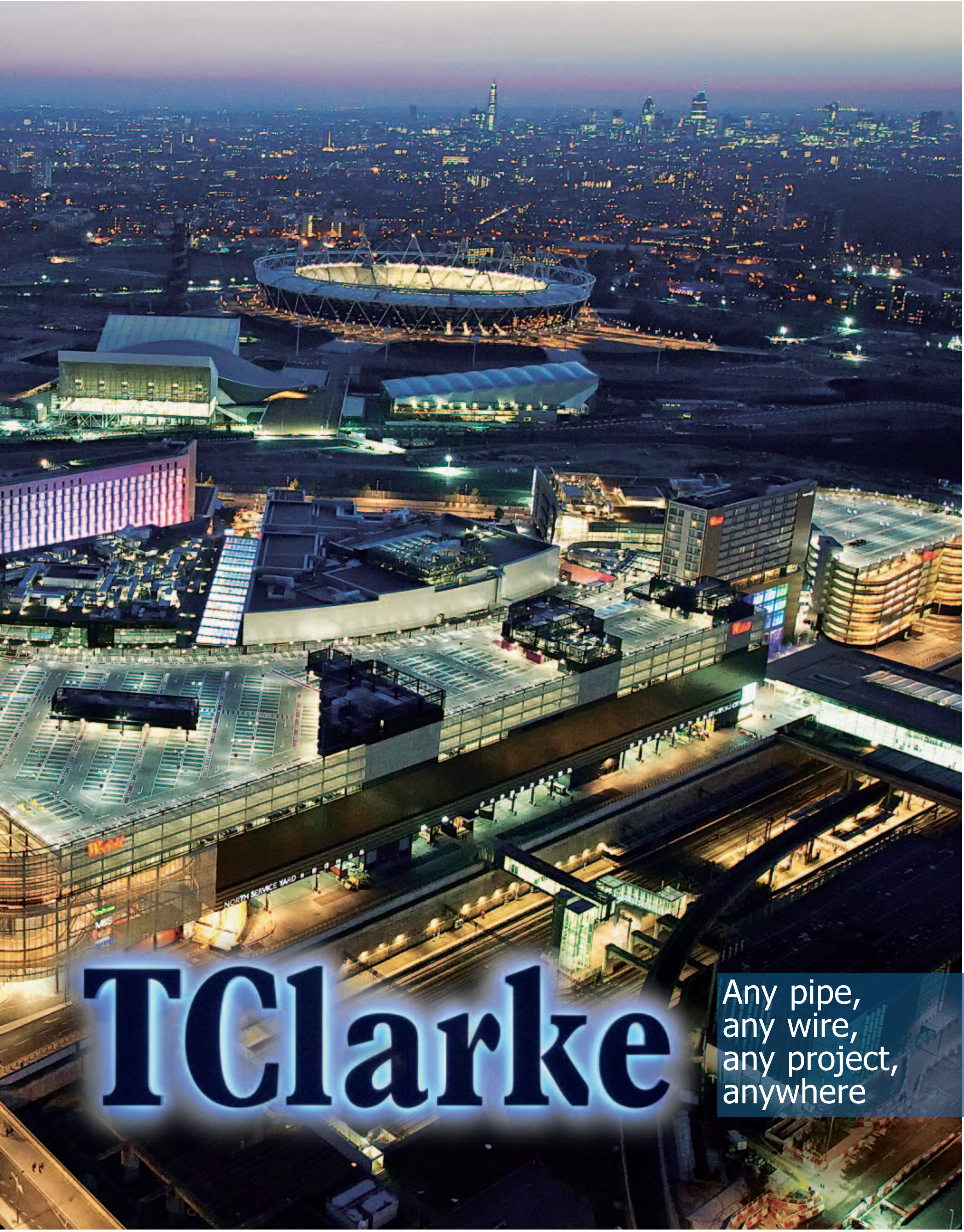


TClarke

Any pipe,
any wire,
any project,
anywhere

Contents

Emirates Air Line, London's cable car © Laura Porter

TClarke

Our company

We are a nationwide building services group. We deliver high levels of value to building projects through the full lifecycle of design, installation, commissioning and maintenance.

Our goal is to be recognised as a 'top five' building services contractor in all the sectors in which we operate. To do that we aim to demonstrate value through engineering excellence and innovation in every way.

At the same time we are focused on retaining and enhancing our traditional reputation for delivering good value, total trustworthiness and excellent work quality.

Our businesses

Visit www.tclarke.co.uk to see our businesses, our current projects and project wins. Go to pages 5 to 8 in this annual report to read more about the eight sectors in which we operate.

TClarke is a nationwide building services group delivering mechanical, electrical and ICT engineering services throughout the construction cycle of design, installation, commissioning and facilities management.

We deliver the same capability and quality across the UK. Since 1889, we have built and retained a reputation for outstanding delivery. Our focus is on eight business areas where prospects for growth meet our ability to deliver quality, innovation and added value to our clients.

M&E contracting
Intelligent buildings
Facilities management
Green technologies
Transport
Mission critical
Manufacturing
Residential and hotels

Revenue
£194m
2011 : £184m

Dividend per share
3.00p
2011 : 3.00p

Forward order book
£230m
2011: £190m

Underlying operating profit
£2.9m
2011 : £4.7m

Profit before tax
£1.2m
2011 : £4.9m

Profit before tax margin
0.6%
2011 : 2.7%

Earnings per share
2.05p
2011 : 9.69p

Chairman's statement

Results

Despite well reported margin pressures in our markets TClarke has delivered profitable financial results for the year with revenue and underlying profit before tax slightly ahead of our expectations.

Group turnover increased by 5.5% to £193.8 million (2011: £183.8 million). We maintained our strategy of securing contracts at commercially acceptable levels, with the underlying operating profit for the year being £2.9 million (2011: £4.7 million).

All three operating divisions were profitable before non-recurring costs and we are pleased that the strategy for our Scottish business resulted in an improved performance and a return to underlying profit.

Cash

Measures taken across the group and a consistent focus on cash management has seen net cash improve to £5.6 million as at 31st December 2012 (31st December 2011: £0.6 million).

We expect the group's net cash position to remain positive over the course of the normal business cycle; some cash will be used to fund the working capital requirements associated with new projects.

The financial position of the group remains strong and we are pleased to report that the group remains debt free.

Dividends

The board proposes to maintain the final dividend for the year at 2.0p (2011: 2.0p). The final dividend will be paid on 17th May 2013 to shareholders on the register as of 19th April 2013.

Together with the interim dividend paid of 1.0p, (2011: 1.0p), this brings the total dividend per share for the year to 3.0p (2011: 3.0p). Dividend cover for the full year at the underlying level was 1.5 times (2011: 2.5 times).

Strategy

TClarke is a nationwide building services operation covering the full range of mechanical, electrical and information communication technologies (ICT) services from design and installation to commissioning and maintenance. Our strategy is to target eight sectors in the wider building services markets, underpinned by the group's historic strength of mechanical and electrical contracting.

We have concentrated on maximising the value from our existing operations; we have targeted large and complex projects particularly in the London commercial and UK data centre sectors; where necessary we have restructured in our most challenging markets and implemented group-wide business improvement initiatives. These initiatives, together with others undertaken at a local level, have contributed towards maintaining our profitability and record forward order book. Contributions from FM workstreams were £25m in 2012 and now provide for an increased level of recurring revenues each year.

We have no current plans for acquisitions but will target sustainable growth by expanding our existing businesses into areas where we do not have a local presence, in particular we believe there are opportunities in and around the West Midlands.

Employees

The success of London in 2012 was seen around the world, and I am proud of the contribution that TClarke made delivering iconic world-class engineered buildings and venues such as the London 2012 Stadium, The Emirates Airline, The Shard and Westfield Stratford City.

I would like to thank all of our employees across the UK for contributing to this result. Our employees share the common goal to excel in all aspects of our business; meaning that the technical expertise, project experience and capability to deliver exhibited by our engineers and skilled operatives, consistently exceeds our clients' expectations.

We ask everyone who works with us at TClarke to adopt and share our commitment to health and safety, the result is an exceptional culture and ethos and I am particularly proud that we are able to report a continued improvement in our accident record including over 90% of projects in the year being undertaken without a lost time accident.

Outlook

Whilst not underestimating the challenges we face in 2013, during which we expect our markets to experience fierce competition for available workload and continuing margin pressure, we will make the most of opportunities as they arise. Going forward we have good visibility of a number of fully committed high quality opportunities, particularly in the London commercial market. We remain committed to providing the highest quality of service to our clients, together with the best possible return for our shareholders.

The board remains confident in the resilience of the business and we believe the group will continue to improve and benefit from the wider range of services that we offer to our clients.

Our excellent operational capabilities and financial strength support our strategy and continue to differentiate TClarke from its competitors and will underpin long-term growth.

On behalf of the board I thank our shareholders, clients and suppliers for their continued loyal support.

Russell Race
Chairman
19th March 2013

Business review

Overview

The results delivered in 2012 demonstrate the ability of TClarke to secure work in the weakest of markets. Against this background we are pleased to report that our current order book stands at £230 million, up over 20% from this time last year (2011: £190 million). Not only is our forward order book at a record level but, more importantly, we have secured new projects and repeat business with quality blue chip clients and contractors.

We have continued to see local and national competitors exit the market, usually as a result of sustained unrealistic bidding. We have made it clear previously that our group businesses will not bid for work at negative margins, and at times we have chosen to exit a tender process that would have resulted in a commercially unsustainable bid. In the longer term supported by our wider services offering we are confident margins will improve when we return to more normal levels of market activity.

90% of the group's revenue is now delivered by businesses trading under the TClarke brand, the exceptions being DGR in London and Veale-Nixon in Newcastle where we consider there is added value in supporting and maintaining a specific local identity. Regardless of brand we manage all our businesses in a consistent and cohesive manner.

As a group we have the ability to quickly identify and react to commercial opportunities across the country and at a local level. During the year we secured two of our largest ever regional contracts away from the core London business, demonstrating the success of the strategy we have in place to be recognised as a truly national contractor.

TClarke South

The South, the largest of our three operating divisions includes our London businesses as well as: Bristol, Cardiff, Derby, Harlow, Kimbolton, Kings Lynn, Peterborough, Plymouth, Sittingbourne and St Austell.

In the capital we continue to secure some of the most significant schemes that have come to market and whilst price remains the most influential factor, financial strength, reputation and quality of people plays an equally important part. When a client decides on a project award, it is these secondary factors that differentiate TClarke from its competitors.

DGR, our mechanical services business, complements our London electrical capabilities where we are able to give our clients a truly combined services offering. DGR continues to maintain and build its own relationships and reputation with clients and contractors. We believe there is a need for more quality mechanical services companies in the London market and DGR is well positioned to take advantage of opportunities with the backing of the group.

We are delighted with the progress that has been made at Cardiff; our team has been successful in building the TClarke name and presence in Wales, and has secured some significant projects such as the Cardigan Health and Social Care Centre. To reaffirm our commitment to the area the team will move into larger premises in the spring of 2013.

TClarke North

Three locations serve our Northern operations: Accrington, Leeds and Newcastle.

Our Northern businesses delivered another positive performance for the year, securing a number of projects, particularly in the public, defence and nuclear sector.

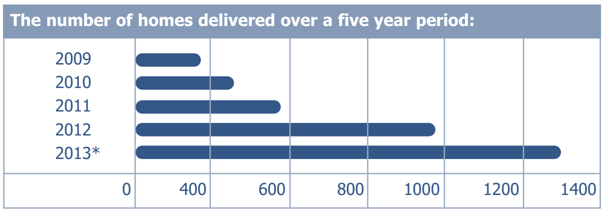
H&C Moore based in Leeds has now adopted the TClarke name, which will allow it to align its operations more closely with those of the group.

TClarke Scotland

Scotland returned an underlying profit this year, its improved performance the result of restructuring the business and focusing on sectors where there are opportunities both in terms of margin and future work.

Improved performances were recorded in residential, engineering and IT-led projects.

The success of our partnerships within our residential business can be measured with the year-on-year increase in the number of homes delivered:



* Secured to date

The above figures represent the number of residential homes where we have undertaken all or part of the mechanical, electrical and smart home technologies installations. Our envious position in being able to offer the full range of services is reflected in the number of principal house builders across Scotland utilising our services.

We are confident that our Scottish business will continue to strengthen, utilising relationships with its own clients and those from the wider group.

Operational review

We are working in a number of ways to deliver our business strategy to be recognised nationwide as a top five contractor in the building services sectors in which we operate. We continue to focus on eight key building services sectors that each offer growth potential, and this has helped the group to broaden the range of services we offer.

Mechanical and electrical contracting remains at the centre of the business but the seven other sectors now provide over 40% of the group's revenue and will support future growth and generate recurring revenues. This is an important indication of the success of our strategy.

M&E contracting - 2012 Revenue £117m

TClarke is a proven leader in M&E contracting and this remains central to the group right across the UK.

We apply our technical expertise on the most complex and large-scale projects. Clients and contractors see us as integral to their success; we anticipate their needs and deliver on our commitments and they place their confidence in TClarke and our highly skilled workforce, supported by technically experienced engineers who set high standards and continue to innovate.

Going forward we have good visibility of a number of fully committed high quality opportunities particularly in the London commercial market.

Examples of our M&E contracting projects:

- 20 Fenchurch Street, London
- 240 Blackfriars, London
- Bespak, Kings Lynn
- Brindley Place, Birmingham
- British Energy, Kent
- Canadian Estate, Bulford
- Campsmount School, Doncaster
- Chiswick Park Building 6, London
- Forth Crossing, Control Centre
- Imperial Tobacco Headquarters, Bristol
- Nazareth House, Plymouth
- The Eye, Bristol
- The Redcar Beacon
- The Place, London Bridge Quarter
- Transforming Tate Modern, London
- South Dock Stage Complex, Pinewood Studios
- Waitrose, various locations
- West Dorset District Council Offices.

