TClarke

Building innovation
Building relationships
Building services

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TClarke

Who we are

We are a nationwide building services contractor delivering the full range of mechanical, electrical and ICT services from strong local teams across the country. Our focus is on being a top five contractor in each of the specialist areas we work in - and equally on the retention and enhancement of our traditional reputation for delivering good value, total trustworthiness and excellent work quality.

Nine business areas

M&E Contracting
Our core business nationwide

Transport
Dedicated rail and airport division

Mission Critical
Specialist resource for critical data and power

Intelligent Buildings
High quality in house ICT services

Facilities Management
Residential, Public Sector and Engineering FM

Residential & Hotels
Industry-leading one stop solutions

Design & Build
High quality one stop in house service

Manufacturing
World class precision manufacture and prefabrication

Green Technologies
Full catalogue of green capabilities

Nationwide
Operating in 16 locations nationwide

World class apprenticeships
Our apprenticeships are among the best respected in UK industry

Find out more www.tclarke.co.uk +44 (0)20 7997 7400

Introducing TClarke plc

Building innovation, building relationships, building services

A world class British building services company, creating high quality jobs and delivering for our partners, clients and shareholders.

Delivering for our customers

Quality
Capability to deliver, renowned expertise

Innovation
Proven on major, fast track, complex projects

Value
New ways to create and deliver value

Relationships
Deep, lasting & collaborative

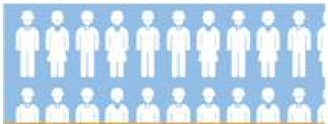
Resource
UK's no.1 directly employed building services resource

Financial performance

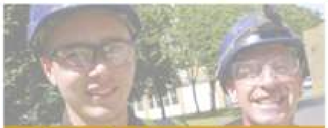
Revenue	**£227.5m**
Forward order book	**£300m**
Underlying operating profit*	**£1.4m**
Loss before tax	**(£0.7m)**
Dividend per share	**3.10p**
Loss per share	**(1.58p)**
Net cash	**£5.3m**

Our contribution to society


Sustaining Britain's skill base


Creating high quality jobs


Building a better Britain


Raising safety standards


Building a strong economy


Raising environmental standards

Why invest in us

- Long term strength
- Very strong culture of leadership at every level
- Proven financial discipline
- Proven strategy for REAL growth
- Primed for growth in the upcycle
- World class British engineering brand

An industry first in safety

TClarke

Nationwide, TClarke has one of the most effective, well-resourced and proactive safety teams in the industry. Our latest safety initiative is an industry first smartphone safety reporting app available freely to our staff and subcontractors on iTunes and Google Play.

Our strategy

"We set out to sustain and deliver world class building services capability and build a 'growth-ready' platform capable of exploiting new and changing opportunities.
In doing this we aim to retain and build on our track record for quality and the creation of value."

Mark Lawrence,
TClarke Group CEO

info@tclarke.co.uk in TClarke Head Office: TClarke PLC, 45 Moorfields, London, EC2Y 9AE

* Underlying profit is profit from continuing operations, adjusted for amortisation of intangible assets and non-recurring costs

Chairman's statement

Reflecting on 2014

The business has done much more than withstand challenges; in 2014 TClarke emerged in good shape to take advantage of slowly improving conditions. Over the last year, as in the previous five years of the recession, resilience and financial discipline have been matched by an ability, at senior level, to plan and execute change and efficiency programmes, and at the frontline level to deliver for our clients. In this my first year, I have been involved straight away and seen what makes TClarke tick, close up.

2014 saw the beginning of a long-overdue recovery in our markets, with revenue increasing by 4.8% to £227.5m (2013: £217.1m) and net cash improving to £5.3m (2013: £1.0m), with £5m cash generated by operations (2013: £2.6m cash outflow from operations).

The emergence and resolution of two challenging issues, one a damages claim relating to a pre-acquisition contract at a subsidiary, and the other a protracted final account settlement in our Mission Critical division, coincided with my arrival as Chairman, and it is right to record that these did cause us all - me included - some sleepless nights. The nature of construction is such that these kinds of issues do emerge from time to time - in TClarke's case they are rare. But they did have the effect of stress-testing the company's systems and procedures with a new Chairman onboard.

Both issues were resolved during 2014, resulting in an underlying operating profit of £1.4m (2013: £3.2m) and a statutory loss before tax of £0.7m (2013 profit: £1.7m). However, if you set their costs aside and look at the overall performance of the group, then it was a successful year. In the second half of the year, you could say 'the decks were cleared for action' - and we saw action in the shape of a series of significant contract wins in London and also, though less widely reported at the time, across the UK.

2014 showed that the company is highly effective in winning contracts, negotiating them prudently and delivering them to high standards - in the face of markets showing very little sign of major improvement. But if recovery of UK construction was slow, then it is worth noting three things: Firstly, this was precisely in line with TClarke's forecast, secondly that in 2014 TClarke again won more than its fair share of the work open to it, and thirdly that at the close of the year we are able to look back at key progress, made against a clear strategic plan, that has steadily built a strong platform to take the business forward in 2015 and beyond.

Joining the firm - early impressions

During 2014 I have been fortunate to make a number of visits, across the regional operations and also across London, meeting apprentices and staff and also visiting a number of TClarke projects. It has been extremely valuable in helping to understand what the TClarke name stands for, inside the firm and in the marketplace. From these first experiences, a few things are worth noting in this report.

Culture of leadership

Firstly, there is a very clear culture of leadership - not just at board but at every single level on every scale of project - and this is something my predecessor Russell Race remarked upon too. Quality in construction and the

David Henderson
Chairman
24th March 2015

wider engineering sector depends upon the skills, culture and motivation of leaders at every level in the organisation - on individuals being switched on and taking a pride in details, day in day out. This culture was on show everywhere; in details of safety procedure, in the quiet clarity of plans and briefing, and in the attitude to serving clients and the plain pride in doing a good job that frontline people so clearly took. This is a company where people take responsibility and take pride in the quality of their contribution - and this happens quietly, without show or fuss.

The commitment to apprenticeships has strategic business value

Secondly, in 2014, as in every year since the recession bit, TClarke kept on training and taking on apprentices. These are impressive young men and women. A TClarke apprenticeship is not just another apprenticeship - it is something that young people really want and really work for. There is competition for each one and the apprentices that the company selects are high calibre, motivated and with evident quality. This is enormously encouraging and not just for TClarke; it is a genuine pleasure to see that the British engineering and construction sectors can attract these young people and offer them worthwhile opportunities. Of course this is not mere altruism. The hard commercial result of this long-term policy was also evident toward the end of 2014 as TClarke's resource of high quality people became something that contractors and clients were keen to lock into their projects for the future. This desire is key to the generation of strong value for shareholders going forward in the cycle. It is not a complicated plan - but it does not happen by chance. TClarke has the culture of training and offering apprenticeships and it also has the structure and expertise in-house to make this work. In many ways this is a model of excellence for British engineering.

Efficiencies are paying off

Thirdly, the practical actions led by the executive board to enhance efficiency across the group, to leverage opportunities to share resource, to cross sell and upsell services, to unify and simplify back offices and so make it economically viable to enter new markets quickly and cheaply - these actions in 2014 began to get results. While some in the construction sector were just hanging on and others were, sadly, failing to do even that, TClarke was extremely busy preparing itself. This is not a standstill company - this is a company that drives change through the industry - changes in best practice and ways of working that will keep it at the forefront of the sector.

Thanks to our people, our business partners and our customers

I should like to extend my thanks to the TClarke people who make this business what it is - our staff, our business partners and our customers. In an era of increasingly sophisticated and carefully presented marketing, when 'brands' are manicured and manipulated to increase their appeal, TClarke stands for something straightforward, tangible and valuable. The TClarke culture is built by decent and highly professional people, forging open and collaborative relationships with their suppliers and customers. The TClarke brand is about always delivering and 'never letting down' - and that is not a motto in the boardroom - it is an attitude and a pride that people have in their work. In my first year here, I have been able to see that this is a real brand - a real promise that is delivered by our people and owned by them.

There is a sense of privilege in being involved on the inside of such an organisation - and pride in what is a longstanding and unsung but nonetheless extremely compelling British engineering success story. In thanking our shareholders for their continued support and interest throughout another year of challenging market conditions, I do hope that as well as looking for long-term value, they will also share my pride in being part of TClarke.

Outlook

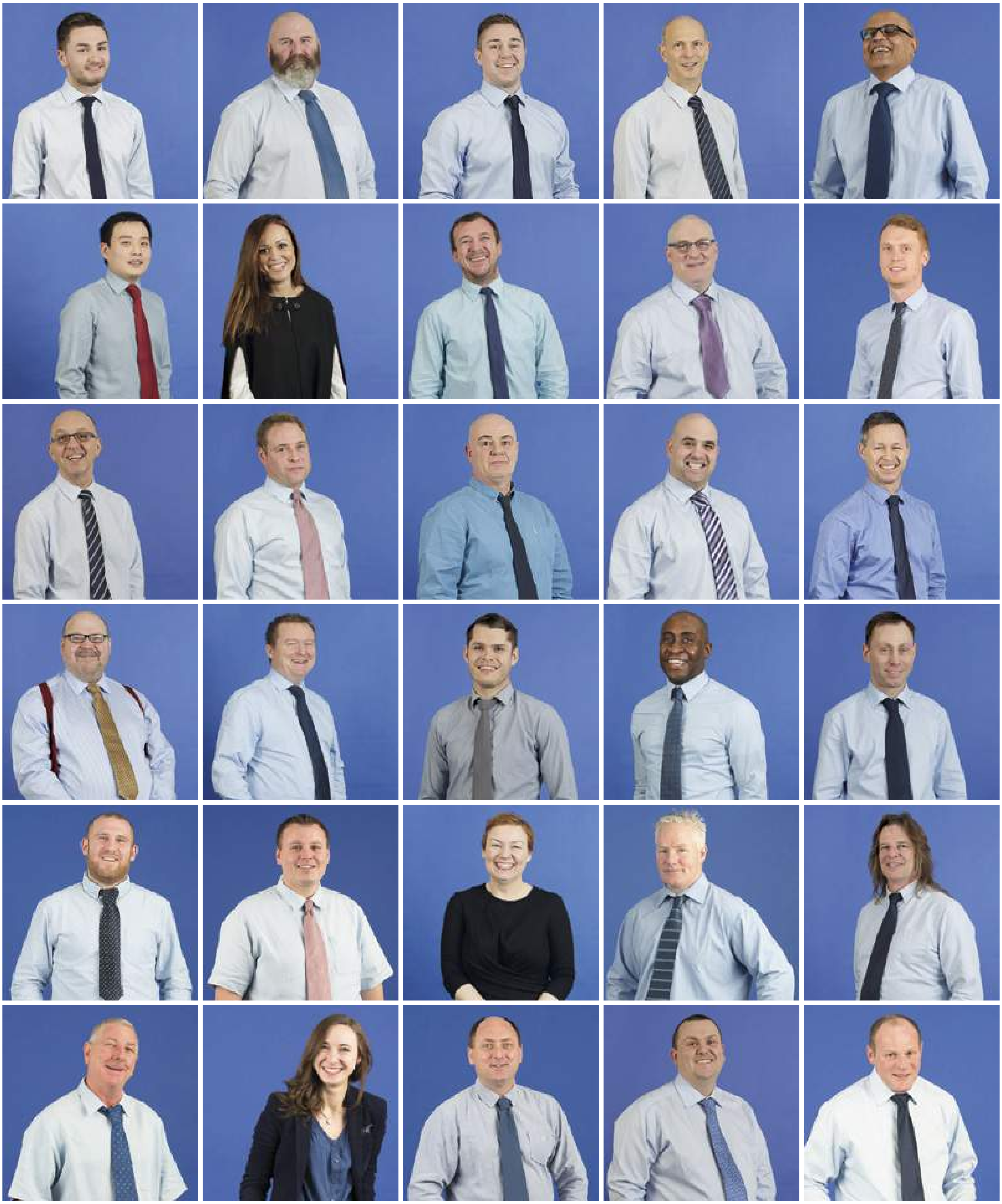
Looking ahead to 2015, knowing that the industry, media and trade bodies are already predicting major skills shortages in the short and medium term, the power and direct business value of the TClarke resource of skilled and motivated people is evidently a key strategic advantage.

And there is another strategic advantage which is likely to gain prominence and create value during 2015 and that is the balancing of powerful electrical contracting capability in the London market with a similarly high quality, large-scale mechanical engineering offering. DGR was bought in 2010 and this excellent mechanical business has forged ahead. During 2014 the TClarke Group announced that the time was right for DGR to rebrand to TClarke, to play an increasingly central and integrated role in the group, bidding for and winning combined M&E packages. This strategic shift was matched by a structural one with Danny Robson, DGR's founder and MD, taking up an executive post on the main group board of TClarke.

During 2015, the company will initiate further strategic changes in structure, all of which will be designed to help the business to maximise the value - both long and short term - which we can generate from the upcycle.

With a record order book and early signs of margins beginning to improve we look forward to 2015 and beyond with renewed confidence.

David Henderson
Chairman
24th March 2015



Chief Executive Officer's review

Reflections on 2014

From a headline point of view, 2014 was a year 'of two halves' for TClarke; the first half clouded by two ongoing contractual issues and the weakness of the recovery and the second half marked by a series of major contract wins (and the resolution of those issues). Beneath the headlines though, this organisation was focused and working hard - to build the order book and to set itself in a strong position for the upturn.

The UK economy as a whole saw many signs of substantial recovery in 2014 but in the construction sector, any such signs remained sparse until late in the year. Even though there was widespread confidence and belief in the certainty of recovery in the short term, this was not translated into any significant surge in demand. So margins remained under pressure and our pleasure at setting and beating records for the size of our forward order book throughout the year would be tempered by the fact that margin pressures had not eased. It was only in the final quarter of 2014 that the market shifted from ultra-cost competitive to resource-focused (with resultant better margins).

In previous years we have reported on the projects we have undertaken internally to improve our efficiency, market proposition, exposure to growth opportunities and ability to leverage all of our resources. In any sector the ability to change what you do, ahead of opportunities, is critical to growth and value creation. Now after five years of reporting on how the company has riden the storm and invested its energies in change for value creation, it is worth considering what we have achieved in that time.

How we performed in 2014

Our strategy throughout the recession has been to scrutinise our current and potential market places and decide how we can organise our resources and propositions in order to maximise opportunities when they appear, without over-exposing ourselves to any single market. This strategy has the clear objective of making our progress less dependent on the cyclical behaviour of any specific sub-sector or local market within construction.

So in 2014 it is very good to reflect on a year in which we really did breakthrough in UK construction's dominant London market, as a full mechanical and electrical contractor with a series of major M&E projects won and delivered. This is strategically significant for TClarke; it substantially increases our potential market place and the introduction of Danny Robson onto the company's main board is a reflection of the way we view this opportunity.

Equally, through the downturn, our challenge has been to improve our ability to move rapidly and at minimal cost, into new market sectors where opportunities appear, while at the same time being a substantial and genuine 'top 5' company in each of those sectors, with real resource and quality appropriate to the TClarke brand.

Mark Lawrence
Chief Executive Officer
24th March 2015

A selection of TClarke projects:

Contract	TClarke division
20 Fenchurch Street	Mechanical & Electrical Contracting
240 Blackfriars Road	Mechanical & Electrical Contracting
450 South Oak Way, Green Park	Mechanical & Electrical Contracting
60 Victoria Embankment	Mechanical & Electrical Contracting
Aberystwyth Student Accommodation	Residential and Hotels
ARK Putney Academy	Mechanical & Electrical Contracting
Bank Station Capacity Upgrade	Rail and Transport
BBC White City - Project Vesta	Mechanical & Electrical Contracting
Bloomberg London	Mechanical & Electrical Contracting
BP Sunbury - Building E	Mechanical & Electrical Contracting
British Energy	FM / Framework
C336 Paddington New Yard	Rail and Transport
De Vere Gardens, London	Residential and Hotels
Deutsche Bank - Project Haywood	Mechanical & Electrical Contracting
Dixons Allerton Academy	Mechanical & Electrical Contracting
Imperial Tobacco HQ, Bristol	Mechanical & Electrical Contracting
London Wall Place	Mechanical & Electrical Contracting
Luminus Electrical	FM / Framework
Mizuho Bank	Mechanical & Electrical Contracting
Newquay Tretherras School	Intelligent Buildings

Contract	TClarke division
One Angel Court	Mechanical & Electrical Contracting
Phoenix Park, Ravenscraig	Residential and Hotels
Principal Place	Mechanical & Electrical Contracting
Rathbone Square	Mechanical & Electrical Contracting
Rathbone Square	Intelligent Buildings
Riverwalk House	Mechanical & Electrical Contracting
Romford ROC	Rail and Transport
Selfridges	Mechanical & Electrical Contracting
Silwood Sidings	Rail and Transport
South Bank Tower	Mechanical & Electrical Contracting
Springfields Fuels	FM / Framework
St George - Fulham Reach	Residential and Hotels
Summit House	Mechanical & Electrical Contracting
Transforming Tate Modern	Mechanical & Electrical Contracting
Trinity Park Phase 2, Edinburgh	Residential and Hotels
US Air Force Bases Mildenhall & Wyton	FM / Framework
Victoria Station Upgrade	Rail and Transport
Waitrose	Mechanical & Electrical Contracting

Our Transport, Residential, Design & Build, Facilities Management and Mission Critical businesses were all winning and delivering substantial new projects, and we re-established a presence in the West Midlands commercial market and strengthened our positions in regional markets right across the country.

In 2014 we broke our forward order book record more than once - and it ended at a very healthy £300 million.

We delivered what we had promised - organic growth, structural efficiencies and an ongoing commitment to delivering quality in our work.

We were innovators too in many areas. Our new 'You See You Say' smartphone safety reporting app is a genuine innovation and industry first, giving our operatives much enhanced ability to report safety risks and incidents. We have introduced it across our business and for our supply chain and we're delighted that others in the industry are following our approach.

Our Transport Division was engaged in the ground-breaking Innovative Contractor Engagement ("ICE") procurement approach at Bank underground station, where the main contractor and its partners were actively involved from the earliest stages in working with the client to increase the end value achieved for users of the station. This is a great example of real innovation, transforming the way we collaborate with all parties.

What may not grab headlines, but is arguably more important to emphasise, is that TClarke teams in London and across the UK were delivering and collaborating on some of the most challenging construction projects anywhere - and this work, in 2014 as in every year - is what keeps our people at the top of their game and cements our reputation in an industry where you are only ever as good as your last job.

Our vision is clear, purposeful and unchanged

Our vision is to 'achieve world class performance in the quality of our work, the strength of our relationships and the value we can create through innovation, for all our stakeholders.' During these years of challenging market conditions, that vision has remained clear and central in our thinking. At its core, this vision expresses our belief in engineering excellence as the key to delivering real and lasting value.

It is this clear focus that commits us to training young people and in 2014 TClarke apprentices did more than thrive, they won a series of local and national awards, doing great credit to themselves and the company.

Our strategy positions us for growth

As has been reported over the last years and again this year, TClarke has weathered the storm well. Although remaining cautious and prudent in our planning, we can see clearly now that the market is increasingly less price-driven and increasingly more resource-focused. In plain terms, developers and principal contractors are looking to secure and lock in high quality teams for their projects in order to deliver them on time and on budget.

From a strategic perspective, TClarke now has the opportunity to grow in all of its markets and to become, during the years of upturn, a more significant player in a range of specialist sectors and markets.

Whereas in 2008, our opportunities for growth were largely confined to the London electrical contracts market and to regional M&E work, we now have credible, established and well resourced teams in London M&E, Mission Critical, FM, residential, transport and design and build sectors.

Whereas in 2008 we owned a regional network of independently branded, highly reputable local M&E or electrical contractors, in 2014 we have a fully integrated, uniformly branded nationwide network of building services operations, whose resources are capable of collaboration to meet market opportunities.

To provide a clear example of how this works in just one of the areas mentioned above: in 2014 we won a range of major M&E projects in London such as Bank Station, Romford Rail Operating Centre, Selfridges, Ark Academy, Putney and Riverwalk House - these substantial contracts simply would not have been open to TClarke in the past since we lacked the integrated M&E offering and reputation in the market.

In a steady and intelligent way our purpose, as the cycle finally presents us with more buoyant markets, is to grow the business, both in areas where we have foreseen opportunities and in new areas that continue to present themselves.

Our priorities for 2015

In 2015 our key priorities will - as in 2014 - be on safety, on quality and on delivery of our strategy for growth.

Safety
It will remain our main priority - not just for our excellent safety teams nationwide, but for every single individual. We will continue to invest and innovate and we will play our role fully in leading the industry and moving safety standards forward. Above all we will work hard to avoid complacency in any area. Safety will come first above any other consideration.

Quality
The record order book is not simply composed of 'bread and butter' work - it is in the main part comprised of large scale, complex, fast track construction projects. It also includes projects where highly innovative collaborative approaches are being used and projects where technical challenges are at the cutting edge - such that very few firms in the market are seen to have the capability or experience. In 2015 we will be focused on the quality of our project delivery, our collaboration with partners and the excellence of work delivered by teams and individuals.

Delivering our strategy for growth
In this statement I have already set out our growth focus; in 2015 we will also be introducing a further set of carefully planned strategic changes in our structure and organisation and these will have the clear purpose of further enhancing our ability to grow in the ways which we believe will deliver best value.

Mark Lawrence
Chief Executive Officer
24th March 2015

Finance Director's review

Summary of Financial performance	2014	2013
Continuing operations	£m	£m
Revenue	**227.5**	217.1
Underlying operating profit	**1.4**	3.2
Intangibles amortisation	**(0.2)**	(0.3)
Non-recurring costs - Exceptional claim settlement costs	**(1.2)**	**(0.6)**
Operating profit	**–**	2.3
Net interest	**(0.7)**	(0.6)
(Loss) / profit before tax	**(0.7)**	1.7
Tax	**0.1**	(0.6)
(Loss) / profit for the year	**(0.6)**	1.1
(Loss) / earnings per share - basic	**(1.58)p**	2.51p
(Loss) / Earnings per share - continuing operations	**(1.58)p**	2.43p
Underlying earnings per share - basic	**1.06p**	4.14p
Underlying earnings per share - diluted	**1.01p**	4.00p

Underlying earnings per share is stated after adjusting for £0.3m (2013: £0.2m) tax on adjusting items.

Underlying group performance

Overview

Underlying operating profit fell to £1.4m (2013: £3.2m) due to a substantial loss on the Mission Critical contract highlighted in last year's annual report. No major loss is to be taken lightly; however, in this instance it was in the group's best interest to reach a negotiated settlement. This contract has been fully settled and there is no further cash out flow. This contract aside, TClarke continued to perform well in tough market conditions, with revenue increasing by 4.8% to £227.5m (2013: £217.1m).

TClarke South

Revenue from our South operations was down 2.7% year on year at £167.6m (2013: £172.2m). Competition has remained fierce throughout the region, particularly in the first half of the year with clients delaying procurement to secure ever keener prices. This trend began to reverse towards the end of the year, with many of the region's offices benefiting from repeat work through strong relationships and clients beginning to realise that they needed to lock in resource going forward. The last few months of the year also saw significant wins for our combined M&E business in London, securing significant revenue into 2015 and beyond.

The region reported an operating loss of £2.2m (2013: profit £0.5m). After adding back £1.1m (2013: £0.5m) exceptional claim settlement costs (which are discussed below), the underlying operating loss was £1.1m (2013: profit: £1.0m). The fall in underlying operating profit masks an encouraging performance from many of our

Martin Walton
Finance Director
24th March 2015

offices - if you strip out the impact of the loss on the Mission Critical project referred to above, the regions as a whole would have delivered a significantly higher profit than in 2013.

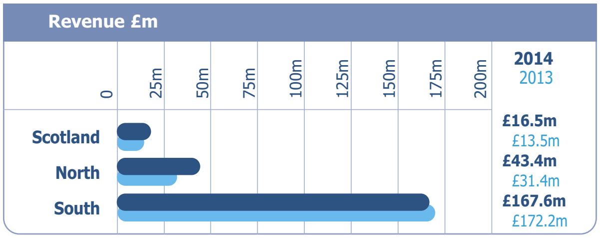
TClarke North

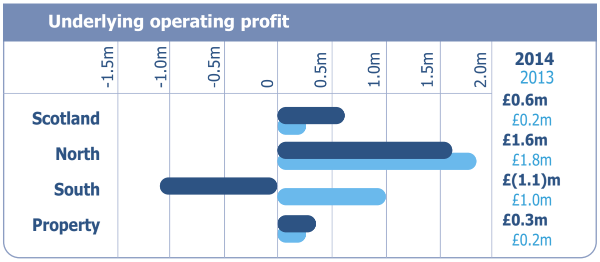
Revenue from our North operations increased by 38% to £43.4m (2013: £31.4m), with the region benefitting from strong client relationships and repeat business.

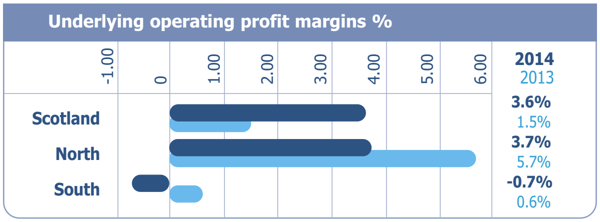
Operating profit was £1.4m (2013: £1.5m), representing a profit margin of 3.2% (2013: 4.8%). Operating margins were higher in 2013 due to positive final account settlements on a number of contracts undertaken in previous years. The underlying operating profit, before £0.2m (2013: £0.3m) amortisation of other intangible assets, was £1.6m (2013: £1.8m).

TClarke Scotland

Scotland's revenue increased by 22% to £16.5m (2013: £13.5m), with improving commercial and IT revenues adding to its continuing strong performance in the residential sector. Underlying profit improved to £0.6m (2013: £0.2m), before deducting a further £0.1m (2013: £0.1m) exceptional costs for successfully defending a multitude of adjudication claims brought by a single sub-contractor.







Exceptional and non-underlying items

Exceptional and non-underlying items comprise £0.2m (2013: £0.3m) amortisation of intangible assets and £1.2m (2013: £0.6m) exceptional claim settlement costs.

The exceptional claim settlement costs represent a continuation of the claims giving rise to costs incurred in the previous year and are not expected to recur. These include a £0.7m charge in full and final settlement of a damages claim against one of the subsidiary companies in relation to an incident that arose pre-acquisition, of which £0.3m was paid in the year and £0.4m will be settled in instalments over a period of three years, £0.4m (2013: £0.5m) costs and interest in respect of a sub-contractor claim against the group for work carried out in a previous year, and £0.1m (2013: £0.1m) for costs incurred in successfully defending a succession of adjudication claims brought by a single sub-contractor in Scotland.

Finance costs

Net finance costs were £0.7m (2013: £0.6m), including a £0.5m (2013: £0.5m) non-cash finance charge in respect of the pension scheme. Net interest on bank loans and overdrafts increased to £0.2m (2013: £0.1m), reflecting increased use of our banking facilities during the year prior to the settlement of the Mission Critical contract referred to above.

Taxation

As a wholly UK based group, our tax charge is dependent on UK corporation tax rates. Our cost base includes a hard core of expenditure that is not deductible for tax purposes, which has the effect of pushing up our effective tax rate during periods of low profits (or reducing the effective rate on losses). For 2014, the effective tax rate on the reported loss was 11.3% (2013: 36.9% on reported profit), with the effective tax rate in 2013 having been impacted by the effect of falling corporation tax rates on deferred tax assets brought forward.

Earnings per share

Basic loss per share was 1.58p (2013 - earnings: 2.51p), and diluted loss per share was 1.58p (2013 - earnings: 2.43p).

Basic underlying earnings per share after adjusting for amortisation of intangible assets and non-recurring exceptional claim settlement costs and the tax effect of these items, were 1.06p (2013: 4.14p), and diluted underlying earnings per share were 1.01p (2013: 4.00p).

