Annual Report and Financial Statements 2018

TClarke

1889-2019
130 YEARS

130 years of progress

130 years of progress

TClarke designs, installs, integrates and maintains the full range of mechanical and electrical services and the digital infrastructure to create a 21st century building.

Across the country, our directly employed teams lead the industry for quality and safety. Our focus is on being the partner of choice in each of the specialist areas we work in – and, equally, on the retention and enhancement of our traditional reputation for value, trustworthiness and programme delivery.

Contents

Financial highlights

Record revenue and improving margins underpin a 24% growth in earnings per share.

Group revenue

£326.8m

£326.8m	2018
£311.2m	2017
£278.6m	2016
£242.4m	2015
£207.9m	2014

Underlying operating margin

2.7%

2.7%	2018
2.3%	2017
2.5%	2016
1.9%	2015
0.6%	2014

Underlying operating profit before tax and interest

£8.8m

£8.8m	2018
£7.3m	2017
£6.9m	2016
£4.6m	2015
£1.3m	2014

Profit before tax

£7.8m

£7.8m	2018
£7.1m	2017
£3.7m	2016
£3.5m	2015
-£0.8m	2014

Underlying earnings per share

15.38p

15.38p	2018
12.37p	2017
11.60p	2016
7.11p	2015
0.85p	2014

Dividend

4.0p

4.0p	2018
3.5p	2017
3.2p	2016
3.1p	2015
3.1p	2014

Forward order book

£411.0m

£411.0m	2018
£337.0m	2017
£330.0m	2016
£300.0m	2015
£300.0m	2014

Net cash

£12.4m

£12.4m	2018
£11.7m	2017
£9.3m	2016
£6.7m	2015
£5.3m	2014

For further information see Group financial review on page 20.

Chairman's introduction

2018 was a very successful year for TClarke, showing improvement across all key financial measures and we ended the year debt free.

I am pleased to welcome Louise Dier to the Board. Louise brings extensive business experience and perspective and is a significant addition to our organisation.

The Group is well placed to meet its financial objective of a sustainable 3% operating margin in 2019. Our order book stands at record levels and profit and earnings per share continue to grow. As a result, the Board is recommending a total dividend of 4.0p for the full year, an increase of 14% over 2017. The Group remains committed to a progressive dividend policy.

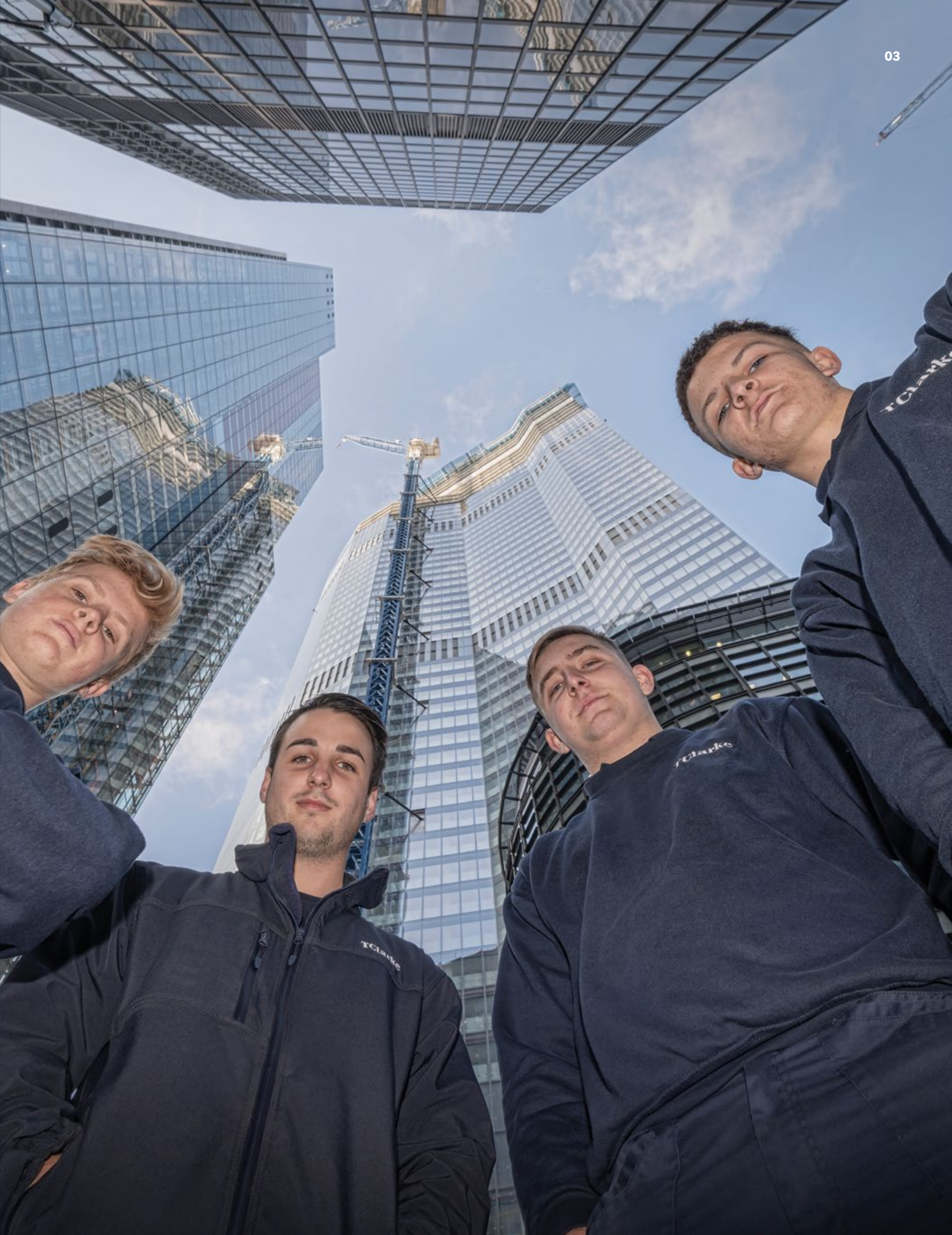
TClarke is 130 years old in 2019 and our continued success is something to celebrate. This alignment of a long heritage with solid optimism for future performance is due both to the qualities and engineering capabilities of our people and to the continued support of our customers and supply chain.

I would like to take this opportunity to thank each one of them for helping to make the TClarke brand so strong in the marketplace. As was true in 1889, TClarke people and relationships are our defining advantage.

Iain McCusker
Chairman
26th March 2019

A strategy for profitable growth

Objective		How we will achieve it	2018 achievement highlights
1	3% sustained operating margin	Our business will focus on our five core target markets through successful targeted tendering and operational efficiency.	– Operating margin of 2.7%, up from 2.3% in 2017
2	Increase technology market share	Our integrated services offering features market-leading in-house technologies capabilities. It also differentiates our offer and increases the value we provide and receive in return.	– Major projects wins at Battersea Power Station, IQL, data centres and for global digital companies – Continued market leadership of Scottish integrated residential services – Successful integration of Eton Associates – Successful Climate Controls launch – Capability of Stansted facility demonstrated
3	Remain contractor of choice for landmark projects	There is a substantial premium market of major London projects and their complexity and scale means few can deliver the same quality of work, depth of resource and integrated services offering as TClarke. We will continue to target and deliver this work and increase our market and engineering leadership.	– One Bank Street, London – Battersea Power Station – 22 Bishopsgate, London – 100 Bishopsgate, London – 150 Bishopsgate, London – International Quarter London – Southbank Place, London – Westfield, London
4	Sustainable balanced business	We balance our business by strategic management of our order book with a blend of existing markets of M & E, Infrastructure and Residential, renewing FM contracts and new markets such as Technologies.	– FM centre of excellence in Birmingham opened – Manchester Airport Group framework – ESFA Schools Framework ongoing – 2,545 new homes in Scotland
5	Build long-term lasting relationships	We will continue to grow, supporting principal contractors and our clients, working on major projects across the UK, leveraging the quality of our regional resources and national brand reputation.	– 88% of turnover in 2018 was with repeat clients



Business model and investor case

Strategic business model

Our strategic advantages give us market leadership. Our service mix allows us to deliver value at each stage of the project. Our delivery is underpinned by our core values, known as the **TClarke Way.**

Our competitive advantage

People
We employ expert professional engineering staff and operatives and run industry-leading apprenticeship and future leader schemes to sustain our talent pipeline.