Intelligent buildings - 2012 revenue £4m

By integrating a number of building systems and solutions TClarke Intelligent Buildings can help clients maximise the efficiency of their buildings.

Across the UK our solutions and capabilities include:

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

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

Facilities management - 2012 revenue £25m

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

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

We have long-term established relationships with organisations such as BAE Systems and Springfield Nuclear Fuels in the North West.

In the Midlands and the East of the UK we have on-going contracts for Defence Estates, Luminus Group, Peterborough City Council and Romec, whilst in the South we have contracts with Cornwall Care, Cornwall College, Credit Suisse, Dungeness Power Station, Imerys Minerals, Imperial College, ITV plc, and Manston Airport.

In Scotland contracts include First Group and the Scottish Prison Service.

Green technologies - 2012 revenue £3m

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

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

Transport - 2012 revenue £13m

Our Transport Division provides M&E engineering services throughout the UK on a number of key transport projects.

2012 saw the completion of The Emirates Air Line cable car system where we were responsible for the M&E as well as the full ICT installation.

We are currently on site at Victoria Underground Station to provide a refurbished and extended underground station with vastly improved and new ticket halls.

We have invested heavily in securing the required accreditations that are necessary to work in the rail and aviation sectors. Our strategy is to build upon our current portfolio of projects with our current forward order book in excess of £20 million. We are pursuing bidding opportunities, including Crossrail, London Underground and at various UK Airports.

Mission Critical - 2012 revenue £12m

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

During the year data centre projects were secured in Corby, Croydon, Milton Keynes, Newcastle and Slough.

Other examples of TClarke Mission Critical installations are Credit Suisse replacement UPS; Deutsche Bank Power Reinforcement; ITV London Studios new standby power generators and HV cable network upgrades. Elsewhere we are involved with projects for British Energy / EDF and Springfield Nuclear Fuels.

TClarke Mission Critical is a hand-picked team of senior engineers serving the UK, European and Scandinavian construction markets. We believe that there are significant growth opportunities in this sector, and the barriers to entry in place will ensure that competition for these types of project is limited.

Manufacturing - 2012 revenue £4m

We have manufacturing facilities, including workshops in Essex, Yorkshire and Scotland, that are utilised by all the companies within the group.

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

TClarke has the in-house capability to manufacture and prefabricate elements of an installation on every scale as well as deliver high quality bespoke engineering components.

An excellent example was demonstrated at The Shard, Europe's tallest building, where we provided nearly 60km of pipework within the prefabricated multi-service modules. The Shard was successfully handed over in September 2012.

Residential and hotels - 2012 revenue £16m

TClarke offers a complete service of design, installation, commissioning and maintenance for the whole residential market, from flats, family homes and student accommodation to luxury high end accommodation as well as serving the hotel sector.

We are working with some of the most well known housing and hotel groups across the country.

Our major schemes in progress (other than those previously noted in Scotland) include: Temple Quay, Bristol, and in London schemes at 240 Blackfriars, De Vere Gardens and Three Quays.

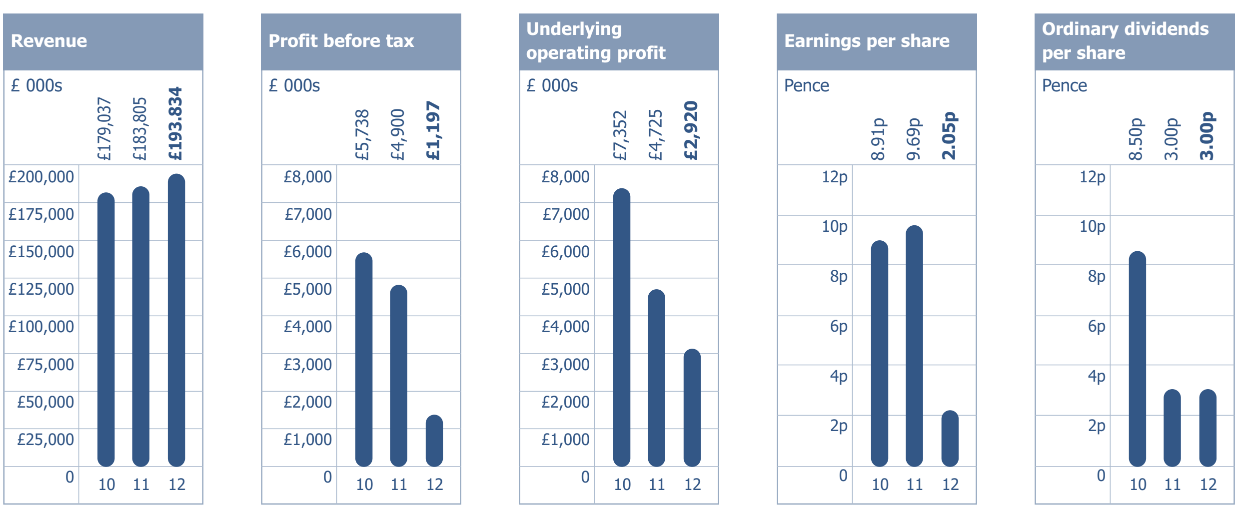
Mark Lawrence
Chief Executive
19th March 2013

Financial review

Summary of Financial performance	2012	2011	*Change*
Continuing operations	£m	£m	%
Revenue	**193.8**	183.8	5.5
Underlying operating profit	**2.9**	4.7	(38.3)
Intangibles amortisation	**(0.3)**	(0.5)	
Adjustment to purchase consideration	**(0.2)**	–	
Long-term employee benefits arising from prior acquisitions	**(0.3)**	(0.4)	
Restructuring costs	**(0.4)**	(0.6)	
Net profit on sale of land and buildings	**–**	2.2	
Operating profit	**1.7**	5.4	(69.3)
Net interest	**(0.5)**	(0.5)	
Profit before tax	**1.2**	4.9	(76.4)
Tax	**(0.3)**	(0.9)	
Profit for the year	**0.9**	4.0	(78.6)
Earnings per share - basic	**2.05p**	9.69p	(78.8)
Earnings per share - continuing operations	**2.01p**	9.64p	(79.1)
Underlying earnings per share - basic	**4.40p**	7.34p	(40.1)
Underlying earnings per share - diluted	**4.32p**	7.33p	(41.1)

Underlying earnings per share is stated after adjusting for £0.3m (2011: £0.4m) tax on adjusting items.

Three year financial highlights



Group performance

The group continued to trade profitably in spite of the challenging economic conditions. Turnover increased by 5.5% to £193.8 million (2011: £183.8 million). Profit before tax was £1.2 million (2011: £4.9 million), with 2011 having benefited from a one-off £2.2 million profit on the disposal of a property.

Underlying operating profit was down 38.3% to £2.9 million (2011: £4.7 million), representing an underlying operating margin of 1.5% (2011: 2.6%). Underlying operating profit consists of operating profit, as adjusted for: amortisation of intangible assets, profit on disposal of land and buildings and non-recurring costs. Further details of non-recurring costs are given in Note 7 to the financial statements.

The net finance cost was £0.5 million (2011: £0.5 million) including a £0.4 million (2011: £0.4 million) non-cash pension scheme finance charge.

Tax expense was £0.3 million (2011: £0.9 million), giving an effective tax rate of 29.2% (2011: 18.4%). Excluding the property sale, the effective rate of tax in 2011 would have been 29.4%.

TClarke South

Revenue from our South operations was £129.7 million (2011: £132.3 million).

The region reported an operating loss of £0.3 million (2011: profit £1.7 million) after accounting for £0.2 million additional purchase consideration and £0.3 million long-term employee benefits relating to DGR, acquired in 2010, and restructuring costs of £0.2 million.

Underlying operating profit was £0.5 million (2011: £2.7 million), representing a profit margin of 0.4% (2011: 2.0%).

TClarke North

Revenue from our North operations increased to £48.7 million (2011: £34.5 million).

Operating profit was £1.8 million (2011: £1.9 million), representing a profit margin of 3.7% (2011: 5.5%).

Underlying operating profit, before £0.3 million amortisation of other intangible assets, was £2.1 million (2011: £2.3 million).

TClarke Scotland

Revenue in Scotland decreased to £15.4 million (2011: £17.0 million). Restructuring costs of £0.1 million were incurred to reshape the management team and enable the division to focus on its core strengths in the residential market and profitable growth areas such as IT and engineering-led projects. This strategy has resulted in a return to underlying profit of £0.1 million (2011: loss £0.6 million), and an operating profit of £nil (2011: loss £0.7 million).

Earnings per share

Basic earnings per share were 2.05p (2011: 9.69p), and diluted earnings per share were 2.01p (2011: 9.64p).

Basic underlying earnings per share after adjusting for amortisation of intangible assets, non-recurring costs and profits arising on property disposals and the tax effect of these items, were 4.40p (2011: 7.34p), and diluted underlying earnings per share were 4.32p (2011: 7.33p).

Dividends

The board is proposing a final dividend of 2.00p (2011: 2.00p), leaving the total dividend for the year unchanged at 3.00p (2011: 3.00p), which is covered 1.5 times by underlying earnings.

The final dividend will be paid, subject to shareholder approval, on 17th May 2013 to those shareholders on the register at 19th April 2013. The dividend will go ex-dividend on 17th April 2013. A dividend reinvestment plan (DRIP) is available to shareholders.

Cash flow and funding

The group's cash balances improved to £5.6 million at 31st December 2012 (2011: £0.6 million) and apart from £0.1 million outstanding under finance leases (2011: £0.2 million) the group had no debt. The group is funded by share capital and retained reserves and there are no plans to change this structure.

Cash inflow in the year was £5.0 million (2011: outflow £6.6 million), due to a strong emphasis on working capital management. Cash inflow generated by operations was £6.4 million (2011: outflow £6.8 million).

Pension obligations

In accordance with IAS 19 'Employee Benefits', an actuarial loss of £1.9 million has been recognised in the year, with the pension scheme deficit increasing by £1.9 million to £11.9 million (2011: £10.0 million). The deficit reflects the historically low discount rates, based on bond prices, which have been a feature of the market in recent years.

The last triennial valuation of the pension scheme as at 31st December 2009 showed a deficit of £7.9 million, which represents a funding level of 71.5%. The group has put in place a deficit reduction plan to eliminate the deficit over a number of years, with total employer contributions remaining at 16% of pensionable salary for three years, rising to 18% thereafter. Employer contributions amount to approximately £0.8 million per annum. The group has provided security to the pension scheme in the form of a charge over property assets with a market value of £3.1 million. The next triennial valuation, as at 31st December 2012, will be undertaken during 2013.

Accounting policies

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

Goodwill

A significant part of the group's net assets are represented by goodwill in the underlying businesses. The board has undertaken a rigorous impairment review as at 31st December 2012. In spite of the current economic pressures, the underlying businesses remain strong, and the carrying value of the remaining goodwill is supported by detailed budgets and projections.

Net assets

Net assets excluding goodwill and other intangible assets remain positive, but have reduced by £1.5 million to £0.4 million (2011: £1.9 million) due to the impact of the pension deficit discussed above. The group's net current assets increased to £4.2 million (2011: £3.8 million).

Summary and prospects

Despite the economic challenges we face, we have remained profitable and cash positive. The business is in good shape and we have a strong order book, a committed workforce, and a quality client base and supply chain.

Martin Walton
Finance Director
and Company Secretary
19th March 2013

Principal risks and uncertainties

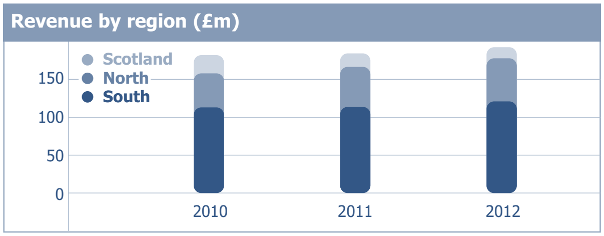
The principal risks and uncertainties faced by the group and the controls and mitigating factors in place are as follows:

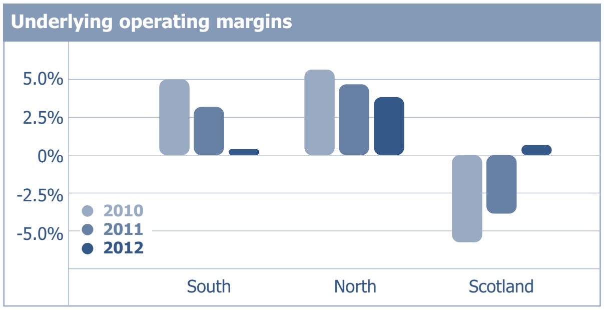
Risk description	Mitigation
Market conditions The markets in which we operate have been extremely difficult. Public sector cutbacks and low levels of confidence in the private sector have restricted the opportunities available within the construction sector generally, increasing market competition for the remaining work.	The group operates throughout the UK with no overreliance on any one sector. We are actively seeking to develop further relationships with key clients and contractors, to build on our financial strength and reputation. The board remains committed to the principle that we will not bid for work below commercially acceptable rates. It continues to make conservative assessments of final accounts from project completions and the likely outcome for a number of on-going projects. We have aligned our cost base to reflect workloads; further realignments could be undertaken if considered appropriate to reflect changes in the prevailing market conditions.
Contractual and operational risk At any time there may be several hundred contracts in progress across the country. Inadequate supervision would result in poor quality and low productivity, both of which would result in loss of reputation and profit. Failure to deliver projects to time, quality or budget, and contractual disputes that can arise over the scope and valuation of contracts, may make the ultimate outcome of contracts uncertain.	We are continually assessing and managing operational risk through the bidding stage to the final commissioning of an installation and handover to the client. We have experienced teams of estimators, and all bids are reviewed by a director and checks carried out to avoid incorrect or non-competitive pricing. Our contract engineers, supervisors, surveyors and skilled tradespeople receive regular training to meet our demanding standards. All key suppliers and subcontractors are subject to regular performance reviews. Our business information systems monitor profit and cash flow throughout the life of a contract, and regular review meetings are held at the contract and business unit level to monitor progress and identify and address issues as they arise.