Dividends

The Board is proposing a final dividend of 2.60p (2013: 2.10p), leaving the total dividend for the year unchanged at 3.10p (2013: 3.10p). The dividend is uncovered by underlying earnings due to the impact of the Mission Critical contract settlement referred to above - were it not for the loss recognised on this contract, the dividend would have been covered 2.2 times by underlying earnings.

The final dividend will be paid, subject to shareholder approval, on 15th May 2015 to those shareholders on the register at 17th April 2015. The dividend will go ex-dividend on 16th April 2015. A dividend reinvestment plan (DRIP) is available to shareholders.

Cash flow and funding

The group has in place a committed £5.0m revolving credit facility until 31st March 2017 and an £8.0m overdraft facility, renewable annually. Interest on overdrawn balances is charged at 2.75% above base rate, and interest on balances drawn down under the revolving credit facility is charged at 3% above LIBOR, fixed for the duration of each drawdown (typically three to six months). The group was compliant with the terms of the facilities at 31st December 2014 and the board's detailed projections demonstrate that the group will continue to meet its obligations in the future. Details of actual and potential covenant breaches during the year are disclosed in Note 21 to the financial statements and in the corporate governance report on page 64.

The group's net cash balances improved to £5.3m at 31st December 2014 (2013: £1.0m) after deducting the £5.0m (2013: £nil) outstanding under the revolving credit facility.

Cash inflow generated by operating activities was £5.0m (2013 - outflow: £2.6m), reflecting a strong emphasis on working capital management and the resolution of the Mission Critical contract referred to above.

Net assets and capital structure

The group is funded by equity capital, retained reserves and bank loans, and there are no plans to change this structure.

At £23.2m (2013: £23.4m), goodwill and intangible assets arising on previous acquisitions represent a significant proportion of the group's total assets of £103.2m (2013: £88.5m). The board has undertaken a rigorous impairment review in respect of the intangible assets at 31st December 2014 and concluded that no impairment is necessary. Details of the impairment review are given in note 11 to the financial statements.

Pension obligations

The last triennial valuation of the pension scheme as at 31st December 2012 showed a deficit of £11.5m, which represents a funding level of 68%. The group has put in place a deficit reduction plan to eliminate the deficit over a number of years, with total employer contributions rising from 18% of pensionable salary for the year ended 31st December 2014 to 20.7% for 2015 and 2016, 21.7% for 2017 through 2019, and 22.7% thereafter. Employer contributions amount to approximately £1.1m per annum. The group has provided security to the pension scheme in the form of a charge over property assets up to a combined market value of £3.1m.

In accordance with IAS 19 'Employee Benefits', an actuarial loss of £5.3m has been recognised in the financial statements, with the pension scheme deficit increasing by £5.4m to £16.3m (2013: £10.9m). The significant increase in the deficit reflects the exceptionally low discount rates (based on bond yields) which have arisen due to macroeconomic factors beyond the company's control. The group continues to meet its ongoing obligations to the pension scheme, but has now taken action to close the scheme to new members and is introducing a new defined contribution group personal pension plan for staff not already in the defined benefit pension scheme.

Accounting policies

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

Group structure

Since recession hit the sector in 2009 we have undertaken a number of initiatives to strengthen the effectiveness and efficiency of the group's operations. Further changes planned for 2015 will see the rationalisation of the group's subsidiary companies into a single operating entity, a natural progression from the changes we have already made. We are also implementing changes to the group's internal management structure, which will see the dominant South region split into two regions, comprising London and the South East, and a Central and West region.

Martin Walton
Finance Director and Company Secretary
24th March 2015

Our vision

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

Our strategy

Our strategy is to sustain world class building services capability and build a 'growth-ready' platform capable of exploiting existing and fast-changing opportunities for value creation - page 16

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

What we do

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

- Operating environment page 22
- Our services page 24
- Where we do it page 28

Managing our operations

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

- Our board page 31
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- Internal control and risk management page 32
- Aligning executive remuneration to strategy page 31

What did we achieve?

During 2014, our people worked with partners and suppliers to deliver a great variety of construction projects; our business as a whole created and sustained skills and jobs, and value for our shareholders. We also shaped our business for future growth - page 35

Our vision

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Last year we introduced this statement of our vision and it remains a clear statement of our goal.

The construction industry, as it emerges fully from recession, remains competitive, price-focused and reputation-driven. At the same time it is also dynamic with new technologies and ways of working sweeping through every stage of the process, transforming the whole concept of constructing and maintaining a building throughout its entire lifecycle. All of this change is transforming cost models, working practices and opportunities to create value.

Our vision is of a 'building services contractor, organised to create and take advantage of market opportunities for profitable growth…' This expresses our strategic understanding that we must organise and develop our set of skills and expertise intelligently in order to maximise growth opportunities - that we must be a dynamic business.

Our vision also speaks of our 'traditional focus on delivery of high quality work, by highly-motivated and expert teams…' and this signals the fact that although we must be dynamic in our approach to opportunities, we also want to keep and enhance the values and commitment to our people that have stood us in such good stead over the years.

Finally our vision speaks of 'relationships' and 'streams of innovation'. Going forward, our belief, across all the specialist sectors in which we work, is that in the next decade, the most forward looking, successful and innovative building services contractors will be those who develop the most effective and innovative relationships with main contractors, developers and clients; relationships in which all parties work with ever greater focus on shared goals and new ways to understand and create value.

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

TClarke's vision expresses our long held belief in a clear chain of factors creating value for stakeholders. We believe that if you invest in the best people, they will deliver the best work and this will build the best reputation and that will allow you to merit and achieve the best deals when negotiating contracts.

2014 has shown this vision to be as relevant and accurate as ever.

TClarke teams deliver, because the levels of motivation, commitment and sheer engineering excellence are high. This is the heart of our culture and reputation going back through our history. From this solid foundation we have built exceptional client relationships and we see quality relationships as the key to the creation of long-term sustainable growth and value for all our stakeholders.

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

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

Our strategy

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

Our strategy is our high-level plan to help us achieve our goal or vision. For more than 125 years, TClarke has sustained world class capability in its chosen field.

One of the most recent comprehensive analyses of the construction sector was released in July 2013 by the UK Government's Department for Innovation and Skills - 'UK Construction: An Economic Analysis of the Sector'. The report identified the following four factors as Drivers of long-term growth:

People and skills
Access to finance
Innovation capability
Supply chain development

It is fair to say that TClarke scores very highly in all of these key areas and that our strategies and long term behaviour are clear to see - both in action and outcome.

In 2014, we undertook a whole range of actions and won a number of key contracts which all served to move us ahead strategically, sustaining and developing our capabilities in many specialist areas of Building Services. In 2014 it was also possible to see how much had been achieved by the company during the downturn.

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

At any time, TClarke needs to ensure that it has the market capability, credentials and resource necessary to compete for and win the most attractive contracts. So a key part of our ongoing strategy is to keep refining and advancing the scope of our offer, in line with changes in the market.

Total integration of our mechanical operation
In 2014, the stand-out strategic development in this area was the complete integration of our TClarke DGR large scale mechanical operation with our main business. DGR had been part of the group for four successful years and in 2014, the integration was completed. This was matched by a series of major M&E contract wins and the appointment of TClarke DGR's MD and founder Danny Robson to the main Group board.

This single action massively increases the potential market for TClarke Group's services by opening up the large scale M&E contracts in London and UK markets.

Constant review, development and upgrading of our offer
As the organisation has developed over recent years, we have constantly identified new specialisms and areas of expertise where we saw either potential for new revenue streams or areas in which we would need to develop high quality skills in order to retain our leadership position in our markets - sometimes both.

So for example we developed an in house Intelligent Buildings capability allowing us to develop and offer high quality ICT skills that were increasingly intrinsic to all building services projects and bid packages. In the same way we developed substantial green technologies expertise and introduced our Mission Critical team of high quality engineers to work on the most challenging 'mission critical' projects including data centres. In each case, we have looked ahead at upcoming trends and market requirements and worked to develop our capability in a way that fits our brand offer. In most cases, we were able to develop these services organically and build a new revenue stream from our existing resources.

Design & Build operation launches strongly in 2014
In last year's annual report we announced the upcoming introduction of a new TClarke Design & Build operation. We planned this strategic move because we saw a potential new revenue stream and we also saw an area featuring high value, high quality services, innovative thinking and deeper client relationships - these features made it strategically attractive and appropriate to us. In 2014, our design and build business has gone from a standing start to an £11m order book and a high quality operation that's slightly ahead of its planned growth target.

Transport and Residential take next steps forward
In 2014 we also saw substantial advances for our specialist Transport and Residential divisions. To develop a resource and reputation in these specialist areas takes a few years. But once you have established a reputation in the market, then growth can accelerate. Although our markets had not yet recovered in 2014, we saw valuable growth in both of these specialist businesses.

2. Build a 'growth-ready' platform

Progress in our stage by stage rationalisation programme
The business has been involved in a stage by stage rationalisation programme, which in recent years has concentrated on integrating and rationalising the back of house, finance, IT, business systems and administration across the whole group. The purpose has been to create a nationwide operation that is integrated and aligned and therefore capable of taking growth opportunities.

In 2014 we saw significant operational results across the board - particularly in our growing ability to leverage resources and skills from across the group. A series of high end residential developments in London and the South East have integrated London based electrical teams with TClarke Scotland's intelligent buildings resource. Similarly a major M&E contract was pitched, won and delivered by TClarke Bristol working in partnership with TClarke DGR.

Preparation for move in 2015 to new structure
In 2014 we also saw considerable planning work on the next stage of our rationalisation - the project to bring all of our local businesses together within one UK operating company and in four new regional operations. This structure aims to keep the valuable local presences and connections into local markets which we currently enjoy, but also to maximise our efficiency, capability to cross sell and share resources and knowledge both regionally and nationally.

There is considerable work to do, from a contractual point of view and we envisage that this project will be complete with the new set up in place by the end of 2015.

3. Retain and enhance our classic brand advantages

The TClarke brand is built upon the quality of our work and reliability of our delivery, whatever the challenges. This in turn is dependent upon the quality of our teams - so it is of strategic importance that we do everything we can to retain and enhance our brand. In plain terms, if we want a strong brand, we need to support and develop our people.

Where many companies talk in these terms, TClarke is especially focused on adhering to this principle.

TClarke has a directly employed and highly skilled resource - not just of site teams but also in every layer of management and in the experienced engineers who design, lead and deliver projects. TClarke provides career paths that can and do lead from apprenticeships to senior management - not just occasionally but regularly. TClarke is known for quality of delivery and high levels of expertise - particularly for the most critical or challenging jobs.

Staying true to our belief in apprenticeships

Throughout the downturn TClarke has not only retained but carried on building that resource, bringing new apprentices through the organisation, and bringing in new specialists to deepen our capability.

In 2014, TClarke had over 100 apprentices on the books across the business. Due to the high demand for our apprenticeships, we are able to select highly capable and motivated people. TClarke also offer training opportunities for high quality adult candidates - and in 2014 successful adult trainees were offered full time jobs with the firm. In 2014 several of our apprentices across the UK won external competitions and awards.

Growth based on brand reputation - Wales

In the last three and a half years, TClarke in Wales has been able to build from zero to a major presence as a building services contractor and, towards the end of 2014, to win client awards for quality of work delivered. This success underlines the power of the TClarke brand reputation in helping create the opportunities to win work. Our Cardiff team is one example of several across the group where we are leveraging our brand reputation to create fresh growth.

4. Focus on innovation and relationships

ICE procurement at Bank Station

There is a clear and growing correlation between the innovation you can deliver and the depth and quality of relationships you can achieve. In 2014 TClarke redrafted its brand line ‘Building Innovation, Building Relationships, Building Services’ to underline this truth because it is central to our philosophy for growth.

In 2014, TClarke’s Transport team began work on the Bank Station Upgrade project working with London Underground and principal contractor Dragados. The project was procured using the highly innovative “ICE” (Innovative Contractor Engagement) method where the client assesses each bid on the added value of their proposal rather than the lowest cost. Bidders were also rewarded for their ideas in the bid - even if they were unsuccessful. This win was highly significant for TClarke - not just in the Transport field but in the wider arena - in building our experience of how to handle and win these opportunities.

Design & Build service launches with 'relationship-based' manifesto

In spring 2014, TClarke announced the launch of its new Design & Build division. In December 2014, that business was ahead of plan with a full order book worth £11m. To achieve this success TClarke brought in a high quality team, with substantial market reputation. This team, led by Paul Barnes, presented a very clear and strong 'relationship-based' market proposition, offering an exceptionally proactive approach to collaboration as the key to unlocking more value at all stages of the design and construction process.

Mission Critical team keeps building its reputation

Most of the projects our Mission Critical team undertakes for major clients - particularly in the financial sector - must remain confidential. However, we are able to say that during 2014, TClarke's Mission Critical engineers delivered a number of major and highly complex projects successfully - frequently dealing with challenges that were entirely new or which pushed the boundaries of previous best practice forwards. Our constant involvement through this team in the most technically challenging and necessarily innovative projects in the industry is of major importance to our continued leadership position.

5. Drive opportunities for sustainable growth

The construction sector is both cyclical and dynamic and we therefore keep developing and reviewing our market proposition and the areas and opportunities we should target. Our purpose is not only to find the best path to sustainable growth, it is also to make sure we have the best balance of work in different sectors.

So, for example, in sectors such as residential, where in 2014 some competitors found themselves over exposed, TClarke's strategy is to select and negotiate opportunities with care. Our resources are valuable and we work hard to get the best return where we invest them.

Opportunities for growth

<table>
<tr><th>Market segment</th><th>Very large-scale electrical</th><th>Very large-scale mechanical</th><th>Major scale combined M&E</th></tr>
<tr><td>How this segment operates</td><td colspan="2">For the large-scale construction projects in the UK, which are often focused around the London region, the electrical contract and the mechanical contract - which may each be worth upwards of £10m - are generally tendered separately and this is because it usually makes best sense at this scale for the principal contractor / client to split the risk between two suppliers.</td><td>Major projects where the combined value of the M&E components are roughly £10-15m or less are usually offered for tender as combined M&E contracts. Increasingly, to work the risks better for themselves, clients and contractors will look for one stop shops in this scale of project where not only M&E but the full service, including design and build, ICT, green technologies and FM can all be offered by one building services contractor.</td></tr>
<tr><td>Current situation</td><td>We have always had a major presence in this market, undertaking several such projects per year.
In 2014 as in previous years, we won rather more than our share of available work and in the final quarter, won a series of the most notable jobs available.</td><td>in 2014, the full integration of TClarke DGR into the group operation was achieved and among notable wins, we began delivery on one of the largest mechanical prefabrication projects in the UK.</td><td>In 2014, alongside the full integration of TClarke DGR within the business, we achieved breakthrough wins in this market, winning a series of larger M&E jobs in London and the South East.</td></tr>
<tr><td>Potential for growth</td><td>TClarke remains as market leader in this sector with a premium brand and reputation for delivery.

In 2014 margins remained tight but going forward it is sensibly expected that better margins will be available and as clients seek to lock in our resources, as skills shortages loom, there will be good opportunities for value creation.</td><td>2014 was our breakthrough year in this market with a series of major contract wins.

TClarke DGR is already recognised in the industry as one of the few sub contractors with the record, resource and skill to deliver the largest and most challenging fast track projects.

In the short,medium and long term this area of our business has the potential for good growth.</td><td>As the TClarke group has integrated its mechanical offer fully, 2015 will be the first full year in which our sales and marketing operations are fully able to promote this proposition. In support of that 2014 also gave us a number of good scale projects to present as proof of capability.

There are significant opportunities for growth in this area.</td></tr>
</table>

Specialist growth sectors

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

Very strong performance from our Transport and Residential businesses were complemented in 2014 by our new Design & Build operation.

HS2 and other major rail and air transport projects offer further opportunities for the growth of our transport business.

Our residential business, led by Scotland has a strong reputation and we are able to choose large scale opportunities where we see value.

Our Design & Build operation has the potential to continue the growth achieved in 2014.

We will always review the industry to seek relevant new areas of opportunity.

Up-sell growth services

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

We have invested steadily in building capability in these areas. Our Green technologies, ICT skills, Manufacturing skills and FM services are all strong and established areas for us. In 2014 we added a design and build operation based in the South East and we added to our new skills in Building information modelling.

As building services become rapidly more complex and technically challenging, TClarke's high-end skills, depth and scale of resource and our experience, give us opportunities to grow and out compete competitors who lack our resources in areas such as green technologies, ICT, design and build, building information modelling and prefabrication.

Our expertise and resource allows us to move 'up the value chain' where we can find better margins and worthwhile growth.

Regional M&E

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

TClarke's substantial regional network of businesses has longstanding local client bases. In 2014 the back office and systems rationalisation programme across these business was completed and cross-selling, up-selling, joint bidding and shared resourcing became regular features of operational behaviour.

In 2015 TClarke's regional restructuring, into four cohesive units, will allow us to identify, bid for and win a wider number of the larger building services and M&E projects throughout the United Kingdom.

Regional markets are expected to recover more slowly than London markets.

TClarke's regional restructuring strategy is timed to deliver a greater ability to win work at the same time as an upsurge in demand emerges.

What we do operating environment

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

Construction sector cycle

Growth in the wider UK economy was not matched in the construction sector until the very end of 2014. TClarke has been consistent in pointing to the latter part of 2015 as the time in which recovery in the construction sector feeds into better margins and growth opportunities for our business. It is worth noting that alongside significant concerns regarding skills shortages being reported across the UK national press at the end of 2014 and start of 2015, there has also been widely expressed concerns that the recovery in our sector may falter and stutter.

Our business has been successful in building its order book which stood at £300 million at the close of 2014.

There are significant signs that the London commercial market is picking up with contractors looking to build their major schemes now and also to lock in the necessary resources in order to mitigate the risks around project delivery.

In the normal cycle, we fully expect that regional markets will pick up a little later than the London market.

There are a series of major transport projects such as HS2 and various airport projects which will offer additional opportunities for us going forward. However, regardless of the outcome of the UK general election, there is no certainty that nuclear and other power infrastructure projects will emerge in the short term.

Changes in competitor landscape

In 2014 a number of significant construction sector company failures or problems were widely reported in the sector media and these highlighted the continued recessionary pressures on the industry and the extreme pressure on margins, with many companies making non-economic bids on projects in order to keep cash flow going.

As in previous years, we have been aware of new competitors coming into our markets. We have worked to ensure that our infrastructure of in-house resource, logistics and supply chain relationships and quality of expertise, clearly differentiates us from our competitors.

Going into 2015 we ourselves expect to effect one significant change on the competitive landscape of the building services sector, as our combined M&E and large scale mechanical offerings provide our markets with powerful and attractive new options.

In 2015 we expect to leverage our brand advantages and resources to affect the competitor landscape where the focus will increasingly be on high quality resources, within a wider picture of skills shortages.

Innovation and technology

TClarke has a strategic view on the key drivers of innovation in our markets. We believe that innovation will be linked in many cases to deeper and re-thought client relationships and new ways to identify value. These newly defined relationships will encourage all parties to build things which deliver more of the specific benefits which clients and increasingly the ultimate consumers enjoy.

Equally, as construction processes become necessarily more complex, involving more technologies and faster construction times, the whole task of understanding - in purely practical terms - how best to save money, improve designs, improve the ultimate user experience and improve build times without compromising the drive towards improved safety, will become necessarily more difficult without the highest levels of expertise.

We take the strategic view that our steady improvement in the quality, depth and range of our in-house resources, building on existing levels of excellence and good attitudes to collaboration, will allow TClarke to stay at the forefront of innovative thinking.

We also believe that a steady stream of new technologies will follow the path of Green technologies and ICT into the mainstream of building services.

We believe that the thinking expressed in major independent sector research documents such as the UK Government's 2013 Sector Analysis of Construction, is aligned with our own and that we are well placed as leaders.

What we do our services

We manage and report our businesses by geographic segment, offering a range of services across a number of target sectors. TClarke has the capability to flex and innovate across its service range with speed and success. In spring 2014 we added to our range of eight target areas a ninth - a new Design & Build operation. By the end of the year, this operation had a full order book standing at £11m and had brought some powerful new clients to the group.

Equally, where it makes best sense in pursuit of our growth strategy we will rationalise our operations, exit a market or, as is the case in Residential, limit our exposure by only bidding on contracts where we see specific levels of value potential.

There is considerable overlap across these service offerings, but we have attempted to give you a flavour of what we have to offer and the breadth and scale of our operations below.

Design & Build

True one stop in-house service

TClarke now has a distinct and powerful in-house Design and Build division based in Colchester. From its inception at the start of 2014, this operation has been extremely successful in targetting and winning a series of projects from major contractors.

TClarke's substantial in-house engineering resources have always meant that we were able to deliver design and build projects where opportunities arose. Our new Design and Build operation, bringing in a very successful, cohesive and highly experienced team, gives us the depth of resource and focus which we like to have in-house in order to deliver for our clients.

The team's 'relationship-driven' philosophy has real attraction for the series of specific market situations it targets - and equally it is absolutely in line with our group brand philosophy.

Revenue 2014: £1m
Forward order book: £11m

M&E Contracting

Our core business nationwide

TClarke is a proven leader in M&E Contracting and in 2014, as has been reported extensively throughout this report we integrated our world class TClarke DGR mechanical operation fully with our London Electrical operation. This integration on a brand and board operational level has the intention of helping the group to seek out and win a wide range of large scale mechanical and combined M&E packages.

TClarke's M&E contracting offer is also the bedrock of our proposition in our regional businesses and in regional M&E too, 2014 saw the steady emergence of collaboration and resource sharing across the group at various levels with the intention of allowing us to bid for and secure larger projects.

M&E Contracting is the bedrock of our business and is core to our strategic planning for the future.

Revenue 2014: £148m
Forward order book: £204m

Intelligent Buildings

High quality in-house ICT services

We integrate a number of building systems and solutions to help clients maximise the efficiency of their buildings. Across the UK our solutions and capabilities include:

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

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

2014 was a strong year for our Intelligent Buildings team, marked by highly successful intra-group collaborations with our in-house Intelligent Buildings teams working for some of our leading and most demanding London based M&E teams and delivering to their very high standards. The team introduced and won work with an innovative Home Network product for residential developments and underwent two successful audits from the Building Research Establishment which commented on the quality of our installations.

The steady growth of this team's capability throughout the recession has been of strategic importance in allowing the TClarke Group to create further organic growth potential in a way that doesn't jeopardise our brand but adds a further dimension to it. In the medium term, our opportunities in this field will remain in some cases 'stand alone' and will in others be one element within a complete building services package.

Revenue 2014: £5m
Forward order book: £4m

Facilities Management

Residential, public sector and engineering FM

Our facilities management business is about more than just maintenance; it can involve all types of business support processes including the care of offices, commercial or institutional buildings such as hospitals, office complexes, arenas, schools and residential developments.

In particular, we have within the group truly world class industrial FM operations, serving some of the biggest names in UK engineering and the nuclear industry.

In 2014 the business performed strongly and in-line with our expectations. As the group's new regional structure develops and our cross-sell capability expands during 2015, we see further opportunities for growth particularly in the regions.

Revenue 2014: £19m
Forward order book: £18m

Transport

Our dedicated rail and airport division

In 2014 our Transport Division was fully established as a prominent, powerful and well resourced operation within the group. The growth curve of earlier years has continued with further major contract wins and projects delivered so that in the field of rail, we have now got all the accreditations and track record necessary for major projects across Overground rail, Underground rail and the DLR.

Going forward we see considerable further potential in major rail projects such as HS2. Further to this, we are also determined that in the short and medium term, TClarke will follow its success in rail markets with a breakthrough in the airports market.

Revenue 2014: £18m
Forward order book: £31m

Mission Critical

Critical power and power projects

In the three years since launch, the Mission Critical business has brought in revenue in excess of £50m and established itself within the market place. In 2014 our Mission Critical team successfully completed a number of stand alone projects as well as collaborating on major TClarke group projects where their skills were needed.

This is a business which we have created from our own existing resources, supported entirely with existing infrastructure. The market for very high quality engineers capable of understanding and delivering solutions for data centres and complex infrastructure jobs will only grow in the medium and long term and our brand now has the market presence we targeted.

Revenue 2014: £8m
Forward order book: £6m

Residential & Hotels

Industry-leading one stop solutions

There continues to be a boom in this market and we enjoy excellent market share in Scotland and a strong, controlled market share in London. Our work in this area has for years been innovative, developing new ways to fast track processes, increase quality and integrate the increasing range of green and ICT services within the building services packages we deliver.

Although there are heavy demands for our services in London we have chosen to control our exposure to these projects within a balanced portfolio of project types.

Revenue 2014: £30m
Forward order book: £26m

Manufacturing Services

In-house precision prefabrication & engineering

TClarke has manufacturing capability across all regions. Our flagship manufacturing operation is in Harlow, Essex, serving the dominant London and SE markets. Our manufacturing operations are truly world class, as our current and recent projects attest.

TClarke DGR's manufacturing process is itself uniquely effective and designed differently from many competitors. Our process builds in a very high quality supply chain for specific elements within the flow, so that our workshops are absolutely focused on quality and flexibility in delivery to meet the fast track, high pressure nature of the client projects we serve.

Manufacturing is a capability which is critical in helping us to win mechanical or M&E packages. We do not sell our manufacturing capability separately or as a commodity purchase. So the output numbers of this incredibly successful and capable operation are included within our overall M&E figures.

Green Technologies

Full catalogue of green capabilities

TClarke has world class green technologies capability nationwide.

When we launched our Green Technologies offering just a few years ago, the environmental technologies and associated engineering skills involved were largely new to mainstream construction. Today they are adopted in almost every new building as a central part of the mechanical, electrical and ICT building services package. New green technologies will follow others into this mainstream. In 2014 we introduced airsourced heating systems into residential projects, for example.

TClarke Group has exceptional credentials in the sector beyond the mainstream of commercial, residential and industrial 'green' technologies. We have built major PV farms, major recycling operations and a string of BREEAM Outstanding and Excellent projects.

We will continue to develop, invest in and market our nationwide expertise in Green Technologies - however, as Green Technologies become more deeply embedded in M&E contracts, it may not be worthwhile, easy or helpful to measure it as a separate number each year.

What we do where we do it

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

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

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

Reorganisation of our regional operations in 2015

TClarke Group has been working to increase efficiency and market opportunities generated from our regional network.

TClarke Group operates from 15 locations beyond our London Headquarters. In the last few years we have been reorganising our nationwide operation to integrate and improve the efficiency of all our group back office, IT, operational systems, accounting and administrative functions. In 2014 we began in earnest with the process of rationalising and integrating our sales and marketing activities.

This process has resulted in a series of efficiencies and new business gains reported in previous years and on our website.

