this kind has been a key strategic objective and is the result of a range of group integration programmes.

A clear strategic business vision

Our vision of 'achieving world class performance in the quality of our work, the strength of our relationships and the value we can create, through innovation, for all our stakeholders' is focused on further developing our strengths for the needs of a changing, challenging and rewarding industry.

In order to achieve that vision, our stated medium-term strategy is 'to sustain world class building services capability and build a "growth-ready" platform capable of exploiting existing and fast changing opportunities for value creation'.

In essence, this is all about retaining and enhancing our traditional strengths, but also developing our organisation so that we can act quickly and decisively where opportunities arise.

Preparing a 'platform for growth'

We see the potential for significant and sustained growth in our business in several areas of our operation. In recent years we have successfully executed a strategic plan that has seen us develop from a London electrical contractor with a range of independent regional businesses into what in 2013 could clearly be seen as a full service nationwide building services contractor. In 2013 we continued with a series of 'back of house' programmes to further integrate our systems and processes and integrate our marketing and bid and tender activities.

These projects delivered value for us in many ways. Perhaps the most readily noticeable was our ability to grow an entirely new operation across Wales at low cost and in rapid time - where we were able to enter the market with a reputable team and, due to integration projects, have that team fully supported with group systems and resources on tap from day one. During 2013 that team established itself as a major building services player in this part of the UK, winning significant clients with long-term prospects and significant revenue for the group. Over the same time, we also identified, bid for, won and delivered projects in Birmingham to establish our presence in the West Midlands. Critically, we were able to do this the right way - delivering the high quality of expertise, service and delivery for which the TClarke brand is known.

Our people

In 2013 TClarke had 100 apprentices in training and a core nationwide resource of 1,200 highly-skilled, highly-motivated, directly employed people. As we have worked during the year to re-engineer our group for increased efficiency and growth potential, it has been an equally central strategic objective to retain the longstanding focus on our people, which drives our success.

Safety remains our number one priority and our investment in a comprehensive in-house safety organisation continued through 2013 with new safety campaigns delivered throughout the year. In 2013, as well as our ongoing investment in training, we invested considerable resources to develop our technical capabilities in new areas like Building Information Modelling (BIM).

Opportunities and priorities looking forward

Although we are hopeful that there may be some uplift in market conditions during 2014, we do not at present see a meaningful recovery happening in the construction sector until 2015. As the market picks up, clients and main contractors will place a higher premium on securing high quality, reliable and large-scale resources necessary for their projects.

In 2014 our business priorities will be:

Safety
Safety will remain our number one priority and subject to ongoing investment and innovation in order to take best care of our people.

Quality
Although we are an organisation that has earned a reputation for good quality work and focused its business model around the ability to deliver quality work through quality people, nonetheless quality is hard to measure in ways that are useful in analysing and improving business methods and performance. Nonetheless our business strategy does identify areas where the market is redefining best practice models - particularly in innovation and relationships. And so, during 2014 we will develop our definition of quality to stay ahead of these changes.

Delivery of our strategy for growth
Our vision and strategy is laid out in some detail. It is a comprehensive plan clearly aligned to evolving market needs, the economic cycle and our business strengths. We will continue to focus on delivery of all parts of this plan so that we can take full advantage of the opportunities for growth and improving financial performance.

During 2014 we will be introducing a new high quality in-house Design & Build operation. As with all of our successful specialist market propositions, we will do this with a focus on quality from the outset and with a clear intent towards significant growth opportunities.

Mark Lawrence
Chief Executive
18th March 2014

Finance Director's review

Summary of Financial performance	2013	2012	*Change*
Continuing operations	£m	£m	%
Revenue	**217.1**	193.8	12.0
Underlying operating profit	**3.2**	2.9	10.3
Intangibles amortisation	**(0.3)**	(0.3)	
Adjustment to purchase consideration	**–**	(0.2)	
Long-term employee benefits arising from prior acquisitions	**–**	(0.3)	
Restructuring costs	**–**	(0.4)	
Exceptional claim settlement costs	**(0.6)**	–	
Operating profit	**2.3**	1.7	35.3
Net interest	**(0.6)**	(0.5)	
Profit before tax	**1.7**	1.2	41.7
Tax	**(0.6)**	(0.4)	
Profit for the year	**1.1**	0.8	22.2
Earnings per share - basic	**2.51p**	2.05p	22.2
Earnings per share - diluted	**2.43p**	2.01p	20.9
Underlying earnings per share - basic	**4.14p**	4.40p	(5.9)
Underlying earnings per share - diluted	**4.00p**	4.32p	(7.4)
Underlying earnings per share is stated after adjusting for £0.2m (2012: £0.3m) tax on adjusting items.			

Group performance

The construction sector continued to face a challenging operating environment in 2013, so it is pleasing to be able to report improved revenue and profit for the year.

The efforts we have made to manage our cost base and the discipline we have maintained in only bidding for work at commercially viable rates have been vindicated, with underlying profit margin maintained on an increased revenue. Our underlying administrative costs have fallen £0.8m (3.8%) year on year in spite of revenue increasing by 12%.

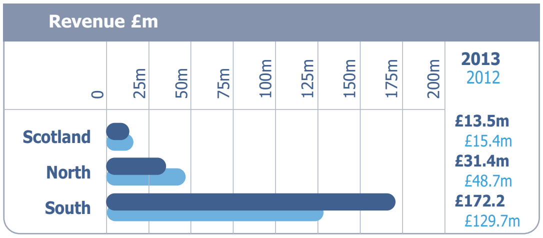
The net finance cost was £0.6m (2012: £0.5m), including a £0.5m (2012: £0.4m) non-cash pension scheme finance charge.

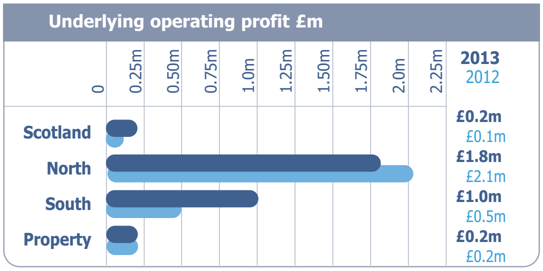
Revenue

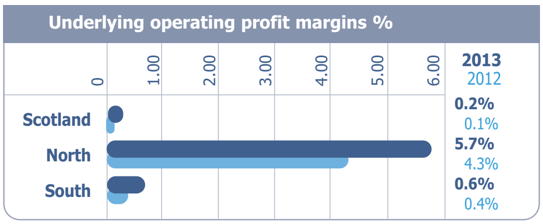
Revenue growth was driven by our South division, with the delivery of some significant projects across the region and clients valuing the quality, drive and commitment of our people at all levels. Our North and Scotland divisions have continued to make steady progress, and have benefited from the collaborative working arrangements that are now embedded within the group, although overall revenue was down in both regions (the North having benefited from some significant one-off projects for a major Facilities Management client the previous year and the housing sector in Scotland having to contend with skill shortages across all trades which have delayed building programmes).

Non-underlying items of expenditure

Non-underlying items of expenditure comprise £0.3m (2012: £0.3m) amortisation of intangible assets and







£0.6m (2012: £0.9m) non-recurring costs (2013: £0.6m exceptional claim settlement costs, 2012: £0.4m restructuring costs, £0.3m long-term employee benefits arising out of previous acquisitions, and £0.2m adjustments to deferred consideration in respect of prior year acquisitions). Further analysis of these costs is provided in Note 7 to the financial statements. Exceptional claim settlement costs relate to a one-off historic subcontractor issue which crystallised during 2013 but had previously been expected to result in no liability to the group, and the cost of successfully defending a multitude of adjudication claims brought by a single subcontractor.

Tax

Tax expense was £0.6m (2012: £0.4m), giving an effective tax rate of 36.9% (2012: 29.2%, having benefited from adjustments to prior year tax computations). The effective tax rate is high compared with the standard corporation tax rate for the year of 23.25% due to the disproportionate impact of non-taxable items in a low profit environment and the impact of the reversal of deferred tax assets caused by the falling statutory tax rate. We expect the effective tax rate to fall as profit returns to the sector.

Dividends

The Board is proposing a final dividend of 2.10p (2012: 2.00p), giving a total dividend for the year at 3.10p (2012: 3.00p), which is covered 1.4 times by underlying earnings.

The final dividend will be paid, subject to shareholder approval, on 16th May 2014 to those shareholders on the register at 16th April 2014. The shares will trade ex-dividend on 22nd April 2014. A dividend reinvestment plan (DRIP) is available to shareholders.

Cash flow and funding

The group's cash balances decreased to £1.0m, at 31st December 2013 (2012: £5.6m), due to the prolonged process of agreeing final account settlements. This has been a feature of the recession over the last few years, however the impact has been particularly severe this year with a major contract in our Mission Critical division completing just after year end. The group had in place throughout the year an £8m overdraft, renewable annually. The group is funded by share capital and retained reserves, in addition to its banking facilities, and there are no plans to change this structure.

Post balance sheet events

Since the end of the year, the company has successfully negotiated a £5m Revolving Credit Facility committed until 31st March 2017, in addition to renewing its £8m overdraft facility.

Pension obligations

In accordance with IAS 19 'Employee Benefits', an actuarial gain of £1.2m has been recognised in the year (2012: loss £1.9m), with the pension scheme deficit decreasing by £1.0m to £10.9m (2012: £11.9m). The decrease in the deficit reflects the beginnings of an upward shift in bond prices, on which the discount rate is based, from historically low levels, and improving investment performance.

The last triennial valuation of the pension scheme as at 31st December 2009 showed a deficit of £7.9 million, which represents a funding level of 71.5%. The group has put in place a deficit reduction plan to eliminate the deficit over a number of years, with total employer contributions remaining at 16% of pensionable salary initially, rising to 18% from 1st January 2014. Employer contributions for 2014 will amount to approximately £1.1m. The group has provided security to the pension scheme in the form of a charge over property assets with a market value of £3.1 million. The next triennial valuation, as at 31st December 2012, is still in progress at the date of this report.

Contingent liabilities

A subsidiary company is one of a number of parties that are subject to a substantial damages claim in respect of work carried out in 2007. Damages were awarded against the company, which were settled by the company's insurers during the year. The award is subject to appeal and the apportionment of costs, which are believed to be substantial, has not yet been determined. Although there is considerable uncertainty with regard to this claim it is considered unlikely that a liability will ultimately fall to the group and no provision has been made in respect of this claim. Further details are given in Note 26 to the financial statements on page 113.

Accounting policies

The group's accounting policies are consistent with the accounting policies applied in previous years.

Net assets

A significant part of the group's net assets are represented by goodwill in the underlying businesses. The board has undertaken a rigorous impairment review as at 31st December 2013, and has concluded that no impairment is necessary.

Net assets excluding goodwill and other intangible assets improved to £1.3m (2012: £0.4m), and the group's net current assets increased to £4.7m (2012: £4.2m).

Audit opinion

The auditor's report on the financial statements is unqualified, but does include an emphasis of matter paragraph concerning the recoverability of the group's position in respect of a major project in our Mission Critical division. Further details of this project are included in Note 4 to the financial statements on page 82.

Outlook

The strength of our order book and our performance throughout the recession leave us well placed to grow the business as confidence returns to our markets.

Martin Walton
Finance Director
18th March 2014

Our vision

TClarke aims to be a strong, successful and highly capable building services contractor, organised to create and take advantage of market opportunities for profitable growth across the construction industry; retaining TClarke's traditional focus on delivery of high quality work, by highly-motivated and expert teams, sustaining long-term relationships and unlocking new streams of innovation to create value for all our shareholders

Our strategy

Our strategy is to sustain world class building services capability and build a 'growth-ready' platform capable of exploiting existing and fast-changing opportunities for value creation - page 12

- Deliver complete, high quality, nationwide building services capability
- Build a 'growth-ready' unified business platform
- Retain and enhance our established brand advantages
- Focus on innovation and relationships
- Drive opportunities for sustainable growth

What we do

TClarke is a nationwide building services contractor. We provide high quality work, innovation and project delivery, with the reassurance of our trusted brand and we create high quality engineering jobs and opportunities for our people

- Operating environment page 16
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- Where we do it page 20

Managing our operations

TClarke has earned a strong reputation for performance, sensible risk management and sound management over many years, which it is our objective to retain and enhance

- Our board page 23
- Our governance structure page 22
- Internal control and risk management page 23
- Aligning executive remuneration to strategy page 23

What did we achieve?

During 2013, our people worked with partners and suppliers to deliver a great variety of construction projects; our business as a whole created and sustained skills and jobs, and value for our shareholders. We also shaped our business for future growth - page 26

Our vision

TClarke aims to be a strong, successful and highly capable building services contractor, organised to create and take advantage of market opportunities for profitable growth across the construction industry; retaining TClarke's traditional focus on delivery of high quality work, by highly-motivated and expert teams, sustaining long-term relationships and unlocking new streams of innovation to create value for all our shareholders.

The construction industry remains a 'traditional' environment - competitive, highly price-focused, cyclical and reputation-driven.

Equally it is, now more than ever, incredibly dynamic with new technologies and ways of working sweeping through every stage of the design and construction process and, indeed, transforming the whole concept of constructing and maintaining a building through its entire lifecycle.

This rapid change is having the effect of transforming cost models, working practices and value opportunities.

Through the work of our people, TClarke has been fortunate to retain a leading position in our industry for over 125 years - and we remain excited and highly motivated by the opportunities for growth which the construction sector offers. We also have a clear vision for the dynamic development of our company that retains our traditional values and builds new advantages into our market proposition.

Going forward, the quality of our work, full service capability and underlying financial strength, allied to exceptional working relationships that unlock value through innovation in many ways, will allow us to develop an ongoing reputation as a world class building services company.

This vision is firmly based in the realities of our business today

There are relatively few organisations in this or any other industry which have built and sustained such a reputation for quality work on the most demanding projects - founded very clearly on the quality of its people, and the training and career opportunities which can and do take people from apprenticeship through to board-level roles.

TClarke teams deliver, because the levels of motivation, commitment and sheer engineering excellence are high. This is the heart of our culture and reputation going back through our history.

From this solid foundation we have built exceptional client relationships and we see quality relationships as the key to the creation of long-term sustainable growth and value for all our stakeholders.

Going forward we believe we can forge new relationships with our partners, clients and suppliers - relationships that are strong and deep enough to allow us all to work together in the ways that will unlock new ways of working, thinking, collaborating and engineering solutions.

This combination of quality work, sound relationships and dynamic innovation will allow us to build exceptional value and growth opportunities across new and traditional sectors of our industry - for our shareholders, for our people and also for our partners.

Our strategy

Sustain world class building services capability and build a 'growth-ready' platform capable of exploiting changing opportunities for value creation.

Construction is cyclical and dynamic; success and profitability depends on our ability to manage a wide range of risks as we deliver work to the right standards of quality. As the construction industry now emerges from the deepest down-cycle in modern history, TClarke's strategy has not been focused solely on financial resilience although this has of course been critical. Far more than just surviving in good shape during the down-cycle, we have attacked the dynamic challenges in our industry.

1. Deliver complete, high quality, nationwide building services capability

From a strategic perspective, our offer of a high quality, and complete building services capability nationwide, based on our own directly employed teams, is the key element which allows us to remain successful and to grow. Clients are looking for the highest levels of quality, reliability under pressure, ability to collaborate and solve problems and ability to innovate. Our full building services capability allows us to meet current and new market needs as they emerge.

In 2013, our ongoing organic process of developing new skills and specialisms to meet market needs continued in many areas ranging from the introduction of advanced Building Information Modelling capabilities to the continued development of our manufacturing, ICT and transport capabilities and accreditations and the development of critical partnership deals with powerful new supply chain organisations.

Our journey to full building services capability

Historically the company grew as one of the UK's leading electrical contractors - largely serving the dominant London market. Organic growth happened - with regional businesses created in Bristol and the Midlands - and then we built out a complete regional network by acquiring similarly-minded companies with strong local reputations built on directly-employed, highly-motivated teams. Balancing our business equally between London and the regions we attempted to mitigate the risk associated with serving the highly rewarding but cyclical London market.

In recent years the business undertook a further round of strategic expansion, again acquiring high quality companies - but this time bringing in mechanical capability as a strategic complement in London to our electrical offering and by acquiring a facilities management business, serving world class businesses like BAE and Springfield Nuclear Fuels in the North West. The Mechanical capability immediately increased the range of projects for which we were qualified to bid and the FM capability allowed us to open up a growing stream of recurring revenue opportunities, an area in which our businesses around the UK had been developing capability.

At the same time, we developed critical new skills to a high quality - in areas such as green technologies and the ICT based Intelligent Buildings services which emerged and very quickly have become integrated as up-sell opportunities or integrated components in the building services packages we deliver.

2. Build a 'growth-ready' platform

In order to leverage our whole group service capabilities fully, we have worked hard in 2013 to continue a series of projects designed to increase our operational efficiency. These measures have also served to drive down costs.

Unified and integrated systems

In 2013 we continued our programme to centralise and unify key functions including our back office accounts, IT systems and payroll systems. As part of the progamme to create a single common business platform, we have also been able to drive substantial costs out of the business. The expansion in 2013 of our centralised accounts processing division in Derby, which now serves the whole business, improves efficiency and saves money. Equally the payroll function, which had been run in each of the 16 local businesses, is now provided from regional centres with 80% from a central facility in London.

Integrated marketing capabilities

Traditionally, our local businesses operated largely independently, serving their own markets and in some cases retaining their individual and highly respected local identities. But this also meant that they could not readily leverage the advantages of the whole TClarke brand and the capability of our entire network. In the last few years, marked in 2013 with the rebranding of H&C Moore in Leeds to TClarke Leeds, we have undertaken programmes to integrate the marketing and branding of our businesses, without losing or diluting our local impact or reputation. This work really began to deliver results in 2013 with major projects won by collaborative teams from across the group - and major cross selling opportunities being identified.

Integrated operational capabilities

During 2013 integrated operations really took off in earnest with a number of headline projects being won and delivered - ranging from the COBALT data centre to the De Vere Gardens residential development, where TClarke teams from across the UK combined to deliver major projects. This process continues to gather momentum.

3. Retain and enhance our classic brand advantages

TClarke's brand is defined by decades of strong results, in construction projects across the UK. As we move forward to take new opportunities, we are determined to keep and enhance the classic brand advantages we have.

People

TClarke has a large, high quality, highly committed resource of directly employed skilled operatives across the UK and in 2013, as ever, we retained our commitments to direct employment, to high quality training, to strong and effective health and safety teams and to the ongoing investment nationwide in apprenticeships. Our people are without question the key advantage that our customers value.

Reputation

The maintenance of our reputation for capability to deliver the most demanding technical challenges and the most challenging programmes - and to build strong relationships - is critical to our success. Over 125 years of history the firm's people have always been aware that this reputation is something we have to re-earn on every single job. In 2013, as in previous years we did so on projects in private and public sectors right across the UK. Another key aspect of our reputation is our continued financial strength.

Quality

Quality in the work we deliver, in the value we add and in the collaborative approach we offer, is the third of our longstanding brand advantages. In 2013 we continued to deliver quality work and to innovate where ever necessary to do that. Our work on the first 33KV installation in a UK commercial building at 20 Fenchurch Street was one of many such highlights.

4. Focus on innovation and relationships

Practical innovation for value

Remaining at the leading edge of the industry, gives us access to the most challenging and largest-scale projects and this in turn delivers the opportunity for a stream of practical innovations and learnings. 2013 has seen a range of innovative trends, including the continued increase in prefabrication techniques, the increasing adoption of building management systems as well as new ICT design systems and the integration of an ever expanding range of green technologies into the buildings we deliver.

TClarke is fortunate to enjoy a very wide range of deep and long-term collaborative relationships, with organisations across many sectors, ranging from local housing associations to regional and national main contractors, and direct clients like BAE, Deutsche Bank, ITV, Rolls Royce, Siemens and Waitrose. These relationships are spread right across the group and that fact is a very clear signal that our overall group culture and business approach is effective. This is a critical strategic objective because in coming years, we see many of the major drivers of increased quality, innovation and cost saving being very largely dependent on the ability of building services companies like TClarke to engage in these kinds of dynamic and mutually beneficial relationships. Strong commercial and growth opportunities will flow for those who can engage in this way and have the resources to deliver.

5. Drive opportunities for sustainable growth

The purpose of our business strategy is to deliver value for all of our stakeholders - a key element of that is sustainable growth opportunities which create value for our shareholders, valuable services for our customers and career opportunities for our people. By 'sustainable' we mean that these offer reasonable medium and long-term opportunities for growth rather than being one-off or very short-term opportunities.

The overall effect of our strategy is to create a complete and complementary range of opportunities for our large-scale London operations, for our regional operations and for all of our businesses working together in various combinations. This careful and detailed growth plan positions our business for organic growth that is at the same time substantial, manageable and sustainable.

