Building innovation
Building relationships
Building services

TClarke

"Our first class team has the knowledge, skills and reputation to continue to be regarded as one of the best contractors in the sector." **Mark Lawrence, CEO**

We are a nationwide building services contractor delivering the full range of mechanical, electrical and ICT services. Our strong teams across the country cover the whole lifecycle of the building from concept and design through construction to lifetime maintenance. Our focus is on being the partner of choice in each of the specialist areas we work in - and equally on the retention and enhancement of our traditional reputation for delivering good value, total trustworthiness and excellent work quality

What we do

What we contribute

Driving higher standards of quality, environmental impact, value and efficiency to improve living and working environments across the UK, creation of a high volume of directly employed high quality UK engineering careers including world class apprenticeship schemes.

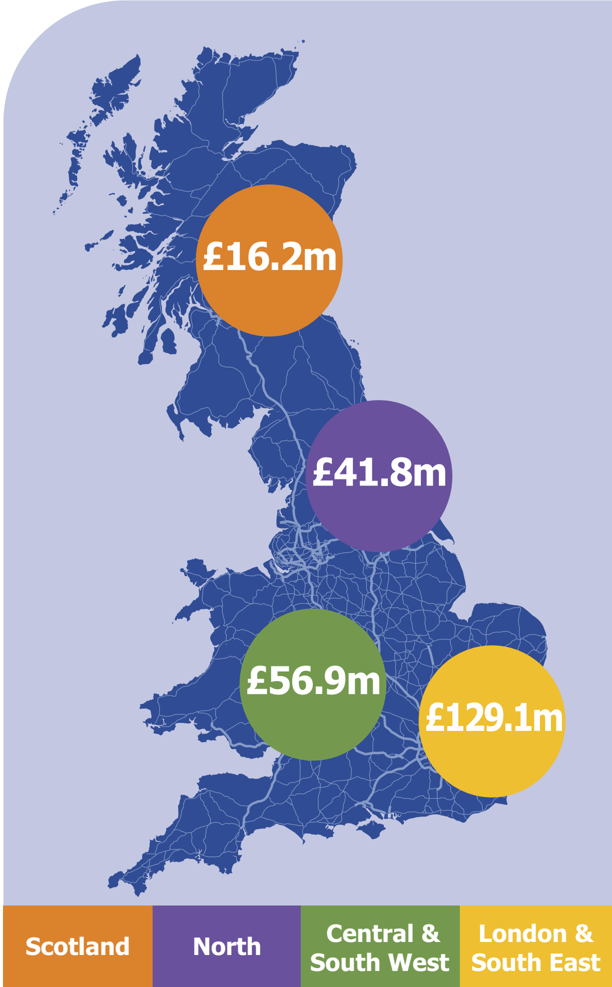
What we offer

Safety
Safety is our number one daily priority

Quality
High quality work that's right first time

Innovation
Expert in buildability and integrated thinking

Contents



Our results

Revenue
£242.4m
2014: £207.9m from continuing operations

Profit before tax
£3.5m
2014: (£0.8m) from continuing operations

Forward order book
£300m
2014: £300m

Net cash
£6.7m
2014: £5.3m

Where we operate

TClarke provides complete UK coverage from fourteen locations nationwide. We are organised in four regions in order to allow us maximum agility in tendering, winning and delivering the projects we target.

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.

Value

Delivering against innovative end-user-focused contracts

People

Directly-employed, high quality building services personnel

Relationships

Taking responsibllity at every level for collaboration

Chairman's statement

Strong performance

I am pleased to report that in the year ended 31st December 2015 Group revenue increased 16.6% to £242.4m (2014: £207.9m) year on year, and underlying profit before tax rose to £3.7m (2014: £0.6m) despite tough market conditions and competition within the industry, with underlying earnings per share at 7.11p (2014: 0.85p). The net cash position also improved to £6.7m (2014: £5.3m).

The Board proposes a final dividend of 2.6p (2014: 2.6p) for the year ended 31st December 2015, maintaining the total dividend for the year at 3.1p (2014: 3.1p), reflecting the Board's continued confidence in the Group and commitment to shareholders.

Board Governance

Having been involved with the Company as a Non-Executive Director for many years now, I am delighted to assume the post of Chairman. It is a role I relish and I have recently established a very active programme for the Non-Executive team, visiting our offices and projects across the UK, with different members of the Executive board, meeting staff and clients, seeing projects close up and spending enough time to get into the deeper issues. It has been extremely valuable in informing our views when probing business plans with the Executive team.

I would like to welcome Mike Robson to the Board of Directors. Mike joined the Company as a Non-Executive Director in November and took over from me as Chair of the Audit Committee given his depth of financial experience. The Board made good progress in enhancing corporate governance procedures in 2015 and remains committed to delivering against our objectives.

TClarke also announces that Danny Robson, an Executive Director of the Company, will be leaving the business to pursue other business interests. Accordingly, Danny's resignation was accepted by the Board on 21st March 2016.

When TClarke acquired DGR, Danny committed to work with us for a period of three years to diversify and enhance the Group's earnings profile by building our mechanical capabilities in London. The Board is therefore grateful for the six years he has committed to TClarke and wish him well in his new ventures. Following the successful integration of our London Mechanical and Electrical business units we have established a strong leadership team to further take advantage of opportunities that meet our strategy.

Rob Faro, MD of TClarke South West talks Iain McCusker and Tony Giddings through safety performance on-site in Cornwall

Our People

What continues to impress me, more perhaps than anything, is the involvement and loyalty that our people across the UK feel for the TClarke brand. It is as true in Cornwall and Falkirk as it is in London. There is immense pride in the work we do and in what the Company is all about, and this is most obvious in the switched-on attitude to safety. Safety is taken very seriously and rather than talk about the good things they do, people on our visits talk about their need to avoid complacency.

Business Agility

TClarke's business agility was demonstrated by the increase in mechanical contracting in London taking advantage of rising demand, in the strong entry into the design and build sector and the successful targeted tender process across our regional businesses; all of which resulted in exceptionally strong order books as we entered 2016.

2015 saw the further integration of our regional businesses with shared systems, resources, marketing and buying power and an improved focus on meeting client needs. As part of this process, the review of our regional businesses involved some tough decisions. In 2015 this included the closure of our Bristol and Cardiff operations which had not been delivering the necessary results to drive the business forward. This has been disclosed as a discontinued operation and incurred a loss for the year of £2.7m (2014: profit £0.1m). Although this was a difficult decision, the outcome ensures that resources can be better targeted towards those sectors and geographies where we can achieve greater value for stakeholders.

Partner of Choice

As the construction sector becomes increasingly complex and as digital technologies drive innovation, I am proud to say that TClarke is increasingly seen as the partner of choice. This fact is proved many times over in this report and it is a massive achievement in competitive markets. As well as providing value for shareholders, this firm is a leading provider of high quality long-term engineering careers, distinctive and British with roots in communities across the country.

Outlook

As we exit the recession, and market conditions continue to improve, our Executive team is focused on taking advantage of market opportunities as they present themselves to grow the business and deliver increased value to shareholders.

I would like to take this opportunity to thank our employees across the UK, together with our clients and shareholders for their continued support and I look forward to a successful year ahead.

Iain McCusker
Chairman
22nd March 2016

Chief Executive Officer's review

2015 was a year of progression; still marked by some bumps, but also by increased demand for our services, which was reflected in the improved quality of our order book, first in London and then also in the regions. As markets have improved, our simple message **'TClarke has the resources you need to deliver your project'** has become steadily more compelling.

Trust in TClarke

Our clients need certainty around project delivery and we have deliberately chosen to align ourselves with clients and contractors who share our vision for high quality installations where we can deliver full service packages, which ensures accountability, responsibility and control. Together with our collaborative partners, we add value to contracts, where safety is fully enforced and high quality is the shared focus.

Although the London market has led the upturn in demand, it is also extremely good to report our best ever forward order books across the regions. This is highly significant, since it also allows us to be more focused and selective in seeking further work which will, in turn, help us to deliver better value for our stakeholders. I am delighted by many of the projects we've delivered and won in 2015 and am particularly pleased to see our Northern region winning work with Overbury, who we have collaborated with for many years in the London region.

Investing in our people

When preparing this report, I have again been struck by the truth that everything we offer to the market depends upon our people. Our brand reputation is not a marketing gambit, it is something real that people on construction sites earn every day by being switched on, hard-working, open and highly capable. We believe in investing heavily in our workforce in order to maintain our skilled resource of people.

We have brought together our training portfolios across the Group and reorganized our training procedures under what we have branded the 'TClarke Academy'. Alongside our industry-leading apprenticeship schemes, the TClarke Academy provides an in-house training capability which ensures consistency of operations

Forward order book 2015

£300m

"This is highly significant since it also allows us to be more focused and selective in seeking further work which will, in turn, help us to deliver better value for our stakeholders."

Seventy five apprentices joined the Group in 2015.
TClarke apprenticeships are among the most highly valued across UK construction and engineering.

throughout our Group. This allows our people to learn new skills so that we can build strong teams and our employees can develop their careers within TClarke.

We have always had a strong commitment to providing apprenticeships and our unrivalled commitment continues - in 2015 the Group took on a total of 75 new apprentices across the UK. Our apprenticeships are highly prized because they lead to real jobs and real careers. I know this personally, having completed an apprenticeship within TClarke myself in 1987. It is a matter of great pride for me to see so many people starting as apprentices with us and then moving up through the business, developing new skills, showing huge commitment and endeavour and being rewarded with great opportunities.

Our daily priority is safety

Health and safety is paramount to our business and our safety performance remains strong. I am very proud of the work that we do, on site every day across the UK, where TClarke people take an active approach on safety. Our investment in safety in 2015 continued at the same high level - and that will not change. Safety is this firm's number one daily priority.

Outlook

Our first class team has the knowledge, skills and reputation to continue to be regarded as one of the best contractors in the sector. This key advantage helps to drive our business forward and deliver value for our shareholders.

The Company is focused on improving performance and margins throughout the Group. We remain alert to any challenges that we may face, yet we approach the future with confidence and enthusiasm. The future for the Group remains solid.

Mark Lawrence
Chief Executive Officer
22nd March 2016

Our operating environment

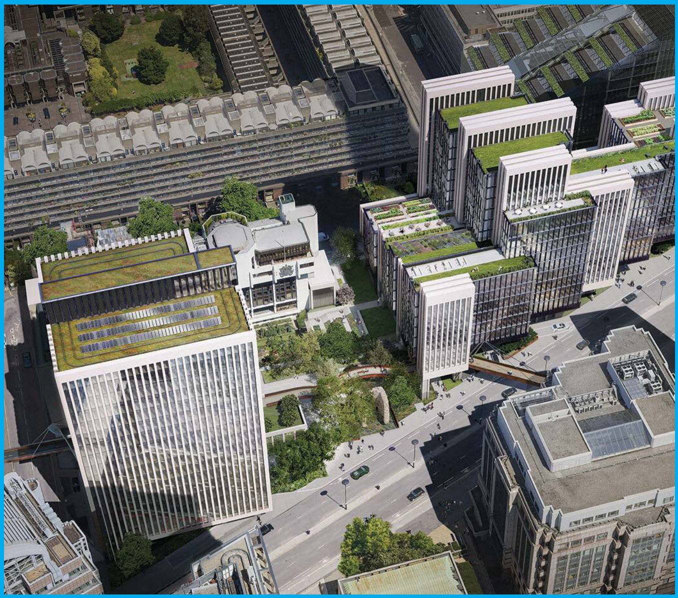
The key drivers of change in our operating environment are the market cycles (driven by public and private sector demand), new competitors or propositions in the market place and the forces of innovation and technology.

Construction sector cycle

The London market showed signs of recovery during the latter parts of 2015 and, despite variable signals from the wider economy, there is sustained confidence that this recovery will continue during 2016 and 2017. Our regional markets, in general, lag three or four quarters behind London in the cycle.

As the London market gets substantially busier, at the end of 2015 we reported a growing trend in clients negotiating with us to lock our resource into their jobs. This trend has been sustained and, as we move into 2016, TClarke businesses with strong order books will be well positioned to be selective in seeking out those jobs with the best value potential.

As regional markets pick up, the difference between this cycle and the last is that TClarke is now better organised internally - following our regional restructuring and systems integration - to be able to target, tender, win and deliver higher value projects and to offer more complete integrated services that fit major clients and main contractors' requirements.



Changes in competitor landscape

Company failures continued to mark the construction sector in 2015, again highlighting the continuation of extreme pressure on margins, with many firms still making non-economic bids on projects in order to keep cash flow going.

Although new competitors continue to enter our markets, TClarke's long-term approach to taking on apprentices and replenishing the quality and scale of our resources, and our work on landmark projects across the UK, means that at the end of 2015, we saw our competitive position as relatively improved, year-on-year. This gives us the opportunity now to cement an improved competitive position as stronger markets persist.

TClarke has chosen to align itself with major contractors who share our view that larger building service packages delivered by trusted and high-quality partners, offer a surer route to value, quality and reliable delivery.

Innovation and technology

2015 saw two particular innovative trends; the emergence of a new generation of BIM-driven major construction projects (where 3D design tools drive almost every aspect of the job including the work of operatives on site) and also innovative contracts designed to align all the parties far more closely to end user benefits so that value engineering can be maximised. TClarke has been involved in several such projects during the year. We have also achieved significant milestones in technical innovation (in areas ranging from prefabrication to ICT systems) and this has allowed us to maintain our reputation as market leaders for innovation. Within comparatively short timeframes we also see new areas of technology emerging and in some cases these become specialist sectors or service areas themselves, whereas in others (for example green technologies) they become part of the existing M&E mix. For this reason, at the end of 2015 we ceased to present Green Technologies as a separate business offering.

Markets and opportunities

In understanding our markets and opportunities going into 2016/17, it is very useful to consider the quality and depth of our order book at the end of 2015. Throughout the years of recession, TClarke was successful in building a strong order book; however as we reported year by year, there was exceptional pressure on margins. In the final quarter of 2015 we began reporting a turn in the market, marked by less pressure on margins and by a greater appetite amongst our client base to lock our teams into their jobs, so that they can feel fully confident of quality delivery, without compromise to safety, as skills shortages begin to impact the sector.

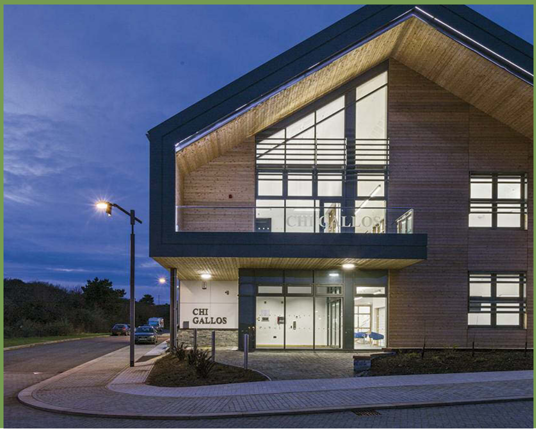
As the markets become more buoyant and skills shortages emerge, and as trends towards greater complexity and technical

London & South East

There are good opportunities for our business across London and the South East, working with long term partners who value the services we offer and the benefits they bring to project delivery. While prospects for our electrical business are strong, reflecting our longstanding market leadership, there is also much optimism that we will continue to win more mechanical and large scale M&E projects. The mix of skills, including our Mission Critical, Prefabrication and Intelligent Buildings teams, give us significant additional market advantages and differentiation and there are also good prospects for the further steady growth of our Transport division.

Central & South West

The Central and South West region entered 2016 with a strong order book that allows us the freedom to target work with care. Across the region there is a strong and diverse portfolio of growth opportunities beyond our traditional M&E markets. These include our growing strength in healthcare - from framework agreements to our specialist healthcare panel manufacturing operation. We are also seeing growth and opportunity in end user FM, Intelligent Buildings, residential and in the retail sectors. Our growth in the SW means expansion in Plymouth to new premises during Spring 2016.



sophistication grow, we can see more opportunity to create value for our stakeholders as we target the opportunities that best suit our skills.

Regionally, TClarke is better placed now than in previous cycles to target, tender for and win larger scale opportunities as we have sought to match our client and main contractors requirements better in the shape and scale of operations we can offer.

TClarke approaches growth in a steady and managed way, that focuses first on safety and quality. Going into the next year our nationwide message is simple:

TClarke has the resources you need to deliver your project.

North

Our strategy of managed growth in the North, based on building our reputation with key clients and main contractors, will be extended right across the region, taking in our North West operation as we look to take advantage of the range of projects that emerge as the Northern Powerhouse programme gets underway and the markets improve. Changes in our organisation, bringing the whole Northern region under a single, integrated management is something we expect to bring further results as we bring the TClarke brand name to new clients and build on the progress made in the last 12 months. The securing of our client, Overbury, in the Newcastle market in 2015 is something we are particularly looking to build on in coming years.

Scotland

The prospects for the Scotland division are good, with its best ever forward order book and the market's increased confidence in our ability to deliver. We see continued strength in the residential markets in which we are a recognised leader and alongside this we see substantial growth potential in residential FM markets. In 2016 we see a continuation in the trend of increasing complexity and therefore value in the projects we deliver both in residential and wider M&E markets where our advanced Intelligent Buildings capability gives us a clear market advantage.

Strategic operating model

Our strategic operating model is market-focused and allows us the agility to operate successfully, enhance our reputation and build

Our strategy

Vision statement

TClarke aims to be a successful and highly capable building services contractor, organised to create and take advantage of market opportunities for profitable growth across the construction industry, retaining our 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 stakeholders.

Strategy statement

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.

Quality system and risk management

TClarke invests heavily and consistently over the long term in the areas that are known to drive safety, quality and excellence - particularly through sustaining our market leading resource of directly employed people. This, allied to a strong, well focused risk management approach, underpins every aspect of our strategic approach and decision making.

Strategy drives our selection of target sectors, investment in resources and operational management

Guides our operations

What we do

We are a nationwide building services contractor delivering the full range of mechanical, electrical and ICT services from strong regional teams across the country. Our focus is to be recognised as an industry leader in each of the specialist areas we work in - and equally on the retention and enhancement of our traditional reputation for delivering good value, total trustworthiness and excellent work quality.

Resource

Everything TClarke achieves depends on our people. TClarke's directly employed workforce allows us to deliver the six key advantages the market wants. Supporting our frontline teams, we have very high quality, highly experienced technical directors, divisional directors, foremen and specialist teams. Our executive leadership brings considerable professional experience and understanding of the brand, values and attitudes required to deliver the TClarke service.

UK coverage

TClarke provides complete UK coverage from fourteen locations nationwide. We are organised in four regions in order to allow us maximum agility in tendering, winning and delivering the projects we target.

Our resource, sector focus and UK coverage allow us to deliver six key market requirements

long-term value within a sector that is cyclical, competitive and increasingly complex.

Delivers advantages the market wants

Safety
Investment to remain industry leader: safety is our number one daily priority.

Quality
World class skills, experience and motivation to deliver high quality work that's right first time.

Innovation
Embracing new technology and techniques; expert in buildability and integrated thinking.

Value
Market leader in value engineering through in-house resources delivering against innovative end-user-focused contracts.

People
Market leading resource of large scale, directly-employed, high-quality building services personnel.

Relationship
A modern, open and highly-proactive approach taking responsibility at every level for delivery, resulting in long-term relationships.

Creates sustained value

Sustained Stakeholder Value
Agility in identifying and taking market opportunities - and in redirecting resource efficiently to new opportunities. Sustained capability to target and win high-value projects, and enter high-value sectors successfully.

Sustained Market Leadership
Continued focus on virtuous circle of retention and enhancement of in-house skills and resource in order to win major and innovative projects that deliver results, build relationships and brand reputation and allow us to invest in our skills and resource.

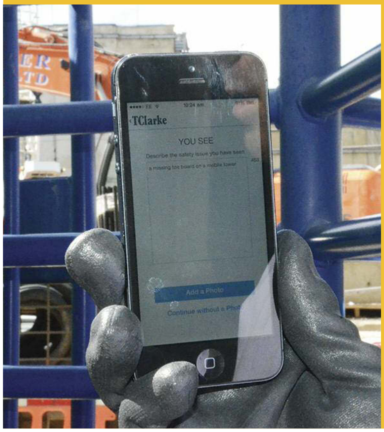
Benefits to society
Driving higher standards of quality, environmental impact, value and efficiency to improve living and working environments across the UK, creation of a high volume of directly employed high quality UK engineering careers including world class apprenticeship schemes.

Sustained delivery of brand advantages, delivery platform for sustained growth and market leadership

TClarke

The TClarke Way

In competitive and cost conscious markets, people choose TClarke because of six key market advantages we offer:



Safety

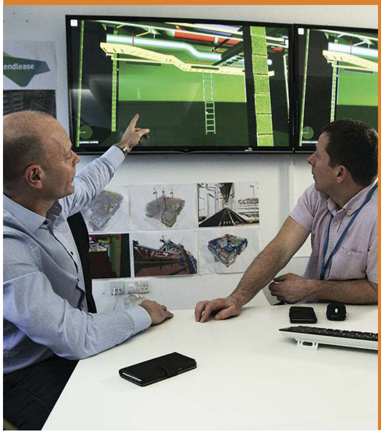
Investment to remain industry leader: Safety is our number one priority

TClarke is an industry leader in safety. Investment in safety teams and infrastructure has stayed high throughout the recession. Indeed, as well as advancing best practice, we have also innovated substantially, introducing smartphone safety apps across our Group and supply chain to complement an ongoing series of safety campaigns and systems. TClarke's safety establishment comprises a head office team led by a Technical Director for Group Health and Safety and a team of six specialists in London, supported fully by fourteen health and safety managers across our business. In relation to the frontline teams it serves, we believe this is one of the very best resourced safety teams in the industry.

Quality

World class skills, experience and motivation to deliver high quality work that's right first time

TClarke's people have the skills, experience and motivation to deliver high quality work that's right first time. As the industry develops more technical complexity and integration of advanced building services, TClarke remains a market leader. The Aircelle clean room facility, completed by our North West team for new client and world scale multinational aerospace business Safran, is all about quality. This is extreme engineering on a large scale to create an environment where multi-tonne high speed robots precision manufacture carbon fibre aerospace components to ultimate levels of accuracy. TClarke's ability to deliver, within a challenging timeframe and to client satisfaction, is an excellent example of the quality levels we have achieved during 2015.



Innovation

Embracing new technology and techniques; Expert in buildability and integrated thinking

The scale and nature of projects we work on keep us at the cutting edge of technical innovation - not just in introducing new technology and construction techniques but in developing the depth of knowledge on the practical buildability involved. In 2015 Facebook announced that its UK HQ would be at Rathbone Place and during the year, our teams have worked here with Lendlease on a full BIM level 2 project, where the entire project is modelled in 3D - and 3D 'drawings' on iPads are used onsite by our installation teams. During 2015 TClarke's BIM capability and practical experience has been substantially enhanced - we see this as a strategic advance for the industry and our firm, with increasing call for our resource of BIM operators who are also fully qualified and experienced engineers.

Value

Market leader in value engineering through in-house resources delivering against innovative end-user-focused contracts

TClarke's depth and range of in-house technical skills, product knowledge and experience of building complex and challenging projects through the design, build and maintainance phases of construction give us major advantages when it comes to innovating with confidence to deliver value. One of the most direct ways we showed leadership in this area during 2015 is in the power of our combined design and estimating teams in London. These are 'full-spectrum, expert' services ranging across all building services and the value to clients comes in their ability to strip cost, increase design accuracy and deliver total confidence in the solution. These practical 'designability' advantages come from our wealth of expertise and practical experience and are central to value engineering.

Resource

Market leading resource of large scale, directly employed, high-quality building services personnel

The quality of our resource is the cornerstone of our market reputation and TClarke stands out as a firm that provides world class apprentices and exceptional career paths. The motivation, team spirit and proactive approach to collaboration we have at every level, is what gives us the edge in delivery. During 2015 the quality and scale of our resource has once again demonstrated its value as the Company's single greatest advantage. Across London and the regions, as markets have returned, so clients and main contractors have increasingly turned to us as the people who have the quality of resource they need to deliver their projects. During 2015 our apprenticeship programme and new TClarke Academy showed our commitment to further strengthening this advantage.

Relationships

A modern, open and highly proactive approach, taking responsibility at every level for delivering real collaboration

TClarke's people at every level have a strong culture of taking responsibility and being open to full collaboration. We see substantial opportunities to create value for all parties by being fully collaborative as a firm, as teams and as individuals. Across the UK, our clients often ask for specific teams to work with again - our people are trusted. In 2015 TClarke's design and build operation in the South East enjoyed considerable success, hitting all its targets, introducing the business to new clients and delivering quality work and value back to our business. Going into this specialist market segment, with a very clear relationship-focused proposition, this new venture for TClarke has again demonstrated the power of this approach.