As the next logical stage in this process, in 2015 we will be introducing a new regional structure based around four operating divisions:

London & South East

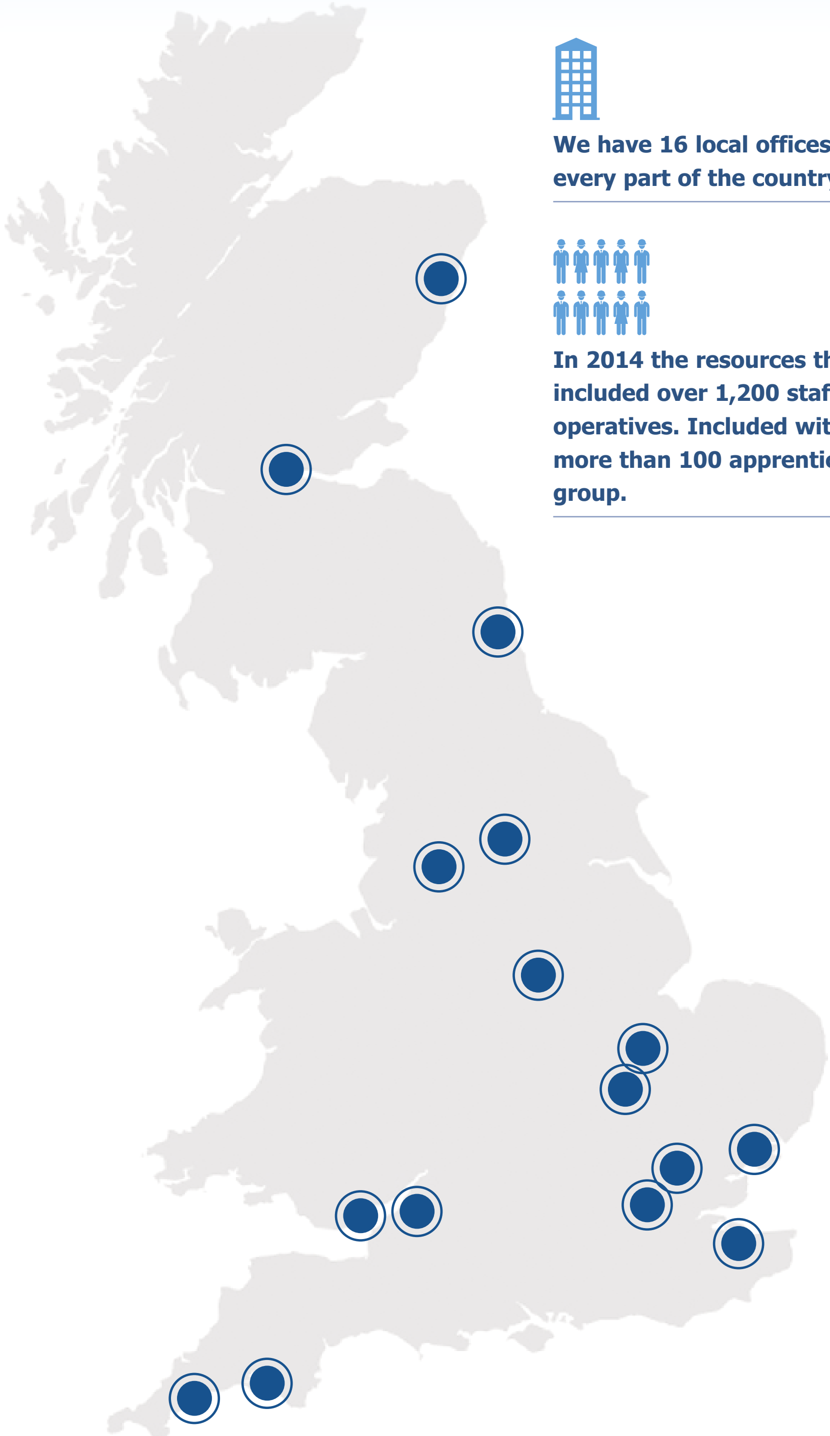
Central & West

North

Scotland

These new divisions have compelling logic based around our regional resources, market opportunities and operational efficiency. During 2015 we envisage completing the legal and contractual work necessary to move the whole business onto this new footing and legal structure.

What we do where we operate, our UK network



We have 16 local offices located to serve every part of the country.

In 2014 the resources this network offered included over 1,200 staff and directly employed operatives. Included within this number we had more than 100 apprentices working within the group.

Our governance structure

The Board

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

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

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

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

Independent of management, the non-executive directors bring diverse skills and experience vital to constructive challenge and debate. The non-executive directors provide the membership of the Audit, Remuneration and Nominations Committees.

Board committees

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

Audit Committee

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

Remuneration Committee

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

Nominations Committee

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

Group Management Board

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

Our Board

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

The Board has been refreshed during the year; David Henderson joined the board on 1st January 2014 as a non-executive director and took over as Chairman of the Board at the close of the Annual General Meeting when the previous chairman, Russell Race stepped down from the board. Tony Giddings joined the company as an independent non-executive director on 1st October 2014, and Danny Robson joined the Board on 1st January 2015 as an additional executive director.

Details of the current board members are set out on pages 58 to 59.

Aligning executive remuneration to strategy

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

Internal controls and risk management

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

The board is responsible for defining the group's appetite for and approach to risk, including the group's system of risk management and internal controls. The board has delegated to the Audit Committee the responsibility for reviewing the effectiveness of the group's internal controls, including the systems established to identify, assess, manage and monitor risk and provide assurance. A report detailing the key risks and action plans to address the risks is prepared annually and reviewed by the Audit Committee. The last report was prepared in March 2015 and included a review of the risk management processes and procedures in place, the key risks arising and the actions in place to mitigate those risks during the financial year ended 31st December 2014. On the recommendation of the Audit Committee, the Board has concluded that the group maintained adequate risk management and internal control systems throughout the year ended 31st December 2014.

Our risk management process

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

What are the risks?

The principal risks faced by the group and the mitigating actions and controls in place to address these risks are set out in the table below, which also sets out how the principal risks and mitigating actions align to our five strategic objectives:

1. Deliver a complete high quality nationwide building services capability
2. Build a growth-ready platform
3. Retain and enhance our classic brand advantages
4. Focus on innovation and relationships
5. Drive opportunities for sustainable growth

Risk	Strategy impact	Mitigation	Change from 2013	Main drivers of change
Market conditions The group is dependent on the planned level of construction and maintenance expenditure by both the public and private sectors. There were some encouraging signs during 2014 that the construction sector is beginning to recover, but regional expenditure is still constrained by public finances and there are concerns over resourcing levels.	4,5	The group continues to operate throughout the UK and in a diverse range of sectors, all linked to our core M&E offering, so that we are not over reliant on anyone sector or region. We continue to develop our relationships with key clients, contractors and suppliers, building on our financial strength and reputation to ensure we are the M&E contractor of choice. A number of framework contracts and contract renewals have been secured in recent years to mitigate against short term fluctuations in demand. We have aligned our cost base to reflect anticipated workloads; further realignments could be undertaken if considered appropriate to reflect changes in the prevailing market conditions.	↔	
Reputation The group's ability to tender for new business and to maintain strong relationships with customers, suppliers, employees and other stakeholders is dependent on how it is perceived by others.	3	The group works hard to maintain its reputation in all areas. The group supports high standards of business ethics, sustainability and compliance policies, and has a strong commitment to improving health and safety at work for all. Feedback is sought from key stakeholders on a regular basis, and actions arising from this feedback discussed and agreed at an appropriate level.	↔	

Risk	Strategy impact	Mitigation	Change from 2013	Main drivers of change
Winning new work Our ability to secure profitable new work is dependent on our ability to adequately resource tenders, to understand the technical and commercial challenges incumbent in each tender and to price the associated risks accordingly. If risks are underpriced, contract losses and reputational damage may result; if risks are overpriced, the group will not secure sufficient tenders to replenish the order book and grow the business.	**3,4**	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. The Board remains committed to the principle that we will not bid for work below commercially acceptable rates. A detailed business case is prepared for any proposed expansion into new geographic areas or business sectors, and is subject to prior board approval.	↔	
Contract delivery 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.	**1,3**	We are continually assessing and managing operational risk through the bidding stage to the final commissioning of an installation and handover to the client. 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 insurance requirements are reassessed annually to mitigate against any claims. 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. Contracts of a significant size or risk are regularly reviewed by executive management and discussed at Board level. The group continues to make conservative assessments of final accounts from project completions and the likely outcome for a number of ongoing projects.	↓	Residual risk has fallen following the resolution of significant contractual and litigation issues during the year under review.
Resources - components and materials The group is dependent on the availability of components and materials of sufficient quality and at the right price to deliver projects to the correct specification and to budget. 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.	**4**	The majority of projects we secure do not allow for the recovery of increased 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.	↔	
Resources - People Providing a consistently high quality service to our clients is only possible with the right people: attracting and retaining high calibre staff and skilled tradespeople 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. As the construction sector moves into a growth phase, the availability of sufficient skilled human resources following the lengthy economic downturn is a challenge for the whole sector, with many people having left the industry and not being replaced.	**1,3**	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. Labour rates are monitored regularly to ensure tender rates are realistic and increases are managed. We have continuous dialogue with the trade unions and continue to review our policies and procedures in managing this risk.	↑	As growth returns to the sector the demand for skilled resources is becoming more competitive

Risk	Strategy impact	Mitigation	Change from 2013	Main drivers of change
Health and safety Failure to manage health, safety and environmental risks could cause serious injury or loss to employees or third parties and expose the group to significant financial and reputational loss and litigation.	1,3	The Group Managing Director has overall responsibility for health and safety across the Group and the Board receives regular reports on health and safety initiatives and incidents. Detailed policies and procedures are in place and all employees, subsidiaries, suppliers and subcontractors are required to comply with all applicable laws, regulations and standards. The Group Health and Safety Director and Group Environmental Manager monitor and respond to legal and regulatory developments. Regular training courses and updates are provided to ensure all employees are aware of their responsibilities.	↔	
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.	2,3	The defined benefit pension scheme is available 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 closed to new members from January 2015. Ongoing regulatory and funding requirements are monitored in conjunction with external actuarial advisers and regular meetings are held with the pension scheme trustees.	↑	Actuarial assumptions, driven by falling bond yields, have significantly increased the group's exposure to defined benefits pension risk
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.	2,4	The financial strength of counterparties is considered prior to signing contracts and reviewed as contracts progress where there are indications that a counterparty may be experiencing financial difficulty. Procedures include the use of credit agencies to check the creditworthiness of existing and new clients and the use of approved suppliers' lists and group-wide framework agreements with key suppliers. Applications for payment are made as work progresses and, as far as commercially practicable, contractual terms are negotiated to minimise the gap between work being performed and receipt of payment.	↔	
Liquidity risk 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.	2,3	The group manages liquidity risk by maintaining adequate reserves and banking facilities, monitoring cash flows and matching maturity profiles of financial assets and liabilities within the bounds of its contractual obligations. The group arranges banking facilities and places surplus cash on deposit only with large UK financial institutions. The group has in place a £5m Revolving Credit Facility, committed to 31st March 2017, and an £8 million overdraft facility to help manage short-term fluctuations in working capital. The group also has in place £20m committed bonding facilities.	↓	Risk reduced following the resolution of significant contract issues and the resulting release of cash
Legal and Regulatory 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.	2,5	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.	↔	

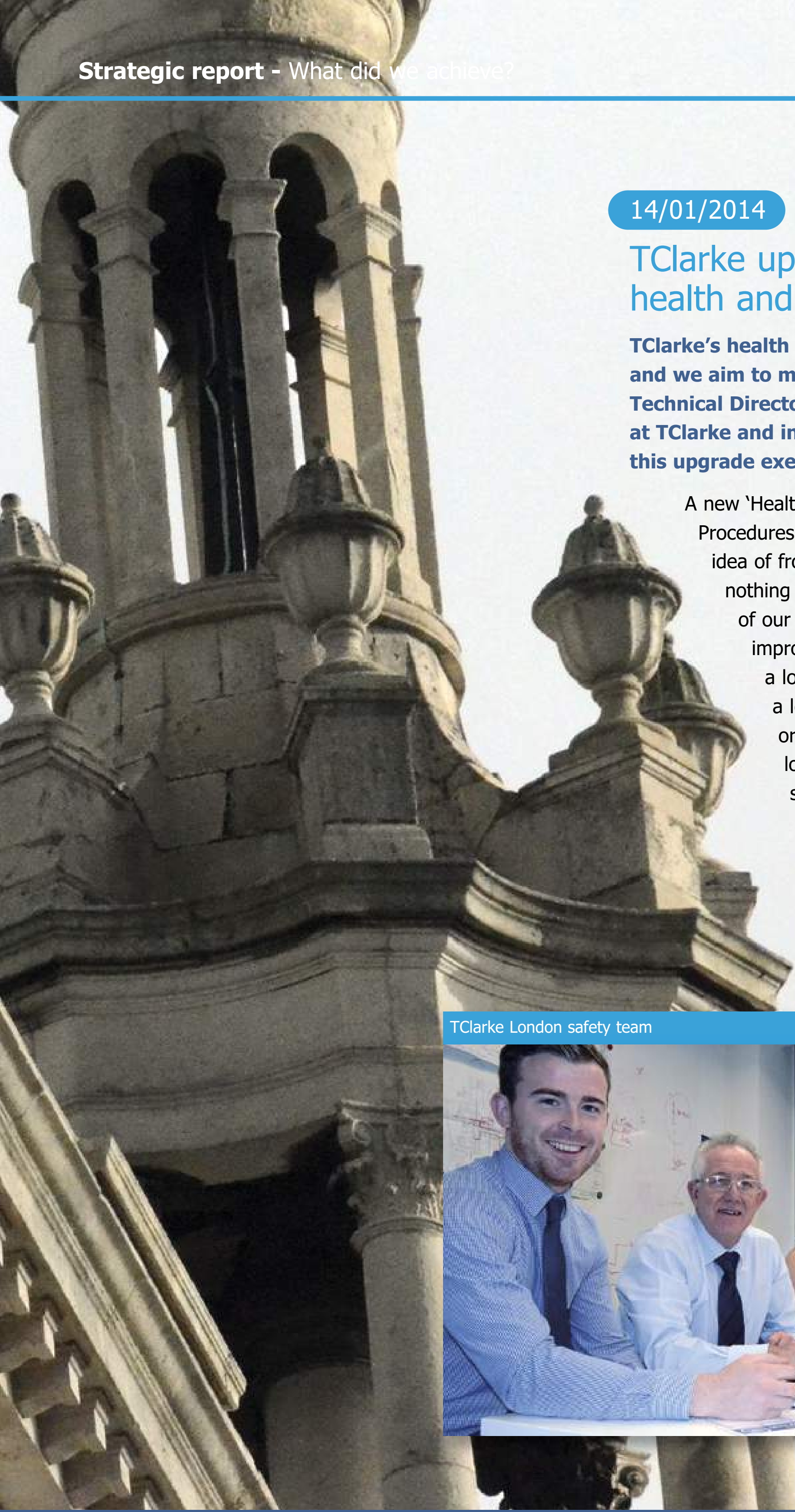
What did we achieve?

In 2014, as recovery finally began to appear, TClarke could be seen not only to have weathered the storm but to have emerged better focused and with its brand strengths substantially increased.

The themes that emerge in these news items make clear sense in the light of our business strategy, our growth targets and the values to which we hold.

Here are some news highlights from our year:

Electricians abseiling at 60 Victoria Embankment, London



14/01/2014

TClarke upgrades group health and safety procedures

TClarke's health and safety record is strong - and we aim to maintain that. Marc Bailey is Technical Director for Group Health and Safety at TClarke and in January he set the scene for this upgrade exercise.

A new 'Health and Safety Management Procedures Manual' might not be everyone's idea of front page news. But there really is nothing more important. TClarke, like many of our peers, has worked very hard to improve standards in our industry. It takes a lot of work, a lot of communication and a lot of commitment from the whole organisation - and then, it takes a whole lot more work because you can never stand still - or get complacent.

TClarke London safety team

Working with the DIY SOS team

22/01/2014

TClarke North West team helps out with TV's DIY SOS

Also in January, in Lancashire a team of TClarke electricians was at work with BBC's DIY SOS team in Bury - as TClarke North West MD Andy Smith reported:

"We were approached by the BBC DIY SOS team to see if we could help with their big build project in Bury. Our on-site team was headed up by Phil Howard, Graham Hothersall, Lee Holmes, Dale Mackley and of course the DIY SOS electrician Billy Byrne. Like all of the DIY SOS schemes challenges lay ahead and the whole team were enthusiastic and focused on achieving the best possible outcome".

06/02/2014

New Air Source technology from our Green Team

In February we reported on the introduction of some new technology from our Green Team with Springfield in Scotland.

The TClarke Scotland Green Technologies & Renewable energy department had successfully handed over, in partnership with Springfield Properties, the first nine Air Source Heat Pump (ASHP) installations to Muirhouse Housing Association at the Muirhouse project in Edinburgh. ASHP work by using the latent heat in the outside air to deliver heating and hot water to homes using only electricity to run the fans and compressors.

Muirhouse project in Edinburgh

Apprentice of the Year finalists

02/02/2014

One year on - what happens to our Apprentice of the Year?

In March, as our Apprentice of the Year competition approached, the previous year's winner, George Antino reflected on his progress:

"The example of Mark Lawrence and Mike Crowder was a big factor - as a 16 year old leaving school I had a list of excellent firms, but talking to JTL and various people and also looking at the example of Mark Lawrence and Mike Crowder, who lead the business now and who both served apprenticeships with the firm, it was clear to me TClarke offered the most.

"I'm really getting the chance to develop now - Onsite, day-to-day it was all about M&E installation - but now there's so much to learn, particularly as this project at Victoria Station is for London Underground. There are so many procedures and standards to work within - and on top of that your programmes need to keep disruption of services to an absolute minimum.

"I think you should recognise the loyalty you've been shown - I do think we've been given a very big chance simply by getting the apprenticeships with TClarke. There's a lot of investment made in you and I think it is right to repay that loyalty by giving your best in the work you do."

06/03/2014

Ark Putney is full M&E and ICT building services project with Lendlease

Also at the start of March, we reported on a highly significant win for the firm - a large scale combined M&E contract. This signalled the opening up of a whole new market and revenue stream for us in London and the South East.

Ark Putney was first established in 1904 and the main part of the school is a grade 2 listed building. Our package included site wide mains and sub mains distribution, complete internal and external lighting systems, site-wide data, fire detection voice alarm, CCTV, access control, metering and maintenance of systems until handover of completed phases.

Mechanically we were providing natural gas site wide distribution, an energy centre heating system, LTHW site-wide distribution, air conditioning, BMS and smoke extraction systems, full public health services, above ground drainage, overflow and condensate systems, rainwater installation, portable drinking water, and hot and cold domestic water services. We were also carrying out full surveys to enable full integration into existing systems.

M&E from TClarke Bristol and TClarke DGR

21/03/2014

The full service anywhere: Bristol team brings in DGR

Later in March, that combined M&E capability on large scale projects was again demonstrated in Reading. This time the combination was between our TClarke DGR mechanical offering and our Bristol team.

TClarke Bristol team's win of the major office development at 450 South Oak, Greenpark, Reading led to a collaboration between them and our own DGR Mechanical operation, which has a world class reputation for mechanical installations, earned on major London projects like the Shard.

TClarke Bristol Mechanical Project Manager Chris Beale, talked about the practical experience of collaboration: "Working with the DGR team has been seamless, and their attitude towards all aspects of the project from Health & Safety through to maintaining and in some cases bettering the Construction Programme really has been truly impressive".

04/04/2014

Our new Design & Build operation is open for business

At the start of April, we announced a new operating division and our identification of a potential new revenue stream that would also further enhance our offer and skillset. The new division introduced new senior engineers into our business, led by TClarke Design & Build Director Paul Barnes who described the market opportunity:

"You have to have the delivery behind your proposition - that is the real attraction for me in coming to TClarke because this allows me to bring the framework of a highly experienced and capable team and back that up with world class delivery. One stop design and build is not a new idea or proposition for the market; however the fact that we will be a true one stop shop and not just a team that offers a consultant design delivered by contractor will make us stand apart from much of the competition. What we're offering is a completely seamless transition from design concept to completion in which our clients work directly with the same single team throughout the whole process. The advantages of this service are numerous including speed to site, early supply chain involvement, cost certainty and a fully co-ordinated and compliant design facilitating a quality fast track installation completed on time by the TClarke delivery team."

01/05/2014

Departing Chairman Russell Race reflects on 16 years with the business

Russell Race had spent 16 years with the business, 14 of them as Chairman. As he stepped down in 2014, we published an interview he gave as he handed over to David Henderson; here is a brief extract from the article:

"It all comes down to two things: quality and relationships. What you see with TClarke is that at every level in the organisation, you have people with motivation and commitment not to mention the skill to deliver a job. The technical directors are of very high quality, the project engineers are of high quality and motivation - as are the site managers and their teams. When projects reach critical moments, when the pressure is really on, TClarke teams are organised, experienced and they have the sheer scale to be able to deliver.

Russell Race

"The last thing I wanted to say was this: these are good people - I have enjoyed working with them. TClarke has always been about the characters - and I see no sign of that changing. Long may it continue! This is the kind of business the country needs."

01/06/2014

Danny Robson says 'The time is right' for growth in mechanical side of business

In June, Danny Robson, MD of DGR gave his thoughts on the strategic future of our mechanical operations. Here is a short extract from the interview he gave in June.

"The recipe is simple - excellent people and hard work; DGR has a staff retention rate approaching 98%"

"If it is true that we are starting to get recognised as capable of competing for the largest M&E schemes then that's down to getting projects delivered - which are increasingly complex, demanding, and tight in timescale. These projects are not easy. Success is, in my view, about nothing more or less than having very good people.

"As a business, the first thing we've done is keep good people. Our staff retention is something like 98%. Our high level management team is incredibly stable and we have managed to retain every one, despite the fact that none are tied in. We've lost only a tiny number of project managers, engineers and back of house people. And this has been key.

"It might sound a bit corny but we've got a family mentality. We recognise and appreciate hard workers and in truth we're all hard workers. But at the same time, in a difficult, highly pressurised industry, we don't employ a red card system - so if you make a mistake we don't kick and bite, you get educated and supported to learn and move forward. That's the other side of the coin - we're very loyal to people in that way."

Major South West wins including Milbay, Plymouth

16/06/2014

New leadership builds growth across the sectors in South West

In the middle of June, we took a look at the progress made by a new leadership team in the South West, headed by Rob Faro, as they reported a series of high profile completions and new projects in the region:

"You can see here that TClarke are now recognised as one of the region's leading M&E contractors and our coverage, group back up and trademark in-house quality approach are all contributing to that.

"TClarke has just completed a major Animal Management and Veterinary Services building at the Duchy College in Rosewarne, working with Midas construction on a full M&E design and build. We provided everything from PV installation to fire and intruder alarm design and installation from our specialist Intelligent Buildings team. On top of this we are also embarking on a series of 12 school refurbishments, to continue our long term programme which has been delivered successfully over the last three years. Delivering to very tight timescales, defect-free in remote rural locations, the business is extremely proud of the work done by our teams on these projects."

Awarded NHBC Regional "Pride in the Job"

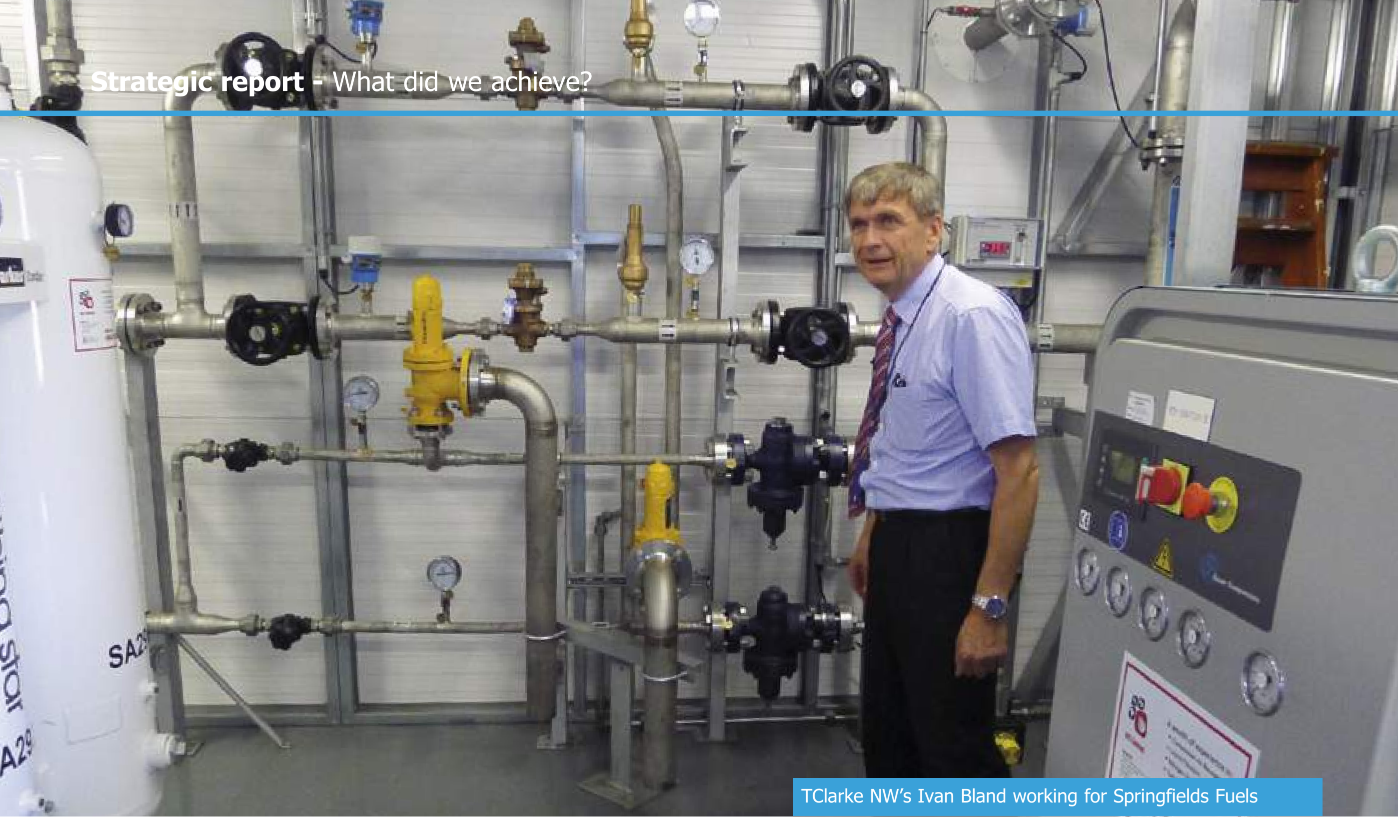
09/07/2014

Scotland Residential has thirteen award winning NHBC partners in 2014

In July we saw how TClarke Scotland's growth was matched by quality in delivery. TClarke's Residential Electrical, Plumbing & Intelligent Buildings departments were again successful with the recently awarded NHBC Regional "Pride in the Job" awards for residential projects throughout Scotland.

Our clients Barratt Homes East, West & North, CALA Homes East & West, Mactaggart & Mickel, Millers Homes East & West and Taylor Wimpey Homes East & West had great success in winning 13 awards in this highly competitive annual competition.

TClarke Scotland MD Gary Jackson commented: "Standards this year have again been very high with our teams of electricians, plumbers and TClarke Intelligent Buildings engineers across Scotland partnering their project developers to achieve recognition with other trades for exemplary standards of construction."