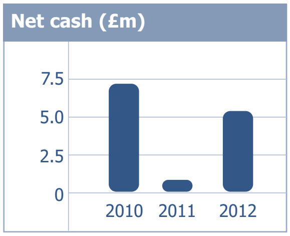
Risk description	Mitigation
Regulatory risks The group is subject to complex and evolving tax, legal and regulatory requirements. A breach of laws and regulations could lead to litigation, investigations or disputes, resulting in additional costs being incurred, civil and/or criminal proceedings and reputational damage.	The group monitors legal and regulatory developments in the areas in which it operates, and seeks legal or other specialist advice as appropriate. It is group policy to require that all subsidiaries, employees, suppliers and subcontractors comply with applicable laws and regulations. Training is provided on legal and regulatory changes as required.
People Providing a consistently high quality service to our clients is only possible with the right people: attracting and retaining high calibre staff is key to our success. This is achieved through a remuneration system linked to performance, strongly embedded training schemes throughout the group and by providing opportunity and encouragement to help our people reach their full potential.	The group remains committed to providing the best training for all members of staff and draws on the expertise of its people from all group companies across the UK. However as a result of the current market conditions we have and will continue to align our business at all levels to match our current expectations. We have continuous dialogue with the trade unions and continue to review our policies and procedures in managing this risk.
Health and safety Failure to manage health, safety and environmental risks could cause serious injury or loss to employees or third parties and expose the group to significant financial and reputational loss and litigation.	At TClarke, health, safety and environmental considerations are at the forefront of every working and management decision and one of the prime elements considered before any undertaking. This is achieved through our senior managers participating in a recognised safety leadership scheme and operatives receiving on-going topical health, safety and environmental training.
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 defined benefit pension scheme is open to qualifying senior management and staff within the group. Following consultation with members, the group altered the structure of the scheme in 2010 from a final salary scheme with an accrual rate of 1/60th to a Career Average Revalued Earnings scheme with an accrual rate of 1/80th. The scheme remains open to new members. On-going funding and regulatory requirements are monitored in conjunction with external actuarial advisers and regular meetings are held with the pension scheme trustees.

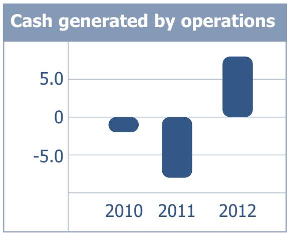
Risk description	Mitigation
Cost inflation Commodity prices of copper and steel are major component parts within our industry. In addition, UK prices of materials that we procure could be adversely affected by any weakness of sterling.	The majority of projects we secure do not allow for the recovery of increased labour and material costs. We have in place formal supplier framework agreements across the UK to manage and, where possible, mitigate this risk, with prices locked in through procurement at the beginning of a contract wherever possible.
Credit and counterparty risk 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.
Liquidity risk The group's business is dependent on the availability of cash resources, banking facilities and the ability to provide performance and other bonds as necessary.	The group manages liquidity risk by maintaining adequate reserves and banking facilities, monitoring cash flows and by matching maturity profiles of financial assets and liabilities within the bounds of its contractual obligations. The group arranges banking facilities and places surplus cash on deposit only with large UK financial institutions. The group has in place an £8 million overdraft facility to help manage short-term fluctuations in working capital.
Cash flow interest rate risk The group is exposed to changes in interest rates on its bank borrowings and deposits.	The group's financial instruments comprise cash and cash equivalents, bank deposits, overdraft facilities, contract and other trade receivables, trade balances and similar balances arising directly from operations. Surplus cash is placed on instant access, short-term or long-term deposits at fixed or floating rates, taking into account future cash requirements based on short and medium-term cash projections. The group does not trade in speculative financial instruments.

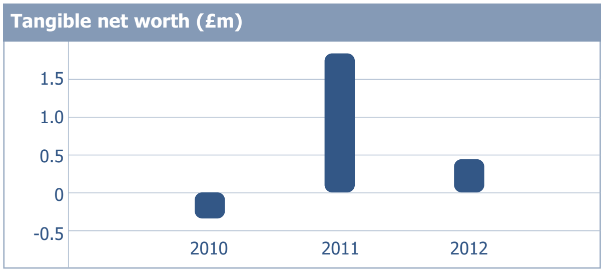
Key performance indicators

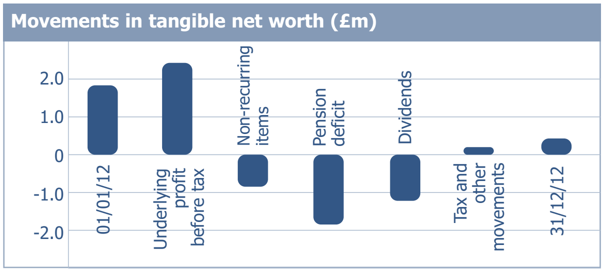












Revenue

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

Revenue increased by 5.5% in 2012.

Underlying operating margin

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

Margins in our markets have been under pressure for some years. Pleasingly, Scotland returned to a positive margin in 2012.

Net cash

We have no long-term debt and remain cash positive. Cash resources and cash generation are key to our ability to fund our on-going operations.

A rigorous approach to working capital management has seen our cash resources improve during 2012, with over £6 million generated by our operating activities in spite of tough margin pressures.

Tangible net worth

Tangible net worth (net assets excluding intangible assets) is used by some parties in assessing the financial strength of our business. Our tangible net worth was briefly negative following two acquisitions in 2010 which gave rise to a significant amount of goodwill. Both of these acquisitions are performing successfully.

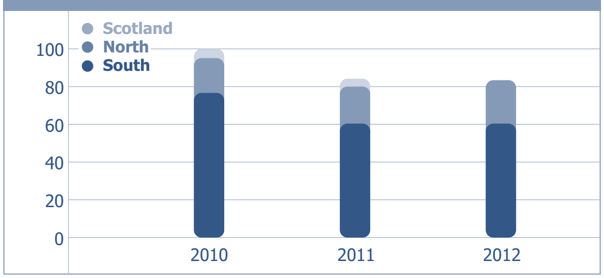
An increasing pension deficit has also put pressure on tangible net worth, but this measure remained positive in 2012. Movements in tangible net worth in 2012 are summarised here.

Health and safety commitment

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

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

Accidents



Initiatives

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

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

S	Safe systems of work, implemented and observed
W	Workers intervention
I	Initiatives are embraced
T	Timely intervention
C	Corporate responsibility
H	Healthy and safe workers, co-workers and the public
E	Education: Information, Instruction, Training and Supervision (IITS)
D	Driven from the top down and back up again
O	Organisational health and safety culture
N	Near misses reported and closed out

The '**You See, You Say!**' reporting scheme continues to go from strength to strength. The card reporting scheme allows operatives to report health and safety concerns straight to the Health and Safety Department. Personnel who provide a mobile telephone number are contacted straight away to discuss their concerns and managers are contacted so that the issue might be resolved in 'real-time'. The scheme greatly assists with regards to operatives reporting and has helped to achieve a five-fold increase in returns.

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

Training

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

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

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

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

Employee numbers at 31st December 2012

	Directors	Key management	Staff	Skilled operatives	Apprentices & trainees	Total
2012	**6**	**40**	**302**	**729**	**119**	**1,196**
2011	7	42	298	723	165	1,235

Accreditations and memberships

The accreditations we hold to work in different environments and different industry sectors provide a critical indication of our capability to work in new and existing market sectors.

Memberships and accreditations for 2012 = 32 (2011: 29).

Quality standards

Our quality of work and environmental performance is best practice or industry leading. A measure of this is the number of contracts deemed to be delivered defect free, which for 2012 was 92% (2011: 91%).

Executive directors

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

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

Martin Walton
Group Finance Director
and Company Secretary
48 years old,
five years with the company.
Chartered Accountant
(ICAEW), Group Financial
Controller 2007,
Finance Director from
26th October 2010.

Shareholder information and company advisors

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

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

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

Corporate broker
N+1 Singer
12 Smithfield Street
London EC1A 9LA
Tel: 020 3201 3710

Independent Auditors
PricewaterhouseCoopers LLP
1 Embankment Place
London WC2N 6RH

Independent non-executive directors

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

Appointed Non-Executive Director of TClarke 1998, appointed Chairman 2000.

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

Appointed Non-Executive Director of TClarke 2009.

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

Appointed Non-Executive Director of TClarke 2005.

Report of the directors

The directors present their annual report and the audited financial statements of the group for the year ended 31st December 2012.

Business review

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

A review of the business is included in the Chairman's statement, the Business review and Financial review on pages 2 to 11 and is included by reference into this report.

Results and dividends

The results for the year ended 31st December 2012 are set out in the Consolidated income statement on page 36.

Profit for the year was £848,000 (2011: £4,009,000).

The directors recommend the payment of a final dividend for the year of 2.00p per share, which together with the interim dividend of 1.00p paid on 12th October 2012, makes a total distribution of 3.00p for the year (2011: 3.00p).

Subject to approval at the annual general meeting, the final dividend will be paid on 17th May 2013 to shareholders on the register as at 19th April 2013.

The shares will go ex-dividend on 17th April 2013.

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 2012 final payment, may do so by contacting Capita Registrars on 0871 664 0300 (lines are open 8:30am - 5:30pm Monday to Friday. Calls cost 10p per minute plus network charges). The last day for election for the final dividend reinvestment is 22nd April 2013 and any requests should be made in good time ahead of that date.

Movements on reserves are shown in the Statement of changes in equity on pages 40 and 41.

Beneficial interests

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

	1/1/2012	31/12/2012	19/03/2013
R.J. Race	6,000	6,000	6,000
M. Lawrence	20,000	20,000	20,000
M.C. Crowder	12,000	12,000	12,000
M.R. Walton	10,000	10,000	10,000
I. McCusker	2,000	2,000	2,000
B.A. Stewart	21,000	21,000	21,000

Directors and their interests

The present membership of the board is set out in more detail in the Corporate governance report on pages 24 to 27. Directors' interests in the issued share capital of TClarke plc, all of which are beneficial, are shown above.

The directors' share options and interests in shares under long-term incentive schemes are set out in the Remuneration report on pages 28 to 32.

Mr R.J. Race, having served on the board for more than nine years, will, in accordance with paragraph B.1.1 of the UK Corporate Governance Code, retire each year and being eligible will offer himself for re-election. Mr R.J. Race does not have a service agreement with TClarke plc.

Mrs B.A. Stewart and Mr M.R. Walton will, in accordance with the company's Articles of Association, retire by rotation and being eligible will offer themselves for re-election at the Annual General Meeting. Mr M.R. Walton has a rolling service agreement with TClarke plc which may be determined by 12 calendar months' prior notice in writing. Mrs B.A. Stewart does not have a service agreement with TClarke plc.

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

Substantial shareholdings
As at 19th March 2013, the company had been advised of substantial interests of 3% or more in its issued ordinary share capital as shown in the table below.

Substantial shareholdings	% of issued ordinary share capital	Number of shares
JP Morgan Asset Management	9.95%	4,118,000
Miton Group PLC	7.09%	2,935,886
Henderson Global Investors	6.88%	2,852,252
Barclays Stockbrokers (EO)	5.47%	2,266,011
TD Waterhouse Stockbrokers	5.37%	2,224,184
Walker Crips Stockbrokers	3.87%	1,602,181
Mr D.G. Robson	3.51%	1,451,906
Charles Stanley Stockbrokers	3.33%	1,377,466

Share capital
The company's issued share capital comprises 41,401,670 ordinary shares of 10p each (2011: 41,399,795 ordinary shares of 10p each).

Property
There is no material difference between the book value and current market value of the group's interest in land and buildings.

Company status
So far as the directors are aware TClarke plc is not a close company for taxation purposes.

Donations
The group's contribution to registered charities, which supported causes such as Help for Heroes and various local charities serving the communities in which the group operates, amounted to £11,552 (2011: £10,962).

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.

The UK Corporate Governance Code
A statement on the group's corporate governance is set out on pages 24 to 27. The Corporate governance report forms part of this Report of the directors.

Financial instruments
Details of the financial risk management objectives and policies of the group, together with its exposure to material financial risk, are set out in Note 27 of the financial statements and at www.tclarke.co.uk.

Stock exchange transactions
Members are advised that trading in the company's equity is conducted via the Stock Exchange SETS service. For further information we would refer you to our corporate broker N+1 Singer (020 3201 3710). The daily price of company shares continues to be listed in the Financial Times under the construction and building materials sector.

Employees
The companies within the group are equal opportunities employers.

The group recognises its obligation towards employment of disabled persons and gives full and fair consideration to suitable applicants. Opportunities exist within the group for staff employees of the group who may become disabled, either to continue in their employment or to be retrained for other suitable positions. It is the company's policy that training, career development and promotion of disabled employees should as far as possible be identical to that of other employees.

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

The company has a share save scheme for eligible employees, the TClarke plc Saving Related Share Option Scheme, which was approved by shareholders on 13th May 2011. Details of share options granted under the 2011 and 2012 Saving Related Share Option Schemes are given in Note 19 to the financial statements on page 71 and 72.

Payments to suppliers
The group agrees payment terms with its suppliers when it enters into binding purchase contracts and seeks to abide by the payment terms agreed with suppliers whenever it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. The group does not follow any standard or code that deals specifically with the payment of suppliers. At 31st December 2012 the company's trade creditors represented 80 days (2011: 87 days) of annual purchases, and the group's trade creditors represented 70 days (2011: 67 days) of annual purchases.

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 £10,000,000.