Relationships
We focus on building long-term relationships with principal contractors and clients.

Nationwide coverage
We cover the whole of mainland UK with 19 offices to serve our clients in local and regional markets. We have the capability to deliver international projects where the opportunity meets our business goals.

Integrated services and technology
We offer integrated and complete building services. We are a high-technology business and leaders in the delivery of complex installations, prefabrication, Design for Manufacture and Assembly (DfMA) and new digital technologies.

Reputation
Our performance maintains our brand reputation for safety, delivery and quality.

What we do

Design
We design and value engineer systems, drawing on our expertise to provide intelligent building solutions.

Procure
We add value through expert procurement of equipment, materials, services and expertise across the life of a project.

Install
We employ highly qualified and experienced in-house engineering teams of professionals and operatives to install and deliver our solutions and services.

Maintain
Our in-house teams deliver specialist mechanical, electrical and digital infrastructure maintenance services to support the ongoing functioning of a building through its lifecycle.

Value created for our stakeholders

Shareholders
Increase in proposed total dividend for 2018 of 14%.

Customers
Total reliability in project delivery, quality and safety alongside high technical skills.

Employees
Industry-leading career paths and project work to take pride in.
203 apprentices in training in 2018.

Partners
A collaborative and open approach to work which maximises value, efficiency and productivity.

Society
Delivery of high quality built environments across the UK.
Support for local and the wider community in which we work.

Investor case

Positive cash position and debt free
Cash generation is strong; planned investments from growth are funded from internal resources.

Sustainable balanced business
Sustained revenue across our five target markets. Our integrated offering and technological expertise sets us apart from our competitors and makes us the contractor of choice for all projects.

Management discipline and robust risk management approach
We operate a highly effective and selective approach to tendering and potential customer risk assessment. We also operate a prudent profit recognition policy.

Investor case

Our investor case shows a strong, balanced business, funding its own growth and focused on new technologies.

Improving margin profile and profitability
We are focused on growing profits ahead of revenues. We have a differentiated service offering that commands higher margins. We have a clear medium-term target to increase the underlying operating margin to a sustainable 3%.

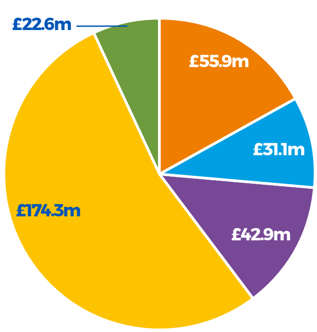
Forward revenue visibility
Our forward order book at 31st December 2018 stood at £411m, with £118m revenue booked for 2020 and beyond.

Strong EPS growth and progressive dividend policy
We are committed to a progressive dividend policy, whilst balancing the rewards of shareholders with the interests of other stakeholders.

Our five target markets

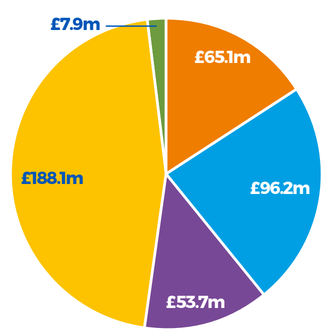
2018 Revenue

£326.8m



Forward order book

£411.0m



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Chief Executive's report

Future focused

Our focus on sustained margin growth provides clarity across our operations and guides our decision-making and appetite for risk.

I am very pleased that we reach our 130th anniversary in a position of strength and optimism. We have had a fantastic year, beating market expectations on revenue, profit and dividend, with all our businesses profitable and we ended the year debt free.

The 2018 results vindicate our strategy, which is for *'Growth, based on a complete and integrated services offering, that targets margin improvement'*. This integrated offer is attracting demand because, in plain terms, it de-risks increasingly complex construction programmes and helps clients meet their targets.

The trend for major projects to become more complex is permanent. This is not just a question of increased application and integration of digital and data technologies to make a building 'smart'. It is equally a matter of ever increasing environmental standards being targeted. Overall, end users want their buildings to achieve more and they also want the fastest possible programmes to be delivered safely. All of this increases market demand for specialist contractors such as TClarke.

Indeed, it is the strength of market demand for our offer that has led us to open new TClarke offices in Manchester and Liverpool, taking our total number of locations across the

UK to 19. These were not speculative exercises. Looking at the markets in both of those cities, we see substantial growth opportunities. We have also received the direct encouragement of long-term partners and customers who want to access our services there.

It is market demand which has driven such substantial growth across our Technologies businesses and allowed us to introduce new specialisms like Climate Controls with immediate success. In 2018 we have seen that demand feeding through to orders, completed projects and improved margins.

For example, towards the end of the year, a key element of our integrated Technologies offer – our new offsite manufacturing facility at Stansted – was instrumental in helping us win our largest ever mechanical project at Kings Cross, London.

Our focus on sustained margin growth provides clarity across our operations and guides our decision-making and appetite for risk. We target the work that is right for us, we focus our resources for the benefit of our clients and our people deliver high quality work, safely. 2018 has been the first full year in which we've had the whole business working on common operating systems and procedures, following the successful Group reorganisation. The work undertaken in recent years to achieve this common Group operating system has helped underpin all the progress made in 2018 – whether that be in allowing us to open new offices or in supporting so many successful tenders.

TClarke's well known commitment to full-time jobs, our roots in our local communities across the UK and our commitment to apprenticeships, decade by decade, means we have a significant, highly skilled and loyal UK based workforce. In 2018 we successfully introduced our Future Leaders programme to further secure our talent pool going forward.

Chief Executive's report continued

TClarke knows how to retain customers through quality work and services and our 2018 numbers reflect that.

In 2018, the UK Government confirmed that the 'Social Value' created from public sector procurement would become a 'required' element from summer 2019. This is a trend with growing impact in the private sector too. For organisations like TClarke, which deliver substantial, measurable social value, this is a positive trend which will further enhance our market appeal.

It has been very pleasing to see TClarke's name associated with excellent projects that are really helping to build a better Britain: major infrastructure projects like Stanmore Hospital, Bank Underground Station and the £8 billion ESFA school building programmes; Dyson's campus expansion in Wiltshire, Virtus Data Centre in Slough and the new John Lewis stores in Cheltenham and Westfield London. Our residential business goes from strength to strength and in Scotland we delivered 2,545 new homes in 2018. In so many cases these are customers coming back to TClarke, time and again. TClarke works hard to retain customers through quality work and service and our 2018 numbers reflect that.

In London, where, according to Deloitte's latest 'London Office Crane Survey' there are currently around 11.8m sq ft of prime commercial space under construction, 2018 saw us involved in many of those landmark schemes. We were delighted to see one of our landmark projects, Bloomberg London, winning the RIBA Stirling Prize in 2018. We were equally delighted at the continued growth of our Mechanical and Engineering business to the point where we are delivering and winning major projects like Southbank Place and at the International Quarter London (IQL) on a regular basis.

It is important to note that, despite concerns around the impact of Brexit, our core London M&E market's confidence remains solid. At the end of 2018, the City of London released details of a further round of major developments in the City's eastern cluster and a vision for the skyline in

2026. Although short-term uncertainties may persist, the underlying confidence is evident in our developer and principal contractor client base.