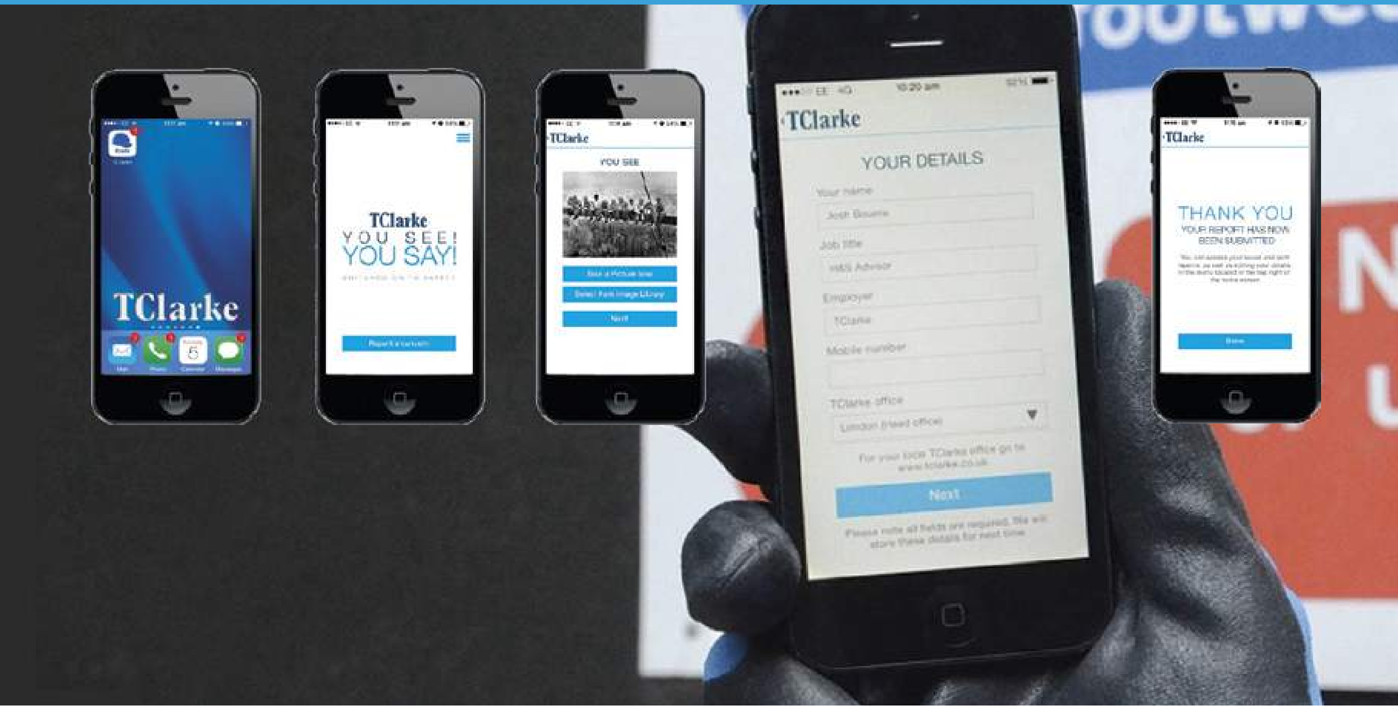
TClarke NW's Ivan Bland working for Springfields Fuels

28/08/2014

Turnkey engineering for the nuclear industry

In July, TClarke NW's MD Andy Smith introduced a classic TClarke turnkey design and build project in the manufacturing sector - a prefabricated Mask Air Compressor Plant for Springfields Fuels:

"This is a special environment - a world class nuclear fuels facility; we were engaged to design and install a mask air compressor unit to provide breathing air right across the site. The plant was to be prefabricated so that it could be moved in future to a different location if necessary and the air supply was to be delivered to various points across the site. We've delivered a complete turnkey solution here. Design, civil, mechanical, electrical and controls engineering, precisely to customer requirements, on time and on budget. I think the real difference between us and the competition, is that we can bring you onsite to inspect the quality of our designs and installation. You can see for yourself the standards of work we can achieve, from the design concept, to the quality of the welds, to the way we managed the process and specialist suppliers, to the value and cost achieved."



28/08/2014

Our new smartphone safety reporting app launches on iTunes and Google Play

In August, following months of trialling, TClarke achieved what may well have been a UK construction industry first - a smartphone safety reporting app.

The app was made universally available for staff and supply chain partners via iTunes and Google Play. It plugged people onsite directly into the national and local health and safety system - making safety risk and near miss reporting instant, comprehensive, easy to do and supported with photos. Group CEO, Mark Lawrence explained how and why the app has been developed:

"TClarke is recognised by industry bodies and our partners as one of those companies that doesn't just deliver good safety performance - we actively set out to innovate and push safety standards forward. Our Safety team, led by Marc Bailey and with Josh Bourne playing a major role, set out to take our existing and successful "You See, You Say" campaign for safety risk reporting, add near miss reporting and build in a number of useful features which smartphones offer. These include a simple level of security, the ability to use location finding services, a one time login and details process that stores your details and the project you are working on and the camera capabilities that smartphones have.

"To this we've added the clean design and ergonomics of the latest iPhone buttons and design, so that the whole experience is quick, simple and intuitive for our people onsite - and also for our supply chain partners."

Amanda Sheehan of TClarke East's Precision Controls operation

10/10/2014

TClarke South West and TClarke East combine in medical controls offer

In October, we reported on a unique healthcare offer, developed by TClarke East:

TClarke South West and TClarke East combined to exploit their combined healthcare skills and TClarke East's industry leading healthcare controls manufacturing operation.

TClarke East had in recent years, in close relationship with global scanner manufacturers Siemens and GE, developed a very high quality in-house design and manufacturing operation for scanner controls. Scanners are installed in every hospital across the UK and Ireland and are central to all kinds of patient treatments. TClarke's manufacturing operation, installation track record and deep relationships with these manufacturers are strategic business advantages.

Group CEO Mark Lawrence was pleased to show another example of organic growth potential developing rapidly from the plans set out by the business:

"Siemens and GE install hundreds of scanners nationwide and the work of the team from TClarke East, led by Nigel Thompson, has put us in a very strong position to grow in the healthcare market with a very high quality controls manufacturing service and an associated high quality specialist installation service."

Andy Smith and Chris Shorrock at Lancaster University

20/10/2014

Sending everyone home safe at night

TClarke is an organisation that takes safety extremely seriously and in October we looked at the culture that underpinned our approach.

What TClarke DGR MD Danny Robson identified as an 'active approach to raising safety standards' which he found from the group's London based safety team is exactly the same in regional operations as TClarke North West's Chris Shorrock and MD Andy Smith discussed:

Chris Shorrock: "We've always benefitted from high levels of core staff within the organisation and that cohesive team is one of the keys to our safety approach. We all know each other here - so you're looking out for each other all the time and the bonds between people mean that its a natural thing to do."

Andy Smith: "I think equally that we are always working very hard to keep the topic of safety fresh, make it interesting and generate awareness again, because unless you keep on doing that (and that means being a stickler for details like correct safety equipment at all times - as much as major safety campaigns and procedures) then the risk is that people could lose focus on safety."

Chris Shorrock: "If you look at the Spine Duct Pumping project at Lancaster University where we are working in confined spaces underground, you can see that we've so far achieved 18 weeks onsite incident free. That is down to good teams and the avoidance of complacency. It is complacency that leads to confined space accidents and so, for example, when people are getting in and out of the hole in the ground, we never allow anyone to think of avoiding the careful safety procedures. They do take time, they do take discipline but they do mean that everyone goes home at night in the same safe condition that they left home in the morning."

TClarke wins twice at Springfields

10/11/2014

TClarke wins twice at Springfields Safety Awards 2014

In November TClarke North West won two awards at the Springfields Rogan Awards. Springfields, which manufactures nuclear fuel, is a world class operation and has an exceptional approach to safety - so winning these awards, was a major achievement.

The first award was the Environmental Award, won with our 'Our Carbon Footprint' entry, which focused on the reduction of CO2 emissions from vehicles, the introduction of trackers and new commercial vehicles. The second award - The Contractors Award - was won with our longstanding "You See, You Say" campaign and recognised the way that the campaign has been driven over the last three years to increase safety performance threefold, and culminating in the launch of our new "You See, You Say" smartphone app for operatives to report near miss or safety risks. The awards were received by two of the people responsible for winning them; H&S Assistant Jodie Worthington and Site Safety Co-ordinator Tony Hollis.

13/11/2014

TClarke Apprentice is JTL's Wales Apprentice of the Year

Later in November we reported how Michael O'Donovan, who was one of the runners up in our own TClarke Apprentice of the Year 2013, had won another award: We reprinted an article from our partner training organisation, JTL:

'Michael O'Donovan, aged 21 and from Henllys, Cwmbran, has been named JTL's Apprentice of the Year 2014 for Wales. His win, which saw him beat off stiff competition from five other candidates, was announced at an award ceremony held at Celtic Manor Resort on Thursday 6th November.

Michael will now represent Wales at a national event held in London in February 2015, when JTL's seven regional winners from across England and Wales will come together to discover who is the overall JTL Apprentice of the Year 2014.

Michael, who attended the awards with his family, was also joined by his boss, Ellis John, Managing Director at TClarke, and his JTL Training Officer, Matthew Bailey.

"I feel honoured to have been chosen as the Welsh Apprentice of the Year, but I wouldn't be in this position without the support of my training officer, my employer, my college tutors and my family," says Michael. "I've always been practically minded and, having enjoyed work experience with TClarke whilst I was still at school, I knew I wanted to become an electrician. I got an apprenticeship with a local company but soon realised that the experience I needed wasn't on offer, so I contacted TClarke and with some help from Matthew at JTL and my college tutors I was able to transfer my employment. I haven't looked back since – I've completed my apprenticeship within three years and I thoroughly enjoy what I do."

London Wall Place

13/11/2014

TClarke unveils £75M of project wins in London

In an official announcement to the City in November, TClarke's announced over £75 million of major new project wins in London - all starting in 2015. These included Beaufort House in Hendon, London Wall Place, One Angel Court, Principal Place, Bishopsgate and Rathbone Square.

Group CEO Mark Lawrence offered his analysis:

"In our last city announcement on 8 October, we mentioned a series of projects in late stages of negotiation. Today I'm glad to introduce several projects, each one of which is in its own right a major cause for satisfaction and celebration for anyone connected with our business.

"I would encourage people to look beyond the headline figure of £75 million in fully committed projects; these jobs are significant in other ways which, if you understand our sector, will be central to your evaluation of TClarke.

"As ever, let me begin with a sensible note of caution. These jobs do not mean that the market is returned to normal quite yet. We have always said that the market will not fully recover until late 2015 and we still believe that.

"But these wins are highly significant in the following ways:

"Firstly, if you remember that these are all top end construction projects - large scale, high quality and highly complex. This is the cutting edge of the industry where new techniques are tested hard - not just innovative working practices, but innovative contracts and ways of collaboration. So if you can win one or two of these projects then you can fairly say that the market values what you offer. We are announcing five here, but if you look to the end of this article, you can see we are working on a far larger number of these projects in London alone.

"Secondly, we have remained true to our belief in our people - in real apprenticeships, in directly employed operatives and in loyal, longstanding teams which from apprentice and site operative to divisional director are committed, hard working and capable people.

"Throughout the recession we have continued to train and employ that way because we as a board and as a company, truly believe that the quality of our people is the key thing that our customers buy. As the market now begins to emerge from recession, these wins signal the fact that some of the most prestigious clients and main contractors in the industry are looking to lock in TClarke teams for their projects. This also provides a clear message about us.

"Thirdly and very simply, these wins are a strong indication that you can believe that our medium term business strategy is the right one to deliver value. We are an organisation which has been built on genuine and honest values that run right through the company. We see worthwhile growth opportunities now across a number of sectors across the UK, but as ever we will pursue these in intelligent and steady ways that allow us to keep on delivering what our brand promises - strong innovation, strong relationships, strong teams and high quality."

Beaufort House in Hendon

Brand new and highly experienced - TClarke Design & Build

18/11/2014

40% of Transport team's work is now for Design & Build contracts

And also in November we looked at the quality and value of the work being won by our Transport division. Wins over the last 18 months meant that the Transport team's order book stretched ahead to 2022.

The team that started from scratch in 2006 was now contributing £22m to annual turnover and targeting £25m next year. The team itself had now grown organically to include its own design team, planning team, commercial team, plus a highly experienced, trained and accredited workforce. However this growth was not primarily about adding to the turnover number. These projects are significant ones, as Robin Aves, Transport Director says:

"London Underground's Bank Station Upgrade is, in many people's view is one of the most significant projects going on anywhere in UK construction, using at it does, the Innovative Contractor Engagement (ICE) procurement model which places a whole new level of focus and energy on collaboration and innovation for the creation of real value.

"Work with Costain on COPath at Waterloo Station is our first project with this major contractor and it is truly fascinating and forward looking, using technology as it does to track the movements of passengers within stations and airports. So far I'm delighted to see we're heading their supply chain in key performance metrics there.

"And so, as I speak we have a 15 strong design team working on the Bank Station Underground and around 40% of our contract wins are for full design and build contracts. Why is this significant? It moves us up the food chain if you like, it takes us into areas where you can deliver more value to the customer and yourself receive more value and reward for the work you do. So this is exactly the kind of work that we want."

The new stand at Peterborough United

04/12/2014

TClarke East delivers full package for new stadium stand at Peterborough Utd

In December we reported how TClarke's Huntingdon team had concluded a six month programme to deliver a full building services package including mechanical electrical and ICT works. The team led by Andy Varney and John Russo packed a host of features in to make the stand worthy of any 21st Century stadium as Andy Varney explained:

"This is a football stand first and foremost, but today it also fulfils a whole range of other functions for the club and to do that, and do it efficiently and with a good impact on the environment, it has many advanced features:

"On the electrical side we installed general power and lighting plus emergency lighting throughout with CCTV, fire alarm, TV, data installation to all floors, local electric and water heaters throughout and a photovoltaic system on the roof. We also delivered a lightning protection system to the complete building and external lighting."

"On the mechanical side, we installed a new water main, a rainwater harvesting system, controlled via PIR sensors and feeding the stand toilets, new controls and pipework to the existing pitch irrigation system, new water tanks, drainage, a complete refrigerant and heating cooling system and a full ventilation system with AHU's on the roof."

"A complete BMS has been installed to control and monitor all mechanical systems and deliver energy savings and cost reductions. It has been a great project to work on for all of us and we're delighted to have played our part in what is one of the most important community facilities in Peterborough."

23/12/2014

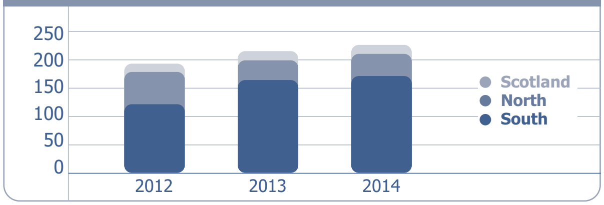
Apprentice Jack Hammond does us proud at the House of Commons

As the year closed, we reported that TClarke London apprentice Jack Hammond had been at the House of Commons, representing the company at the launch of The Electrotechnical Skills Partnership.

John Burrows, who leads TClarke's Training, commented: 'I'm delighted for Jack, and it is great to see another of our apprentices impressing people outside the company. We take great care selecting apprentices and over the last years we've stayed 100% committed to training apprentices. Our belief in quality people as the key to quality work is not complicated - but Jack is one of many young people who we hope and expect to see progressing through our business and offering clients a solid, capable and highly motivated resource for work on their project. It is central to our business plan and everyone in the company knows it.'

Key performance indicators

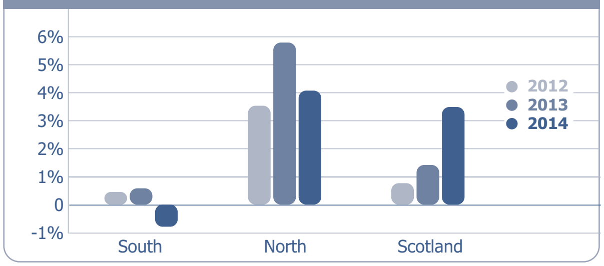
Revenue by region (£m)



Revenue

Turnover growth is key to improving future profitability. By focusing on our key target sectors we aim to grow the business in a profitable and sustainable way. Revenue increased by 4.8% in 2014.

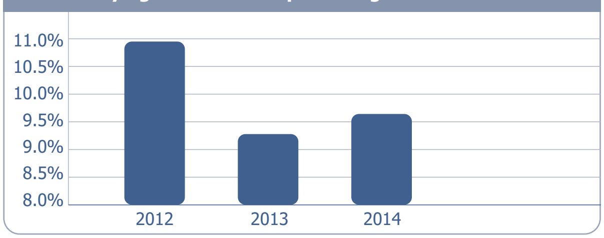
Underlying operating margin



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 exceptional claim settlement costs) and amortisation of intangible assets. 2014 operating margin was impacted by a loss-making Mission Critical project.

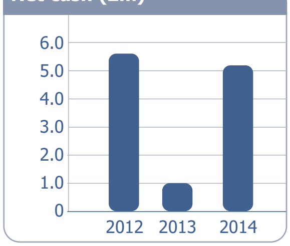
Net underlying overheads as percentage of revenue



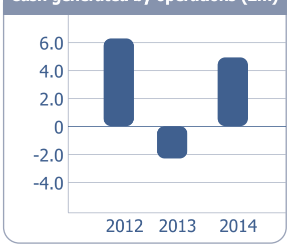
Overheads

We monitor net underlying overheads (being other operating income less other administrative expenses) as an indicator of the group's operating efficiency. The percentage increased slightly during the year due to the group's opening of the new Design and Build office at Colchester, which will be revenue and earnings enhancing in 2015.

Net cash (£m)



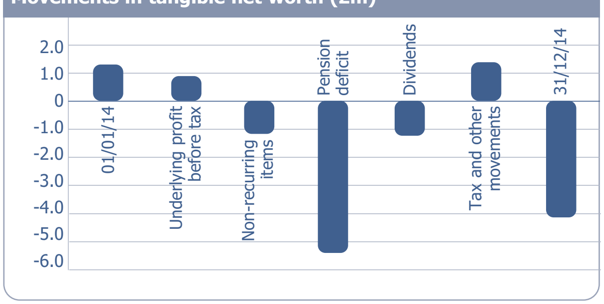
Cash generated by operations (£m)



Net cash

Cash resources and cash generation are key to our ability to fund our ongoing operations. Cash increased in the year due to final account settlements and strong working capital management. At the year end we had positive net cash and £8m undrawn facilities.

Movements in tangible net worth (£m)



Tangible net worth

Tangible net worth (net assets excluding intangible assets) is used by some parties in assessing the financial strength of our business. Tangible net worth decreased by £5.4m during the year due to macroeconomic factors adversely impacting the pension scheme deficit.

Tangible net worth (£m)

Health and safety at TClarke

The long established Health and Safety 'Journey' continues to gather increased momentum, with the number of employees fully embracing our health and safety culture increasing by the day. How is this being achieved?

Health and Safety Passport

The design for the third edition of our Health and Safety Passport was completed by our supply chain designer with suitable photographs selected from pictures taken by our 'in-house' photographer (using Real Operatives on Real Projects). The Passport (re-issued in January 2015) contains, as in previous editions, a health and safety handbook in the front and a record of the operatives training achievement in the back.

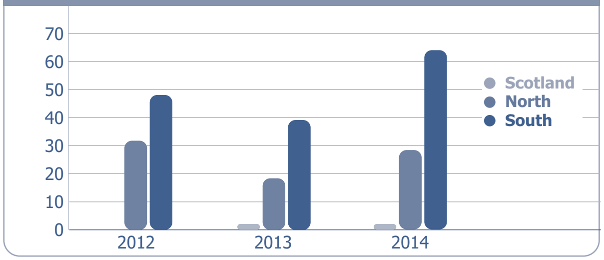
Health and safety passport

Accident statistics

Although it is disappointing to note that there was an increase in the number of accidents in 2014, what is very pleasing to report is that the number of Reportable Injuries has considerably reduced for the third year running.

We are convinced that the accident statistics are a reflection of the improved and regimented reporting approach desired by the Organisation, as prescribed during training days and is as detailed in the Health and Safety Procedures Manual.

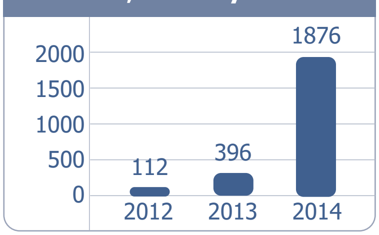
Accident statistics



You See, You Say! Near-miss reporting

The 'You See, You Say' near miss reporting scheme, both hard and electronic (mobile phone App) versions, has also gained momentum and the number of reports has increased by 370% from 396 in 2013 to 1876 in 2014, which demonstrates that our employees have really bought into our health and safety culture. Reporting of near misses allows TClarke to investigate non-loss time occurrences and develop measures to prevent the occurrences from becoming loss related. The increase in the reporting of near misses has enabled TClarke to identify areas that had the potential to cause harm, not just to TClarke employees but to other trade contractors and third parties, and to take action before the potential for harm is realised. The increase in the reporting of near misses in 2014 resulted in a decrease in RIDDOR Reportable accidents of 66%.

'You See, You Say'



Engagement
We pride ourselves on engagement initiated by the operatives who are now approaching us and seeking the professional advice that is given by our in-house Health and Safety Department on a regular basis. We have even been told that employees go home and research subjects they learn about during in-house training.

2014 saw a big push on 'Dust Control' procedures in conjunction with the HSE's blitz on preventing ill health from the inhalation of silica dust. We identified a number of practical tools to ensure dust extraction at the point of creation, when drilling concrete and masonry.

We also became members of Constructing Better Health.

The number of health and safety alerts and bulletins issued from Head Office totalled 53 for the year and maintained another one of our key objectives of maintaining an important flow of Health and Safety information to the operatives.

Training centre
In addition to TClarke being a licensed CSCS test provider and one day In-House, Health and Safety training provider, we are now able to offer the following courses at our Head Office Training Centre. These include;

- CITB One Day Health and Safety awareness
- SMSTS / SSSTS Site management and site supervisor safety training scheme
- CIEH One day Health and Safety awareness
- Manual Handling Training
- Asbestos Awareness (UKATA and non – UKATA)
- Emergency First Aid / Appointed Persons First Aid
- SEATS (Site Environmental Awareness Training Scheme)
- Directors Health and Safety one day
- IOSH
- Working at heights / Harness Awareness
- Environmental Awareness

Health and Safety, from the 'Top' down.
This year saw more training from the 'top' down which included 26 key directors and the Chief Executive Officer undertaking the IOSH – Safety for Senior Executives Course, which enhances their existing IOSH – Managing Safely in Construction and CITB Site Safety Managers Training courses.

Moving forward

We are proud of our on-going Health and Safety commitment, achievement and initiatives and aim to maintain our continuing engagement with operatives through our continued information dissemination. This year we intend to introduce our latest poster campaign which will be interactive with accompanying Tool Box Talks.

The theme for the campaign is 'Would Ya?' and is based on a series of 'made-up' scenarios where individuals are seen to place themselves at risk and workers will be challenged on their own perceptions of the risk presented.

Our Health and Safety Posters have historically been well received by the industry and we always endeavour to provoke a thought process within individuals, to encourage their own Health and Safety self-preservation.

Diversity

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

Gender diversification as at 31st December 2014

	2014			2013		
	Male	**Female**	**Total**	Male	Female	Total
Directors	6	1	7	5	1	6
Senior management	26	0	26	28	1	29
Staff	271	79	350	219	75	294
Skilled operatives	763	12	775	767	11	778
Apprentices and trainees	102	3	105	96	1	97
Total	1,168	95	1,263	1,115	89	1,204

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

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

Greenhouse gas emissions

Greenhouse gas emissions

2014	Measure	South	North	Scotland	Total
Scope 1 emissions	$tC0_2e$	1,304	410	376	2,090
Scope 2 emissions	$tC0_2e$	286	68	52	406
Total scope 1 & 2 emissions	$tC0_2e$	1,590	478	428	2,496
Revenue	£m	167.6	43.4	16.5	227.5
Emissions / £1m revenue		9.49	11.01	25.94	10.97
2013					
Scope 1 emissions	$tC0_2e$	1,191	489	443	2,123
Scope 2 emissions	$tC0_2e$	230	52	59	341
Total scope 1 & 2 emissions	$tC0_2e$	1,421	541	502	2,464
Revenue	£m	172.2	31.4	13.5	217.1
Emissions / £1m revenue		8.25	17.21	37.24	11.35

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

As a responsible company we take our environmental responsibilities seriously. This is the second year we have been required to report on greenhouse gas (GHG) emissions in accordance with the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013. We have collated Scope 1 and Scope 2 emissions data for the year ended 31st December 2014 across the group companies, which are reported in our consolidated financial statements.

The strategic report on pages 2 to 57
was approved by the Board of Directors
and signed on its behalf by
Mark Lawrence
Chief Executive Officer
24th March 2015

The Board Non-executive directors

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

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

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

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

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

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

Tony Giddings
Independent Non-Executive Director
63 years old,
First year with the company:
As a director of Argent LLP he has delivered over £1.4 billion of construction projects. He has served as a Board Member of the British Council for Offices, was Chairman of the Design and Build Foundation from 2001 to 2003 and is a Fellow of the Chartered Institute of Building.

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

The Board Executive directors

Danny Robson
Director
45 years old,
5 years with the company.
Mechanical Engineer,
Managing Director DGR from August 2010,
Executive Director from 1st January 2015.

Mike Crowder
Group Managing Director
50 years old,
29 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
50 years old,
seven years with the company.
Chartered Accountant, Group Financial Controller 2007,
Finance Director from 26th October 2010.

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

Shareholder information and company advisors

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

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

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

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

Independent auditors
PricewaterhouseCoopers LLP
1 Embankment Place
London WC2N 6RH

Corporate governance report

Chairman's introduction

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

Our corporate governance report on pages 60 to 64 sets out how we manage the group, and how we apply the principles and comply with the provisions of the Code.

The significant challenges faced by the group have tested the resilience of the group's governance procedures, which have not been found wanting. Nevertheless, with a number of changes to the composition of the board during 2014 and further developments in corporate governance requirements, we have during the year undertaken a comprehensive review of our corporate governance procedures and instigated a number of improvements. We have made significant advances in succession planning, board appraisals, risk management and going concern considerations. These developments will be further enhanced by the appointment of a new company secretary, who will be joining us shortly.

I took over as Chairman when my predecessor, Russell Race, stood down at the AGM on 9th May 2014. Russell chaired the Board for a good many years and is a tough act to follow. As Chairman, my primary responsibility is to ensure that the board has the right mix of skills, knowledge and experience so that it works effectively as a team, supporting management in the formulation and execution of corporate strategy while holding management to account for their actions.

David Henderson
Chairman
24th March 2015

Statement of compliance

Throughout the year ended 31st December 2014 the board considers that it has complied with the provisions of the Code. The Code is issued by the Financial Reporting Council (FRC) and is available on the FRC's website https://www.frc.org.uk

Structure of the Board

The company is managed by the Board of Directors, which during the year was comprised of three executive directors and the non-executive directors (including the Chairman). A number of changes to the non-executive members of the Board were made during the year. David Henderson was appointed to the Board as a non-executive director on 1st January 2014 and became Chairman following the AGM on 9th May 2014, Russell Race did not offer himself for re-election at the AGM having served sixteen years as a non-executive director (fourteen of them as Chairman), and Tony Giddings was appointed as a non-executive director on 1st October 2015. On 1st January 2015 the Board welcomed Danny Robson as an additional executive director, increasing the number of executive directors to four.

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. Mike Crowder and Iain McCusker will retire and offer themselves for re-election and Tony Giddings and Danny Robson will offer themselves for election at the next Annual General Meeting on 8th May 2015.

Beverley Stewart, by virtue of having served as a director of the company for more than nine years, is deemed not to be independent according to the Code and will henceforth be subject to annual re-election. However, Beverley Stewart is deemed by the Board to be independent in character and judgement, in spite of her length of service. Russell Race, who retired at the AGM on 9th May 2014 and who had served on the Board for sixteen years, was also considered by the Board to be to be independent in character and judgement, in spite of his length of service. As a consequence, at least half of the directors were deemed to be independent throughout the year.

Mike Crowder and Danny Robson each have a rolling service contract with the company which may be determined on twelve calendar months prior notice in writing. Beverley Stewart, Iain McCusker and Tony Giddings do not have service agreements with the company.

Brief biographies of each director, including the Chairman, Chief Executive and Senior Independent Director are provided on pages 58 to 59.

Board meetings

The composition of the Board is designed to ensure effective management, control and direction of the group. The roles of Chairman, Chief Executive and Senior Independent Director are clearly defined and disclosed on the company's website.