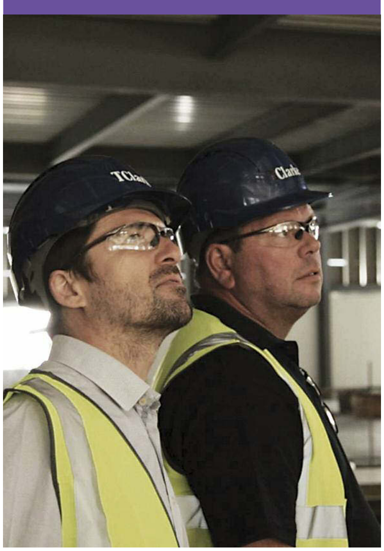
Projects The TClarke Way

How has the TClarke brand delivered for clients in 2015?

These six examples are not necessarily the largest or most significant projects we've been working on during 2015, but they are all good at demonstrating The TClarke Way at work.

Safety:
'Absolute' Campaign

Our 'Absolute' campaign, introduced in 2015, had the effect of engaging our workforce to ensure that we are 'absolute' in our determination to report every single accident in the business, however trivial it may seem. Even though this inevitably drives our accident figures up that's something we welcome and seek because it allows us a better focus on safety in every detail. Safety isn't something we do for show.



Quality:
Selfridges

The upgrading of mechanical, electrical and ICT systems at Selfridges, without disrupting trading, has been an enormously complex exercise, well illustrated by the 1,500 separate safety documents and 400 risk assessment and method statements we've delivered. Works including a wide range of diversions and replacements under five separate contracts, linked by a common management contract, have required very high levels of expertise in planning and execution. It is a classic TClarke job, led by our Mission Critical team.

Innovation:
Medical team

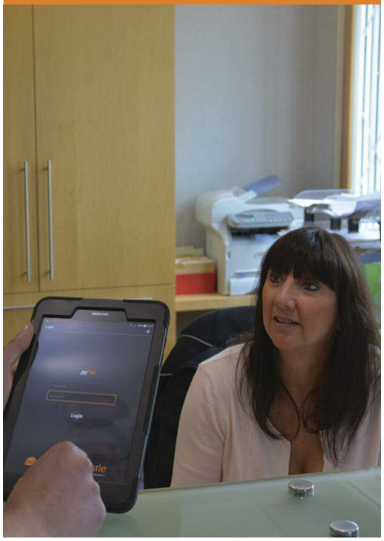
TClarke's agility in getting behind an innovation and exploiting it is very well demonstrated in the rapid and 100% organic growth of our medical business based in Huntingdon. Starting with some deep insight into the market and an innovative business idea, Nigel Thompson had led the development of a series of incredibly successful and innovative value engineering solutions to the creation of strategic partnerships with global medical technology businesses and delivery of solutions in hospitals across the UK. In 2015 the team exceeded targets by 100% and there's potentially a lot more to come - and it all came from our own resources.

Value: Bank Station upgrade

The Bank Station upgrade project has pioneered a new approach to value. Bids were not only assessed on added value rather than lowest cost, but bidders were also rewarded for ideas presented at tender stage. TClarke partnered with Dragados and their solution will cut journey times through the station, boosted the scheme's benefit-to-cost ratio from 2.4:1 to 3.5:1 and it also cut the estimated final cost by almost 10%. This project has given us a major opportunity to move up the value chain working directly with end users and helping Dragados deliver exceptional levels of value.

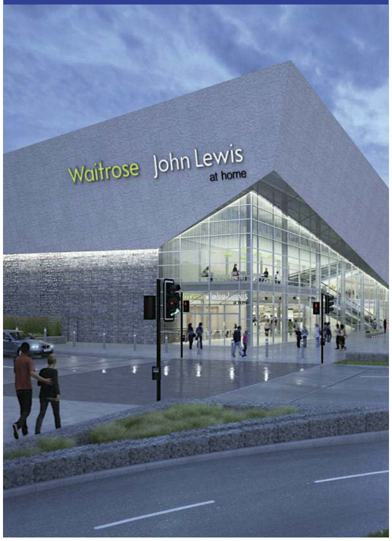
Resource: FM for Factors

Across the Group in 2015 TClarke, after having received many requests from our client base and beyond, successfully developed a series of new strategic Facilities Maintenance (FM) Teams that are linked up across the UK offering a cohesive and trusted service. Our team in Scotland has been highly successful in this market, utilising the backbone of their long established residential customer service team and service call centre, they have locked in many partners in the building management sector whilst also servicing fully the Scottish property factoring market.



Relationship: Waitrose & John Lewis

Waitrose doesn't just look for quality, speed and value in project delivery, they look for partners who take responsibility. For TClarke, this is exactly the kind of relationship we target; long-term, personal, collaborative, decent and dependent on motivated people being honest with each other. What has been particularly pleasing in 2015 has been our progression within the Group to win and begin work on a number of John Lewis stores.



What we do - our services

We go to market with a nationwide building services offer that is anchored by a core of world-class skills in mechanical, electrical and ICT contracting.

The key business advantage of our core skillset is that we can move rapidly in and out of specialist sectors in order to achieve best value for stakeholders. Therefore, as market opportunities present themselves, we can deploy these skills in particular sectors or services lines. Equally, as technology and techniques advance, we can develop leading edge skills quickly and cost effectively, from our own resources.

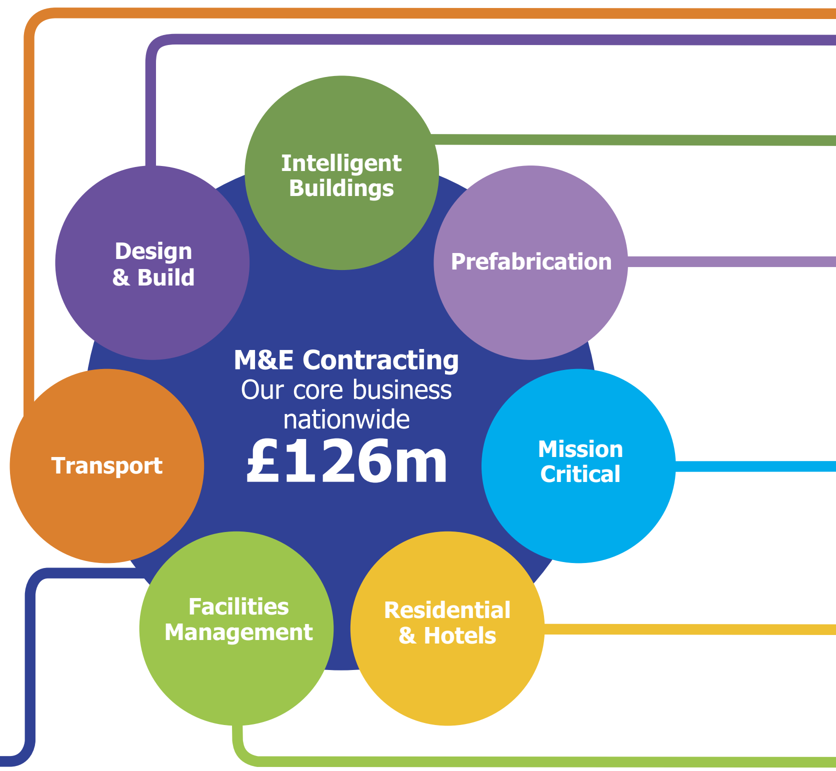
In some cases, as with ICT, it makes commercial sense for us to go to market with distinctive offerings; meanwhile in others such as Green technologies, the market gradually begins to expect these as normal elements within an M&E package, and we no longer present them as separate offerings, although our capability in fact keeps on growing.

M&E Contracting

This is our core business nationwide and we are recognised as a market leader. Within M&E contracting we have considerable experience in many sectors including commercial offices, retail, education, healthcare, financial services and media and, as these sectors offer more or less opportunity within the cycle, we focus our operations and tendering strategy accordingly to get the optimal balance within the order book.

In 2015 we fully integrated our London mechanical and electrical teams under cohesive joint leadership and we see this as a significant and long-term action in maximising our brand's reach across London building services markets. The major London electrical contracting market (TClarke's traditional core business) saw key strategic partnerships flourishing - for example, with Sir Robert McAlpine at Bloomberg London, and with Lendlease and Brookfield at a number of major projects. In many cases TClarke was involved early and identified as the preferred partner.

On the mechanical side we have had considerable success. A key milestone was the successful completion of our first project at Chiswick Park with Lendlease as principal contractor. The performance on this project has helped secure the Ruskin Square fit-out project (first of five phases on the large-scale Croydon development). The relationship with Lendlease has also expanded to include the Lendlease Developments division with whom we have secured a first package on the TIQ development at Stratford.



Other clients we have seen added to our Mechanical portfolio over the year include Structuretone Ltd, with the Shard Fit-Out (Levels 8-13 & 18-22) and Bird & Bird refurbishment; with ongoing negotiations on further works alongside the TClarke Mission Critical Division.

Regional performance in M&E contracting has seen the first fruits of our regional restructuring and increased focus on larger projects, often involving combined resources from different TClarke offices. Projects have included HMRC Newcastle, John Lewis Leeds, Beckley Court Plymouth and the Botanics Glasgow and at Manchester Airport, our first major M&E project in the city for a number of years.

2015
£15m

Transport

Solely through organic growth, TClarke has built a market-leading transport specialism, developing full accreditation and then winning projects of increasing scale and complexity over the past decade to the point where in 2015, at Bank and Victoria Station upgrades and with our work at Paddington on Crossrail, we were working on some of the most significant projects in the industry.

2015
£20m

Design & Build

In 2014, to complement our existing design & build capabilities across the regions, TClarke saw the opportunity to develop a specific design and build operation targetting projects within the London and South East region. The team has been highly successful in introducing the TClarke brand and approach into this market and we are optimistic for future growth.

2015
£5m

Intelligent Buildings

TClarke's Intelligent Buildings team delivers ICT infrastructures and solutions on every scale - and increasingly, our capability in this area is instrumental in helping us to win major M&E contracts in London and across the regions, as the ICT component in construction projects increases.

2015
£10m

Prefabrication

Our prefabrication of a variety of mechanical components at our workshop facilities in Harlow gives us a market-leading advantage that helps us win major mechanical and M&E projects - particularly in London. 2015 saw us retain our market position as pre-eminent specialist pipework, pre-fabrication and modularisation contractor in London - particulary with our work this year on NOVA Victoria. Our continued performance and commitment on this large scale scheme for Mace MEP has resulted in a significant opportunity for repeat work on future major developments in London.

2015
£13m

Mission Critical

Our Mission Critical team of highly skilled and highly experienced engineers is one of TClarke's most valuable advantages and we deploy it as a strategic asset to win and also to deliver the most complex high-value projects. In 2015 these projects included works at Dungeness and Sizewell Nuclear power stations, Deutsche Bank, ITV, Imperial College, Thompson Reuters and Selfridges.

2015
£33m

Residential & Hotels

TClarke has a very strong track record in this sector, ranging from our market leadership in the residential sector in Scotland, to work on hotels and student accommodation across the UK and on high end luxury developments in London. We integrate M&E and ICT and operate as a highly innovative partner. In 2015 we continued our approach of selective tendering in order to maximise value and minimise risks of over-exposure and won significant end-user FM contracts across the UK.

2015
£20m

Facilities Management

We have a strategic interest in FM since it is far less cyclical than other construction sectors and it is also a sector in which the ability to deploy high-quality, motivated and reliable people is critical - and this is a very good fit with our brand offer. We are further diversified with an operation in the North West, focused on supplying global defence, aerospace and blue chip engineering clients, regional FM operations serving smaller markets and in 2015 a nationwide FM capability based on our new FM hub in Leeds. This nationwide operation won and began to deliver major contracts during the year such as the Mitie contract to provide services for 500 care homes nationwide and the GO4 Maintenance contract to service 60 office buildings.

UK nationwide coverage

The TClarke Group operates in four geographic regions from 14 locations. This allows us to offer UK coverage and to match our service provision to market needs and the opportunities we target. Recent reorganisations have integrated and improved the efficiency of all our Group back office, IT and operational systems and our accounting and administrative functions.

Over the last two years we have also been integrating our Group sales and marketing activities and, as the next logical stage in this process, in 2015 we introduced a new regional structure based around four operating divisions: London & South East, Central & West, North and Scotland.

The business rationale has been to match our regional resources and skills in the most effective way to the market opportunities we seek and to the way our main contractor clients are set up across the UK. During 2015, this reorganisation delivered significant value, not only in our ability to deploy regional resources together, and therefore to target and deliver larger contracts regionally, but also in making us more effective at marketing our brand and proposition in the regions.

Scotland - £16.2m

TClarke Scotland ended 2015 confidently, with a very strong secured work bank. 2015 was a year marked by continued strength and innovation in the residential market, a strong entry into the FM market, servicing Factors, innovative product and service development from our Intelligent Buildings team, whose work has ongoing strategic value Group wide and also the re-emergence of our M&E business with significant contract wins, based on a selective tendering approach.

North - £41.8m

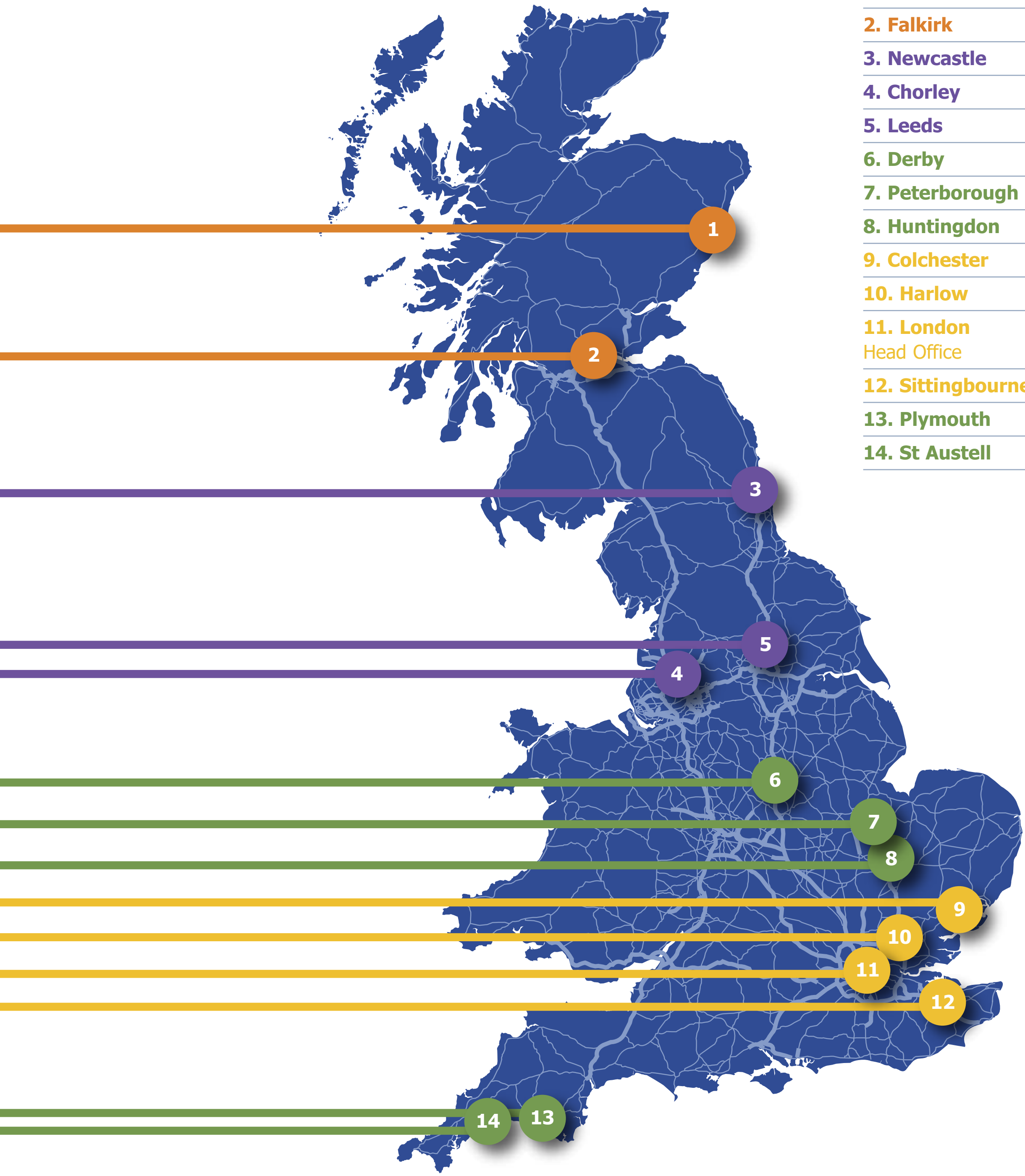
2015 has been a very important year for our new Northern region with strong leadership supporting steady managed growth through a series of new strategic partnership wins, collaborative approaches to tender, win and deliver projects and the move of our North West team to expanded new offices prior to plans for growth into wider M&E markets in the North West. The approach in this region will continue to feature the delivery of quality services through our traditional high quality resource.

Central & South West - £56.9m

In our Central & West region, even though markets were not fully recovered, we saw TClarke's business move ahead with considerable optimism, ending the year with strong order books and a range of strategic wins, including collaborative wins involving teams from across the region and beyond. During 2015 the Group discontinued its Cardiff and Bristol operations, focusing investment on relationships and markets where the returns our stakeholders require are available.

London & South East - £129.1m

As mentioned previously in this report, our London & South East region saw considerable success towards the end of 2015, which has been the first year of integration of our mechanical and electrical businesses in London. Our success in winning large scale M&E contracts - like BP Sunbury, winning mechanical work with longstanding electrical clients - like Stanhope, and working as preferred bidders with several strategic clients, has allowed us to build a strong order book and confidence going into 2016.



1. Aberdeen
2. Falkirk
3. Newcastle
4. Chorley
5. Leeds
6. Derby
7. Peterborough
8. Huntingdon
9. Colchester
10. Harlow
11. London
Head Office
12. Sittingbourne
13. Plymouth
14. St Austell

A balanced range of projects

It is a key strategic priority of TClarke to target and win a balanced portfolio of work so that our risks of exposure in any one market are mitigated and so we are also capable of taking full advantage of market opportunities as they change.

Large Mechanical London

1. Chiswick Park

One of many major projects for Lendlease

Large Electrical London

2. Principal Place

One of a series of major projects for Brookfield Multiplex

Large M&E London

3. BP Sunbury

Among first of our large scale M&E projects

Large M&E Regional

4. Beckley Court

A flagship major M&E project in South West

Large M&E Regional

5. HMRC Newcastle

Large M&E combining Leeds (M) and Newcastle (E) teams

M&E Regional NW

6. Promat UK

Specialist equipment relocations

M&E Regional

7. Kettering Hospital

Innovative specialist medical design, manufacture and installation team based in Huntingdon

Design & Build

8. Mizuho Bank

One of a series of new D&B, M&E projects

Intelligent Buildings

9. Rathbone Square

Flagship development with advanced ICT components

Transport

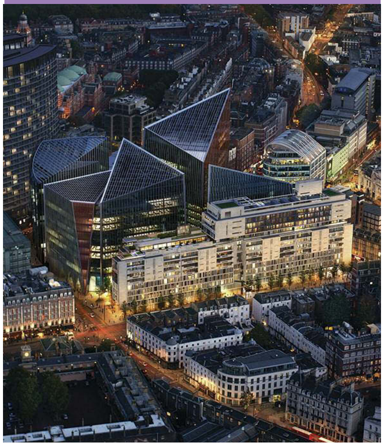
10. Victoria Station Upgrade

Ongoing major transport hub programme

Prefabrication

11. Project Nova

Flagship large scale prefabrication programme



Residential Regional

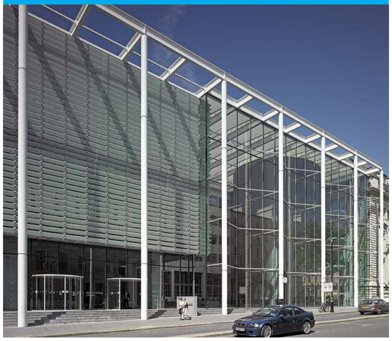
12. Botanics, Glasgow

Flagship high-spec M,E and ICT installation

Mission Critical

13. Imperial College

Blackett Building services riser replacement



Facilities Management

14. Mitie Care Home

FM contract delivered across UK

Facilities Management

15. BAE Scrubber Plant Installation

Part of BAE facilities management programme in Salmesbury

Our people - our key asset

TClarke's key strategic asset is our resource of people. The advantages they offer can be set out simply in three areas:

Frontline teams

From Aberdeen to St Austell we train, directly employ and retain strong teams throughout the business. Their long-term stability, together with the constant influx of new people, through our world-class apprenticeship and training schemes, means that we can develop a very strong culture that emphasises the things that matter most - safety, pride in the work, delivery whatever the challenge and an open approach to collaboration. Once they are booked onto a job, our teams give clients real confidence that the job will be done, on time on budget and to high standards of quality and safety - and that's exactly what they need.

Senior management

The TClarke senior management team is a team of people who have enormous personal investment in the values of the firm - indeed many of our senior managers and two of our main Board members were TClarke apprentices themselves. The approach at this level is direct and open. Our Executives are always available for clients and themselves bring high levels of expertise and experience to the business. The sense of cohesion and shared values, directly linking our apprentices and most senior leaders, means that clients can place trust in the firm at every level, in every situation.

Leaders and specialists

TClarke offers very clear career paths for people with the aptitude and attitude to lead, to take further professional qualifications and to take responsibility on our projects. And since TClarke wins complex and challenging projects, our leaders and specialists have the opportunity to gain high level experience very quickly. At TClarke we are also keen to give young leaders plenty of this kind of opportunity. The strength in depth of our leadership, specialist and managerial staff is absolutely critical in allowing us to add substantial value at design stage, to deliver during implementation and to handle complexity and challenges whatever they may be. Very often our teams of leaders are asked for by name on major projects.

The leadership team at work on our Victoria Station Underground are all in their twenties and all former TClarke apprentices.

Our people - better career paths

One of the chief reasons that our people are committed to the firm is that the firm is committed to them and offers career paths with very strong prospects. The result is that our firm is led at every level by people who really believe in the standards and values of TClarke and who take responsibility for driving them forward.

Danny Needham

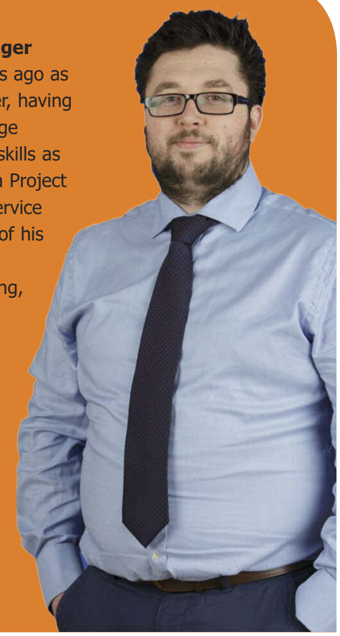
Construction Manager

Danny Needham started as a TClarke apprentice in August 1989 on Broadgate and his career of project work, including Buckingham Palace, 10 & 11 Downing Street, London Eye, Houses of Parliament, Tate Modern and Westfield Shopping Centre speaks for itself. He has received a very full range of training including first aid, fire marshall, Pasma mobile scaffold tower and SSMTS. In many ways Danny Needham exemplifies the quality and experience that TClarke offers its clients.

Tom Anglim

Mechanical Project Manager

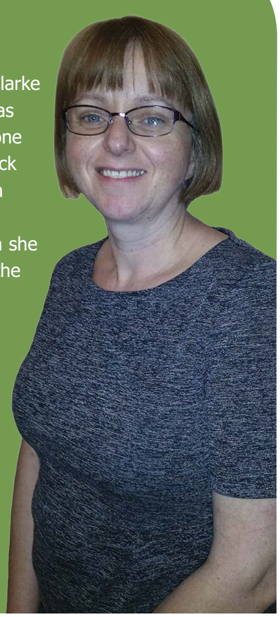
Tom joined the firm six years ago as a young mechanical engineer, having worked on the Olympic Village infrastructure, added to his skills as a Site Manager and is now a Project Manager on his first multi-service mechanical project. As part of his development, Tom has been supported to develop planning, procurement, control, information and CAD process engineering skills. He has also developed the deep proactive relationships with Commercial teams that we and our clients need.



Wendy Turner

Office Manager

Starting as an office junior in 1986 (with Mitchell and Hewitt, which TClarke acquired in 2004), Wendy Turner has played a leading role in delivering one of the key elements of TClarke's back office rationalisation and integration programme over recent years. Her career moved on first in 1990 when she assumed main office duties within the firm. In 2010, she worked on the roll out of the COINS (construction software) system and subsequently has gone on to lead the successful set up of the Derby shared services centre for the business. Wendy now runs a team of 11 and processes in the region of 5,000 invoices per month.