Opportunities for growth

Market segment	Very large-scale electrical	Very large-scale mechanical
How this segment operates	For the large-scale construction projects in the UK, which are often focused around the London region, the electrical contract and the mechanical contract - which may each be worth upwards of £10m - are generally tendered separately and this is because it usually makes best sense at this scale for the principal contractor / client to split the risk between two suppliers	
Current situation	We have always had a major presence in this market undertaking several such projects per year. In 2013 we managed to increase the size of our order book - with high quality projects	The acquisition of DGR gave us presence, and we've done approximately one of these projects a year. In 2013 market awareness of our capability reached the necessary tipping point
Potential for growth	As the market picks up pace during 2014 and 2015 our scale and capability of resource becomes a major commercial advantage	The real opportunity in a growing market is for our mechanical presence to become as powerful in scale and reputation as our electrical business

Major scale combined M&E

Major projects where the combined value of the M&E components are roughly £10-15m or less are usually offered for tender as combined M&E contracts. Increasingly, to work the risks better for themselves, clients and contractors will look for one stop shops in this scale of project where not only M&E but the full service, including design and build, ICT, green technologies and FM can all be offered by one building services contractor

Although we have had strong regional M&E capability, prior to the DGR acquisition in London, we did not have the in-house capability for this market. In 2013 our presence in this market segment became established with further significant wins in and around London

The combination of integrated group marketing with a track record of major project delivery plus the emergence of our in-house D&B team allows us to plan for significant growth in and around London and across the regions

Specialist growth sectors

Specialist sectors require specific skills, experience and accreditations. These sectors offer strong opportunities for a player with high quality resources to enter and offer winning combinations of quality, value, delivery track record and risk

In recent years we have identified sectors - like residential, transport and FM - where we could create and sustain entirely new and longterm markets for our services

Following the still growing successes we've had in residential, transport and FM, we have now created specialist Mission Critical and in 2014 Design and Build teams to carve out new markets for TClarke

We also see significant potential to develop our Mission Critical offering across Europe

Up-sell growth services

Construction is transforming - change being driven by technology, particularly IT, by customer demand for green and sustainable buildings, by legislation, by industry demand for speed and cost reduction leading to innovative working and manufacturing practices. TClarke has made key strategic moves to stay ahead in all of these areas

In recent years we have identified distinct service areas like intelligent buildings and green technologies where we could up-sell additional services on projects and win larger projects - as well as filling out key elements within our strategic objective of offering full building services. In 2013 these areas continued to make significant and increasing impacts on our overall numbers

Growing in-house strength in these areas is critical to our ability to remain at the forefront of the industry and to offer the full building services package. Going forward we will continue introducing new service areas to meet market demand and create more growth through up-selling of these services

Regional M&E

Beyond London there are local markets for building services, including the full range of specialisms the group offers. In order to be a significant player in regional markets it is highly beneficial to have a genuine local presence - this is particularly critical in public sector work. For major scale projects, it is helpful and necessary to be able to call on wider specialist group resources - both to tender for and to deliver work

TClarke's substantial regional network of businesses has longstanding local client bases. In 2013, the process of integrating group marketing (across three regions) and developing integrated back-office systems allowed our Cardiff start-up office to grow in scale and presence very quickly and cost effectively

The opportunity to establish our presence quickly and efficiently in local markets (for example the West Midlands) is being taken in 2013/14. Further growth opportunities will continue as integrated marketing becomes more deeply established in the business

What we do operating environment

Our operations are substantially influenced by the economic confidence and activity in our customer base, which includes direct clients of every size across the country and principal contractors within the construction sector. We shape our decision making in order to manage risks effectively and take worthwhile opportunities to deliver value for the benefit of our customers, shareholders, staff and other stakeholders.

Construction sector cycle

The wider UK economy began to emerge slowly from recession during 2013, but those few and delicate shoots of recovery did not feed into any meaningful change in the construction industry. 2013 proved to be another very challenging year for TClarke and our competitors. Fierce competition around price remained a feature of all bidding processes.

While the construction of data centres, driven by increasing demand for corporate IT data capacity, offered a growth opportunity, there were further delays and uncertainties around the plans for new nuclear power plant capacity in the UK. Although residential in Scotland was very active, we did not see any substantial recovery of commercial construction, and the UK's public sector remained in a period of contraction, consistent with budget cuts across most departments.

Changes in competitor landscape

The pressure continued to tell in 2013 - both in forcing some organisations to make non-economic bids on work in order to keep cash flow going - and in forcing some competitors to exit markets completely.

We continue to see the emergence of competitors - however, as new entrants to our markets, they will not have either the infrastructure of in-house resource, logistics and supply chain relationships nor the track record in our markets.

Innovation and technology

The construction industry in 2013 was subject to a series of forces for change. The first is the ongoing drive to improve health and safety and environmental impacts, both of the construction process and of the finished buildings we create. The second is the impact of rapidly increasing levels of information technology, controlling and integrating the control and operation of all aspects of the building's infrastructure. The third is in the introduction of new construction technologies and practices - particularly the off site manufacture of prefabricated modules and in a range of new working practices designed to increase speed and lower the cost of the construction process. The fourth is in new ways to design working relationships - both from the non-contractual perspective of improvements to the way various parties collaborate at every stage, and in the design of contracts that actively promote and reward far deeper levels of collaboration to generate value. A fifth area of change is in the relatively new field of Building Information Modelling, in which incredibly detailed 3D modelling of a complex construction project can drive substantial change in the way a building is designed, not just to improve the construction process but to significantly improve the long-term management of that building from many perspectives.

What we do our services

We focus our business on eight key target areas. There is considerable overlap across these service offerings, but we have attempted to give you a flavour of what we have to offer and the breadth and scale of our operations below.

M&E contracting is our core offering. We offer mechanical and electrical services together as one package, and separately for the largest-scale projects where they are tendered separately. We also offer discrete services in specialist growth sectors of the market like Transport, Residential, Mission Critical and FM where we see the chance to build a sustainable revenue stream in the medium term - and to become recognised as one of the leading contractors in the field. In other areas, for example Green Technologies, Manufacturing and Intelligent Buildings we see these as Up-Sell Growth services, where, by having the necessary skills, experience and accreditations, we can win significant additional revenue streams as well as cementing our market-leading credentials as a true full service building services contractor.

M&E Contracting

TClarke is a proven leader in M&E contracting and this remains central to the group right across the UK. We apply our technical expertise on the most complex and large-scale projects. Clients and contractors see us as integral to their success; we anticipate their needs and deliver on our commitments and they place their confidence in TClarke and our highly skilled workforce, supported by technically experienced engineers who set high standards and continue to innovate.

Mechanical & electrical contracting
Completed 2013: £119.6m
Forward order book: £165m

Intelligent Buildings

By integrating a number of building systems and solutions TClarke Intelligent Buildings can help clients maximise the efficiency of their buildings. Across the UK our solutions and capabilities include:

- Structured cabling systems
- Network infrastructure and security
- Data centre and server room installation
- Wireless networks
- IP CCTV solutions
- IP access control systems
- IP TV distribution
- IP telephony
- Fire alarm integration
- Audio visual installations
- Central monitoring and control systems
- Graphical User Interfaces (GUI)
- Building Management Systems (BMS).

We have technology partnerships in place that strengthen and support our reputation, allowing us to bid for opportunities within the main M&E package of works and also to secure stand-alone Intelligent Buildings contracts.

2013 was a strong year for our Intelligent Buildings team, marked by the announcement of major partnership agreements with both Siemens Enterprise Communications and Alcatel Lucent as well as our Fire Alarm accreditation to the highest level LPCB certification to LPS 1014 - Fire Detection and Alarm Installation scheme.

Intelligent buildings
Completed 2013: £3.5m
Forward order book: £2.0m

Green Technologies

Sustainable development is at the core of today's buildings and green technology solutions have readily been adopted as part of the mainstream requirements of any new design.

While this sector overlaps with other parts of our business, we see growth potential for the group particularly in areas such as LED lighting, waste to energy solutions and photovoltaic installations and ground sourced heating systems, both commercially and in domestic situations.

In 2013 we were delighted to have played our part in delivering the 'BREEAM Outstanding' Brent Civic Centre. This is one of the first buildings in the UK to have achieved this very high standard for environmental impact.

Green technologies
Completed 2013: £2.0m
Forward order book: £0.5m

Facilities Management

Our facilities management business is about more than just maintenance; it can involve all types of business support processes including the care of offices, commercial or institutional buildings such as hospitals, office complexes, arenas and schools, and across complex industrial sites for major clients. We assist clients to ensure they can operate, maintain and expand their businesses effectively.

Each project we complete becomes an opportunity for our FM business and, equally, once we have secured an FM contract we are in a unique position to benefit from other capital expenditure by our clients across their estates.

We have long-term established relationships with organisations such as BAE Systems and Springfield Nuclear Fuels in the North West. In the Midlands and the East of the UK we have ongoing contracts for Defence Estates, Luminus Group, Peterborough City Council and Romec, whilst in the South we have contracts with Cornwall Care, Cornwall College, Credit Suisse, Dungeness Power Station, Imerys Minerals, Imperial College, ITV plc and Manston Airport. In Scotland contracts include First Group and the Scottish Prison Service.

Facilities management
Completed 2013: £25m
Forward order book: £15m

Rail and Transport

Our Transport Division provides M&E engineering services throughout the UK on a number of key transport projects. We have invested heavily in securing the required accreditations that are necessary to work in the rail and aviation sectors.

2013 was another very strong year for our Transport Division - and one in which we took our presence to another level within the rail sector. Ongoing work at the major Victoria Station Upgrade proceeded very well and in 2013 we also won major project work with London Underground at Bank Station, at Silwood Sidings for London Overground and also on DLR's Asset Renewal Phase II Upgrade. In Scotland we won a major bus interchange project with First Group and in Newcastle we won work with Newcastle Metro.

Rail and Transport
Completed 2013: £6m
Forward order book: £35m

Manufacturing

We have manufacturing facilities in Essex, Yorkshire and Scotland, which are utilised by all the companies within the group. This capability gives us four key advantages. Firstly, it allows us to play our role in setting and meeting demanding project timescales by introducing off-site prefabrication. Secondly, it can be extremely significant in helping clients to meet sustainability targets in manageable and readily measurable ways. Thirdly, these facilities help us to innovate and improve the speed and value of what we do. Finally, prefabrication allows us to improve the quality of the work together with the health and safety of the working environment for our operatives. TClarke has the in-house capability to manufacture and prefabricate elements of an installation on every scale as well as deliver high quality bespoke engineering components.

2013 saw a major investment in our manufacturing facility in Harlow to improve both capability and health and safety environment to create a truly world class and up to date operation. In Scotland our engineering team won a number of specialist contracts for manufacturing tasks for the water industry.

Manufacturing
Completed 2013: £3m
Forward order book: £4m

Mission Critical

Launched in 2012 TClarke Mission Critical was developed from our Utilities and Technologies Division. TClarke Mission Critical is a hand-picked team of senior technical engineers who work on the most exacting data and power projects that simply cannot afford to fail, where clients are looking for the ultimate possible uptime, reliability and engineering excellence.

2013 saw the Mission Critical team deliver major projects across the UK, working with regional teams to deliver for our clients.

Mission critical
Completed 2013: £33m
Forward order book: £5m

Residential and Hotels

TClarke offers a complete service of design, installation, commissioning and maintenance for the whole residential market, from flats, family homes and student accommodation to luxury high end accommodation as well as serving the hotel sector. We are working with some of the most well known housing and hotel groups across the country.

2013 was a strong year for our residential team. Led by our Scotland operation who won many projects during the year, we also won a large volume of student accommodation work from Wales to the North East, and a variety of luxury specification developments including De Vere Gardens in Kensington, London where our Intelligent Buildings offering was instrumental in helping to win the contract.

Residential and hotels
Completed 2013: £25m
Forward order book: £23.5m

What we do where we do it

TClarke is a nationwide Building Services contractor - our principal activities are the installation of electrical, mechanical and ICT services nationwide. We also provide a comprehensive range of associated products and in-house manufacture, design and engineering services.

We serve a very diverse range of clients, ranging from global media, financial services and manufacturing organisations to main contractors in the construction industry, housebuilders and a wide range of public and private sector clients.

We are headquartered in Moorgate in the City of London and have regional operations across the country.

To allow efficient and speedy regional marketing, we are organised into three divisions. However, we are an integrated nationwide operation and teams from across the whole business readily collaborate to win and deliver projects.

TClarke South

The South, the largest of our three operating divisions includes our London businesses as well as: Bristol, Cardiff, Derby, Harlow, Kimbolton, Peterborough, Plymouth, Sittingbourne and St Austell. This includes our major manufacturing facility in Harlow and our new Design and Build operation in Colchester.

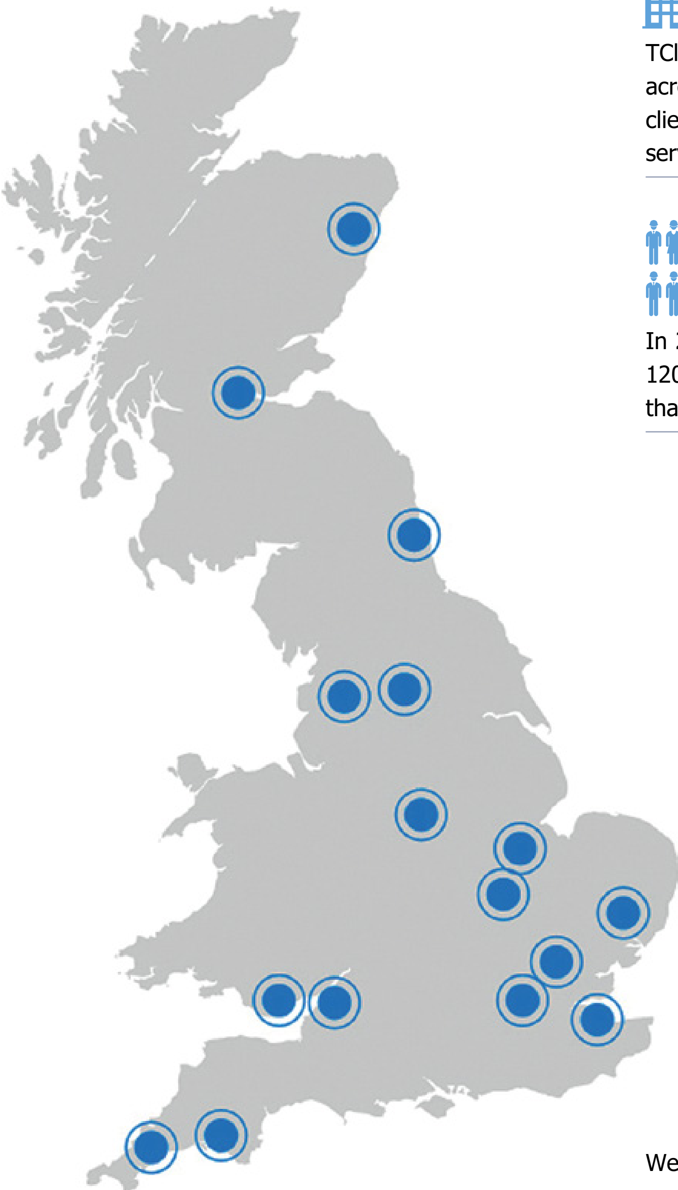
TClarke North

Three locations serve our Northern operations: Accrington, Leeds and Newcastle. As well as engineering services in all locations we have a manufacturing operation in Leeds.

TClarke Scotland

Our Scotland operations are based in Falkirk and Aberdeen. Our Scotland manufacturing operation is in Falkirk.

Where we operate, our UK network



TClarke operates right across the UK. We have 16 offices across the country and from each of these locations our clients can access the full TClarke range of building services.

In 2013 the resources this network offered included over 1200 directly employed operatives and we also had more than 100 apprentices working within the group.

We manage our business with three operating divisions across the UK and in each of these we have one of our manufacturing facilities.

Our governance structure

The Board

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 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 Nominations Committees.

Board committees

The Board delegates authority to its committees to carry out certain tasks on its behalf, so that it can operate efficiently and give the right level of attention to consideration of relevant matters. These committees are summarised below; their full terms of reference are available on the company's website.

Audit Committee

The Audit Committee oversees the company's financial reporting, reviews the company's internal control and risk management systems, and oversees the services provided by the external auditors and their remuneration.

Remuneration Committee

The Remuneration Committee determines the remuneration policy and practices to attract, motivate and retain high calibre executive directors and other senior employees to deliver value for shareholders and to maintain high ethical standards.

Nominations Committee

The Nominations Committee is responsible for considering the structure, size and composition of the board and its committees, and succession planning. The Nominations Committee also identifies and proposes individuals to be directors and establishes the criteria for any new board appointment.

Group Management Board

The Group Management Board comprises the three 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 coordinate and direct the efforts of the three regional businesses and the individual offices below them to manage risk and deliver value for the group as a whole across our eight target sectors. The Group Management Board considers group initiatives on matters such as Health and 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.

Our Board

The successful delivery of our strategy is dependent on attracting and retaining the right talent. This starts with our Board. A broad range of expertise and backgrounds ensures a good balance of skills, expertise and knowledge, but behaviour and dynamics are also important - lively debate and constructive challenge are encouraged, and high standards of business ethics required.

The Board is in a period of planned transition. The Chairman, Russell Race, has been with the company for 16 years and has announced his intention to retire from the Board at the end of the 2014 Annual General Meeting. Beverley Stewart will also reach nine years' service this year, and will look to step down from the Board once a suitable replacement is identified, as under the UK Corporate Governance Code she would no longer be deemed to be independent. David Henderson joined the Board on 1st January 2014 as a non-executive director and will take over as Chairman of the Board at the close of the Annual General Meeting.

Details of the current Board members are set out on pages 38 to 39.

Aligning executive remuneration to strategy

The Remuneration Committee determines the service contracts and base salary levels for the executive directors and other senior managers to ensure they promote the attraction, motivation and retention of the high calibre executives needed to deliver the group's strategy. Basic salary and benefits are positioned taking into account the basic pay levels available in similar companies, and challenging but rewarding annual bonus and long-term incentive plans align the executives' remuneration with the growth strategy of the company.

Internal controls and risk management

The ability of the group to identify and manage effectively the risks to its businesses 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 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. A report detailing the key risks and action plans to address the risks is prepared annually and reviewed by the Audit Committee. The last report was prepared in March 2014 and included a review of the risk management processes and procedures in place, the key risks arising and the actions in place to mitigate those risks during the financial year ended 31st December 2013. On the recommendation of the Audit Committee, the Board has concluded that the group maintained adequate risk management and internal control systems throughout the year ended 31st December 2013.

Our risk management process

The group's risk management framework requires all business units to identify, assess and quantify the key risks facing them which could impact on their ability to deliver their financial and operational objectives. The businesses units maintain a register of the key 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.

What are the risks?

The principal risks faced by the group and the mitigating actions and controls in place to address these risks are set out below.

Market conditions	Mitigation
The markets in which we operate have been extremely difficult over the last four years. Public sector cutbacks and low levels of confidence in the private sector have restricted the opportunities available in the construction sector generally, increasing market competition for the remaining work.	The group operates throughout the UK with no overreliance on any one sector. We are actively seeking to develop further relationships with key clients, contractors and suppliers, to build on our financial strength and reputation. The board remains committed to the principle that we will not bid for work below commercially acceptable rates. It continues to make conservative assessments of final accounts from project completions and the likely outcome for a number of ongoing projects. We have aligned our cost base to reflect workloads; further realignments could be undertaken if considered appropriate to reflect changes in the prevailing market conditions.

Contractual and operational risk	Mitigation
At any time there may be several hundred contracts in progress across the country. Inadequate supervision would result in poor quality and low productivity, both of which would result in loss of reputation and profit. Failure to deliver projects to time, quality or budget, and contractual disputes that can arise over the scope and valuation of contracts, may make the ultimate outcome of contracts uncertain.	We are continually assessing and managing operational risk through the bidding stage to the final commissioning of an installation and handover to the client. We have experienced teams of estimators, and all bids are reviewed by a director and checks carried out to avoid incorrect or non-competitive pricing. Our contract engineers, supervisors, surveyors and skilled tradespeople receive regular training to meet our demanding standards. All key suppliers and subcontractors are subject to regular performance reviews. Our business information systems monitor profit and cash flow throughout the life of a contract, and regular review meetings are held at the contract and business unit level to monitor progress and identify and address issues as they arise.

Regulatory risks	Mitigation
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.	The group monitors legal and regulatory developments in the areas in which it operates, and seeks legal or other specialist advice as appropriate. It is group policy to require that all subsidiaries, employees, suppliers and subcontractors comply with applicable laws and regulations. Training is provided on legal and regulatory changes as required.

Reputational risks	Mitigation
The group's ability to tender for new business and to maintain strong relationships with customers, suppliers, employees and other stakeholders is dependent on how it is perceived by others.	The group works hard to maintain its reputation in all areas. The group supports high standards of business ethics, sustainability and compliance policies, and has a strong commitment to improving health and safety at work for all. Feedback is sought from key stakeholders on a regular basis, and actions arising from this feedback discussed and agreed at an appropriate level.

People	Mitigation
Providing a consistently high quality service to our clients is only possible with the right people: attracting and retaining high calibre staff is key to our success. This is achieved through a remuneration system linked to performance, strongly embedded training schemes throughout the group and by providing opportunity and encouragement to help our people reach their full potential.	The group remains committed to providing the best training for all members of staff and draws on the expertise of its people from all group companies across the UK. However as a result of the current market conditions we have and will continue to align our business at all levels to match our current expectations. We have continuous dialogue with the trade unions and continue to review our policies and procedures in managing this risk.

Health and safety	Mitigation
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.	At TClarke, health, safety and environmental considerations are at the forefront of every working and management decision and one of the prime elements considered before any undertaking. This is achieved through our senior managers participating in a recognised safety leadership scheme and operatives receiving ongoing topical health, safety and environmental training. The Group Managing Director is the board member responsible for monitoring our overall health and safety performance.

Pensions	Mitigation
The group is exposed to funding risks arising from changes in longevity, inflation and investment assumptions in relation to its defined benefit pension scheme.	The defined benefit pension scheme is open to qualifying senior management and staff within the group. Following consultation with members, the group altered the structure of the scheme in 2010 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. The scheme remains open to new members. Ongoing funding and regulatory requirements are monitored in conjunction with external actuarial advisers and regular meetings are held with the pension scheme trustees.

Cost inflation	Mitigation
Commodity prices of copper and steel are major component parts within our industry. In addition, UK prices of materials that we procure could be adversely affected by any weakness of sterling.	The majority of projects we secure do not allow for the recovery of increased labour and material costs. We have in place formal supplier framework agreements across the UK to manage and, where possible, mitigate this risk, with prices locked in through procurement at the beginning of a contract wherever possible. Labour rates are monitored regularly to ensure tender rates are realistic and increases are managed.

Credit and counterparty risk	Mitigation
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. Applications for payment are made as work progresses and, as far as commercially practicable, contractual terms are negotiated to minimise the gap between work being performed and receipt of payment.

Liquidity risk	Mitigation
The group's business is dependent on the availability of cash resources, banking facilities and the ability to provide performance and other bonds as necessary.	The group manages liquidity risk by maintaining adequate reserves and banking facilities, monitoring cash flows and matching maturity profiles of financial assets and liabilities within the bounds of its contractual obligations. The group arranges banking facilities and places surplus cash on deposit only with large UK financial institutions. The group has in place an £8 million overdraft facility to help manage short-term fluctuations in working capital, and since the year end has arranged a committed three year £5m Revolving Credit Facility subject to certain covernants which are disclosed in Note 21 on page 107.

Cash flow interest rate risk	Mitigation
The group is exposed to changes in interest rates on its bank borrowings and deposits.	The group's financial instruments comprise cash and cash equivalents, bank deposits, overdraft facilities, finance leases, contract and other trade receivables, trade balances and similar balances arising directly from operations. Surplus cash is placed on instant access, short-term or long-term deposits at fixed or floating rates, taking into account future cash requirements based on short and medium-term cash projections. The group does not trade in speculative financial instruments.