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

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

Number of meetings attended

	Board	Audit	Nomination	Remuneration
David Henderson	12	1	2	3
Russell Race[1]	5	–	–	–
Mark Lawrence	12	–	–	–
Mike Crowder	12	–	–	–
Martin Walton	12	–	–	–
Iain McCusker	12	4	2	3
Beverly Stewart	12	4	2	3
Tony Giddings[2]	3	2	2	3

[1]Retired 9th May 2014
[2]Appointed 1st October 2014

Matters reserved for the Board's attention include:

- Consideration and approval of the group's strategy, budgets, structure and financing requirements
- Consideration and approval of the group's annual and interim reports and financial statements
- Consideration and approval of the group's interim management statements
- Ensuring the maintenance of a sound system of internal controls and risk management
- Changes to the structure, size and composition of the Board recommended by the Nominations Committee
- Establishing committees of the Board and determining their terms of reference

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

Performance evaluation

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

The Chairman primarily, but acting in conjunction with the Chief Executive, undertakes the task of annual evaluation of performance and commitment of individual members of the Board as a whole and its committees. Training is available for new directors and subsequently as necessary. The Senior Independent Director, in conjunction with the other independent non-executive directors, undertakes the annual appraisal of the Chairman.

The Board has undertaken an internal appraisal of its own performance, covering the composition, procedures and effectiveness of the Board and its committees. Overall the Board members felt that the Board operated effectively, however the feedback also identified some opportunities for the Board to improve its effectiveness. The points raised will be addressed by the Board during 2015.

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, however a new company secretary will be joining the company shortly at which point the roles of Finance Director and Company Secretary will be split.

Board Committees

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

Audit Committee

The roles and responsibilities of the Audit Committee are to:

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

The Board is satisfied that Iain McCusker (Chair) has sufficient relevant financial experience.

Nominations Committee

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

Remuneration Committee

The role and responsibilities of the Remuneration Committee are to:

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

Shareholder relations

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

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

It is usual that Mark Lawrence and Martin Walton are present at these meetings and that feedback reports provided by the company's broker are communicated to the non-executive directors so that they can be informed regarding shareholder opinion. In addition, the Chairman is available to meet with major shareholders periodically to discuss board governance and strategy. The Board has always invited communication from private investors and encouraged their participation at the Annual General Meeting. All Board members present at the Annual General Meeting are available to answer questions from shareholders, as are the chairs of the Audit, Remuneration and Nomination Committees. Notice of the Annual General Meeting is given in accordance with best practice and the business of the meeting is conducted with separate resolutions, each being voted on initially by a show of hands, with the results of the proxy voting being provided at the meeting. Further shareholder information is available on our website at www.tclarke.co.uk under the Investor Relations tab.

Internal control

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

The Board is of the view that there is an ongoing process for identifying, evaluating and managing the group's significant risks, that it has been in place for the year ended 31st December 2014 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.

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

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

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

At its meeting on 18th March 2015, the Board carried out the annual assessment of the year ended 31st December 2014 by considering documentation from the Audit Committee and reviewing the need for an internal audit function. It was considered unnecessary to establish an internal audit function because the regular site audits under the quality control procedures, together with regular review visits by the group finance team to the subsidiaries, provide a similar assurance that internal control systems are being properly adhered to.

Going concern

The group had positive net cash balances at the year end and has in place an £8 million overdraft facility. The group draws on the overdraft facility as and when required to meet working capital requirements. As with all such facilities, the overdraft is subject to annual review and is repayable on demand.

In February 2014 an additional three-year committed £5 million Revolving Credit Facility ('RCF') was arranged. The RCF was fully drawn at 31st December 2014.

The RCF imposes certain financial and other covenants on the group, which are tested on a quarterly basis. The group was compliant with its obligations under the RCF at 31st December 2014, however the following breaches and potential breaches occurred during the year:

- During the year ended 31st December 2014 the group breached its obligations under the terms of the RCF by failing to notify the bank in a timely manner of an award of significant damages against the group. The group sought and obtained a waiver of this breach during the year.
- Also, following the settlement during the year of a protracted final account negotiation in the group's Mission Critical division which resulted in the group recognising a significant loss on the contract concerned, the group informed the bank that it would be unable to meet one of the financial covenant ratios at 31st December 2014 and requested in advance a waiver of this covenant. The terms of the RCF were subsequently varied before the year-end to remove this covenant test for the quarter ended 31st December 2014.

The directors have received confirmation from the bank that it knows of no reason why the overdraft facility will not be renewed when it next falls due for review. There is no other external debt apart from the RCF and finance lease and hire purchase commitments.

The group prepares detailed three year profit, cash flow and covenant projections, taking into account secured work, pipeline and other opportunities, and available resources. The projections include sensitivities to test the resilience of the group to changes in trading volumes, margins, interest rates and payment terms. After making appropriate enquiries the directors are satisfied that the company and group have adequate resources to continue their operations for 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 10 to 13.

Approved by the Board
and signed on its behalf
Martin Walton
Company Secretary
24th March 2015

Audit Committee report

Chairman of the Audit Committee – Iain McCusker

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

The Committee has an established programme of meetings, timed to coincide with key events in the financial calendar. Regular reports are received from management and the external auditors. Where necessary, the committee has requested and received additional detailed information from management; for instance, on material projects, so that we may discuss the key features, risks and opportunities these present. Our aim is to provide a proactive and constructive challenge over the information we receive.

Over the past year the reports we have received from management and the external auditors have been timely and well presented, which has enabled the Committee to discharge its responsibilities effectively.

Iain McCusker
Chair - Audit Committee
24th March 2015

The Audit Committee is comprised of the non-executive directors Iain McCusker (Chairman), Beverley Stewart and (from 1st October 2014) Tony Giddings. David Henderson also served on the audit committee from 1st January 2014 until 9th May 2014. Biographies of the members of the Audit Committee are included on page 58.

The Audit Committee met on four occasions during the year ended 31st December 2014. Each meeting was attended by the external auditors, PricewaterhouseCoopers LLP. The principal matters discussed at each meeting are set out below:

Date	Principal matters considered
March 2014	• Draft annual report and financial statements for the year ended 31st December 2013, including significant judgements and disclosures therein • Audit representation letter • Review of risk register and mitigating actions • Finance Director's report on internal control • Finance Director's report on going concern • Consideration of the need for an internal audit function
August 2014	• Draft half-year report and financial statements for the six months ended 30th June 2014, including significant judgements and disclosures therein • Going concern
October 2014	• Audit plan presented by the auditors • Independence of the external auditors • Approval of external auditors' fees
December 2014	• Results of the interim audit • Implications of the revised 2014 UK Corporate Governance Code (applicable for 2015 onwards).

Significant judgements, key assumptions and estimates

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

Matter considered	Action
Carrying value of intangible assets	Intangible assets comprise a significant element of the group's net assets. As required by IFRSs, the company conducts an impairment review of these assets every year. The Committee considered the papers presented by the Finance Director supporting management's assertion that goodwill and other intangible assets were not impaired. This assertion was supported by detailed cash flow and profit projections covering a three year period, including sensitivity analysis, and an analysis of secured workload. It also considered the independent auditors' comments on the key assumptions and detailed forecasts made. The issue of impairment involves making significant judgements about individual cash generating units and the risks they face. The Committee agreed with management's recommendation that no impairment charge should be made but that there remains a risk of impairment of Waldon Electrical Contractors and TClarke South East in the future and relevant disclosures have therefore been included in the financial statements. Further details concerning the make up of intangible assets, the assumptions used and the sensitivity of the carrying value of intangible assets can be found in Note 11 to the financial statements on page 116 and 117.
Contract profit and revenue recognition	The recognition of revenue and profit on construction contracts involves significant judgement due to the inherent difficulty in forecasting the final costs to be incurred on contracts in progress and the process whereby applications are made during the course of the contract with variations, which can be substantial, often being agreed as part of the final account negotiation. The Committee considered the consistency and appropriateness of the group's policies in respect of profit and revenue recognition during the year, and their specific application to a number of contracts. In particular, at its March and August meetings, the Committee considered the accounting treatment of a major contract in the Mission Critical division where final account negotiations were being frustrated by the actions of the principal contractor and significant amounts remained outstanding. The Committee concurred with management's assessment of the contract and the revenue recognized at those times.
Going concern	The Committee reviewed papers presented by the Finance Director on the group's viability as a going concern. Discussion focused on the group's cash flow projections, which covered a period of three years and included key sensitivities, facility headroom and projected covenant compliance, and actual and potential breaches in the terms of the group's banking facilities. Where necessary, clarification of the bank's position was sought and appropriate disclosures made in the annual and interim reports. Given recent history with significant claims against a subsidiary company prior to its acquisition by the group, consideration was also given to the level of insurance cover the group has in place.
Pension scheme accounting	The group's defined benefit pension scheme is valued annually by external advisers in accordance with IFRSs. The valuation is subject to significant fluctuations based on actuarial assumptions, including: • discount rates; • mortality assumptions; • inflation; • salary increases; and • expected return on plan assets. The Committee reviewed the basis of the valuation, including the assumptions used, and considered the sensitivity of the pensions scheme valuation to changes in those key assumptions. Further details of the valuation, including the key assumptions used, are disclosed in Note 23 to the financial statements on pages 134 to 138.
Non-underlying items - claim settlement costs	The Committee considered the quantification, disclosure and presentation in the financial statements of amounts arising in respect of exceptional claim settlement costs. The Committee concurred with the accounting for these costs and considered the disclosures in the financial statement appropriately described the issues arising, including the potential for any further liabilities. Further details are disclosed in Note 27 on page 111.

Internal control assessment and internal audit

The Audit Committee has reviewed arrangements by which staff of the company may, in confidence, raise concerns. At its meeting on 18th March 2015 the Audit Committee carried out its formal review of the internal controls and risk management processes in place during the year and considered the need for an Internal Audit function. The Audit Committee concluded that, based on presentations received from management concerning the operation of internal controls and risk management procedures during the year, there is no need at present to instigate a formal internal audit process.

External audit

The Audit Committee is responsible for overseeing relations with the external auditors, including the approval of fees, and makes recommendations to the Board on their appointment and reappointment. Details of the auditors' remuneration can be found in Note 7 to the financial statements on page 111. The auditors fees for non-audit services during the year were £38,000 (2013: £nil).

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

Nominations Committee report

Chairman of the Nominations Committee – Iain McCusker

The Nominations Committee comprises Iain McCusker (Chair), Beverley Stewart, David Henderson and, from 1st October 2014, Tony Giddings. Biographies of the members of the Nominations Committee are included on page 58. The Chair of the Committee, Iain McCusker, is an independent non-executive director.

The Nominations Committee met twice during the year to consider candidates to be recommended to join the Board. The Committee gives due consideration to diversification in the make up of the Board, but due to the size of the company and Board the most important consideration is to achieve an appropriate mix of skills, knowledge and experience. The Committee interviewed two candidates for the role of non-executive director and recommended the appointment of Tony Giddings as an additional non-executive director. The committee also recommended the appointment of Danny Robson as an additional executive director with effect from 1st January 2015.

Iain McCusker
Chair - Nominations Committee
24th March 2015

Remuneration Committee report

Chairman of the Remuneration Committee – Beverley Stewart

Annual Statement

Dear Shareholder

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

Pay for performance

We believe in rewarding our executives based on their performance and on the value created for our shareholders. The variable elements of executive remuneration are focused on simple and transparent measures of profit before tax, EPS growth and key strategic objectives. Our bonus and long-term incentive structures are based on challenging targets, which we believe are in line with market best practice. These are outlined on pages 73 and 75.

Our executives have shown great resolve and commitment in overcoming some challenging issues in 2014. However, the underlying performance of the group has meant that performance targets were not met and no bonuses are payable in respect of the year.

The minimum vesting conditions for our 2012 LTIP award, which is based on earnings per share growth, were not met, once again demonstrating the challenging targets we set as a business.

Clarity and openness in disclosure

The committee strives to operate and demonstrate best practice in the area of executive remuneration and disclosure. We trust that our report demonstrates transparency and clarity in our disclosures.

Our report has three sections as follows: this Annual Statement, which summarises and explains the major decisions and changes in respect of directors' remuneration; a Directors' Remuneration Policy setting out the forward-looking remuneration policy for the company's directors, which was approved at the AGM on 9th May 2014; and an Annual Report on Remuneration, providing details of how the policy for 2015 will be operated and the remuneration earned by the company's directors in relation to the year ended 31st December 2014.

At the forthcoming AGM on 8th May 2015, the Annual Report on Remuneration will be subject to an advisory shareholder vote. The Directors' Remuneration Policy is subject to a binding vote every three years (sooner if changes are made to the policy), with the next vote being due in 2017.

Remuneration policy for 2015

The Remuneration Committee took advice from its solicitors, Pinsent Masons LLP, in connection with the terms of service contracts for executive directors and matters concerning other members of senior management, and had previously taken advice from BDO LLP concerning the level and structure of executive remuneration packages. The committee's most recent conclusions are that the existing senior executive remuneration policy remains appropriate and should continue to operate for 2015 without major changes.

Consideration of employment conditions elsewhere in the group

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

Alignment with shareholders

We are mindful of our shareholders' interests and are keen to ensure a demonstrable link between reward and value creation.

We are very proud of the support we have received in the past from our shareholders, with 98.7% approval of the remuneration policy and 99.21% approval of the remuneration report received last year.

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

Beverley Stewart

Chair - Remuneration Committee

24th March 2015

Directors' remuneration policy

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

Specifically, the committee concluded that:

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

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

Policy overview

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

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

Consideration of shareholder views

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

Summary remuneration policy

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

Element of remuneration	Purpose and link to strategy	Operation	Maximum	Performance targets
Salary	To provide competitive fixed remuneration to attract and retain executive directors of superior calibre in order to deliver growth for the business Intended to reflect that paid to senior management of comparable companies	The basic salary for each executive director is reviewed annually by the Remuneration Committee. Individual salary adjustments take into account each executive director's performance against agreed challenging objectives and the group's financial circumstances, as well as comparing each executive director's basic salary to senior management in the group and relative to the external market	There is no prescribed maximum annual increase. The Committee is guided by RPI and the general increase for the broader employee population but on occasions may need to recognise, for example, an increase in the scale, scope or responsibility of the role. Current salary levels are set out on page 74	Not applicable
Benefits	To provide market consistent benefits, including insured benefits to support the individual and their family during periods of ill health, accidents or death and car or car allowances to facilitate effective travel	Current benefit provision includes a company car or car allowance and private medical insurance Other benefits may be payable where appropriate	There is no prescribed maximum but the percentage increase is not expected to rise significantly in excess of the basic salary increase	Not applicable
Bonus	Incentivises annual achievement of performance targets. Maximum bonus only payable for achieving demanding targets	Not pensionable		Targets are set for underlying profit before tax, and bonuses are paid on a sliding scale according to how the group performs against targets
		Profit Related - Paid in cash up to 100% of salary	Up to 100% of salary	
		Profit related bonuses in excess of 100% of basic salary are paid in TClarke shares	Up to 50% of salary	
		Strategic Target Bonuses are paid in cash providing targets are met and certain profit thresholds are crossed	Up to 50% of salary	The bonus for strategic targets is payable only if, in the opinion of the Remuneration Committee, the targets are met
Non-executive director fees	Reflects time commitments and responsibilities of each role Reflects fees paid by similarly sized companies	Cash fee paid Fees are reviewed on an annual basis No fees are payable for any membership of board committees	As per executive directors, there is no prescribed maximum annual increase The committee is guided by the general increase in the non-executive director market and for the broader employee population but on occasions may need to recognise, for example, an increase in the scale, scope or responsibility of the role. Current fee levels are set out on page 75	Non-executive directors do not participate in variable pay arrangements

Element of remuneration	Purpose and link to strategy	Operation	Maximum	Performance targets
Long-Term Incentive Plan	Designed to align with both the strategic objectives of delivering sustainable earnings growth and the interests of shareholders	Awards normally vest three years from grant, subject to performance targets and continued service Participants will normally have a seven year period from the date each tranche vests in which to exercise nil cost options	Aggregate value of shares over which options are granted and conditional share awards shall not exceed 100% of basic salary in any one year	LTIP performance measured over three years based on annualised EPS growth in excess of RPI as follows: <3% nil 3% 25% award 3-10% 25-100% on a straight line basis >10% 100%
All employee share plans	To encourage employee share ownership and therefore increase alignment with shareholders. The SAYE Scheme was approved by shareholders on 13th May 2011 and was approved by HMRC on 14th July 2011	Sharesave Plan: HMRC approved plan under which regular monthly savings are made over a three year period and can be used to fund the exercise of an option, where the exercise price is discounted by up to 10%. Provides tax advantages to UK employees	Maximum permitted savings of £500 per month across all ongoing Sharesave contracts in line with HMRC limits	Not applicable
Share ownership guidelines	To increase alignment between executives and shareholders	All directors are required to hold at least 2,000 TClarke shares	Not applicable	Not applicable
Pension	To provide retirement benefits	Defined benefit or defined contribution scheme. Where the promised levels of benefits cannot be provided through an appropriate pension scheme, the group may provide benefits through the provision of salary supplements	Defined benefit contribution in line with rates approved by the scheme actuary for all members, currently 20.7%	Not applicable

Notes

1. A description of how the company intends to implement the policy set out in this table for 2015 is set out in the Annual Report on Remuneration on page 68.

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

• A lower level of maximum annual bonus opportunity (or zero bonus opportunity) may apply to employees other than the executive directors and certain senior executives

• Benefits offered to other employees generally comprise provision of healthcare and company car benefits where required for the role or to meet market norms

• The majority of employees participate in local defined contribution pension arrangements or in industry wide pension schemes. Staff and senior management in certain subsidiaries are able to participate in the TClarke Group Retirement and Death Benefits Scheme

• Participation in the LTIP is open to all members of senior management at the Remunerations Committee's discretion, but at present membership is limited to the executive directors.

In general, these differences arise from the development of remuneration arrangements that are market competitive for the various categories of individuals. They also reflect the fact that, in the case of the executive directors and senior executives, a greater emphasis tends to be placed on performance related pay.

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

4. The EPS performance conditions applicable to the LTIP (further details of which are provided on page 75) were selected by the Remuneration Committee on the basis that they reward the delivery of long-term returns to shareholders and the group's financial growth and are consistent with the company's objective of delivering superior levels of long-term value to shareholders. The group's EPS growth is derived from the audited financial statements.

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

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

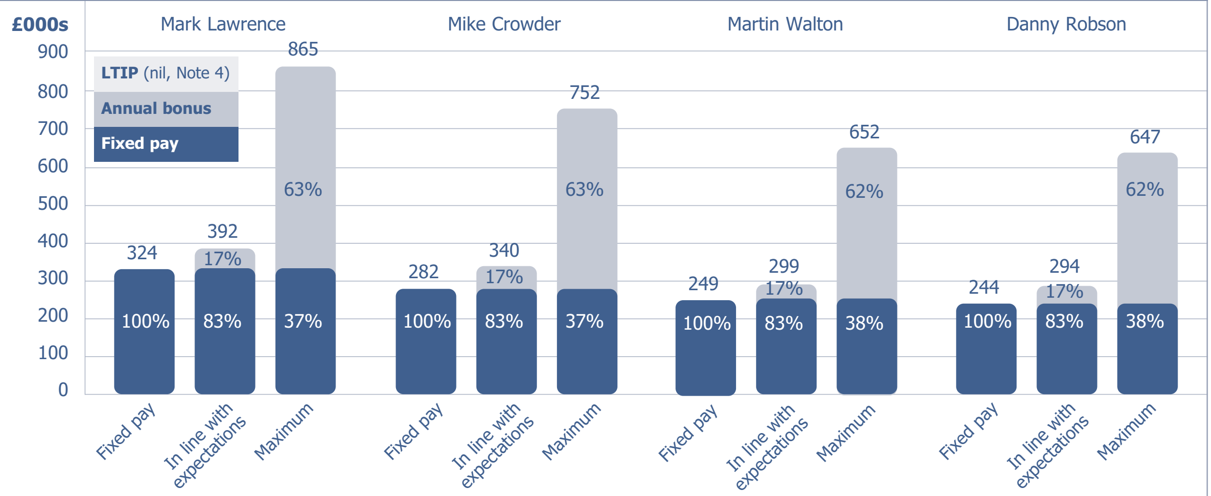
7. As highlighted above, the company has a share ownership policy which requires all directors to hold at least 2,000 10p ordinary shares, in accordance with the Articles of Association. Details of the extent to which the directors had complied with this policy as at 31st December are set out on page 77.

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

Illustrations of application of remuneration policy

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

Maximum



Notes **1.** The value of benefits receivable in 2014 is taken to be the value of benefits received in 2014 (as calculated under the Directors' Remuneration table, set out on page 75). Danny Robson's benefits receivable have been adjusted to reflect benefits to which he is entitled as a director.

2. The value of pension is presented on the same basis as under the Directors' Remuneration table on page 75.

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

4. Performance targets for LTIP shares vesting in 2015 have not been met, therefore the maximum vesting in 2015 is nil.

Service contracts for executive directors

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

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

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

Approach to recruitment and promotions

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

For an internal executive director appointment, any variable pay element awarded in respect of the prior role may be allowed to pay out according to its terms. In addition, any other ongoing remuneration obligations existing prior to appointment may continue, provided that they are put to shareholders for approval at the earliest opportunity. This may be awarded in addition to ongoing participation in the bonus and long-term incentive awards under the approved policy.

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

Approach to leavers

An annual bonus may be payable with respect to the period of the financial year served although it will be pro-rated for time and paid at the normal payout date. Any share-based entitlements granted to an executive director under the company's share plans will be determined based on the relevant plan rules. The default treatment under the LTIP is that any outstanding awards lapse on cessation of employment. However, in certain prescribed circumstances, such as death, ill health, disability, retirement or other circumstances at the discretion of the committee, 'good leaver' status may be applied. For good leavers, awards will normally vest on cessation, subject to the satisfaction of the relevant performance conditions at that time and reduced pro-rata to reflect the proportion of the performance period actually served.

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

Non-executive directors

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

Annual report on remuneration

Implementation of the remuneration policy for the year ending 31st December 2015

A summary of how the Directors' Remuneration Policy will be applied during the year ending 31st December 2015 is set out below.

Basic salary

2015 increases are shown below and reflect inflationary pressures being felt throughout the industry due to increasing demand for resources.

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

Director	2015	2014	% increase
Mark Lawrence	£270,500	£246,000	10.0%
Mike Crowder	£231,000	£210,000	10.0%
Martin Walton	£201,500	£183,000	10.1%
Danny Robson[1]	£201,500	–	–

Notes [1]Danny Robson was appointed to the board on 1st January 2015

Pension arrangements

The company operates a defined benefit pension and death benefits scheme (see Note 23 to the financial statements) of which all the executive directors are members. The company contribution during 2014 was 18% (2013: 16%) and the individual directors contributed 8% (2013: 8%). From 1st January 2015, the company's contribution increases to 20.7%, in line with the scheme actuary's recommendations for all scheme members. Until 31st December 2008, averaged bonuses were included in pensionable salary under the rules of the scheme, but the rules changed with effect from 1st January 2009 to exclude executive directors' bonuses from pensionable salary, in line with best practice. Details of the accrued pension benefits are shown in the table on page 77. The life assurance benefit is 2.25 times pensionable salary, rising to four times pensionable salary after five years' service with the group.

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

Annual bonus

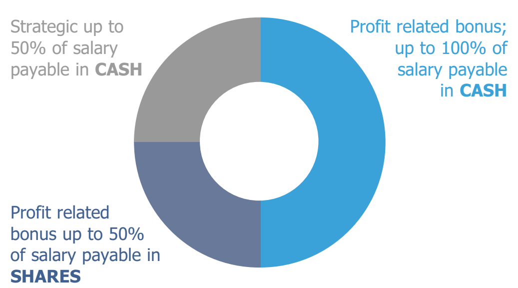
The maximum bonus potential for the year ending 31st December 2015 is 200% of salary for all the executive directors.

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

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

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

Bonus make up as % of basic salary



Long-term incentives

Consistent with past awards, LTIP awards that will be granted in 2015 will vest subject to continued employment with the group and satisfaction of the following performance conditions over a three year period ending on the 31st December preceding the earliest vesting date:

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

Non-executive directors

The company's approach to non-executive directors' remuneration is set by the board with account taken of the time and responsibility involved in each role. No additional fees are paid in respect of membership of any board committees. A summary of current fees is shown in the table below.

Non-executive directors	Notes	2015	2014	% increase
Russell Race	1	–	£18,750	-100%
David Henderson	2	£49,500	£42,617	16.2%
Iain McCusker		£45,000	£40,000	12.5%
Beverley Stewart		£45,000	£40,000	12.5%
Tony Giddings	3	£45,000	£10,000	12.5%

Notes 1. Russell Race did not seek re-election at the AGM on 9th May 2014 and stepped down from the Board on that date.
2. David Henderson was appointed Chairman following the Annual General Meeting on 9th May 2014.
3. Tony Giddings was appointed to the Board on 1st October 2014.

Directors' remuneration for the year ended 31st December 2014

The directors' remuneration for the year ended 31st December 2014 is set out in the table below

Directors' remuneration for the year ended 31st December 2014 was as follows:

	Notes	**Fees & Salary**		**Benefits** (Note 4)		**Bonus** (Note 5)		**LTIP** (Note 6)		**Pension** (Note 7)		**Total**	
£000s		**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
Executive													
Mark Lawrence		246	234	18	15	–	–	–	–	36	30	300	279
Mike Crowder		210	199	16	13	–	–	–	–	30	25	256	237
Martin Walton		183	174	16	11	–	–	–	–	32	48	231	233
Non-executive													
Russell Race	1	19	43	–	–	–	–	–	–	–	–	19	43
David Henderson	2	43	–	–	–	–	–	–	–	–	–	43	–
Iain McCusker		40	38	–	–	–	–	–	–	–	–	40	38
Beverley Stewart		40	38	–	–	–	–	–	–	–	–	40	38
Tony Giddings	3	10	–	–	–	–	–	–	–	–	–	10	–
Total		791	726	50	39	–	–	–	–	98	103	939	868

Notes 1. Russell Race did not seek re-election at the Annual General Meeting on 9th May 2014 and stepped down from the Board on that date.
2. David Henderson joined the Board on 1st January 2014 and became Chairman following the Annual General Meeting on 9th May 2014.
3. Tony Giddings joined the Board on 1st October 2014.
4. Benefits comprise a car or car allowance and private medical insurance.
5. Payment of annual bonuses earned in 2013 totalling £76,000 were waived by the executive directors.
6. No LTIP awards vested in 2014 or 2013.
7. Pensions are calculated based on HMRC's pension input method.

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

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

Directors' interests in the TClarke Equity Incentive Plan

Executive director	Award date	01/01/2014 number	Granted	Lapsed	31/12/2014 number	Exercise price	Earliest date of exercise	Date of expiry
Mark Lawrence								
Conditional shares	16/06/2011	85,000	–	85,000	–	–	–	
Conditional shares	01/05/2012	115,000	–	–	115,000	–	01/05/2015	
Conditional shares	30/04/2013	115,000	–	–	115,000	–	30/04/2016	
Conditional shares	29/04/2014	–	85,000	–	85,000	–	01/05/2015	01/05/2022
Options	01/05/2012	59,000	–	–	59,000	50.25p	30/04/2016	30/04/2023
Options	30/04/2013	59,000	–	–	59,000	52.00p	29/04/2017	29/04/2024
Mike Crowder								
Conditional shares	16/06/2011	85,000	–	85,000	–	–	–	
Conditional shares	01/05/2012	115,000	–	–	115,000	–	01/05/2015	
Conditional shares	30/04/2013	115,000	–	–	115,000	–	30/04/2016	
Conditional shares	29/04/2014	–	85,000	–	85,000	–	01/05/2015	01/05/2022
Options	01/05/2012	59,000	–	–	59,000	50.25p	30/04/2016	30/04/2023
Options	30/04/2013	59,000	–	–	59,000	52.00p	29/04/2017	29/04/2024
Martin Walton								
Conditional shares	16/06/2011	85,000	–	85,000	–	–	–	
Conditional shares	01/05/2012	115,000	–	–	115,000	–	01/05/2015	
Conditional shares	30/04/2013	115,000	–	–	115,000	–	30/04/2016	
Conditional shares	29/04/2014	–	85,000	–	85,000	–	01/05/2015	01/05/2022
Options	01/05/2012	59,000	–	–	59,000	50.25p	30/04/2016	30/04/2023
Options	30/04/2013	59,000	–	–	59,000	52.00p	29/04/2017	29/04/2024

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

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

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

The following options were outstanding during the year:

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

Executive director	Award date	01/01/2014 number	Granted	Lapsed	31/12/2014 number	Exercise price	Earliest date of exercise	Date of expiry
Mark Lawrence	08/11/2011	6,750	–	–	6,750	40.00p	01/01/2015	30/06/2015
	12/10/2012	12,857	–	–	12,857	42.00p	01/01/2016	30/06/2016
	11/10/2013	1,666	–	–	1,666	54.00p	01/01/2017	30/06/2017
Mike Crowder	08/11/2011	6,750	–	–	6,750	40.00p	01/01/2015	30/06/2015
	12/10/2012	12,857	–	–	12,857	42.00p	01/01/2016	30/06/2016
	11/10/2013	1,666	–	–	1,666	54.00p	01/01/2017	30/06/2017
Martin Walton	08/11/2011	6,750	–	–	6,750	40.00p	01/01/2015	30/06/2015
	12/10/2012	12,857	–	–	12,857	42.00p	01/01/2016	30/06/2016
	11/10/2013	1,666	–	–	1,666	54.00p	01/01/2017	30/06/2017

No options were exercised during the year. The market price of a 10p ordinary share on 31st December 2014 was 56.33p and the range during the year ended 31st December 2014 was 37.50p to 88.56p.