Our acquisition and successful integration of Eton Associates is important to note for two reasons. Firstly, Eton expanded our Technologies capability and deepened market confidence in our integrated services proposition. Secondly, Eton's effective embedding within the business is another demonstration that the Group systems are effective. Eton has rapidly become a highly valuable part of TClarke.

130 years ago, Tommy Clarke set up shop in Knightsbridge, London. It was a venture into the great new technology of the age – electricity. I think he would be proud to see the company that bears his name as an industry leader in the new technologies of our age – and still retaining the same focus on committed people with deep expertise doing the best job possible, which he established.

I conclude by restating our continued commitment to health, safety and wellbeing, above and beyond everything else. I am very proud to see our Mindfulness classes so well attended and look forward to the programme being rolled out nationwide. I am also very proud of the work our people and our health and safety teams do to make safety our number one priority and front of mind wherever we work, on a daily basis.

That will always be the case at TClarke; just like the commitment to high quality work, it is central to who we are.

Mark Lawrence
Group Chief Executive Officer
26th March 2019

Infrastructure

Work on major transport, healthcare, education, prison and defence projects across the country, ensures balance in our order book, as we achieve our strategic goals.

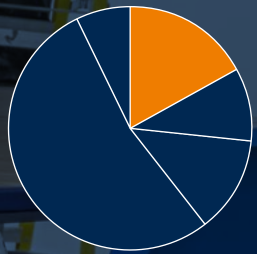
When M&E markets and landmark projects are on a downcycle, governments tend to increase spending in infrastructure. So our capabilities to work across the infrastructure sectors are a key strategic advantage.

TClarke has a proven in-house infrastructure team and over the years we have also developed additional services and capabilities. For example, for healthcare clients we have a turnkey design and build service for scanning suites, supported by a healthcare controls manufacturing operation and partnerships with world-leading healthcare equipment manufacturers.

Examples of work undertaken in 2018 are:
- Bank Station, London capacity upgrade design
- Paddington Bakerloo line link
- BMI The Alexandra Hospital turnkey works
- HMP Leeds
- RAF Mildenhall
- Luton Airport Fire Station
- Siemens Plc Healthcare, panel builds

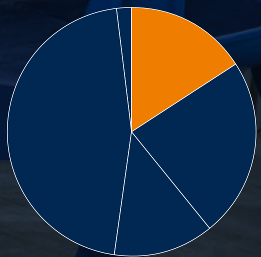
2018 revenue

£55.9m



Forward order book

£65.1m



"Winning Taylor Woodrow's 'Defect Free Award' this year for our innovative quality standards and guidance materials, demonstrated the energy our frontline teams put into pushing high quality standards forward even further."

Robin Aves
Divisional Director, Infrastructure

Residential & Accommodation

Across the UK, we are active in the residential, hotel and student accommodation marketplace. In Scotland, we lead as a 'one-stop shop', partnering quality home-builders.

There is strong market appetite for our expertise in this sector. As part of our margin-targeting strategy, we operate a consistently selective approach to residential projects, showing more caution in respect of high-end, luxury residential fit outs and focusing more often on the shell and core aspects of these projects, where we prefer the risk-profile.

At the same time, we also favour the development of effective long-term partnerships and so take on growth opportunities with confidence. Our partnership with the Berkeley Homes Group in North London, leading to potential new opportunities in other geographic areas, was a strong example of this in 2018.

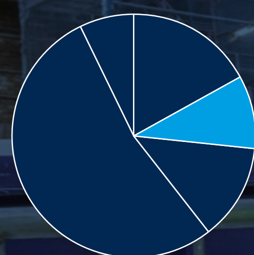
North of the border, our Scottish business is the leading provider of complete building services for home-builders. This is an innovative, in-house, high quality service, in which the market places great value.

Examples of work undertaken across the UK in 2018 are:

- The Peninsula Hotel, London
- 150 Bishopsgate, London – residential fit out
- Beaufort Park, London
- The Crescent, Edinburgh
- One Nine Elms, London
- Pegasus Life, Portishead and Falmouth

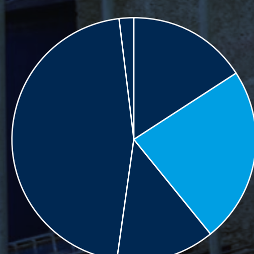
2018 revenue

£31.1m



Forward order book

£96.2m



"I can tell, just by looking at the property, if TClarke did the job. The quality that our people consistently achieve is phenomenal – and you can see that in the annual crop of NHBC awards we help win."

Gary Jackson
Managing Director, TClarke Scotland

Technologies

We see substantial growth opportunities within this sector and the plans we have laid are delivering value: TClarke is a market leader with critical advantages.

Building services increasingly involve or are driven by digital technologies and so we have made it our objective to lead in this area. In the past we partnered with banking and financial institutions; now we partner some of the world's biggest digital organisations.

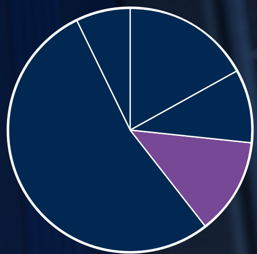
Our technologies offer also includes our offsite manufacturing facility at Stansted where vast 6-10 metre prefabricated modules containing mechanical and electrical services and pre-wired and pre-plumbed equipment can be precision manufactured in safe, clean conditions and brought together onsite. This dedicated capability has been key to winning and delivering various landmark projects during the year.

As well as building data and Wi-Fi infrastructures, we are also integrators, bringing all of the buildings' systems together as connected and responsive devices to optimise building performance. Our software engineers wrote the code to drive the innovative 'breathable building' concept at Stirling Prize Winner, Bloomberg London. They have also designed and are installing the Wi-Fi network at 22 Bishopsgate. Other examples of work undertaken in 2018 are:

- Virtus London Data Centre
- Global Switch fit out, London
- Interxion Data Centre LON3
- One Bank Street, Canary Wharf
- EDF Energy, Dungeness
- Deepminds, Project Kings Cross, London

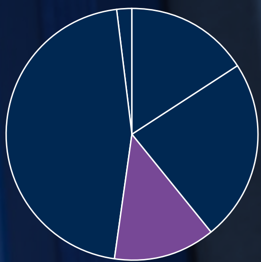
2018 revenue

£42.9m



Forward order book

£53.7m



"Our strategy is to grow our Technologies business and become an acknowledged market leader. We see strong opportunities for growth and margins as this sector continues to expand."

Mark Lawrence
Group Chief Executive

M&E Contracting

"We have brought the TClarke brand into Manchester and Liverpool with efficiency, purpose and impact – and in both cases, now is the ideal time to enter these markets."

Kevin Mullen
Managing Director, TClarke North

M&E Contracting is our core market nationwide. We focus on landmark projects, working for long-term partners and principal contractors who value the advantages we bring.

As a specialist building services contractor, our core offer is the design and installation of all the power, water, waste and climate control services that a building needs. We offer those services nationwide and, in line with our margin focus, we are selective in the projects for which we tender and the principal contractors with whom we work.

Our integrated services offer gives us a strong market position and we win and deliver more than our share of major projects. This, in turn, builds our skillbase and helps us to achieve very strong staff retention rates and the scale of resource our clients want.

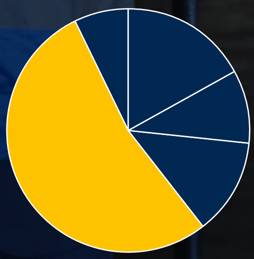
In 2018, our move into Manchester and Liverpool has been smooth and productive. In each case the substantial scale of appropriate M&E opportunities and the encouragement of long-term partners has driven the decision to enter those markets.