Paul Keogh

Director

Paul started with TClarke Midlands in 1984 working on measured term contracts for British and American military bases. In 1992 he was appointed Contracts Manager and two years later began working on our Waitrose/John Lewis account in 1994. Two years later he was appointed Technical Director and in 2002 he was appointed Director of our Peterborough operation. Paul's consistent ability to deliver for Waitrose and John Lewis, like many other members of the team he leads, can be seen in the light of 22 years professional experience working alongside them.

Kevin Bent

Construction Manager

Kevin's great depth of project experience, including upgrades and extensions of live 'operational' data centres, banking and trading environments, is of huge value in delivering projects and adding value during the major installations for which he is responsible. Kevin joined the Company in 1987 and is another TClarke leader whose potential was recognised early. In 1989 he won TClarke 'Apprentice of the Year' along with Brixton Technical College and the ECA Southeast Apprentice Of The Year Awards. Kevin has had a range of supervisory roles covering everything from fire alarm installation to electrical commissioning with specialisms in HV/LV infrastructure and Central UPS Systems.

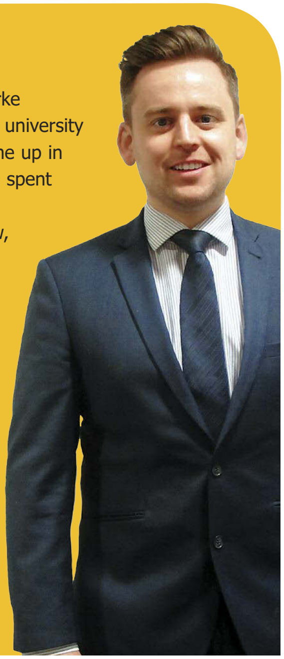
Phil Leonard

Director

Phil joined TClarke at the age of 18 and, having completed his apprenticeship, progressed through the grades of Electrician and Approved Electrician to become a Site Foreman running projects such as Eldon Square Shopping Centre, responsible for up to 20 electricians and over-seeing sub-contractors. In 1995 he was appointed Outside Works Manager and became NICEIC Qualifying manager for the Company. In 1997 he was appointed Contract Engineer and began running and estimating projects of varying size and complexity. Appointed Director of our Newcastle operations in 1998, Phil has been responsible for many of our landmark projects in the North East, delivering on time and profitably in each case - and building the brand reputation of our business.

Derek Ramage

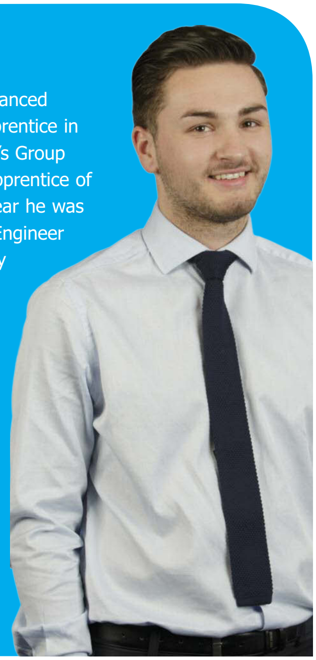
Surveying Manager



Derek Ramage's father was a TClarke engineer and Derek chose to leave university when a TClarke apprenticeship came up in 2003. Following his apprenticeship, spent working on CALA homes' flagship development at Jordanhill, Glasgow, Derek served his time and was appointed first trainee and then Quantity Surveyor, at which time he studied for and achieved an HNC in Quantity Surveying moving from residential to larger commercial projects. In 2015 he was appointed Surveying manager and the business has continued investing in his development as he himself now supports the development of people in his team.

George Antino

Electrical Project Manager



George Antino's career has advanced quickly since starting as an apprentice in 2008. In 2012 he won the firm's Group wide and highly competitive 'Apprentice of the Year'. Subsequently, that year he was appointed Electrical Contracts Engineer working within the firm's rapidly developing Transport Division and in 2014 he was appointed Project Manager and offered the opportunity to run one of the highest profile jobs across UK transport engineering - the Victoria Station Upgrade in London, where he leads a young team who are all in their twenties.

Our people - safety

Switched on to safety, a commitment that doesn't falter

TClarke's commitment to a high quality in-house Health and Safety function stretches back to times when safety was by no means the universal industry priority it is today. Over the years since then, our investment has stayed at high levels, regardless of economic conditions and today our safety establishment is pro-rata one of the very best resourced and most innovative in the construction industry, with 21 staff and Board responsibility taken by the Group MD for all safety issues.

The scale and cohesion of our nationwide team has increased as Group systems have been further integrated. The 'You See, You Say' near miss reporting system, including our innovative smartphone app, has helped this. Our 'Have Your Say' programme allows individuals to make comments, questions or statements via our SHE committee meetings. The 'Good to Go' file and pre-task briefing sheets have been developed to assist in the requirement for Pre-Start Briefings, Safe Starts, Daily Briefings (DABS) and any other project requirements for day-to-day Safety Briefings.

It is an important feature of our safety approach that with all this activity, we have also actively sought an increase in our reported accidents - through our 'Absolute' Accident Reporting programme that seeks to record and report every single incident, no matter how seemingly trivial.

It is good to report the increased reach during 2015 of our 'You See, You Say' smartphone app in London and right across the Group. Response times for the app are virtually instantaneous.

Our people - ongoing training

The TClarke Academy

TClarke Academy provides a wide range of technical and professional training opportunities for our staff. The Academy has been founded with the clear purpose of supporting and encouraging people to develop their careers further and to move ahead in new directions.

Looking ahead and thinking in the long-term, we see an increasing need for skills in every area of our operation and we see value for our people and our firm in significantly increasing the ease of access, range of options and motivation for people to take their careers forward.

Our intake of 75 apprentices was supported from day one in London by an innovative 'buddy' scheme, pairing new joiners with experienced apprentices - our aim is to make their experience as good as possible. The picture below is Apprentices Day at Moorfields, London, September 2015.

Principal risks

Risk management

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

The Board is responsible for defining the Group's appetite for and approach to risk, including the Group's system of risk management and internal controls. The Board has delegated to the Audit Committee the responsibility for reviewing the effectiveness of the Group's internal controls, including the systems established to identify, assess, manage and monitor risk and provide assurance. 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 2015.

Our risk management process

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

Principal risks

The principal risks faced by the Group and the mitigating actions and controls in place to address these risks were reviewed in March 2016, and are presented below.

Risk	Strategy impact	Mitigation	Change from 2014	Main drivers of change
Political, economic and market conditions 1. The construction sector is highly cyclical. The Group is dependent on the planned level of construction and maintenance expenditure by both the public and private sectors. 2. The Group is subject to complex and evolving tax, legal and regulatory requirements. A breach of laws and regulations could lead to litigation, investigations or disputes, resulting in additional costs being incurred, civil and/or criminal proceedings and reputational damage.	**Sustainable Growth**	1. The Group continues to operate throughout the UK using its core M&E skill base to enable agile movement in and out of sectors to meet changing market demands. 2. The Group monitors its order book to ensure an appropriate balance of work between London and the regions and across the various sectors in which it operates. 3. The Group develops long-term client and contractor relationships and seeks to secure framework agreements to mitigate against demand fluctuations. 4. Cost and skills bases are aligned to reflect anticipated work load. 5. The Group monitors legal and regulatory developments in the areas in which it operates, and seeks legal or other specialist advice as appropriate. All employees, suppliers and subcontractors are required to comply with all applicable laws and regulations. Training is provided on legal and regulatory changes as required.	↓	Construction activity in London has increased as projects put on hold during the recession are released, however there are resource constraints and inflationary pressures. The regions are generally slower to recover, lagging the London market by approximately a year. Bristol, Cardiff & Kent retained stubbornly low tender margins. Bristol and Cardiff have been discontinued and Kent absorbed into London M&E.
Financial strength The Group's ability to secure and deliver work depends on its perceived financial strength and the availability of cash resources, banking facilities and the ability to provide performance and other bonds as necessary.	**Growth Ready Platform**	1. Capital structure and dividend policy managed to ensure adequate reserves maintained to fund growth strategy. 2. The Group monitors cash flow requirements and seeks to match maturity profiles of financial assets and liabilities at contract level. 3. Efficient utilisation of resources monitored via group-wide business management system. 4. The Group has in place a £5m Revolving Credit Facility, committed to 31st March 2017, and an £8 million overdraft facility to help manage short-term fluctuations in working capital. 5. The Group also has in place £17.5m committed bonding facilities. 6. Surplus cash is placed on deposit only with large UK financial institutions. 7. Creditworthiness of counterparties monitored on an ongoing basis.	↓	Improved financial performance in 2015, net cash increased and IAS 19 pension deficit reduced, strong order book.
Reputation 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.	**Delivering Quality**	1. The Group supports high standards of business ethics, sustainability and compliance, and is committed to improving health and safety at work for all. 2. Feedback is sought from key stakeholders on a regular basis and actions arising from this feedback are discussed and agreed at an appropriate level.	↔	
Winning new work Our ability to secure profitable new work is dependent on our ability to: • adequately resource tenders; • understand the technical and commercial challenges incumbent in each tender; and • price the associated risks accordingly. If risks are under-priced, contract losses and reputational damage may result; if risks are overpriced, the Group will not secure sufficient tenders to replenish the order book and grow the business.	**Building Strong Relationships and Sustainable Growth**	1. Focus on strong relationships enables us to understand client needs and focus our tendering activity accordingly. 2. We have experienced teams of estimators throughout the country, with all bids reviewed by a Director and checks carried out to avoid incorrect or non-competitive pricing. 3. The Board remains committed to the principle that we will not bid for work below commercially acceptable rates. 4. A detailed business case is prepared for any proposed expansion into new geographic areas or business sectors, and is subject to prior Board approval.	↓	Tender prices and margins are improving as clients and contractors seek to lock in scarce M&E resource. The Group's order book has continued to grow.

Risk	Strategy impact	Mitigation	Change from 2014	Main drivers of change
Health and safety Failure to manage health, safety and environmental risks could cause serious injury or loss to employees or third parties and expose the Group to significant financial and reputational loss and litigation.	**Commitment to Safety**	1. The Group Managing Director has overall responsibility for health and safety across the Group, ensuring safety is prioritised throughout the Group. 2. The Group Health and Safety Director and Group Environmental Manager monitor and respond to legal and regulatory developments. 3. Industry leading health and safety policies and procedures are maintained. 4. All employees receive regular training and updates to ensure they are aware of their responsibilities. 5. All employees, suppliers and subcontractors are required to comply with all applicable laws, regulations and standards.	↔	
Contract delivery The Group concurrently runs several hundred contracts across the country, some of huge complexity. These require high quality, proactive management to ensure delivery of value objectives for all stakeholders. Failure to deliver could result in significant financial and reputational damage.	**Innovation and Building Strong Relationships**	1. Ongoing assessment and management of operational risk throughout project lifecycle. 2. Train and maintain industry leading teams of directly employed engineers, surveyors, supervisors and skilled tradespeople. 3. Regular performance reviews of all key suppliers and subcontractors. 4. Insurance cover reassessed each year, to guard against liability claims. 5. Profit and cash flow are monitored throughout the project lifecycle, with regular reviews at contract and business unit level. 6. Contracts of a significant size or risk are regularly reviewed by executive management and discussed at Board level.	↔	
People and skills Attracting, retaining and developing high calibre staff and skilled tradespeople is key to our ability to deliver value for our stakeholders.	**Growth Ready Platform**	1. The Group remains committed to providing apprenticeships, career paths and ongoing training and development for all employees. 2. Remuneration packages for all staff are linked to performance and monitored to ensure they remain competitive. 3. Labour rates are monitored regularly to ensure tender rates are realistic and increases are managed. We have continuous dialogue with the trade unions and continue to review our policies and procedures in managing this risk.	↔	
Supply chain To deliver projects to the correct specification and to budget requires the availability of sub-contractors, components and materials of sufficient quality and at the right price. The majority of projects we secure do not allow for the recovery of increased material costs.	**Delivering Quality and Building Strong Relationships**	1. Formal supplier framework agreements are maintained to mitigate this risk, with prices locked in through procurement at the beginning of a contract wherever possible. 2. Regular performance reviews of all key suppliers and subcontractors.	↔	
Pensions The Group is exposed to funding risks arising from changes in longevity, inflation and investment assumptions in relation to its defined benefit pension scheme. The last triennial valuation of the scheme as at 31 December 2012 showed that the scheme had a significant deficit. The next valuation as at 31 December 2015 is likely to show an increase in the deficit following a further deterioration in actuarial assumptions during the intervening period and changes to pensions legislation.	**Growth Ready Platform**	1. The Group's defined benefit scheme closed to new members from January 2015. 2. Ongoing regulatory and funding requirements are monitored in conjunction with external actuarial advisers and regular meetings are held with the pension scheme trustees. 3. The Group is reviewing options in respect of the pension scheme following a raft of changes to pensions and tax legislation in recent years and the continuing adverse actuarial climate.	↑	Although the IAS 19 deficit decreased in 2015, actuarial assumptions, driven by falling bond yields, have significantly increased the Group's exposure to defined benefits pension risk during the recession.

Viability statement

The Directors have assessed the Group's prospects and viability, taking into account its current position and the principal risks outlined on pages 28 to 30.

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

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

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

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

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

Based on the financial models submitted by the business units, the Group's financial projections are updated and tested using a range of sensitivities to identify potential threats to the financial viability of the Group over the three year projection period. These sensitivities include changing assumptions with regard to margins, workload and liquidity of financial assets and liabilities. The key assumptions underlying the financial model include the renewal and continuing availability on similar terms of the Group's existing banking facilities, which comprise an £8 million overdraft facility repayable on demand and a £5 million revolving credit facility expiring on 31st March 2017, and the ability to flex the cost base sufficiently to address any significant change in workload. The three year projections demonstrate that, taking into account any reasonable sensitivities, the Group will be able to operate within its existing facilities over the three year projection period, and the Directors are confident, as demonstrated by our experience during the recent recession, that the Group's business model allows sufficient flexibility to meet any significant change in demand for its services.

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

Based on their assessment of prospects and viability above, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet is liabilities as they fall due over the three year period ending 31st December 2018.

The Directors also considered it appropriate to prepare the financial statements on the going concern basis, as explained in Note 3A on page 88.

Financial review

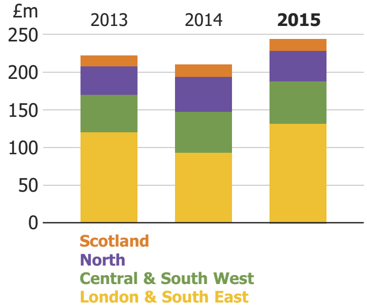
Martin Walton
Finance Director

Summary of financial performance

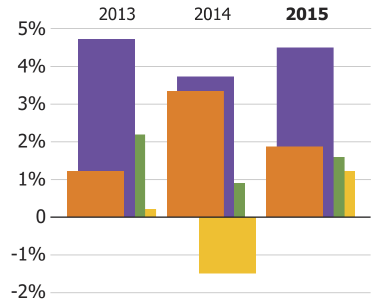
Continuing operations	2015 £m	2014 (Restated)[1] £m
Revenue	**242.4**	207.9
Operating profit		
- Underlying[2]	**4.6**	1.3
- Reported	**4.4**	(0.1)
Profit / (loss) before tax		
- Underlying[2]	**3.7**	0.6
- Reported	**3.5**	(0.8)
Profit / (loss) after tax		
- Underlying[3]	**3.0**	0.4
- Reported	**2.8**	(0.7)
Discontinued operations[1]	**(2.7)**	0.1
Profit / (loss) for the year	**0.1**	(0.6)
Earnings / (loss) per share:		
- Underlying[3]	**7.11p**	0.85p
- Continuing operations	**6.66p**	(1.78p)
- Basic	**0.13p**	(1.58p)
Dividend per share	**3.1p**	3.1p

1 Prior year restated to show Bristol and Cardiff operations as discontinued.
2 Underlying operating profit and profit before tax are stated before amortisation of intangible assets and non-recurring items – see Note 7 to the financial statements.
3 Underlying profit after tax and earnings per share are stated after adjusting for the tax effect of amortisation and non-recurring items.

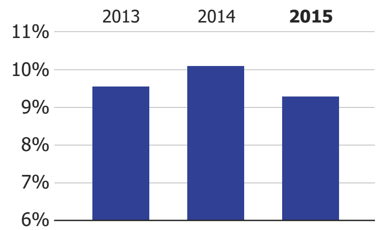
Revenue



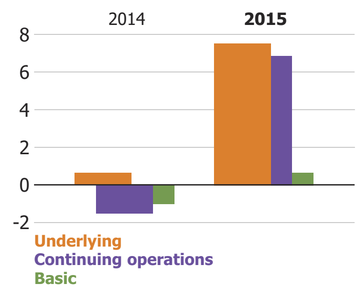
Underlying operating margin



Overhead revenue percentage



Earnings per share



Accounting policies and segmental reporting

The Group's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. There have been no significant changes to accounting policies during the year ended 31st December 2015.

As previously disclosed, the Group has revised its segmental reporting this year to split the South region into two distinct geographic regions, London & South East and Central & South West, enabling the management of the two business segments to focus better on their distinct markets whilst continuing to support the wider activities of the Group. During 2015 we took the strategic decision to close our underperforming businesses in Bristol and Cardiff, and realign our operations in the South West to focus on key relationships to drive opportunities. Prior year information has been restated to reflect these changes.

Underlying Group performance

Overview

Revenue from continuing operations increased by 16.6% to £242.4m (2014: £207.9m), and underlying profit before tax increased by £3.1m to £3.7m (2014: £0.6m), with recovery gaining momentum in our markets. London & South East, Central & South West and the North all delivered improved underlying margins, and net underlying overheads as a percentage of revenue fell to 9.3%. We move into 2016 with a replenished £300m order book improving in quality.

London & South East

Revenue from our London & South East operations increased by 36.6% to £129.1m (2014: £94.5m), generating an underlying profit of £1.5m (2014: loss £1.4m). Underlying operating margin increased to 1.2% (2014: negative 1.5%), as contracts let during the recession reached completion and the benefits of the recovery, evident in our increasing order book in recent reporting cycles, began to feed through into profit and margins.

Central & South West

Revenue from our Central & South West operations increased by 3.1% to £56.9m (2014: £55.2m), with the region benefitting from strong client relationships and repeat business. Although revenue growth was modest, the improved profitability supports our strategy of concentrating on good quality opportunities with well-respected clients and principal contractors, and expansion of our facilities management and healthcare capabilities. Underlying operating profit improved to £0.9m (2014: £0.5m), with underlying operating margins improving to 1.6% (2014: 0.9%).

North

The North generated £41.8m revenue (2014: £43.4m), with 2014 having benefited from some significant add on projects for one of our principal facilities management clients. Underlying operating profit increased to £1.9m (2014: £1.6m). This represents an underlying operating margin of 4.5% (2014: 3.7%), with the region continuing to benefit from strong client relationships and repeat business.

Scotland

Scotland's revenue was £16.2m (2014: £18.3m), and underlying operating profit was £0.3m (2014: £0.6m), representing an underlying operating margin of 1.9% (2014: 3.3%). Scotland experienced a slow start to 2015, a knock on effect of the uncertainty caused by the independence referendum and resource constraints in the region's core residential market. Activity picked up in the second half of the year, and the region has a strong order book for delivery in 2016.

Exceptional and non-underlying items

Exceptional and non-underlying items comprise £0.2m (2014: £0.2m) amortisation of intangible assets. There were no other exceptional or non-underlying costs during the year (2014: £1.2m exceptional claim settlement costs).

Finance costs

Net finance costs were £0.9m (2014: £0.7m), including a £0.6m (2014: £0.5m) non-cash finance charge in respect of the pension scheme. Net interest on bank loans and overdrafts increased to £0.3m (2014: £0.2m), reflecting increased use of our banking facilities during the year with a number of significant London projects requiring up front working capital funding.

Taxation

As a wholly UK based group, our tax charge is dependent on UK corporation tax rates. Our cost base includes a hard core of expenditure that is not deductible for tax purposes, which has the effect of pushing up our effective tax rate during periods of low profits (or reducing the effective rate on losses). For 2015, the effective tax rate was 20.1% (2014: 12.5% on reported loss).

Discontinued operations

On 19th November 2015 the Group announced its intention to discontinue its operations in the Cardiff and Bristol areas. The Group's activities in these areas ceased and the closure of Cardiff and Bristol offices was successfully completed by 31st December 2015, with the remaining employees and any outstanding contractual commitments transferring to our TClarke South West operation. The Bristol and Cardiff operations have been reported as discontinued operations for the year ended 31st December 2015, and the previous year's results have been represented accordingly.

Earnings per share

Basic earnings per share from continuing operations was 6.66p (2014 - loss: 1.78p), and basic earnings per share after discontinued operations was 0.13p (2014 - loss: 1.58p).

Basic underlying earnings per share after adjusting for amortisation of intangible assets and non-recurring costs and the tax effect of these items, was 7.11p (2014: 0.85p).

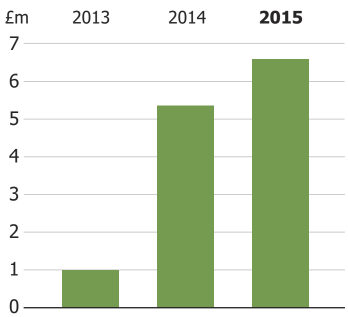
Dividends

The Board is proposing a final dividend of 2.60p (2014: 2.60p), leaving the total dividend for the year maintained at 3.10p (2014: 3.10p). The dividend is covered 2.5 times by underlying earnings.

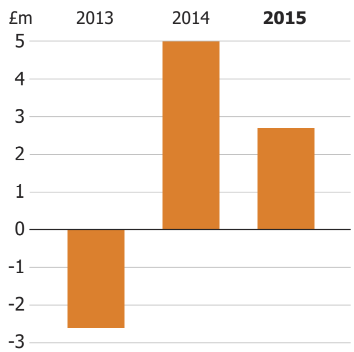
The final dividend will be paid, subject to shareholder approval, on 13th May 2016 to those shareholders on the register at 15th April 2016. The dividend will go ex-dividend on 14th April 2016. A dividend reinvestment plan (DRIP) is available to shareholders.

Cash flow and funding

Net cash



Cash generated by operations



The Group's net cash balances improved to £6.7m at 31st December 2015 (2014: £5.3m) after deducting the £5.0m (2014: £5.0m) outstanding under the revolving credit facility.

As well as the committed £5.0m revolving credit facility, which is committed until 31st March 2017, the Group has in place an £8.0m overdraft facility, renewable annually. Interest on overdrawn balances is charged at 2.75% above base rate, and interest on balances drawn down under the revolving credit facility is charged at 3% above LIBOR, fixed for the duration of each drawdown (typically three to six months). The Group was compliant with the terms of the facilities throughout the year ended 31st December 2015 and the Board's detailed projections demonstrate that the

Group will continue to meet its obligations in the future. During the year the Group arranged an additional short-term £3m overdraft facility with Royal Bank of Scotland to provide additional working capital during the start-up of phase of some significant London projects; this facility remained unused and was allowed to expire in January 2016.

Cash inflow generated by operating activities was £2.7m (2014: £5.0m), enabling the Group to continue to invest in resources to meet the increasing demand for our services.

Net assets and capital structure

The Group is funded by equity capital, retained reserves and bank loans, and there are no plans to change this structure. Shareholders' equity increased by £0.7m during the year to £19.6m (2014: £18.9m).

At £23.0m (2014: £23.2m), goodwill and intangible assets arising on previous acquisitions represent a significant proportion of the Group's total assets of £109.4m (2014: £103.2m). The Board has undertaken a rigorous impairment review in respect of the intangible assets at 31st December 2015 and concluded that no impairment is necessary.

Financial risk management

The Group's main financial assets are contract and other trade receivables and cash and bank balances. These assets represent the Group's main exposure to credit risk, which is the risk that a counterparty will fail to discharge its obligations, resulting in financial loss to the Group. The Group may also be exposed to financial and reputational risk through the failure of a subcontractor or supplier.

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

Pension obligations

The last triennial valuation of the pension scheme as at 31st December 2012 showed a deficit of £11.5m, which represents a funding level of 68%. The Group has put in place a deficit reduction plan to eliminate the deficit over a number of years, with total employer contributions rising from 18% of pensionable salary for the year ended 31st December 2014 to 20.7% for 2015 and 2016, 21.7% for 2017 through 2019, and 22.7% thereafter. Employer contributions amount to approximately £1.3m per annum. The Group has provided security to the pension scheme in the form of a charge over property assets up to a combined market value of £3.1m. The scheme is closed to new members and the Group continues to meet its ongoing obligations to the scheme.