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

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

- The company's capital comprises ordinary shares of 10p each. Further details are shown in Note 19 to the financial statements.
- There are no restrictions on the transfer of shares or on voting rights.
- Details of each person with a significant direct or indirect holding of shares and the size of the holding are shown in the section 'Substantial shareholdings', on page 21.
- The company has rules regarding the appointment of directors with regard to their election at the first Annual general meeting, which are detailed in the section on Corporate governance on pages 24 to 27. The Articles of Association state that a maximum of 12 directors may sit on the board of the company. There are no specific rules relating to the replacement of directors.
- The directors have shareholder approval for the issue of ordinary share capital up to a maximum amount of £859,833.
- The directors have shareholder approval for the buyback of ordinary shares up to a maximum aggregate of 10% of the issued ordinary share capital.
- The company has in place an employee share save scheme.
- The company has in place an Equity Incentive Plan for directors and senior management. The rules of the scheme provide that awards made under the Equity Incentive Plan may vest on a change of control of the company, at the discretion of the Remuneration committee.
- The rules of the 2011 and 2012 Savings Related Share Option Schemes provide that in the event of a change of control, outstanding options may be exchanged or replaced with similar options on the same terms.

- There are no other significant agreements that take effect, alter or terminate upon a change of control of the company following a takeover bid.

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

Auditors

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

Going concern

The group had positive net cash balances at the year end and has in place an £8 million overdraft facility. The group draws on the overdraft facility as and when required to meet working capital requirements. As with all such facilities the overdraft is subject to annual review and is repayable on demand. The next review is due to take place in September 2013. The directors have received confirmation from the bank that they know of no reason why the facility will not be renewed. There is no other external debt apart from finance lease and hire purchase contracts.

After making appropriate enquiries the directors are satisfied that the company and group have adequate resources to continue their operations for the foreseeable future. Accordingly the directors continue to adopt the going concern basis in preparing the financial statements.

Further information relating to the financial position of the group, its cash flows, liquidity position and borrowing facilities is given in the financial review on pages 9 to 11.

Annual General Meeting

The 101st Annual General Meeting of the company will be held at the Riverside Room, Savoy Place, 2 Savoy Place, London, WC2R 0BL, at 12 on Friday 10th May 2013. The formal notice convening the Annual General Meeting, together with explanatory notes, can be found in the separate circular accompanying this document and is available on the company's website at www.tclarke.co.uk.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution that they be re-appointed will be proposed at the annual general meeting.

The directors' report was approved by the board and signed on its behalf by:

Martin Walton
Company Secretary
19th March 2013

Corporate governance

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') issued by the Financial Reporting Council in June 2010. The Listing Rules require listed companies to disclose how they have complied with the Code by applying its principles and whether they have complied with its provisions. This section of the report demonstrates how TClarke plc has complied with the principles of the Code and explains any non-compliance with its provisions.

Board of directors

The company is managed by the board of directors, which is comprised of three executive directors and three independent non-executive directors, including the Chairman. Brief biographies of each director, including the Chairman, Chief Executive and Senior Independent Director are provided on pages 18 and 19.

The Chairman provides leadership to the board members and facilitates board effectiveness by the provision of timely, accurate and relevant information.

The board meets formally once a month to consider and decide on matters specifically reserved for its attention. Board papers are circulated sufficiently in advance of board meetings to enable time for review. The attendance of individual directors at formal board and sub-committee meetings during the year ended 31st December 2012 is set out opposite.

Russell Race, the Chairman, having served on the board for more than nine years and due to his position as Chairman of the board, is deemed not to be independent according to the Code. Russell Race is, however, deemed by the board to be independent in character and judgement, in spite of his length of service. In accordance with the Code, Russell Race will retire each year and, being eligible, will offer himself for re-election.

Number of meetings attended

	Board	Audit	Nomination	Remuneration
R.J. Race	12	–	–	–
M. Lawrence	12	–	–	–
M.C. Crowder	12	–	–	–
M.R. Walton	12	–	–	–
R.H. Campbell*	5	1	–	1
I. McCusker	12	4	–	4
B.A. Stewart	12	4	–	4
Total held:	12	4	–	4

*Retired 11th May 2012. R.H. Campbell attended all formal board meetings during the year until the date of his resignation.

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. Beverley Stewart and Martin Walton will retire and offer themselves for re-election at the next Annual General Meeting on 10th May 2013. As outlined above, Russell Race, due to his length of service, will retire each year and, being eligible, will offer himself for re-election.

Performance evaluation

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

The Chairman primarily, but acting in conjunction with the Chief Executive, undertakes the task of annual evaluation of performance and commitment of individual members of the board and the board of directors as a whole and its committees. Training is available for new directors and subsequently as necessary.

Corporate governance

Group Management Board

The Group Management Board comprises the three executive directors and four other members of the senior management team. The Group Management Board meets each month and considers matters in relation to the subsidiary companies. In addition, the independent directors make periodic visits to the subsidiary companies in order to acquaint themselves with the regional businesses and the senior management.

Company Secretary

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

Audit committee

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

The committee meets at least four times a year and each meeting is attended by the group's auditors.

The board of TClarke plc is satisfied that at least one member of the audit committee has relevant financial experience.

The roles and responsibilities of the audit committee are to:

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

In light of the procedures outlined in the section 'Internal control' (pages 26 and 27) and after allowing for the internal procedures performed under the group quality control system, the committee does not currently consider the need for a separate internal audit function, primarily because many elements of this role are covered by the quality control audit procedures.

In 2012 the audit committee received and approved reports from the Finance Director and Chief Executive in relation to the financial performance of the group and the operation of financial control and risk management policies, and from the auditors in relation to the finalisation of the 2011 audit, the strategy and plan for the 2012 audit and the interim progress of the 2012 audit.

The audit committee reviewed the effectiveness and independence of the auditors, and received formal presentations from them concerning their independence and application of ethical standards.

The group's auditors undertook no non-audit work during the year (2011: £nil). The audit committee believes that the independence of the auditors is not compromised by the level of non-audit work performed.

Corporate governance

Remuneration committee
During 2012, the remuneration committee was comprised of the non-executive directors Beverley Stewart (chair), Iain McCusker and, until his retirement, Bob Campbell. Russell Race is consulted regarding the setting of the executive directors' remuneration by the committee.

The roles and responsibilities of the remuneration committee are to:

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

The committee and the board followed the principles and provisions in Section D of the Code in designing performance related remuneration packages and disclosing relevant information.

Nomination committee
The nomination committee comprises the non-executive directors Beverley Stewart (chair), Russell Race, Iain McCusker and, until his retirement, Bob Campbell. The chair of the nomination committee, Beverley Stewart, is an independent non-executive director.

The role of the committee is to lead the process for succession planning and board appointments and to make recommendations to the main board of TClarke plc. The nomination committee did not meet during 2012.

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

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

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

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

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

Corporate governance

The board is of the view that there is an ongoing process for identifying, evaluating and managing the group's significant risks, that it has been in place for the year ended 31st December 2012 and, up to the date of approval of the annual report and financial statements, that it is regularly reviewed by the board and accords with the internal control guidance for directors in the Code.

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

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

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

At its meeting on 11th March 2013, the board carried out the annual assessment of the year ended 31st December 2012 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.

Approved by the board
and signed on its behalf

Martin Walton
Company Secretary
19th March 2013

Remuneration report

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

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

Information relating to the remuneration and pension contributions of directors shown in the tables on pages 31 and 32 has been audited.

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

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

Benefits
Benefits consist of private medical insurance and the provision of a fully expensed motor vehicle of a suitable type or the payment of a motor vehicle allowance (see Note 8 to the financial statements).

Pensions
The company operates a defined benefit pension and death benefits scheme (see Note 23 to the financial statements) of which all the executive directors are members. The company contribution is 16% (2011: 16%) of pensionable salary of which 5.2% is related to the deficit reduction contribution, and the individual directors contribute 8% (2011: 8%). 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 32. The life insurance benefit is 2.25 times pensionable salary, rising to four times pensionable salary after five years' service with the group.

Annual bonuses
Executive directors are entitled to performance related remuneration, which is based on the group profit before taxation and bonuses adjusted for amortisation and impairment, capital profits and losses, and including discontinued operations.

No bonuses were payable in respect of the year ended 31st December 2012 (2011: £nil).

Remuneration report

The executive directors will continue to be entitled to receive a cash bonus of up to 100% of basic salary in respect of the financial year ending 31st December 2013, and an additional bonus equivalent to 10% of the cash bonus may be satisfied by TClarke plc shares.

The TClarke plc Equity Incentive Plan
All employees, including executive directors, are eligible to participate in the TClarke plc 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 (13th May 2011), and 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's share scheme in the ten years immediately preceding the date upon which an award is made, shall not exceed 10% of the company's issued share capital at the date of the grant.

Options and awards of shares are subject to performance conditions as determined by the Remuneration committee. The committee considers that earnings per share ('EPS') growth is the most appropriate measure on which to assess the long-term performance of the group. A total of 345,000 (2011: 255,000) conditional share awards and 177,000 options (2011: nil) were made to the executive directors, further details of which are disclosed in the audited section of this report on page 31.

The TClarke plc Savings Related Share Option Scheme ('the SAYE Scheme')
The SAYE Scheme was approved by shareholders on 13th May 2011 and was approved by HM Revenue and Customs on 14th July 2011. 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 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. Further details about the total options granted under the scheme are given in Note 19 to the financial statements on page 71 and 72.

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

Directors' notice periods
The service contracts for the executive directors are renewed each year as at 31st December and are terminable by either party with 12 months' notice.

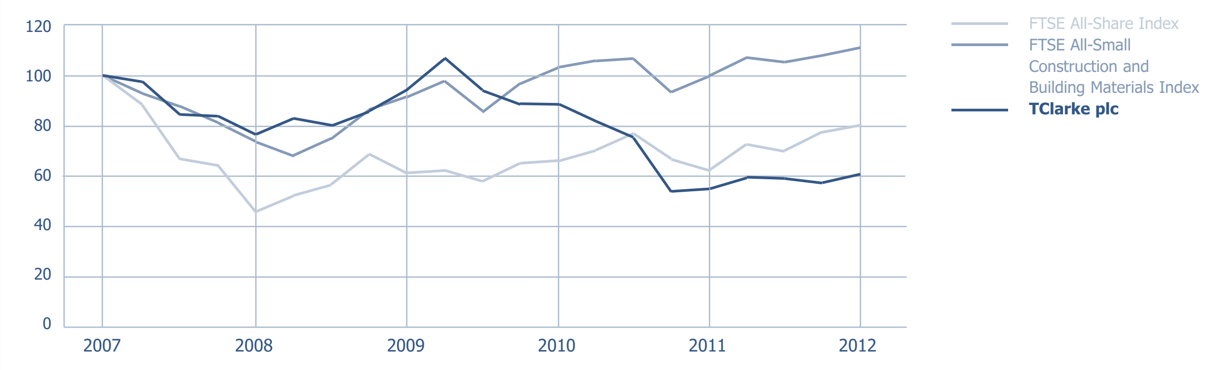
There is no specific provision for any compensation upon early termination of the contract.

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

Remuneration report

Performance graph

Total shareholder return 2007-2012



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 2007 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.

Remuneration report

Audited information

A. Directors' remuneration

Directors' remuneration for the year ended 31st December 2012 was as follows:

	Salary and fees £	Bonus percentage %	Bonus[1] £	Benefits in kind £	2012 total £	2011 total £
M. Lawrence	234,000	2.5	–	14,431	248,431	232,537
M.C. Crowder	199,000	2.0	–	11,991	210,991	195,333
M.R. Walton	174,000	2.0	–	10,693	184,693	169,748
R.J. Race	42,500	–	–	–	42,500	42,500
R.H. Campbell[2]	15,625	–	–	–	15,625	37,500
I. McCusker	37,500	–	–	–	37,500	35,000
B.A. Stewart	37,500	–	–	–	37,500	35,000
	740,125		–	37,115	777,240	747,618

Notes 1. The bonus percentage is applied to adjusted profits above the lower threshold of £4.2m (2011: £5.5m) up to a maximum of 100% of salary (2011: adjusted profits upper threshold £10.5m). No bonuses were payable in respect of 2012 (2011: nil).
2. R.H. Campbell retired from the board on 11th May 2012.

B. Directors' interests in the TClarke Equity Incentive Plan

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

Directors' interests in the TClarke Equity Incentive Plan

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

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 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%

Remuneration report

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

The following options were outstanding during the year:

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

Executive director	Award date	01/01/2012 number	Granted number	31/12/2012 number	Exercise price	Earliest date of exercise	Date of expiry
M. Lawrence	08/11/2011	6,750	–	6,750	40.00p	01/01/2015	30/06/2015
	12/10/2012	–	12,857	12,857	42.00p	01/01/2016	30/06/2016
M.C. Crowder	08/11/2011	6,750	–	6,750	40.00p	01/01/2015	30/06/2015
	12/10/2012	–	12,857	12,857	42.00p	01/01/2016	30/06/2016
M.R. Walton	08/11/2011	6,750	–	6,750	40.00p	01/01/2015	30/06/2015
	12/10/2012	–	12,857	12,857	42.00p	01/01/2016	30/06/2016

No options were exercised during the year. The market price of a 10p ordinary share on 31st December 2012 was 53p and the range during the year ended 31st December 2012 was 36.9p to 55.5p.

D. Pension scheme

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

Audited details of the accrued pension benefits that the directors' would be entitled to on leaving service:

	Total pension accrued at 31.12.11 £ p.a.	Increase in accrued pension (including inflation) £ p.a.	Increase in accrued pension (excluding inflation) £ p.a.	Transfer value of increase in accrued pension less director's contributions £	Total pension accrued at 31.12.12 £ p.a.	Transfer value of accrued pension at 31.12.11 £	Increase in transfer value less director's contributions £	Transfer value of accrued pension at 31.12.11 £
M. Lawrence	43,864	4,446	3,480	18,139	48,310	810,431	(23,525)	803,897
M.C. Crowder	45,491	4,472	3,471	25,168	49,963	883,887	(6,441)	891,637
M.R. Walton	4,345	2,655	2,559	16,407	7,000	59,599	7,316	79,106

Inflationary increases were assumed to be a 2.2% per annum during 2012 based on the revaluation provisions included in the scheme rules.