Examples of work undertaken in 2018 are:

- 22 Bishopsgate, London
- KGX1 Project, Kings Cross, London
- Battersea Power Station Phase 2, London
- Hanover Square, London
- Dyson Hangar 85, Wiltshire
- Plymouth History Centre, Plymouth

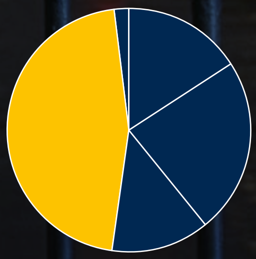
2018 revenue

£174.3m



Forward order book

£188.1m



Facilities Management

We are specialists in Facilities Management, targeting long-term relationships and major framework agreements.

We are proud to enjoy a number of key long-term FM relationships. These include Springfield Nuclear Fuels, BAE Systems, EDF at Dungeness and Sizewell and across US airbases in East Anglia. Across our regions we also deliver regular FM services where these meet our value model and our Birmingham office is a centre of excellence in FM for a variety of commercial and industrial clients.

We also target major framework agreements in both public and private sectors. Our position on the Manchester Airport Group, NHS Procure 22 and ESFA Schools Framework are all strategically significant for our business.

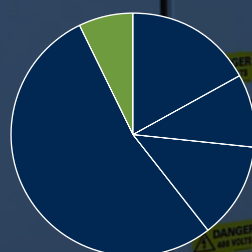
Other examples of work undertaken in 2018 are:

- BUPA Care Homes
- Fenland District Council, Cambridgeshire
- The Gym Group
- Cornwall Council
- PepsiCo, Leicester
- Imerys Minerals Limited

It is worthy of note that FM, as a sector, offers less forward visibility than our traditional M&E markets, often involving unplanned need, but delivers recurring revenue.

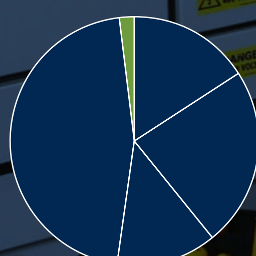
2018 revenue

£22.6m



Forward order book

£7.9m



"We build deep knowledge and expertise during design and installation. We lead in the digital infrastructure technologies that are increasingly prevalent. This gives us substantial advantages when it comes to maintaining all those systems."

Mike Crowder
Group Managing Director

Group financial review

- Underlying operating profit up 21% to £8.8 million
- All regions profitable
- Underlying operating margin up to 2.7%, on way to achieving the strategic target of 3%
- Underlying earnings per share up 24% to 15.38p per share
- Dividend increased by 14%
- Debt free, strong cash balance at year end

Trevor Mitchell
Finance Director

Summary of financial performance

	2018 £m	2017 £m
Revenue	**326.8**	311.2
Operating profit		
– Underlying[1]	**8.8**	7.3
– Reported	**8.6**	7.9
Profit before tax		
– Underlying[1]	**8.0**	6.5
– Reported	**7.8**	7.1
Profit after tax		
– Underlying[1]	**6.4**	5.2
– Reported	**6.2**	5.6
Profit for the year	**6.2**	5.6
Earnings per share		
– Underlying[2]	**15.38p**	12.37p
– Reported	**14.99p**	13.44p
Dividend per share	**4.0p**	3.5p

1. Underlying operating profit, profit before tax and operating margin are stated before amortisation of intangible assets and non-underlying items – see note 7 to the financial statements.
2. Underlying earnings per share is calculated by dividing underlying profit after tax by the weighted average number of shares in issue.

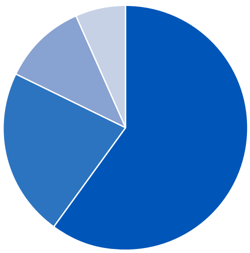
2018 Underlying Group performance
The Group's underlying performance for the year ended 31st December 2018 was strong, with both revenue and profit being slightly ahead of the Group's upgraded trading update on 27th November 2018. Revenue rose by 5% to £326.8 million for the year (2017: £311.2 million). Group underlying operating profit increased by £1.5 million to £8.8 million. All businesses were profitable with the Central and South West region recording an operating profit of £1.8 million compared to a loss in 2017 of £1.8 million. London and South East remains the core of the business, delivering an underlying profit of £7.2 million, a 3.7% margin.

The Group has a medium-term target of a 3% underlying operating margin. Good progress has been made towards this with the 2018 margin rising to 2.7% (2017: 2.3%).

We move into 2019 with a forward order book at a record £411 million (2017: £337 million) providing excellent revenue visibility. Year end cash was £12.4 million (2017: net cash £11.7 million) with the Group being free of any debt.

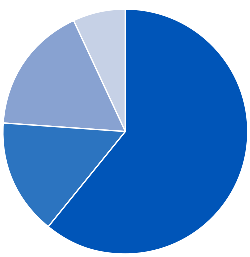
Technology revenue in 2018 trebled when compared to 2017. Improving our technology market share is a core strategic objective.

2018 Revenue by region



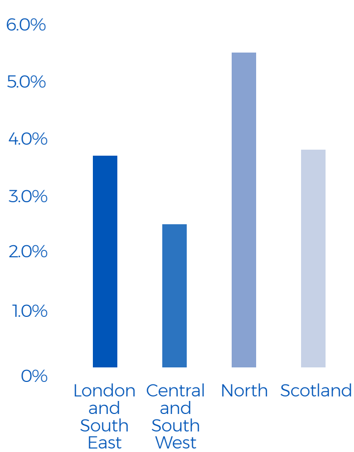
London and South East	£196.5m
Central and South West	£73.0m
North	£36.1m
Scotland	£21.2m
Total	£326.8m

2018 Underlying operating profit by region



London and South East	£7.2m
Central and South West	£1.8m
North	£2.0m
Scotland	£0.8m
Sub total	£11.8m
Group costs	(£3.0m)
Total	£8.8m

2018 Underlying operating margin by region



London and South East

Revenue from our London and South East operations increased by 11% to £196.5 million (2017: £177.6 million), generating an underlying profit of £7.2 million (2017: £8.5 million). Underlying operating margin was 3.7% (2017: 4.8%). 2017 saw a large number of projects completing in the year, releasing significant profits.

For 2019 the region is engaged on a number of high-profile shell and core commercial developments, all of which offer future fit out opportunities. A number of areas continue to be regenerated and offer large-scale mixed commercial and residential opportunities such as the International Quarter London, Battersea Power Station, Kings Cross and the area of Bishopsgate, London.

Central and South West

Revenue from our Central and South West operations increased by 17% to £73.0 million (2017: £62.6 million). Underlying profit was £1.8 million (2017: loss £1.8 million). South West returned to profitability after more than doubling turnover and delivering high quality projects.

In the Central area we continue to target opportunities in the residential, retail and FM markets. In particular, we have established an FM operation in Birmingham.

North

Revenue reduced by 25% to £36.1 million (2017: £48.0 million), and underlying operating profit reduced to £2.0 million (2017: £2.4 million). Underlying operating margin remained strong at 5.5% (2017: 5.0%) as a result of an excellent performance from the Leeds office due to the successful delivery of a number of educational projects and a growing small works offering.

Looking forward, we have very recently opened new offices in Manchester and Liverpool and already have a number of exciting opportunities. Leeds continues to see opportunities from its relationships, notably in education and other public sectors such as prisons.

Scotland

Scotland's revenue was £21.2 million (2017: £23.0 million), and underlying operating profit was £0.8 million (2017: £0.8 million), representing an underlying operating margin of 3.8% (2017: 3.5%). Scotland's continued strong performance was due in part to its collaboration on Intelligent Buildings with the London operation. As well as its continuing strength in the residential market, Scotland has generated significant IT, mechanical and electrical workstreams in the commercial sector.

There remains a good level of opportunity in and around the Scottish central belt and further afield in key Scottish towns where we have a presence, such as Aberdeen and Dumfries.