The next triennial actuarial valuation, as at 31st December 2015, is underway and is expected to show a further deterioration in the funding level due to market related factors. The results of this valuation and its impact on future funding will be known towards the end of 2016.

In accordance with IAS 19 'Employee Benefits', an actuarial gain of £2.2m, net of tax, has been recognised in the reserves, with the pension scheme deficit decreasing by £2.9m to £13.4m (2014: £16.3m). The decrease in the deficit is primarily due to an increase in the discount rate applied to scheme liabilities, driven by higher bond yields.

Martin Walton
Finance Director
22nd March 2016

Corporate social responsibility

The Company is committed to conducting business with fairness, honesty and integrity. The Board recognises its responsibility for establishing high ethical standards of behaviour and corporate governance, and the Group has several established policies in place including, but not limited to: anti-bribery and corruption, health and safety, environmental, sustainable development, quality assurance, equal opportunities, equality and diversity, training and development and other human resources policies which support our approach to conducting business in an open and transparent manner.

The Company expects its employees to conduct themselves in a manner which reflects the highest ethical standards, with a personal commitment to compliance with all applicable laws and regulations. Employees will be judged not only on the results they achieve, but also on the means by which they achieve them. Furthermore, the Company has a zero tolerance policy towards any form of bribery or corruption and has an appropriate procedure in place whereby any concerns in relation to malpractice can be raised in an appropriate forum.

It is our policy to ensure that the highest possible standards are achieved and maintained operationally throughout our full scope of operation. We therefore operate a business management system in accordance with the requirements of ISO 9001:2008 (Quality Management Systems).

Health and Safety at TClarke

Health & Safety remains paramount in our undertakings and is our number one daily priority across the organisation, a fact that is reflected by the prominence given to Health & Safety within this report.

We recognise Health & Safety as an essential part of our business, underpinning our operations. As such, we have always invested consistently in this area. The primary challenge in 2015, as ever, was to keep Health & Safety at the forefront of everybody's mind and to scrutinise the existing procedures and systems in order to continuously evolve and improve our performance.

A full range of safety programmes

During 2015, TClarke continued to implement 'our' full range of Health & Safety initiatives under the umbrella 'Switched on to Safety' campaign which has run continuously since 2005. These initiatives included 'Have Your Say' which focuses on drawing out Health & Safety topics and issues for discussion, which encourages engagement and consultation with the employees, 'Good to go' which is the TClarke procedure for pre-task briefings, 'Clear as you go' which is our system for collecting waste as it is created and housekeeping and 'Would You?' which is the new poster and toolbox talk campaign focusing on Health, Safety and Environmental risks.

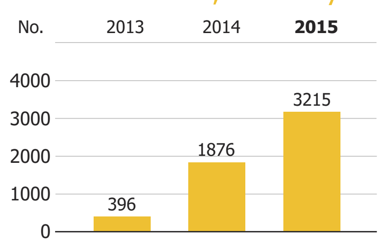
Improved 'You See, You Say' response times

'You See, You Say' is our long term Health & Safety 'Near Miss' reporting initiative and in 2013 we introduced a smartphone app to compliment the card issuing format. In 2015 we saw substantial improvements in the uptake of the initiative.

Introduction of a new dedicated email address for the 'You See, You Say' card reports has improved the efficiency of response times, with the whole Health & Safety team now able to receive and process them expediently. Addressing of card report issues begins immediately on site as soon as they are handed to the responsible person who then forwards them to our Health & Safety team. Throughout 2015, smartphone app report handling was in the majority of cases achieved in 'real time' with safety issues being dealt with at the appropriate level almost as soon as they are received.

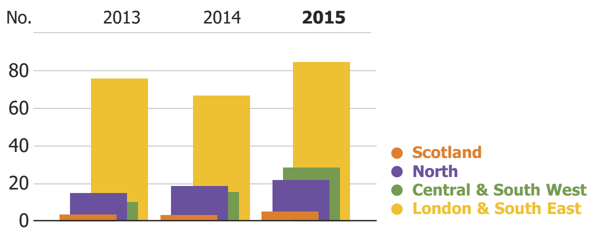
In order to promote and encourage the 'You See, You Say' campaign, in 2015 the Group introduced a monthly award which has helped to keep the concept fresh in people's minds and, in return, targets the issues with the potential to cause accidents or incidents.

'You See, You Say'



Absolute accident reporting
As detailed earlier in this report, a key element in 2015 was the introduction of 'Absolute' Accident Reporting which has very simply sought to make sure that each and every accident which occurs within the business, no matter how apparently small or insignificant, is dutifully recorded. No accident is accepted lightly but more importantly none are hidden and so it follows that no statistic is buried.

Accident statistics



Environment

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

TClarke maintains an Environmental Management System accredited to ISO 14001:2004 to provide its clients and other stakeholders with verifiable evidence that Environmental Performance is integral to business management.

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

Energy consumption was measured across the Group by recording data on the combustion of fuel and the use of electricity at its facilities. The Company complied with the requisite Energy Saving Opportunity Scheme ("ESOS") by 5th December 2015 to meet the recent changes in legislation regarding energy reporting.

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

Energy consumption was measured across the Group by recording data on the combustion of fuel and the use of electricity at its offices and facilities and we have collated Scope 1 and Scope 2 emissions data for the year ended 31st December 2015 across the Group companies, which are reported in our consolidated financial statements. Our GHG emissions have been calculated using UK Government guidelines for conversion of fuels and electricity.

2015	Measure	London & SE	Central & SW	North	Scotland	Total
Scope 1 emissions	$tC0_2e$	102	1,187	348	333	1,970
Scope 2 emissions	$tC0_2e$	147	77	57	43	324
Total scope 1 & 2 emissions	$tC0_2e$	249	1,264	405	376	2,294
Revenue	£m	129.1	56.2	41.8	15.3	242.4
Emissions / £1m revenue		1.9	22.5	9.7	24.6	9.5
2014						
Scope 1 emissions	$tC0_2e$	87	1,138	410	376	2,011
Scope 2 emissions	$tC0_2e$	159	128	68	52	407
Total scope 1 & 2 emissions	$tC0_2e$	246	1,266	478	428	2,418
Revenue	£m	93.9	54.1	43.4	16.5	207.9
Emissions / £1m revenue		2.6	23.4	11.0	25.9	11.6

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

Supporting charities and local communities

The Board encourages our businesses and our employees to support charities and their local communities, which not only raises money for good causes, but also brings employees together. In 2015 the Group has participated in a wide range of fundraising events including:

1. Top: Our Falkirk office continued their support for their longstanding relationship with the Teenage Cancer Trust and held a ‘Get Spooky’ day.

2. Middle: Eleven employees, also from our Falkirk office, participated in a charity event, cycling from Glasgow to Edinburgh.

3. Above: Our South West office supported one employee in climbing Mount Kilimanjaro and with the help of colleagues, he raised over £5,300 for the Alzheimer’s Society.

4. Top: TClarke assembled a team to participate in Brookfield Multiplex’s annual charity seven-a-side football tournament in aid of the Chickenshed and Willow Foundation charities.

5. Above: Our Derby office organised a ‘Wear It Pink’ day with a company raffle to raise money for breast cancer awareness.

6. Not pictured: Our London office organised a Christmas raffle with proceeds donated to The Evelina London Children’s Hospital.

Diversity and equality

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

Gender diversification

	2015		
	Male	**Female**	**Total**
Directors	7	1	8
Senior management	24	1	25
Staff	308	87	395
Skilled operatives	718	5	723
Apprentices and trainees	136	1	137
Total	1,193	95	1,288

	2014		
	Male	Female	Total
Directors	6	1	7
Senior management	26	0	26
Staff	271	79	350
Skilled operatives	763	12	775
Apprentices and trainees	102	3	105
Total	1,168	95	1,263

The Group recognises its obligations towards employment of disabled people and gives full and fair consideration to suitable applicants, having regard to individuals' aptitudes and abilities. The Company is committed to ensuring that everyone is treated equally regardless of disability or any other condition which cannot be shown to be relevant to performance. The Company is committed to ensuring that any individual who becomes disabled during the course of their employment remains in their own role where possible, or is employed in another suitable position. Training, career development and promotion of disabled employees should, as far as possible, be identical to that of other employees.

Investing in our workforce

The Board recognises that as a service business, our talented and diverse workforce is our key strategic asset. The long-term success of the Group is dependent on the quality, skill, dedication and motivation of our people and keeping them inspired is one of our highest priorities.

We therefore invest heavily in our workforce, dedicating time and resources to our people so that they can develop career paths within TClarke. The Academy encourages our employees to undertake training and development, with options ranging from a variety of technical opportunities to professional qualifications to develop their skills across a breadth of areas and gain valuable experience whilst working.

As our people are our most valuable asset, 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 and factors that affect the performance of the Company. We value the views of our employees and consult with employees, or their representatives, when making decisions which affect their interests.

We operate in a competitive marketplace and the Company recognises the importance of rewarding employees appropriately for the value they bring to the business and aims to offer rewards that attract and retain key talent. In addition, the Company encourages employees to share in its success through share ownership. As such, TClarke has a share save scheme for eligible employees, the TClarke Savings Related Share Option Scheme ("the Scheme"). The Scheme was relaunched in 2015 and was well received by employees. Details of share options granted under the scheme are disclosed in Note 20 to the financial statements.

The Strategic Report on pages 2 to 41 was approved by the Board of Directors on 22nd March 2016.

Mark Lawrence
Chief Executive Officer
22nd March 2016

Non-Executive Directors

Iain McCusker, Chairman
Appointed to Board: 1st January 2009. Age 64.

Relevant skills and experience:

- A Chartered Accountant and former Coopers & Lybrand Partner.
- Significant international financial and management experience through senior executive roles at Xerox, Unisys and ACCA.
- In depth commercial, operational and risk management experience.
- Former member of the Qualifications Board of The Institute of Chartered Accountants of Scotland.

External Appointments:

- Non-Executive Director, Cripps LLP
- Visiting Fellow, CASS Business School
- Chairman, NPA Insurance

Tony Giddings, Senior Independent Director
Appointed to Board: 1st October 2014. Age 64.

Relevant skills and experience:

- BSc Building Administration.
- Fellow of the Chartered Institute of Building.
- Previously held Board positions at Argent LLP, and British Council for Offices and was Chairman of the Design and Build Foundation from 2001 to 2003.
- Successful career in property development, having delivered over £1.8 billion of construction projects.

External Appointments:

- Trustee of CRASH
- Director, London South Bank University

Beverley Stewart, Independent Non-Executive Director
Appointed to Board: 1st January 2005. Age 55.

Relevant skills and experience:

- Degree in Building Economics.
- Qualified as a Chartered Surveyor in 1988.
- Gained over 15 years experience at Axtell Yates Hallett where became a Partner before becoming Owner of a partnership providing project management, cost planning and asset management consultancy.
- Over 25 years Board level experience in the construction industry.
- Successful career in delivery of Real Estate Integration programmes and Occupier Real Estate reorganisation for corporate clients.

Mike Robson, Independent Non-Executive Director
Appointed to Board: 18th November 2015. Age 55.

Relevant skills and experience:

- Chartered Accountant with experience of audit, financial management and reporting gained at PwC and in industry.
- 23 years Board level experience in a range of business sectors as a Finance Director, Managing Director, owner or Advisor.
- Strong focus on improving business performance and developing management teams.
- Launched, developed and successfully sold his own internationally based business.

External Appointments:

- Director, Azure Partners Ltd

Executive Directors

Mark Lawrence, Group Chief Executive Officer
Appointed to Board: 2nd May 2003. Age 48.

Relevant skills and experience:

- 31 years with the Company following completion of an electrical apprenticeship with the Company in 1987.
- Progression through the Company including Electrical Engineer, Technical Director (1997), Executive Director (2003), Managing Director - London Operations (2007). Chief Executive Officer from 1st January 2010.
- A hands-on leader who takes personal accountability, and pride, in TClarke's performance and, ultimately, our client's satisfaction.
- Regularly walks projects sites and gets involved personally with many of our clients, contractors and our supply chain.

Mike Crowder, Group Managing Director
Appointed to Board: 1st January 2007. Age 51.

Relevant skills and experience:

- Over 25 years of significant experience in the construction industry.
- Project based experience delivering flagship jobs and a detailed knowledge of large infrastructure projects.
- Overall responsibility for Operations to ensure all projects are properly managed. Monitors engineering departments and projects on a regular basis as a Main Board Member.
- Responsible for Group health and safety. Actively involved with health and safety risk management, raising awareness, influencing attitudes and changing behaviours.

Martin Walton, Group Finance Director
Appointed to Board: 26th October 2010. Age 51.

Relevant skills and experience:

- Chartered accountant with over 25 years experience in the profession and within industry.
- Worked with numerous plcs across a range of sectors with KPMG and BDO.
- First Class Honours Degree in Accountancy and Finance from the London School of Economics.
- Joined TClarke as Group Financial Controller October 2007.
- Led the implementation of the Group's management reporting system.

Corporate governance report

"Having served as a non-executive director for six years, I was delighted to be appointed as Chairman of the Company in October 2015."
Iain McCusker, Chairman

Chairman's introduction

The Board is committed to high standards of corporate governance and continues to embrace the principles contained in the UK Corporate Governance Code ('the Code'). The Code sets out principles to which the Listing Rules require all listed companies to adhere, supported by more detailed provisions.

We acknowledge the changes to the Code, which came into force in the September 2014 edition, and applies to financial years beginning on or after 1st October 2014. The changes place increased responsibilities on the Board, therefore our Governance section on pages 44 to 79 sets out how we manage the Group, and how we apply the principles and comply with the provisions of the Code.

Having served as a non-executive director for six years, I was delighted to be appointed as Chairman of the Company in October 2015 following David Henderson's departure from the Board.

The appointment of a full-time Company Secretary in April 2015 was a significant step forward in enhancing our Corporate Governance procedures throughout the year, including benchmarking our governance framework against the provisions of the Code, a review of the Company's Audit, Remuneration and Nomination Committee terms of reference and formalising a compliance calendar to ensure our governance responsibilities are carried out in full in a timely manner throughout the year. We have also further developed, and continue to improve, our internal controls and risk management procedures to meet the new requirements of the Code this year and to benefit the Company as a whole.

As Chairman I am committed to delivering high standards of Corporate Governance and will endeavour to develop our governance framework on an ongoing basis to ensure continuous improvement.

Iain McCusker
Chairman
22nd March 2016

Alexandra Dent
Appointed Company Secretary 14th April 2015

Statement of compliance

Throughout the year ended 31st December 2015 the Board considers that it has complied with the provisions of the Code. The Code is issued by the Financial Reporting Council (FRC) and is available on the FRC's website https://www.frc.org.uk

Structure of the Board

The Company is managed by the Board of Directors, which during the year was comprised of four executive directors and the non-executive directors (including the Chairman). 2015 saw a number of changes to the Board of Directors. Danny Robson joined as an executive director on 1st January 2015. David Henderson, having been appointed as a Non-Executive Director since 1st January 2014 and having served as Chairman following the AGM on 9th May 2014, stepped down from the Board on 30th September 2015. Iain McCusker, having served as a Non-Executive Director since 1st January 2009, was appointed by the Board to fulfil the role of Chairman on 1st October 2015. As Iain McCusker had served as Senior Independent Director during the year, Tony Giddings was appointed as Senior Independent Director on 14th October 2015. Furthermore, our Board was strengthened by the appointment of Mike Robson as a Non-Executive Director on 18th November 2015. Post-year end, Danny Robson stepped down from the Board on 21st March 2016.

The Articles of Association require that one-third of the Directors shall retire by rotation each year and become eligible for re-election. This excludes those Directors who may be newly appointed during the year, who are eligible for election at the next Annual General Meeting. Therefore Mark Lawrence and Martin Walton will retire and offer themselves for re-election and Mike Robson will offer himself for election at the forthcoming Annual General Meeting on 6th May 2016.

Beverley Stewart, by virtue of having served as a director of the Company for more than ten years, is deemed not to be independent according to the Code and will henceforth be subject to annual re-election. However, Beverley Stewart is deemed by the Board to be independent in character and judgement, in spite of her length of service, and is considered to be a valuable member of the Board given her knowledge and industry experience. As a consequence, at least half of the directors were deemed to be independent throughout the year.

All Executive Directors signed revised service agreements during 2015. Although there were no material changes, the revised agreements take into account best practice and recent changes in employment legislation. The service agreements contain a notice period of 12 months for all Executive Directors.

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

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

Board diversity

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

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

Board meetings

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

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

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

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

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

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

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

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 monthly Board and sub-committee meetings is set out below:

Number of meetings attended

	Board (Maximum 11)	Audit (Maximum 5)	Nomination (Maximum 2)	Remuneration (Maximum 2)
David Henderson[1]	7	–	–	–
Iain McCusker[2]	11	4	2	2
Beverly Stewart	11	5	1	2
Tony Giddings	10	5	2	2
Mike Robson[3]	2	1	–	–
Mark Lawrence	11	–	–	–
Martin Walton	11	–	–	–
Mike Crowder	11	–	–	–
Danny Robson[4]	9	–	–	–

[1] Retired 30th September 2015 and ceased membership of Remuneration Committee with effect from 18th June 2015

[2] Ceased membership of Audit Committee with effect from 18th November 2015

[3] Appointed 18th November 2015

[4] Resigned 21st March 2016.

The Group Management Board

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

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

Performance evaluation

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

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

The Board conducted an internal appraisal of its own performance, covering the composition, procedures and effectiveness of the Board and its committees. Overall the Board members felt that the Board operated effectively, however the feedback also identified some opportunities for the Board to improve its effectiveness. The points raised will be addressed by the Board during 2016. Opportunities for enhancement of Board effectiveness are addressed throughout the year to promote continual development.

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 was previously filled by the Finance Director. Alexandra Dent joined the Company on 1st April 2015 and was appointed Company Secretary at the subsequent Board meeting held on 14th April 2015. Thereafter, Alexandra was appointed Company Secretary of all subsidiary companies.

Board Committees

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

Audit Committee

The roles and responsibilities of the Audit Committee include:

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

The Board is satisfied that Iain McCusker (Chair) had sufficient relevant financial experience during his appointment as Chair of the Audit Committee, and that Mike Robson has the requisite financial experience to Chair the Audit Committee going forward.

Nomination Committee

The role and responsibilities of the Nomination Committee include:

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

Remuneration Committee

The role and responsibilities of the Remuneration Committee include:

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

Shareholder relations

The Company recognises the importance of dialogue with both institutional and private shareholders.

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

It is usual that Mark Lawrence and Martin Walton are present at these meetings and that feedback reports provided by the Company's broker are communicated to the Non-Executive Directors so that they can be informed regarding shareholder opinion. In addition, the Chairman is available to meet with major shareholders periodically to discuss board governance and strategy.

The Board has always invited communication from private investors and encouraged their participation at the Annual General Meeting. All Board members present at the Annual General Meeting are available to answer questions from shareholders, including the Chairs of the Audit, Remuneration and Nomination Committees. Notice of the Annual General Meeting is given in accordance with best practice and the business of the meeting is conducted with separate resolutions, each being voted on initially by a show of hands, with the results of the proxy voting being provided at the meeting. Further shareholder information is available on our website at www.tclarke.co.uk under the Investor Relations tab.

Internal control

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

In accordance with the Code, the Board confirms that, for the year ended 31st December 2015, it has carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. The principal risks identified and the controls and mitigating actions in place are described on pages 28 to 30.

Risk management and internal control procedures are delegated to Executive Directors and senior management in the Group, operating within a clearly defined divisional structure. Each division or subsidiary assesses the level of authorisation appropriate to its decision-making process after the evaluation of potential benefits and risks. A three year strategic plan is prepared for each division and updated annually, including the identification and consideration of significant risks to the division's strategic objectives. Progress against the strategy and the management of the risks identified is formally reviewed on a quarterly basis.

On a quarterly basis the Board reviews management accounts in order to provide effective monitoring of financial performance. At the same time the Board considers other significant strategic risk management, operational and compliance issues to ensure that the Group's assets are safeguarded and financial information and accounting records can be relied upon. The Board monitors monthly progress on contracts formally. Furthermore, the Company's risk appetite is discussed and considered when making key decisions.

The Board reviews the Company's risk register and monitors risk management procedures as a regular agenda item and the Board receives reports thereon from Group management. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. Given the importance of an effective risk management process, the Company has engaged external advisors to assist with further developing the Company's risk management procedures in 2016.

At its meeting on 15th March 2016, the Board carried out the annual internal controls and risk management assessment of the year ended 31st December 2015 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. During the year the Group agreed an additional £3m short-term overdraft facility which was not used and subsequently expired in January 2016.

The Group has a three-year committed £5 million Revolving Credit Facility ('RCF') in place until 31st March 2017. The RCF was fully drawn at 31st December 2015. The RCF imposes certain financial and other covenants on the Group, which are tested on a quarterly basis. The Group was compliant with its obligations under the RCF throughout the year.

The Directors have received confirmation from the Company's lenders that they know of no reason why the overdraft facility will not be renewed when it next falls due for review and that they would expect to be able to reach agreement to a new facility on similar terms to the RCF when it falls due for renewal. There is no other external debt apart from the RCF and finance lease and hire purchase commitments.

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

Further information relating to the financial position of the Group, its cash flows, liquidity position and borrowing facilities is given in the financial review on pages 32 to 37.

Approved by the Board and signed on its behalf
Alexandra Dent
Company Secretary
22nd March 2016

Audit Committee Report

Mike Robson
Chair of the Audit Committee
(With effect from 18th November 2015)
Former Chair - Iain McCusker

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

The Audit Committee has continued to follow a programme of meetings which are timed to coincide with key events in the financial calendar. As a Committee, we are committed to discharging our responsibilities effectively and constructively challenge the information we receive. Where necessary, we request additional detailed information so that we may better assess certain issues, and the risks and opportunities presented.

Having joined the Board on 18th November 2015 I was pleased to be appointed as Chair of the Audit Committee and am focused on maintaining the robust procedures implemented by the former Chair, Iain McCusker. Over the past year the regular reports the Audit Committee has received from management and the external auditors have been timely and well presented, which has enabled the Committee to discharge its responsibilities effectively.

Mike Robson
Chair - Audit Committee
22nd March 2016

Membership of the Audit Committee

The Audit Committee is comprised of the Non-Executive Directors Mike Robson (Chairman), Beverley Stewart and Tony Giddings. Iain McCusker also served on, and Chaired, the Audit Committee throughout the year until 18th November 2015 when Mike Robson (who has the requisite financial experience to Chair the Audit Committee) was appointed to the Board and as Chairman of the Audit Committee. Biographies of the members of the Audit Committee are included on page 42.

Matters considered by the Audit Committee

The Audit Committee met on five occasions during the year ended 31st December 2015. Four of the meetings were attended by the external auditors, PricewaterhouseCoopers LLP. The principal matters discussed at each meeting are set out below:

Date	Principal matter considered
March 2015	• Draft annual report and financial statements for the year ended 31st December 2014, including significant judgements and disclosures therein • Audit representation letter • Annual assessment of internal controls and risk management • Review of risk register and mitigating actions • Finance Director's report on internal control • Finance Director's report on going concern • Consideration of the need for an internal audit function • Independence of external auditors
July 2015	• Review of risk register and mitigating actions • Review of anti-bribery and corruption and whistleblowing procedures
July 2015	• Draft half-year report and financial statements for the six months ended 30th June 2015, including significant judgements and disclosures therein
October 2015	• Audit plan presented by the auditors • Governance and independence of the external auditors • Review of risk register and mitigating actions
December 2015	• Pre-year end audit work • Review of goodwill carrying value • Review of accounting policies • Review of risk register and mitigating actions • Implications of the revised 2014 UK Corporate Governance Code (applicable for 2015 onwards)

Significant judgements, key assumptions and estimates

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

Matter considered & Action

Matter considered: Carrying value of intangible assets and investments

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

The Committee considered the papers presented by the Finance Director supporting management's assertion that goodwill and other intangible assets were not impaired. This assertion was supported by detailed cash flow and profit projections covering a three year period, including sensitivity analysis, and an analysis of secured workload. It also considered the independent auditors' comments on the key assumptions and detailed forecasts made. The issue of impairment involves making significant judgements about individual cash generating units and the risks they face. The Committee agreed with management's recommendation that no impairment charge should be made but that there remains a risk of impairment of TClarke Scotland, TClarke South West and TClarke Midlands and East in the future and relevant disclosures have therefore been included in the financial statements. 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 12 to the financial statements on page 105 to 107.