Pension scheme (audited)

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

Audited details of the accrued pension benefits that the directors' would be entitled to on leaving service:							
	Total pension accrued at 31.12.13 £ p.a.	Increase in accrued pension (including inflation) £ p.a.	Increase in accrued pension (excluding inflation) £ p.a.	Total pension accrued at 31.12.14 £ p.a.	Transfer value of accrued pension at 31.12.13 £	Increase in transfer value less director's contributions £	Transfer value of accrued pension at 31.12.14 £
Mark Lawrence	54,063	3,625	2,760	57,688	1,081,260	36,212	1,153,764
Mike Crowder	55,668	3,211	2,321	58,879	1,113,360	30,298	1,177,584
Martin Walton	12,879	2,483	2,277	15,362	257,580	31,581	307,234

Inflationary increases were assumed to be 1.6% per annum during 2014 in line with increases in the Consumer Price Index during the year

Payments to past directors (audited)

No payments were made to past directors.

Payments for loss of office (audited)

No payments were made in respect of loss of office during the year ended 31st December 2014.

Directors' interests

Directors' interests in the issued share capital of TClarke plc are set out below.

The directors' interest in share options and conditional shares under long-term incentive schemes are set out on page 76.

Beneficial interests

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

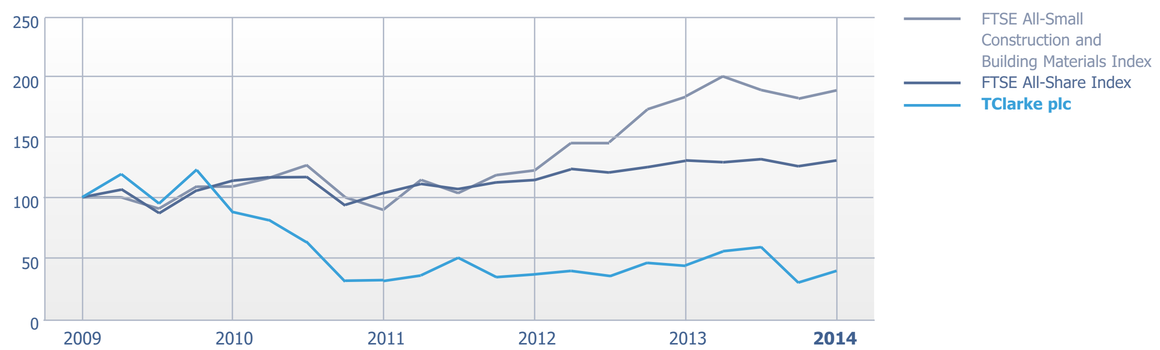
	Notes	1/1/2014	31/12/2014	24/03/2015
David Henderson		–	23,000	23,000
Mark Lawrence		20,000	20,000	26,750
Mike Crowder		12,000	12,000	18,750
Martin Walton		10,000	10,000	16,750
Danny Robson	1	–	–	1,451,906
Iain McCusker		2,000	2,000	2,000
Beverley Stewart		21,000	21,000	21,000
Tony Giddings	2	–	2,000	2,000

Notes 1. Danny Robson joined the Board on 1st January 2015
2. Tony Giddings joined the Board on 1st October 2014

Performance graph

The graph shows the total shareholder return that would have been obtained over the past five years by investing £100 in shares of TClarke plc on 31st December 2009 and £100 in a notional investment in the FTSE All-Share Index and the FTSE All-Small Construction and Building Materials Index on the same date. In all cases it has been assumed that all income has been reinvested. The FTSE All-Share Index and the FTSE All-Small Construction and Building Materials Index are considered to be the most appropriate broad equity indices to use as a comparison because the company is a constituent of both.

Total shareholder return 2008-2013



Total remuneration

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

	2010	2011	2012	2013	**2014**
Total remuneration	234	231	234	245	**266**
Annual bonus (%)	0%	0%	0%	0%	**0%**
LTIP vesting (%)	0%	0%	0%	0%	**0%**

Percentage change in Chief Executive's remuneration

The table below shows the percentage change in the Chief Executive's salary, benefits and annual bonus between the financial year ended 31st December 2013 and 31st December 2014, compared with that of the total amounts for all UK employees of the group for each of these elements of pay.

	2014	2013	% change
Salary			
Chief Executive	**246**	234	5.1%
UK employee average	**40**	38	7.9%
Benefits			
Chief executive	**18**	15	20%
UK employee average	**1**	1	-100%
Annual bonus			
Chief executive	**–**	–	0%
UK employee average	**–**	–	100.0%
Average number of UK employees	**1,237**	1,200	

Relative importance of spend on pay

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

	2014	2013	% change
Staff costs	**56.3**	51.9	8.5%
Dividend	**1.1**	1.2	-8.4%
Total operating expenses	**226.0**	214.0	5.6%

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

Consideration by the directors of matters relating to directors' remuneration

The company's approach to the Chairman's and executive directors' remuneration is determined by the Board on the advice of the Remuneration Committee.

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

- Beverley Stewart (Chair)
- Iain McCusker
- Tony Giddings (from 1st October 2014)
- David Henderson

Biographical information on the committee members and details of attendance at the committee's meetings during the year are set out on pages 58 and 61.

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

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

Statement of voting at Annual General Meeting

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

2014 AGM	Directors' Remuneration report		Directors' Remuneration Policy	
	Number	%	Number	%
Votes cast in favour	12,128,877	99.21	12,064,094	98.70
Votes cast against	96,776	0.79	158,665	1.30
Total votes cast	12,225,653		12,222,759	
Abstentions	23,605		26,499	

By order of the Board

Beverley Stewart
Chair - Remuneration Committee
24th March 2015

Other disclosures

Matters dealt with elsewhere in the annual report

The following matters are dealt with in the Strategic Report on pages 6 to 57:

- Review of the business and likely future developments (pages 6 to 13)
- Employees (pages 55 to 57)
- Principal risks and uncertainties (pages 32 to 34)
- Greenhouse gas emissions (page 57)

In accordance with UK Financial Conduct Authority Listing Rules (LR9.8.40) the information to be included in the annual report and financial statements where applicable, under LR9.8.4, is set out in the Director's report, with the exception of long-term incentive schemes which are set out in Note 19 to the financial statements on page 129.

Results for the year

The results for the year are set out in the Consolidated income statement on page 90.

Dividends

The directors recommend the payment of a final dividend for the year of 2.60p per share, which together with the interim dividend of 0.50p paid on 10th October 2014, makes a total distribution of 3.10p for the year (2013: 3.10p).

Subject to approval at the Annual General Meeting, the final dividend will be paid on 15th May 2015 to shareholders on the register at 17th April 2015. The shares will go ex-dividend on 16th April 2015.

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 2014 final payment, may do so by contacting Capita Registrars on 0871 664 0300 (lines are open 8:30 am - 5:30 pm Monday to Friday. Calls cost 10p per minute plus network charges). The last day for election for the final dividend reinvestment is 20th April 2015 and any request should be made in good time ahead of that date.

Research and development

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

Donations

The group made no political donations during the year (2013: £nil).

Post balance sheet events

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

Financial instruments

Details of the financial risk management objectives and policies of the group, together with its exposure to material financial risk, are set out in Note 27 to the financial statements.

Significant interests

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

Substantial shareholdings

At 24th March 2015 the company had been advised of the following substantial interests of 3% or more in its issued ordinary share capital:

Substantial shareholdings

	% of issued ordinary share capital	Number of shares
Miton Capital Partners	11.88%	4,967,611
JP Morgan Asset Management	9.84%	4,118,000
Barclays Stockbrokers	5.51%	2,303,721
Henderson Global Investors	4.84%	2,022,502
TD Waterhouse	4.65%	1,946,499
Hargreaves Lansdown Stockbrokers	4.24%	1,772,497
Walker Crips Stockbrokers	4.18%	1,749,426
Chelverton Assey Management	3.59%	1,500,000
Mr D.G. Robson	3.47%	1,451,906

Qualifying third party indemnities

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

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

Special resolutions

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

Stock exchange transactions

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

Disclosure of information to auditors

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

Company status

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

Takeover directive disclosures

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

- The company's capital comprises ordinary shares of 10p each. Further details are shown in Note 19 to the financial statements.
- There are no restrictions on the transfer of shares or on voting rights.
- Details of each person with a significant direct or indirect holding of shares and the size of the holding are shown in the table 'Substantial shareholdings', on page 81.
- 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 60 to 64.
- 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 £817,042.
- The directors have shareholder approval for the buyback of ordinary shares up to a maximum aggregate of 10% of the issued ordinary share capital.
- The company has in place an employee share save scheme.
- The company has in place an Equity Incentive Plan for directors and senior management. The rules of the scheme provide that awards made under the Equity Incentive Plan may vest on a change of control of the company, at the discretion of the Remuneration Committee.
- The rules of the 2011, 2012 and 2013 Savings Related Share Option Schemes provide that in the event of a change of control, outstanding options may be exchanged or replaced with similar options on the same terms.
- There are no other significant agreements that take effect, alter or terminate upon a change of control of the company following a takeover bid.
- There are no known agreements between the company and its directors or employees providing for compensation for loss of office or employment that occurs because of a takeover bid.

On behalf of the Board
Martin Walton
Company Secretary
24th March 2015

Directors' responsibilities statement

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

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

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

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

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

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

Statement of directors pursuant to the disclosure and transparency rules

Each of the directors, whose names and functions are listed on pages 58 and 59, confirms that, to the best of each person's knowledge and belief:

- The financial statements, prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the group and company, and
- The Strategic Report and other reports contained in the annual report include a fair review of the development and performance of the business and the position of the company and group, together with a description of the principal risks and uncertainties they face.

On behalf of the Board

Martin Walton
Finance Director

David Henderson
Chairman

24th March 2015
TClarke plc
Registered number:
119351

Independent auditors' report to the members of TClarke plc

Report on the financial statements

Our opinion

In our opinion:

- TClarke plc's group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the parent company's affairs as at 31st December 2014 and of the group's loss and the group's and the parent company's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

What we have audited

TClarke plc's financial statements comprise:

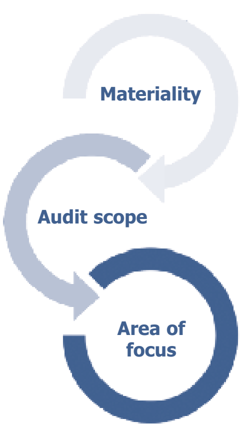
- the group and parent company statements of financial position as at 31st December 2014;
- the group income statement and statement of comprehensive income for the year then ended;
- the group and parent company statements of cash flows for the year then ended;
- the group and parent company statements of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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

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

Our audit approach

Overview



- Overall group materiality: £500,000 which represents 0.25% of revenue.

- The majority of our audit work was conducted from the head office in London.
- We also visited ten local operating locations during the year end audit; this includes 6 offices in the South regional division, 3 in the North, and 1 in Scotland.

- Revenue recognition and long term contract accounting in respect of construction contracts.
- Goodwill and intangibles impairment assessment, particularly in respect of TClarke South East and Waldon Electrical Contractors.
- Going concern, particularly in respect of the forecast compliance with financial covenants.
- Classification of non-underlying items in respect of litigation, particularly the disclosure and presentation in the financial statements of amounts arising in respect of exceptional claim settlement costs.
- Defined benefit pension plan net assets and liabilities.

The scope of our audit and our areas of focus

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

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

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

Area of focus	How the scope of our audit addresses the area of focus
Revenue recognition and long term contract accounting in respect of construction contracts *Refer to Page 66 (Audit Committee Report) and Note 4 (Significant judgements and sources of estimation uncertainty).* We focused on the revenue and profit recognised on long term contracts because they result in material balances, involve judgements and can be complex. IFRSs require revenue to be recognised over the course of the contract, using a 'percentage completion' method. If a project is or is forecast to be loss making, they require the full loss to be recognised. The group generates revenue from long term contracts relating mainly to mechanical and electrical services. The group has a large number of contracts; we focused on contracts which stood out individually as being higher risk at the year end. Factors that would have caused a contract to stand out included, for example, material amounts under certified by the clients, disputes with clients or subcontractors, or a high proportion of variations relative to the contract total. The percentage completion of contracts is calculated based on the amount of costs incurred to date compared with the total expected costs to be incurred on the project. Forecast end of life costs are inherently subjective, although we note that TClarke plc does not have any heightened level of subjectivity or judgement compared to other companies in the industry.	We selected a sample of contracts to test, based on both quantitative and qualitative criteria including revenue and/ or margin recognised in the year, loss making contracts or contracts with significant balance sheet exposure and revisited certain contracts we selected last year. We obtained an understanding of management's own process for reviewing long term contracts (including the process for identifying loss-making and/or higher risk contracts and assessing the supporting revenue recognition and cost estimates, including contract variations) and gained an understanding of the key judgements involved and background to the specific contracts selected in our sample. We tested the significant judgements adopted by the Directors in relation to the revenue and margin recognition, and, in particular, judgements with respect to the percentage completion, by: • agreeing forecast costs to completion to documentary evidence – orders signed with subcontractors or supporting calculations; • tracing a sample of variations to supporting certifications or instructions from clients, • reconciling revenue recognised with amounts applied for and amounts certified by clients and confirming, using our industry knowledge and experience, that the reconciling items were appropriate; and • comparing the costs incurred after the year end on a sample of projects to the forecast costs, finding that post year end costs had been included in the estimates; and tracing a sample to post year end certificates. In auditing the identification of loss-making contracts and the extent of contract losses, we tested the Directors' estimates by comparing the budgeted total profit on each selected contract with that budgeted at the prior year end and tested significant variances to confirm they were supported by documentary evidence. We considered the judgements made by the Directors concerning the recoverability of contract variations reasonable in light of the evidence.

Area of focus	How the scope of our audit addresses the area of focus
Goodwill and intangibles impairment assessment *Refer to page 66 (Audit Committee Report), Note 4 (Significant judgements and sources of estimation uncertainty) and Note 11 (Intangible assets).* We focused on this area because the Directors’ assessment of the carrying value of goodwill and intangible assets involves complex and subjective judgements about the future results of the business. No impairment was recognised during the year. We focused on those Cash Generating Units (CGUs) we considered to carry more judgement because of current year losses or historic underperformance against budgets, or for which management’s impairment assessment model gave lower headroom relative to other CGUs. The value in use calculations in relation to the group’s TClarke South East (goodwill of £0.4m) and Waldon Electrical Contractors (goodwill of £1.3m) were most sensitive to changes in key assumptions. The key judgements involved were future revenue growth, margin assumptions and discount rate applied as set out in Note 11 to the group financial statements.	We evaluated the Directors’ future cash flow forecasts, which were prepared to a sufficiently detailed level, including comparing them to the latest Board approved budgets, testing the integrity of the underlying calculations and assessing how both internal and external drivers of performance were incorporated into the projections. We also challenged the discount rate used by independently recalculating the cost of capital, which was consistent with the discount rate used. For the group’s TClarke South East and Waldons Electrical Contractors businesses, we also performed sensitivity analysis around the key drivers of the cash flow forecasts, in particular the revenue growth and margin assumptions. Having ascertained the extent of change in those assumptions that either individually or collectively would be required for the goodwill and intangible assets to be impaired, we considered the likelihood of such movement arising in those key assumptions. We noted that the value in use of these two businesses is more sensitive to changes in the assumptions concerning future revenue growth and, in particular, gross margin than assumptions surrounding the discount rate. Because the TClarke South East and Waldon Electrical Contractors CGUs have been loss making historically, the carrying value of the goodwill is dependent on their ability to make profits from 2015 onwards. We tested the level of secured work by tracing it to supporting orders. We tested the cost forecasts by comparing a sample to tenders from subcontractors or calculations of man hours required. 79% of the 2015 forecast revenue for TClarke South East and 78% of the Waldon Electrical Contractor’s revenue have been secured. The Directors have built increased profitability into their forecasts for these CGUs and, we challenged them on the realistic impact of the actions they have taken and intend to take to improve their profitability. Although we considered the Directors' expectations of the impact of their actions to be reasonable in light of the evidence available, failure to meet these forecasts and to generate a profit will result in impairment of the goodwill and investment value associated with the TClarke South East and Waldon Electrical Contractors CGUs. We also evaluated the adequacy of disclosures made in Note 11 to the group financial statements.
Going concern – compliance with loan covenants *Refer to page 66 (Audit Committee Report), Note 3 (Accounting Policies) and Note 21 (Bank overdraft and loans).* We focused on the Directors’ conclusion that it is appropriate to adopt the going concern basis in preparing the financial statements. The group operates in the construction industry, which has been significantly impacted by the economic downturn in recent years resulting in lower margins and cashflow pressures. These difficult market conditions have been reflected in the reducing margins experienced by the group in recent years and by the loss before tax of £0.7m recognised in the year ended 31st December 2014 (2013: profit of £1.7m). In addition, the group has a £5m committed three year Revolving Credit Facility which includes financial covenants around interest cover and net leverage ratios which are tested quarterly.	We obtained the Directors’ forecast of the group’s funding requirements and covenant compliance for years 2015-2017 and details of the financing facilities in place. The forecasts showed sufficient funding and compliance with covenants. We read the relevant parts of the agreements relating to available financing and re-performed the calculations of the covenants at each test point. We performed sensitivity analyses around the covenant forecasts and the cash flow forecasts including adjusting future revenue growth and margin assumptions to industry average forecast levels. At its lowest level, EBITDA would need to fall by over 50% before the most sensitive covenant is breached. We further evaluated assumptions relating to changes in working capital, including debtors/creditors days by comparing to the actual changes over the previous year and finding them to be consistent with our expectation which was based on previous experience by the Group adjusted for the impact of the final account settlement on the contract in the Mission Critical division discussed in 2013. We assessed the Directors’ budgeting ability by comparing past budgets to actual results achieved. We discussed with the Directors the actions that they considered they could take to alter the timing and/or amount of cash flows, considered whether they were consistent with previous actions taken by the Directors and used our knowledge of the business to consider the feasibility and likely impact of the Directors' intentions. We then assessed the sensitivity of the Directors’ calculations to changes in key inputs, in particular forecast underlying profit before tax. Our opinion on Going Concern is outlined below.

Area of focus	How the scope of our audit addresses the area of focus
Classification of non-recurring items in respect of litigation *Refer to page 66 (Audit Committee Report), Note 4 (Significant judgements and sources of estimation uncertainty) and Note 7 (Profit from operations).* The nature of the construction industry gives rise to disputes in the ordinary course of business, which may result in claims. The Group has insurance in place in respect of these claims. During the year the Group has been subject to a number of claims in respect of old projects. These claims are not considered, by the Directors, to be in the ordinary course of business. Given the judgement involved in assessing the classification of items as non-recurring and the disclosure and presentation in the financial statements we considered this to be an area of focus for our audit.	We discussed the non-recurring items in respect of litigation with the Directors to gain an understanding of their rationale behind each individual non-recurring item. We read correspondence between the group and its lawyers and insurers, the claimants and the claimants' lawyers, in respect of the claims for a material amount, to enable us to determine whether we concurred with the Directors' view that the costs incurred were non-recurring, we didn't identify any material misstatements. In addition, we obtained third party confirmations from the group's lawyers that we compared to the evidence we had received from management and which confirmed that the list of claims we had been given was complete and that the fact patterns we had been advised of were consistent with their understanding. We also evaluated the adequacy of disclosure of settlements as non-recurring items made in Note 7 to the group financial statements and confirmed that they were consistent with the requirements of IFRSs.
Defined benefit pension plan net assets and liabilities *Refer to page 66 (Audit Committee Report), Note 4 (Significant judgements and sources of estimation uncertainty) and Note 23 (Pension commitments).* The Group operates a funded defined benefit pension scheme for qualifying employees; this was closed to new members after 31st December 2014. The scheme has assets of £28.2m and post-retirement liabilities of £44.5m, which are significant in the context of the overall balance sheet of the Group. The valuation of the pension liabilities requires significant levels of judgement and technical expertise in choosing appropriate assumptions. Unfavourable changes in a number of the key assumptions (including salary increases, inflation, discount rates and mortality) can have a material impact on the calculation of the liability. As a result of the size of the pension scheme deficit and the judgements inherent in the actuarial assumptions involved in the valuation the pension benefit obligations we considered this to be an area of focus.	We tested the valuations of pension plan liabilities as follows: • We agreed the discount and inflation rates used in the valuation of the pension liability to our internally developed benchmarks, finding it to be within an acceptable range. Our benchmarks are based on our view of various economic indicators. • We discussed with the Directors the rationale for the discount rate that they used and agreed that the rationale was appropriate. • We tested the Directors' assumptions around inflation and mortality rates by comparing them to, and finding them consistent with, national and industry averages, recognising the particular economic and health and safety factors that affect the construction industry. • There was no new census data in the year so we assessed the assumptions made by the actuary in rolling forward the information from the most recent census data.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the group, the accounting processes and controls, and the industry in which the group operates.

The group is structured into three regional divisions; the South, the North and Scotland, together with a property segment comprised of one legal entity. The regional divisions are further subdivided into legal entities for the purposes of financial reporting. The majority of our audit work was conducted from the head office in London and we visited 10 of the local operating locations during the year end audit. This includes 6 offices in the South regional division, 3 in the North, and 1 in Scotland.

We scoped our audit based on the group's legal entity structure. Our work focused primarily on those entities that in our view required an audit of their complete financial information due to their size and risk characteristics. This work included an audit of those entities that comprise all, or substantially all of regional divisions which together constituted 95 per cent of the group revenue. In addition we carried out specific audit procedures on the property segment, with additional procedures performed at the group level (including over impairment of goodwill, going concern and consolidation process). This gave us the evidence we needed for our opinion on the group financial statements as a whole.

Materiality

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

Based on our professional judgement, and consistent with last year, we determined materiality for the financial statements as a whole as follows:

Overall group materiality	£500,000 (2013: £470,000).
How we determined it	0.25% of revenue.
Rationale for benchmark applied	We used revenue as a basis for materiality to avoid the volatility that would result from a profit based calculation.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £25,000 (2013: £23,500) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

Under the Listing Rules we are required to review the Directors' statement, set out on page 63, in relation to going concern. We have nothing to report having performed our review.

As noted in the Directors' statement, the Directors have concluded that it is appropriate to prepare the financial statements using the going concern basis of accounting. The going concern basis presumes that the group and parent company have adequate resources to remain in operation, and that the Directors intend them to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the Directors' use of the going concern basis is appropriate.

However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the group's and parent company's ability to continue as a going concern.

Other required reporting

Consistency of other information

Companies Act 2006 opinion

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:	
• Information in the Annual Report is: – materially inconsistent with the information in the audited financial statements; or – apparently materially incorrect based on, or materially inconsistent with, our knowledge of the group and parent company acquired in the course of performing our audit; or – otherwise misleading.	We have no exceptions to report arising from this responsibility.
• the statement given by the Directors on page 82, in accordance with provision C.1.1 of the UK Corporate Governance Code ("the Code"), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the group's and parent company's performance, business model and strategy is materially inconsistent with our knowledge of the group and parent company acquired in the course of performing our audit.	We have no exceptions to report arising from this responsibility.
• the section of the Annual Report on page 66, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.	We have no exceptions to report arising from this responsibility.