Non-underlying items

Non-underlying items (£0.2 million) comprise a net recovery of misappropriation of funds that occurred in 2016 of £0.9 million, offset by settlement costs of the former Group Finance Director (£0.3 million) and Group reorganisation costs (£0.6 million). In addition, amortisation of intangible assets totalled £0.2 million.

Finance costs

Net finance costs were £0.8 million (2017: £0.8 million), including a £0.6 million (2017: £0.6 million) non-cash finance charge in respect of the Group's defined benefit pension scheme. Net interest on bank facilities remained at £0.2 million (2017: £0.2 million), reflecting good cash performance throughout the year.

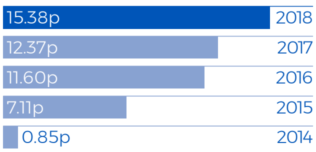
Earnings per share

Reported earnings per share increased to 14.99p (2017: 13.44p). Basic underlying earnings per share

Group financial review continued

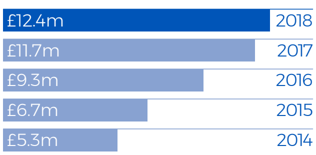
Underlying earnings per share

15.38p



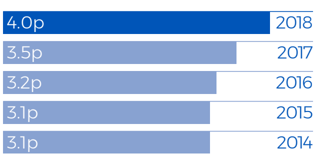
Net cash

£12.4m



Dividend

4.0p



after adjusting for amortisation of intangible assets and non-underlying costs and the tax effect of these items, was 15.38p (2017: 12.37p).

Dividends

The Board is proposing a final dividend of 3.34p (2017: 2.90p), with the total dividend for the year increasing by 14% to 4p (2017: 3.5p). The dividend is covered 3.8 times by underlying earnings.

The final dividend will be paid, subject to shareholder approval, on 24th May 2019 to those shareholders on the register at 26th April 2019. The shares will go ex-dividend on 25th April 2019. A dividend reinvestment plan ('DRIP') is available to shareholders. For further details see page 118.

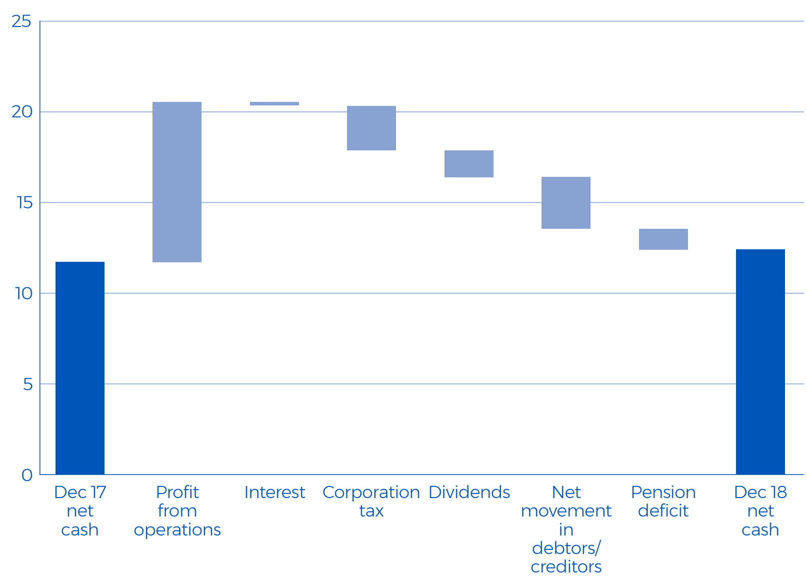
Pension obligations

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

The Group has been pursuing an agreed deficit reduction plan over a number of years; however, market factors have meant that the deficit has not been reduced as intended and the cost of funding current pension commitments has increased. Following agreement of the 2015 valuation, the Group proposed a revised deficit reduction plan which includes making additional contributions and continuing to provide security to the pension scheme in the form of a charge over property assets up to a combined market value of £3.1 million.

From 1st January 2017 the future service contribution increased to 21.4% of pensionable payroll (including employee contributions) and the deficit reduction contribution was set at £1.0 million for the year ending 31st December 2017,

Cash performance (£m)



rising to £1.25 million for the year ending 31st December 2018 and £1.5 million per annum thereafter. Employee contributions have increased from 8% to 10%.

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

In accordance with IAS 19 'Employee benefits', an actuarial income of £0.6 million, net of tax, has been recognised in reserves, with the pension scheme deficit falling by £0.4 million to £23.0 million (2017: £23.4 million). This liability includes a £0.2 million charge that has been expensed through the consolidated income statement being the estimate for the impact of GMP equalisation for the above scheme.

Cash flow and funding

Net cash balances improved to £12.4 million at 31st December 2018 (2017: £11.7 million) after deducting the £nil (2017: £3.0 million) outstanding under the Group's revolving credit facility.

The Group has a £15.0 million revolving credit facility, which is committed until 31st August 2022, and a £5.0 million overdraft facility, renewable annually. Interest on overdrawn balances is charged at 2.0% above base rate, and interest on balances drawn down under the revolving credit facility is charged at 1.7% above LIBOR, fixed for the duration of each drawdown (typically three to six months). The Group was compliant with the terms of the facilities throughout the year ended 31st December 2018 and the Board's detailed projections demonstrate that the Group will continue to meet its obligations in the future.

The Board's detailed cash flow projections include an allowance for the impact of a change in VAT regime from 1st October 2019. From this date the Government is planning to introduce a VAT domestic reverse charge for building and construction services. Under this scheme TClarke will continue to charge VAT to end customers but will no longer be able to charge VAT to contractors and will not pay VAT on costs incurred with sub-contractors. The Board's projections show a healthy cash position after taking account of this change of regime.

The Group also has in place £40.1 million of bonding facilities, of which £20.2 million were unutilised at 31st December 2018.

Net assets and capital structure

The Group is funded by equity capital, retained reserves and bank facilities, and there are no plans to change this structure. The strong underlying performance of the Group has resulted in shareholders' equity rising by £5.7 million during the year to £22.1 million (2017: £16.4 million).

Goodwill and intangible assets were £25.7 million (2017: £25.9 million). The Board has undertaken a rigorous impairment review in respect of the intangible assets at 31st December 2018 and concluded that no impairment is necessary.

Accounting policies

The Group's consolidated financial statements are prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union. The Group has adopted IFRS 15 'Revenue from contracts with customers' and IFRS 9 'Financial instruments'. Under IFRS 15 revenue can only be recognised when it is 'highly probable' and so, for example, claims cannot be recognised until agreed. A variation cannot be recognised unless it is highly probable that no significant reversal of the cumulative revenue will occur. Revenue on FM jobs is recognised when the job is complete. IFRS 15 is closely aligned to the Group's previous revenue recognition policy and therefore adopting IFRS 15 has had no material impact on the financial statements.

The impact of IFRS 9 on the Group relates to the recoverability of receivables after taking account of lifetime expected credit losses. The Group has historically experienced very low levels of 'bad debts', with £0.2 million being charged to the income statement in both 2018 and 2017. Therefore, the adoption of IFRS 9 has had no material impact on the Group.

For further information please refer to the accounting policies and notes to the financial statements starting on page 82. In addition, the Group has completed its assessment of the impact of IFRS 16. This standard will be adopted for the first time in the accounts for the year ended 31st December 2019. Please see note 2 on pages 82 and 83 for further information.

Financial risk management

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

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

Trevor Mitchell
Finance Director
26th March 2019

Corporate social responsibility

The TClarke Way

The TClarke Way is about the focus across our business and how we work and deliver quality with each other, our customers, our partners, shareholders and society.