What did we achieve?

2013 was a year in which TClarke's strategy could be seen to be delivered. Here are some highlights from our news stories of the year:

A new service from TClarke SE to move and reinstall large M&E Switchgear and Control Equipment

TClarke SE has a long history of responding quickly to market demand and developing specialist skills. In early 2013 the team introduced the new 'Lift and Shift' service for customers and carried out its first projects including one for Tetrapak in Wrexham. TClarke SE Engineering Director Malcolm Jordan said: 'We have a lot of skills across the whole group and here's another specialist skill that we can offer to clients right across the UK and Europe. We're always looking at areas where our quality and speed of work can offer something new for clients.'

TClarke Cardiff showcases best practices on campus as Grade 2 Listed building is transformed into 21st century facility

The Welsh team's two-phase Project Alex at Swansea Metropolitan University (SMU) captured the range of skills being employed by TClarke at academies and universities across the UK. Phase one was the comprehensive refurbishment and restoration of the Grade 2 Listed Central Library with hi-tech LED lighting and energy-efficient heating, bringing the 1887 building into the 21st century while maintaining its distinctive character.

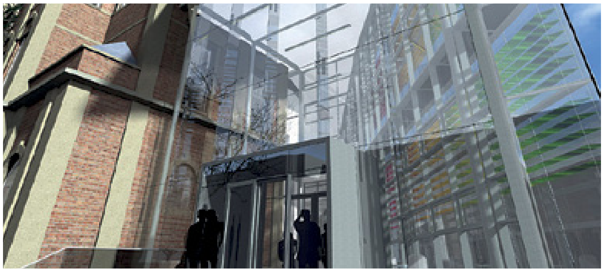
Phase two was a new-build accommodation extension providing an additional 657sqm with a modern glazed double-skin facade. The structure will incorporate a new entrance, workshops, study spaces, and a new lift and seminar space. It also integrates sustainable features such as a sedum roof and low/zero carbon technologies such as solar PV, under-floor heating, and low-energy lighting and water-saving devices. Cardiff Director Mark Clark said: 'Project Alex is a good example of what TClarke is doing in education nationwide. As the sector expands, there's a need to respect and retain the past while also building a sustainable and cost-effective infrastructure that reflects modern technologies.'

Strategic partnership with Siemens Enterprise Communications

Early in 2013 we announced a new partnership with Siemens Enterprise Communications; this is an exciting new partnership for TClarke and another key moment in the development of the Intelligent Buildings department.

The ongoing growth of the Intelligent Buildings department has seen TClarke provide communications infrastructures on a huge scale, from London's Olympic Stadium to the recently completed headquarters for global cyber security leaders BAE Detica. Along with the recent launch of our new 'Mission Critical' division TClarke has become a market leader in the ICT Sector and this new partnership with Siemens further strengthens our offerings.

Chris Harris, ICT Operations Manager, TClarke Intelligent Buildings, commented: 'Becoming Siemens Enterprise Communications partners will give TClarke the capability to implement unified communications directly into the construction cycle. By weaving a seamless UC platform



into the way a business operates, organisations - from SMEs to large enterprises - can amplify collective effort, reduce communication bills and dramatically improve business performance.'

South West team handles extreme challenge at the Lizard peninsula, Cornwall

The Cornish Sea Salt Company's production facility is located just a few metres from the water at the bottom of a steep cliff on the country's most southerly point. With sales boosted by such notable champions as James Martin and Hugh Fearnley-Whittingstall and stockists including Waitrose, Tesco and Sainsbury's, the company needed to increase production - meaning an increased electrical supply. Enter TClarke. The job entailed feeding four tonnes of cable down the cliff face from the mains intake to the production facility. There would be only 12 hours for the engineers and rope access team to install the cable and replace switchgear in both the production facility and on the cliff top to ensure that the company fulfilled its commitments to its clients.

Not only did the teams complete on time, but TClarke carried out a number of plant maintenance operations at the same time to reduce the need for future production interruptions, including alterations and improvements to the fire alarm and CCTV systems. TClarke Operations Manager, Rob Faro said: 'This was a difficult project with critical timescales and unique challenges to overcome. We are extremely pleased that it was successful. It really does showcase the vast range of skills that we have as a company and what can be achieved with planning and teamwork.'

TClarke sponsors Apprentice Skills event

March 2013 saw the National Apprentice Scheme Week, during which colleges, training providers, employers - and of course students - nationally become involved in a week of events to promote apprenticeships and training across all industries. In London, TClarke sponsored a skills showcase event in conjunction with Barking and Dagenham College of Further Education. Eight year 2 students in full-time education were given the opportunity to take part in an electrical competition. The task was to complete a conduit and wiring exercise. Each entry was judged on application, accuracy, attention to detail, quality and functional testing. Students were given a six hour window to complete the task.

For 33,000 volt expertise and experience come to TClarke

Large office developments until now have been supplied at 11,000 volts - but no longer. 20 Fenchurch Street was one of the first offices in London to be supplied at 33,000 volts and now the power is on. Previously 33,000 volts had been used exclusively in industrial and data centre projects. But, going forward 33,000 volts distribution will be employed on all London sites where the design load exceeds 4Mva - for the simple reason that the 11,000 volt network is now running at capacity.

Martin Thomas, one of TClarke Mission Critical's most experienced engineers, explains the significance: 'TClarke can show customers more of what they need. For a start, our senior authorised persons (APs) have been retrained to a new independent standard CG6037 created by the City and Guilds in conjunction with SSE which covers all medium voltages up to and including 66,000 volts. But perhaps of even more practical importance, not only do our APs hold these formal qualifications - which is far from

being the industry norm due to time and cost limitations - but we also have operational training and practical experience of working with 33,000 volt equipment and cabling. On a project, that experience delivers direct value.'

TClarke's partnership with Stanhope flourishes on 70 Mark Lane

The announcement in early summer 2013 that TClarke has been selected to work with Stanhope on their 70 Mark Lane project was welcomed by Mark Lawrence, TClarke Group CEO: 'This is a project, working with our long-term partner, Stanhope, alongside Sir Robert McAlpine and so I'm extremely pleased that we have won it. It is precisely the kind of project that we love to win. It is a high quality job, requiring high quality skills and aiming for the best standards across the board, including a BREEAM Excellent rating.'

Scotland business marks another round of residential project wins

They vary in size, scale and focus but the range of new-build residential projects all say one thing - TClarke is continuing to build on its reputation as one of the most capable and trusted full building services contractors in Scotland. Gary Jackson, TClarke Scotland MD commented:

'We've won projects with Persimmon Homes at the prestige coast location of Cove Bay in Aberdeenshire and with Dawn Homes at Villafield in Bishopbriggs, Glasgow; we've won another development of "Smart home technology" featuring the full range of residential building management and ICT systems, with Barratt Homes in Bonnybridge and, again with Barratt, we've won work on the new town being created adjacent to Winchburgh, eight miles from Edinburgh. Meanwhile we also secured the next phase of Miller Homes' Varcity development, an NHBC UK award-winning development in Edinburgh City centre.'

'We are successful in securing these projects because of the relationships and our reputation for quality, delivery and value engineering solutions which our guys have gained great credit for - that's what pleases me and our teams most of all, in all this good news.'

Imperial Tobacco's global headquarters sets the standard

TClarke's work on the new corporate HQ for Imperial Tobacco is a state-of-the art example of how intelligent buildings can achieve the highest standards of 'livability' while ensuring the lowest environmental impact. The four storey, 83,000 sq ft building will have a BREEAM Excellent rating.

The structure uses natural and sustainable materials in conjunction with the latest intelligent technologies to minimise carbon footprint. Over 500 sq m of photovoltaic cells are employed on the roof, and an energy centre with a bio-mass boiler reduces both waste and further carbon consumption. The building's orientation is designed to maximise the use of daylight in reducing lighting costs and solar heat gain.

TClarke Bristol Managing Director Ellis John said: 'The Imperial Tobacco HQ is a great example of an intelligent building that's responsible, attractive and designed around its users. It's a space created for the long term, allowing for growth and based on sound sustainable principles.'

Alcatel-Lucent Enterprise partnership with TClarke

Following on the heels of our partnership with Siemens, TClarke Intelligent Buildings announced this new partnership to offer end to end voice and data solutions

as an integral part of our whole intelligent buildings offer. That offer delivers all of the IP based 'active systems' that sit on the cabling within a building, from lighting control and CCTV to telephony and audio visual capabilities.

TClarke's Intelligent Buildings division's ICT Operations Manager, Chris Harris said: 'This partnership enhances our value to customers by making the entire design, build and maintenance process much simpler for the full voice and data solution. Partnering with Alcatel-Lucent Enterprise will also allow us to integrate these solutions directly into our data centre deployment.'

Cardiff secures major project for Aberystwyth University student accommodation

The new development will provide en-suite accommodation for 1,000 students and include 100 studio flats. The accommodation includes enhanced learning and communal zones, in keeping with Aberystwyth's progressive approach; the first students are expected to take up residence in September 2014.

TClarke Cardiff director Mark Clark was delighted with this win: 'Securing this project has been the highlight for the TClarke Cardiff team so far. It goes to show that with hard work, drive and commitment along with the reputation and confidence of a company that's part of the TClarke brand, substantial projects can be awarded with large blue chip companies such as Balfour Beatty. This contract is a significant stepping stone for the future of TClarke in Wales and will allow the brand to grow further as a major player in the area. We are currently negotiating further prestige contracts in Wales and these will be released at a later date. Well done to all the team.'

TClarke delivers major Building Information Modelling-based project

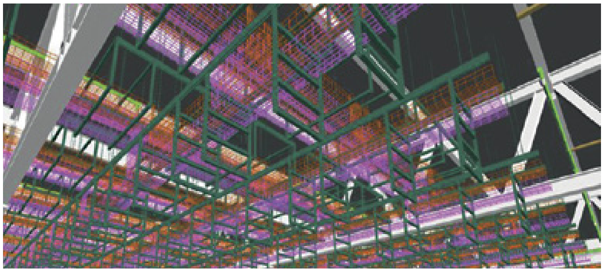
As the new London landmark at 240 Blackfriars for Great Portland Estates goes up with our engineers on site, not to mention design teams, working with our long-term partners MACE, Mark Lawrence sets out some of the advantages that the group can now deliver nationwide: 'Building information modelling, where every detail of every element of a complex construction is captured and modelled digitally, has transformed the auto, aircraft and shipbuilding industries - and now it's come to construction. We're delighted to be among the people pioneering the partnerships that are leading the way. The payback comes in many forms, short-term and long - in improving and speeding design, in maximising value or cost savings, in de-risking a project and of course in supporting ongoing FM work through the life of the building.'

'Yes this is evidently a complex topic and it is one which we need to bang the drum about because the benefits are so clear. TClarke does now has the capability and proven expertise to introduce BIM on projects across the UK from any of our offices.'

Highest level fire detection and alarm certification achieved ahead of schedule

Following the announcement of strategic partnership deals with Siemens Enterprise Communications and Alcatel-Lucent to substantially enhance our offer to clients, in summer 2013, divisional director Iain Clenaghan announced the achievement of LPCB certification to LPS 1014 - Fire Detection and Alarm Installation scheme.

'This was a critical target we set ourselves at the outset - and it is generally regarded as the highest level of accreditation achievable within this sector - so we're



delighted to have achieved it in such a short time. It will certainly add to our growing credibility and enhance our reputation as a leader in this market'

Transport team completes two years on site as part of the Victoria Station Upgrade Project

In September 2013, TClarke completed two years on site as part of the Victoria Station Upgrade Project, with the majority of the enabling works being completed to allow the new Southern Ticket Hall construction. Two new switchrooms E7 and E10 have been installed, tested and commissioned and "Brought into use" with all mains and sub mains cabling being migrated over without any disruption to operational service. This key milestone to the project was rewarded with the site winning the Vinci Quarterly Defect Free Quality Award and complementary comments from London Underground regarding the high levels of workmanship.

The additional Sussex Stairs enabling work was completed in 2012 to allow the existing Wilton Road stairs to be closed and demolished, which enables demolition to start on the existing Southern Ticket Hall. Package 3A works are also nearing completion which will bring into use new switchrooms located on the Victoria Line Lower Concourse and so allow the migration of existing tunnel lighting and power. This means the existing switchrooms can be removed to allow construction of the new escalators to the Victoria Line.

Bank Station headlines a further series of Transport wins

Transport Division Director Rob Aves commented: 'Bank Station Capacity Upgrade is a very prestigious project for us and we're delighted that our work with the principal contractor Dragados, through London Underground's 'Innovative Contractor Engagement' (ICE) scheme, has allowed us to work along with designers URS and architects Wilkinson Eyre and provide an extremely competitive overall scheme that's brim-full of new and innovative proposals. The proposals aim at delivering less risk, more price security and a better designed and installed scheme - and I am certain these ideas would never have emerged if it weren't for this new way of tendering. 'It is an open approach with nothing hidden between partners - the old "them and us" mentality is right out the window and we share benefits. I've got to say there's a really good vibe within the project team and I think we all know that to be successful, the only way is to work together.

'This is a major project and coming as it does - within weeks of two further rail sector wins for us - Silwood Sidings for London Overground working with Cleshar and also DLR's Asset Renewal Phase II Upgrade, it does seem that our name is now getting recognised as a team of people who can deliver in the sector. If you ask what this breakthrough is down to then I think there's no secret. Hard work, being co-operative and doing what we say we'll do. It is the classic TClarke formula. We're a well-established business and well known in many other building services sectors. We employ our people direct and so we have a very stable, capable and motivated workforce. That goes for the apprentices and all the way through the organisation to the top of the house. Our group CEO and many of our senior guys were on the tools and even had apprenticeships with TClarke.

'So when we re-entered the rail sector we did it in the proper TClarke way: building up our skills and accreditations, taking our opportunities with clients and - as I say - doing what we said we'd do. I am very pleased indeed that our work at Victoria Station is going well, that

we're getting compliments on the install quality and that we have managed to successfully migrate existing services without any disruption. It's been the same record of good work at the Thameslink enabling work at London Bridge, Phase I of the DLR asset renewals and the London Cable Car (Emirates Air Line). We are a firm that can deliver on time, on budget and with good workmanship - that's the essence of what we do.'

Progress on a typically challenging major project

TClarke has been working at 60 Victoria Embankment and following successful completion of Phase I work, the firm has been awarded Phase II works. Divisional Director Lee Crozier says this job is both highly challenging and also typical of the kind of project TClarke regularly takes on: 'We've been working on the MV and LV electrical infrastructure upgrade involving a wide range of works without impacting the ongoing data centre operation. The client is JP Morgan, and we are working with Structuretone, the Principal Contractor.

'For the technically-minded, we're putting in six 11,000 volt panels with six generators being refurbished and six new step up transformers, associated generator controls, re-configured UPS systems, new LV switchgear, modified LV switchgear, plus migration from LSC to EMS and CAT B refurbishment of levels 1-6 and the Grade Listed Old School building plus a newly created basement disaster recovery space.

'From a technical point of view this is certainly a challenging and complex infrastructure upgrade in itself. But when you consider that we're working in a functioning building which has a live disaster recovery floor and two live data centres, one of which is business critical, all under the constraints of a very fast paced programme, we certainly have our work cut out! 'I think it is absolutely fair comment to say that not every contractor could do what TClarke can do on this project. We have the scale, the management structure, the systems, the resources and the experience. These are not just words, these are facts that people rely on in challenging projects like this.'

Low carbon academy in Leeds is looking good

'We've had a number of excellent wins and completions to report here in Yorkshire' said TClarke Leeds MD, Trish Meakin. 'Dixon Allerton Academy - a 14,500 sq m low carbon education facility is another job in which we take exceptional pride.

'The new facility incorporates a state-of-the-art energy centre including a ground source heat pump to heat and cool the building, rainwater harvesting providing water for the toilets and solar panels to heat the water supplies.

'The building accommodates 1,886 students aged three to 19 years. The facility is sponsored by Dixons City Academy and comprises 26 nursery places, 420 primary and pre-school places, and 1,440 secondary school places.

Rachel Kidd, Head Teacher at Dixons Allerton Academy, commented: 'We are delighted with the progress of the new building and are all very excited about moving in. The students and staff all appreciate how lucky we are. It has been very important to us from the start of the project that the building is as energy efficient as possible. It is crucial that our students understand the necessity to look after the environment.'

Substantial commercial design & build package secured in Reading

In the autumn, the TClarke Bristol team won an M&E project working for main contractor ISG that includes

design and construction plus full fit out to Cat A Standard at a major commercial development in Reading - 450 South Oak Way. M&E services will be provided to all existing office areas, a new extension, the building entrance, toilets, core, atrium, lift lobbies and staircase areas. New lighting will also be provided to external areas and car parks. The building will achieve BREEAM Excellent and an EPC Rating B.

Announcing the win, Bristol MD Ellis John said: 'I am absolutely delighted for the whole team that has been working to secure this project - the win is a testament to their quality and their effort. We look forward to working with ISG and delivering a very good result for them and their clients.'

Falkirk team beats 140 entrants at Awards ceremony

TClarke Scotland team came second in a field of 140 entrants at the Backing Falkirk's Future Awards, in the category in which they placed was 'Employer of the Year' Speaking after the Awards, TClarke Scotland MD Gary Jackson said: 'TClarke in Scotland draws its strength in very large measure from men and women from Falkirk and round about. As a business, we get a lot from people who live here - and like a lot of other companies large and small, we do try and play our part in giving something back to the community. Most obviously we provide a substantial number of regular, high quality engineering jobs - and I'm very proud when I see our guys out and about across Scotland and the UK. Also, we take on and train local young people. It's something TClarke does everywhere and here in Scotland - in Falkirk - we're just the same.'

Leeds apprentice Elliott Blakeley wins SkillPIPE 2013 at NEC

Watched by judges and 80,000 visitors at the Birmingham NEC, TClarke Leeds apprentice Elliott Blakeley cut, threaded, welded and installed pipework to win the gold medal against competitors from around the country. Speaking after his win he said: 'It's been such a brilliant experience taking part in this competition that winning the gold medal feels like an extra bonus. It was really tough and tested all of our skills, but seeing the high quality of the other competitors' work inspired us all to do our best. I'm pleased to say that I've also made some good friends through the competition. I wouldn't be here without the support of TClarke Leeds, my employer, and Leeds College of Building/BEST, who deserve some of the credit for my win.'

TClarke Leeds MD Trish Meakin was delighted with Elliot's win: 'Training the next generation to the highest possible standard is what this is all about. Here in Leeds and nationwide TClarke has kept up a commitment to real apprenticeships and training for local people. We're very proud of Elliott and it is great that SummitSkills organises events like this because it gives young people the chance to show what they can do.'

21st century Glasgow facility will be Commonwealth Games Transport Gateway

TClarke Scotland have won the M&E contract including shell and core and final fix for First Bus's new HQ and depot. This is a major facility with capacity for 450 buses, which will revolutionise the way First Bus operates in the City and Strathclyde and bring major investment to the Larkfield area of Glasgow.

TClarke Scotland MD Gary Jackson commented: 'This is a great contract for our business to secure in Glasgow and demonstrates our group confidence within the transport sector. It's a flagship facility that will be a landmark in the south side of the City for years to come and it will also be one of the gateways to the Commonwealth Games, with the first phase of the development completed by May 2014. Given our involvement in creating another such gateway at Dalmarnock Station, I'm doubly pleased.'

TClarke Transport Division director Rob Aves highlighted the group's current involvement in several transport hub projects across the UK: 'In London we have had some wonderful wins, capped recently with Bank Station - and now we can add projects with Nexus in the North East and First Bus up in Scotland and this really shows you that the Transport capability of this company is being recognised nationwide. As ever it's down to the hard work of our guys, putting in the hours, working collaboratively and doing things in new and better ways. Our congratulations go out to Gary's team.'

Harlow Manufacturing facility is 'World Class'

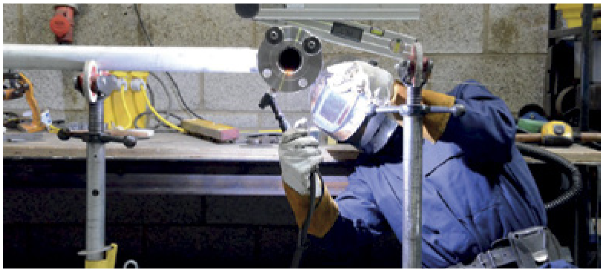
The DGR manufacturing plant in Harlow, Essex gives us world class prefabrication capability for pipework, multi-service modules and rafts and for pump skids and associated auxiliary equipment. The work of the plant can be found deep inside major buildings today - such as the Shard. In the last two years the plant has handled 20 miles of pipework. The 2013 investment programme has been focused on safety and environmental improvements - all with the purpose of enhancing the team's capability to deliver exceptional quality and precision, as DGR MD Danny Robson said: 'We have a highly skilled team here; the precision our guys can deliver is exceptional. Our prefabrications play a major role in helping our clients deliver high quality installations with speed and accuracy. These investments have all been focused on enhancing safety and the environment of the whole facility.'

'The enhancements are wholesale - everything from best-practice Nederman ventilation systems to new lifting equipment and housekeeping protocols; barriers and signage, access and egress routes and a new cutting enclosure. There's no doubt that with its scale, enhanced environmental, track record and above all capability of the team, our Harlow manufacturing capability is "World Class".

Another win means expansion in Wales continues ahead of expectations

The group's win of a new teaching facility at Gower College, including a full range of building services from BMS, CCTV and Fire Alarm to main distribution, structured cabling, hot and cold water, gas, main boiler and PV installation is targeting a BREEAM Assessment of 'Excellent'. This is a prestigious project working with Kier Construction. As Cardiff MD, Mark Clark said, it represents another step forward for his team: 'We're exceptionally pleased to be on this job. Twenty months ago, this business had no presence in the Welsh building services sector. Today we are well known and established with a good track record. I'm extremely proud of the work our engineers have done, to start to merit a reputation for quality and value.'

'And also I'm really pleased to say that, as is always the TClarke way, we're putting down real roots in the local community. That means real jobs, real skills training and investment in local people. It also means we're proud to sponsor local football, rugby and ice hockey teams. Put simply, we're here to stay.'



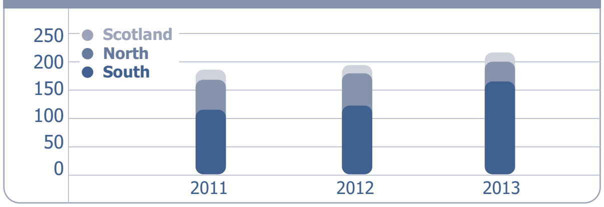
Key performance indicators

Revenue

Turnover growth is key to improving future profitability. By focusing on our eight key target sectors we aim to grow the business in a profitable and sustainable way.