By order of the board
Beverley Stewart
Chair of the remuneration committee
19th March 2013

Statement of directors' responsibilities

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

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

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

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation of 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 page 18, confirms that, to the best of each person's knowledge and belief:

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

On behalf of the board

Martin Walton
Finance Director

Russell Race
Chairman

19th March 2013
TClarke plc
Registered number: 119351

Independent auditors' report

to the members of TClarke plc

We have audited the financial statements of TClarke plc for the year ended 31st December 2012 which comprise the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated and Company statements of financial position, the Consolidated and Company statements of cash flow, the Consolidated and Company statements of changes in equity, the accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of directors' responsibilities set out on page 33, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31st December 2012 and of the group's profit and group's and parent company's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate governance statement set out on pages 24 to 27 with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a corporate governance statement has not been prepared by the parent company.

Under the Listing Rules we are required to review:

- the directors' statement, as set out in the Report of the directors, in relation to going concern;
- the parts of the Corporate governance statement relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the board on directors' remuneration.

Jonathan Hook
(Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
19th March 2013

Consolidated income statement

for the year ended 31st December 2012

		Notes	2012 £000	2011 £000
Continuing operations:				
Revenue		5	193,834	183,805
Cost of sales			(169,918)	(157,718)
Gross profit			23,916	26,087
Other operating income			127	144
Administrative expenses:				
Amortisation of intangible assets		7	(341)	(491)
Non-recurring costs		7	(880)	(1,026)
Other administrative expenses			(21,123)	(21,506)
Total administrative expenses			(22,344)	(23,023)
Net profit on sale of land and buildings			–	2,156
Profit from operations		7	1,699	5,364
Finance income		6	22	17
Finance costs		6	(524)	(481)
Profit before taxation			1,197	4,900
Taxation		9	(349)	(891)
Profit for the year			848	4,009
Earnings per share		10		
Attributable to owners of TClarke plc:	Basic		2.05p	9.69p
	Diluted		2.01p	9.64p

Consolidated statement of comprehensive income

for the year ended 31st December 2012

	2012 £000	2011 £000
Profit for the year	848	4,009
Other comprehensive income:		
Revaluation of land and buildings	25	768
Actuarial loss on defined benefit pension scheme	(1,559)	(944)
Other comprehensive expense for the year, net of tax	(1,534)	(176)
Total comprehensive income for the year	(686)	3,833

Consolidated statement of financial position

as at 31st December 2012

	Notes	2012 £000	2011 £000
Non current assets			
Intangible assets	11	23,701	24,042
Property, plant and equipment	12	5,933	6,406
Deferred tax assets	18	2,151	1,798
		31,785	32,246
Current assets			
Inventories	14	327	441
Amounts due from customers under construction contracts	15	16,644	19,210
Trade and other receivables	16	35,990	26,429
Cash and cash equivalents	20	5,572	624
		58,533	46,704
Total assets		90,318	78,950
Current liabilities			
Bank overdraft and loans	20	–	(64)
Amounts due to customers under construction contracts	15	(6,791)	(5,354)
Trade and other payables	17	(47,144)	(37,127)
Current tax liabilities		(221)	(322)
Obligations under finance leases	24	(138)	(85)
		(54,294)	(42,952)
Net current assets		4,239	3,752
Non current liabilities			
Retirement benefit obligation	23	(11,896)	(9,963)
Obligations under finance leases	24	(31)	(104)
		(11,927)	(10,067)
Total liabilities		(66,221)	(53,019)
Net assets		24,097	25,931
Equity attributable to owners of the parent			
Share capital	19	4,140	4,140
Share premium	19	3,050	3,049
Revaluation reserve		773	768
Retained earnings		16,134	17,974
Total equity		24,097	25,931

These financial statements were approved and authorised for issue by the board on 19th March 2013

Russell Race
Director

Mark Lawrence
Director

Company statement of financial position

as at 31st December 2012

	Notes	2012 £000	2011 £000
Non current assets			
Property, plant and equipment	12	426	438
Investments	13	32,403	31,786
Deferred tax assets	18	2,709	2,448
		35,538	34,672
Current assets			
Amounts due from customers under construction contracts	15	8,603	7,687
Trade and other receivables	16	13,266	9,546
Current income tax receivables		917	648
Cash and cash equivalents	20	3,288	6
		26,074	17,887
Total assets		61,612	52,559
Current liabilities			
Bank overdrafts and loans	20	–	(1,321)
Amounts due to customers under construction contracts	15	(2,276)	(382)
Trade and other payables	17	(27,902)	(19,507)
		(30,178)	(21,210)
Net current liabilities		(4,104)	(3,323)
Non current liabilities			
Retirement benefit obligation	23	(11,896)	(9,963)
		(11,896)	(9,963)
Total liabilities		(42,074)	(31,173)
Net assets		19,538	21,386
Equity attributable to owners of the parent			
Share capital	19	4,140	4,140
Share premium	19	3,050	3,049
Retained earnings		12,348	14,197
Total equity		19,538	21,386

These financial statements were approved and authorised for issue by the board on 19th March 2013

Russell Race
Director

Mark Lawrence
Director

Consolidated statement of cash flows

for the year ended 31st December 2012

	Notes	2012 **£000**	2011 **£000**
Net cash generated by / (used in) operating activities	20	6,411	(6,804)
Investing activities			
Interest received		22	17
Purchase of property, plant and equipment		(594)	(699)
Receipts on disposal of property, plant and equipment		447	3,540
Net cash outflow on acquisitions of subsidiaries		–	(349)
Net cash (used in) / generated by investing activities		(125)	2,509
Financing activities			
Shares issued		1	–
Equity dividends paid	19	(1,242)	(2,174)
Repayments of obligations under finance leases		(33)	(176)
Net cash used in financing activities		(1,274)	(2,350)
Net increase / (decrease) in cash and cash equivalents		5,012	(6,645)
Cash and cash equivalents at beginning of year	20	560	7,205
Cash and cash equivalents at end of year	20	5,572	560

Company statement of cash flows

for the year ended 31st December 2012

	Notes	2012 **£000**	2011 **£000**
Net cash generated by / (used in) operating activities	20	3,614	(6,373)
Investing activities			
Interest received		13	2
Purchase of property, plant and equipment		(98)	(445)
Dividends received from subsidiaries		2,315	4,850
Net cash outflow on investments in subsidiaries		–	(349)
Net cash generated from investing activities		2,230	4,058
Financing activities			
Shares issued		1	–
Equity dividends paid	19	(1,242)	(2,174)
Net cash used in financing activities		(1,241)	(2,174)
Net increase / (decrease) in cash and cash equivalents		4,603	(4,489)
Cash and cash equivalents at beginning of year	20	(1,315)	3,174
Cash and cash equivalents at end of year	20	3,288	(1,315)

Consolidated statement of changes in equity

for the year ended 31st December 2012

	Attributable to owners of the parent				
	Share capital £000	Share premium £000	Revaluation reserve £000	Retained earnings £000	Total £000
At 1st January 2011	4,140	3,049	–	17,051	24,240
Comprehensive income:					
Profit for the year	–	–	–	4,009	4,009
Other comprehensive income:					
Revaluation of land and buildings	–	–	1,023	–	1,023
Deferred income tax charge on revaluation of land and buildings	–	–	(270)	–	(270)
Actuarial loss on retirement benefit obligation	–	–		(1,017)	(1,017)
Deferred income tax credit on actuarial loss on retirement benefit obligation	–	–	–	254	254
Effect of charge in tax rate	–	–	15	(181)	(166)
Total other comprehensive income / (expense)	–	–	768	(944)	(176)
Total comprehensive income	–	–	768	3,065	3,833
Transactions with owners					
Share-based payment credit	–	–	–	31	31
Dividends paid	–	–	–	(2,173)	(2,173)
Total transactions with owners	–	–	–	(2,142)	(2,142)
At 31st December 2011	4,140	3,049	768	17,974	25,931
Comprehensive income:					
Profit for the year	–	–	–	848	848
Other comprehensive income					
Actuarial loss on retirement benefit obligation	–	–	–	(1,865)	(1,865)
Deferred income tax credit on actuarial loss on retirement benefit obligation	–	–	–	465	465
Effect of change in tax rate	–	–	25	(159)	(134)
Total other comprehensive income / (expense)	–	–	25	(1,559)	(1,534)
Total comprehensive income / (expense)	–	–	25	(711)	(686)
Transactions with owners					
Shares issued on exercise of options	–	1	–	–	1
Share-based payment credit	–	–	–	93	93
Dividends paid	–	–	–	(1,242)	(1,242)
Total transactions with owners	–	1	–	(1,149)	(1,148)
Transfers	–	–	(20)	20	–
At 31st December 2012	4,140	3,050	773	16,134	24,097

Company statement of changes in equity

for the year ended 31st December 2012

	Attributable to owners of the parent			
	Share capital £000	Share premium £000	Retained earnings £000	Total £000
At 1st January 2011	4,140	3,049	13,064	20,253
Comprehensive income:				
Profit for the year	–	–	4,220	4,220
Other comprehensive income				
Actuarial loss on retirement benefit obligation	–	–	(1,017)	(1,017)
Deferred income tax credit on actuarial loss on retirement benefit obligation	–	–	254	254
Effect of charge in tax rate	–	–	(181)	(181)
Total other comprehensive expense	–	–	(944)	(944)
Total comprehensive income	–	–	3,276	3,276
Transactions with owners				
Share-based payment credit	–	–	31	31
Dividends paid	–	–	(2,174)	(2,174)
Total transactions with owners	–	–	(2,143)	(2,143)
At 31st December 2011	4,140	3,049	14,197	21,386
Comprehensive income:				
Profit for the year	–	–	859	859
Other comprehensive income				
Actuarial loss on retirement benefit obligation	–	–	(1,865)	(1,865)
Deferred income tax credit on actuarial loss on retirement benefit obligation	–	–	465	465
Effect of change in tax rate	–	–	(159)	(159)
Total other comprehensive expense	–	–	(1,559)	(1,559)
Total comprehensive expense	–	–	(700)	(700)
Transactions with owners				
Shares issued on exercise of options	–	1	–	1
Share-based payment credit	–	–	93	93
Dividends paid	–	–	(1,242)	(1,242)
Total transactions with owners	–	1	(1,149)	(1,148)
At 31st December 2012	4,140	3,050	12,348	19,538

Notes to the financial statements

for the year ended 31st December 2012

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 introduction to the annual report on page 18. The nature of the group's operations and its principal activities are described in Note 5 and in the Business and Financial Review on pages 4 to 11.

Note 2 – Application of new and revised IFRSs

A. New and amended standards adopted by the group

There are no standards, interpretations or amendments that are effective for the first time for the financial year beginning on or after 1st January 2012 that have had a material impact on the group's financial statements.

B. New standards and interpretations not yet adopted

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

- IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The group is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1st January 2015, subject to endorsement by the EU.
- IAS 19, 'Employee benefits', was amended in June 2011 and will require retrospective application when it is adopted in the financial statements for the year ended 31st December 2013. The main impact on the group will be to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability. The other significant change introduced by the standard is to require all past service costs to be recognised immediately, but the group already accounts for past service costs in full. The group is yet to assess the full impact of the amendments.
- IFRS 10, 'Consolidated financial statements', builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The group is yet to assess IFRS 10's full impact and intends to adopt IFRS 10 no later than the accounting period beginning on or after 1st January 2014. IFRS 12, 'Disclosures of interests in other entities', includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The group is yet to assess IFRS 12's full impact and intends to adopt IFRS 12 no later than the accounting period beginning on or after 1st January 2014.
- IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The group is yet to assess IFRS 13's full impact and intends to adopt IFRS 13 no later than accounting period beginning or after 1st January 2013. The amendment is not expected to have a material impact on the group's financial statements.

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

Note 3 – Accounting policies

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

A. Basis of preparation
These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), IFRIC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRS and have been prepared on a going concern basis under the historic cost convention as modified by the revaluation of land and buildings. They comprise the parent company financial statements of TClarke plc and the consolidated financial statements of TClarke plc and all its subsidiaries made up to 31st December 2012 and have been presented in £000s.

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

Going concern
The group had positive net cash balances at the year end and has in place an £8 million overdraft facility. The group draws on the overdraft facility as and when required to meet working capital requirements. As with all such facilities the overdraft is subject to annual review and is repayable on demand. The next review is due to take place in September 2013. The directors have received confirmation from the bank that they know of no reason why the facility will not be renewed. There is no other external debt apart from finance lease and hire purchase contracts.

After making appropriate enquiries the directors are satisfied that the company and group have adequate resources to continue their operations for the foreseeable future. Accordingly the directors continue to adopt the going concern basis in preparing the financial statements.

B. Basis of consolidation
The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company (its subsidiaries) made up to 31st December each year. Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

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

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

D. Revenue recognition
Sales revenue is measured at the fair value of work performed and goods and services provided in the normal course of business, net of discounts and VAT. Revenue from construction contracts is recognised in accordance with the group's policy on construction contracts (see Note 3E). Revenue from the rendering of services that do not fall to be accounted for as construction contracts is accounted for by reference to the stage of completion of the relevant contract, determined by reference to the proportion of costs incurred. Revenue from the sale of materials and finished goods is recognised when the group has transferred the significant risks and rewards of

Note 3 – Accounting policies continued

ownership to the buyer and it is probable that the group will receive payment. These criteria are considered to be met when the materials or goods have been delivered to and accepted by the buyer.

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

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

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

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

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

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

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

The acquiree's identifiable assets, liabilities and contingent liabilities are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

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

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

Note 3 – Accounting policies continued

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.

G. Impairment of goodwill and other non-financial assets

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

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

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

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

H. Intangible assets

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

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

I. Property, plant and equipment

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

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future

Note 3 – Accounting policies continued

economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

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

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

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

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

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

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

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

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

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

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

Note 3 – Accounting policies continued

derivatives. Financial assets and liabilities are offset at the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Trade and other receivables

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

Bank deposits

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

Cash and cash equivalents

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

Trade and other payables

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

N. Taxation

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

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

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

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

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

Note 3 – Accounting policies continued

O. Borrowing costs

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

P. Dividends

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

Q. Retirement benefit costs

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

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

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

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

R. Long-term employee benefits

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

S. Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 19.