For further information see www.tclarke.co.uk/about-us

The Company reinforces its ongoing commitment to conducting business with honesty and integrity in a fair manner. Through high standards of corporate governance and setting the 'tone from the top', the Board is responsible for establishing and monitoring policies which seek to embed high ethical standards of behaviour throughout the Group. We share one set of core values throughout the Group, known as 'The TClarke Way', that guides our approach to everything we do. Every new employee is inducted in The TClarke Way and encouraged to adopt it as part of their approach to work and their relationships with colleagues and external stakeholders.

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

Investing in our workforce

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

Since the launch of the TClarke Training Academy and Career Pathway in 2017, we have successfully rolled out our plan of monthly training modules to our new trainees and experienced staff to ensure all staff are trained in TClarke's procedures and kept up to date with new systems and technologies.

TClarke's highly sought-after Apprenticeship Scheme is one of the best regarded in the construction and engineering industries. The success of our Apprenticeship Scheme is

"Our people are our biggest asset and we recognise the need to attract and retain excellent staff who give TClarke the great reputation we are renowned for."

not only down to the quality of our intake, but also to our mentors. Each apprentice is allocated a mentor who provides advice and support. Our mentors have passed through their own apprenticeship, have considerable site experience and great knowledge of the industry and their profession, which they pass on to each new apprentice.

TClarke also has in place a five-year leadership programme, which is designed to develop the future leaders of our business and to bring the group together at all levels. We are lucky to have some of the highest quality and most motivated young engineers anywhere in the country and we want to make sure that, wherever they are in the business from Aberdeen to St Austell, they have the best opportunities. The group meets regularly throughout the year for a two-day programme of training and site visits.

At TClarke we have consistently offered our people career progression that can take you all the way from apprenticeship to Board level – as our current Board clearly shows.

We ensure employees are kept informed and take appropriate steps to ensure that we communicate with our employees in an effective manner to notify everyone regarding matters that are of concern to them and factors that affect the performance of the Company. The Company has a regular newsletter for employees, 'Pipes & Wires', to keep everyone up to date with what is happening across the Group. When the Company needs to make decisions which affect our people's interests, we consult with employees, or their representatives, and value their opinions when making decisions which affect their interests.

Corporate social responsibility continued

“We are totally committed to the health and safety of all persons who have an overlap with our undertakings.”

Diversity and equality

TClarke is committed to creating a diverse and inclusive place to work where our people can be themselves and be at their best. The Group maintains an equality and diversity policy, selecting and promoting employees based on their aptitudes and abilities. However, there is a long-standing lack of women in the construction industry. For those women who are employed in the industry they are usually in non-delivery or non-client facing roles and often in more junior positions. This tends to be reflected at TClarke despite our best efforts.

As at 31st December 2018, the composition of TClarke employees in respect of gender was as follows:

	Number		Percentage	
	Male	Female	Male	Female
Directors (including Non-Executive Directors)	6	0	100	0
Senior management	10	1	91	9
Management	34	0	100	0
Staff	311	102	75	25
Skilled operatives	711	2	99	1
Apprentices	198	5	97	3
Trainees	24	1	96	4
Total	1,294	111	92	8

TClarke aspires to create a diverse workforce by recruiting suitably qualified candidates from a range of backgrounds regardless of age, sexual orientation, ethnic or national origin or colour, sex, trans-gender status, religion or belief, pregnancy and maternity, marital or civil partnership, or any other group who face disadvantage in our society. TClarke gives full and fair consideration to suitable applicants, having regard to individuals' aptitudes and abilities, and takes responsibility for its obligations towards employment of disabled people. The Company is committed to ensuring that any individual who becomes disabled during the course of their employment remains in their own role, where possible, or is employed in another suitable position. Training, career development and promotion of disabled employees should, as far as possible, be identical to that of other employees.

Human rights

TClarke does not have a separate human rights policy. A respect for human rights is implicit in all our employment policies, corporate values and policies on data protection, privacy and anti-bribery and corruption.

Modern slavery

TClarke is committed to compliance with the Modern Slavery Act 2015. A statement which sets out our actions to comply with the requirements of the Act appears on the Group's website at www.tclarke.co.uk.

Anti-bribery and corruption

TClarke values its reputation for lawful and ethical behaviour and has a zero tolerance of any form of bribery or inappropriate inducement. Our anti-bribery and corruption policy has been communicated to all staff and is published on the TClarke Group Sharepoint.

Health and safety at TClarke

We are totally committed to the health and safety of all persons who have an overlap with our undertakings. As such, we continue with our considerable investment in this area.

Over the past five years we have seen a significant improvement in our overall health and safety performance and although there has been a slight increase in the number of incidents in 2018 against the previous year, this may correlate with the increase in employees and the amount of man hours being worked onsite. We continue to use the 'Absolute' Accident Reporting Regime, which ensures each accident, no matter how apparently small or insignificant, is dutifully reported.

Corporate social responsibility continued

Accident statistics

116	2018
102	2017
123	2016
140	2015
103	2014

'You See, You Say' Reports issued

5,316	2018
4,956	2017
4,076	2016
3,215	2015
2,286	2014

The accident statistics table highlights the overall reduction in all accidents reported across the Group since 2015.

The overall fall in the number of accidents over the last four years has coincided with the number of 'You See, You Say' Near Miss Reports which have increased exponentially across the Group for the same period of time.

It should be remembered that each 'You See, You Say' card issued represents a potential incident or accident which has been avoided, addressed and 'closed out'.

One of the most encouraging facts with regard to the statistics is that they ultimately serve as testament to an ever-increasing 'ownership' from not only the TClarke teams, but the whole supply chain. All our people and associates have bought into our outstanding health and safety culture, and this approach is at the core of all our undertakings.

Mindfulness and wellbeing

We are proud to have introduced Mental Health First Aid training sessions across the Group to enable staff to become qualified Mental Health First Aiders. We have also introduced Mindfulness classes for our employees which have been both very well attended and appreciated. These measures are a big step forward within the industry and prove how serious TClarke is about managing every aspect of our employees' health and wellbeing.

Social and community involvement and charitable donations

TClarke is proactive in its corporate responsibility to the local and wider community in which we work and encourages employee involvement in community projects and programmes.

TClarke has provided sponsorship for Bingham RUFC Junior and Mini-Rugby teams which has allowed all members to be provided with a new kit (pictured below). Providing sponsorship for the new kit has allowed the club to further develop this section to which it now has over 100 children registered and in regular attendance.

In addition, TClarke and its people value the contribution we can make through supporting charitable organisations and sponsored events.

Environment

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

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

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

Greenhouse gas emissions

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

Energy consumption was measured across the Group by recording data on the combustion of fuel and the use of electricity at its offices and facilities, and we have collated Scope 1 and Scope 2 emissions data for the year ended 31st December 2018 (see table below).

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

Greenhouse Gas Emissions	Measure	2018	2017
Scope 1 emissions	tCO2e	**1,993**	1,616
Scope 2 emissions	tCO2e	**237**	223
Total Scope 1 & 2 emissions	tCO2e	**2,230**	1,839
Revenue	£m	**326.8**	311.2
Emissions/£1million revenue		**6.8**	5.9

Definitions:

1. Scope 1 emissions	Combustion of fuel and operation of facilities.
2. Scope 2 emissions	Electricity purchased from the national grid.
3. tCO_2e	Tonnes carbon dioxide equivalent.