Revenue increased by 12% in 2013.

Revenue by region (£m)



Underlying operating margin

Together with revenue, operating margin determines the profitability of our business. Underlying operating margin excludes the impact of non-recurring items (including restructuring costs, adjustments to purchase consideration and exceptional claim settlement costs) and amortisation of intangible assets.

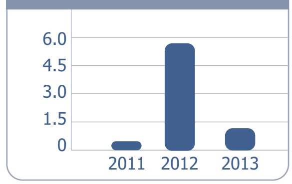
Operating margins improved across our three regions in 2013

Underlying operating margins

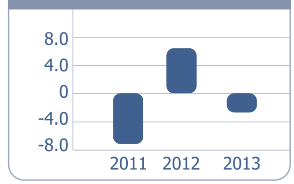
Net cash

Cash resources and cash generation are key to our ability to fund our ongoing operations. Cash decreased in the year due to a major contract in our Mission Critical division completing just after the year end (see Note 4 on page 82 and Note 15 on page 97 to the financial statements). However, at the year end we had positive cash and £8m uncommitted facilities.

Net cash (£m)



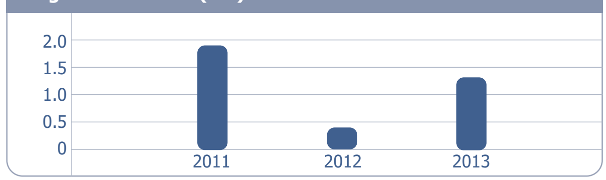
Cash generated by operations



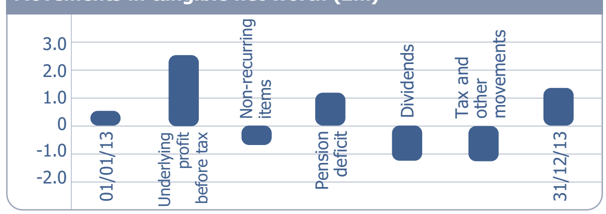
Tangible net worth

Tangible net worth (net assets excluding intangible assets) is used by some parties in assessing the financial strength of our business. Tangible net worth improved by £0.9m during the year.

Tangible net worth (£m)



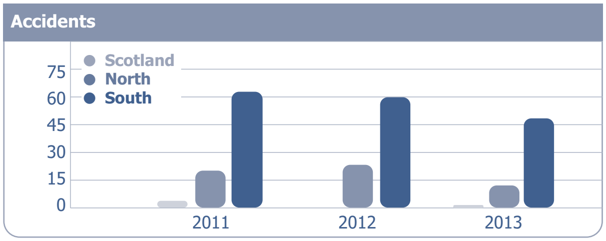
Movements in tangible net worth (£m)



Health and safety commitment

Statute and corporate responsibility only serve to enforce our ongoing commitment to ensure the health and safety of all our staff and associates.

The desire to protect has been a cornerstone of the organisation and the dedicated Health and Safety Department since its inception and the underlying message is that no one individual is ever compromised. At TClarke we stand behind our people and know instinctively if something is not safe. The key aspect of all our undertakings is that if an operative feels unsafe they are given full backing by the Board of Directors to cease work.



Employee/workforce engagement

TClarke recognises whole heartedly the importance of employee engagement; as such the 'You See, You Say!' initiative is one of the key methods, for not only engaging with the workforce, but measuring the health and safety culture and standard of Near Miss reporting.

The 'You See, You Say!' initiative was introduced in 2011 and operatives are asked to report on incidents which they feel may affect their or others health and safety. These can be termed as 'Near Misses'. The operatives complete a 'You See, You Say!' card and give it to their site supervisor, who then forwards it to the Health and Safety Department.

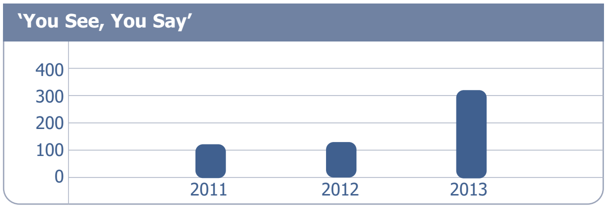
The Health and Safety Department call the Project to ensure the issue is resolved in 'real time' and where the operative supplies a mobile telephone number they are called and advised of the outcome and resolution to the issue.

'You See, You Say!' is important because we can compare the number of Near Misses against potential outcomes to 'The Accident Triangle'. This details that for every 600 incidents with no visible injury or damage there is the potential of 30 minor accidents, 10 reportable injuries and one fatal or disabling injury.

It is impossible to place too much emphasis on the fact that ignoring Near Misses and the conditions that lead to them are an open invitation for an accident to occur.

By recognising the importance of reporting, TClarke prides itself on preventing potential accidents and incidents.

A year on year increase in 'You See, You Say!' reporting has been achieved as follows:



Initiatives

TClarke has several health and safety initiatives which run concurrently. These help to achieve our health and safety aims and objectives.

The '**Switched On To Safety**' tagline forms the backbone of all our undertakings:

'Switched On To Safety'	
S	Safe systems of work, implemented and observed
W	Workers intervention
I	Initiatives are embraced
T	Timely intervention
C	Corporate responsibility
H	Healthy and safe workers, co-workers and the public
E	Education: Information, Instruction, Training and Supervision (IITS)
D	Driven from the top down and back up again
O	Organisational health and safety culture
N	Near misses reported and closed out

The '**Good To Go**' pre-task briefing folder contains printed sheets forming the basis of a pre-task explanation of the risks, controls and additional safety measures required before a task is undertaken. 'Good To Go' enhances the statutory requirement for risk assessments and method statements and is a daily reminder of what is expected at the workplace.

Training

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

We can use new skills, while maintaining the technical expertise and know-how required to practise traditional techniques. This commitment, coupled with the knowledge that the business will always deliver, gives our clients an assurance that we will not let them down. Together we can deliver a project to be proud of.

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

Diversity

The group values diversity and maintains an equal opportunities policy, selecting and promoting employees based on their aptitudes and abilities. Data concerning gender diversification is given below.

Gender diversification as at 31st December 2013						
		2013			2012	
	Male	Female	Total	Male	Female	Total
Directors	5	1	6	5	1	6
Senior management	28	1	29	39	1	40
Staff	219	75	294	219	83	302
Skilled operatives	767	11	778	720	9	729
Apprentices and trainees	96	1	97	117	2	119
Total	1,115	89	1,204	1,100	96	1,196

The group recognises its obligations towards employment of disabled people and gives full and fair consideration to suitable applicants. Staff who may become disabled are given opportunities either to continue in their employment or to be retained for other suitable positions. It is our policy that training, career development and promotion of disabled employees should as far as possible be identical to that of other employees.

We appreciate the mutual benefits of keeping employees informed and take appropriate steps to ensure that employees are kept aware of matters that are of concern to them. The company has a share save scheme for eligible employees, the TClarke Savings Related Share Option Scheme. Details of share options granted under the scheme are disclosed in Note 19 to the financial statements.

Greenhouse gas emissions

Greenhouse gas emissions					
			2013		
	Measure	South	North	Scotland	Total
Scope 1 emissions	$tC0_2e$	1,191	489	443	2,123
Scope 2 emissions	$tC0_2e$	230	52	59	341
Total scope 1 & 2 emissions	$tC0_2e$	1,421	541	502	2,464
Revenue	£m	172.2	31.4	13.5	217.1
Emissions / £1m revenue		8.25	17.21	37.24	11.35

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

As a responsible company we take our environmental responsibilities seriously. This is the first 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. We have collated Scope 1 and Scope 2 emissions data for the year ended 31st December 2013 across the group companies, which are reported in our consolidated financial statements.

The Board Non-executive directors

Russell Race
Chairman
67 years old,
16 years with the company. Retired stockbroker with Hoare Govett. On the Court of Assistants, Rochester Bridge Trust and Glaziers Company; Trustee, Rochester Mathematical School; and a Court Chairman, North Kent Magistrates.

Appointed Non-Executive Director of TClarke 1998, appointed Chairman 2000. Member of the Nominations Committee.

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

Appointed Non-Executive Director of TClarke 2005. Chair of the Remuneration Committee, Member of the Audit and Nominations Committee.

Iain McCusker
Senior Independent Non-Executive Director
62 years old,
five years with the company. Chartered Accountant, Partner at Coopers & Lybrand (now PricewaterhouseCoopers) until 1994; held senior Managing Principal and Director positions within Unisys and Xerox, respectively; Managing Director of ACCA (the Association of Chartered Certified Accountants) 2004 to 2007.

Appointed Non-Executive Director of TClarke 2009. Chair of the Audit and Nominations Committees, Member of the Remuneration Committee.

David Henderson
Independent Non-Executive Director
65 years old,
First year with the company: Chartered Accountant, Kleinwort Benson Group plc; Personnel Director 1995; Chief Executive, private banking business 1997; Chairman in 2004.

Appointed Non-Executive Director of TClarke 2014. Member of the Audit, Nominations and Remuneration Committees.

The Board Executive directors

Martin Walton
Group Finance Director and Company Secretary
49 years old,
six years with the company.
Chartered Accountant, Group Financial Controller 2007,
Finance Director from 26th October 2010.

Mark Lawrence
Group Chief Executive
46 years old,
29 years with the company.
Electrical Engineer,
Technical Director 1997,
Executive Director 2003,
Managing Director - London Operations 2007,
Chief Executive from 1st January 2010.

Mike Crowder
Group Managing Director
49 years old,
28 years with the company.
Electrical Engineer,
Technical Director 1997,
Executive Director 2007,
Managing Director from 1st January 2010.

Shareholder information and company advisors

Registered office
45 Moorfields
London EC2Y 9AE
Registered in England
Number: 119351

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

Registrar
Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU
Tel: 0871 664 0300

Corporate broker
N+1 Singer
1 Bartholomew Lane
London EC2N 2AX
Tel: 020 7496 3000

Independent Auditors
PricewaterhouseCoopers LLP
1 Embankment Place
London WC2N 6RH

Corporate governance report

Group 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.

Our corporate governance report on pages 40 to 43 sets out how we manage the group, and how we apply the principles and comply with the provisions of the Code. We have also outlined governance initiatives undertaken in the year. Key areas of focus this year included succession planning, risk management and the evolution of the group's strategy.

A new edition of the Code was issued in September 2012 and is applicable to the company for the first time this year. This has brought additional reporting and compliance requirements, including enhanced consideration of matters such as diversity and extra reporting requirements for the Audit Committee.

As Chairman, my primary responsibility is to ensure that the Board has the right mix of skills, knowledge and experience so that it works effectively as a team, supporting management in the formulation and execution of corporate strategy while holding management to account for their actions. I am pleased to welcome David Henderson to the Board as a non-executive director. David will succeed me as Chairman when I retire at the close of the Annual General Meeting.

Russell Race
Chairman
18th March 2014

Number of meetings attended

	Board	Audit	Nomination	Remuneration
R.J. Race	12	–	2	–
M. Lawrence	12	–	–	–
M.C. Crowder	12	–	–	–
M.R. Walton	12	–	–	–
I. McCusker	12	4	2	3
B.A. Stewart	12	4	2	3
D Henderson*	–	–	–	–

*appointed 1st January 2014

Statement of compliance

Throughout the year ended 31st December 2013 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 and role of the Board

The company is managed by the Board of Directors, which during the year was comprised of three executive directors and three non-executive directors (including the Chairman).

By the provision of the Code, Russell Race, the Chairman, having served on the Board for more than nine years and due to his position as Chairman of the Board, is deemed not to be independent according to the Code. However, Russell Race is deemed by the Board to be independent in character and judgement, in spite of his length of service.

David Henderson joined the Board on 1st January 2014, bringing the total number of non-executive directors (including the Chairman) to four. Brief biographies of each director, including the Chairman, Chief Executive and Senior Independent Director are provided on pages 38 to 39.

The composition of the Board is designed to ensure effective management, control and direction of the group. The Chairman provides leadership to the Board members, facilitating the effective contribution of all directors and ensures a positive and constructive relationship between the executive and non-executive directors. The Chief Executive is responsible for the operational management of the group and is accountable to the Board for the implementation of group strategy.

The Board meets formally once a month to consider and decide on matters specifically reserved for its attention. Board papers are circulated sufficiently in advance of board meetings to enable time for review. The attendance of individual directors at formal board and sub-committee meetings is set out on this page.

Matters reserved for the Board's attention 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 the group's interim management statements
- Ensuring the maintenance of a sound system of internal controls and risk management
- Changes to the structure, size and composition of the Board recommended by the Nominations Committee
- Establishing committees of the Board and determining their terms of reference

The non-executive directors meet with 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.

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. Mark Lawrence and Beverley Stewart will retire and offer themselves for re-election and David Henderson will offer himself for election at the next Annual General Meeting on 9th May 2014. Mark Lawrence has a rolling service contract with the company which may be determined on 12 calendar months, prior notice in writing. Beverley Stewart and David Henderson do not have service agreements with the company. Beverley Stewart, by virtue of having served as a director of the company for more than nine years, will henceforth be subject to annual re-election. Russell Race will retire as a director at the close of the Annual General Meeting and will not offer himself for re-election.

Performance evaluation

The effectiveness of the contribution and level of commitment of each director to fulfilling the role of a director of the company is the subject of continuing evaluation, having regard to the regularity with which the Board 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, undertakes the task of annual evaluation of performance and commitment of individual members of the Board as a whole and its committees. Training is available for new directors and subsequently as necessary.

Company Secretary

All directors have access to the advice and services of the Company Secretary, who ensures that the Board receives appropriate and timely information, that Board procedures are followed and that statutory and regulatory requirements are met. The role of Company Secretary is currently filled by the Finance Director, although it is the Board's intention to split the roles in due course.

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 are to:

- Monitor the integrity of the financial statements of the company and any formal announcements relating to the company's financial performance
- Review the company's internal financial controls and risk management systems and review the need for an internal audit function on an annual basis

- Make recommendations to the Board, for it to put to shareholders, in relation to the appointment of external auditors and their remuneration and terms of engagement
- Review the independence of the external auditors and review the effectiveness of the audit process
- Review the extent of non-audit services provided by the external auditors.

The Board is satisfied that both Iain McCusker (Chair) and David Henderson have sufficient relevant financial experience.

Nominations Committee

The role of the Nominations Committee is to lead the process for succession planning and board appointments, and make recommendations to the main Board.

Remuneration Committee

The role and responsibilities of the Remuneration Committee are to:

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

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, as are 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.

The Board is of the view that there is an ongoing process for identifying, evaluating and managing the group's significant risks, that it has been in place for the year ended 31st December 2013 and, up to the date of approval of the annual report and financial statements, that it is regularly reviewed by the Board and accords with the internal control guidance for directors in the Code.

The 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. The Board monitors monthly progress on contracts formally.

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

The Board's agenda includes a regular item for consideration of risk and control and the Board receives reports thereon from group management. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

At its meeting on 10th March 2014, the Board carried out the annual assessment of the year ended 31st December 2013 by considering documentation from the Audit Committee and reviewing the need for an internal audit function. It was considered unnecessary to establish an internal audit function because the regular site audits under the quality control procedures, together with regular review visits by the group finance team to the subsidiaries, provide a similar assurance that internal control systems are being properly adhered to.

Going concern

The group had positive net cash balances at the year end and has in place an £8 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. In February 2014 the overdraft was renewed and an additional three-year committed £5 million Revolving Credit Facility arranged, subject to certain covernants that are disclosed in Note 21 to the financial statements on page 107.

The directors have received confirmation from the bank that it knows of no reason why the overdraft facility will not be renewed when it next falls due. 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 the foreseeable future. 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 7 to 9.

Approved by the Board
and signed on its behalf

Martin Walton
Company Secretary
18th March 2014

Audit Committee report

Robust governance is fundamental to the way TClarke manages its business and risks. The Audit Committee has a vital role to play in this regard by providing detailed scrutiny over the integrity and relevance of the group's financial reporting, the appropriateness of the group's system of internal control, the suitability of the group's system of risk management and overseeing the external audit process.

The Committee receives regular reports from management and the external auditors. Where necessary, the committee has requested and received additional detailed information from management; for instance, on material projects, so that we may discuss the key features, risks and opportunities these present. Our aim is to provide a proactive and constructive challenge over the information we receive.

Over the past year the reports we have received from management and the external auditors have been timely and well presented, which has enabled the Committee to discharge its responsibilities effectively. Consistent with the 2012 Code, we are providing additional information this year on how the Committee works and the significant matters the Committee has considered. I hope you will find this helpful in understanding the work we as a Committee do.

Iain McCusker
Chair - Audit Committee
18th March 2014

The Audit Committee is comprised of the non-executive directors Iain McCusker (Chairman), Beverley Stewart and (from 1st January 2014) David Henderson. Biographies of the member of the Audit Committee are included on page 38.

The Audit Committee met on four occasions during the year ended 31st December 2013. Each meeting was attended by the external auditors, PricewaterhouseCoopers LLP. The principal matters discussed at each meeting are set out below:

Date	Principal matters considered
March 2013	• Draft annual report and financial statements for the year ended 31st December 2012, including significant judgements and disclosures therein • 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
August 2013	• Draft half-year report and financial statements for the six months ended 30th June 2013, including significant judgements and disclosures therein
October 2013	• Audit plan presented by the auditors • Independence of the external auditors • Approval of external auditors' fees
December 2013	• Results of the interim audit

Internal control assessment and internal audit

The Audit Committee has reviewed arrangements by which staff of the company may, in confidence, raise concerns. At its meeting on 10th March 2014 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. The Audit Committee concluded that, based on presentations received from management concerning the operation of internal controls and risk management procedures during the year, there is no need at present to instigate a formal internal audit process.

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 87. The auditors received no fees for non-audit services during the year (2012: £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 current lead engagement partner has held the position for three years.

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 consideered	Action
Carrying value of intangible assets	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. Further details concerning the make up of intangible assets, the assumptions used and the sensitivity of the carrying value of intangible assets can be found in Note 11 to the financial statements on page 92 and 93.
Contract profit and revenue recognition	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. In particular, the Committee considered the accounting treatment of a major recently completed contract in our Mission Critical division where final account negotiations are being frustrated by the actions of the principal contractor and significant amounts remain outstanding. The Committee concurred with management's assessment that in spite of these difficulties and the considerable uncertainty over the timing of final account settlement, taking into account external expert advice, recovery of the group's entitlement is probable and that it was appropriate to recognise contract revenue on the basis that costs would be fully recovered.
Cash flow and banking facilities	As part of its assessment of going concern, the Committee considered a paper presented by the Finance Director setting out the group's cash flow projections, including key sensitivities, facility headroom and covenant compliance.
Pension scheme accounting	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. The Committee reviewed the basis of the valuation, including the assumptions used, and considered the sensitivity of the pensions scheme valuation to changes in those key assumptions. Further details of the valuation, including the key assumptions used, are disclosed in Note 23 to the financial statements on pages 109 to 112.
Contingent liabilities	The Committee considered the identification and disclosure of contingent liabilities in respect of litigation and potential litigation in the financial statements. The Committee concurred with the conclusion that for all claims and potential claims identified, it is unlikely that any liability will crystallise. Further details are disclosed in Note 26 on page 113.

Nominations Committee report

The Nominations Committee comprises Iain McCusker (Chair), Russell Race, Beverley Stewart and, from 1st January 2014, David Henderson. Biographies of the members of the Nominations Committee are included on page 38. The Chair of the Committee, Iain McCusker, is an independent non-executive director.

The Nominations Committee met twice during the year to consider candidates to be recommended to join the Board. The Committee gives due consideration to diversification in the make up of the Board, but due to the size of the company and Board the most important consideration is to achieve an appropriate mix of skills, knowledge and experience. The Committee interviewed two candidates and recommended the appointment of David Henderson as an additional non-executive director.

Remuneration Committee report

Chairman of the Remuneration Committee – Beverley Stewart

Annual Statement

Dear Shareholder

The Committee is focused on ensuring that our policies and procedures are right for our business and are capable of driving and incentivising our executives to create long-term value for our shareholders. The focus of the executives this year has been on further strengthening the organisation and ensuring effective execution of our strategy in readiness for future economic growth.

Pay for performance

We believe in rewarding our executives based on their performance and on the value created for our shareholders. The variable elements of executive remuneration are focused on simple and transparent measures of profit before tax, EPS growth and key strategic objectives. Our bonus and long-term incentive structures are based on challenging targets, which we believe are in line with market best practice. These are outlined on pages 53 and 55.

Our executives performed well against performance targets and were entitled to receive a bonus for their performance. However, the payment of that bonus entitlement has been deferred until certain contract negotiations have been concluded.

The minimum vesting conditions for our 2011 LTIP award, which is based on earnings per share growth, were not met, once again demonstrating the challenging targets we set as a business.

Clarity and openness in disclosure

The committee strives to operate and demonstrate best practice in the area of executive remuneration and disclosure. This year, we have embraced the new disclosure requirements under the UK Government's reforms on directors' pay and trust that our report demonstrates transparency and clarity in our disclosures. Our report has three sections as follows: this Annual Statement, which summarises and explains the major decisions and changes in respect of directors' remuneration; a Directors' Remuneration Policy setting out the forward-looking remuneration policy for the company's directors, which will operate from 1st January 2014; and an Annual Report on Remuneration, providing details of how the policy for 2014 will be operated and the remuneration earned by the company's directors in relation to the year ended 31st December 2013.

At the forthcoming AGM on 9th May 2014, the Directors' Remuneration Policy will be subject to a binding shareholder vote and the Annual Report on Remuneration will be subject to an advisory shareholder vote. In future years, the Directors' Remuneration Policy will be subject to a binding vote every three years (sooner if changes are made to the policy) and the Annual Report on Remuneration will be subject to an annual advisory vote.

Remuneration policy for 2014

The Remuneration Committee took advice from its solicitors, Hamlins LLP, in connection with the terms of service contracts for executive directors and matters concerning other members of senior management, and from BDO LLP concerning the level and structure of executive remuneration packages. The committee's most recent conclusions are that the existing senior executive remuneration policy remains appropriate and should continue to operate for 2014 without major changes.

Consideration of employment conditions elsewhere in the group

The Committee considers the general basic salary increase for the broader employee population when determining the annual salary increases and remuneration for the executive directors. Employees have not been consulted in respect of the design of the company's senior executive remuneration policy to date, although the committee will keep this under review.