Aligned to the review of the carrying value of intangible assets, the committee also considered the carrying value of the subsidiaries in the parent company's financial statements. An impairment charge of £0.3m was booked to reduce to £nil the carrying value of the Company's investment in TClarke (Bristol) Ltd which comprised the Bristol and Cardiff operations which were discontinued during the year.

Matter considered: Contract profit and revenue recognition

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

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

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

Matter considered: Accounting for discontinued operations

Action: The treatment of the Bristol and Cardiff operations as discontinued was considered, including the operating results during the year, the treatment of losses arising on discontinuation and the disclosures in the financial statements.

The Committee concurred with the treatment of the Bristol and Cardiff operations as discontinued and considered that appropriate disclosures had been made.

Matter considered: Going concern

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

Matter considered: Pension scheme accounting

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

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

The Committee reviewed the basis of the valuation, including the assumptions used, and considered the sensitivity of the pension scheme valuation to changes in those key assumptions. Further details of the valuation, including the key assumptions used, are disclosed in Note 24 to the financial statements on pages 123 to 127.

Matter considered: Non-recurring items

Action: The Committee considered the quantification, disclosure and presentation in the financial statements of amounts arising in respect of potential non-recurring costs. The Committee concurred with the accounting for these costs and considered the disclosures in the financial statement appropriately described the issues arising. Further details are disclosed in Note 7 on page 99.

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 15th March 2016 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 confirmed that the systems in place were appropriate, and no material weaknesses were identified. 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 99. The auditors fees for non-audit services during the year were £nil (2014: £38,000).

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, Jonathan Hook, has held the position for five years and in accordance with UK auditing standards is due to rotate off the audit engagement following the conclusion of the audit for the year ended 31st December 2015. The Audit Committee would like to thank Jonathan for his excellent service over the last five years and look forward to working with his successor.

Mike Robson
Chair - Audit Committee
22nd March 2016

Nomination Committee report

Iain McCusker
Chair of the Nomination Committee

The Nomination Committee comprised Iain McCusker (Chair), Beverley Stewart, Tony Giddings and, until his retirement effective 30th September 2015, David Henderson. Mike Robson also joined the Nomination Committee upon his appointment to the Board on 18th November 2015. Biographies of the members of the Nomination Committee are included on page 42. The Chair of the Committee, Iain McCusker, was Senior Independent Director throughout the year until 1st October 2015 when he was appointed as Chairman.

The Nomination 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. Following David Henderson's retirement, the Committee interviewed two candidates for the role of Non-Executive Director and recommended the appointment of Mike Robson as a Non-Executive Director. As the Nomination Committee was presented with two suitable candidates for interview, it was felt that an external search consultancy firm was not required.

The Company's Nomination Committee is mandated to review the appropriate balance of skills and experience on the Board, taking into account the Company's Board Diversity Policy, on behalf of the Board. The Nomination Committee believes the composition and structure of the Board is such that the Board operates effectively, as confirmed by the Board evaluation process. The Nomination Committee also takes the board diversity policy into account when looking at succession planning for the Company.

Following rigorous review, the Nomination Committee has recommended that Beverley Stewart be nominated for re-election at the Company's forthcoming Annual General Meeting, even though Beverley has served as a Non-Executive Director for more than ten years as detailed on page 45.

Iain McCusker
Chair - Nomination Committee
22nd March 2016

Directors' remuneration report

Tony Giddings
Chair of the Remuneration Committee
(With effect from 18th June 2015)
Former Chair - Beverley Stewart

Annual Statement

The Remuneration 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, resolving contractual issues from previous years, 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 58 to 59.

Our executive directors have shown great resolve and commitment in guiding the Company through the prolonged recession, yet bonuses were not paid during recent years as the targets set against underlying performance of the Group were not met during this difficult time.

I am pleased to report that the underlying profit before tax target was indeed met in 2015 and, under the terms of the remuneration policy, a bonus would be payable to directors. However, the Remuneration Committee recognises that the discontinuation of the Bristol and Cardiff operations affected the overall results of the Group. To be equitable to both the executive directors and shareholders, the Remuneration Committee has decided to award the executive directors 50% of the bonus payable.

The minimum vesting conditions for our 2013 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 Remuneration Committee strives to operate and demonstrate best practice in the area of executive remuneration and disclosure. We 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 was approved at the AGM on 9th May 2014; and an Annual Report on Remuneration, providing details of how the policy for 2016 will be operated and the remuneration earned by the Company's directors in relation to the year ended 31st December 2015.

At the forthcoming AGM on 6th May 2016, the Annual Report on Remuneration will be subject to an advisory shareholder vote. The Directors' Remuneration Policy is subject to a binding vote every three years (sooner if changes are made to the policy), with the next vote being due in 2017.

Remuneration policy for 2016

During 2015 the Remuneration Committee took advice from its solicitors, Pinsent Masons LLP, in connection with the terms of service contracts for executive directors and matters concerning other members of senior management, and had previously taken advice 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 2016 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 98.7% approval of the remuneration policy at the 2014 AGM and 99.47% approval of the remuneration report received last year.

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

Tony Giddings
Chair - Remuneration Committee
22nd March 2016

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.

The Directors' Remuneration Policy Report was approved by a binding shareholder vote at the AGM on 9th May 2014 and will be in operation until the 2017 AGM.

Policy overview

The Remuneration Committee regularly 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 AGM. 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 overleaf summarises the Directors' remuneration policy for 2014 onwards:

Element of remuneration	Purpose and link to strategy	Operations	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 62	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 a company 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 Profit Related - Paid in cash up to 100% of salary Profit related bonuses in excess of 100% of basic salary are paid in TClarke shares Strategic Target Bonuses are paid in cash providing targets are met and certain profit thresholds are crossed	Up to 100% of salary Up to 50% of salary Up to 50% of salary	Targets are set for underlying profit before tax, and bonuses are paid on a sliding scale according to how the Group performs against targets 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 63	Non-executive directors do not participate in variable pay arrangements
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	Aggregate 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%

Element of remuneration	Purpose and link to strategy	Operations	Maximum	Performance targets
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 £500 per month across all ongoing Sharesave contracts in line with HMRC limits	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 20.7%	Not applicable

Notes

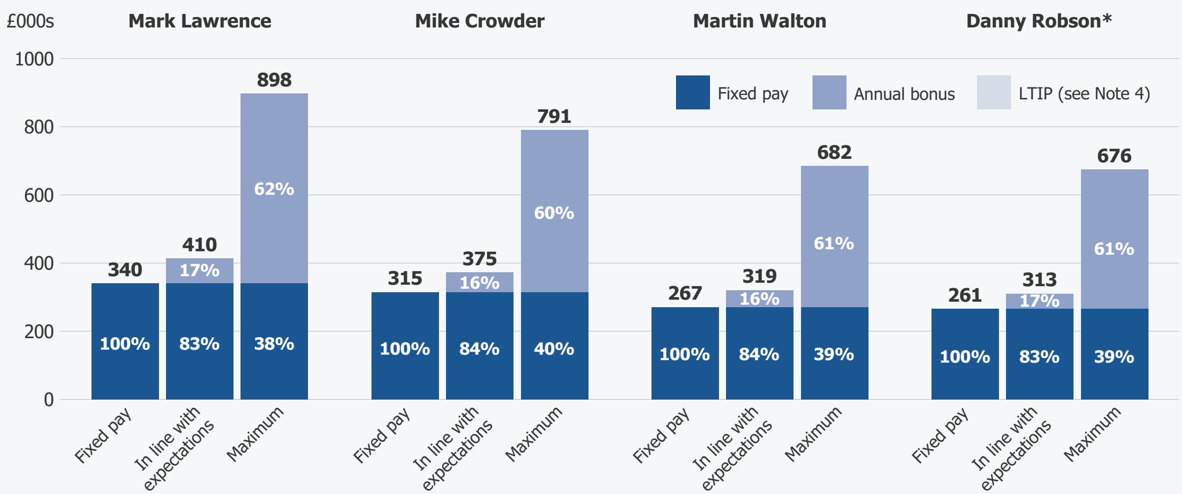
1. A description of how the Company intends to implement the policy set out in this table for 2016 is set out in the Annual Report on Remuneration on pages 62 to 68.
2. The following differences exist between the Company's policy for the remuneration of executive directors as set out above and its approach 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 63) 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 66.
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 approved remuneration policy, both as a percentage of total remuneration opportunity and as a total value:

Application of remuneration policy for 2016



Notes

* Danny Robson stepped down from the Board on 21st March 2016.

1. The value of benefits receivable in 2016 is taken to be the value of benefits received in 2015. (as calculated under the Directors' Remuneration table, set out on page 63).

2. The value of pension is presented on the same basis as under the Directors' Remuneration table on page 63.

3. The on-target level of bonus assumes the Group's internal budgets are met.

4. Performance targets for LTIP shares vesting in 2016 have not been met, therefore the maximum vesting in 2016 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 Directors - ie basic salary, benefits, pension, annual bonus and long-term incentive awards - is set in accordance with the terms of the Company's prevailing approved remuneration policy at the time of appointment and reflects 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 2016

A summary of how the Directors' Remuneration Policy will be applied during the year ending 31st December 2016 is set out below.

Basic salary

2016 increases are shown below and reflect inflationary pressures being felt throughout the industry due to increasing demand for resources.

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

Director	2016	2015	% increase
Mark Lawrence	£279,000	£270,500	3%
Mike Crowder	£238,000	£231,000	3%
Martin Walton	£207,500	£201,500	3%
Danny Robson[1]	£207,500	£201,500	3%

[1] Danny Robson stepped down from the Board on 21st March 2016

Pension arrangements

The Company operates a defined benefit pension and death benefits scheme (see Note 24 to the financial statements) of which all the Executive Directors are members. The total Company contribution during 2015 was 20.7% (which comprises an employer contribution of 7.7% and a deficit reduction contribution of 13%) (2014: 18%) and the individual Directors contributed 8% (2014: 8%). From 1st January 2017, the Company's contribution increases to 21.7%, 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 66. The life assurance benefit is 2.25 times pensionable salary, rising to four times pensionable salary after five years' service with the Group.

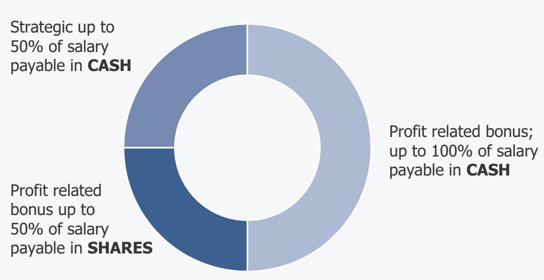
Where the promised levels of benefits cannot be provided through the appropriate scheme, the Group can continue to provide benefits through the provision of salary supplements.

Annual bonus

The maximum bonus potential for the year ending 31st December 2016 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 2016 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%

* Based on average underlying EPS for the three years ended 31st December 2015

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.

Non-executive directors	2016	2015	% increase
David Henderson[1]	–	£37,125	n/a
Iain McCusker[2]	£49,500	£45,375	12.4%
Beverley Stewart	£45,500	£44,000	3.4%
Tony Giddings	£45,500	£44,000	3.4%
Mike Robson[3]	£45,500	£5,308	3.4%

Notes
[1] David Henderson stepped down as Chairman on 30th September 2015
[2] Iain McCusker received fees of £44,000 for the year to 30th September 2015 and £49,500 from 1st October 2015 following his appointment as Chairman
[3] Mike Robson was appointed to the Board on 18th November 2015

Directors' remuneration for the year ended 31st December 2015

The Directors' remuneration for the year ended 31st December 2015 is set out in the table below.

	Fees & Salary		Benefits[4]		Bonus		LTIP[5]		Pension[6]		Total	
£000s	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
Executive												
Mark Lawrence	270	246	23	18	105	–	–	–	38	36	436	300
Mike Crowder	231	210	26	16	90	–	–	–	51	30	398	256
Martin Walton	201	183	19	16	78	–	–	–	40	32	338	231
Danny Robson[1]	201	–	25	–	78	–	–	–	29	–	333	–
Non-executive												
David Henderson[2]	37	43	–	–	–	–	–	–	–	–	37	43
Iain McCusker	45	40	–	–	–	–	–	–	–	–	45	40
Beverley Stewart	44	40	–	–	–	–	–	–	–	–	44	40
Tony Giddings	44	10	–	–	–	–	–	–	–	–	44	10
Mike Robson[3]	5	–	–	–	–	–	–	–	–	–	5	–
Total	1,078	772	93	50	351	–	–	–	158	98	1,680	920

Notes
[1] Danny Robson was appointed to the Board on 1st January 2015 and stepped down from the Board on 21st March 2016
[2] David Henderson stepped down from the Board on 30th September 2015
[3] Mike Robson joined the Board on 18th November 2015
[4] Benefits comprise a car or car allowance and private medical insurance
[5] No LTIP awards vested in 2015 or 2014
[6] Pensions are calculated based on HMRC's pension input method.

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

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

Executive director	Award date	01/01/2015 Number	Granted	Lapsed	31/12/2015 number	Exercise price	Earliest date of exercise	Date of expiry
Mark Lawrence								
Conditional shares	01/05/2012	115,000	–	115,000	–	–	–	–
Conditional shares	30/04/2013	115,000	–	–	115,000	–	30/04/2016	30/04/2023
Conditional shares	29/04/2014	85,000	–	–	85,000	–	29/04/2017	29/04/2024
Conditional shares	29/04/2015	–	90,000	–	90,000	–	29/04/2018	29/04/2025
Options	01/05/2012	59,000	–	59,000	–	–	–	–
Options	30/04/2013	59,000	–	–	59,000	52.00p	30/04/2016	30/04/2023
Mike Crowder								
Conditional shares	01/05/2012	115,000	–	115,000	–	–	–	
Conditional shares	30/04/2013	115,000	–	–	115,000	–	30/04/2016	30/04/2023
Conditional shares	29/04/2014	85,000	–	–	85,000	–	29/04/2017	29/04/2024
Conditional shares	29/04/2015	–	90,000	–	90,000	–	29/04/2018	29/04/2025
Options	01/05/2012	59,000	–	59,000	–	–	–	–
Options	30/04/2013	59,000	–	–	59,000	52.00p	29/04/2017	30/04/2023
Martin Walton								
Conditional shares	01/05/2012	115,000	–	115,000	–	–	–	–
Conditional shares	30/04/2013	115,000	–	–	115,000	–	30/04/2016	30/04/2023
Conditional shares	29/04/2014	85,000	–	–	85,000	–	29/04/2017	29/04/2024
Conditional shares	29/04/2015	–	90,000	–	90,000	–	29/04/2018	29/04/2025
Options	01/05/2012	59,000	–	59,000	–	–	–	–
Options	30/04/2013	59,000	–	–	59,000	52.00p	29/04/2017	30/04/2023
Danny Robson[1]								
Conditional shares	29/04/2015	–	90,000	–	90,000	–	29/04/2018	29/04/2025

[1] Danny Robson stepped down from the Board on 21st March 2016 therefore these conditional share awards have now lapsed.

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

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

* For the years from 2012 to 2014 the target is based on basic EPS for the year preceeding the date of grant. For 2015 the target is based on average underlying EPS for the three years ended 31st December 2015

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

The following options were outstanding during the year:

Executive director	Award date	01/01/2015 Number	Granted	Exercised	31/12/2015 number	Exercise price	Earliest date of exercise	Date of expiry
Mark 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
	08/10/2015	–	10,322	–	10,322	69.75p	01/12/2018	31/05/2019
Mike 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
	08/10/2015	–	10,322	–	10,322	69.75p	01/12/2018	31/05/2019
Martin 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
	08/10/2015	–	10,322	–	10,322	69.75p	01/12/2018	31/05/2019

* Options exercised on 2nd January 2015

The market price of a 10p ordinary share on 30th December 2015 (being the last day of trading of 2015) was 82.0p and the range during the year ended 31st December 2015 was 37.50p to 88.56p.

Pension scheme (audited)

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

	Total pension accrued at 31.12.14 £ p.a.	Increase in accrued pension (including inflation) £ p.a.	Increase in accrued pension (excluding inflation) £ p.a.	**Total pension accrued at 31.12.15 £ p.a.**	Transfer value of accrued pension at 31.12.14 £	Increase in transfer value less director's contributions £	**Transfer value of accrued pension at 31.12.15 £**
Mark Lawrence	57,688	3,575	2,883	**61,263**	1,153,764	37,921	**1,225,265**
Mike Crowder	58,879	4,137	3,430	**63,016**	1,177,584	50,830	**1,260,319**
Martin Walton	15,362	2,959	2,775	**18,321**	307,234	40,093	**366,429**
Danny Robson[1]	6,778	2,307	2,226	**9,085**	135,564	29,105	**181,709**

Inflationary increases were assumed to be 1.2% per annum during 2015 in line with increases in the Consumer Price Index during the year

[1] Danny Robson stepped down from the Board on 21st March 2016

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 2015.

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 64 and 65.

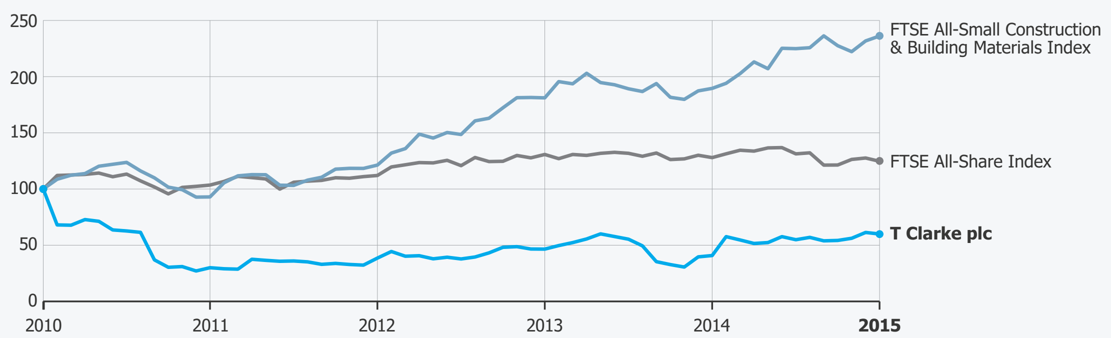
	1/1/2015	31/12/2015	22/03/2016
Mark Lawrence	20,000	26,750	39,607
Mike Crowder	12,000	18,750	31,607
Martin Walton	10,000	16,750	29,607
Danny Robson[1]	1,451,906	1,451,906	n/a
Iain McCusker	2,000	2,000	2,000
Beverley Stewart	21,000	21,000	21,000
Tony Giddings	2,000	2,000	2,000
Mike Robson[2]	–	2,000	2,000

Notes [1] Danny Robson stepped down from the Board on 21st March 2016.
As at his date of resignation Mr. Robson held a beneficial interest in 1,451,906 of the Company's shares.
[2] Mike Robson joined the Board on 18th November 2015

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 2010 and £100 in a notional investment in the FTSE All-Share Index and the FTSE All-Small Construction and Building Materials Index on the same date. In all cases it has been assumed that all income has been reinvested. The FTSE All-Share Index and the FTSE All-Small Construction and Building Materials Index are considered to be the most appropriate broad equity indices to use as a comparison because the Company is a constituent of both.

Shareholder return 2010-2015



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.

	2011	2012	2013	2014	**2015**
Total remuneration	245	266	279	300	**436**
Annual bonus %	0%	0%	0%	0%	**0%**
LTIP vesting %	0%	0%	0%	0%	**0%**

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 2014 and 31st December 2015, compared with that of the total amounts for all UK employees of the Group for each of these elements of pay.

	2015	2014	% change
Salary			
Chief Executive	**270.5**	246	10.0%
UK employee average	**42**	40	5.4%
Benefits			
Chief executive	**23**	18	27.4%
UK employee average	**1**	1	0.0%
Annual bonus			
Chief executive	**105**	–	100%
UK employee average	**1**	–	100%
Average number of UK employees	**1,247**	1,237	

Relative importance of spend on pay

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

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

	2015	2014	% change
Staff costs	**59.6**	56.3	5.9%
Dividend	**1.3**	1.1	18.2%
Total operating expenses	**219.2**	208.0	5.4%

Consideration by the Directors of matters relating to Directors' remuneration

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

The members of the Remuneration Committee (all of whom were independent non-executive directors) during the year under review were as follows:

- Tony Giddings (Chair with effect from 18th June 2015)
- Beverley Stewart (Chair throughout 2015 until 18th June 2015)
- Mike Robson (with effect from 18th November 2015)
- Iain McCusker (until 18th June 2015)

Biographical information on the committee members and details of attendance at the committee's meetings during the year are set out on pages 42 and 46 respectively.

The Remuneration Committee has access to independent advice where it considers it appropriate. During the year the committee took advice from its solicitors, Pinsent Masons LLP, in connection with the terms of service contracts for executive directors and matters concerning other members of senior management.

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

Statement of voting at Annual General Meeting

At last year's AGM, 99.47% of shareholders voted in favour to approve the Directors' Remuneration Report.

2015 AGM	Number	%
Votes cast in favour	15,380,633	99.47
Votes cast against	82,661	0.53
Total votes cast	15,463,294	
Abstentions	70,496	

By order of the Board
Tony Giddings
Chair - Remuneration Committee
22nd March 2016

Directors' report

The Directors present their Annual Report and the Group audited financial statements for the year ended 31st December 2015.

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

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

Strategic Report
A description and review of the Group's activities during the financial year and likely future developments within the business is described in the Strategic Report on pages 2 to 41, including the principal risks and uncertainties on pages 28 to 30, disclosure concerning employees on page 41 and greenhouse gas emissions on page 39.

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

Results for the year
The results for the year are set out in the Consolidated income statement on page 80.

Dividends
The Directors recommend the payment of a final dividend for the year of 2.60p per share, (2014: 2.60p) which, together with the interim dividend of 0.50p paid on 10th October 2015, makes a total distribution of 3.10p for the year (2014: 3.10p).

Subject to approval at the Annual General Meeting, the final dividend will be paid on 13th May 2016 to shareholders on the register at 15th April 2016. The shares will go ex-dividend on 14th April 2016.

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 2015 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 18th April 2016 and any request should be made in good time ahead of that date.

Directors
The Directors who held office throughout the year ended 31st December 2015 are as follows:

Iain McCusker, Tony Giddings, Beverley Stewart, Mark Lawrence, Mike Crowder, Martin Walton, Danny Robson, David Henderson (resigned 30th September 2015) and Mike Robson (appointed 18th November 2015). Danny Robson stepped down from the Board on 21st March 2016.

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

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

Directors' interests
The beneficial interests of the Directors in the share capital of the Company are set out on pages 64 to 66.

Powers of Directors
The powers of the Directors are determined by the Company's Articles of Association, the Companies Act 2006 and the directions given by the Company by resolutions passed in general meetings. The Directors are authorised by the Articles to issue and allot ordinary shares, to dis-apply statutory pre-emption rights and to make market purchases of the Company's shares. The directors currently have shareholder approval for the issue of ordinary share capital up to a maximum amount of £817,043, and for the buyback of ordinary shares up to a maximum aggregate of 10% of the issued ordinary share capital. The Directors will be seeking to renew their authorities at the forthcoming Annual General Meeting.

Share Capital

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

The issued share capital as at 22nd March 2016 was £4,182,957.70, consisting of 41,829,577 ordinary shares of 10p each. The Company's issued ordinary shares are fully paid and rank equally in all respects. There are no restrictions on the transfer of ordinary shares in the Company or on the exercise of voting rights attached to them, save that:

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

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

Substantial shareholdings

At 22nd March 2016 the Company had been notified of the following substantial interests of 3% or more in its issued ordinary share capital:

	% of issued ordinary share capital	Number of shares held
Miton Asset Management Ltd	12.92	5,405,611
JP Morgan Asset Management UK Ltd	9.84	4,118,000
Henderson Global Investors Ltd	4.84	2,022,502
TD Asset Management Inc	4.65	1,946,499
Walker Crips Wealth Management Ltd	4.18	1,749,426
Mr D.G. Robson	3.47	1,451,906

Significant agreements - change of control

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

The Company has an Equity Incentive Plan ("EIP") in place for Directors and senior management, and an employee share save scheme in place which is available to all employees. The rules of the EIP provide that awards made under the EIP may vest on a change of control of the Company, at the discretion of the Remuneration Committee. The rules of the 2012, 2013 and 2015 Savings Related Share Option Schemes provide that in the event of a change of control, outstanding options may be exchanged or replaced with similar options on the same terms. Further details on employee share schemes are disclosed in Note 20 to the financial statements.

There are no other known agreements between the Company and its Directors or employees providing for compensation for loss of office or employment that occurs because of a takeover bid.

Significant interests

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

Qualifying third party indemnities

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

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

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

Donations
The Group made no political donations during the year (2014: £nil).