Principal risks

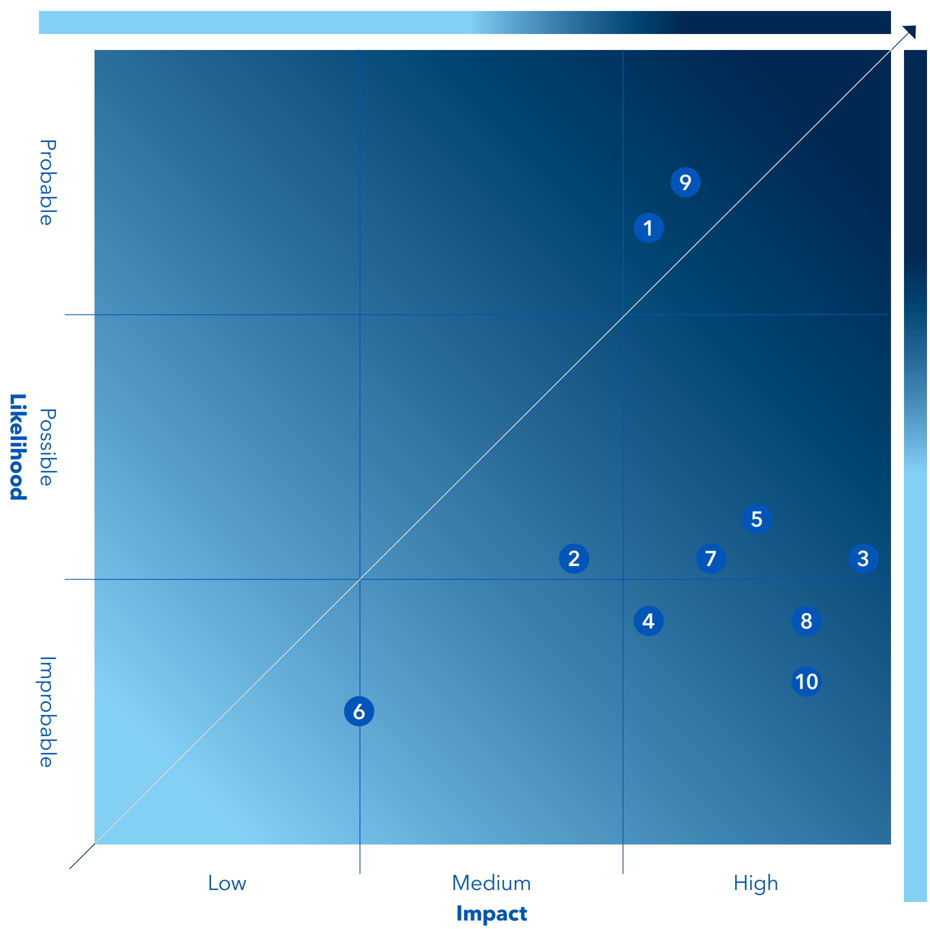
Risk management
The ability of the Group to identify and manage effectively the risks to its business and operations is fundamental to the successful delivery of the Group's strategy and the protection of its assets and reputation.

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

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

Principal risks
The principal risks faced by the Group, and the mitigating actions and controls in place to address these risks, were reviewed in March 2019 and are presented below.

1. Political, economic and market conditions
2. Financial strength
3. Reputation
4. Winning new work
5. Contract delivery
6. People and skills
7. Health and safety
8. Supply chain
9. Pensions
10. Cyber security



Risk	Strategy impact	Mitigation	Movement
Political, economic and market conditions			
1. The construction sector is highly cyclical. The Group is dependent on the planned level of construction and maintenance expenditure by both the public and private sectors. 2. The Group is subject to complex and evolving tax, legal and regulatory requirements. A breach of laws and regulations could lead to litigation, investigations or disputes, resulting in additional costs being incurred, civil and/or criminal proceedings and reputational damage.	Sustainable balanced business. Increase technology market share. Build long-term, lasting relationships.	1. The Group continues to operate throughout the UK using its core M&E skill base to enable agile movement in and out of sectors to meet changing market demands. 2. The Group monitors its order book to ensure an appropriate balance of work between London and the regions and across the various sectors in which it operates. 3. The Group develops long-term client and contractor relationships and seeks to secure framework agreements to mitigate against demand fluctuations. 4. Cost and skills bases are aligned to reflect anticipated workload. 5. The Group monitors legal and regulatory developments in the areas in which it operates, and seeks legal or other specialist advice as appropriate. All employees, suppliers and subcontractors are required to comply with all applicable laws and regulations. Training is provided on legal and regulatory changes as required.	**Increase** Increase in risk due to: 1. Brexit uncertainty. 2. VAT changes. 3. Market challenges faced by the industry as a whole.
Financial strength			
The Group's ability to secure and deliver work depends on its perceived financial strength and the availability of cash resources, banking facilities and the ability to provide performance and other bonds as necessary.	Sustained operating margin. Sustainable balanced business.	1. Capital structure and dividend policy managed to ensure adequate reserves maintained to fund growth strategy. 2. The Group monitors cash flow requirements and seeks to match maturity profiles of financial assets and liabilities at contract level. 3. Efficient utilisation of resources monitored via Group-wide business management system. 4. The Group has in place a £15 million revolving credit facility, committed to 31st August 2020, and a £5 million overdraft facility to help manage short-term fluctuations in working capital. 5. The Group also has in place £40 million committed bonding facilities. 6. Creditworthiness of counterparties monitored on an ongoing basis.	**Reduced** Reduction in risk due to: 1. Strengthening of Group balance sheet. 2. Good cash generation and balances. 3. Renewed and improved banking facilities.
Reputation			
The Group's ability to tender for new business and to maintain strong relationships with customers is dependent on maintaining its reputation for leadership in technological innovation and quality of delivery.	Remain contractor of choice.	1. The Group supports high standards of business ethics, sustainability and compliance, and is committed to improving health and safety at work for all. 2. Feedback is sought from key stakeholders on a regular basis and actions arising from this feedback are discussed and agreed at an appropriate level.	**No Change**

Principal risks continued

Risk	Strategy impact	Mitigation	Movement
Winning new work			
Our ability to secure profitable new work is dependent on our ability to: • adequately resource tenders; • understand the technical and commercial challenges incumbent in each tender; and • price the associated risks accordingly. If risks are underpriced, contract losses and reputational damage may result; if risks are overpriced, the Group will not secure sufficient tenders to replenish the order book and grow the business.	Increase technology market share. Build long-term, lasting relationships.	1. Focus on strong relationships enables us to understand client needs and focus our tendering activity accordingly. 2. We have experienced teams of estimators throughout the UK, with all bids reviewed by a Director and checks carried out to avoid incorrect or non-competitive pricing. 3 The Board remains committed to the principle that we will not bid for work below commercially acceptable rates. 4. A detailed business case is prepared for any proposed expansion into new geographic areas or business sectors, and is subject to prior Board approval.	**No Change** 1. The Group's order book continues to be replenished. 2. Order book at record high. 3. Brexit uncertainty may impact 2020 and beyond.
Contract delivery			
The Group concurrently runs several hundred contracts across the UK, some of huge complexity. These require high quality, proactive management to ensure delivery of value objectives for all stakeholders. Failure to deliver could result in significant financial and reputational damage.	Remain contractor of choice. Sustainable balanced business. Build long-term, lasting relationships.	1. Ongoing assessment and management of operational risk throughout project lifecycle. 2. Train and maintain industry leading teams of directly employed engineers, surveyors, supervisors and skilled tradespeople. 3. Regular performance reviews of all key suppliers and subcontractors. 4. Insurance cover reassessed each year, to guard against liability claims. 5. Profit and cash flow are monitored throughout the project lifecycle, with regular reviews at contract and business unit level. 6 Contracts of a significant size or risk are regularly reviewed by Executive Management and discussed at Board level.	**No Change**
People and skills			
Attracting, retaining and developing high-calibre staff and skilled tradespeople is key to our ability to deliver value for our stakeholders.	Sustainable balanced business.	1. The Group remains committed to providing apprenticeships, career paths and ongoing training and development for all employees. 2. Remuneration packages for all staff are linked to performance and monitored to ensure they remain competitive. 3. Labour rates are monitored regularly to ensure tender rates are realistic and increases are managed. We have continuous dialogue with the trade unions and continue to review our policies and procedures in managing this risk.	**No Change** Impact of Brexit likely to be very small due to directly employed and UK based labour.