Adequacy of accounting records and information and explanations received

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

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

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Directors' remuneration report - Companies Act 2006 opinion

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

Other Companies Act 2006 reporting

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

Corporate governance statement

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the parent company's compliance with ten provisions of the UK Corporate Governance Code. We have nothing to report having performed our review.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 82, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

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

What an audit of financial statements involves

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

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

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

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

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

Jonathan Hook (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
24 March 2015

Consolidated income statement

for the year ended 31st December 2014

		Notes	2014 £m	2013 £m
Continuing operations:				
Revenue		5	227.5	217.1
Cost of sales			(203.8)	(193.7)
Gross profit			23.7	23.4
Other operating income			0.1	0.1
Administrative expenses:				
Amortisation of intangible assets		7	(0.2)	(0.3)
Non-recurring costs		7	(1.2)	(0.6)
Other administrative expenses			(22.4)	(20.3)
Total administrative expenses			(23.8)	(21.2)
Profit from operations		7	–	2.3
Finance income			0.1	–
Finance costs		6	(0.8)	(0.6)
(Loss) / profit before taxation			(0.7)	1.7
Taxation		9	0.1	(0.6)
(Loss) / profit for the year			(0.6)	1.1
(Loss) / earnings per share		10		
Attributable to owners of TClarke plc:	Basic		(1.58)p	2.51p
	Diluted		(1.58)p	2.43p

Consolidated statement of comprehensive income

for the year ended 31st December 2014

	2014 £m	2013 £m
(Loss) / profit for the year	(0.6)	1.1
Other comprehensive (expense) / income:		
Items that will not be reclassified to profit or loss		
Actuarial (loss) / gain on defined benefit pension scheme	(4.2)	0.7
Other comprehensive (expense) / income for the year, net of tax	(4.2)	0.7
Total comprehensive (expense) / income for the year	(4.8)	1.8

Consolidated statement of financial position

as at 31st December 2014

	Notes	2014 £m	2013 £m
Non current assets			
Intangible assets	11	23.2	23.4
Property, plant and equipment	12	5.0	5.7
Deferred tax assets	18	2.9	1.8
		31.1	30.9
Current assets			
Inventories	14	0.4	0.4
Amounts due from customers under construction contracts	15	26.7	25.2
Trade and other receivables	16	34.7	31.0
Cash and cash equivalents	20	10.3	1.0
		72.1	57.6
Total assets		103.2	88.5
Current liabilities			
Amounts due to customers under construction contracts	15	(2.9)	(2.3)
Trade and other payables	17	(59.6)	(50.4)
Current tax liabilities		(0.1)	(0.1)
Obligations under finance leases	24	(0.1)	(0.1)
		(62.7)	(52.9)
Net current assets		9.4	4.7
Non current liabilities			
Bank loans	21	(5.0)	–
Other payables	17	(0.3)	–
Retirement benefit obligation	23	(16.3)	(10.9)
		(21.6)	(10.9)
Total liabilities		(84.3)	(63.8)
Net assets		18.9	24.7
Equity attributable to owners of the parent			
Share capital	19	4.1	4.1
Share premium	19	3.1	3.1
ESOT share reserve		(0.1)	–
Revaluation reserve		0.8	0.8
Retained earnings		11.0	16.7
Total equity		18.9	24.7

The financial statements on pages 90 to 144 were approved by the Board of Directors on 24th March 2015 and were signed on its behalf by

David Henderson Director

Mark Lawrence Director

Company statement of financial position

as at 31st December 2014

	Notes	2014 £m	2013 £m
Non current assets			
Property, plant and equipment	12	0.3	0.3
Investments	13	32.4	32.4
Deferred tax assets	18	3.3	2.2
		36.0	34.9
Current assets			
Amounts due from customers under construction contracts	15	13.4	10.8
Trade and other receivables	16	12.7	8.7
Current income tax receivables		0.6	0.2
Cash and cash equivalents	20	6.2	0.5
		32.9	20.2
Total assets		68.9	55.1
Current liabilities			
Amounts due to customers under construction contracts	15	(0.7)	(0.6)
Trade and other payables	17	(31.9)	(22.6)
		(32.6)	(23.2)
Net current assets / (liabilities)		0.3	(3.0)
Non current liabilities			
Bank loans	21	(5.0)	–
Retirement benefit obligation	23	(16.3)	(10.9)
		(21.3)	(10.9)
Total liabilities		(53.9)	(34.1)
Net assets		15.0	21.0
Equity attributable to owners of the parent			
Share capital	19	4.1	4.1
Share premium	19	3.1	3.1
ESOT share reserve		(0.1)	–
Retained earnings		7.9	13.8
Total equity		15.0	21.0

The financial statements on pages 90 to 144 were approved by the Board of Directors on 24th March 2015 and were signed on its behalf by

David Henderson
Director

Mark Lawrence
Director

Registered number: 119351

Consolidated statement of cash flows

for the year ended 31st December 2014

	Notes	2014 £m	2013 £m
Net cash generated from / (used in) operating activities	20	5.0	(2.6)
Investing activities			
Interest received		0.1	–
Purchase of property, plant and equipment		(0.5)	(0.4)
Receipts on disposal of property, plant and equipment		0.9	0.1
Net cash outflow on acquisitions of subsidiaries		–	(0.4)
Net cash generated from / (used in) investing activities		0.5	(0.7)
Financing activities			
Proceeds from bank borrowing	21	5.0	–
Equity dividends paid	19	(1.1)	(1.2)
Acquisition of shares by ESOT	19	(0.1)	–
Repayments of obligations under finance leases		–	(0.1)
Net cash generated from / (used in) financing activities		3.8	(1.3)
Net increase / (decrease) in cash and cash equivalents	20	9.3	(4.6)
Cash and cash equivalents at beginning of year	20	1.0	5.6
Cash and cash equivalents at end of year		10.3	1.0

Company statement of cash flows

for the year ended 31st December 2014

	Notes	2014 £m	2013 £m
Net cash (used in) / generated from operating activities	20	(0.5)	(3.5)
Investing activities			
Interest received		0.1	–
Purchase of property, plant and equipment		(0.1)	(0.1)
Dividends received from subsidiaries		2.4	2.4
Net cash outflow on investments in subsidiaries		–	(0.4)
Net cash generated from investing activities		2.4	1.9
Financing activities			
Proceeds from bank borrowing	21	5.0	–
Acquisition of shares by ESOT	19	(0.1)	–
Equity dividends paid	19	(1.1)	(1.2)
Net cash generated from / (used in) financing activities	20	3.8	(1.2)
Net increase / (decrease) in cash and cash equivalents	20	5.7	(2.8)
Cash and cash equivalents at beginning of year		0.5	3.3
Cash and cash equivalents at end of year		6.2	0.5

Consolidated statement of changes in equity

for the year ended 31st December 2014

	Attributable to owners of the parent					
	Share capital £m	Share premium £m	ESOT share reserve £m	Revaluation reserve £m	Retained earnings £m	Total £m
At 1st January 2013	4.1	3.1	–	0.8	16.1	24.1
Comprehensive income:						
Profit for the year	–	–	–	–	1.1	1.1
Other comprehensive income:						
Actuarial gain on retirement benefit obligation	–	–	–	–	1.2	1.2
Deferred income tax on actuarial gain on retirement benefit obligation	–	–	–	–	(0.3)	(0.3)
Effect of change in tax rate	–	–	–	–	(0.2)	(0.2)
Total other comprehensive income	–	–	–	–	0.7	0.7
Total comprehensive income	–	–	–	–	1.8	1.8
Transactions with owners						
Dividends paid	–	–	–	–	(1.2)	(1.2)
Total transactions with owners	–	–	–	–	(1.2)	(1.2)
At 31st December 2013	4.1	3.1	–	0.8	16.7	24.7
Comprehensive income:						
Loss for the year	–	–	–	–	(0.6)	(0.6)
Other comprehensive income						
Actuarial loss on retirement benefit obligation	–	–	–	–	(5.3)	(5.3)
Deferred income tax credit on actuarial loss on retirement benefit obligation	–	–	–	–	1.2	1.2
Effect of change in tax rate	–	–	–	–	(0.1)	(0.1)
Total other comprehensive expense	–	–	–	–	(4.2)	(4.2)
Total comprehensive expense	–	–	–	–	(4.8)	(4.8)
Transactions with owners						
Share based payment credit	–	–	–	–	0.2	0.2
Shares acquired by ESOT	–	–	(0.1)	–	–	(0.1)
Dividends paid	–	–	–	–	(1.1)	(1.1)
Total transactions with owners	–	–	(0.1)	–	(0.9)	(1.0)
At 31st December 2014	4.1	3.1	(0.1)	0.8	11.0	18.9

Company statement of changes in equity

for the year ended 31st December 2014

	Attributable to owners of the parent				
	Share capital **£m**	Share premium **£m**	ESOT share reserve **£m**	Retained earnings **£m**	Total **£m**
At 1st January 2013	4.1	3.1	–	12.3	19.5
Comprehensive income:					
Profit for the year	–	–	–	2.0	2.0
Other comprehensive income					
Actuarial gain on retirement benefit obligation	–	–	–	1.2	1.2
Deferred income tax on actuarial gain on retirement benefit obligation	–	–	–	(0.3)	(0.3)
Effect of charge in tax rate	–	–	–	(0.2)	(0.2)
Total other comprehensive income	–	–	–	0.7	0.7
Total comprehensive income	–	–	–	2.7	2.7
Transactions with owners					
Dividends paid	–	–	–	(1.2)	(1.2)
Total transactions with owners	–	–	–	(1.2)	(1.2)
At 31st December 2013	4.1	3.1	–	13.8	21.0
Comprehensive income:					
Loss for the year	–	–	–	(0.8)	(0.8)
Other comprehensive expense					
Actuarial loss on retirement benefit obligation	–	–	–	(5.3)	(5.3)
Deferred income tax credit on actuarial loss on retirement benefit obligation	–	–	–	1.2	1.2
Effect of change in tax rate	–	–	–	(0.1)	(0.1)
Total other comprehensive expense	–	–	–	(4.2)	(4.2)
Total comprehensive expense	–	–	–	(5.0)	(5.0)
Transactions with owners					
Share based payment credit	–	–	–	0.2	0.2
Share acquired by ESOT	–	–	(0.1)	–	(0.1)
Dividends paid	–	–	–	(1.1)	(1.1)
Total transactions with owners	–	–	(0.1)	(0.9)	(1.0)
At 31st December 2014	4.1	3.1	(0.1)	7.9	15.0

Notes to the financial statements

for the year ended 31st December 2014

Note 1 – General information

TClarke plc is a public limited company listed on The London Stock Exchange, incorporated and domiciled in the United Kingdom. The address of its registered office and principal place of business is disclosed in the Directors' report on page 59. The nature of the group's operations and its principal activities are described in Note 5 and in the Strategic report on pages 2 to 57.

Note 2 – Application of new and revised IFRSs

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

The following standards, interpretations and amended standards have been applied for the first time for the financial year beginning 1st January 2014.

IFRS 10 'Consolidated financial statements'

IFRS 10 'Consolidated financial statements' built on existing guidance concerning the concept of 'control' and clarified that 'control' was the deciding factor in determining whether an entity should be included in the consolidated financial statements or not. The application of this standard has not had a significant impact on the group's consolidated financial statements.

IAS 36 – Recoverable Amount Disclosures – Amendments to IAS 36

The group has applied the amendments to IAS36 – 'Recoverable Amount Disclosures for Non-Financial Assets' for the first time in the current financial year. The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit ('CGU') to which goodwill or other indefinite life intangible assets had been allocated where there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by IFRS 13 'Fair Value Measurements'.

The application of these amendments has had no material impact on the disclosures in the group's consolidated financial statements.

Amendments to IAS 32 'Offsetting Financial Assets and Liabilities'

The group has applied the amendments to IAS 32' Offsetting Financial Assets and Liabilities' for the first time in the current financial year. The amendments to IAS 32 clarify the requirements relating to the offsetting of financial assets and financial liabilities. Specifically the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The amendments have been applied retrospectively. The group has assessed whether certain of its financial assets and financial liabilities qualify for offset based on the criteria set out in the amendments and have concluded that the application of the amendments has had no impact on the amounts recognised in the group's consolidated financial statements.

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

IFRS9 'Financial Instruments'

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

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

Note 2 – Application of new and revised IFRSs continued

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

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2015 and will become mandatory with effect from accounting periods beginning on or after 1st January 2017, with early adoption permitted. IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supercede the current revenue recognition guidance including IAS 18 'Revenue', IAS11 'Construction contracts' and the related interpretations when it becomes effective. The core principle of IFRS15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under IFRS 15 an entity recognises revenue when, or as, a performance obligation is satisfied, that is when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. The group is still assessing the impact of IFRS 15, which as a minimum is likely to have significant disclosure implications, and intends to adopt the new standard no later than the accounting period beginning 1st January 2017.

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

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

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

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

Annual improvements IFRSs

The annual improvements programme undertaken by the International Accounting Standards Board covers a number of amendments to various IFRS's, including amendments to various definitions in IFRS 2 'Share based payments', amendments to IFRS 3 'Business combinations' regarding the measurement of contingent consideration, and amendments to IFRS 8 'Operating segments' regarding the aggregation criteria for operating segments, none of which are expected to have a significant impact on the group's consolidated financial statements.

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

Note 3 – Accounting policies

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

A. Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), IFRS IC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRS and have been prepared on a going concern basis under the historic cost convention as modified by the revaluation of land and buildings. They comprise the parent company financial statements of TClarke plc and the consolidated financial statements of TClarke plc and all its subsidiaries made up to 31st December 2014 and have been presented in £m.

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

Going concern

The group had positive net cash balances at the year end and has in place a three year £5 million committed Revolving Credit Facility, which was fully drawn down, and an £8 million overdraft facility. For details of the covenants in place refer to Note 21 on page 132 The group draws on the overdraft facility as and when required to meet working capital requirements. As with all such facilities the overdraft is subject to annual review and is repayable on demand. The overdraft facility was last reviewed in February 2014. The directors have received confirmation from the bank that they know of no reason why the overdraft facility will not be renewed when it next falls due for review. There is no other external debt apart from finance lease and hire purchase contracts.

After making appropriate enquiries the directors are satisfied that the company and group have adequate resources to continue their operations for 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 when the company has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee, and has the ability to use its power to affect its returns.

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

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

C. Employee Share Ownership Trust (ESOT)

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

D. Segmental reporting

Operating divisions are reported in a manner consistent

Note 3 – Accounting policies continued

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

E. Revenue recognition
Sales revenue is measured at the fair value of work performed and goods and services provided in the normal course of business, net of discounts and VAT. Revenue from construction contracts is recognised in accordance with the group's policy on construction contracts (see Note 3F). Revenue from the rendering of services that do not fall to be accounted for as construction contracts is accounted for by reference to the stage of completion of the relevant contract, determined by reference to the proportion of costs incurred. Revenue from the sale of materials and finished goods is recognised when the group has transferred the significant risks and rewards of ownership to the buyer and it is probable that the group will receive payment. These criteria are considered to be met when the materials or goods have been delivered to and accepted by the buyer.

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

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

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

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

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

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

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

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

When the consideration transferred by the group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination.

Note 3 – Accounting policies continued

Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill.

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

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

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

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

H. Impairment of goodwill and other non-financial assets

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

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

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

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

I. Intangible assets

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

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

Note 3 – Accounting policies continued

J. Property, plant and equipment

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

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

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

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

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

- Freehold properties 2%
- Plant and machinery 10%-25%
- Improvements to property:
  - Freehold 10%
  - Leasehold 10% or life of lease if shorter
- Motor vehicles 25%-33%

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

K. Investments

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

L. Inventories

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

M. Leasing and hire purchase commitments

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

Assets held under finance leases are initially recognised as assets of the group at their fair value at the inception

Note 3 – Accounting policies continued

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

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

N. Financial instruments

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

Trade and other receivables

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

Bank deposits

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

Cash and cash equivalents

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

Bank loans

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

Trade and other payables

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

Note 3 – Accounting policies continued

O. Taxation

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

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

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

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

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

P. Borrowings

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

Q. Borrowing costs

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

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

R. Dividends

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

S. Retirement benefit costs

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

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

Note 3 – Accounting policies continued

Past service cost is recognised immediately in the income statement.

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

T. Long-term employee benefits

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

U. Share-based payments

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

V. Non-recurring items

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

Note 4 - Significant judgements and sources of estimation uncertainty

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

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

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

Revenue and margin

The recognition of revenue and profit on construction contracts is a key source of estimation uncertainty due to the difficulty of forecasting the final costs to be incurred on a contract in progress and the process whereby applications are made during the course of the contract with variations, which can be significant, often being agreed as part of the final account negotiation. The group's policies for the recognition of revenue and profit on construction contracts are set out on page 100. The directors also take into account the recoverability of contract balances and trade receivables and allowances are made for those balances which are considered to be impaired.

Non-underlying items

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

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, which are largely dependent on factors outside the control of the group. Details of the key assumptions are set out in Note 23, and include the discount rate, expected return on assets, rate of inflation and mortality rates. The group takes advice from independent actuaries relating to the appropriateness of the assumptions. Changes in the assumptions used may have a significant effect on the income statement, statement of comprehensive income and the statement of financial position. A sensitivity analysis is included in Note 23 on page 133.

Note 5 - Segment information

A. Reportable segments

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

For management and internal reporting purposes the group is organised geographically into three regional divisions; the South, the North and Scotland, and an internal property division reporting to the Chief Executive, who is the chief operating decision maker. The measurement basis used to assess the performance of the divisions is underlying profit from operations, stated before amortisation of intangible assets and non-recurring costs. Non-recurring items for each segment are disclosed on pages 108 and 109 and in Note 7.

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

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

Note 5 - Segment information continued

B. Segment information - current year

31st December 2014	South **£m**	North **£m**	Scotland **£m**	Property **£m**	Unallocated & elimination **£m**	Total **£m**
Total revenue	167.8	43.4	18.3	–	–	229.5
Inter segment revenue	(0.2)	–	(1.8)	–	–	(2.0)
Revenue from external operations	**167.6**	**43.4**	**16.5**	–	–	**227.5**
Underlying (loss) / profit from operations	(1.1)	1.6	0.6	0.3	–	1.4
Amortisation of intangibles	–	(0.2)	–	–	–	(0.2)
Non-recurring costs:						
Exceptional claim settlement cost	(1.1)	–	(0.1)	–	–	(1.2)
(Loss) / profit from operations	**(2.2)**	**1.4**	**0.5**	**0.3**	–	–
Finance income	0.1	0.1	–	–	(0.1)	0.1
Finance costs	(0.9)	–	–	–	0.1	(0.8)
(Loss) / profit before tax	**(3.0)**	**1.5**	**0.5**	**0.3**	–	**(0.7)**
Taxation expense						0.1
Loss for the year from continuing operations						**(0.6)**
Other segment information:						
Depreciation	0.4	0.1	–	0.1	–	0.6
Bad debt expense	0.3	0.2	–	–	–	0.5
Additions to non-current assets:						
Property, plant and equipment	0.3	0.1	–	0.1	–	0.5
Assets	70.4	22.7	7.9	4.1	(1.9)	103.2
Liabilities	(57.8)	(11.2)	(4.1)	(0.9)	(10.3)	(84.3)
Net assets / (liabilities)	**12.6**	**11.5**	**3.8**	**3.2**	**(12.2)**	**18.9**

Note 5 - Segment information continued

C. Segment information - prior year

31st December 2013	South **£m**	North **£m**	Scotland **£m**	Property **£m**	Unallocated & elimination **£m**	Total **£m**
Total revenue	172.6	37.9	13.6	–	–	224.1
Inter segment revenue	(0.4)	(6.5)	(0.1)	–	–	(7.0)
Revenue from external operations	172.2	31.4	13.5	–	–	217.1
Underlying profit from operations	1.0	1.8	0.2	0.2	–	3.2
Amortisation of intangibles	–	(0.3)	–	–	–	(0.3)
Non-recurring costs:						
Exceptional claim settlement cost	(0.5)	–	(0.1)	–	–	(0.6)
Profit from operations	0.5	1.5	0.1	0.2	–	2.3
Finance income	–	0.1	–	–	(0.1)	–
Finance costs	(0.7)	–	–	–	0.1	(0.6)
(Loss) / profit before tax	(0.2)	1.6	0.1	0.2	–	1.7
Taxation expense						(0.6)
Profit for the year from continuing operations						1.1
Other segment information:						
Depreciation	0.3	0.2	–	0.1	–	0.6
Bad debt expense	0.1	0.1	–	–	–	0.2
Additions to non-current assets:						
Property, plant and equipment	0.2	0.2	–	–	–	0.4
Assets	60.2	19.0	8.2	4.2	(3.1)	88.5
Liabilities	(43.1)	(8.9)	(4.4)	(1.3)	(6.1)	(63.8)
Net assets / (liabilities)	17.1	10.1	3.8	2.9	(9.2)	24.7

Note 5 - Segment information continued

D. Revenue	2014 £m	2013 £m
Total revenue comprises:		
Sales revenue		
Construction contracts	203.7	190.1
Other services	23.8	27.0
	227.5	217.1
Operating income:		
Rent	0.1	0.1

E. Information about major customers

Revenue for the year ended 31st December 2013 included £40m which arose from sales to a single customer. No other single customer contributed 10% or more of the group's revenue for either 2014 or 2013.

Note 6 – Finance income and finance cost

Finance income	2014 £m	2013 £m
Interest on bank deposits	0.1	–
Finance cost		
Interest on bank overdrafts and loans	(0.3)	(0.1)
Interest cost in respect of defined benefit pension scheme	(0.5)	(0.5)
	(0.8)	(0.6)
Net total of finance income and finance cost	(0.7)	(0.6)

Note 7 – Profit from operations

A. Operating profit is stated after charging / (crediting):	2014 **£m**	2013 **£m**
Amortisation of intangible assets	0.2	0.3
Non-recurring costs (see Note B below)	1.2	0.6
Depreciation of property, plant and equipment	0.6	0.6
Profit on disposal of property, plant and equipment	(0.2)	(0.1)
Operating lease charges		
– land and buildings	0.4	0.4
– plant, machinery and vehicles	0.5	0.3
Raw materials and consumables	62.1	58.0
Rent receivable	(0.1)	(0.1)
Bad debt expense	0.5	0.2
Auditors' remuneration – statutory audit fee		
– Company and consolidation	0.1	0.1
– Subsidiary companies	0.1	0.1
Auditors' remuneration – non-audit fees	–	–
Employee benefit expense (see Note 8)	56.3	51.9

B. Non-recurring costs comprise:	2014 **£m**	2013 **£m**
Exceptional claim settlement costs	1.2	0.6

A subsidiary company was one of a number of parties that were subject to a substantial damages claim in respect of work carried out in 2007 before it was acquired by the group. Damages were awarded against the company, which were settled by the company's insurers. However, following an unsuccessful appeal the apportionment of costs exceeded the insurance cover in place. The company entered into constructive dialogue with the other parties to the claim, which resulted in a negotiated settlement. The total cost to the group, including costs, was £0.7m.

In 2013 the company settled a sub-contractor claim against the group for work carried out in previous years, resulting in a cost to the group of £0.5m. Further costs amounting to £0.4 m have been incurred during 2014 in seeking to reach a settlement of costs and interest in respect of this claim, and a potential counter claim by the company against the subcontractor. Proceedings are ongoing in this matter, however the directors do not believe there will be any significant additional costs to the group.

A subcontractor has over a period of time brought a number of adjudication claims against a subsidiary in respect of a single contract. The company has been successful so far in defending these claims, but has incurred costs of £0.1m (2013: £0.1m) in doing so.

Note 8 – Employees

	2014 **£m**	2013 **£m**
Staff costs		
Staff costs during the year were as follows:		
Wages and salaries	49.4	45.6
Share awards and options granted to directors and employees (see Note 19)	0.2	–
Termination costs	0.1	0.3
Social security costs	5.3	5.0
Other pension costs	1.3	1.0
	56.3	51.9
Average number of employees:		
– staff (including directors)	365	292
– operatives	872	908
	1,237	1,200

Note 9 – Taxation

Taxation expense	2014 £m	2013 £m
Current tax (credit) / expense		
UK corporation tax payable on profits for the year	(0.1)	0.6
Adjustment for under provision in prior years	–	0.1
	(0.1)	0.7
Deferred tax expense		
Arising on:		
Origination and reversal of temporary differences	–	(0.1)
	–	(0.1)
Total income tax expense	(0.1)	0.6
Reconciliation of tax charge		
(Loss) /profit before taxation for the year from continuing operations	(0.7)	1.7
Tax at standard UK tax rate of 21.5% (2013: 23.25%)	(0.1)	0.4
Tax effect of:		
Permanently disallowable items	–	0.1
Adjustment for under provision in prior years	–	0.1
	(0.1)	0.6

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

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

Note 10 – (Loss) / earnings per share

A. Basic (loss) / earnings per share

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

	2014 **£m**	2013 **£m**
(Loss) / earnings:		
(Loss) / profit attributable to owners of the company	(0.6)	1.1
Weighted average number of ordinary shares in issue (000s)	41,402	41,402

B. Diluted earnings per share

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

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

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

	2014 **£m**	2013 **£m**
(Loss) / earnings:		
(Loss) / profit attributable to owners of the company	(0.6)	1.1
Weighted average number of ordinary shares in issue (000s)	41,402	41,402
Adjustments:		
- Savings Related Share Option Schemes (000s)		535
- Equity Incentive Plan		
Conditional share awards (000s)		833
Options (000s)		41
Weighted average number of ordinary shares for diluted earnings per share (000s)		42,811

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 and non-recurring items and the tax effect of these items, divided by the weighted average number of shares in issue. Underlying earnings is the basis on which the performance of the operating divisions of the business is measured.

	2014 **£m**	2013 **£m**
(Loss) / profit from continuing operations attributable to owners of the company	(0.6)	1.1
Adjustments:		
Amortisation of intangible assets	0.2	0.3
Non-recurring costs:		
Exceptional claim settlement costs	1.2	0.6
Tax effect of adjustments	(0.3)	(0.2)
Underlying profit from continuing operations	0.5	1.8
Weighted average number of ordinary shares in issue (000s)	41,402	41,402
Adjustments:		
- Savings Related Share Option Schemes (000s)	825	535
- Equity Incentive Plan:		
Conditional share awards (000s)	968	833
Options (000s)	71	41
Weighted average number of ordinary shares for diluted earnings per share (000s)	43,266	42,811
Underlying earnings per share	1.06p	4.14p
Diluted underlying earnings per share	1.01p	4.00p

Note 11 – Intangible assets

	Goodwill £m	Other intangible assets £m	Total £m
Cost:			
At 1st January 2013, 31st December 2013 and 31st December 2014	24.2	2.9	27.1
Impairment and amortisation:			
At 1st January 2013	2.2	1.2	3.4
Amortisation	–	0.3	0.3
At 31st December 2013	2.2	1.5	3.7
Amortisation	–	0.2	0.2
At 31st December 2014	2.2	1.7	3.9
Net book value:			
1st January 2013	22.0	2.0	24.0
31st December 2013	22.0	1.4	23.4
31st December 2014	22.0	1.2	23.2

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

The significant elements of goodwill at 31st December 2014 are as follows:	Operating segment	£m
TClarke Midlands	South	5.8
TClarke Scotland	Scotland	3.0
TClarke North West	North	2.7
TClarke London	South	2.4
DG Robson Mechanical Services	South	2.3
TClarke East	South	2.0
Waldon Electrical Contractors	South	1.3
TClarke Leeds	North	1.2
Veale-Nixon	North	0.9
TClarke South East	South	0.4
		22.0

Note 11 – Intangible assets continued

Value in use

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

Value in use has been calculated using budgets and forecasts approved by the Board covering the period 2015 to 2017, which take into account secured orders, business plans and management actions. The results of period subsequent to 2017 have been projected using 2017 forecasts with no growth assumed. The extrapolated cash flow projections have been discounted using a pre-tax discount rate derived from the company's cost of capital.

Assumptions

The key assumptions to which the assessment of the recoverable amounts of CGUs are sensitive are the projected revenue and operating margin to 2017 and beyond, and the discount rate applied. The range of these assumptions applied to the CGUs is as follows:

	2014	2013
Pre-tax discount rate	13.21%	11.69%
Average annual revenue growth 2015 - 2017		
South	14.9%	11.2%
North	5.4%	9.1%
Scotland	7.6%	17.4%
Average operating margins 2015 - 2017		
South	1.0%-3.3%	1.4%-2.8%
North	4.2%-4.5%	3.8%-4.2%
Scotland	2.9%-3.6%	3.1%-3.4%
Average operating margins beyond 2017		
South	3.3%	2.8%
North	4.5%	4.2%
Scotland	3.6%	3.4%

Note 11 – Intangible assets continued

Sensitivities

Waldon Electrical Contractors and TClarke South-East are considered to be the CGUs most vulnerable to impairment due to recent losses. The key assumptions used in respect of these CGUs are as follows:

	Waldon Electrical Contractors	TClarke South East
Pre-tax discount rate	13.21%	13.21%
Annual revenue growth 2015 - 2017	8.8%	19.9%[1]
Average operating margins 2015 - 2017	1.9%	3.5%
Operating margins beyond 2017	3.7%	4.2%

[1] Based on actual 2014 revenue, which was significantly below previous years. Based on current order book and opportunities, management expect revenue to return to more normal levels.

Annual revenue growth and operating margin assumptions are supported by an analysis of the secured order book and opportunities identified by these CGUs, with TClarke South East having secured 79% of its forecast revenue and Waldon Electrical Contractors 78% of its forecast revenue for 2015.

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

	Waldon Electrical Contractors	TClarke South East
Percentage point increase in pre-tax discount rate	11.5%	18.2%
Decrease in operating profit	51.6%	61.9%

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

At 31st December 2014, based on these valuations, no increase in the impairment provision was required against the carrying value of goodwill (2013: £nil).

Note 12 – Property, plant and equipment

GROUP	Freehold properties £m	Leasehold improvements £m	Plant, machinery and vehicles £m	Total £m
Cost or valuation				
At 1st January 2013	4.4	0.4	4.1	8.9
Additions	–	–	0.4	0.4
Disposals	–	–	(0.4)	(0.4)
At 31st December 2013	4.4	0.4	4.1	8.9
Additions	–	0.2	0.3	0.5
Disposals	(0.5)	–	(1.0)	(1.5)
At 31st December 2014	3.9	0.6	3.4	7.9
Accumulated depreciation and impairment				
At 1st January 2013	0.1	0.1	2.8	3.0
Charge for the year	0.1	0.1	0.4	0.6
Disposals	–	–	(0.4)	(0.4)
At 31st December 2013	0.2	0.2	2.8	3.2
Charge for the year	0.1	0.1	0.4	0.6
Disposals	(0.1)	–	(0.8)	(0.9)
At 31st December 2014	0.2	0.3	2.4	2.9
Net book value at 1st January 2013	4.3	0.3	1.3	5.9
Net book value at 31st December 2013	4.2	0.2	1.3	5.7
Net book value at 31st December 2014	3.7	0.3	1.0	5.0

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 £2.7m (2013: £3.2m).

The net book value of group plant, machinery and vehicles includes £0.1m (2013: £0.1m) in respect of assets held under finance leases and hire purchase contracts. Depreciation of £0.1m (2013: £0.1m) was charged on these assets during the year.