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

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

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

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

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

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

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

Annual General Meeting ("AGM")
The AGM of the Company will be held at 200 Aldersgate, St Pauls, London EC1A 4HD at 10.00am on 6th May 2016. The Notice of AGM will be sent separately to shareholders with this report.

Approved on behalf of the Board
Alexandra Dent
Company Secretary
22nd March 2016

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 the 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 42 and 43, 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

Iain McCusker
Chairman

22nd March 2016
TClarke plc
Registered number: 119351

Independent Auditors report to the members of TClarke plc

Report on the financial statements

Our opinion

In our opinion:

- TClarke plc's Group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the parent company's affairs as at 31st December 2015 and of the Group's profit and the Group's and the parent company's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

What we have audited

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

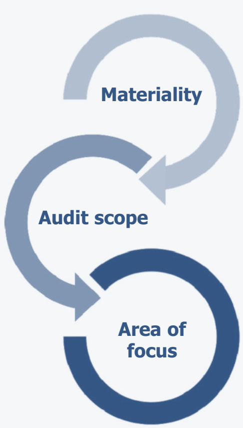
- the Group and parent company statements of financial position as at 31st December 2015;
- the Group income statement and statement of comprehensive income for the year then ended;
- the Group and parent company statements of cash flows for the year then ended;
- the Group and parent company statements of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Our audit approach

Overview



- Overall Group materiality: £605,000 which represents 0.25% of revenue.
- Component materiality: ranges from £50,000 to £350,000

- The majority of our audit work was conducted from the head office in London.
- We visited all of the trading entities in the course of the audit, this included 7 local operating locations.

- Revenue recognition and long term contract accounting in respect of construction contracts.
- Discontinued operations.
- Goodwill and intangibles impairment assessment.
- Defined benefit pension plan net assets and liabilities.
- Going concern – compliance with loan covenants.

The scope of our audit and our areas of focus

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

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

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

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

Area of focus	How our audit addressed the area of focus
Discontinued operations *Refer to page 50 to 53 (Audit Committee Report), Note 3 (Accounting policies – Discontinued operations) and Note 10 (Discontinued operations)* During the year TClarke closed down the operations of the Bristol subsidiary which had offices in Bristol and Cardiff and no new work is being pursued in this region. There were residual customer contracts transferred to the South West subsidiary. IFRS5 (Non-current assets held for sale and discontinued operations) requires discontinued operations to be shown separately on the face of the income statement with additional disclosure in the notes. This is considered a judgemental area as only operations that represent a separate major line of business or geographical area and have closed by the year end should be classified as discontinued. As a result of the closure, the investment of £0.3m held by the parent company has been written off within the parent company financial statements. There is no goodwill balance held in respect of the subsidiary.	We assessed management's rationale for the classification of the activities as discontinued against the criteria provided by IFRS5. In particular, we challenged the Board on whether the operations were significant enough and agreed with them that, due to the historic contribution to revenue and profit, the separate geographical area covered, and the separate monitoring of this CGU by management, the classification was appropriate. We also compared the disclosure in the Annual Report to the requirements of IFRS5 and confirmed it to be appropriate. Three residual contracts were transferred to TClarke South West. These contracts were included in the sample discussed above. We considered the judgements made by the Directors concerning the classification and disclosure of the discontinued operations to be appropriate in light of the evidence available.
Goodwill and intangibles impairment assessment *Refer to page 50 to 53 (Audit Committee Report), Note 4 (Significant judgements and sources of estimation uncertainty) and Note 12 (Intangible assets).* We focused on this area because the Directors' assessment of the carrying value of goodwill and intangible assets involves complex and subjective judgements about the future results of the business. No impairment was recognised during the year. We focused on those Cash Generating Units (CGUs) we considered to carry more judgement because of current year losses or historic underperformance against budgets, or for which management's impairment assessment model gave lower headroom relative to other CGUs. The value in use calculations in relation to the Group's TClarke South West (goodwill of £1.3m) CGU was most sensitive to changes in key assumptions. The key judgements involved were future revenue growth, margin assumptions and the discount rate applied as set out in Note 12 to the Group financial statements.	We evaluated the Directors' future cash flow forecasts, which were prepared to a sufficiently detailed level, including comparing them to the latest Board approved budgets, testing the integrity of the underlying calculations and assessing how both internal and external drivers of performance were incorporated into the projections. We also challenged the discount rate used by independently recalculating the cost of capital, which was consistent with the discount rate used. Because the TClarke South West CGU has been loss making historically, the carrying value of the goodwill is dependent on the CGUs ability to make profits from 2016 onwards. We tested the level of secured work by tracing it to supporting orders. We tested the cost forecasts by comparing a sample to tenders from subcontractors or calculations of man hours required. 78% of the 2016 forecast revenue for TClarke South West's revenue has been secured. We also compared 2015 financial performance to budget and understood the drivers of improvement in profitability. For the Group's TClarke South West CGU, we also performed sensitivity analysis around the key drivers of the cash flow forecasts, in particular the revenue growth and margin assumptions. Having ascertained the extent of change in those assumptions that either individually or collectively would be required for the goodwill and intangible assets to be impaired, we considered the likelihood of such movement arising in those key assumptions. We noted that the value in use of this business is more sensitive to changes in the assumptions concerning future revenue growth and, in particular, gross margin than assumptions surrounding the discount rate. The Directors have built increased profitability into their forecasts for the CGU and, we challenged them on the realistic impact of the actions they have taken and intend to take to improve the profitability. Although we considered the Directors' expectations of the impact of their actions to be reasonable in light of the evidence available, failure to meet these forecasts and to generate a profit may result in impairment of the goodwill and investment value associated with the TClarke South West CGU.

Area of focus	How our audit addressed the area of focus
Defined benefit pension plan net assets and liabilities. *Refer to page 50 to 53 (Audit Committee Report), Note 4 (Significant judgements and sources of estimation uncertainty) and Note 24 (Pension commitments).* The Group operates a funded defined benefit pension scheme for qualifying employees; this was closed to new members after 31st December 2014. The scheme has assets of £29.8m and post-retirement liabilities of £43.2m, which are significant in the context of the overall balance sheet of the Group. The valuation of the pension liabilities requires significant levels of judgement and technical expertise in choosing appropriate assumptions. Unfavourable changes in a number of the key assumptions (including salary increases, inflation, discount rates and mortality) can have a material impact on the calculation of the liability. As a result of the size of the pension scheme deficit and the judgements inherent in the actuarial assumptions involved in the valuation of the pension benefit obligations we considered this to be an area of focus.	We obtained the actuarial report for the scheme as at 31st December 2015. We agreed the material assets of the scheme to third party confirmations. For applicable assets we recalculated relevant asset valuations based on the quoted prices. No material differences were identified. We tested the valuation of the pension liabilities as follows: • We agreed the discount and inflation rates used in the valuation of the pension liability to our internally developed benchmarks, finding these to be within an acceptable range. Our benchmarks are based on our view of various economic indicators. • We discussed with the Directors the rationale for the discount rate that they used and agreed that the rationale was appropriate. • We tested the Directors’ assumptions around inflation and mortality rates by comparing them to, and finding them consistent with, national and industry averages, recognising the particular economic and health and safety factors that affect the construction industry. There was no new census data in the year so we assessed the assumptions made by the actuary in rolling forward the information from the most recent census data.
Going concern – compliance with loan covenants *Refer to page 50 to 53 (Audit Committee Report), Note 3 (Accounting Policies) and Note 22 (Bank overdraft and loans).* We focused on the Directors’ conclusion that it is appropriate to adopt the going concern basis in preparing the financial statements. The Group operates in the construction industry, which has traditionally experienced low margins and in addition has been significantly impacted by the economic downturn in recent years resulting in lower margins and cash flow pressures. In addition to an £8m annual overdraft facility and a £3m short term overdraft facility that expired on 30th January 2016, the Group has a £5m Revolving Credit Facility which expires on 31st March 2017 and which includes financial covenants around interest cover and net leverage ratios, tested quarterly.	We obtained the Directors’ forecast of the Group’s funding requirements and covenant compliance for years 2016-2018 and details of the financing facilities in place and we focused on the 12 months from the date of signing of the Annual Report. The forecasts showed sufficient funding and compliance with covenants. We obtained a copy of the letters from the company’s lenders indicating that they would expect to be able to reach agreement to a new / extended facility and that they are not aware of any reason why the annual overdraft facility would be withdrawn. We read the relevant parts of the agreements relating to available financing and re-performed the calculations of the covenants at each test point. We performed sensitivity analysis around the covenant forecasts and the cash flow forecasts including adjusting future revenue growth and margin assumptions to industry average forecast levels. At its lowest level, EBIT would need to fall by over 35% before the most sensitive covenant is breached. We further evaluated assumptions relating to changes in working capital, including debtors/creditors days by comparing to the actual changes over the previous year and found them to be consistent with our expectation, which was based on previous experience by the Group. We assessed the Directors’ budgeting ability by comparing past budgets to actual results achieved. We discussed with the Directors the actions that they considered they could take to alter the timing and/or amount of cash flows, considered whether they were consistent with previous actions taken by the Directors and used our knowledge of the business to consider the feasibility and likely impact of the Directors' intentions. We then assessed the sensitivity of the Directors’ calculations to changes in key inputs, in particular forecast underlying profit before tax. Our opinion on Going Concern is outlined below.

How we tailored the audit scope

We performed a full scope audit over all trading entities within the Group, this ensured that we were able to give an opinion on the financial statements as a whole.

The Group is structured into four regional trading segments which are subdivided into twenty five legal entities (nine of which are dormant) for the purposes of financial reporting. The majority of our audit work was conducted from the head office in London as this is where the key accounting processes and controls are undertaken from. We also visited a number of the offices and sites across all four regions to ensure we obtained a comprehensive understanding from local management of key matters that had arisen in the year.

Materiality

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

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

Overall Group materiality	£605,000 (2014: £500,000).
How we determined it	0.25% of revenue.
Rationale for benchmark applied	We used revenue as a basis for materiality to avoid the volatility that would result from a profit based calculation
Component materiality range	£50,000 to £350,000 (2014: £47,000 to £217,000)

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £30,250 (2014: £25,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

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

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

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

Other required reporting

Consistency of other information

Companies Act 2006 opinion	
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.	
ISAs (UK & Ireland) reporting	
• information in the Annual Report is: – materially inconsistent with the information in the audited financial statements; or – apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group and parent company acquired in the course of performing our audit; or – otherwise misleading.	We have no exceptions to report.
• the statement given by the directors on page 72, in accordance with provision C.1.1 of the UK Corporate Governance Code (the "Code"), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's and parent company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and parent company acquired in the course of performing our audit.	We have no exceptions to report.
• the section of the Annual Report on pages 50 to 53, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.	We have no exceptions to report.

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

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to:	
• the Directors' confirmation on page 48 of the Annual Report, in accordance with provision C.2.1 of the Code, that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.	We have nothing material to add or to draw attention to.
• the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.	We have nothing material to add or to draw attention to.
• the Directors' explanation on page 31 of the Annual Report, in accordance with provision C.2.2 of the Code, as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.	We have nothing material to add or to draw attention to.
Under the Listing Rules we are required to review the Directors' statement that they have carried out a robust assessment of the principal risks facing the Group and the Directors' statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit. We have nothing to report having performed our review.	

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Directors' remuneration report - Companies Act 2006 opinion

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

Other Companies Act 2006 reporting

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

Corporate governance statement

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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 76, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

What an audit of financial statements involves

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

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

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

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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

Consolidated income statement

for the year ended 31st December 2015

		Note	2015 £m	2014 Restated* £m
Continuing operations:				
Revenue		5	**242.4**	207.9
Cost of sales			**(214.9)**	(185.5)
Gross profit			**27.5**	22.4
Other operating income			**0.1**	0.1
Administrative expenses:				
Amortisation of intangible assets		7	**(0.2)**	(0.2)
Non-recurring costs		7	**–**	(1.2)
Other administrative expenses			**(23.0)**	(21.2)
Total administrative expenses			**(23.2)**	(22.6)
Profit / (loss) from operations		7	**4.4**	(0.1)
Finance income			**0.1**	0.1
Finance costs		6	**(1.0)**	(0.8)
Profit / (loss) before taxation			**3.5**	(0.8)
Taxation		9	**(0.7)**	0.1
Profit / (loss) from continuing operations			**2.8**	(0.7)
(Loss) / profit from discontinued operations		10	**(2.7)**	0.1
Profit / (loss) for the year			**0.1**	(0.6)
Earnings / (loss) per share for profit / (loss) from continuing operations				
Attributable to owners of TClarke plc:	Basic		**6.66p**	(1.78)p
	Diluted		**6.44p**	(1.78)p
Earnings / (loss) per share				
Attributable to owners of TClarke plc:	Basic		**0.13p**	(1.58)p
	Diluted		**0.12p**	(1.58)p

* Restated to disclose the Bristol and Cardiff operations as discontinued.

Consolidated statement of comprehensive income

for the year ended 31st December 2015

	2015 £m	2014 £m
Profit / (loss) for the year	**0.1**	(0.6)
Other comprehensive income / (expense):		
Items that will not be reclassified to profit or loss		
Actuarial gain / (loss) on defined benefit pension scheme	**2.2**	(4.2)
Other comprehensive income / (expense) for the year, net of tax	**2.2**	(4.2)
Total comprehensive income / (expense) for the year	**2.3**	(4.8)

Consolidated statement of financial position

as at 31st December 2015

	Note	2015 £m	2014 £m
Non current assets			
Intangible assets	12	**23.0**	23.2
Property, plant and equipment	13	**4.6**	5.0
Deferred tax assets	19	**2.3**	2.9
		29.9	31.1
Current assets			
Inventories	15	**0.4**	0.4
Amounts due from customers under construction contracts	16	**31.1**	26.7
Trade and other receivables	17	**36.3**	34.7
Cash and cash equivalents	21	**11.7**	10.3
		79.5	72.1
Total assets		**109.4**	103.2
Current liabilities			
Amounts due to customers under construction contracts	16	**(4.1)**	(2.9)
Trade and other payables	18	**(67.1)**	(59.6)
Current tax liabilities		**–**	(0.1)
Obligations under finance leases	25	**(0.1)**	(0.1)
		(71.3)	(62.7)
Net current assets		**8.2**	9.4
Non current liabilities			
Bank loans	22	**(5.0)**	(5.0)
Other payables	18	**(0.1)**	(0.3)
Retirement benefit obligation	24	**(13.4)**	(16.3)
		(18.5)	(21.6)
Total liabilities		**(89.8)**	(84.3)
Net assets		**19.6**	18.9
Equity attributable to owners of the parent			
Share capital	20	**4.2**	4.1
Share premium	20	**3.1**	3.1
ESOT share reserve		**(0.4)**	(0.1)
Revaluation reserve		**0.6**	0.8
Retained earnings		**12.1**	11.0
Total equity		**19.6**	18.9

The financial statements on pages 80 to 132 were approved by the Board of Directors on 22nd March 2016 and were signed on its behalf by:

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

Company statement of financial position

as at 31st December 2015

	Note	2015 £m	2014 £m
Non current assets			
Property, plant and equipment	13	**0.3**	0.3
Investments	14	**32.1**	32.4
Deferred tax assets	19	**2.6**	3.3
		35.0	36.0
Current assets			
Amounts due from customers under construction contracts	16	**13.6**	13.4
Trade and other receivables	17	**13.7**	12.7
Current income tax receivables		**–**	0.6
Cash and cash equivalents	21	**14.1**	6.2
		41.4	32.9
Total assets		**76.4**	68.9
Current liabilities			
Amounts due to customers under construction contracts	16	**(1.7)**	(0.7)
Trade and other payables	18	**(37.6)**	(31.9)
Current income tax payable		**(0.3)**	–
		(39.6)	(32.6)
Net current assets		**1.8**	0.3
Non current liabilities			
Bank loans	22	**(5.0)**	(5.0)
Retirement benefit obligation	24	**(13.4)**	(16.3)
		(18.4)	(21.3)
Total liabilities		**(58.0)**	(53.9)
Net assets		**18.4**	15.0
Equity attributable to owners of the parent			
Share capital	20	**4.2**	4.1
Share premium	20	**3.1**	3.1
ESOT share reserve		**(0.1)**	(0.1)
Retained earnings		**11.2**	7.9
Total equity		**18.4**	15.0

The financial statements on pages 80 to 132 were approved by the Board of Directors on 22nd March 2016 and were signed on its behalf by:

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

Registered number: 119351

Consolidated statement of cash flows

for the year ended 31st December 2015

	Note	**2015 £m**	2014 £m
Net cash generated from operating activities	21	**2.7**	5.0
Investing activities			
Interest received		**0.2**	0.1
Purchase of property, plant and equipment		**(0.5)**	(0.5)
Receipts on disposal of property, plant and equipment		**0.5**	0.9
Net cash generated from investing activities		**0.2**	0.5
Financing activities			
Proceeds from bank borrowing	22	**–**	5.0
Equity dividends paid	20	**(1.3)**	(1.1)
Acquisition of shares by ESOT	20	**(0.7)**	(0.1)
Disposal of share by ESOT		**0.5**	–
Net cash (used in) / generated from financing activities		**(1.5)**	3.8
Net increase in cash and cash equivalents		**1.4**	9.3
Cash and cash equivalents at beginning of year	21	**10.3**	1.0
Cash and cash equivalents at end of year	21	**11.7**	10.3

Company statement of cash flows

for the year ended 31st December 2015

	Note	**2015 £m**	2014 £m
Net cash generated from / (used in) operating activities	21	**7.4**	(0.5)
Investing activities			
Interest received		**0.1**	0.1
Purchase of property, plant and equipment		**(0.2)**	(0.1)
Dividends received from subsidiaries		**1.9**	2.4
Net cash generated from investing activities		**1.8**	2.4
Financing activities			
Proceeds from bank borrowing	22	**–**	5.0
Equity dividends paid	20	**(1.3)**	(1.1)
Acquisition of shares by ESOT	20	**(0.5)**	(0.1)
Disposal of share by ESOT	20	**0.5**	–
Net cash (used in) / generated from financing activities		**(1.3)**	3.8
Net increase in cash and cash equivalents		**7.9**	5.7
Cash and cash equivalents at beginning of year	21	**6.2**	0.5
Cash and cash equivalents at end of year	21	**14.1**	6.2

Consolidated statement of changes in equity

for the year ended 31st December 2015

	Attributable to owners of the parent					
	Share capital £m	Share premium £m	ESOT share reserve £m	Revaluation reserve £m	Retained earnings £m	Total £m
At 1st January 2014	4.1	3.1	–	0.8	16.7	24.7
Comprehensive income:						
Loss for the year	–	–	–	–	(0.6)	(0.6)
Other comprehensive income						
Actuarial loss on retirement benefit obligation	–	–	–	–	(5.3)	(5.3)
Deferred income tax credit on actuarial loss on retirement benefit obligation	–	–	–	–	1.2	1.2
Effect of change in tax rate	–	–	–	–	(0.1)	(0.1)
Total other comprehensive expense	–	–	–	–	(4.2)	(4.2)
Total comprehensive expense	–	–	–	–	(4.8)	(4.8)
Transactions with owners						
Share based payment credit	–	–	–	–	0.2	0.2
Shares acquired by ESOT	–	–	(0.1)	–	–	(0.1)
Dividends paid	–	–	–	–	(1.1)	(1.1)
Total transactions with owners	–	–	(0.1)	–	(0.9)	(1.0)
At 31st December 2014	4.1	3.1	(0.1)	0.8	11.0	18.9
Comprehensive income:						
Profit for the year	–	–	–	–	0.1	0.1
Other comprehensive income						
Actuarial gain on retirement benefit obligation	–	–	–	–	2.9	2.9
Deferred income tax charge on actuarial gain on retirement benefit obligation	–	–	–	–	(0.6)	(0.6)
Effect of change in tax rate	–	–	–	–	(0.1)	(0.1)
Total other comprehensive income	–	–	–	–	2.2	2.2
Total comprehensive income	–	–	–	–	2.3	2.3
Transactions with owners						
Share based payment debit	–	–	–	–	(0.1)	(0.1)
Share distributed by ESOT	–	–	0.5	–	–	0.5
Shares acquired by ESOT	–	–	(0.7)	–	–	(0.7)
Shares issued to ESOT	0.1	–	(0.1)	–	–	–
Dividends paid	–	–	–	–	(1.3)	(1.3)
Total transactions with owners	0.1	–	(0.3)	–	(1.4)	(1.6)
Transfers	–	–	–	(0.2)	0.2	–
At 31st December 2015	4.2	3.1	(0.4)	0.6	12.1	19.6

Company statement of changes in equity

for the year ended 31st December 2015

	Attributable to owners of the parent				
	Share capital £m	Share premium £m	ESOT share reserve £m	Retained earnings £m	Total £m
At 1st January 2014	4.1	3.1	–	13.8	21.0
Comprehensive income:					
Loss for the year	–	–	–	(0.8)	(0.8)
Other comprehensive income					
Actuarial loss on retirement benefit obligation	–	–	–	(5.3)	(5.3)
Deferred income tax credit on actuarial loss on retirement benefit obligation	–	–	–	1.2	1.2
Effect of change in tax rate	–	–	–	(0.1)	(0.1)
Total other comprehensive expense	–	–	–	(4.2)	(4.2)
Total comprehensive expense	–	–	–	(5.0)	(5.0)
Transactions with owners					
Share based payment credit	–	–	–	0.2	0.2
Shares acquired by ESOT	–	–	(0.1)	–	(0.1)
Dividends paid	–	–	–	(1.1)	(1.1)
Total transactions with owners	–	–	(0.1)	(0.9)	(1.0)
At 31st December 2014	4.1	3.1	(0.1)	7.9	15.0
Comprehensive income:					
Profit for the year	–	–	–	2.5	2.5
Other comprehensive income					
Actuarial gain on retirement benefit obligation	–	–	–	2.9	2.9
Deferred income tax charge on actuarial gain on retirement benefit obligation	–	–	–	(0.6)	(0.6)
Effect of change in tax rate	–	–	–	(0.1)	(0.1)
Total other comprehensive income	–	–	–	2.2	2.2
Total comprehensive income	–	–	–	4.9	4.9
Transactions with owners					
Share based payment debit	–	–	–	(0.1)	(0.1)
Share distributed by ESOT	–	–	0.5	–	0.5
Shares acquired by ESOT	–	–	(0.4)	–	(0.4)
Shares issued to ESOT	0.1	–	(0.1)	–	–
Dividends paid	–	–	–	(1.3)	(1.3)
Total transactions with owners	0.1	–	–	(1.4)	(1.3)
At 31st December 2015	4.2	3.1	(0.1)	11.2	18.4

Notes to the financial statements

for the year ended 31st December 2015

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 69. The nature of the Group's operations and its principal activities are described in Note 5 and in the Strategic report on pages 2 to 41.

Note 2 – Application of new and revised IFRSs

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

The following standards, interpretations and amended standards have been applied for the first time for the financial year beginning 1st January 2015.

Annual Improvements 2011-2013 Cycle

Amendments to various standards and interpretations under the Annual Improvements 2011-2013 Cycle are applicable for the first time for the year ending 31st December 2015, but none of these amendments has had a significant effect on the financial statements.

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

IFRS9 'Financial Instruments'

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

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

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

IFRS 15 Revenue from Contracts with Customers

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

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

Note 2 – Application of new and revised IFRSs continued

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

IFRS 16 Leases

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

Amendments to IAS16 and IAS38 'Clarification of Acceptable Methods of Depreciation and Amortisation'

The amendments to IAS 16 prohibit entities from using a revenue based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. The amendments apply prospectively for accounting periods beginning on or after 1st January 2016. Currently the Group uses the straight line method of depreciation or amortisation for its property, plant and equipment and intangible assets, respectively. The directors believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and, accordingly, the directors do not anticipate the application of these amendments will have a significant impact on the Group's consolidated financial statements.

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

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

Annual improvements

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

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

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

Note 3 – Accounting policies

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

A. Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), IFRS IC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRS and have been prepared on a going concern basis under the historic cost convention as modified by the revaluation of land and buildings. They comprise the parent company financial statements of TClarke plc and the consolidated financial statements of TClarke plc and all its subsidiaries made up to 31st December 2015 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 a three year £5 million committed Revolving Credit Facility, which was fully drawn down, and an £8 million overdraft facility. At 31st December 2015 the Group had an additional £3million short-term overdraft facility which had not been used and expired in January 2016. For details of the covenants in place refer to Note 22 on page 121. 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 last reviewed in October 2015. The directors have received confirmation from the bank that they know of no reason why the overdraft facility will not be renewed when it next falls due for review. There is no other external debt apart from finance lease and hire purchase contracts.