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 very proud of the support we have received in the past from our shareholders, with 99.28% approval for our report last year.

We hope that we will continue to receive your support at the forthcoming AGM.

Beverley Stewart
Chair - Remuneration Committee
18th March 2014

Directors' remuneration policy

In formulating the remuneration policy, full consideration has been given to the principles set out in the Code and the committee regularly reviews the policy to ensure it takes due account of best practice and the particular circumstances of the company.

Specifically, the committee concluded that:

- Basic salary levels remain appropriately positioned in the market, noting that they sit in the median range compared with similar companies;
- The structure and quantum of the annual bonus continues to be appropriate and aligned to shareholders' interests; and
- The long-term incentive plan policy, whereby conditional shares and options are granted annually with vesting over a three year period based on earnings per share growth conditions, provide a strong alignment between the senior executive team and shareholders.

Consistent with the new legislation, the Directors' Remuneration Policy Report, the policy for which will operate from 1st January 2014, will be put to a binding shareholder vote and become formally effective at the 2014 AGM.

Policy overview

The Remuneration Committee continually reviews the senior executive remuneration policy to ensure it promotes the attraction, motivation and retention of the high quality executives who have been key to delivering the company's strategy in the past and who will be key to delivering sustainable earnings growth and shareholder return in the future.

The company aims to provide a remuneration structure that is aligned with shareholder interests and, as such, is competitive in the marketplace to attract, retain and motivate executive directors of superior calibre in order to deliver continued growth of the business. Company policy is that performance related components should form a significant portion of the overall remuneration package, with maximum total potential rewards being earned through the achievement of challenging performance targets based on measures that represent the best interests of shareholders.

Consideration of shareholder views

The Remuneration Committee considers shareholder feedback received in relation to the Annual General Meeting. This feedback, plus any additional feedback received during any meetings from time to time, is then considered as part of the company's annual review of remuneration policy. In addition, the Remuneration Committee will seek to engage directly with major shareholders and their representative bodies should any material changes be made to the remuneration policy.

Summary remuneration policy

The table opposite summarises the directors' remuneration policy for 2014 onwards:

Element of remuneration	Purpose and link to strategy	Operation	Maximum	Performance targets
Salary	To provide competitive fixed remuneration to attract and retain executive directors of superior calibre in order to deliver growth for the business Intended to reflect that paid to senior management of comparable companies	The basic salary for each executive director is reviewed annually by the Remuneration Committee. Individual salary adjustments take into account each executive director's performance against agreed challenging objectives and the group's financial circumstances, as well as comparing each executive director's basic salary to senior management in the group and relative to the external market	There is no prescribed maximum annual increase. The Committee is guided by RPI and the general increase for the broader employee population but on occasions may need to recognise, for example, an increase in the scale, scope or responsibility of the role. Current salary levels are set out on page 53	Not applicable
Benefits	To provide market consistent benefits, including insured benefits to support the individual and their family during periods of ill health, accidents or death and car or car allowances to facilitate effective travel	Current benefit provision includes a company car or car allowance and private medical insurance Other benefits may be payable where appropriate	There is no prescribed maximum but the percentage increase is not expected to rise significantly in excess of the basic salary increase	Not applicable
Bonus	Incentivises annual achievement of performance targets. Maximum bonus only payable for achieving demanding targets	Not pensionable		Targets are set for underlying profit before tax, and bonuses are paid on a sliding scale according to how the group performs against targets
		Profit Related - Paid in cash up to 100% of salary	Up to 100% of salary	
		Profit related bonuses in excess of 100% of basic salary are paid in TClarke shares.	Up to 50% of salary	
		Strategic Target Bonuses are paid in cash providing targets are met and certain profit thresholds are crossed.	Up to 50% of salary	The bonus for strategic targets is payable only if, in the opinion of the Remuneration Committee, the targets are met
Non-executive director fees	Reflects time commitments and responsibilities of each role Reflects fees paid by similarly sized companies	Cash fee paid Fees are reviewed on an annual basis No fees are payable for any membership of board committees	As per executive directors, there is no prescribed maximum annual increase. The committee is guided by the general increase in the non-executive director market and for the broader employee population but on occasions may need to recognise, for example, an increase in the scale, scope or responsibility of the role. Current fee levels are set out on page 54	Non-executive directors do not participate in variable pay arrangements

Element of remuneration	Purpose and link to strategy	Operation	Maximum	Performance targets
Long-Term Incentive Plan	Designed to align with both the strategic objectives of delivering sustainable earnings growth and the interests of shareholders	Awards normally vest three years from grant, subject to performance targets and continued service Participants will normally have a seven year period from the date each tranche vests in which to exercise nil cost options	Agregate value of shares over which options are granted and conditional share awards shall not exceed 100% of basic salary in any one year	LTIP performance measured over three years based on annualised EPS growth in excess of RPI as follows: <3% nil 3% 25% award 3-10% 25-100% on a straight line basis >10% 100%
All employee share plans	To encourage employee share ownership and therefore increase alignment with shareholders. The SAYE Scheme was approved by shareholders on 13th May 2011 and was approved by HMRC on 14th July 2011	Sharesave Plan: HMRC approved plan under which regular monthly savings are made over a three year period and can be used to fund the exercise of an option, where the exercise price is discounted by up to 10%. Provides tax advantages to UK employees	Maximum permitted savings of £250 per month across all ongoing Sharesave contracts	Not applicable
Share ownership guidelines	To increase alignment between executives and shareholders	All directors are required to hold at least 2,000 TClarke shares	Not applicable	Not applicable
Pension	To provide retirement benefits	Defined benefit or defined contribution scheme. 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	Defined benefit contribution in line with rates approved by the scheme actuary for all members, currently 18%	Not applicable

Notes

1. A description of how the company intends to implement the policy set out in this table for 2014 is set out in the Annual Report on Remuneration on page 51.

2. The following differences exist between the company's policy for the remuneration of executive directors as set out above and its approach to the payment of employees generally:

- A lower level of maximum annual bonus opportunity (or zero bonus opportunity) may apply to employees other than the executive directors and certain senior executives
- Benefits offered to other employees generally comprise provision of healthcare and company car benefits where required for the role or to meet market norms
- The majority of employees participate in local defined contribution pension arrangements or in industry wide pension schemes. Staff and senior management in certain subsidiaries are able to participate in the TClarke Group Retirement and Death Benefits Scheme
- Participation in the LTIP is open to all members of senior management at the Remunerations Committee's discretion, but at present membership is limited to the executive directors. In general, these differences arise from the development of remuneration arrangements that are market competitive for the various categories of individuals. They also reflect the fact that, in the case of the executive directors and senior executives, a greater emphasis tends to be placed on performance related pay.

3. The choice of the performance metrics applicable to the annual bonus scheme reflect the Committee's belief that any incentive compensation should be appropriately challenging and tied to both the delivery of profit growth and specific individual objectives.

4. The EPS performance conditions applicable to the LTIP (further details of which are provided on page 54) were selected by the Remuneration Committee on the basis that they reward the delivery of long-term returns to shareholders and the group's financial growth and are consistent with the company's objective of delivering superior levels of long-term value to shareholders. The group's EPS growth is derived from the audited financial statements.

5. The Committee operates share plans in accordance with their respective rules and in accordance with the Listing Rules and HMRC where relevant. The Committee, consistent with market practice, retains discretion over a number of areas relating to the operation and administration of certain plans.

6. All employee share plans (SAYE) do not operate performance conditions.

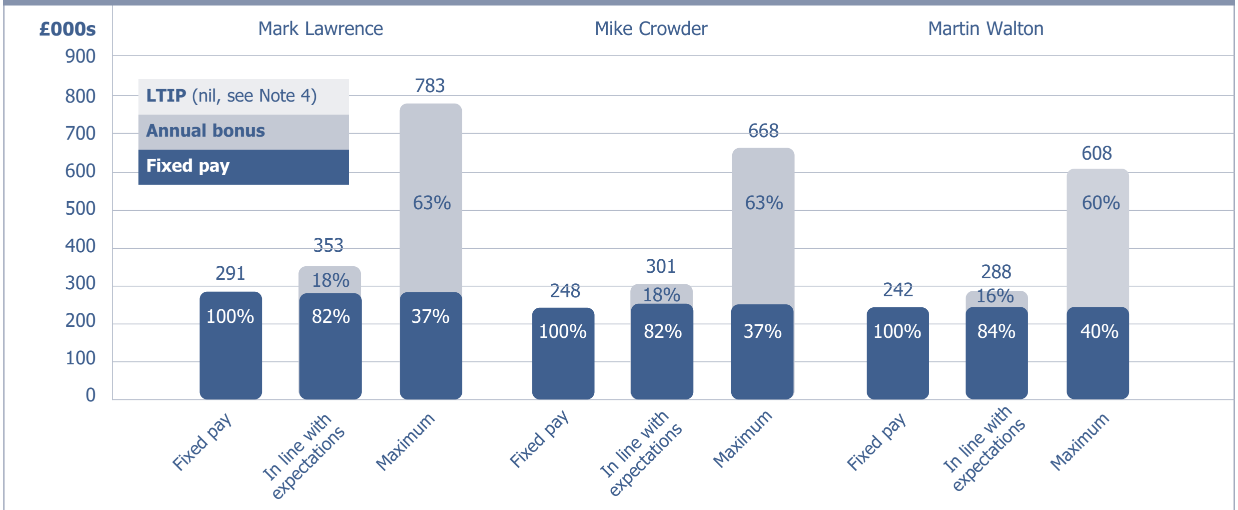
7. As highlighted above, the company has a share ownership policy which requires all directors to hold at least 2,000 10p ordinary shares, in accordance with the Articles of Association. Details of the extent to which the directors had complied with this policy as at 31st December are set out on page 56.

8. 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.

Illustrations of application of remuneration policy

The chart below illustrates how the composition of the executive directors' remuneration packages varies at different levels of performance under the 2014 policy, both as a percentage of total remuneration opportunity and as a total value:

Maximum



Notes
1. The value of benefits receivable in 2014 is taken to be the value of benefits received in 2013 (as calculated under the Directors' Remuneration table, set out on page 54).
2. The value of pension is as presented under the Directors' Remuneration table.
3. The on-target level of bonus assumes the group's internal budgets are met.
4. Performance targets for LTIP shares vesting in 2014 have not been met, therefore the maximum vesting in 2014 is nil.

Service contracts for executive directors

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

Incidental expenses may also be payable where appropriate. In calculating the amount payable to a director on termination of employment, the board would take into account the commercial interests of the company. The Remuneration Committee reviews the contractual terms for new executive directors to ensure these reflect best practice.

Provision	Detailed terms
Notice period	12 months
Termination payment	Up to 12 months' salary
Remuneration entitlements	A bonus may be payable (pro-rated where relevant) and outstanding share awards may vest
Change of control	No executive director's contract contains additional provisions in respect of change of control

Approach to recruitment and promotions

The remuneration package for a new executive director - ie basic salary, benefits, pension, annual bonus and long-term incentive awards - would be set in accordance with the terms of the company's prevailing approved remuneration policy at the time of appointment and would reflect the experience of the individual. The salary for a new executive director may be set below the normal rate, with phased increases over the first few years, as the executive director gains experience in their new role. In addition, the committee may offer additional cash and/or share-based elements when it considers these to be in the best interests of the company (and therefore shareholders) to take account of remuneration relinquished when leaving the former employer and would, where possible, reflect the nature, time horizons and performance requirements attaching to that remuneration. Shareholders will be informed of any such payments at the time of appointment.

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 terms. In addition, any other ongoing remuneration obligations existing prior to appointment may continue, provided that they are put to shareholders for approval at the earliest opportunity. This may be awarded in addition to ongoing participation in the bonus and long-term incentive awards under the approved policy.

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

Approach to leavers

An 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 payout 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. The default treatment under the LTIP is that any outstanding awards lapse on cessation of employment. However, in certain prescribed 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 on cessation, subject to the satisfaction of the relevant performance conditions at that time and reduced pro-rata to reflect the proportion of the performance period actually served.

However, the Remuneration Committee has discretion to determine that awards vest at a later date and/or to disapply time pro-rating. The default treatment for deferred bonus awards is that any outstanding awards lapse on cessation of employment. However, in certain 'good leaver' circumstances (as described under the LTIP), awards will normally vest in full on the date of cessation (unless the Remuneration Committee determines otherwise).

Non-executive directors

Non-executive directors are appointed under arrangements that may generally be terminated by either party without compensation and their appointment is generally for a three year period.

Annual report on remuneration

Implementation of the remuneration policy for the year ending 31st December 2014

A summary of how the Directors' Remuneration Policy will be applied during the year ending 31st December 2014 is set out below.

Basic salary

The Remuneration Committee agreed to freeze executive Director base salary levels for 2013. 2014 increases are shown below.

The group's employees are, in general, receiving pay rises ranging from 2.5% to 10% depending on promotional increases and individual performance. The average increase across the business is 3%.

Director	2014	2013	% increase
Mark Lawrence	£246,000	£234,000	5.1%
Mike Crowder	£210,000	£199,000	5.1%
Martin Walton	£183,000	£174,000	5.1%

Pension arrangements

The company operates a defined benefit pension and death benefits scheme (see Note 23 to the financial statements) of which all the executive directors are members. The company contribution during 2013 was 16% (2012: 16%) of pensionable salary of which 11% is related to the deficit reduction contribution, and the individual directors contribute 8% (2012: 8%). From 1st January 2014, the approved contribution increases to 18%, in line with the scheme actuary's recommendations for all scheme members. Until 31st December 2008, averaged bonuses were included in pensionable salary under the rules of the scheme, but the rules changed with effect from 1st January 2009 to exclude executive directors' bonuses from pensionable salary, in line with best practice. Details of the accrued pension benefits are shown in the table on page 56. The life insurance benefit is 2.25 times pensionable salary, rising to four times pensionable salary after five years' service with the group.

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

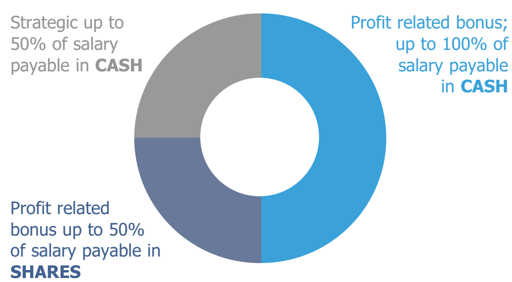
The maximum bonus potential for the year ending 31st December 2014 is 200% of salary for all the executive directors.

Awards are determined based on a combination of both the group's financial results being growth in group profit before tax, and strategic targets 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.

Bonus targets will only be amended during the course of the year if, in the opinion of the Remuneration Committee, there is a significant change in the structure of the group.

Bonus make up as % of basic salary



Long-term incentives

Consistent with past awards, LTIP awards that will be granted in 2014 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%

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. No additional fees are paid in respect of membership of any board committees. A summary of current fees is shown in the table below. No fees increases were awarded for the 2013 financial year.

Non-executive directors	2014	2013	% increase
Russell Race	£45,000	£42,500	5.9%
Iain McCusker	£40,000	£37,500	6.7%
Beverley Stewart	£40,000	£37,500	6.7%
David Henderson	£40,000	See Note 1	See Note 1

Notes 1. David Henderson was appointed to the Board on 1st January 2014.

Remuneration received by directors (audited)

Directors' remuneration for the year ended 31st December 2013 was as follows:

	Fees & salary		Benefits		Bonus		LTIP		Pension		Total	
£000s	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
Executive												
M. Lawrence	234	234	15	14	29	–	–	–	30	18	308	266
M.C. Crowder	199	199	13	12	25	–	–	–	25	25	262	236
M.R. Walton	174	174	11	11	22	–	–	–	48	16	255	201
Non-executive												
R.J. Race	43	43	–	–	–	–	–	–	–	–	43	43
R.H. Campbell[5]	–	16	–	–	–	–	–	–	–	–	–	16
B.A. Stewart	38	38	–	–	–	–	–	–	–	–	38	38
I. McCusker	38	38	–	–	–	–	–	–	–	–	38	38
D. Henderson[6]	–	–	–	–	–	–	–	–	–	–	–	–
Total	726	742	39	37	76	–	–	–	103	59	944	838

Notes
1. Benefits comprise a car or car allowance and private medical insurance
2. Payment of annual bonuses earned in 2013 has been deferred until certain contract negotiations have been completed
3. No LTIP awards vested in 2013 or 2012
4. Pensions are calculated based on HMRC's pension input method
5. RH Campbell retired from the Board on 1st May 2012
6. D Henderson was appointed to the Board on 1st January 2014

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:

Directors' interests in the TClarke Equity Incentive Plan

Executive director	Award date	01/01/2013 number	Granted number	31/12/2013 number	Exercise price	Earliest date of exercise	Date of expiry
M. Lawrence							
Conditional shares	16/06/2011	85,000	–	85,000	–	16/06/2014	
Conditional shares	01/05/2012	115,000	–	115,000	–	01/05/2015	
Conditional shares	30/04/2013	–	115,000	115,000	–	30/04/2016	
Options	01/05/2012	59,000	–	59,000	50.25p	01/05/2015	01/05/2022
Options	30/04/2013	–	59,000	59,000	52.00p	30/04/2016	30/04/2023
M.C. Crowder							
Conditional shares	16/06/2011	85,000	–	85,000	–	16/06/2014	
Conditional shares	01/05/2012	115,000	–	115,000	–	01/05/2015	
Conditional shares	30/04/2013	–	115,000	115,000	–	30/04/2016	
Options	01/05/2012	59,000	–	59,000	50.25p	01/05/2015	01/05/2022
Options	30/04/2013	–	59,000	59,000	52.00p	30/04/2016	30/04/2023
M.R. Walton							
Conditional shares	16/06/2011	85,000	–	85,000	–	16/06/2014	
Conditional shares	01/05/2012	115,000	–	115,000	–	01/05/2015	
Conditional shares	30/04/2013	–	115,000	115,000	–	30/04/2016	
Options	01/05/2012	59,000	–	59,000	50.25p	01/05/2015	01/05/2022
Options	30/04/2013	–	59,000	59,000	52.00p	30/04/2016	30/04/2023

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%

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

The following options were outstanding during the year:

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

Executive director	Award date	01/01/2013 number	Granted number	31/12/2013 number	Exercise price	Earliest date of exercise	Date of expiry
M. Lawrence	08/11/2011	6,750	–	6,750	40.00p	01/01/2015	30/06/2015
	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
M.C. Crowder	08/11/2011	6,750	–	6,750	40.00p	01/01/2015	30/06/2015
	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
M.R. Walton	08/11/2011	6,750	–	6,750	40.00p	01/01/2015	30/06/2015
	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

No options were exercised during the year. The market price of a 10p ordinary share on 31st December 2013 was 63.00p and the range during the year ended 31st December 2013 was 48.00p to 73.25p.

Pension scheme (audited)

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

Audited details of the accrued pension benefits that the directors' would be entitled to on leaving service:							
	Total pension accrued at 31.12.12 £ p.a.	Increase in accrued pension (including inflation) £ p.a.	Increase in accrued pension (excluding inflation) £ p.a.	Total pension accrued at 31.12.13 £ p.a.	Transfer value of accrued pension at 31.12.12 £	Increase in transfer value less director's contributions £	Transfer value of accrued pension at 31.12.13 £
M. Lawrence	48,873	3,402	2,425	52,275	977,459	30,446	1,045,504
M.C. Crowder	50,444	3,036	2,027	53,480	1,008,884	25,291	1,069,602
M.R. Walton	7,214	3,247	3,103	10,461	144,280	48,808	209,229

Inflationary increases were assumed to be a 2.0% per annum during 2013 in line with the increases in the Consumer Price Index during the year

Payments to past directors (audited)

No payments were made to past directors.

Payments for loss of office (audited)

No payments were made in respect of loss of office during the year ended 31st December 2013.

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 55.

Beneficial interests

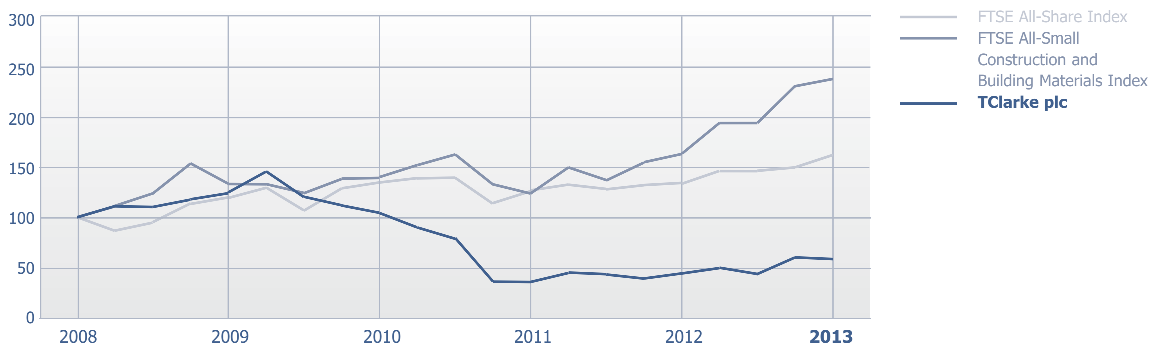
Directors' interests in the issued share capital of TClarke plc are:

	1/1/2013	31/12/2013	18/03/2014
R.J. Race	6,000	6,000	6,000
M. Lawrence	20,000	20,000	20,000
M.C. Crowder	12,000	12,000	12,000
M.R. Walton	10,000	10,000	10,000
I. McCusker	2,000	2,000	2,000
B.A. Stewart	21,000	21,000	21,000
D. Henderson	–	–	23,000

Performance graph

The graph shows the total shareholder return that would have been obtained over the past five years by investing £100 in shares of TClarke plc on 31st December 2008 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.

Total shareholder return 2008-2013



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**
Total remuneration	231	234	245	266	**308**
Annual bonus (%)	0%	0%	0%	0%	**0%**
LTIP vesting (%)	0%	0%	0%	0%	**0%**

*Mark Lawrence was appointed CEO 1st January 2010, figures for 2009 are that of the previous CEO.

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 2012 and 31st December 2013, compared with that of the total amounts for all UK employees of the group for each of these elements of pay.