The group has granted a charge in favour of the TClarke Group Retirement and Death Benefits Scheme over a number of properties occupied by the group, to secure the future pension obligations of the scheme. The book and fair value of the properties at 31st December 2014 was £2.9m (2013: £3.1m).

Note 12 – Property, plant and equipment continued

COMPANY	Leasehold improvements £m	Plant, machinery and vehicles £m	Total £m
Cost			
At 1st January 2013	0.4	0.5	0.9
Additions	–	0.1	0.1
At 31st December 2013	0.4	0.6	1.0
Additions	–	0.1	0.1
At 31st December 2014	0.4	0.7	1.1
Accumulated depreciation and impairment			
At 1st January 2013	0.1	0.4	0.5
Charge for the year	0.1	0.1	0.2
At 31st December 2013	0.2	0.5	0.7
Charge for the year	–	0.1	0.1
At 31st December 2014	0.2	0.6	0.8
Net book value at 1st January 2013	0.3	0.1	0.4
Net book value at 31st December 2013	0.2	0.1	0.3
Net book value at 31st December 2014	0.2	0.1	0.3

Note 13 – Investments

COMPANY	2014 **£m**	2013 **£m**
Investments in subsidiaries comprise:		
Cost:		
At 1st January and 31st December	41.4	41.4
Impairment:		
At 1st January and 31st December	9.0	9.0
Net book value:		
At 1st January	32.4	32.4
At 31st December	32.4	32.4

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

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

Note 14 – Inventories

GROUP	2014 £m	2013 £m
Raw materials	0.4	0.4

Note 15 – Construction contracts

	GROUP		COMPANY	
	2014 £m	2013 £m	2014 £m	2013 £m
Contract work in progress comprises:				
Contract costs incurred plus recognised profits				
less recognised losses to date	147.7	169.4	73.5	91.6
Less: progress payments	(123.9)	(146.5)	(60.8)	(81.4)
	23.8	22.9	12.7	10.2
Contracts in progress at the reporting date:				
Gross amounts due from customers	26.7	25.2	13.4	10.8
Gross amounts due to customers	(2.9)	(2.3)	(0.7)	(0.6)
	23.8	22.9	12.7	10.2

At 31st December 2014 retentions held by customers of the group for contract work amounted to £10.6m (2013: £9.6m) and retentions held by customers of the company for contract work amounted to £3.7m (2013: £3.5m). These amounts are included in trade receivables (see Note 16).

Advances received from customers for contract work amounted to £nil (2013: £nil).

Note 16 – Trade and other receivables

	GROUP		COMPANY	
	2014 £m	2013 £m	2014 £m	2013 £m
Trade receivables - gross	23.8	20.7	6.9	4.7
Trade receivables - allowances for credit losses	(0.9)	(0.7)	–	–
Net trade receivables	22.9	20.0	6.9	4.7
Owed by group companies	–	–	2.3	2.3
Other receivables	0.2	0.5	0.5	0.2
Accrued income	9.2	8.7	2.3	0.9
Prepayments	2.4	1.8	0.7	0.6
	34.7	31.0	12.7	8.7
Movements in allowances for credit losses are as follows:				
At 1st January	(0.7)	(0.6)	–	–
Charged in year	(0.6)	(0.3)	–	–
Recovered in year	0.1	0.1	–	–
Written off in year	0.3	0.1	–	–
At 31st December	(0.9)	(0.7)	–	–
Trade receivables (including retentions) are due as follows:				
Due within 3 months	11.8	9.8	3.5	2.4
Due in 3 to 6 months	1.6	2.8	0.9	0.7
Due in 6 to 12 months	2.4	1.1	0.7	0.1
Due after more than one year	3.2	3.3	1.5	1.4
Overdue	4.8	3.7	0.3	0.1
	23.8	20.7	6.9	4.7
The ageing of trade receivables past due but not impaired is as follows:				
Less than 30 days	1.4	0.8	–	–
31-60 days	0.8	0.7	0.1	–
61-120 days	0.6	0.4	–	–
Greater than 120 days	1.1	1.1	0.2	0.1
	3.9	3.0	0.3	0.1

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

Note 17 – Trade and other payables

	GROUP		COMPANY	
	2014 **£m**	2013 **£m**	2014 **£m**	2013 **£m**
Current:				
Trade payables	40.4	35.1	13.5	12.8
Owed to group companies	–	–	5.4	4.2
Other taxation and social security payable	5.7	4.4	1.5	1.0
Accruals	12.4	9.1	11.5	4.5
Deferred income	0.8	1.3	–	–
Other payables	0.3	0.5	–	0.1
	59.6	50.4	31.9	22.6
Non-current:				
Other payables	0.3	–	–	–
Trade payables payments terms are as follows:				
30 days or less	22.8	17.5	6.9	6.2
31-60 days	13.7	13.3	4.5	4.6
Greater than 60 days	3.9	4.3	2.1	2.0
	40.4	35.1	13.5	12.8

Note 18 – Deferred taxation

GROUP	Revaluations £m	Retirement benefit obligation £m	Accelerated capital allowances £m	Other £m	Total £m
Asset at 1st January 2013	(0.2)	2.7	0.1	(0.4)	2.2
(Charge) / credit to income	–	–	(0.1)	0.2	0.1
Charged to other comprehensive income	–	(0.5)	–	–	(0.5)
Asset at 31st December 2013	(0.2)	2.2	–	(0.2)	1.8
Credited to other comprehensive income	–	1.1	–	–	1.1
Asset at 31st December 2014	(0.2)	3.3	–	(0.2)	2.9

The amount of deferred tax recoverable within one year is insignificant. Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes.

	2014 £m	2013 £m
Deferred tax liabilities	(0.4)	(0.4)
Deferred tax assets	3.3	2.2
	2.9	1.8

COMPANY	Retirement benefit obligation £m	Total £m
Asset at 1st January 2013	2.7	2.7
Charged to other comprehensive income	(0.5)	(0.5)
Asset at 31st December 2013	2.2	2.2
Credited to other comprehensive income	1.1	1.1
Asset at 31st December 2014	3.3	3.3

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.
ESOT share reserve	Acquires and holds shares in the company to be issued to employees in settlement of options exercised and conditional share awards under the group's employee share schemes.
Revaluation reserve above depreciated cost	Cumulative gains recognised on revaluation of land and buildings
Retained earnings	Cumulative net gains and losses recognised in the income statement and the statement of comprehensive income to the extent not distributed by way of dividends.

B. Share capital and premium	Number of shares	Ordinary shares **£m**
Authorised:		
Ordinary share of 10p each:		
At 1st January 2013, 31st December 2013 and 31st December 2014	50,000,000	5.0

Allotted, called up and fully paid:	Number of shares	Ordinary shares **£m**	Share premium **£m**
At 1st January 2013, 31st December 2013 and 31st December 2014	41,401,670	4.1	3.1

All shares rank equally in respect of shareholder rights.

Changes in the number of allotted, called up and fully paid ordinary shares of 10p each since 31st December 2014 are disclosed on page 127.

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	1,246,950	8/11/11	01/01/15 to 30/06/15	40.00p	13.00p
2012 SAYE	753,857	12/10/12	01/01/16 to 30/06/16	42.00p	8.90p
2013 SAYE	481,267	11/10/13	01/01/17 to 30/06/17	54.00p	18.55p

The SAYE scheme was approved by HM Revenue and Customs on 14th July 2011. In accordance with the scheme rules all employees of the group with at least six months continuous service were eligible to participate in the scheme, the only vesting condition being that the individual remains an employee of the group over the savings period. The impact of recognising the fair value of employee share option plan grants as an expense under IFRS2 is £0.1m for the year ended 31st December 2014 (2013: £nil). The scheme is open to all eligible employees including the executive directors. Under the rules of the scheme all participating employees have entered into an approved Save As You Earn contract ('SAYE contract') under which the employee agrees to make monthly contributions of between £5 and £75 per month in respect of the 2011 scheme and between £5 and £150 in respect of the 2012 and 2013 schemes for a period of three years, at the end of which the employee may use part or all of the proceeds to acquire the shares under option. Options will be exercisable within a period of six months commencing on the date of maturity of the participants SAYE contract. No options were granted during the year under the SAYE scheme.

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:

	2014 Number	2014 Weighted average exercise price (p)	2013 Number	2013 Weighted average exercise price (p)
At 1st January	2,615,803	43.28	2,256,370	41.84
Granted	–	–	498,381	54.00
Exercised	–	–	(3,940)	40.10
Forfeited	(133,729)	42.45	(135,008)	40.73
At 31st December	2,482,074	43.32	2,615,803	43.28

The weighted average remaining contractual life of the options at 31st December 2014 was 252 days (2013: 615 days).

No options were exercisable at 31st December 2014 (2013: nil).

On 1st January 2015, 1,246,950 options granted under the SAYE Scheme became exercisable at an exercise price of 40p per 10p ordinary share. Options exercised to date have been satisfied by a combination of shares held in treasury by the Employee Share Ownership Trust and the issue of 427,897 new 10p ordinary shares.

The total issued share capital of the company at the date of this report comprises 41,829,577 10p ordinary shares.

Note 19 – Capital and reserves continued

D. Equity Incentive Plan ('the Plan')

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

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

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

	Conditional shares	Conditional options	Conditional shares	Conditional options	Conditional shares
Date of grant	01/05/2012	01/05/2012	30/04/2013	30/04/2013	29/04/2014
Number of awards	345,000	177,000	345,000	177,000	255,000
Share price at grant	50.25p	50.25p	52.00p	52.00p	82.00p
Exercise price	nil	50.25p	nil	52.00p	nil
Option life	3 years	3 years	3 years	3 years	3 years

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

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

The charge to the income statement takes into account the number of shares and options that are expected to vest. The impact of recognising the fair value of Equity Incentive Plan grants as an expense under IFRS2 is £0.1m for the year ended 31st December 2014 (2013: £nil).

Note 19 – Capital and reserves continued

E. Company income statement

The company has taken advantage of the exemption conferred by section 408 of the Companies Act 2006 from presenting its own income statement. A loss after taxation amounting to £0.8m (2013: profit £2.0m) has been included in the financial statements of the holding company.

F. Dividends paid	2014 **£m**	2013 **£m**
Final dividend of 2.10p (2013: 2.00p) per ordinary share proposed and paid during the year relating to the previous year's results	0.9	0.8
Interim dividend of 0.50p (2013: 1.00p) per ordinary share paid during the year	0.2	0.4
	1.1	1.2

The directors are proposing a final dividend of 2.60p (2013: 2.10p) per ordinary share totalling £1.1m (2013: £0.9m). This dividend has not been accrued at the reporting date.

Note 20 – Notes to the statement of cash flows

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

GROUP	2014 £m	2013 £m
Profit from operations:		
Continuing operations	–	2.3
Depreciation charges	0.6	0.6
Profit on sale of property, plant and equipment	(0.2)	–
Equity settled share based payment expense	0.2	–
Amortisation	0.2	0.3
Defined benefit pension scheme credit	(0.4)	(0.3)
Operating cash flows before movements in working capital	0.4	2.9
Increase in inventories	–	(0.1)
Increase in contract balances	(0.9)	(13.1)
(Increase) / decrease in trade and other receivables	(3.7)	5.0
Increase in trade and other payables	9.5	3.6
Cash generated by / (used in) operations	5.3	(1.7)
Corporation tax paid	–	(0.8)
Interest paid	(0.3)	(0.1)
Net cash generated by / (used in) operating activities	5.0	(2.6)

COMPANY		
Loss / (profit) from operations:		
Continuing operations	(3.0)	–
Equity settled share based payment expense	0.2	–
Depreciation charges	0.1	0.2
Defined benefit pension scheme credit	(0.4)	(0.3)
Operating cash flows before movements in working capital	(3.1)	(0.1)
Increase in contract balances	(2.5)	(3.8)
(Increase) / decrease in trade and other receivables	(4.0)	4.6
Increase / (decrease) in trade and other payables	9.2	(4.9)
Cash used in operations	(0.4)	(4.2)
Corporation tax received	0.2	0.8
Interest paid	(0.3)	(0.1)
Net cash used in operating activities	(0.5)	(3.5)

Note 20 – Notes to the statement of cash flows continued

B. Cash and cash equivalents

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

	GROUP		COMPANY	
	2014 **£m**	2013 **£m**	2014 **£m**	2013 **£m**
Cash and cash equivalents	10.3	1.0	6.2	0.5

Note 21 – Bank overdrafts & loans

The group has an £8m overdraft facility with National Westminster Bank plc, renewable annually. Interest was charged at 2.75% above base rate on overdraft balances during the year ended 31st December 2014 (2013: 2.5%). All operating companies within the group are included within the facility, and cross guarantees and charges have been granted in favour of National Westminster Bank plc. At 31st December 2014 the group had unused overdraft facilities of £8m (2013: £8m). No value has been attributed to the guarantee contracts in the company's financial statements as the amount is considered to be negligible.

In February 2014 the group arranged a £5m committed three year Revolving Credit Facility (RCF) with National Westminster Bank plc ("the bank"). The RCF incurs interest at 3% above LIBOR on drawn balances and the company is charged a fee of 1.5% on all undrawn balances. The RCF includes financial covenants around interest cover and net leverage ratios which are tested quarterly.

The group was compliant with its obligations under the RCF at 31st December 2014, however the following breaches and potential breaches occurred during the year:

- During the year ended 31st December 2014 the group breached its obligations under the terms of the RCF by failing to notify the bank in a timely manner of an award of damages against the group. The group sought and obtained a waiver of this breach during the year.
- Also, following the settlement during the year of a contractual dispute in the group's Mission Critical division which resulted in the group recognising a significant loss on the contract concerned, the group informed the bank that it would be unable to meet the interest cover covenant at 31st December 2014 and requested in advance a waiver of this covenant. The terms of the RCF were subsequently varied before the year-end to remove the interest cover test for the quarter ended 31st December 2014, therefore no breach occurred.

Note 22 – Related party transactions

A. Directors remuneration	2014 **£m**	2013 **£m**
Salaries, fees and other short-term employee benefits	0.9	0.8
Post-employment benefits	0.1	0.1
Total	1.0	0.9

Further disclosures, including details of the highest paid director, are included in the Remuneration Report on pages 68 to 79.

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.

	2014 **£m**	2013 **£m**
Salaries, fees and other short term employee benefits	3.1	3.1
Termination benefits	0.1	0.1
Post-employment benefits	0.4	0.4
Total	3.6	3.6

C. Other transactions with key management

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

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

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

TClarke plc charged subsidiary companies £0.5m (2013: £0.5m) during the year for insurance services and £0.2m (2013: £0.2m) for IT services. Sales to other group companies of £nil (2013: £0.6m) and cost of sales from other group companies of £15.1m (2013: £10.9m) are included in the financial statements of the company.

Note 23 – Pension commitments

Defined contribution schemes

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

The total cost charged to income of £0.6m (2013: £0.5m) represents contributions payable to these schemes by the group at rates specified in the rules of the separate plans.

Defined benefit scheme

The group operates a funded defined benefit scheme for qualifying employees. The scheme is registered with HMRC and is administered by the trustees.

With effect from 1st March 2010 the benefit structure was altered from a final salary scheme with an accrual rate of 1/60th to a Career Average Revalued Earnings scheme with an accrual rate of 1/80th. No other post-retirement benefits are provided. The assets of the scheme are held separately from those of the participating companies.

The most recent triennial actuarial valuation of the scheme, carried out at 31st December 2012 by Mr J Seed, Fellow of the Institute of Actuaries, showed a deficit of £11.5m, which represented a funding level of 68%. The valuation was significantly impacted by the significant fall in bond yields over the period leading up to the date of the valuation, caused by macro-economic factors beyond the company’s control. A deficit reduction plan has been agreed with the Pension Regulator, which includes making additional contributions and providing security in the form of a contingent asset over the group’s property portfolio up to a combined value of £3.1m, with the aim of eliminating the deficit by 31st March 2029.

Employer contribution rates during the year ended 31st December 2014 were 18.0% (2013:16%). Future employer contributions rates have been agreed as follows:

	Current service contributions	Deficit reduction contributions	Total contributions
1st January 2015 to 31st December 2016	7.7%	13.0%	20.7%
1st January 2017 to 31st December 2019	7.7%	14.0%	21.7%
1st January 2020 to 31st March 2029	7.7%	15.0%	22.7%

Following further adverse movements in bond yields since the date of the triennial actuarial valuation, the group has taken action to close the defined benefit scheme to new members and is working with the trustees of the scheme and their advisers to mitigate the impact of the prolonged adverse economic conditions. The group continues to meet its ongoing funding obligations to the scheme.

Note 23 – Pension commitments

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

	2014 **%**	2013 **%**
Rate of increase in salaries	2.70	4.05
Rate of increase of pensions in payment	3.00	3.20
Discount rate	3.70	4.65
Inflation assumption	3.20	3.55

The mortality assumptions used in the IAS 19 valuation were:		2014 **Years**	2013 **Years**
Life expectancy at age 65 for current pensioners	- Men	23.7	23.6
	- Women	24.9	24.8
Life expectancy at age 65 for future pensioners (current age 45)	- Men	25.0	24.9
	- Women	26.4	26.4

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

	2014 **£m**	2013 **£m**
Present value of funded obligations	44.5	37.8
Fair value of plan assets	(28.2)	(26.9)
Deficit of funded plans	16.3	10.9

Note 23 – Pension commitments continued

The movement in the defined benefit obligation is as follows:	Present value of obligation	Fair value of plan assets	Total
At 1st January 2013	37.0	(25.1)	11.9
Current service cost	0.5	–	0.5
Interest expense	1.7	(1.2)	0.5
	2.2	(1.2)	1.0
Remeasurements:			
Return on plan assets excluding amounts included in interest expense	–	(0.4)	(0.4)
Loss from change in financial assumptions	1.7	–	1.7
Experience gains	(2.5)	–	(2.5)
	(0.8)	(0.4)	(1.2)
Contributions:			
- Employers	–	(0.8)	(0.8)
- Employees	0.4	(0.4)	–
Payment from plans:			
- Benefit payments	(1.0)	1.0	–
At 31st December 2013	37.8	(26.9)	10.9
Current service cost	0.6	–	0.6
Interest expense	1.7	(1.2)	0.5
	2.3	(1.2)	1.1
Remeasurements:			
Return on plan assets excluding amounts included in interest expense	–	(0.2)	(0.2)
Loss from change in financial assumptions	5.5	–	5.5
Experience (gains)/losses	–	–	–
	5.5	(0.2)	5.3
Contributions:			
- Employers	–	(1.0)	(1.0)
- Employees	0.4	(0.4)	–
Payment from plans:			
- Benefit payments	(1.5)	1.5	–
At 31st December 2014	44.5	(28.2)	16.3

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

Note 23 – Pension commitments continued

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

	2014				2013			
	Quoted **£m**	Unquoted **£m**	Total **£m**	**%**	Quoted **£m**	Unquoted **£m**	Total **£m**	**%**
Equities	17.0	–	17.0	60%	15.6	–	15.6	58%
UK quoted	4.6	–	4.6		5.9	–	5.9	
Overseas quoted	5.1	–	5.1		3.7	–	3.7	
Hedge funds	7.3	–	7.3		6.0	–	6.0	
Debt instruments	5.1	–	5.1	18%	6.6	–	6.6	25%
Fixed interest corporate bonds	4.2	–	4.2		5.9	–	5.9	
Inflation-linked bonds	0.3	–	0.3		0.1	–	0.1	
Government bonds	0.6	–	0.6		0.6	–	0.6	
Property	–	2.3	2.3	8%	–	1.3	1.3	5%
Cash	–	2.2	2.2	8%	–	1.7	1.7	6%
Insurance annuity contracts	–	1.6	1.6	6%	–	1.7	1.7	6%
Total	22.1	6.1	28.2	100%	22.2	4.7	26.9	100%

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

Asset volatility

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

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

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

Change in corporate bond yields

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

Note 23 – Pension commitments continued

Inflation risk

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

Life expectancy

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

Age profile

The weighted average duration of the unsecured liabilities is approximately 24 years.

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

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

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

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

Note 24 – Obligations under finance leases

	Minimum lease payment		Present value of minimum lease payment	
	2014 **£m**	2013 **£m**	2014 **£m**	2013 **£m**
Amounts payable under finance leases:				
Within one year	0.1	0.1	0.1	0.1
	0.1	0.1	0.1	0.1
Less: future finance charges	–	–	–	–
Present value of lease obligations	0.1	0.1	0.1	0.1

The average lease term is three to four years. For the year ended 31st December 2014 the average effective borrowing rate was 6% (2013: 6%). Interest rates are fixed at the contract dates. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

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

Note 25 – Operating lease obligations

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

GROUP	Land and buildings 2014 **£m**	Other operating leases 2014 **£m**	Land and buildings 2013 **£m**	Other operating leases 2013 **£m**
Within one year	0.4	1.1	0.4	0.9
In the second to fifth years inclusive	0.4	1.1	0.6	1.3
	0.8	2.2	1.0	2.2

COMPANY	Land and buildings 2014 **£m**	Other operating leases 2014 **£m**	Land and buildings 2013 **£m**	Other operating leases 2013 **£m**
Within one year	0.3	0.4	0.3	0.3
In the second to fifth years inclusive	0.2	0.3	0.5	0.4
	0.5	0.7	0.8	0.7

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; to maintain a strong financial position to support business development, tender qualification and procurement activities; and to maximise the overall return to shareholders over time. Dividends form an important part of the overall return to shareholders. The group is mindful of the need to ensure that the dividend is covered by earnings over the business cycle and paid out of cash reserves in order to secure the long-term interests of shareholders. The Board considers that it has sufficient capital to undertake its activities for the foreseeable future. The group's overall capital strategy remains unchanged from 2013.

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

The capital structure of the group at 31st December 2014 and 2013 was as follows:

	2014 **£m**	2013 **£m**
Cash and cash equivalents	10.3	1.0
Less total borrowings	(5.1)	(0.1)
Net funds	5.2	0.9
Total equity	18.9	24.7

Note 27 – Financial instruments continued

B. Financial assets and liabilities

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

Financial assets

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

	2014 **£m**	2013 **£m**
Cash and cash equivalents	10.3	1.0
Trade and other receivables excluding prepayments	32.3	29.2
Amounts due from customers under construction contracts	26.7	25.2
	69.3	55.4

Included in the above are £3.2 m (2013: £3.3m) trade and other receivables due after more than one year.

Financial liabilities – analysis of maturity dates

At 31st December 2014 the carrying value of the group's financial liabilities and the maturity profile of the associated contractual cash flows were as follows:

31st December 2014	Trade and other payables[1] **£m**	Amounts due to customers under construction contracts **£m**	Bank loans[2] **£m**	Obligations under finance leases **£m**	Total **£m**
Carrying value	53.4	2.9	5.0	0.1	61.4
Contractual cash flows:					
Less than one year	53.1	2.9	0.2	0.1	56.1
One to two years	0.2	-	0.2	-	0.2
Two to three years	0.1	-	5.2	-	5.1
Total	53.4	2.9	5.6	0.1	61.4
31st December 2013					
Carrying value	44.7	2.3	–	0.1	47.1
Contractual cash flows:					
Less than one year	44.7	2.3	–	0.1	47.1

[1] Trade and other payables exclude deferred income and other taxation and social security payable.
[2] Details of the group's bank facilities are given in Note 21 on page 132.

Note 27 – Financial instruments continued

C. Financial risk management

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

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

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

Credit risk

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

The carrying value of construction contracts, trade and other receivables and cash on deposit represents the group's maximum exposure to credit risk. There were no significant concentrations of credit risk at 31st December 2014.

Liquidity risk

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

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

Based on an interest rate of 3.5%, the effect of a delay / acceleration in the maturity of the group's trade receivables at the balance sheet date would be to decrease / increase profit by approximately £0.1 million (2013: £0.1 million) for each month of delay / acceleration, and the effect of a delay / acceleration in the maturity of the group's trade payables at the reporting date would be to increase / decrease profit by approximately £0.1 million (2013: £0.1 million) for each month of delay / acceleration.

Cash flow interest rate risk

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

The effect of each 1% increase in interest rates on the group's floating and short-term fixed rate cash, cash equivalents and bank overdrafts at the reporting date would be to increase profits by approximately £0.5 million (2013: £0.1 million) per annum. Details of the group's and the company's bank facilities are disclosed in Note 21.

Details of finance lease commitments are disclosed in Note 24.

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	Ordinary
TClarke (Midlands) Limited	Ordinary
TClarke North West Limited	Ordinary
TClarke (Scotland) Limited	Ordinary
TClarke South-East Limited	Ordinary
Veale-Nixon Limited	Ordinary
Waldon Electrical Contractors Limited	Ordinary

Property holding company	
Weylex Properties Limited	Ordinary

Note 29 – Post balance sheet events

Since 31st December 2014, 427,897 ordinary shares of 10p each have been issued in connection with the exercise of options under the TClarke plc Savings Related Share Option Scheme ("the Scheme"). Further details of the Scheme are given in Note 19 on pages 126 to 127.

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www.tclarke.co.uk

London
TClarke Head Office
Group Chief Executive
Mark Lawrence
45 Moorfields
London EC2Y 9AE
T: 020 7997 7400

London
DGR Mechanical
Managing Director
Danny Robson
45 Moorfields
London EC2Y 9AE
T: 020 7997 7550

Aberdeen
TClarke
Managing Director
Gary Jackson
Westpoint House
Prospect Road
Arnhall Business Park
Aberdeen AB32 6FE
T: 01224 729 800

Accrington
TClarke
Managing Director
Andy Smith
Junction 7 Business Park
Blackburn Road
Clayton-le-Moors
Accrington
Lancashire BB5 5JW
T: 01254 302 600

Bristol
TClarke
Managing Director
Ellis John
Unit No.1
Montpelier Business Park
Station Road
Montpelier
Bristol BS6 5EE
T: 01179 440 550

Cardiff
TClarke
Director
Mark Clark
10 Neptune Court
Ocean Way
Cardiff CF24 5PJ
T: 02920 570800

Colchester
TClarke
Director
Paul Barnes
Suite 2
The Commodity Centre
Great Braxted
Essex CM8 3EW
T: 020 3693 1776

Derby
TClarke
Managing Director
Kevin Bones
Windsor Court
Ascot Drive
Derby
Derbyshire DE24 8GZ
T: 01332 332 177

Falkirk
TClarke
Managing Director
Gary Jackson
6 Middlefield Road
Falkirk FK2 9AG
T: 01324 888 000

Harlow
DGR Mechanical
Managing Director
Richard Exell
Unit 14
Kingston Farm
Industrial Units
Harlow
Essex CM17 0RB
T: 01279 730 997

Huntingdon
TClarke
Managing Director
Ray White
Bicton Industrial Park
Kym Road
Kimbolton
Huntingdon
Cambridgeshire PE28 0LW
T: 01480 861 544

Leeds
TClarke
Managing Director
Kevin Mullen
Low Hall Road
Horsforth
Leeds
West Yorkshire LS18 4EF
T: 01132 586 711

Newcastle
Veale-Nixon
Managing Director
Kevin Mullen
Hunter House
17-19 Byron Street
Newcastle upon Tyne
NE2 1XH
T: 01912 612 727

Peterborough
TClarke
Managing Director
Kevin Bones
Fengate
Peterborough PE1 5XB
T: 01733 342 624

Plymouth
TClarke
Managing Director
Rob Faro
Falcon Business Centre
Falcon House
Eagle Road
Langage
Plymouth
Devon PL7 5JY
T: 01752 349 752

Sittingbourne
TClarke
Managing Director
Steve Goldsmith
Excelsior House
Ufton Lane
Sittingbourne
Kent ME10 1JA
T: 01795 427 181

St Austell
Waldon TClarke
Managing Director
Rob Faro
20 St Austell Business Park
Carclaze
St Austell
Cornwell PL25 4FP
T: 01726 656 35


ABB
K01
HVB2-FEEDER

TClarke

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