After making appropriate enquiries the directors are satisfied that the Company and Group have adequate resources to continue their operations for at least the next twelve months following the date of this report. Accordingly the Directors continue to adopt the going concern basis in preparing the financial statements.

B. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31st December each year. Control is achieved when the Company has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee, and has the ability to use its power to affect its returns.

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

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

C. Employee Share Ownership Trust (ESOT)

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

D. Segmental reporting

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

E. Revenue recognition

Sales revenue is measured at the fair value of work performed and goods and services provided in the normal course of business, net of discounts and VAT. Revenue from construction contracts is recognised in accordance

Note 3 – Accounting policies continued

with the Group's policy on construction contracts (see Note 3F). Revenue from the rendering of services that do not fall to be accounted for as construction contracts is accounted for by reference to the stage of completion of the relevant contract, determined by reference to the proportion of costs incurred. Revenue from the sale of materials and finished goods is recognised when the Group has transferred the significant risks and rewards of ownership to the buyer and it is probable that the Group will receive payment. These criteria are considered to be met when the materials or goods have been delivered to and accepted by the buyer.

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

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

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

F. Construction contracts

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

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

G. Acquisitions and goodwill

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the aggregate of the fair values at the acquisition date of assets transferred, liabilities incurred and equity instruments issued, to the former owners by the Group in exchange for control of the acquiree. 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

Note 3 – Accounting policies continued

dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

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

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amount subject to being tested for impairment.

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

H. Impairment of goodwill and other non-financial assets
Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

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

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

Impairment charges are included in non-recurring costs in the consolidated income statement, except to the extent they reverse gains previously recognised in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed.

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

Subsequent to initial recognition intangible assets are reported at cost less accumulated amortisation and impairment losses. Amortisation is recognised on a straight line basis over the estimated useful lives of the relevant assets, determined on an individual basis and ranging from 1 to 10 years.

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

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

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

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive

Note 3 – Accounting policies continued

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

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

Freehold properties 2%
Leasehold improvements
10% or life of lease if shorter
Plant, machinery and motor vehicles 10%-25%

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

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

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

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

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

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

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

Trade and other receivables
Trade and other receivables, which are non-interest bearing, are measured on initial recognition at fair value and subsequently at amortised cost. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired, measured as the difference between the asset's carrying value and the fair value of the estimated recoverable amount, if any. Insolvency or significant financial difficulties of the debtor, late payments and disputes are considered indicators that a receivable may be impaired. The carrying amount of a trade receivable is reduced to its estimated recoverable amount through the use of an allowance account and

Note 3 – Accounting policies continued

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

Bank deposits

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

Cash and cash equivalents

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

Bank loans

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

Trade and other payables

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

O. Taxation

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

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

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

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

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

P. Borrowings

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

Q. Borrowing costs

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

Borrowing costs that are directly attributable to qualifying assets are added to the cost of the asset. All other borrowing costs are recognised in the income statement in the period in which they are incurred.

Note 3 – Accounting policies continued

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

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

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

Past service cost is recognised immediately in the income statement.

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

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

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

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

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

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

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

Note 4 - Significant judgements and sources of estimation uncertainty

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

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

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

Revenue and margin

The recognition of revenue and profit on construction contracts is a key source of estimation uncertainty due to the difficulty of forecasting the final costs to be incurred on a contract in progress and the process whereby applications are made during the course of the contract with variations, which can be significant, often being agreed as part of the final account negotiation. The Group's policies for the recognition of revenue and profit on construction contracts are set out in Note 3F on page 89. The directors also take into account the recoverability of contract balances and trade receivables and allowances are made for those balances which are considered to be impaired.

Non-underlying items

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

Discontinued operations

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

Impairment of goodwill and investments

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating unit giving rise to the goodwill, including the estimation of the timing and amount of future cash flows generated by the cash generating unit and a suitable discount rate. Further details are provided in Note 12. The estimation of the value in use is also used to assess the carrying value of investments in the relevant subsidiaries in the Company's financial statements.

Retirement benefit obligations

The costs, assets and liabilities of the defined benefit scheme operated by the Group are determined using methods relying on actuarial estimates and assumptions, which are largely dependent on factors outside the control of the Group. Details of the key assumptions are set out in Note 24, and include the discount rate, expected return on assets, rate of inflation and mortality rates. The Group takes advice from independent actuaries relating to the appropriateness of the assumptions. Changes in the assumptions used may have a significant effect on the income statement, statement of comprehensive income and the statement of financial position. A sensitivity analysis is included in Note 24 on page 127.

Note 5 - Segment information

A. Reportable segments

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

For management and internal reporting purposes the Group is organised geographically into four regional divisions; London and South East, Central and South West, the North and Scotland, reporting to the Chief Executive Officer, who is the chief operating decision maker. The following changes have been made to reportable segments this year.

- London and South East, and Central and South West divisions were previously combined into a single 'South' division.
- The operations of the Bristol and Cardiff offices have been reclassified as discontinued operations and are no longer included in reportable segments.

The comparative figures have been restated to reflect these changes.

The measurement basis used to assess the performance of the divisions is underlying profit from operations, stated before amortisation of intangible assets and non-recurring items. Non-recurring items for each segment are disclosed on pages 96 to 97 and in Note 7. All assets and liabilities of the Group have been allocated to segments apart from the retirement benefit obligation and tax assets and liabilities.

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

Note 5 - Segment information continued

B. Segment information - current year

31st December 2015	London & South East **£m**	Central & South West **£m**	North **£m**	Scotland **£m**	Unallocated & elimination **£m**	Total **£m**
Total revenue	129.1	56.9	41.8	16.2	–	244.0
Inter segment revenue	–	(0.7)	–	(0.9)	–	(1.6)
Revenue from external operations	**129.1**	**56.2**	**41.8**	**15.3**	–	**242.4**
Underlying profit from operations	1.5	0.9	1.9	0.3	–	4.6
Amortisation of intangibles	–	–	(0.2)	–	–	(0.2)
Profit from operations	**1.5**	**0.9**	**1.7**	**0.3**	–	**4.4**
Finance income	0.1	–	0.1	–	(0.1)	0.1
Finance costs	(1.0)	–	–	(0.1)	0.1	(1.0)
Profit before tax	**0.6**	**0.9**	**1.8**	**0.2**	**–**	**3.5**
Taxation expense						(0.7)
Profit for the year from continuing operations						**2.8**
Other segment information:						
Depreciation	0.3	0.1	0.1	–	–	0.5
Bad debt expense	–	–	0.2	–	–	0.2
Additions to non-current assets:						
Property, plant and equipment	0.2	0.2	0.1	–	–	0.5
Assets	55.2	28.6	24.2	9.2	(7.8)	109.4
Liabilities	(48.5)	(16.2)	(13.9)	(4.7)	(6.5)	(89.8)
Net assets / (liabilities)	**6.7**	**12.4**	**10.3**	**4.5**	**(14.3)**	**19.6**

Note 5 - Segment information continued

C. Segment information - prior year (restated)

31st December 2014	London & South East **£m**	Central & South West **£m**	North **£m**	Scotland **£m**	Unallocated & elimination **£m**	Total **£m**
Total revenue	94.5	55.2	43.4	18.3	–	211.4
Inter segment revenue	(0.6)	(1.1)	–	(1.8)	–	(3.5)
Revenue from external operations	**93.9**	**54.1**	**43.4**	**16.5**	**–**	**207.9**
Underlying (loss) / profit from operations	(1.4)	0.5	1.6	0.6	–	1.3
Amortisation of intangibles	–	–	(0.2)	–	–	(0.2)
Non-recurring costs:						
Exceptional claim settlement cost	(1.1)	–	–	(0.1)	–	(1.2)
(Loss) / profit from operations	**(2.5)**	**0.5**	**1.4**	**0.5**	**–**	**(0.1)**
Finance income	0.1	–	0.1	–	(0.1)	0.1
Finance costs	(0.9)	–	–	–	0.1	(0.8)
(Loss) / profit before tax	**(3.3)**	**0.5**	**1.5**	**0.5**	**–**	**(0.8)**
Taxation expense						0.1
Loss for the year from continuing operations						**(0.7)**
Other segment information:						
Depreciation	0.4	0.1	0.1	–	–	0.6
Bad debt expense	0.3	–	0.2	–	–	0.5
Additions to non-current assets:						
Property, plant and equipment	0.3	0.1	0.1	–	–	0.5
Assets	42.4	32.1	22.7	7.9	(1.9)	103.2
Liabilities	(38.9)	(19.8)	(11.2)	(4.1)	(10.3)	(84.3)
Net assets / (liabilities)	**3.5**	**12.3**	**11.5**	**3.8**	**(12.2)**	**18.9**

Note 5 - Segment information continued

D. Revenue	**2015 £m**	2014 Restated £m
Total revenue comprises:		
Sales revenue		
Construction contracts	**219.0**	184.1
Other services	**23.4**	23.8
	242.4	207.9
Operating income:		
Rent	**0.1**	0.1
	0.1	0.1

E. Information about major customers

No single customer contributed 10% or more of the Group's revenue for either 2015 or 2014.

Note 6 – Finance income and finance cost

Finance income	**2015 £m**	2014 **£m**
Interest on bank deposits	**0.1**	0.1
Finance cost		
Interest on bank overdrafts and loans	**(0.4)**	(0.3)
Interest cost in respect of defined benefit pension scheme	**(0.6)**	(0.5)
	(1.0)	(0.8)
Net total of finance income and finance cost	**(0.9)**	(0.7)

Note 7 – Profit from operations

A. Operating profit is stated after charging / (crediting):	**2015 £m**	2014 £m
Amortisation of intangible assets	**0.2**	0.2
Non-recurring costs (see Note B below)	**–**	1.2
Depreciation of property, plant and equipment	**0.5**	0.6
Profit on disposal of property, plant and equipment	**(0.1)**	(0.2)
Operating lease charges		
– land and buildings	**0.5**	0.4
– plant, machinery and vehicles	**0.4**	0.5
Raw materials and consumables	**64.7**	62.1
Rent receivable	**(0.1)**	(0.1)
Bad debt expense	**0.2**	0.5
Fees payable to the Company's auditors for the audit of:		
– the Company and consolidation	**0.2**	0.1
– Subsidiary companies	**0.1**	0.1
Employee benefit expense (see Note 8)	**59.6**	56.3

The Auditors' fees for non-audit services during the year were £nil (2014: £38,000).

B. Non-recurring costs comprise:		
Exceptional claim settlement costs	**–**	1.2
	–	1.2

Exceptional claims settlement costs relate to damages and sub-contractor claims in respect of work carried out in previous years. These claims have been settled and no further costs are expected to arise. Further details are given in the 2014 annual report and financial statements.

Note 8 – Employees

	2015 £m	2014 £m
Employee benefit expense		
Staff costs during the year were as follows:		
Wages and salaries	**52.2**	49.4
Share awards and options granted to directors and employees (see Note 20)	**(0.1)**	0.2
Termination costs	**0.5**	0.1
Social security costs	**5.5**	5.3
Other pension costs	**1.7**	1.3
	59.8	56.3

Of the above employee costs, £58.1m (2014: £54.8m) relates to continuing operations and £1.7m (2014: £1.5m) to discontinued operations.

	2015 Number	2014 Number
Average number of employees:		
– staff (including directors)	**424**	365
– operatives	**823**	872
	1,247	1,237

Average number of employees comprises 1,217 (2014: 1,202) in continuing operations and 64 (2014: 35) in discontinued operations.

Note 9 – Taxation

Taxation expense	2015 £m	2014 £m
Current tax expense / (credit)		
UK corporation tax payable on profits for the year	**0.8**	(0.1)
	0.8	(0.1)
Deferred tax expense		
Arising on:		
Origination and reversal of temporary differences	**(0.1)**	–
	(0.1)	–
Total income tax expense / (credit)	**0.7**	(0.1)
Reconciliation of tax charge		
Profit / (loss) before taxation for the year from continuing operations	**3.5**	(0.8)
Tax at standard UK tax rate of 20.25% (2014: 21.5%)	**0.7**	(0.2)
Tax effect of:		
Permanently disallowable items	**–**	0.1
	0.7	(0.1)

The main rate of corporation tax was reduced from 23% to 21% on 1st April 2014 and to 20% on 1st April 2015.

Further reductions in the main rate of corporation tax to 19% from 1st April 2017 and 18% from 1st April 2020 had been substantially enacted at 31st December 2015 for the purposes of IAS12 'Income Taxes'. Deferred tax balances have been reassessed using an income tax rate of 19%, taking into account the period over which temporary differences are expected to reverse. The impact of the change in tax rate has been recognised in profit or loss, except to the extent that it relates to items previously recognised outside profit or loss. The effect of these changes was to reduce the UK deferred tax asset at the balance sheet date by £0.1m.

Note 10 - Discontinued operations

A. Description

On 19th November 2015 the Group announced its intention to discontinue its operations in the Cardiff and Bristol areas. The Group's activities in these areas ceased and the closure of Cardiff and Bristol offices was successfully completed by 31st December 2015, with the remaining employees and any outstanding contractual commitments transferring to our expanded TClarke South West operation. The Bristol and Cardiff operations have been reported as discontinued operations for the year ended 31st December 2015, and the previous year's results have been represented accordingly.

B. Financial performance	**2015 £m**	2014 £m
Revenue	**5.0**	19.6
Cost of sales	**(6.8)**	(18.3)
Gross (loss) / profit	**(1.8)**	1.3
Administrative expenses[1]	**(1.6)**	(1.2)
(Loss) / profit from operations	**(3.4)**	0.1
Finance income	**–**	–
Finance costs	**–**	–
(Loss) / profit before taxation	**(3.4)**	0.1
Taxation	**0.7**	–
(Loss) / profit for the financial year	**(2.7)**	0.1

1. Administration expenses incudes £0.3m (2014: £nil) directly related to the closure.

C. Cash flow information	**2015 £m**	2014 £m
Net cash outflow from operating activities	**(3.5)**	(0.3)
Net cash outflow from investing activities	**–**	–
Net cash outflow from financing activities	**–**	–
Net cash outflow from discontinued operations	**(3.5)**	(0.3)

Note 11 – Earnings / (loss) per share

A. Basic earnings / (loss) per share

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

	2015 £m	2014 £m
Earnings / (loss):		
Profit / (loss) attributable to owners of the Company:		
Continuing operations	**2.8**	(0.7)
Discontinued operations	**(2.7)**	0.1
	0.1	(0.6)
Weighted average number of ordinary shares in issue (000s)	**41,670**	41,402

B. Diluted earnings per share

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

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

The potential ordinary shares are considered to be non-dilutive for the year ended 31st December 2014 as the Group incurred a loss.

	2015 £m	2014 £m
Earnings / (loss):		
Profit / (loss) attributable to owners of the Company:		
Continuing operations	**2.8**	(0.7)
Discontinued operations	**(2.7)**	0.1
	0.1	(0.6)
Weighted average number of ordinary shares in issue (000s)	**41,670**	41,402
Adjustments:		
- Savings Related Share Option Schemes (000s)	**465**	–
- Equity Incentive Plan		
Conditional share awards (000s)	**957**	–
Options (000s)	**72**	–
Weighted average number of ordinary shares for diluted earnings per share (000s)	**43,164**	41,402

Note 11 – Earnings / (loss) per share continued

C. Underlying earnings per share

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

	2015 £m	2014 Restated £m
Profit / (loss) from continuing operations attributable to owners of the Company	**2.8**	(0.7)
Adjustments:		
Amortisation of intangible assets	**0.2**	0.2
Non-recurring costs:		
Exceptional claim settlement costs	**–**	1.2
Tax effect of adjustments	**–**	(0.3)
Underlying earnings from continuing operations	**3.0**	0.4
Weighted average number of ordinary shares in issue (000s)	**41,670**	41,402
Adjustments:		
- Savings Related Share Option Schemes (000s)	**465**	825
- Equity Incentive Plan:		
Conditional share awards (000s)	**957**	968
Options (000s)	**72**	71
Weighted average number of ordinary shares for diluted earnings per share (000s)	**43,164**	43,266
Underlying earnings per share	**7.11p**	0.85p
Diluted underlying earnings per share	**6.86p**	0.81p

Note 12 – Intangible assets

	Goodwill **£m**	Other intangible assets **£m**	Total £m
Cost:			
At 1st January 2014, 31st December 2014 and 31st December 2015	24.2	2.9	27.1
Impairment and amortisation:			
At 1st January 2014	2.2	1.5	3.7
Amortisation	–	0.2	0.2
At 31st December 2014	2.2	1.7	3.9
Amortisation	–	0.2	0.2
At 31st December 2015	2.2	1.9	4.1
Net book value:			
1st January 2014	22.0	1.4	23.4
31st December 2014	22.0	1.2	23.2
31st December 2015	22.0	1.0	23.0

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

The allocation of goodwill to individual cash generating units has been reassessed based on the Group's revised internal management and reporting structure. The significant elements of goodwill at 31st December 2015 are as follows:

	Operating segment	**£m**
TClarke London	London & South East	8.1
TClarke Midlands and East	Central & South West	4.8
TClarke Scotland	Scotland	3.0
TClarke North West	North	2.7
TClarke South West	Central & South West	1.3
TClarke Leeds	North	1.2
Veale-Nixon	North	0.9
		22.0

There was no goodwill attached to the discontinued Bristol and Cardiff operations.

Note 12 – Intangible assets continued

Value in use

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

Value in use has been calculated using budgets and forecasts approved by the Board covering the period 2016 to 2018, which take into account secured orders, business plans and management actions. The results of period subsequent to 2018 have been projected using 2018 forecasts with no growth assumed. The extrapolated cash flow projections have been discounted using a pre-tax discount rate derived from the Company's cost of capital.

Assumptions

The key assumptions to which the assessment of the recoverable amounts of CGUs are sensitive are the projected revenue and operating margin to 2018 and beyond, and the discount rate applied. The range of these assumptions applied to the CGUs within each segment is as follows:

	2015	2014
Pre-tax discount rate	**13.31%**	13.21%
Average annual revenue growth 2016 - 2018 (2014: 2015-2017)		
London & South East	**11.0%**	22.0%
Central & South West	**7.7%**	5.2%
North	**13.6%**	5.4%
Scotland	**15.1%**	7.6%
Average operating margins 2016 - 2018 (2014: 2015-2017)		
London & South East	**3.1%-4.3%**	1.0%-3.9%
Central & South West	**2.1%-2.3%**	2.8%-3.2%
North	**3.1%-4.9%**	4.2%-4.5%
Scotland	**2.8%-3.1%**	2.9%-3.6%
Average operating margins beyond 2018 (2014: beyond 2017)		
London & South East	**4.0%-4.4%**	3.9%
Central & South West	**2.5%-2.9%**	3.2%
North	**3.2%-5.1%**	4.5%
Scotland	**3.1%**	3.6%

Note 12 – Intangible assets continued

Sensitivities

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

	TClarke Scotland	TClarke South West	TClarke Midlands & East
Pre-tax discount rate	13.3%	13.3%	13.3%
Annual revenue growth 2016-2018	15.1%	10.0%	2.3%
Average operating margins 2016-2018	2.9%	2.2%	2.5%
Operating margins beyond 2018	3.1%	2.9%	2.5%

Annual revenue growth and operating margin assumptions are supported by an analysis of the secured order book and opportunities identified by the CGUs, with TClarke Scotland having secured 90% of its forecast revenue, TClarke South West 70% of its forecast revenue and TClarke Midlands and East 66% of its forecast revenue for 2016.

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

	TClarke Scotland	TClarke Midlands & East	TClarke South West
Percentage point increase in pre-tax discount rate	6.6%	7.0%	20.5%
Decrease in operating profit	34.3%	35.0%	65.3%

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

At 31st December 2015, based on these valuations, no increase in the impairment provision was required against the carrying value of goodwill (2014: £nil).

Note 13 – Property, plant and equipment

GROUP	Freehold properties £m	Leasehold improvements £m	Plant, machinery and vehicles £m	Total £m
Cost or valuation				
At 1st January 2014	4.4	0.4	4.1	8.9
Additions	–	0.2	0.3	0.5
Disposals	(0.5)	–	(1.0)	(1.5)
At 31st December 2014	3.9	0.6	3.4	7.9
Additions	–	0.1	0.4	0.5
Disposals	(0.4)	–	(0.6)	(1.0)
At 31st December 2015	**3.5**	**0.7**	**3.2**	**7.4**
Accumulated depreciation and impairment				
At 1st January 2014	0.2	0.2	2.8	3.2
Charge for the year	0.1	0.1	0.4	0.6
Disposals	(0.1)	–	(0.8)	(0.9)
At 31st December 2014	0.2	0.3	2.4	2.9
Charge for the year	0.1	0.1	0.3	0.5
Disposals	–	–	(0.6)	(0.6)
At 31st December 2015	**0.3**	**0.4**	**2.1**	**2.8**
Net book value at 1st January 2014	4.2	0.2	1.3	5.7
Net book value at 31st December 2014	3.7	0.3	1.0	5.0
Net book value at 31st December 2015	**3.2**	**0.3**	**1.1**	**4.6**

The Group's freehold land and buildings were valued at 31st December 2011 based on an external valuation provided by an independent valuer dated 14th October 2011. The external valuation was conducted on the basis of market value as defined by the RICS Valuation Standards, and was determined by reference to recent market transactions on arms length terms. The revaluation surplus, net of applicable deferred income taxes, was credited to other comprehensive income and is shown in the revaluation reserve in shareholders' equity. A further external valuation was concluded as at 29th February 2016 which indicated that the market value of the Group's property was not significantly different to the book value. The net book value of the freehold properties on a historic cost basis would have been £2.5m (2014: £2.7m).

The net book value of Group plant, machinery and vehicles includes £0.1m (2014: £0.1m) in respect of assets held under finance leases and hire purchase contracts. Depreciation of £nil (2014: £0.1m) was charged on these assets during the year.

The Group has granted a charge in favour of the TClarke Group Retirement and Death Benefits Scheme over a number of properties occupied by the Group, to secure the future pension obligations of the scheme. The book and fair value of the properties at 31st December 2015 was £2.9m (2014: £2.9m).

Note 13 – Property, plant and equipment continued

COMPANY	Leasehold improvements £m	Plant, machinery and vehicles £m	Total £m
Cost			
At 1st January 2014	0.4	0.6	1.0
Additions	–	0.1	0.1
At 31st December 2014	0.4	0.7	1.1
Additions	–	0.2	0.2
Disposals	–	(0.2)	(0.2)
At 31st December 2015	**0.4**	**0.7**	**1.1**
Accumulated depreciation and impairment			
At 1st January 2014	0.2	0.5	0.7
Charge for the year	–	0.1	0.1
At 31st December 2014	0.2	0.6	0.8
Charge for the year	0.1	0.1	0.2
Disposals	–	(0.2)	(0.2)
At 31st December 2015	**0.3**	**0.5**	**0.8**
Net book value at 1st January 2014	0.2	0.1	0.3
Net book value at 31st December 2014	0.2	0.1	0.3
Net book value at 31st December 2015	**0.1**	**0.2**	**0.3**

Note 14 – Investments

COMPANY	2015 £m	2014 £m
Investments in subsidiaries comprise:		
Cost:		
At 1st January and 31st December	**41.4**	41.4
Impairment:		
At 1st January	**9.0**	9.0
Charge for the year	**0.3**	–
At 31st December	**9.3**	9.0
Net book value:		
At 1st January	**32.4**	32.4
At 31st December	**32.1**	32.4

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

The impairment provision comprises the entire cost of subsidiaries where operations have ceased, or a reduction to recoverable amount where there has been a significant reduction in underlying trading and significant losses have been incurred such that the Group is unable to recover the cost of the investment through its net asset value or future trading. The provision also includes an amount equivalent to dividends paid out of pre-acquisition reserves in respect of TClarke North West Limited. The Company's investment in TClarke (Bristol) Limited was impaired during the year following the discontinuation of the Bristol and Cardiff operations.

Note 15 – Inventories

GROUP	2015 £m	2014 £m
Raw materials and consumables	**0.4**	0.4

Note 16 – Construction contracts

	GROUP		COMPANY	
	2015 £m	2014 £m	**2015 £m**	2014 £m
Contract work in progress comprises:				
Contract costs incurred plus recognised profits				
less recognised losses to date	**181.6**	147.7	**102.1**	73.5
Less: progress payments	**(154.6)**	(123.9)	**(90.2)**	(60.8)
	27.0	23.8	**11.9**	12.7
Contracts in progress at the reporting date:				
Gross amounts due from customers	**31.1**	26.7	**13.6**	13.4
Gross amounts due to customers	**(4.1)**	(2.9)	**(1.7)**	(0.7)
	27.0	23.8	**11.9**	12.7

At 31st December 2015 retentions held by customers of the Group for contract work amounted to £13.1m (2014: £10.6m) and retentions held by customers of the Company for contract work amounted to £5.4m (2014: £3.7m). These amounts are included in trade receivables (see Note 17).