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

T. Non-recurring items

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

Note 4 - Significant judgements and sources of estimation uncertainty

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

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

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

Revenue and margin
The recognition of revenue and profit on construction contracts is a key source of estimation uncertainty due to the difficulty of forecasting the final costs to be incurred on a contract in progress and the process whereby applications are made during the course of the contract with variations, which can be significant, often being agreed as part of the final account negotiation. The group's policies for the recognition of revenue and profit on construction contracts are set out on pages 44 and 45. The directors also take into account the recoverability of contract balances and trade receivables and allowances are made for those balances which are considered to be impaired.

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

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

Retirement benefit obligations
The costs, assets and liabilities of the defined benefit scheme operated by the group are determined using methods relying on actuarial estimates and assumptions. Details of the key assumptions are set out in Note 23, and include the discount rate, expected return on assets, rate of inflation and mortality rates. The group takes advice from independent actuaries relating to the appropriateness of the assumptions. Changes in the assumptions used may have a significant effect on the income statement, statement of comprehensive income and the statement of financial position. A reduction in the discount rate of 0.5% to 4.1% would increase the deficit by £3.75m and a rise in the retail price index of 0.5% would increase the deficit by £2.4m.

Note 5 - Segment information

A. Reportable segments

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

For management and internal reporting purposes the group is organised geographically into three regional divisions; the South, the North and Scotland, and an internal property division reporting to the Chief Executive, who is the chief operating decision maker. The measurement basis used to assess the performance of the divisions is underlying profit from operations, stated before acquisition expenses, amortisation of intangible assets, goodwill impairment, long-term employee benefit costs arising from acquisitions, restructuring costs, and net profits or losses arising from property disposals. All assets and liabilities of the group have been allocated to segments apart from the retirement benefit obligation, and tax assets and liabilities.

With effect from 1st January 2012 the management of the Kimbolton and Kings Lynn offices has been transferred to the South division. Previously these operations were reported as part of the North division. Comparative information has been restated.

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 2012	South **£000**	North **£000**	Scotland **£000**	Property **£000**	Unallocated & elimination **£000**	Total **£000**
Total revenue	137,279	51,162	15,518	–	–	203,959
Inter segment revenue	(7,561)	(2,474)	(90)	–	–	(10,125)
Revenue from external operations	129,718	48,688	15,428	–	–	193,834
Underlying profit from operations	470	2,133	100	217		2,920
Amortisation of intangibles	–	(341)	–	–	–	(341)
Non-recurring costs:						–
Restructuring charges	(244)	–	(141)	–	–	(385)
Long term employee benefits	(282)	–	–	–	–	(282)
Adjustment to purchase consideration	(213)	–	–	–	–	(213)
(Loss) / profit from operations	(269)	1,792	(41)	217	–	1,699
Finance income	11	61	–	–	(50)	22
Finance costs	(561)	(3)	(10)	–	50	(524)
(Loss) / profit before tax	(819)	1,850	(51)	217	–	1,197
Taxation expense						(349)
Profit for the year from continuing operations						848
Other segment information:						
Depreciation	401	151	23	98	–	673
Bad debt expense	88	74	–	–	–	162
Additions to non-current assets:						
Property, plant and equipment	363	245	–	–	–	608
Assets	61,171	24,445	7,199	4,360	(6,857)	90,318
Liabilities	(44,847)	(13,301)	(3,570)	(1,450)	(3,053)	(66,221)
Net assets / (liabilities)	16,324	11,144	3,629	2,910	(9,910)	24,097

Note 5 - Segment information continued

C. Segment information - prior year (restated)

31st December 2011	South £000	North £000	Scotland £000	Property £000	Unallocated & elimination £000	Total £000
Total revenue	132,980	34,547	17,074	–	–	184,601
Inter segment revenue	(671)	(52)	(73)	–	–	(796)
Revenue from external operations	132,309	34,495	17,001	–	–	183,805
Underlying profit / (loss) from operations	2,669	2,263	(568)	361	–	4,725
Net profit on disposal of land and buildings	–	–	–	2,156	–	2,156
Amortisation of intangibles	(150)	(341)	–	–	–	(491)
Non-recurring costs:						
Restructuring charges	(421)	(35)	(147)	–	–	(603)
Long term employee benefits	(423)	–	–	–	–	(423)
Profit / (loss) from operations	1,675	1,887	(715)	2,517	–	5,364
Finance income	25	44	3	–	(55)	17
Finance costs	(528)	(8)	–	–	55	(481)
Profit / (loss) before tax	1,172	1,923	(712)	2,517	–	4,900
Taxation expense						(891)
Profit for the year from continuing operations						4,009
Other segment information:						
Depreciation	311	158	32	131	–	632
Bad debt (credit) / expense	72	37	23	–	–	132
Additions to non-current assets:						
Property, plant and equipment	516	246	–	–	–	762
Assets	54,525	21,169	7,141	4,809	(8,694)	78,950
Liabilities	(36,200)	(10,325)	(4,578)	(2,116)	200	(53,019)
Net assets	18,325	10,844	2,563	2,693	(8,494)	25,931

Note 5 - Segment information continued

D. Revenue

	2012 £000	2011 £000
Total revenue comprises:		
Sales revenue		
Construction contracts	158,552	153,694
Other services	35,282	30,111
	193,834	183,805
Operating income:		
Rent	65	80
Other	62	64
	127	144

E. Information about major customers

Revenue includes £26,827,000 which arose from sales to a single customer (2011: £16,917,000). No other single customer contributed 10% or more of the group's revenue for either 2012 or 2011.

Note 6 – Finance income and finance cost

	2012 £000	2011 £000
Finance income		
Interest on bank deposits	17	11
Other interest receivable	5	6
	22	17
Finance cost		
Interest on bank overdrafts and loans	(70)	(46)
Interest on obligations under finance leases	(11)	(29)
Interest cost in respect of defined benefit pension scheme	(421)	(360)
Amortisation of discount on deferred consideration	(13)	(39)
Other finance charges	(9)	(7)
	(524)	(481)
Net total of finance income and finance cost	(502)	(464)

Note 7 – Profit from operations

	2012 £000	2011 £000
A. Operating profit is stated after charging / (crediting):		
Amortisation of intangible assets	341	491
Non-recurring costs (see Note B below)	880	1,026
Equity settled share based payment expense	93	31
Depreciation of property, plant and equipment	673	632
Net profit on sale of land and buildings	–	(2,156)
(Profit) / loss on sale of other property, plant and equipment	(39)	28
Operating lease charges		
– land and buildings	254	218
– plant, machinery and vehicles	491	817
Raw materials and consumables	55,937	57,231
Rent receivable	(65)	(80)
Bad debt expense	162	132
Auditor's remuneration – statutory audit fee	235	250
Employee benefit expense	52,310	54,944

	2012 £000	2011 £000
B. Non-recurring costs comprise:		
Restructuring costs i)	385	603
Adjustment to purchase consideration ii)	213	–
Long-term employee benefits arising from prior acquisitions iii)	282	423
	880	1,026

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

ii) In accordance with the agreement for the acquisition of DG Robson Mechanical Services Limited ('DGR') on 25th August 2010 the group was required to pay additional amounts to the vendors contingent on DGR's results for the first two years post acquisition. The adjustment to purchase consideration is the difference between the contingent consideration payable in respect of the year ended 24th August 2012, settled after 31st December 2012 (£426,250), and the amount accrued as part of the purchase consideration at the date of acquisition (£213,125).

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

Note 8 – Directors and employees

	2012 £000	2011 £000
Staff costs		
Staff costs during the year were as follows:		
Wages and salaries	45,223	47,968
Share awards and options granted to directors and employees (see Note 19)	93	31
Long-term employee benefits	282	423
Termination costs	572	604
Social security costs	4,911	5,058
Other pension costs	1,229	860
	52,310	54,944
Average number of employees:		
– staff (including directors)	270	316
– operatives	886	995
	1,156	1,311

Note 9 – Taxation

Taxation expense	2012 **£000**	2011 **£000**
Current tax expense		
UK corporation tax payable on profits for the year	601	929
Adjustment for over provision in prior years	(230)	(16)
	371	913
Deferred tax expense		
Arising on:		
Origination and reversal of temporary differences	(58)	(69)
Effect of change in tax rate	36	47
	(22)	(22)
Total income tax expense	349	891
Reconciliation of tax charge		
Profit for the year from continuing operations	1,197	4,900
Tax at standard UK tax rate of 24.5% (2011: 26.5%)	293	1,299
Tax effect of:		
Adjustment to purchase consideration	52	–
Net profit on disposal of land and buildings	–	(550)
Other permanently disallowable items	198	111
Effect of change in tax rate	36	47
Adjustment for over provision in prior years	(230)	(16)
	349	891

The main rate of corporation tax was reduced from 28% to 26% on 1st April 2011, and to 24% on 1st April 2012.

A further reduction in the main rate of corporation tax to 23% from 1st April 2013 was included in the Finance Act 2012, and therefore had been substantially enacted at 31st December 2012 for the purposes of IAS12 'Income Taxes'. The effect of these changes was to reduce the UK deferred tax asset at the balance sheet date by £170,000.

Further reductions to the main rate of corporation tax are proposed to reduce the rate to 21% by 1st April 2014, but these changes had not been substantially enacted at the balance sheet date and are therefore not reflected in these financial statements.

Note 10 – Earnings per share

A. Basic earnings per share

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

	2012 **£000**	2011 **£000**
Earnings:		
Profit attributable to owners of the company	848	4,009
Weighted average number of ordinary shares in issue (000s)	41,400	41,400

B. Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The company has two categories of dilutive potential ordinary shares: share options granted under the Savings Related Share Option Scheme and conditional share awards granted under the Equity Incentive Plan. Options granted under the Equity Incentive Plan are considered to be non-dilutive. Further details of these schemes are given in Note 19.

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

	2012 **£000**	2011 **£000**
Earnings:		
Profit attributable to owners of the company	848	4,009
Weighted average number of ordinary shares in issue (000s)	41,400	41,400
Adjustments:		
- Savings Related Share Option Schemes (000s)	201	–
- Equity Incentive Plan (000s)	486	140
Weighted average number of ordinary shares for diluted earnings per share (000s)	42,087	41,540

Note 10 – Earnings per share continued

C. Underlying earnings per share

Underlying earnings per share represents profit for the year from continuing operations adjusted for amortisation of intangible assets, acquisition expenses, long-term employee benefit expenses arising from acquisitions, adjustments to purchase consideration, restructuring costs, and net profits on the disposal of property assets 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.

	2012 **£000**	2011 **£000**
Profit from continuing operations attributable to owners of the company	848	4,009
Adjustments:		
Amortisation of intangible assets	341	491
Long-term employee benefits arising from acquisitions	282	423
Adjustment to purchase consideration	213	–
Restructuring costs	385	603
Net profit on disposal of property assets	–	(2,156)
Tax effect of adjustments	(246)	(353)
Underlying profit from continuing operations	1,823	3,017
Weighted average number of ordinary shares in issue (000s)	41,400	41,400
Adjustments:		
- Savings Related Share Option Schemes	201	–
- Equity Incentive Plan (000)	486	140
Weighted average number of ordinary shares for diluted earnings per share (000s)	42,087	41,540
Underlying earnings per share	4.40p	7.34p
Diluted underlying earnings per share	4.32p	7.33p

Note 11 – Intangible assets

	Goodwill £000	Other intangible assets £000	Total £000
Cost:			
At 1st January 2011, 31st December 2011 and 31st December 2012	24,220	2,888	27,108
Impairment and amortisation:			
At 1st January 2011	2,231	344	2,575
Amortisation	–	491	491
At 31st December 2011	2,231	835	3,066
Amortisation	–	341	341
At 31st December 2012	2,231	1,176	3,407
Net book value:			
1st January 2011	21,989	2,544	24,533
31st December 2011	21,989	2,053	24,042
31st December 2012	21,989	1,712	23,701

Goodwill relates to the purchase of subsidiary undertakings. The carrying value of goodwill has been compared to its recoverable amount based on the value in use of the cash generating units to which the goodwill has been allocated. Each operating company within the group has been assessed as a separate cash generating unit, being the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other groups of assets. Value in use has been calculated using budgets and forecasts approved by management covering the period 2013 to 2015, which take into account secured orders, business plans and management actions. The results of periods subsequent to 2015 have been projected using 2015 forecasts with no growth assumed.

The key assumptions to which the assessment of the recoverable amounts of cash generating units are sensitive are the projected turnover and operating margin to 2015 and beyond, and the discount rate applied. The group's businesses are expected to continue to face challenging market conditions throughout 2013, but trading conditions are expected to return to more normal levels by 2014 and beyond. A discount rate of 10.6% (2011: 10.9%) has been applied to the extrapolated cash flow projections.

Note 11 – Intangible assets continued

The significant elements of goodwill at 31st December 2012 are as follows:

	Operating segment £000	£000
TClarke Midlands	South	5,776
TClarke Scotland	Scotland	3,046
TClarke North West (formerly D&S Engineering Facilities)	North	2,709
DG Robson Mechanical Services	South	2,255
TClarke London	South	2,200
TClarke East	South	1,995
Waldon Electrical Contractors	South	1,300
Others		2,708
		21,989

The elements of goodwill most sensitive to changes in the key assumptions are TClarke Midlands and TClarke East. The recoverable amounts of these business units exceed their carrying amounts by £1,098,000 and £2,992,000 respectively. A fall in projected operating profit margin by 14% and 38% respectively would result in the recoverable amount of these businesses being equal to the carrying amounts. An increase in the discount rate to 12.7% and 17.3% respectively would also result in the recoverable amount of these business units being equal to the carrying amounts. The directors consider that the key assumptions used to calculate the recoverable amounts are prudent and do not believe that any other reasonably possible change in the key assumptions on which recoverable amount is based would cause the aggregate carrying value of each of the cash generating units to exceed their aggregate recoverable amount.