	2013	2012	% change
Salary			
Chief executive	**234**	234	0%
UK employee average	**38**	39	-2%
Benefits			
Chief executive	**15**	14	7%
UK employee average	**1**	1	0%
Annual bonus			
Chief executive	**29**	–	100%
UK employee average	**–**	–	0%
Payment of annual bonus earned in 2013 has been deferred until certain contract negotiations have been completed			
Average number of UK employees	**1,200**	1,156	

Relative importance of spend on pay

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

	2013	2012	% change
Staff costs	**51.9**	52.2	-1%
Dividend	**1.2**	1.2	-
Total operating expenses	**214.0**	191.0	+12%

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

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:

• Beverley Stewart (Chair)
• Iain McCusker

Biographical information on the committee members and details of attendance at the committee's meetings during the year are set out on pages 38 and 40.

The Remuneration Committee has access to independent advice where it considers it appropriate. The committee took advice from its solicitors, Hamlins LLP, in connection with the terms of service contracts for executive directors and matters concerning other members of senior management, and from BDO LLP concerning the level and structure of executive remuneration packages.

The Committee has considered any potential conflicts of interest and has decided that there are none. It will continue to monitor the position.

Statement of voting at Annual General Meeting

At last year's AGM, the Directors' Remuneration Report received the following votes from shareholders:

	2013 AGM	%
Votes cast in favour	10,712,834	99.28%
Votes cast against	76,746	0.72%
Total votes cast	10,789,580	
Abstentions	15,009	

By order of the Board

Beverley Stewart
Chair - Remuneration Committee
18th March 2014

Other disclosures

Matters dealt with elsewhere in the annual report

The following matters are dealt with in the Strategic Report on pages 2 to 37:

- Review of the business and likely future developments (pages 4 to 9)
- Employees (pages 35 to 37)
- Principal risks and uncertainties (pages 24 to 25)
- Greenhouse gas emissions (page 37)

Directors' interests are disclosed in the Remuneration Committee Report on page 56.

Results for the year

The results for the year are set out in the Consolidated income statement on page 68.

Dividends

The directors recommend the payment of a final dividend for the year of 2.10p per share, which together with the interim dividend of 1.00p paid on 11th October 2013, makes a total distribution of 3.10p for the year (2012: 3.00p).

Subject to approval at the Annual General Meeting, the final dividend will be paid on 16th May 2014 to shareholders on the register at 22nd April 2014. The shares will go ex-dividend on 16th April 2014.

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 2013 final payment, may do so by contacting Capita Registrars on 0871 664 0300 (lines are open 8:30 am - 5:30 pm Monday to Friday. Calls cost 10p per minute plus network charges). The last day for election for the final dividend reinvestment is 22nd April 2014 and any request should be made in good time ahead of that date.

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 (2012: £nil).

Post balance sheet events

Past balance sheet events are disclosed in Note 30 to the financial statements on page 116.

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 27 to the financial statements.

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.

Substantial shareholdings

At 18th March 2014 the company had been advised of the following substantial interests of 3% or more in its issued ordinary share capital:

Substantial shareholdings	% of issued ordinary share capital	Number of shares
JP Morgan Asset Management	9.95%	4,118,000
Henderson Global Investors	8.98%	3,716,113
Miton Capital Partners	6.79%	2,812,611
Barclays Stockbrokers	5.72%	2,367,742
TD Waterhouse	5.13%	2,124,613
Walker Crips Stockbrokers	3.89%	1,499,015
DG Robson	3.51%	1,451,906
Charles Stanley	3.23%	1,337,083

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.

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.

Stock exchange transactions

Members are advised that trading in the company's shares is conducted via the Stock Exchange SETS service. For further information we would refer you to our corporate broker N+1 Singer (020 3201 3710). 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.

Company status

So far as the directors are aware, the company is not a close company.

Takeover directive disclosures

As a result of the implementation of the Takeovers Directive into UK law, disclosures are required of public companies that have securities carrying voting rights trading on a regulated market at the end of the reporting year. The following disclosures are relevant to TClarke plc and required by law, irrespective of whether a bid is contemplated.

- The company's capital comprises ordinary shares of 10p each. Further details are shown in Note 19 to the financial statements.
- There are no restrictions on the transfer of shares or on voting rights.
- Details of each person with a significant direct or indirect holding of shares and the size of the holding are shown in the table 'Substantial shareholdings', on this page.

- The company has rules regarding the appointment of directors with regard to their election at the first Annual General Meeting, which are detailed in the section on Corporate governance on pages 40 to 43.
- The Articles of Association state that a maximum of 12 directors may sit on the Board of the company.
- There are no specific rules relating to the replacement of directors.
- The directors have shareholder approval for the issue of ordinary share capital up to a maximum amount of £859,833.
- The directors have shareholder approval for the buyback of ordinary shares up to a maximum aggregate of 10% of the issued ordinary share capital.
- The company has in place an employee share save scheme.
- The company has in place an Equity Incentive Plan for directors and senior management. The rules of the scheme provide that awards made under the Equity Incentive Plan may vest on a change of control of the company, at the discretion of the Remuneration Committee.
- The rules of the 2011, 2012 and 2013 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.
- There are no other significant agreements that take effect, alter or terminate upon a change of control of the company following a takeover bid.
- There are no known agreements between the company and its directors or employees providing for compensation for loss of office or employment that occurs because of a takeover bid.

On behalf of the Board

Martin Walton
Company Secretary
18th March 2014

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and parent company financial statements in accordance with International Financial Reporting Standards as adopted by European Union (IFRSs) and applicable law. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period. In preparing these financial statements the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable IFRSs as adopted by the European Union have been followed subject to any material departures disclosed or explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Having taken advice from the Audit Committee, the directors consider that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's performance, business model and strategy.

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

Statement of directors pursuant to the disclosure and transparency rules

Each of the directors, whose names and functions are listed on pages 38 and 39, confirms that, to the best of each person's knowledge and belief:

- The financial statements, 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 company, and
- The Strategic Report and other reports contained in the annual report include a fair review of the development and performance of the business and the position of the company and group, together with a description of the principal risks and uncertainties they face.

On behalf of the Board

Martin Walton
Finance Director

Russell Race
Chairman

18th March 2014
TClarke plc
Registered number:
119351

Independent auditors' report

Report on the financial statements

Our opinion

In our opinion:

- The financial statements, defined below, give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31st December 2013 and of the Group's profit and the Group's and 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.

This opinion is to be read in the context of what we say in the remainder of this report.

Emphasis of matter - recoverability of contract balance in respect of a major project in the Mission Critical division

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in Note 4 "Significant judgements and sources of estimation uncertainty" and Note 15 "Construction contracts" to the financial statements concerning the recoverability of the group's position on a major project within the Mission Critical division.

What we have audited

The Group financial statements and Parent Company financial statements (the "financial statements"), which are prepared by TClarke plc, comprise:

- the Group and Parent Company statements of financial position as at 31st December 2013;
- the Group income statement and statement of comprehensive income for the year then ended;
- the Group and Parent Company statements of changes in equity and statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation comprises applicable law and IFRSs as adopted by the European Union and, as regards the Parent Company, as applied in accordance with the provisions of the Companies Act 2006.

Certain disclosures required by the financial reporting framework have been presented elsewhere in the Annual Report and Financial Statements (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.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)'). 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 Parent Company's circumstances and have been consistently applied and adequately disclosed;
- The reasonableness of significant accounting estimates made by the directors; and
- The overall presentation of the financial statements

In addition, we read all the financial and non-financial information in the TClarke Annual Report and Financial Statements 2013 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.

Overview of our audit approach

Materiality

We set certain thresholds for materiality. These helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the group financial statements as a whole to be £470,000. In arriving at this judgement we have applied a percentage to average revenue over the previous five year period. We have used revenue as a basis for materiality to avoid the volatility that would result from a profit based calculation.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £23,500 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Overview of the scope of our audit

The group is structured into three regional divisions; the South, the North and Scotland. The regional divisions are further subdivided for the purposes of financial reporting, into 16 reporting units, comprising the group's 11 operating businesses and its head office centralised functions.

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 within PwC UK 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 reporting units 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.

Accordingly, of the group's 16 reporting units, we identified eight that, in our view, required an audit of their complete financial information, either due to their size or their risk characteristics. These eight reporting units accounted for 87% of revenue. This, together with additional procedures performed at the group level (including over impairment of goodwill, going concern, and pension assumptions), gave us sufficient evidence to support our opinion on the group financial statements as a whole.

Areas of particular audit focus

In preparing the financial statements, the directors made a number of subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We primarily focused 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.

In our audit, we tested and examined information, using sampling and other auditing techniques, to the extent we considered necessary to provide a reasonable basis for us to draw conclusions. We obtained audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

We considered the following areas to be those that required particular focus in the current year. This is not a complete list of all risks or areas of focus identified by our audit. We discussed these areas of focus with the Audit Committee. Their report on those matters that they considered to be significant issues in relation to the financial statements is set out on pages 44 and 45.

Area of focus	How the scope of our audit addresses the area of focus
Contract accounting ISAs (UK & Ireland) presume there is a risk of fraud in revenue recognition. We focused on the revenue and profit recognised on long term contracts because they are material balances, involve judgements, and can be complex. (Refer to Notes 4 and 15 to the financial statements.)	We evaluated the significant judgements adopted by management in relation to profit and revenue recognition on long term contracts, and in particular, judgements with respect to: • when the outcome of a construction contract can be estimated reliably, and • the stage of completion of the contract activity at the reporting date. This included understanding the processes for project review, reviewing the overall contract position and costs to complete, and assessing the supporting revenue recognition and cost estimates, including contract variations. In particular we challenged in detail the accounting judgement around a major contract, which has recently achieved practical completion in the Mission Critical business, where the final account has not yet been settled. We challenged management on their judgement to recognise the contract on the basis that recovery of uncertified applications is probable, met with their independent expert, and evaluated the independently produced assessment of the account obtained by the Directors from their independent expert. Our opinion includes an emphasis of matter drawing attention to disclosures in the financial statements regarding this judgement.
Impairment assessment 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. (Refer to Notes 4 and 11 to the financial statements.)	We evaluated the directors' future cash flow forecasts, including comparing them to the latest Board approved budgets and testing the integrity of the underlying calculations. We challenged the directors' key assumptions for discount and long term growth rates by comparing them to historical results and the prospects for the business and the industry. We also performed sensitivity analysis around the key drivers of the cash flow forecasts, in particular the revenue growth and the 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 in those key assumptions arising.
Risk of management override of internal controls ISAs (UK & Ireland) require that we consider this.	We tested key reconciliations and manual journal entries. We considered whether there was evidence of bias by the directors in the significant accounting estimates and judgements relevant to the financial statements. We also assessed the overall control environment of the group, including the arrangements for staff to 'whistle-blow' inappropriate actions, and interviewed senior management.
Going concern We considered the directors' conclusion that it is appropriate to adopt the going concern basis in preparing the financial statements. (Refer to Note 3 to the financial statements.)	We obtained the directors' forecast of the group's funding requirements for a period covering 12 months from the date of approval of these financial statements and details of the financing facilities in place. We considered whether appropriate account had been taken of the contract cash flows inherent in the group's business. We also challenged the directors on the actions which they considered they could take to alter the timing and/or amount of cash flows. In relation to the new Revolving Credit Facility taken out after the year end date we obtained the directors' forecasts of the group's compliance with the covenants for a period covering 12 months from the date of approval of the financial statements and challenged these in conjunction with the cash flow forecasts noted above. Our conclusion on going concern is below.
Contingent liability - litigation As a result of the uncertainty around the contingent liability disclosed in Note 26 to the financial statements, we consider this to be an area of focus.	We obtained information from the group's legal advisers regarding current and threatened litigation. We challenged the need to provide for the impact of litigation and considered the need for disclosure of a contingent liability.
Pension scheme accounting As a result of the size of the pension scheme deficit and the judgements inherent in the actuarial assumptions involved in the valuation the pension benefit obligations including discount rates, RPI and mortality rates, we considered this to be an area of focus. We consider the key assumptions to be: • discount rate • inflation • salary increases • expected return on pension scheme assets • mortality rates. (Refer to Note 23 to the financial statements.)	We challenged the key assumptions used in the present value computation, taking into account the specific characteristics of the group's pension schemes. We tested the accuracy of the calculation of the scheme deficits and the underlying pension scheme data provided to the actuary. We obtained third party confirmation of the scheme assets and also tested the valuation of these assets.

Going concern

Under the Listing Rules we are required to review the directors' statement, set out on page 43, in relation to going concern. We have nothing to report having performed our review.

As noted in the directors' statement, the directors have concluded that it is appropriate to prepare the Group's and Parent Company's financial statements using the going concern basis of accounting. 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 the Parent Company's ability to continue as a going concern.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion:

- 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;
- The part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- The information given in the Corporate Governance Statement set out on pages 40 to 43 in the Annual Report with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements.

Other matters on which we are required to report by exception

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

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law have not been made, and under the Listing Rules we are required to review certain elements of the report to shareholders by the board on directors' remuneration. We have no exceptions to report arising from these responsibilities.

Corporate Governance Statement

Under the Companies Act 2006, we are required to report to you if, in our opinion a corporate governance statement has not been prepared by the Parent Company. We have no exceptions to report arising from this responsibility.

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the Parent Company's compliance with nine provisions of the UK Corporate Governance Code ('the Code'). We have no exceptions to report arising from our review.

On page 62 of the annual report, as required by the Code Provision C.1.1, the directors state 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 performance, business model and strategy. On page 45, as required by C.3.8 of the Code, the Audit Committee has set out the significant issues that it considered in relation to the financial statements, and how they were addressed. Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

- the statement given by the directors is materially inconsistent with our knowledge of the Group acquired in the course of performing our audit; or
- the section of the annual report 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 arising from this responsibility.

Other information in the annual report

Under ISAs (UK & Ireland), we are required to report to you if, in our opinion, 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
- Is otherwise misleading.

We have no exceptions to report arising from this responsibility.

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 62 the directors are responsible for the preparation of the Group and Parent Company 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 Group and Parent Company 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 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.

Jonathan Hook (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

London
18th March 2014

Consolidated income statement

for the year ended 31st December 2013

		Notes	2013 £m	2012 £m
Continuing operations:				
Revenue		5	217.1	193.8
Cost of sales			(193.7)	(169.9)
Gross profit			23.4	23.9
Other operating income			0.1	0.1
Administrative expenses:				
Amortisation of intangible assets		7	(0.3)	(0.3)
Non-recurring costs		7	(0.6)	(0.9)
Other administrative expenses			(20.3)	(21.1)
Total administrative expenses			(21.2)	(22.3)
Profit from operations		7	2.3	1.7
Finance costs		6	(0.6)	(0.5)
Profit before taxation			1.7	1.2
Taxation		9	(0.6)	(0.4)
Profit for the year			1.1	0.8
Earnings per share		10		
Attributable to owners of TClarke plc:	Basic		2.51p	2.05p
	Diluted		2.43p	2.01p

Consolidated statement of comprehensive income

for the year ended 31st December 2013

	2013 £m	2012 £m
Profit for the year	1.1	0.8
Other comprehensive income / (expense):		
Items that will not be reclassified to profit or loss		
Actuarial gain / (loss) on defined benefit pension scheme	0.7	(1.6)
Other comprehensive income / (expense) for the year, net of tax	0.7	(1.6)
Total comprehensive income / (expense) for the year	1.8	(0.8)

Consolidated statement of financial position

as at 31st December 2013

	Notes	2013 £m	2012 £m
Non current assets			
Intangible assets	11	23.4	23.7
Property, plant and equipment	12	5.7	5.9
Deferred tax assets	18	1.8	2.2
		30.9	31.8
Current assets			
Inventories	14	0.4	0.3
Amounts due from customers under construction contracts	15	25.2	16.6
Trade and other receivables	16	31.0	36.0
Cash and cash equivalents	20	1.0	5.6
		57.6	58.5
Total assets		88.5	90.3
Current liabilities			
Amounts due to customers under construction contracts	15	(2.3)	(6.8)
Trade and other payables	17	(50.4)	(47.2)
Current tax liabilities		(0.1)	(0.2)
Obligations under finance leases	24	(0.1)	(0.1)
		(52.9)	(54.3)
Net current assets		4.7	4.2
Non current liabilities			
Retirement benefit obligation	23	(10.9)	(11.9)
		(10.9)	(11.9)
Total liabilities		(63.8)	(66.2)
Net assets		24.7	24.1
Equity attributable to owners of the parent			
Share capital	19	4.1	4.1
Share premium	19	3.1	3.1
Revaluation reserve		0.8	0.8
Retained earnings		16.7	16.1
Total equity		24.7	24.1

The financial statements on pages 68 to 116 were approved by the Board of Directors on 18th March 2014 and were signed on its behalf by

Russell Race
Director

Mark Lawrence
Director

Company statement of financial position

as at 31st December 2013

	Notes	2013 £m	2012 £m
Non current assets			
Property, plant and equipment	12	0.3	0.4
Investments	13	32.4	32.4
Deferred tax assets	18	2.2	2.7
		34.9	35.5
Current assets			
Amounts due from customers under construction contracts	15	10.8	8.6
Trade and other receivables	16	8.7	13.3
Current income tax receivables		0.2	0.9
Cash and cash equivalents	20	0.5	3.3
		20.2	26.1
Total assets		55.1	61.6
Current liabilities			
Amounts due to customers under construction contracts	15	(0.6)	(2.3)
Trade and other payables	17	(22.6)	(27.9)
		(23.2)	(30.2)
Net current liabilities		(3.0)	(4.1)
Non current liabilities			
Retirement benefit obligation	23	(10.9)	(11.9)
		(10.9)	(11.9)
Total liabilities		(34.1)	(42.1)
Net assets		21.0	19.5
Equity attributable to owners of the parent			
Share capital	19	4.1	4.1
Share premium	19	3.1	3.1
Retained earnings		13.8	12.3
Total equity		21.0	19.5

The financial statements on pages 68 to 116 were approved by the Board of Directors on 18th March 2014 and were signed on its behalf by

Russell Race
Director

Mark Lawrence
Director

Registered number: 119351

Consolidated statement of cash flows

for the year ended 31st December 2013

	Notes	2013 **£m**	2012 **£m**
Net cash (used in) / generated by operating activities	20	(2.6)	6.4
Investing activities			
Purchase of property, plant and equipment		(0.4)	(0.6)
Receipts on disposal of property, plant and equipment		0.1	0.4
Net cash outflow on acquisitions of subsidiaries		(0.4)	–
Net cash used in investing activities		(0.7)	(0.2)
Financing activities			
Equity dividends paid	19	(1.2)	(1.2)
Repayments of obligations under finance leases		(0.1)	–
Net cash used in financing activities		(1.3)	(1.2)
Net (decrease) / increase in cash and cash equivalents		(4.6)	5.0
Cash and cash equivalents at beginning of year	20	5.6	0.6
Cash and cash equivalents at end of year	20	1.0	5.6

Company statement of cash flows

for the year ended 31st December 2013

	Notes	2013 **£m**	2012 **£m**
Net cash (used in) / generated by operating activities	20	(3.5)	3.6
Investing activities			
Purchase of property, plant and equipment		(0.1)	(0.1)
Dividends received from subsidiaries		2.4	2.3
Net cash outflow on investments in subsidiaries		(0.4)	–
Net cash generated from investing activities		1.9	2.2
Financing activities			
Equity dividends paid	19	(1.2)	(1.2)
Net cash used in financing activities		(1.2)	(1.2)
Net (decrease) / increase in cash and cash equivalents		(2.8)	4.6
Cash and cash equivalents at beginning of year	20	3.3	(1.3)
Cash and cash equivalents at end of year	20	0.5	3.3

Consolidated statement of changes in equity

for the year ended 31st December 2013

	Attributable to owners of the parent				
	Share capital **£m**	Share premium **£m**	Revaluation reserve **£m**	Retained earnings **£m**	Total **£m**
At 1st January 2012	4.1	3.1	0.8	18.0	26.0
Comprehensive income:					
Profit for the year	–	–	–	0.8	0.8
Other comprehensive income:					
Actuarial loss on retirement benefit obligation	–	–	–	(1.9)	(1.9)
Deferred income tax credit on actuarial loss on retirement benefit obligation	–	–	–	0.5	0.5
Effect of change in tax rate	–	–	–	(0.2)	(0.2)
Total other comprehensive expense	–	–	–	(1.6)	(1.6)
Total comprehensive expense	–	–	–	(0.8)	(0.8)
Transactions with owners					
Share-based payment credit	–	–	–	0.1	0.1
Dividends paid	–	–	–	(1.2)	(1.2)
Total transactions with owners	–	–	–	(1.1)	(1.1)
At 31st December 2012	4.1	3.1	0.8	16.1	24.1
Comprehensive income:					
Profit for the year	–	–	–	1.1	1.1
Other comprehensive income					
Actuarial gain on retirement benefit obligation	–	–	–	1.2	1.2
Deferred income tax on actuarial gain on retirement benefit obligation	–	–	–	(0.3)	(0.3)
Effect of change in tax rate	–	–	–	(0.2)	(0.2)
Total other comprehensive income	–	–	–	0.7	0.7
Total comprehensive income	–	–	–	1.8	1.8
Transactions with owners					
Dividends paid	–	–	–	(1.2)	(1.2)
Total transactions with owners	–	–	–	(1.2)	(1.2)
At 31st December 2013	4.1	3.1	0.8	16.7	24.7

Company statement of changes in equity

for the year ended 31st December 2013

	Attributable to owners of the parent			
	Share capital £m	Share premium £m	Retained earnings £m	Total £m
At 1st January 2012	4.1	3.1	14.2	21.4
Comprehensive income:				
Profit for the year	–	–	0.8	0.8
Other comprehensive income				
Actuarial loss on retirement benefit obligation	–	–	(1.9)	(1.9)
Deferred income tax credit on actuarial loss on retirement benefit obligation	–	–	0.5	0.5
Effect of charge in tax rate	–	–	(0.2)	(0.2)
Total other comprehensive expense	–	–	(1.6)	(1.6)
Total comprehensive expense	–	–	(0.8)	(0.8)
Transactions with owners				
Share-based payment credit	–	–	0.1	0.1
Dividends paid	–	–	(1.2)	(1.2)
Total transactions with owners	–	–	(1.1)	(1.1)
At 31st December 2012	4.1	3.1	12.3	19.5
Comprehensive income:				
Profit for the year	–	–	2.0	2.0
Other comprehensive income				
Actuarial gain on retirement benefit obligation	–	–	1.2	1.2
Deferred income tax credit on actuarial gain on retirement benefit obligation	–	–	(0.3)	(0.3)
Effect of change in tax rate	–	–	(0.2)	(0.2)
Total other comprehensive income	–	–	0.7	0.7
Total comprehensive income	–	–	2.7	2.7
Transactions with owners				
Dividends paid	–	–	(1.2)	(1.2)
Total transactions with owners	–	–	(1.2)	(1.2)
At 31st December 2013	4.1	3.1	13.8	21.0

Notes to the financial statements

for the year ended 31st December 2013

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 39. The nature of the group's operations and its principal activities are described in Note 5 and in the Strategic report on pages 4 to 37.