Advances received from customers for contract work amounted to £nil (2014: £nil).

Note 17 – Trade and other receivables

	GROUP		COMPANY	
	2015 £m	2014 £m	**2015 £m**	2014 £m
Trade receivables - gross	**25.1**	23.8	**6.9**	6.9
Trade receivables - allowances for credit losses	**(0.5)**	(0.9)	**–**	–
Net trade receivables	**24.6**	22.9	**6.9**	6.9
Owed by group companies	**–**	–	**1.7**	2.3
Other receivables	**–**	0.2	**0.3**	0.5
Accrued income	**8.8**	9.2	**3.8**	2.3
Prepayments	**2.9**	2.4	**1.0**	0.7
	36.3	34.7	**13.7**	12.7
Movements in allowances for credit losses are as follows:				
At 1st January	**(0.9)**	(0.7)	**–**	–
Charged in year	**(0.2)**	(0.6)	**–**	–
Recovered in year	**0.1**	0.1	**–**	–
Written off in year	**0.5**	0.3	**–**	–
At 31st December	**(0.5)**	(0.9)	**–**	–
Trade receivables (including retentions) are due as follows:				
Due within 3 months	**12.5**	11.8	**2.3**	3.5
Due in 3 to 6 months	**1.4**	1.6	**0.9**	0.9
Due in 6 to 12 months	**1.4**	2.4	**0.4**	0.7
Due after more than one year	**5.1**	3.2	**2.8**	1.5
Overdue	**4.7**	4.8	**0.5**	0.3
	25.1	23.8	**6.9**	6.9
The ageing of trade receivables past due but not impaired is as follows:				
Less than 30 days	**1.6**	1.4	**–**	–
31-60 days	**0.7**	0.8	**0.1**	0.1
61-120 days	**0.3**	0.6	**0.1**	–
Greater than 120 days	**1.6**	1.1	**0.3**	0.2
	4.2	3.9	**0.5**	0.3

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

Note 18 – Trade and other payables

----	GROUP		COMPANY	
	2015 £m	2014 £m	**2015 £m**	2014 £m
Current:				
Trade payables	**49.7**	40.4	**22.4**	13.5
Owed to group companies	**–**	–	**4.2**	5.4
Other taxation and social security payable	**6.3**	5.7	**2.3**	1.5
Accruals	**9.2**	12.4	**8.0**	11.5
Deferred income	**1.1**	0.8	**0.5**	–
Other payables	**0.8**	0.3	**0.2**	–
	67.1	59.6	**37.6**	31.9
Non-current:				
Other payables	**0.1**	0.3	**–**	–
Trade payables payments terms are as follows:				
30 days or less	**28.1**	22.8	**13.1**	6.9
31-60 days	**16.0**	13.7	**6.6**	4.5
Greater than 60 days	**5.6**	3.9	**2.7**	2.1
	49.7	40.4	**22.4**	13.5

Note 19 – Deferred taxation

GROUP	Revaluations £m	Retirement benefit obligation £m	Accelerated capital allowances £m	Other £m	Total £m
Asset at 1st January 2014	(0.2)	2.2	–	(0.2)	1.8
Credited to other comprehensive income	–	1.1	–	–	1.1
Asset at 31st December 2014	(0.2)	3.3	–	(0.2)	2.9
Charged to income	0.1	–	(0.1)	0.1	0.1
Credited to other comprehensive income	–	(0.7)	–	–	(0.7)
Asset at 31st December 2015	**(0.1)**	**2.6**	**(0.1)**	**(0.1)**	**2.3**

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

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

	2015 £m	2014 £m
Deferred tax liabilities	**(0.3)**	(0.4)
Deferred tax assets	**2.6**	3.3
	2.3	2.9

COMPANY	Retirement benefit obligation £m	Total £m
Asset at 1st January 2014	2.2	2.2
Credited to other comprehensive income	1.1	1.1
Asset at 31st December 2014	3.3	3.3
Charged to other comprehensive income	(0.7)	(0.7)
Asset at 31st December 2015	**2.6**	**2.6**

Note 20 – Capital and reserves

A. Components of owners equity

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

Component of owners equity	Description and purpose
Share capital	Amount subscribed for share capital at nominal value.
Share premium	Amount subscribed for share capital in excess of nominal value, net of allowable expenses.
ESOT share reserve	Acquires and holds shares in the Company to be issued to employees in settlement of options exercised and conditional share awards under the Group's employee share schemes.
Revaluation reserve 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 2014, 31st December 2014 and 31st December 2015	50,000,000	5.0

Allotted, called up and fully paid:	Number of shares	Ordinary shares £m	Share premium £m
At 1st January 2014 and 31st December 2014	41,401,670	4.1	3.1
Shares issued to Employee Share Ownership Trust	427,897	0.1	–
At 31st December 2015	41,829,567	4.2	3.1

427,897 ordinary shares of 10p each were issued to the Employee Share Ownership Trust during the year to satisfy options exercised by employees under the Group's Save As You Earn Scheme.

All shares rank equally in respect of shareholder rights.

Note 20 – 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
2012 SAYE	710,110	12/10/12	01/01/16 to 30/06/16	42.00p	8.90p
2013 SAYE	442,251 `	11/10/13	01/01/17 to 30/06/17	54.00p	18.55p
2015 SAYE	1,739,123	09/10/15	01/12/18 to 31/05/19	69.75p	1.57p

The SAYE scheme was approved by HM Revenue and Customs on 14th July 2011. In accordance with the scheme rules all employees of the Group with at least six months continuous service were eligible to participate in the scheme, the only vesting condition being that the individual remains an employee of the Group over the savings period. The impact of recognising the fair value of employee share option plan grants as an expense under IFRS2 is £nil m for the year ended 31st December 2015 (2014: £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, between £5 and £150 in respect of the 2012 and 2013 schemes and of between £5 and £200 in respect of the 2015 scheme for a period of three years, at the end of which the employee may use part or all of the proceeds to acquire the shares under option. Options will be exercisable within a period of six months commencing on the date of maturity of the participants SAYE contract.

Note 20 – 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:

	2015 Number	**2015 Weighted average exercise price (p)**	2014 Number	2014 Weighted average exercise price (p)
At 1st January	**2,482,074**	**43.32**	2,615,803	43.28
Granted	**1,744,284**	**69.75**	–	–
Exercised	**(1,206,807)**	**40.02**	–	–
Forfeited	**(128,067)**	**45.99**	(133,729)	42.45
At 31st December	**2,891,484**	**60.53**	2,482,074	43.32

The weighted average remaining contractual life of the options at 31st December 2015 was 697 days (2014: 252 days).

No options were exercisable at 31st December 2015 (2014: nil).

On 1st January 2016, 710,110 options granted under the SAYE Scheme became exercisable at an exercise price of 42p per 10p ordinary share. Options exercised to date have been satisfied by shares held in treasury by the Employee Share Ownership Trust.

Note 20 – Capital and reserves continued

D. Equity Incentive Plan ('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 options	Conditional shares	Conditional shares
Date of grant	30/04/2013	30/04/2013	29/04/2014	29/04/2015
Number of awards	345,000	177,000	255,000	360,000
Share price at grant	52.00p	52.00p	82.00p	71.50p
Exercise price	nil	52.00p	nil	nil
Option life	3 years	3 years	3 years	3 years

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

Awards granted 30th April 2013 and 29th April 2014:

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%

Awards granted 29th April 2015:

Annual growth in underlying 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%

* Based on average underlying EPS for the three years ended 31st December 2014

Note 20 – Capital and reserves continued

E. Share based payment expense

The charge to the income statement takes into account the number of shares and options that are expected to vest. The impact of recognising the fair value of Equity Incentive Plan grants as an expense under IFRS2 is £0.1m credit for the year ended 31st December 2015 (2014: £0.1m charge).

F. 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. A profit after taxation amounting to £2.5m (2014: loss £0.8m) has been included in the financial statements of the holding company.

G. Dividends paid	**2015 £m**	2014 £m
Final dividend of 2.60p (2014: 2.10p) per ordinary share proposed and		
paid during the year relating to the previous year's results	**1.1**	0.9
Interim dividend of 0.50p (2014: 0.50p) per ordinary share paid during the year	**0.2**	0.2
	1.3	1.1

The Directors are proposing a final dividend of 2.60p (2014: 2.60p) per ordinary share totalling £1.1m (2014: £1.1m). This dividend has not been accrued at the reporting date.

Note 21 – Notes to the statement of cash flows

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

GROUP	2015 £m	2014 £m
Profit / (loss) from operations:		
Continuing operations	**4.4**	(0.1)
Discontinued operations	**(3.4)**	0.1
Depreciation charges	**0.5**	0.6
Profit on sale of property, plant and equipment	**(0.1)**	(0.2)
Equity settled share based payment (credit) / expense	**(0.1)**	0.2
Amortisation	**0.2**	0.2
Defined benefit pension scheme credit	**(0.5)**	(0.4)
Operating cash flows before movements in working capital	**1.0**	0.4
Increase in contract balances	**(3.1)**	(0.9)
Increase in trade and other receivables	**(1.6)**	(3.7)
Increase in trade and other payables	**7.1**	9.5
Cash generated from operations	**3.4**	5.3
Corporation tax paid	**(0.3)**	–
Interest paid	**(0.4)**	(0.3)
Net cash generated from operating activities	**2.7**	5.0

COMPANY	2015 £m	2014 £m
Profit / (loss) from operations:		
Continuing operations	**1.6**	(3.0)
Equity settled share based payment expense	**–**	0.2
Depreciation charges	**0.2**	0.1
Investment impairment	**0.3**	–
Defined benefit pension scheme credit	**(0.5)**	(0.4)
Operating cash flows before movements in working capital	**1.6**	(3.1)
Decrease / (increase) in contract balances	**0.8**	(2.5)
Increase in trade and other receivables	**(1.0)**	(4.0)
Increase in trade and other payables	**5.8**	9.2
Cash generated from / (used in) operations	**7.2**	(0.4)
Corporation tax received	**0.6**	0.2
Interest paid	**(0.4)**	(0.3)
Net cash generated from / (used in) operating activities	**7.4**	(0.5)

Note 21 – Notes to the statement of cash flows continued

B. Cash and cash equivalents

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

	GROUP		COMPANY	
	2015 £m	2014 £m	**2015 £m**	2014 £m
Cash and cash equivalents	**11.7**	10.3	**14.1**	6.2

Note 22 – Bank overdrafts and loans

The Group has an £8m overdraft facility with National Westminster Bank plc, renewable annually. Interest was charged at 2.75% above base rate on overdraft balances during the year ended 31st December 2015 (2014: 2.75%). 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 2015 the Group had unused overdraft facilities of £11m (2014: £8m) including an additional £3m short-term overdraft facility which had not been used and subsequently expired in January 2016. 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) with National Westminster Bank plc ("the bank"). 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 Group was compliant with its obligations under the RCF throughout the year.

Note 23 – Related party transactions

A. Directors remuneration	**2015 £m**	2014 £m
Salaries, fees and other short-term employee benefits	**1.5**	0.9
Post-employment benefits	**0.2**	0.1
Total	**1.7**	1.0

Further disclosures, including details of the highest paid Director, are included in the Director's remuneration report on pages 55 to 68.

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.

	2015 £m	2014 £m
Salaries, fees and other short term employee benefits	**2.9**	3.1
Termination benefits	**0.2**	0.1
Post-employment benefits	**0.5**	0.4
Total	**3.6**	3.6

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

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

TClarke plc charged subsidiary companies £0.5m (2014: £0.5m) during the year for insurance services and £0.2m (2014: £0.2m) for IT services. Sales to other Group companies of £0.2m (2014: £nil) and cost of sales from other group companies of £19.9m (2014: £15.1m) are included in the financial statements of the Company.

Note 24 – Pension commitments

Defined contribution schemes

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

The total cost charged to income of £1.0m (2014: £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 actuarial valuation of the scheme, carried out at 31st December 2012 by Mr J Seed, Fellow of the Institute of Actuaries, showed a deficit of £11.5m, which represented a funding level of 68%. The valuation was significantly impacted by the significant fall in bond yields over the period leading up to the date of the valuation, caused by macro-economic factors beyond the Company's control. A deficit reduction plan has been agreed with the Pension Regulator, which includes 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 March 2029.

Employer contribution rates during the year ended 31st December 2015 were 20.7% (2014: 18.0%). Future employer contributions rates have been agreed as follows:

	Current service contributions	Deficit reduction contributions	Total contributions
1st January 2016 to 31st December 2016	7.7%	13.0%	20.7%
1st January 2017 to 31st December 2019	7.7%	14.0%	21.7%
1st January 2020 to 31st March 2029	7.7%	15.0%	22.7%

Following further adverse movements in bond yields since the date of the triennial actuarial valuation and adverse legislative charges, the Group closed the defined benefit scheme to new members on 1st January 2015 and is working with the trustees of the scheme and their advisers to mitigate the impact of the prolonged adverse economic conditions. The Group continues to meet its ongoing funding obligations to the scheme.

Note 24 – Pension commitments

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

	2015 %	2014 %
Rate of increase in salaries	**2.85**	2.70
Rate of increase of pensions in payment	**3.05**	3.00
Discount rate	**4.05**	3.70
Inflation assumption	**3.35**	3.20

The mortality assumptions used in the IAS 19 valuation were:		**2015 Years**	2014 Years
Life expectancy at age 65 for current pensioners	- Men	**23.7**	23.7
	- Women	**25.0**	24.9
Life expectancy at age 65 for future pensioners (current age 45)	- Men	**25.0**	25.0
	- Women	**26.5**	26.4

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

	2015 £m	2014 £m
Present value of funded obligations	**43.2**	44.5
Fair value of plan assets	**(29.8)**	(28.2)
Deficit of funded plans	**13.4**	16.3

Note 24 – Pension commitments continued

The movement in the defined benefit obligation is as follows:	Present value of obligation £m	Fair value of plan assets £m	Total £m
At 1st January 2014	37.8	(26.9)	10.9
Current service cost	0.6	–	0.6
Interest expense	1.7	(1.2)	0.5
	2.3	(1.2)	1.1
Remeasurements:			
Return on plan assets excluding amounts included in interest expense	–	(0.2)	(0.2)
Loss from change in financial assumptions	5.5	–	5.5
	5.5	(0.2)	5.3
Contributions:			
- Employers	–	(1.0)	(1.0)
- Employees	0.4	(0.4)	–
Payment from plans:			
- Benefit payments	(1.5)	1.5	–
At 31st December 2014	44.5	(28.2)	16.3
Current service cost	0.7	–	0.7
Interest expense	1.7	(1.1)	0.6
	2.4	(1.1)	1.3
Remeasurements:			
Return on plan assets excluding amounts included in interest expense	–	0.3	0.3
Gain from change in financial assumptions	(3.2)	–	(3.2)
	(3.2)	0.3	(2.9)
Contributions:			
- Employers	–	(1.3)	(1.3)
- Employees	0.5	(0.5)	–
Payment from plans:			
- Benefit payments	(1.0)	1.0	–
At 31st December 2015	**43.2**	**(29.8)**	**13.4**

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

Note 24 – Pension commitments continued

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

	2015				2014			
	Quoted £m	**Unquoted £m**	**Total £m**	**%**	Quoted £m	Unquoted £m	Total £m	%
Equities	**19.0**	**–**	**19.0**	**64%**	17.0	–	17.0	60%
UK quoted	**4.1**	**–**	**4.1**		4.6	–	4.6	
Overseas quoted	**6.2**	**–**	**6.2**		5.1	–	5.1	
Hedge funds	**8.7**	**–**	**8.7**		7.3	–	7.3	
Debt instruments	**5.1**	**–**	**5.1**	**17%**	5.1	–	5.1	18%
Fixed interest corporate bonds	**3.8**	**–**	**3.8**		4.2	–	4.2	
Inflation-linked bonds	**0.6**	**–**	**0.6**		0.3	–	0.3	
Government bonds	**0.7**	**–**	**0.7**		0.6	–	0.6	
Property	**–**	**2.3**	**2.3**	**8%**	–	2.3	2.3	8%
Cash	**–**	**1.9**	**1.9**	**6%**	–	2.2	2.2	8%
Insurance annuity contracts	**–**	**1.5**	**1.5**	**5%**	–	1.6	1.6	6%
Total	**24.1**	**5.7**	**29.8**	**100%**	22.1	6.1	28.2	100%

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

Asset volatility

The objective of the investment strategy is to have sufficient assets to pay benefits to members as they fall due. The scheme assets are invested in a diversified portfolio of growth assets (such as multi-asset funds and equities) and matching assets (such as bonds held in multi-asset funds and cash). In addition the scheme holds a number of annuity policies which are used to back a number of pensions in payment, reducing the volatility of the results.

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

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

Change in corporate bond yields

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

Note 24 – Pension commitments continued

Inflation risk

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

Life expectancy

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

Age profile

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

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

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

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

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

Note 25 – Obligations under finance leases

	Minimum lease payment		Present value of minimum lease payment	
	2015 £m	2014 £m	**2015 £m**	2014 £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 2015 the average effective borrowing rate was 6% (2014: 6%). Interest rates are fixed at the contract dates. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

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

Note 26 – Operating lease obligations

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

GROUP	**Land and buildings 2015 £m**	**Other operating leases 2015 £m**	Land and buildings 2014 £m	Other operating leases 2014 £m
Within one year	**0.5**	**1.0**	0.4	1.1
In the second to fifth years inclusive	**0.3**	**0.9**	0.4	1.1
	0.8	**1.9**	0.8	2.2

COMPANY	**Land and buildings 2015 £m**	**Other operating leases 2015 £m**	Land and buildings 2014 £m	Other operating leases 2014 £m
Within one year	**0.3**	**0.3**	0.3	0.4
In the second to fifth years inclusive	**–**	**0.2**	0.2	0.3
	0.3	**0.5**	0.5	0.7

Note 27 – Contingent liabilities

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

Note 28 – Financial instruments

A. Capital risk management

The Group manages its capital to ensure that each entity within the Group will be able to continue as a going concern; to maintain a strong financial position to support business development, tender qualification and procurement activities; and to maximise the overall return to shareholders over time. Dividends form an important part of the overall return to shareholders. The Group is mindful of the need to ensure that the dividend is covered by earnings over the business cycle and paid out of cash reserves in order to secure the long-term interests of shareholders. The Board considers that it has sufficient capital to undertake its activities for the foreseeable future. The Group's overall capital strategy remains unchanged from 2014.

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

The capital structure of the Group at 31st December 2015 and 2014 was as follows:

	2015 £m	2014 £m
Cash and cash equivalents	**11.7**	10.3
Less total borrowings	**(5.1)**	(5.1)
Net funds	**6.6**	5.2
Total equity	**19.6**	18.9

Note 28 – Financial instruments continued

B. Financial assets and liabilities

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the bases of measurement and the bases on which income and expenses are recognised in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 3. The fair value of the Group's and the Company's financial assets and financial liabilities is not materially different to the carrying value.

Financial assets

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

	2015 £m	2014 £m
Cash and cash equivalents	**11.7**	10.3
Trade and other receivables excluding prepayments	**33.4**	32.3
Amounts due from customers under construction contracts	**31.1**	26.7
	76.2	69.3

Included in the above are £5.1m (2014: £3.2m) trade and other receivables due after more than one year.

Financial liabilities – analysis of maturity dates

At 31st December 2015 the carrying value of the Group's financial liabilities and the maturity profile of the associated contractual cash flows were as follows:

31st December 2015	Trade and other payables[1] **£m**	Amounts due to customers under construction contracts **£m**	Bank loans[2] **£m**	Obligations under finance leases **£m**	Total **£m**
Carrying value	**59.7**	**4.1**	**5.0**	**0.1**	**68.9**
Contractual cash flows:					
Less than one year	**59.6**	**4.1**	**0.2**	**0.1**	**64.0**
One to two years	**0.1**	**–**	**5.2**	**–**	**5.3**
Total	**59.7**	**4.1**	**5.4**	**0.1**	**69.3**

31st December 2014					
Carrying value	53.4	2.9	5.0	0.1	61.4
Contractual cash flows:					
Less than one year	53.1	2.9	0.2	0.1	56.3
One to two years	0.2	–	0.2	–	0.4
Two to three years	0.1	–	5.2	–	5.3
Total	53.4	2.9	5.6	0.1	62.0

[1] Trade and other payables exclude deferred income and other taxation and social security payable.
[2] Details of the Group's bank facilities are given in Note 22 on page 121.

Note 28 – Financial instruments continued

C. Financial risk management

Financial risk management is integral to the way in which the Group is managed. The overall aim of the Group's financial risk management policies is to minimise any potential adverse effects on financial performance and net assets.

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

The financial risks to which the Group is exposed comprise credit risk, market risk and liquidity risk. The Group seeks to manage these risks as follows:

Credit risk

Credit risk is the risk that a counter party will fail to discharge its obligations and create a financial loss. Credit risk exists, amongst other factors, to the extent that at the reporting date there were significant balances outstanding. The Group's policy is to mitigate this risk by assessing the credit-worthiness of prospective clients prior to accepting a contract, requesting progress payments on contract work in progress and investing surplus cash only with large highly-regarded UK financial institutions.

The carrying value of construction contracts, trade and other receivables and cash on deposit represents the Group's maximum exposure to credit risk. There were no significant concentrations of credit risk at 31st December 2015.

Liquidity risk

Liquidity risk is the risk that the Group will not generate sufficient cash and liquid funds to be able to settle its financial liabilities as and when they fall due. The Group's manages liquidity risk by maintaining adequate reserves and banking facilities, by monitoring cash flows and by matching the maturity profiles of financial assets and liabilities within the bounds of its contractual obligations.

The Group had in place throughout the year an £8 million overdraft facility with National Westminster Bank plc. This facility was renewed during the year. The Group also has in place a £5 million Revolving Credit Facility ('RCF') agreed with the same bank in February 2014. The RCF is a committed facility available until 31st March 2017, subject to quarterly financial covenant tests. Management has prepared projections for the remaining term of the RCF that demonstrate that the Group will be able to meet these financial covenants. There have been no other significant changes to the nature of financial risks or the Group's objectives and policies for managing these risks.

Based on an interest rate of 3.5%, the effect of a delay / acceleration in the maturity of the Group's trade receivables at the balance sheet date would be to decrease / increase profit by approximately £0.1 million (2014: £0.1 million) for each month of delay / acceleration, and the effect of a delay / acceleration in the maturity of the Group's trade payables at the reporting date would be to increase / decrease profit by approximately £0.1 million (2014: £0.1 million) for each month of delay / acceleration.

Cash flow interest rate risk

The Group is exposed to changes in interest rates on its bank deposits and borrowings. Surplus cash is placed on short term deposit at fixed rates of interest. Bank overdrafts are at floating rates, at a fixed margin of 2.75% above base rates. The interest rate on amounts drawn down under the RCF are fixed at LIBOR plus 3% at the time of drawdown for periods of up to six months. The Group's finance lease obligations are at fixed rates of interest determined at the inception of the lease.

The effect of each 1% increase in interest rates on the Group's floating and short-term fixed rate cash, cash equivalents and bank overdrafts at the reporting date would be to increase profits by approximately £0.6 million (2014: £0.5 million) per annum. Details of the Group's and the Company's bank facilities are disclosed in Note 22.

Details of finance lease commitments are disclosed in Note 25.

Note 29 – 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 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
TClarke South West Limited	Ordinary
Veale-Nixon Limited	Ordinary

Property holding company	
Weylex Properties Limited	Ordinary

Non-trading and dormant companies	
AG Aylward EMS (Maintenance and Minor Works) Limited	Ordinary
Anglia Electrical Services Limited	Ordinary
D&S (Engineering Facilities) Limited	Ordinary
GDI Electrical Company Limited	Ordinary
JJ Cross Limited	Ordinary
JJ Cross Services Limited	Ordinary
Mitchell and Hewitt Limited	Ordinary
SCS Building Services (Scotland) Limited	Ordinary
Smith Contracting Services Limited	Ordinary
TClarke (Bristol) Limited	Ordinary
Waldon Data Limited	Ordinary
Waldon Electrical Contractors Limited	Ordinary
Waldon Security Limited	Ordinary
WE Manin Limited	Ordinary

Shareholder information

For further information, please contact:

Alexandra Dent
Company Secretary
info@tclarke.co.uk

Registered office 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

Independent auditors
PricewaterhouseCoopers LLP
1 Embankment Place
London WC2N 6RH

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

Investor relations
Capital Access Group
Sky Light City Tower
50 Basinghall Street
London EC2V 5DE
Tel: 020 3763 3400

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TClarke

TClarke plc
45 Moorfields
London EC2Y 9AE
020 7997 7400
www.tclarke.co.uk