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

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

Note 12 – Property, plant and equipment

GROUP	Freehold properties £000	Leasehold improvements £000	Plant, machinery and vehicles £000	Total £000
Cost or valuation				
At 1st January 2011	6,500	–	5,456	11,956
Additions	–	359	403	762
Revaluation	200	–	–	200
Disposals	(2,036)	–	(1,528)	(3,564)
At 31st December 2011	4,664	359	4,331	9,354
Additions	–	36	572	608
Disposals	(322)	–	(791)	(1,113)
At 31st December 2012	4,342	395	4,112	8,849
Accumulated depreciation and impairment				
At 1st January 2011	1,449	–	3,841	5,290
Charge for the year	125	6	501	632
Revaluation	(823)	–	–	(823)
Disposals	(751)	–	(1,400)	(2,151)
At 31st December 2011	–	6	2,942	2,948
Charge for the year	93	72	508	673
Disposals	(6)	–	(699)	(705)
At 31st December 2012	87	78	2,751	2,916
Net book value at 1st January 2011	5,051	–	1,615	6,666
Net book value at 31st December 2011	4,664	353	1,389	6,406
Net book value at 31st December 2012	4,255	317	1,361	5,933

The group's freehold land and buildings were valued at 31st December 2011 based on an external valuation provided by an independent valuer dated 14th October 2011. The external valuation was conducted on the basis of market value as defined by the RICS Valuation Standards, and was determined by reference to recent market transactions on arms length terms. The revaluation surplus, net of applicable deferred income taxes, was credited to other comprehensive income and is shown in the revaluation reserve in shareholders' equity. The net book value of the freehold properties on a historic cost basis would have been £3,252,000 (2011: £3,641,000).

The net book value of group plant, machinery and vehicles includes £271,000 (2011: £253,000) in respect of assets held under finance leases and hire purchase contracts. Depreciation of £81,000 (2011: £70,000) was charged on these assets during the year.

The group has granted a charge in favour of the TClarke Group Retirement Benefit Scheme over a number of properties occupied by the group, to secure the future pension obligations of the scheme. The book and fair value of the properties at 31st December 2012 was £3,100,000 (2011: £3,100,000).

Note 12 – Property, plant and equipment continued

COMPANY	Leasehold improvements £000	Plant, machinery and vehicles £000	Total £000
Cost			
At 1st January 2011	–	630	630
Additions	358	86	444
At 31st December 2011	358	716	1,074
Additions	36	62	98
Disposals	–	(274)	(274)
At 31st December 2012	394	504	898
Accumulated depreciation and impairment			
At 1st January 2011	–	601	601
Charge for the year	6	29	35
At 31st December 2011	6	630	636
Charge for the year	72	38	110
Disposals	–	(274)	(274)
At 31st December 2012	78	394	472
Net book value at 1st January 2011	–	29	29
Net book value at 31st December 2011	352	86	438
Net book value at 31st December 2012	316	110	426

Note 13 – Investments

COMPANY	2012 £000	2011 £000
Investments in subsidiaries comprise:		
Cost:		
At 1st January	40,819	40,819
Additions	617	–
At 31st December	41,436	40,819
Impairment:		
At 1st January and 31st December	9,033	9,033
Net book value:		
At 1st January	31,786	31,786
At 31st December	32,403	31,786

Additions during the year represent an increase in the company's investment in TClarke (Scotland) Limited through the conversion of a short-term inter-company loan to equity.

An annual impairment review is undertaken at 31st December each year in conjunction with the goodwill impairment review (see Note 11), using the same underlying cash flow projections and other key assumptions.

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

Note 14 – Inventories

GROUP	2012 £000	2011 £000
Raw materials	327	441

Note 15 – Construction contracts

	Group		Company	
	2012 £000	2011 £000	2012 £000	2011 £000
Contract work in progress comprises:				
Contract costs incurred plus recognised profits				
less recognised losses to date	195,057	195,438	66,362	71,659
Less: progress payments	(185,204)	(181,582)	(60,035)	(64,354)
	9,853	13,856	6,327	7,305
Contracts in progress at the reporting date:				
Gross amounts due from customers	16,644	19,210	8,603	7,687
Gross amounts due to customers	(6,791)	(5,354)	(2,276)	(382)
	9,853	13,856	6,327	7,305

At 31st December 2012 retentions held by customers of the group for contract work amounted to £7,931,000 (2011: £7,174,000) and retentions held by customers of the company for contract work amounted to £2,064,000 (2011: £2,212,000). These amounts are included in trade receivables (see Note 16).

Advances received from customers for contract work amounted to £nil (2011: £nil).

Note 16 – Trade and other receivables

GROUP	2012 £000	2011 £000
Trade receivables - gross	29,712	20,885
Trade receivables - allowances for credit losses	(597)	(612)
Net trade receivables	29,115	20,273
Other receivables	535	1,656
Prepayments and accrued income	6,340	4,500
	35,990	26,429
Movements in allowances for credit losses are as follows:		
At 1st January	(612)	(587)
Charged in year	(222)	(178)
Recovered in year	65	132
Written off in year	172	21
At 31st December	(597)	(612)
Trade receivables (including retentions) are due as follows:		
Due within 3 months	16,849	11,860
Due in 3 to 6 months	1,041	1,361
Due in 6 to 12 months	1,075	2,302
Due after more than one year	2,753	1,110
Overdue	7,994	4,252
	29,712	20,885
The ageing of trade receivables past due but not impaired is as follows:		
Less than 30 days	3,427	1,587
31-60 days	1,058	647
61-120 days	848	405
Greater than 120 days	2,064	1,001
	7,397	3,640

Note 16 – Trade and other receivables continued

COMPANY	2012 **£000**	2011 **£000**
Trade receivables - gross	9,594	4,989
Trade receivables - allowances for credit losses	–	(44)
Net trade receivables	9,594	4,945
Owed by group companies	2,749	3,943
Other receivables	160	275
Prepayments and accrued income	763	383
	13,266	9,546
Movements in allowances for credit losses are as follows:		
At 1st January	(44)	(94)
Credited in year	–	–
Recovered in year	–	50
Written off in year	44	–
At 31st December	–	(44)

COMPANY	2012 **£000**	2011 **£000**
Trade receivables (including retentions) are due as follows:		
Due within 3 months	7,842	3,436
Due in 3 to 6 months	486	106
Due in 6 to 12 months	252	942
Due after more than one year	783	323
Overdue	231	182
	9,594	4,989
The ageing of trade receivables past due but not impaired is as follows:		
Less than 30 days	41	–
31-60 days	–	–
61-120 days	43	17
Greater than 120 days	147	121
	231	138

As of 31st December 2012 allowances of £597,000 (2011: £612,000) are held against trade receivables of the group and allowances of £nil (2011: £44,000) are held against trade receivables of the company. The allowance has been assessed against each individual debtor balance. Where overdue balances are still considered to be recoverable in full no allowance has been made. The impairment mostly relates to small building contractors who have become insolvent or are facing severe financial difficulties at present.

Note 17 – Trade and other payables

GROUP	2012 £000	2011 £000
Current:		
Trade payables	31,993	27,933
Other taxation and social security payable	6,068	3,818
Accruals and deferred income	8,390	4,877
Other payables	693	499
	47,144	37,127

COMPANY		
Current:		
Trade payables	12,009	9,914
Owed to group companies	5,614	7,160
Other taxation and social security payable	2,287	601
Accruals and deferred income	7,566	1,632
Other payables	426	200
	27,902	19,507

Trade payables payments terms are as follows:

GROUP	2012 £000	2011 £000
30 days or less	15,030	15,243
31-60 days	10,346	9,895
Greater than 60 days	6,617	2,795
	31,993	27,933

COMPANY		
30 days or less	3,860	7,247
31-60 days	4,097	2,033
Greater than 60 days	4,052	634
	12,009	9,914

Other payables includes £426,000 (2011: £200,000) due within one year, contingent consideration payable in respect of the acquisition of DG Robson Mechanical Services Limited in 2010. This amount was settled after the year end.

Note 18 – Deferred taxation

GROUP	Revaluations £000	Retirement benefit obligation £000	Accelerated capital allowances £000	Other £000	Total £000
Asset at 1st January 2011	–	2,558	48	(642)	1,964
Acquisitions					
Credit / (charge) to income	–	(153)	33	141	21
Credited to other comprehensive income	(256)	69	–	–	(187)
Asset at 31st December 2011	(256)	2,474	81	(501)	1,798
Credit / (charge) to income	–	(51)	(22)	95	22
Credited to other comprehensive income	25	306	–	–	331
Asset at 31st December 2012	(231)	2,729	59	(406)	2,151

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

	2012 £000	2011 £000
Deferred tax liabilities	(647)	(756)
Deferred tax assets	2,798	2,554
	2,151	1,798

COMPANY	Retirement benefit obligation £000	Accelerated capital allowances £000	Other £000	Total £000
Asset at 1st January 2011	2,558	15	–	2,573
Charge to income	(153)	–	(41)	(194)
Credited to other comprehensive income	69	–	–	69
Asset at 31st December 2011	2,474	15	(41)	2,448
Charge to income	(51)	(9)	15	(45)
Credited to other comprehensive income	306	–	–	306
Asset at 31st December 2012	2,729	6	(26)	2,709

Note 19 – Capital and reserves

A. Components of owners equity

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

Component of owners equity	Description and purpose
Share capital	Amount subscribed for share capital at nominal value.
Share premium	Amount subscribed for share capital in excess of nominal value, net of allowable expenses.
Revaluation reserve above depreciated cost	Cumulative gains recognised on revaluation of land and buildings
Retained earnings	Cumulative net gains and losses recognised in the income statement and the statement of comprehensive income to the extent not distributed by way of dividends.

B. Share capital and premium	Number of shares	Ordinary shares £000
Authorised:		
Ordinary share of 10p each:		
At 1st January 2011, 31st December 2011 and 31st December 2012	50,000,000	5,000

Allotted, called up and fully paid:	Number of shares	Ordinary shares £000	Share premium £000
At 1st January 2011 and 31st December 2011	41,399,795	4,140	3,049
Issue of shares on exercise of options	1,875	–	1
At 31st December 2012	41,401,670	4,140	3,050

All shares rank equally in respect of shareholder rights.

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

Note 19 – Capital and reserves continued

C. Employee share option plan of the company

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

Scheme	Number of options	Grant date	Exercise date	Exercise price	Fair value at date of grant
2011 SAYE	1,418,513	8/11/11	01/01/15 to 30/06/15	40.00p	13.00p
2012 SAYE	837,857	12/10/12	01/01/16 to 30/06/16	42.00p	8.90p

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 £80,000 for the year ended 31st December 2012 (2011: £11,000). The scheme is open to all eligible employees including the executive directors. Under the rules of the scheme all participating employees have entered into an approved Save As You Earn contract ('SAYE contract') under which the employee agrees to make monthly contributions of between £5 and £75 per month in respect of the 2011 scheme and between £5 and £150 in respect of the 2012 scheme for a period of three years, at the end of which the employee may use part or all of the proceeds to acquire the shares under option. Options will be exercisable within a period of six months commencing on the date of maturity of the participants SAYE contract.

The weighted average fair value of the options granted in the year was 8.90p. Options were priced using a model based on the Black-Scholes model. The key inputs into the model were as follows:

Grant date share price	46.00p
Exercise price	42.00p
Expected volatility	42%
Expected option life	3 years 2 months
Dividend yield	5%
3 year Treasury bond yield	0.22%

Note 19 – Capital and reserves continued

C. Employee share option plan of the company continued

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

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

	2012 Number	2012 Weighted average exercise price	2011 Number	2011 Weighted average exercise price
At 1st January	1,540,250	40.00p	–	–
Granted	837,857	42.00p	1,547,000	40.00p
Exercised	(1,875)	40.00p	–	–
Forfeited	(119,862)	40.00p	(6,750)	40.00p
At 31st December	2,256,370	41.84p	1,540,250	40.00p

The weighted average remaining contractual life of the options at 31st December 2012 was 866 days (2011: 1,096 days).

No options were exercisable at 31st December 2012 (2011: nil).

Note 19 – Capital and reserves continued

D. Equity Incentive Plan ('the Plan')

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

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

600,000 conditional share awards and 177,000 conditional options have been granted under the TClarke Equity Incentive Plan as follows:

	Conditional shares	Conditional shares	Conditional options
Date of grant	16/06/2011	01/05/2012	01/05/2012
Number of awards	255,000	345,000	177,000
Share price at grant	83.00p	50.25p	50.25p
Exercise price	nil	nil	50.25p
Option life	3 years	3 years	3 years

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

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

The charge to the income statement takes into account the number of shares and options that are expected to vest. The impact of recognising the fair value of Equity Incentive Plan grants as an expense under IFRS2 is £13,000 for the year ended 31st December 2012 (2011: £20,000).

Note 19 – Capital and reserves continued

E. Company income statement

The company has taken advantage of the exemption conferred by section 408 of the Companies Act 2006 from presenting its own income statement. Profit after taxation amounting to £859,000 (2011: £4,220,000) has been included in the financial statements of the holding company.

F. Dividends paid	2012 £000	2011 £000
Final dividend of 2.00p (2011: 4.25p) per ordinary share proposed and paid during the year relating to the previous year's results	828	1,760
Interim dividend of 1.00p (2011: 1.00p) per ordinary share paid during the year	414	414
	1,242	2,174

The directors are proposing a final dividend of 2.00p (2011: 2.00p) per ordinary share totalling £828,000 (2011: £828,000). This dividend has not been accrued at the reporting date.