Note 2 – Application of new and revised IFRSs

The following standards have been applied for the first time for the financial year beginning on or after 1st January 2013.

A. New and amended standards adopted by the group

- IAS 19, 'Employee benefits', was amended in June 2011 and is applicable with effect from 1st January 2013. The main impact on the group is to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability. The other significant change introduced by the standard is to require all past service costs to be recognised immediately, however, the group already accounted for past service costs in full. The revised standard had no significant impact on reported profit or net assets in either year.
- Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income was applicable with effect from 1st January 2013. The main change resulting from the amendment is a requirement for entities to group items presented in "other comprehensive income" on the basis of whether or not they are potentially reclassifiable to profit or less subsequentially (reclassification adjustments).

There are no other standards, interpretations or amendments that are effective for the first time for the financial year beginning on or after 1st January 2013 that have had a material impact on the group's financial statements.

B. New standards and interpretations not yet adopted

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

- IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases 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 IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1st January 2015, subject to endorsement by the EU.
- IFRS 10, 'Consolidated financial statements', builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The group is yet to assess IFRS 10's full impact and intends to adopt IFRS 10 no later than the accounting period beginning on or after 1st January 2014. IFRS 12, 'Disclosures of interests in other entities', includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The group is yet to assess IFRS 12's full impact and intends to adopt IFRS 12 no later than the accounting period beginning on or after 1st January 2014.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the group.

Note 3 – Accounting policies

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

A. Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), IFRIC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRS and have been prepared on 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 2013 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.

Going concern

The group had positive net cash balances at the year end and has in place an £8 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 overdraft facility was renewed in February 2014. 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. Also, in February 2014, an additional three year £5 million committed Revolving Credit Facility was arranged. 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 the foreseeable future. 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 where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

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

C. 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.

D. 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 3E). 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

Note 3 – Accounting policies continued

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 on a straight-line basis over the term of the relevant lease.

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

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

E. Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, measured based on the proportion of contract costs (prime costs and overheads) incurred for the work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion.

The earliest point at which profit is taken is that at which the outcome of the contract, based on an assessment by officials of the company, can be reliably foreseen, taking into account the circumstances of each contract. Variations are included to the extent that the amount can be measured reliably and receipt is considered probable, but no account is taken of claims receivable until agreed. Full provision is made for any foreseeable losses to completion. Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable.

F. 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 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

Note 3 – Accounting policies continued

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.

G. 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.

H. 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.

I. 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

Note 3 – Accounting policies continued

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.

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%
- Plant and machinery 10%-25%
- Improvements to property:
  - Freehold 10%
  - Leasehold 10% or life of lease if shorter
- Motor vehicles 25%-33%

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

J. Investments

Investments in subsidiaries are recorded at cost, being the fair value of consideration paid. 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.

K. Inventories

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

L. Leasing and hire purchase commitments

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

Assets held under finance leases are initially recognised as assets of the group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the income statement except where they relate to qualifying assets in which case they are capitalised in accordance with the group's borrowing costs policy (see Note 3/O).

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

M. Financial instruments

The group's financial instruments comprise trade and other receivables, trade and other payables, 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

Note 3 – Accounting policies continued

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 receivable is 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.

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.

N. Taxation

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

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

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

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

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

Note 3 – Accounting policies continued

O. 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.

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

Q. 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.

R. Retirement benefit costs

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

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

Past service cost is recognised immediately 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.

S. Long-term employee benefits

Long-term employee benefits are accrued when the group has a legal or constructive obligation to make payments under long-term employee 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.

T. 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 19.

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.

U. 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.

Note 4 - Significant judgements and sources of estimation uncertainty

In the application of the group's accounting policies, which are described above, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities at the reporting date and the amounts of revenue and expenses incurred during the period that may not be readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The estimates and assumptions that have the most significant impact are set out below.

Revenue and margin

The recognition of revenue and profit on construction contracts is a key source of estimation uncertainty due to the difficulty of forecasting the final costs to be incurred on a contract in progress and the process whereby applications are made during the course of the contract with variations, which can be significant, often being agreed as part of the final account negotiation. The group's policies for the recognition of revenue and profit on construction contracts are set out on pages 76 and 77. 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.

Major contract settlement

There is one major contract in particular which was nearing completion at the year end but for which the final account settlement remains outstanding. The project, within our Mission Critical division, has now achieved practical completion, however the principal contractor is continuing to frustrate the account settlement process. Amounts receivable includes £6.5m uncertified applications in respect of this contract, and further aplications for payment have been made after the year-end. The board, having reviewed an independently produced assessment of our account, consider that it is appropriate to continue to recognise the contract on the basis that full recovery of our costs up to and after the year end is probable, but at this stage we continue to recognise no profit or loss on this contract.

Contingent liabilities

The recognition of contingent liabilities is a source of estimation uncertainty due to the judgement around when a liability shoud be recognised and when disclosure is appropriate.

The group is one of a number of parties subject to a damages claim in respect of work carried out in 2007. There is considerable uncertainty around the quantum of any liability that may arise in respect of this claim, further details of which are given in Note 26 on page 113.

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

Key judgements in estimating the fair value of assets and liabilities acquired in business combinations include the identification and measurement of identifiable intangible assets, and the valuation of contract balances and receivables. Key judgements in determining the fair value of consideration payable include assessment of the monetary amount of contingent consideration that will be transferred in the future and the appropriate discount rate to be applied. There were no acquisitions undertaken during the year or the preceding year.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating unit giving rise to the goodwill, including the estimation of the timing and amount of future cash flows generated by the cash generating unit and a suitable discount rate. Further details are provided in Note 11.

Note 4 - Significant judgements and sources of estimation uncertainty continued

Retirement benefit obligations

The costs, assets and liabilities of the defined benefit scheme operated by the group are determined using methods relying on actuarial estimates and assumptions. Details of the key assumptions are set out in Note 23, 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 23 on page 112.

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 three regional divisions; the South, the North and Scotland, and an internal property division reporting to the Chief Executive, 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 costs, (long-term employee benefit costs arising from acquisitions, adjustments to purchase consideraton, restructuring costs, and exceptional claim settlement costs). 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 2013	South £m	North £m	Scotland £m	Property £m	Unallocated & elimination £m	Total £m
Total revenue	172.6	37.9	13.6	–	–	224.1
Inter segment revenue	(0.4)	(6.5)	(0.1)	–	–	(7.0)
Revenue from external operations	172.2	31.4	13.5	–	–	217.1
Underlying profit from operations	1.0	1.8	0.2	0.2	–	3.2
Amortisation of intangibles	–	(0.3)	–	–	–	(0.3)
Non-recurring costs:						
Exceptional claim settlement cost	(0.5)	–	(0.1)	–	–	(0.6)
Profit from operations	0.5	1.5	0.1	0.2	–	2.3
Finance income	–	0.1	–	–	(0.1)	–
Finance costs	(0.7)	–	–	–	0.1	(0.6)
(Loss) / profit before tax	(0.2)	1.6	0.1	0.2	–	1.7
Taxation expense						(0.6)
Profit for the year from continuing operations						1.1
Other segment information:						
Depreciation	0.3	0.2	–	0.1	–	0.6
Bad debt expense	0.1	0.1	–	–	–	0.2
Additions to non-current assets:						
Property, plant and equipment	0.2	0.2	–	–	–	0.4
Assets	60.2	19.0	8.2	4.2	(3.1)	88.5
Liabilities	(43.1)	(8.9)	(4.4)	(1.3)	(6.1)	(63.8)
Net assets / (liabilities)	17.1	10.1	3.8	2.9	(9.2)	24.7

Note 5 - Segment information continued

C. Segment information - prior year

31st December 2012	South **£m**	North **£m**	Scotland **£m**	Property **£m**	Unallocated & elimination **£m**	Total **£m**
Total revenue	137.3	51.2	15.5	–	–	204.0
Inter segment revenue	(7.6)	(2.5)	(0.1)	–	–	(10.2)
Revenue from external operations	129.7	48.7	15.4	–	–	193.8
Underlying profit from operations	0.5	2.1	0.1	0.2	–	2.9
Amortisation of intangibles	–	(0.3)	–	–		(0.3)
Non-recurring costs:						
Restructuring charges	(0.3)	–	(0.1)	–	–	(0.4)
Long term employee benefits	(0.3)	–	–	–	–	(0.3)
Adjustment to purchase consideration	(0.2)	–	–	–	–	(0.2)
(Loss) / profit from operations	(0.3)	1.8	–	0.2	–	1.7
Finance income	–	0.1	–	–	(0.1)	–
Finance costs	(0.6)	–	–	–	0.1	(0.5)
(Loss) / profit before tax	(0.9)	1.9	–	0.2	–	1.2
Taxation expense						(0.4)
Profit for the year from continuing operations						0.8
Other segment information:						
Depreciation	0.4	0.2	–	0.1	–	0.7
Bad debt expense	0.1	0.1	–	–	–	0.2
Additions to non-current assets:						
Property, plant and equipment	0.4	0.2	–	–	–	0.6
Assets	61.2	24.4	7.2	4.4	(6.9)	90.3
Liabilities	(44.8)	(13.3)	(3.6)	(1.5)	(3.0)	(66.2)
Net assets	16.4	11.1	3.6	2.9	(9.9)	24.1

Note 5 - Segment information continued

D. Revenue

	2013 £m	2012 £m
Total revenue comprises:		
Sales revenue		
Construction contracts	190.1	158.5
Other services	27.0	35.3
	217.1	193.8
Operating income:		
Rent	0.1	0.1

E. Information about major customers

Revenue includes £40m which arose from sales to a single customer (2012: £27m). No other single customer contributed 10% or more of the group's revenue for either 2013 or 2012.

Note 6 – Finance cost

	2013 £m	2012 £m
Interest on bank overdrafts and loans	0.1	0.1
Interest cost in respect of defined benefit pension scheme	0.5	0.4
Net total of finance income and finance cost	0.6	0.5

Note 7 – Profit from operations

A. Operating profit is stated after charging / (crediting):

	2013 £m	2012 £m
Amortisation of intangible assets	0.3	0.3
Non-recurring costs (see Note B below)	0.6	0.9
Depreciation of property, plant and equipment	0.6	0.7
(Profit) / loss in disposal of property, plant and equipment	(0.1)	(0.1)
Operating lease charges		
– land and buildings	0.4	0.3
– plant, machinery and vehicles	0.3	0.5
Raw materials and consumables	58.0	55.9
Rent receivable	(0.1)	(0.1)
Bad debt expense	0.2	0.2
Auditor's remuneration – statutory audit fee		
– Company and consolidation	0.1	0.1
– Subsidiary companies	0.1	0.1
Employee benefit expense (see Note 8)	51.9	52.2

	2013 £m	2012 £m
B. Non-recurring costs comprise:		
Restructuring costs i)	–	0.4
Adjustment to purchase consideration ii)	–	0.2
Long-term employee benefits arising from prior acquisitions iii)	–	0.3
Exceptional claim settlement costs iv)	0.6	–
	0.6	0.9

i) Restructuring costs consist of termination payments and other costs associated with restructuring the business.

ii) In accordance with the agreement for the acquisition of DG Robson Mechanical Services Limited ('DGR') on 25th August 2010 the group was required to pay additional amounts to the vendors contingent on DGR's results for the first two years post acquisition. The adjustment to purchase consideration is the difference between the contingent consideration payable in respect of the year ended 24th August 2012, and the amount accrued as part of the purchase consideration at the date of acquisition (£0.2m). The £0.4m paid in cash in 2013 was fully provided at 31st December 2012.

iii) Long-term employee benefits related to accrued bonuses in respect of certain key employees of DGR arising out of pre-acquisition agreements whereby bonuses are deemed to vest post-acquisition as a result of the acquisition by the group.

iv) Exceptional claim settlement costs relate to the settlements of a sub-contractor claim against the group for work carried out in previous years and the costs of successfully defeating adjudication claims brought by a sub-contractor for works carried out during the year. Cost of settlement and defence of this level are not normal for the business and are not expected to recur.

Note 8 – Employees

	2013 **£m**	2012 **£m**
Staff costs		
Staff costs during the year were as follows:		
Wages and salaries	45.6	45.2
Share awards and options granted to directors and employees (see Note 19)	–	0.1
Long-term employee benefits	–	0.3
Termination costs	0.3	0.6
Social security costs	5.0	4.9
Other pension costs	1.0	1.1
	51.9	52.2
Average number of employees:		
– staff (including directors)	292	270
– operatives	908	886
	1,200	1,156

Note 9 – Taxation

Taxation expense	2013 £m	2012 £m
Current tax expense		
UK corporation tax payable on profits for the year	0.6	0.6
Adjustment for under / (over) provision in prior years	0.1	(0.2)
	0.7	0.4
Deferred tax expense		
Arising on:		
Origination and reversal of temporary differences	(0.1)	(0.1)
Effect of change in tax rate	–	0.1
	(0.1)	–
Total income tax expense	0.6	0.4
Reconciliation of tax charge		
Profit for the year from continuing operations	1.7	1.2
Tax at standard UK tax rate of 23.25% (2012: 24.5%)	0.4	0.3
Tax effect of:		
Permanently disallowable items	0.1	0.2
Effect of change in tax rate	–	0.1
Adjustment for under / (over) provision in prior years	0.1	(0.2)
	0.6	0.4

The main rate of corporation tax was reduced from 26% to 24% on 1st April 2012 and 23% on 1st April 2013.

Further reductions in the main rate of corporation tax to 21% from 1st April 2014 and 20% from April 2015 had been substantially enacted at 31st December 2013 for the purposes of IAS12 'Income Taxes'. The effect of these changes was to reduce the UK deferred tax asset at the balance sheet date by £0.2m.

Note 10 – Earnings per share

A. Basic earnings per share

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

	2013 **£m**	2012 **£m**
Earnings:		
Profit attributable to owners of the company	1.1	0.8
Weighted average number of ordinary shares in issue (000s)	41,402	41,400

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. Options granted under the Equity Incentive Plan are considered to be non-dilutive for the year ended 31st December 2012. Further details of these schemes are given in Note 19.

For the share options, a calculation is done 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.

	2013 **£m**	2012 **£m**
Earnings:		
Profit attributable to owners of the company	1.1	0.8
Weighted average number of ordinary shares in issue (000s)	41,402	41,400
Adjustments:		
- Savings Related Share Option Schemes (000s)	535	201
- Equity Incentive Plan		
Conditional share awards (000s)	833	486
Options (000s)	41	–
Weighted average number of ordinary shares for diluted earnings per share (000s)	42,811	42,087

Note 10 – Earnings 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, long-term employee benefit expenses arising from acquisitions, adjustments to purchase consideration, restructuring costs, and exceptional claim settlement costs 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.

	2013 **£m**	2012 **£m**
Profit from continuing operations attributable to owners of the company	1.1	0.8
Adjustments:		
Amortisation of intangible assets	0.3	0.3
Long-term employee benefits arising from acquisitions	–	0.3
Adjustment to purchase consideration	–	0.2
Restructuring costs	–	0.4
Exceptional claim settlement costs	0.6	–
Tax effect of adjustments	(0.2)	(0.2)
Underlying profit from continuing operations	1.8	1.8
Weighted average number of ordinary shares in issue (000s)	41,402	41,400
Adjustments:		
- Savings Related Share Option Schemes (000s)	535	201
- Equity Incentive Plan:		
Conditional share awards (000s)	833	486
Options (000s)	41	–
Weighted average number of ordinary shares for diluted earnings per share (000s)	42,811	42,087
Underlying earnings per share	4.14p	4.40p
Diluted underlying earnings per share	4.00p	4.32p

Note 11 – Intangible assets

	Goodwill £m	Other intangible assets £m	Total £m
Cost:			
At 1st January 2012, 31st December 2012 and 31st December 2013	24.2	2.9	27.1
Impairment and amortisation:			
At 1st January 2012	2.2	0.9	3.1
Amortisation	–	0.3	0.3
At 31st December 2012	2.2	1.2	3.4
Amortisation	–	0.3	0.3
At 31st December 2013	2.2	1.5	3.7
Net book value:			
1st January 2012	22.0	2.0	24.0
31st December 2012	22.0	1.7	23.7
31st December 2013	22.0	1.4	23.4

Goodwill relates to the purchase of subsidiary undertakings. The carrying value of goodwill has been compared to its recoverable amount based on the value in use of the cash generating units to which the goodwill has been allocated. Each operating company within the group has been assessed as a separate cash generating unit, being the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other groups of assets. Value in use has been calculated using budgets and forecasts approved by management covering the period 2014 to 2016, which take into account secured orders, business plans and management actions. The results of periods subsequent to 2016 have been projected using 2016 forecasts with no growth assumed.

The key assumptions to which the assessment of the recoverable amounts of cash generating units are sensitive are the projected turnover and operating margin to 2016 and beyond, and the discount rate applied. The group's businesses have faced challenging market conditions throughout 2013, but trading conditions are expected to improve during 2014 and beyond. A discount rate of 11.7% (2012: 10.6%) has been applied to the extrapolated cash flow projections.

Note 11 – Intangible assets continued

The significant elements of goodwill at 31st December 2013 are as follows:

	Operating segment	**£m**
TClarke Midlands	South	5.8
TClarke Scotland	Scotland	3.0
TClarke North West	North	2.7
DG Robson Mechanical Services	South	2.3
TClarke London	South	2.2
TClarke East	South	2.0
Waldon Electrical Contractors	South	1.3
Others		2.7
		22.0

The elements of goodwill most sensitive to changes in the key assumptions are TClarke Midlands, TClarke Scotland, Waldon Electrical Contractors and TClarke North West.

The recoverable amounts of these business units exceed their carrying amounts by £2.0m, £2.8m, £1.4m and £3.3m respectively. A fall in the operating profit margin from the projected margin (which is in the range 1.7% to 4.7%) by 23%, 42%, 47% and 43% respectively would result in the recoverable amount of these businesses being equal to the carrying amounts. An increase in the discount rate to 15.0%, 19.7%, 20.9% and 20.2% respectively would also result in the recoverable amount of these business units being equal to the carrying amounts. The directors consider that the key assumptions used to calculate the recoverable amounts are prudent and do not believe that any other reasonably possible change in the key assumptions on which recoverable amount is based would cause the aggregate carrying value of each of the cash generating units to exceed their aggregate recoverable amount.

Other intangible assets comprise customer relationships and related contracts acquired on the acquisition of subsidiaries.

Amortisation of other intangible assets is included in administrative expenses in the income statement.

Note 12 – Property, plant and equipment

GROUP	Freehold properties £m	Leasehold improvements £m	Plant, machinery and vehicles £m	Total £m
Cost or valuation				
At 1st January 2012	4.7	0.4	4.3	9.4
Additions	–	–	0.6	0.6
Disposals	(0.3)	–	(0.8)	(1.1)
At 31st December 2012	4.4	0.4	4.1	8.9
Additions	–	–	0.4	0.4
Disposals	–	–	(0.4)	(0.4)
At 31st December 2013	4.4	0.4	4.1	8.9
Accumulated depreciation and impairment				
At 1st January 2012	–	–	3.0	3.0
Charge for the year	0.1	0.1	0.5	0.7
Disposals	–	–	(0.7)	(0.7)
At 31st December 2012	0.1	0.1	2.8	3.0
Charge for the year	0.1	0.1	0.4	0.6
Disposals	–	–	(0.4)	(0.4)
At 31st December 2013	0.2	0.2	2.8	3.2
Net book value at 1st January 2012	4.7	0.4	1.3	6.4
Net book value at 31st December 2012	4.3	0.3	1.3	5.9
Net book value at 31st December 2013	4.2	0.2	1.3	5.7

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. The net book value of the freehold properties on a historic cost basis would have been £3.2m (2012: £3.3m).

The net book value of group plant, machinery and vehicles includes £0.1m (2012: £0.3m) in respect of assets held under finance leases and hire purchase contracts. Depreciation of £0.1m (2012: £0.1m) was charged on these assets during the year.

The group has granted a charge in favour of the TClarke Group Retirement Benefit Scheme over a number of properties occupied by the group, to secure the future pension obligations of the scheme. The book and fair value of the properties at 31st December 2013 was £3.1m (2012: £3.1m).

Note 12 – Property, plant and equipment continued

COMPANY	Leasehold improvements £m	Plant, machinery and vehicles £m	Total £m
Cost			
At 1st January 2012	0.4	0.7	1.1
Additions	–	0.1	0.1
Disposals	–	(0.3)	(0.3)
At 31st December 2012	0.4	0.5	0.9
Additions	–	0.1	0.1
At 31st December 2013	0.4	0.6	1.0
Accumulated depreciation and impairment			
At 1st January 2012	–	0.6	0.6
Charge for the year	0.1	–	0.1
Disposals	–	(0.2)	(0.2)
At 31st December 2012	0.1	0.4	0.5
Charge for the year	0.1	0.1	0.2
At 31st December 2013	0.2	0.5	0.7
Net book value at 1st January 2012	0.4	0.1	0.5
Net book value at 31st December 2012	0.3	0.1	0.4
Net book value at 31st December 2013	0.2	0.1	0.3

Note 13 – Investments

COMPANY	2013 **£m**	2012 **£m**
Investments in subsidiaries comprise:		
Cost:		
At 1st January	41.4	40.8
Additions	–	0.6
At 31st December	41.4	41.4
Impairment:		
At 1st January and 31st December	9.0	9.0
Net book value:		
At 1st January	32.4	31.8
At 31st December	32.4	32.4

An annual impairment review is undertaken at 31st December each year in conjunction with the goodwill impairment review (see Note 11), 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 14 – Inventories

GROUP	2013 £m	2012 £m
Raw materials	0.4	0.3

Note 15 – Construction contracts

	GROUP		COMPANY	
	2013 £m	2012 £m	2013 £m	2012 £m
Contract work in progress comprises:				
Contract costs incurred plus recognised profits				
less recognised losses to date	169.4	195.0	91.6	66.3
Less: progress payments	(146.5)	(185.2)	(81.4)	(60.0)
	22.9	9.8	10.2	6.3
Contracts in progress at the reporting date:				
Gross amounts due from customers	25.2	16.6	10.8	8.6
Gross amounts due to customers	(2.3)	(6.8)	(0.6)	(2.3)
	22.9	9.8	10.2	6.3

The assessment of construction contract balances involves the exercise of significant judgement. Included in the above balances is an amount of £6.5m relating to a major project undertaken by the Mission Critical division and completed since the year end. The accounting judgements relating to this amount are discussed more fully in Note 4 on page 82.