Note 20 – Notes to the statement of cash flows

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

GROUP	2012 £000	2011 £000
Profit from operations:		
Continuing operations	1,699	5,364
Depreciation charges	673	631
Equity settled share based payment expense	93	31
Amortisation	341	491
Defined benefit pension scheme credit	(353)	(549)
Profit on sale of fixed assets	(39)	(2,128)
Operating cash flows before movements in working capital	2,414	3,840
Decrease in inventories	114	10
Decrease / (increase) in contract balances	4,003	(4,111)
Increase in trade and other receivables	(9,550)	(3,019)
Increase / (decrease) in trade and other payables	9,984	(1,661)
Cash generated by / (used in) operations	6,965	(4,941)
Corporation tax paid	(464)	(1,781)
Interest paid	(90)	(82)
Net cash generated by / (used in) operating activities	6,411	(6,804)

COMPANY		
Loss from operations	(1,077)	(132)
Equity settled share based payment expense	93	31
Depreciation charges	110	35
Defined benefit pension scheme credit	(353)	(549)
Operating cash flows before movements in working capital	(1,227)	(615)
Decrease / (increase) in contract balances	977	(5,393)
(Increase) / decrease in trade and other receivables	(4,337)	1,182
Increase / (decrease) in trade and other payables	8,381	(920)
Cash generated by / (used in) operations	3,794	(5,746)
Corporation tax paid	(50)	(523)
Interest paid	(130)	(104)
Net cash generated by / (used in) operating activities	3,614	(6,373)

Note 20 – Notes to the statement of cash flows continued

B. Cash and cash equivalents

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

GROUP	2012 £000	2011 £000
Cash and cash equivalents	5,572	624
Bank overdrafts	–	(64)
	5,572	560

COMPANY		
Cash and cash equivalents	3,288	6
Bank overdrafts	–	(1,321)
	3,288	(1,315)

C. Significant non-cash transactions

The group financed £15,000 (2011: £63,000) additions to plant, machinery and vehicles through new finance leases.

The company invested £617,150 (2011: £nil) in new equity of TClarke Scotland Limited through the conversion of a short-term loan. This loan balance had previously been included within trade and other payables.

Note 21 – Bank overdrafts & loans

GROUP	2012 £000	2011 £000
Bank overdrafts	–	64
The borrowings are repayable as follows:		
– on demand or within one year	–	64

The weighted average interest rates paid were as follows:	Year ended 31.12.2012 %	Year ended 31.12.2011 %
Bank overdrafts	3.0	3.0

COMPANY	2012 £000	2011 £000
Bank overdrafts	–	1,321
The borrowings are repayable as follows:		
– on demand or within one year	–	1,321

The weighted average interest rates paid were as follows:	Year ended 31.12.2012 %	Year ended 31.12.2011 %
Bank overdrafts	3.0	3.0

The group has arranged an £8,000,000 overdraft facility (2011: £8,000,000) renewable annually. 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 2012 the group had unused overdraft facilities of £8,000,000 (2011: £8,000,000). No value has been attributed to the guarantee contracts in the company's financial statements as the amount is considered to be negligible.

Note 22 – Related party transactions

A. Directors remuneration	2012 **£000**	2011 **£000**
Salaries, fees and other short-term employee benefits	777	748
Post-employment benefits	91	65
Total	868	813

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.

	2012 **£000**	2011 **£000**
Salaries, fees and other short term employee benefits	3,831	3,587
Termination benefits	212	38
Post-employment benefits	435	491
Other long-term benefits	250	375
Total	4,728	4,491

C. Sales and purchases of goods and services to / from key management

The following trading transactions and balances with key management arose during the year:

	Included in trade receivables at 31/12/12 **£000**	Included in sales revenue **£000**	Included in trade receivables at 31/12/11 **£000**	Included in sales revenue **£000**
Total	–	–	12	63

The receivables are due within two months of the year end and bear no interest.

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

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

TClarke plc was charged rent of £nil (2011: £160,000) during the year by a subsidiary company for occupation of group properties. TClarke plc charged subsidiary companies £481,000 (2011: £449,000) during the year for insurance services and £174,000 (2011: £174,000) for IT services. Sales to other group companies of £5,318,000 (2011: £594,000) and cost of sales from other group companies of £5,506,000 (2011: £1,143,000) are included in the financial statements of the company.

Note 23 – Pension commitments

Defined contribution scheme

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

The total cost charged to income of £560,000 (2011: £621,000) represents contributions payable to these schemes by the group at rates specified in the rules of the separate plans.

Defined benefit scheme

The group operates a funded defined benefit scheme for qualifying employees. 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, being mainly invested in an insurance contract, under the control of the trustees.

The most recent triennial valuation of the scheme, carried out as at 31st December 2009 by Mr.J. Seed, Fellow of the Institute of Actuaries, showed a deficit of £7,905,000, which represented a funding level of 71.5%.

The most recent IAS19 actuarial valuation of plan assets and the present value of the defined benefit obligation was carried out at 31st December 2012. The present value of the defined benefit obligation, the related current service cost and past service cost were measured using the projected unit credit method.

Key assumptions used:	2012 **%**	2011 **%**
Rate of increase in salaries	3.50	3.40
Rate of increase of pensions in payment	2.85	2.55
Discount rate	4.60	4.80
Inflation assumption	3.00	2.90
Expected return on scheme assets	4.60	5.00

Note 23 – Pension commitments continued

The mortality assumptions used in the IAS 19 valuation were:		2012 **Years**	2011 **Years**
Life expectancy at age 65 for current pensioners	- Men	23.5	23.7
	- Women	24.7	26.1
Life expectancy at age 65 for future pensioners (current age 45)	- Men	24.8	25.1
	- Women	26.3	27.3

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

	2012 **£000**	2011 **£000**
Current service cost	482	289
Interest cost	1,605	1,710
Expected return on scheme assets	(1,183)	(1,350)
	904	649

Of the charge for the year £482,000 (2011: £289,000) has been included in administrative expenses and a charge of £421,000 (2011: £360,000) in finance costs. Actuarial gains and losses have been reported in the statement of comprehensive income. The cumulative actuarial loss recognised in the statement of comprehensive income since the date of transition to IFRS is £8,428,000 (2011: loss £6,563,000).

There was a positive return on scheme assets in 2012 of £1,371,000 (2011: positive return of £926,000).

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

	2012 **£000**	2011 **£000**
Present value of defined benefit obligations	36,989	33,590
Fair value of scheme assets	(25,093)	(23,627)
Deficit in scheme	11,896	9,963
Unrecognised past service cost	–	–
	11,896	9,963

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

The deferred tax asset in respect of the retirement benefit obligation (see Note 18) has been calculated using a corporation tax rate of 23% (2011: 25%).

Note 23 – Pension commitments continued

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

	2012 **£000**	2011 **£000**
At 1st January	33,590	31,489
Current service cost	482	289
Interest cost	1,605	1,710
Employee contributions	418	418
Transfers received	–	–
Actuarial loss	2,053	593
Benefits paid	(1,159)	(909)
At 31st December	36,989	33,590

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

	2012 **£000**	2011 **£000**
At 1st January	23,627	22,354
Expected return on scheme assets	1,183	1,350
Gain / (loss) on scheme assets	188	(424)
Employer contributions	836	838
Employee contributions	418	418
Transfers received	–	–
Benefits paid	(1,159)	(909)
At 31st December	25,093	23,627

The actuarial loss of £1,865,000 (2011: loss £1,017,000) represents the net movement between the actuarial losses of £2,053,000 (2011: actuarial losses £593,000) and gains of £188,000 (2011: loss £424,000).

Note 23 – Pension commitments continued

The analysis of the scheme assets at the reporting date were as follows:

	Fair value of assets	
	2012 **£000**	2011 **£000**
Insurance contracts:		
Equities	9,242	9,393
Bonds	9,184	8,140
Property	2,504	2,335
Cash	1,889	1,239
Insurance annuity contracts	2,274	2,520
	25,093	23,627
Weighted average expected return	4.6%	5.0%

The assets of the scheme are held in a cash accumulation policy (valued in accordance with its surrender value) and various professionally managed funds (valued at market value). In addition, annuities in payment purchased from an insurance company are valued on the assumptions used to value the corresponding liabilities. The overall expected rate of return, determined as a weighted average of the expected rate of return on the underlying assets, is 4.6% (2011: 5.0%). The five year history of experience adjustments is as follows:

	2012 **£000**	2011 **£000**	2010 **£000**	2009 **£000**	2008 **£000**
Present value of defined benefit obligations	(36,989)	(33,590)	(31,489)	(28,005)	(18,924)
Fair value of scheme assets	25,093	23,627	22,354	19,728	16,233
Deficit in the scheme	11,896	(9,963)	(9,135)	(8,277)	(2,691)
Experience adjustments on scheme liabilities					
Amount (£000)	(2,053)	(593)	(2,393)	(7,724)	5,048
Percentage of scheme liabilities (%)	6%	2%	8%	28%	27%
Experience adjustments on scheme assets					
Amount (£000)	188	(424)	1,050	1,852	(4,724)
Percentage of scheme assets (%)	1%	2%	5%	9%	29%

The estimated amount of employer contributions expected to be paid to the scheme during the current financial year to 31st December 2013 is £841,000 (year to 31st December 2012: £865,000).

Note 24 – Obligations under finance leases

	Minimum lease payment		Present value of minimum lease payment	
	2012 **£000**	2011 **£000**	2012 **£000**	2011 **£000**
Amounts payable under finance leases:				
Within one year	142	93	138	85
In the second to fifth years inclusive	34	107	31	104
	176	200	169	189
Less: future finance charges	(7)	(11)	–	–
Present value of lease obligations	169	189	169	189
Less: Amount due for settlement within 12 months			(138)	(85)
Amount due for settlement after 12 months			31	104

The average lease term is three to four years. For the year ended 31st December 2012 the average effective borrowing rate was 6% (2011: 11.0%). Interest rates are fixed at the contract dates. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

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

Note 25 – Operating lease obligations

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

	Land and buildings 2012 **£000**	Other operating leases 2012 **£000**	Land and buildings 2011 **£000**	Other operating leases 2011 **£000**
Within one year	330	995	325	646
In the second to fifth years inclusive	747	1,560	999	808
After five years	–	–	–	110
	1,077	2,555	1,324	1,564

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

	Land and buildings 2012 **£000**	Other operating leases 2012 **£000**	Land and buildings 2011 **£000**	Other operating leases 2011 **£000**
Within one year	255	525	255	252
In the second to fifth years inclusive	744	843	999	443
After five years	–	–	–	–
	999	1,368	1,254	695

Note 26 – 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 27 – Financial instruments

A. Capital risk management

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

The capital structure of the group consists of net funds, including cash and cash equivalents, bank overdrafts and finance lease obligations, and equity attributable to equity holders of the parent company, comprising issued capital, reserves and retained earnings. The group does not use derivative financial instruments and has no long term debt facilities other than finance leases and similar hire purchase arrangements as disclosed in Note 24.

B. Financial instruments

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

Cash and cash equivalents	Note 20
Bank deposits	Note 20
Bank overdrafts	Note 21
Trade receivables	Note 16
Trade payables	Note 17

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

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

Note 27 – Financial instruments continued

C. Financial risk management

The group is exposed to credit risk, liquidity risk and cash flow interest rate risk. During 2011 the group completed the arrangement of an £8 million overdraft facility with National Westminster Bank plc, replacing separate facilities held by a number of group companies. This facility was renewed in 2012. There have been no other significant changes to the nature of these risks or the group's objectives and policies for managing these risks, but as noted in previous years the current prolonged economic downturn has heightened the likelihood of these risks crystallising and the group continues to be vigilant in its monitoring and management of these risks.

The group seeks to manage these risks as follows:

Credit risk

Credit risk is the risk that the counter party will fail to discharge its obligations and create a financial loss. Credit risk exists, amongst other factors, to the extent that at the reporting date there were significant balances outstanding. The group mitigates this risk by assessing the credit-worthiness of prospective clients prior to accepting a contract, requesting progress payments on contract work in progress and investing surplus cash only with large highly-regarded UK financial institutions. The carrying value of construction contracts, trade receivables and cash on deposit represents the group's maximum exposure to credit risk. There were no significant concentrations of credit risk at 31st December 2012.

Liquidity risk

The group manages liquidity risk by maintaining adequate reserves and banking facilities, by monitoring cash flows and matching the maturity profiles of financial assets and liabilities within the bounds of its contractual obligations. Based on an interest rate of 3%, the effect of a delay / acceleration in the maturity of the group's trade receivables at the balance sheet date would be to decrease / increase profit by approximately £73,000 (2011: £51,000) for each month of delay / acceleration, and the effect of a delay / acceleration in the maturity of the group's trade payables at the reporting date would be to increase / decrease profit by approximately £80,000 (2011: £70,000) for each month of delay / acceleration.

Cash flow interest rate risk

The group is exposed to changes in interest rates on its bank deposits and borrowings. Surplus cash is placed on short term deposit at fixed rates of interest. Bank overdrafts are at floating rates, at a fixed margin above base rates. The group's finance lease obligations are at fixed rates of interest determined at the inception of the lease. The effect of each 1% increase in interest rates on the group's floating and short-term fixed rate cash, cash equivalents and bank overdrafts at the reporting date would be to increase profits by approximately £56,000 (2011: £6,000) per annum. Details of the group's and the company's overdraft facilities are disclosed in Note 21. Details of finance lease commitments are disclosed in Note 24.

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

Note 28 – Subsidiary companies

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

Electrical and mechanical contractors	**Type of shares**
DG Robson Mechanical Services Limited	Ordinary
TClarke (Bristol) Limited	Ordinary
TClarke East Limited	Ordinary
TClarke Leeds Limited (formerly H&C Moore Limited)	Ordinary
TClarke (Midlands) Limited	Ordinary
TClarke North West Limited (formerly D&S (Engineering Facilities) Limited)	Ordinary
TClarke (Scotland) Limited	Ordinary
TClarke South-East Limited (formerly WE Manin Limited)	Ordinary
Veale-Nixon Limited	Ordinary
Waldon Electrical Contractors Limited	Ordinary

Property holding company	
Weylex Properties Limited	Ordinary

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TClarke annual report & financial statements 2012

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