At 31st December 2013 retentions held by customers of the group for contract work amounted to £9.6m (2012: £7.9m) and retentions held by customers of the company for contract work amounted to £3.5m (2012: £2.1m). These amounts are included in trade receivables (see Note 16).

Advances received from customers for contract work amounted to £nil (2012: £nil).

Note 16 – Trade and other receivables

	GROUP		COMPANY	
	2013 **£m**	2012 **£m**	2013 **£m**	2012 **£m**
Trade receivables - gross	20.7	29.7	4.7	9.6
Trade receivables - allowances for credit losses	(0.7)	(0.6)	–	–
Net trade receivables	20.0	29.1	4.7	9.6
Owed by group companies	–	–	2.3	2.7
Other receivables	0.5	0.5	0.2	0.2
Prepayments and accrued income	10.5	6.4	1.5	0.8
	31.0	36.0	8.7	13.3
Movements in allowances for credit losses are as follows:				
At 1st January	(0.6)	(0.6)	–	–
Charged in year	(0.3)	(0.2)	–	–
Recovered in year	0.1	–	–	–
Written off in year	0.1	0.2	–	–
At 31st December	(0.7)	(0.6)	–	–
Trade receivables (including retentions) are due as follows:				
Due within 3 months	9.8	16.9	2.4	7.8
Due in 3 to 6 months	2.8	1.0	0.7	0.5
Due in 6 to 12 months	1.1	1.1	0.1	0.3
Due after more than one year	3.3	2.7	1.4	0.8
Overdue	3.7	8.0	0.1	0.2
	20.7	29.7	4.7	9.6
The ageing of trade receivables past due but not impaired is as follows:				
Less than 30 days	0.8	3.4	–	–
31-60 days	0.7	1.1	–	–
61-120 days	0.4	0.8	–	–
Greater than 120 days	1.1	2.1	0.1	0.2
	3.0	7.4	0.1	0.2

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 impairment mostly relates to small building contractors who have become insolvent or are facing severe financial difficulties at present.

Note 17 – Trade and other payables

	GROUP		COMPANY	
	2013 **£m**	2012 **£m**	2013 **£m**	2012 **£m**
Current:				
Trade payables	35.1	32.0	12.8	12.0
Owed to group companies	–	–	4.2	5.6
Other taxation and social security payable	4.4	6.1	1.0	2.3
Accruals and deferred income	10.4	8.4	4.5	7.6
Other payables	0.5	0.7	0.1	0.4
	50.4	47.2	22.6	27.9
Trade payables payments terms are as follows:				
30 days or less	17.5	15.0	6.2	3.9
31-60 days	13.3	10.4	4.6	4.1
Greater than 60 days	4.3	6.6	2.0	4.0
	35.1	32.0	12.8	12.0

Note 18 – Deferred taxation

GROUP	Revaluations £m	Retirement benefit obligation £m	Accelerated capital allowances £m	Other £m	Total £m
Asset at 1st January 2012	(0.3)	2.5	0.1	(0.5)	1.8
(Charge) / credit to income	–	(0.1)	–	0.1	–
Credited to other comprehensive income	0.1	0.3	–	–	0.4
Asset at 31st December 2012	(0.2)	2.7	0.1	(0.4)	2.2
(Charge) / credit to income	–	–	(0.1)	0.2	0.1
Charged to other comprehensive income	–	(0.5)	–	–	(0.5)
Asset at 31st December 2013	(0.2)	2.2	–	(0.2)	1.8

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

	2013 £m	2012 £m
Deferred tax liabilities	(0.4)	(0.6)
Deferred tax assets	2.2	2.8
	1.8	2.2

COMPANY	Retirement benefit obligation £m	Total £m
Asset at 1st January 2012	2.5	2.5
Charge to income	(0.1)	(0.1)
Credited to other comprehensive income	0.3	0.3
Asset at 31st December 2012	2.7	2.7
Charged to other comprehensive income	(0.5)	(0.5)
Asset at 31st December 2013	2.2	2.2

Note 19 – 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.
Revaluation reserve above depreciated cost	Cumulative gains recognised on revaluation of land and buildings
Retained earnings	Cumulative net gains and losses recognised in the income statement and the statement of comprehensive income to the extent not distributed by way of dividends.

B. Share capital and premium	Number of shares	Ordinary shares **£m**
Authorised:		
Ordinary share of 10p each:		
At 1st January 2012, 31st December 2012 and 31st December 2013	50,000,000	5.0

Allotted, called up and fully paid:	Number of shares	Ordinary shares **£m**	Share premium **£m**
At 1st January 2012	41,399,795	4.1	3.1
Issue of shares on exercise of options	1,875	–	–
At 31st December 2012 and 2013	41,401,670	4.1	3.1

All shares rank equally in respect of shareholder rights.

The group issued 1,875 10p ordinary shares on 13th December 2012 following the exercise of options held under the Company's Share Save Scheme. The options were exercised at a price of 40p per share.

Note 19 – Capital and reserves continued

C. Employee share option plan of the company

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
2011 SAYE	1,418,513	8/11/11	01/01/15 to 30/06/15	40.00p	13.00p
2012 SAYE	837,857	12/10/12	01/01/16 to 30/06/16	42.00p	8.90p
2013 SAYE	498,381	11/10/13	01/01/17 to 30/06/17	54.00p	18.55p

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 2013 (2012: £0.1m). 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 of between £5 and £75 per month in respect of the 2011 scheme and between £5 and £150 in respect of the 2012 and 2013 schemes 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 weighted average fair value of the options granted in the year was 18.55p. Options were priced using a model based on the Black-Scholes model. The key inputs into the model were as follows:

Grant date share price	65.75p
Exercise price	54.00p
Expected volatility	44%
Expected option life	3 years 2 months
Dividend yield	4.56%
3 year Treasury bond yield	0.7%

Note 19 – Capital and reserves continued

C. Employee share option plan of the company continued

The volatility was measured at the standard deviation of continuously compounded share returns based on statistical analysis of daily prices over the last year. Each employee share option converts into one ordinary share of the company on exercise.

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

	2013 Number	2013 Weighted average exercise price (p)	2012 Number	2012 Weighted average exercise price (p)
At 1st January	2,256,370	41.84	1,540,250	40.00p
Granted	498,381	54.00	837,857	42.00p
Exercised	(3,940)	40.10	(1,875)	40.00p
Forfeited	(135,008)	40.73	(119,862)	40.00p
At 31st December	2,615,803	43.28	2,256,370	41.84p

The weighted average remaining contractual life of the options at 31st December 2013 was 615 days (2012: 866 days).

No options were exercisable at 31st December 2013 (2012: nil).

Note 19 – Capital and reserves continued

D. Equity Incentive Plan ('the 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 preceeding 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.

945,000 conditional share awards and 354,000 conditional options have been granted under the TClarke Equity Incentive Plan as follows:

	Conditional shares	Conditional shares	Conditional options	Conditional shares	Conditional options
Date of grant	16/06/2011	01/05/2012	01/05/2012	30/04/2013	30/04/2013
Number of awards	255,000	345,000	177,000	345,000	177,000
Share price at grant	83.00p	50.25p	50.25p	52.00p	52.00p
Exercise price	nil	nil	50.25p	nil	52.00p
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:

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%

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 £nil for the year ended 31st December 2013 (2012: £nil).

Note 19 – Capital and reserves continued

E. Company income statement

The company has taken advantage of the exemption conferred by section 408 of the Companies Act 2006 from presenting its own income statement. Profit after taxation amounting to £2.0m (2012: £0.8m) has been included in the financial statements of the holding company.

F. Dividends paid	2013 **£m**	2012 **£m**
Final dividend of 2.00p (2012: 2.00p) per ordinary share proposed and paid during the year relating to the previous year's results	0.8	0.8
Interim dividend of 1.00p (2012: 1.00p) per ordinary share paid during the year	0.4	0.4
	1.2	1.2

The directors are proposing a final dividend of 2.10p (2012: 2.00p) per ordinary share totalling £0.9m (2012: £0.8m). This dividend has not been accrued at the reporting date.

Note 20 – Notes to the statement of cash flows

A. Reconciliation of operating profit to net cash (outflow) / inflow from operating activities

GROUP	2013 £m	2012 £m
Profit from operations:		
Continuing operations	2.3	1.7
Depreciation charges	0.6	0.7
Equity settled share based payment expense	–	0.1
Amortisation	0.3	0.3
Defined benefit pension scheme credit	(0.3)	(0.4)
Operating cash flows before movements in working capital	2.9	2.4
(Increase)/ decrease in inventories	(0.1)	0.1
(Increase) / decrease in contract balances	(13.1)	4.0
Decrease / (increase) in trade and other receivables	5.0	(9.6)
Increase in trade and other payables	3.6	10.1
Cash (used in) / generated by operations	(1.7)	7.0
Corporation tax paid	(0.8)	(0.5)
Interest paid	(0.1)	(0.1)
Net cash (used in) / generated by operating activities	(2.6)	6.4

COMPANY		
Profit / (loss) from operations:		
Continuing operations	–	(1.1)
Equity settled share based payment expense	–	0.1
Depreciation charges	0.2	0.1
Defined benefit pension scheme credit	(0.3)	(0.4)
Operating cash flows before movements in working capital	(0.1)	(1.3)
(Increase) / decrease in contract balances	(3.8)	1.0
Decrease / (increase) in trade and other receivables	4.6	(4.3)
(Decrease) / increase in trade and other payables	(4.9)	8.4
Cash (used in) / generated by operations	(4.2)	3.8
Corporation tax received / (paid)	0.8	(0.1)
Interest paid	(0.1)	(0.1)
Net cash (used in) / generated by operating activities	(3.5)	3.6

Note 20 – 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	
	2013 **£m**	2012 **£m**	2013 **£m**	2012 **£m**
Cash and cash equivilents	1.0	5.6	0.5	3.3

C. Significant non-cash transactions

The company invested £nil (2012: £0.6m) in new equity of TClarke Scotland Limited through the conversion of a short-term loan. This loan balance had previously been included within trade and other payables.

Note 21 – Bank overdrafts & loans

The group has an £8m overdraft facility with National Westminster Bank plc, renewable annually. Interest was charged at 2.5% above base rate on overdraft balances during the year ended 31st December 2013 (2012: 2.5%). All operating companies within the group are included within the facility, and cross guarantees and charges have been granted in favour of National Westminster Bank plc. At 31st December 2013 the group had unused overdraft facilities of £8m (2012: £8m). No value has been attributed to the guarantee contracts in the company's financial statements as the amount is considered to be negligible.

In February 2014 the group arranged a £5m committed three year Revolving Credit Facility (RCF) and renewed its £8m overdraft facility. The RCF incurs interest at 3% above LIBOR on drawn balances and the company is charged a fee of 1.5% on all undrawn balances. The RCF includes financial covenants around interest cover and net leverage ratios which are tested quarterly. The revised terms of the overdraft facility provide that interest will be charged at 2.75% above base rate.

Note 22 – Related party transactions

A. Directors remuneration	2013 **£m**	2012 **£m**
Salaries, fees and other short-term employee benefits	0.8	0.8
Post-employment benefits	0.1	0.1
Total	0.9	0.9

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.

	2013 **£m**	2012 **£m**
Salaries, fees and other short term employee benefits	3.1	3.8
Termination benefits	0.1	0.2
Post-employment benefits	0.4	0.4
Other long-term benefits	–	0.3
Total	3.6	4.7

C. Other transactions with key management

In January 2013 the group paid £0.4m to the vendors of DG Robson Mechanical Services Limited as deferred consideration for the acquisition of the company in August 2010. The vendors of DG Robson Mechanical Services Limited are members of key management. The amount of the deferred consideration was contingent on post-acquisition results. £0.2m was accrued at the time of acquisition and a further £0.2m charged to the income statement in the year ended 31st December 2012.

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

The amounts due from and to subsidiaries are disclosed in Notes 16 and 17 respectively. All balances are repayable on demand.

TClarke plc charged subsidiary companies £0.5m (2012: £0.5m) during the year for insurance services and £0.2m (2012: £0.2m) for IT services. Sales to other group companies of £0.6m (2012: £5.3m) and cost of sales from other group companies of £10.9m (2012: £5.5m) are included in the financial statements of the company.

Note 23 – 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 total cost charged to income of £0.5m (2012: £0.6m) 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.

The most recent triennial valuation of the scheme, carried out as at 31st December 2009 by Mr J Seed, Fellow of the Institute of Actuaries, showed a deficit of £7.9m, which represented a funding level of 71.5%. A deficit reduction plan was subsequently agreed with the Pension Regulator, which included making additional contributions and providing 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 December 2023. Employer contribution rates were agreed at 16% of pensionable salary (including 11% deficit reduction contributions), rising to 18% of pensionable salary from 1st January 2014 (including 13% deficit reduction contributions).

The triennial valuation of the scheme as at 31st December 2012 is still in progress at the date of approval of these financial statements. The deficit reduction plan will be updated when the triennial valuation has been completed. The group believes that due to the market factors impacting on the defined benefit pension scheme assets and liabilities since 31st December 2009, the contribution rate and / or the deficit elimination period are likely to have to increase following the agreement of the 2012 triennial valuation.

Key assumptions used:	2013 **%**	2012 **%**
Rate of increase in salaries	4.05	3.50
Rate of increase of pensions in payment	3.20	2.85
Discount rate	4.65	4.60
Inflation assumption	3.55	3.00

The mortality assumptions used in the IAS 19 valuation were:		2013 **Years**	2012 **Years**
Life expectancy at age 65 for current pensioners	- Men	23.6	23.5
	- Women	24.8	24.7
Life expectancy at age 65 for future pensioners (current age 45)	- Men	24.9	24.8
	- Women	26.4	26.3

Note 23 – Pension commitments continued

The amounts recognised in the statement of financial position are as follows:	2013 £m	2012 £m
Present value of funded obligations	37.8	37.0
Fair value of plan assets	(26.9)	(25.1)
Deficit of funded plans	10.9	11.9

The movement in the defined benefit obligation is as follows:	Present value of obligation	Fair value of plan assets	Total
At 1st January 2012	33.6	(23.6)	10.0
Current service cost	0.5	–	0.5
Interest expense	1.6	(1.2)	0.4
	2.1	(1.2)	0.9
Remeasurements:			
Return on plan assets excluding amounts included in interest expense	–	(0.2)	(0.2)
Experience (gains)/losses	2.0	–	2.0
	2.0	(0.2)	1.8
Contributions:			
- Employers	–	(0.8)	(0.8)
- Employees	0.4	(0.4)	–
Payment from plans:			
- Benefit payments	(1.1)	1.1	–
At 31st December 2012	37.0	(25.1)	11.9
Current service cost	0.5	–	0.5
Interest expense	1.7	(1.2)	0.5
	2.2	(1.2)	1.0
Remeasurements:			
Return on plan assets excluding amounts included in interest expense	–	(0.4)	(0.4)
(Gains) / loss from charge in financial assumptions	1.7	–	1.7
Experience (gains)/losses	(2.5)	–	(2.5)
	(0.8)	(0.4)	(1.2)
Contributions:			
- Employers	–	(0.8)	(0.8)
- Employees	0.4	(0.4)	–
Payment from plans:			
- Benefit payments	(1.0)	1.0	–
At 31st December 2013	37.8	(26.9)	10.9

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 23 – 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:

	2013				2012			
	Quoted **£m**	Unquoted **£m**	Total **£m**	**%**	Quoted **£m**	Unquoted **£m**	Total **£m**	**%**
Equities	15.6	–	15.6	58%	9.2	–	9.2	37%
UK quoted	5.9	–	5.9		5.6	–	5.6	
Overseas quoted	3.7	–	3.7		3.6	–	3.6	
Hedge funds	6.0	–	6.0		–	–	–	
Debt instruments	6.6	–	6.6	25%	9.2	–	9.2	37%
Fixed interest corporate bonds	5.9	–	5.9		9.2	–	9.2	
Inflation-linked bonds	0.1	–	0.1		–	–	–	
Government bonds	0.6	–	0.6		–	–	–	
Property	–	1.3	1.3	5%	–	2.5	2.5	10%
Cash	–	1.7	1.7	6%	–	1.9	1.9	7%
Insurance annuity contracts	–	1.7	1.7	6%	–	2.3	2.3	9%
Total	22.2	4.7	26.9	100%	18.4	6.7	25.1	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 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 during the year 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.

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.

Note 23 – Pension commitments continued

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 11%
Salary growth rate	0.5%	Increase by 6%	Decrease by 5%
Pension growth rate	0.5%	Increase by %	Decrease by %
		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 24 – Obligations under finance leases

	Minimum lease payment		Present value of minimum lease payment	
	2013 **£m**	2012 **£m**	2013 **£m**	2012 **£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 2013 the average effective borrowing rate was 6% (2012: 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 25 – Operating lease obligations

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

	Land and buildings 2013 **£m**	Other operating leases 2013 **£m**	Land and buildings 2012 **£m**	Other operating leases 2012 **£m**
Within one year	0.4	0.9	0.3	1.0
In the second to fifth years inclusive	0.6	1.3	0.8	1.6
	1.0	2.2	1.1	2.6

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

	Land and buildings 2013 **£m**	Other operating leases 2013 **£m**	Land and buildings 2012 **£m**	Other operating leases 2012 **£m**
Within one year	0.3	0.3	0.3	0.5
In the second to fifth years inclusive	0.5	0.4	0.7	0.8
	0.8	0.7	1.0	1.3

Note 26 – Contingent liabilities

A subsidiary company is one of a number of parties that are subject to a damages claim in respect of work carried out in 2007. Damages amounting to £3.4m have been awarded against the company by the High Court, which have been paid in the year by the company's insurers. Costs, which are believed to be substantial, have yet to be apportioned between the various parties to the damages claim, and the damages claim itself is subject to an appeal by the company's insurers acting on the company's behalf. If the appeal is unsuccessful the apportionment of costs against the company, together with the original award of damages, may exceed the company's single incident insurance cover of £5m. The company believes, having taken legal advice, that there are real prospects of the appeal being successful. There is also uncertainty as to both the magnitude and apportionment of costs which is dependent on the court process. On that basis it is unlikely that a liability will ultimately fall to the company.

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.

Note 27 – Financial instruments

A. Capital risk management

The group manages its capital to ensure that each entity within the group will be able to continue as a going concern while maximising the overall return to shareholders over time. Dividends form an important part of the overall return to shareholders. The group is mindful of the need to ensure that the dividend is covered by earnings over the business cycle and paid out of cash reserves in order to secure the long-term interests of shareholders. The Board considers that it has sufficient capital to undertake its activities for the foreseeable future.

The capital structure of the group consists of net funds, including cash and cash equivalents, bank 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 and has no long-term debt facilities other than finance leases and similar hire purchase arrangements as disclosed in Note 24.

B. Financial instruments

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

Loans and receivables	
Cash and cash equivalents	Note 20
Bank deposits	Note 20
Trade receivables	Note 16
Other financial liabilities at amortised cost	
Bank loans and overdrafts	Note 21
Trade payables	Note 17
Finance lease obligation	Note 24

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

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

Note 28 – Financial instruments continued

C. Financial risk management

The group is exposed to credit risk, liquidity risk and cash flow interest rate risk. The group had in place throughout the year an £8 million overdraft facility with National Westminster Bank plc. This facility was renewed and an additional £5 million Revolving Credit Facility agreed with the same bank in February 2014. The continuing availability of the Revolving Credit Facility is subject to quarterly financial covenant tests. Management has prepared projections for the term of the Revolving Credit Facility 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. As noted in previous years the prolonged economic downturn has heightened the likelihood of these risks crystallising and the group continues to be vigilant in its monitoring and management of these risks.

The group seeks to manage these risks as follows:

Credit risk

Credit risk is the risk that the counter party will fail to discharge its obligations and create a financial loss. Credit risk exists, amongst other factors, to the extent that at the reporting date there were significant balances outstanding. The group mitigates this risk by assessing the credit-worthiness of prospective clients prior to accepting a contract, requesting progress payments on contract work in progress and investing surplus cash only with large highly-regarded UK financial institutions. The carrying value of construction contracts, trade receivables and cash on deposit represents the group's maximum exposure to credit risk. There were no significant concentrations of credit risk at 31st December 2013.

Liquidity risk

The group manages liquidity risk by maintaining adequate reserves and banking facilities, by monitoring cash flows and matching the maturity profiles of financial assets and liabilities within the bounds of its contractual obligations. Based on an interest rate of 3.5%, the effect of a delay / acceleration in the maturity of the group's trade receivables at the balance sheet date would be to decrease / increase profit by approximately £0.1m (2012: £0.1m) 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 £0.1m (2012: £0.1m) for each month of delay / acceleration.

Cash flow interest rate risk

The group is exposed to changes in interest rates on its bank deposits and borrowings. Surplus cash is placed on short term deposit at fixed rates of interest. Bank overdrafts are at floating rates, at a fixed margin above base rates. The group's finance lease obligations are at fixed rates of interest determined at the inception of the lease. The effect of each 1% increase in interest rates on the group's floating and short-term fixed rate cash, cash equivalents and bank overdrafts at the reporting date would be to increase profits by approximately £0.1m (2012: £0.1m) per annum. Details of the group's and the company's bank facilities are disclosed in Note 21. Details of finance lease commitments are disclosed in Note 24.

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

Note 29 – 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 (Bristol) Limited	Ordinary
TClarke East Limited	Ordinary
TClarke Leeds Limited	Ordinary
TClarke (Midlands) Limited	Ordinary
TClarke North West Limited	Ordinary
TClarke (Scotland) Limited	Ordinary
TClarke South-East Limited	Ordinary
Veale-Nixon Limited	Ordinary
Waldon Electrical Contractors Limited	Ordinary

Property holding company	
Weylex Properties Limited	Ordinary

Note 30 – Post balance sheet events

In February 2014 the Company successfully negotiated a £5m committed three year Revolving Credit Facility (RCF) and renewed its £8m overdraft facility. The RCF incurs interest at 3% per annum above LIBOR on drawn balances and the company is charged a fee equivalent to 1.5% of the unused facility.

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