Risk	Strategy impact	Mitigation	Movement
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.	Sustainable balanced business. Remain contractor of choice.	1. The Group Managing Director has overall responsibility for health and safety, ensuring safety is prioritised throughout the Group. 2. The Group Health and Safety Director monitors and responds to legal and regulatory developments. 3 Industry leading health and safety policies and procedures are maintained. 4. All employees receive regular training and updates to ensure they are aware of their responsibilities. 5. All employees, suppliers and subcontractors are required to comply with all applicable laws, regulations and standards. 6. Continued focus on 'You See, You Say.' 7. Introduction of Mindfulness workshops.	**No Change**
Supply chain			
To deliver projects to the correct specification and to budget requires the availability of components and materials of sufficient quality and at the right price. The majority of projects we secure do not allow for the recovery of increased material costs.	Sustainable balanced business. Build long-term, lasting relationships.	1. Formal supplier framework agreements are maintained to mitigate this risk, with prices locked in through procurement at the beginning of a contract wherever possible. 2. Regular performance reviews of all key suppliers and subcontractors.	**No Change**
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.	Sustainable balanced business. 3% sustained operating margin.	1. The Group's defined benefit scheme closed to new members from January 2015. 2. Ongoing regulatory and funding requirements are monitored in conjunction with external actuarial advisers and regular meetings are held with the pension scheme trustees.	**No Change** 1. Actuarial assumptions, driven by falling bond yields, have significantly increased the Group's exposure to defined benefits pension risk. 2. Additional contributions being made following triennial valuation of 31st December 2015.
Cyber security			
Cyber attack and data loss is a risk to all organisations and individuals. The Group handles sensitive information of a personal, confidential and commercial nature. Its business operations depend upon its IT systems.	Sustainable balanced business.	1. The Group maintains robust cyber security policies to guard against third party access and malicious attacks. 2. The Group's core systems are outsourced to a third party with robust processes and procedures. 3. The Group maintains an access control process.	**No Change**

Long-term viability statement

The Directors have assessed the Group's prospects and viability, taking into account its current position and the principal risks outlined on pages 30 to 33.

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

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

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

- an assessment of the business unit's current position, taking into account its operating environment and the threats and opportunities it faces;
- the business unit's achievements over the previous 12 months measured against its strategic objectives;
- a detailed review of the risks faced by the business units and the strength of the controls and mitigating actions in place;
- the agreement of financial and strategic targets covering the following three years; and
- the preparation of detailed budgets and projections for the next three years in support of the strategic business plan.

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

Based on the financial models submitted by the business units, the Group's financial projections are updated and tested using a range of sensitivities to identify potential threats to the financial viability of the Group over the three-year projection period based upon the Board's assessment of principal risks (where there is a financial impact). These sensitivities include changing assumptions with regard to margins, workload and liquidity of financial assets and liabilities. The key assumptions underlying the financial model include the renewal and continuing availability on similar terms of the Group's existing banking facilities, which comprise a £5 million overdraft facility repayable on demand and a committed £15 million revolving credit facility expiring on 31st August 2022, and the ability to flex the cost base sufficiently to address any significant change in workload. The three-year projections demonstrate that, taking into account any reasonable sensitivities, the Group will be able to operate within its existing facilities over the three-year projection period, and the Directors are confident, as demonstrated by our experience during the recent recession, that the Group's business model allows sufficient flexibility to meet any significant change in demand for its services.

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

Based on their assessment of prospects and viability above, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period ending 31st December 2021.

The Directors also considered it appropriate to prepare the financial statements on the going concern basis, as explained in note 3(i) on page 83.

Strategic report approval

The Board confirms that, to the best of its knowledge, the Strategic report on pages 1 to 34 includes a fair review of the development and performance of the business and the position of the Company, and the undertakings included on the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Approval by the Directors and signed on behalf of the Board on 26th March 2019.

Mark Lawrence
Group Chief Executive Officer
26th March 2019


TClarke
3M

Board of Directors

Executive Directors

1 Mark Lawrence

Group Chief Executive Officer

Appointed to the Board on 2nd May 2003. Age 51.

Mark has been with the Company for 33 years and started his career here by completing an electrical apprenticeship in 1987. His career progressed through the Company, becoming Technical Director in 1997, Executive Director in 2003 and Managing Director, London Operations in 2007. As Group Chief Executive Officer since January 2010, Mark has led strategic change across the Group and remains a hands-on leader, taking personal accountability and pride in TClarke's performance and, ultimately, our clients' satisfaction. He regularly walks project sites and gets involved personally with many of our clients, contractors and our supply chain.

2 Mike Crowder

Group Managing Director

Appointed to the Board on 1st January 2007. Age 54.

Mike has over 35 years of significant experience in the construction industry and started at TClarke as an apprentice. His vast project-based experience includes the delivery of many flagship jobs and a detailed knowledge of large infrastructure projects. Mike has overall responsibility for Operations and ensuring that all projects are properly managed. He also monitors our engineering departments and projects on a regular basis as a main Board Director. Mike is responsible for Group health and safety and is actively involved with health and safety risk management and with raising awareness, influencing attitudes and changing behaviour.

3 Trevor Mitchell

Group Finance Director

Appointed to the Board on 1st February 2018. Age 58.

Trevor is a Chartered Accountant and accomplished finance professional with extensive experience across many sectors, including financial services, construction and maintenance, education and retail, working with organisations such as Balfour Beatty plc, Kier Group plc, Rok plc, Clerical Medical Group and Halifax plc. Prior to his appointment, Trevor had been working with TClarke since October 2016, assisting with simplifying the structure and improving the Group's financial controls and procedures. Trevor is a Director of It's Purely Financial Limited.

Non-Executive Directors

4 Iain McCusker

Chairman

Nomination Committee Chairman

Appointed to the Board on 1st January 2009 and appointed Chairman on 1st October 2015. Age 67.

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

5 Mike Robson

Senior Independent Non-Executive Director

Audit Committee Chairman

Appointed to the Board on 18th November 2015. Age 58.

Mike is a Chartered Accountant with extensive experience of audit, financial management and reporting, gained at PwC and in industry. In a career including 27 years of Board-level experience, Mike has worked in a range of business sectors as Finance Director, Managing Director, owner or adviser. He has a strong focus on improving business performance and developing management teams. Mike has also launched, developed and successfully sold his own internationally based business. Mike also serves as Director of Azure Partners Ltd.

6 Peter Maskell

Independent Non-Executive Director

Remuneration Committee Chairman

Appointed to the Board on 1st January 2018. Age 61.

Peter joined Philips Electronics after studying Electrical and Electronic Engineering at Kingston University and he worked there for 37 years. For the last 20 years, he held a number of senior management positions in both the UK and Europe. His last position was as Chairman of the UK group. In the last five years, Peter managed the transformation of the lighting business into a fully digital business offering. Peter is also a non-executive member of the board of the University of Surrey.

7 Louise Dier

Independent Non-Executive Director

Appointed to the Board on 1st January 2019. Age 59.

Louise was previously Managing Director of London based David Chipperfield Architects having joined them in 2013. Prior to that, Louise was General Manager UK for DO & CO Catering and Restaurants AG, a publicly listed Austrian company, for four years. Louise studied law at Cambridge University and was called to the bar, however she quickly moved into management, spending nearly eight years at International Management Group, the US based sports management group, the last two years as head of HR for IMG Europe.

Group Management Board

1 Mark Lawrence
Group Chief Executive Officer
(See Board of Directors, page 36, for biography)

2 Mike Crowder
Group Managing Director
(See Board of Directors, page 36, for biography)

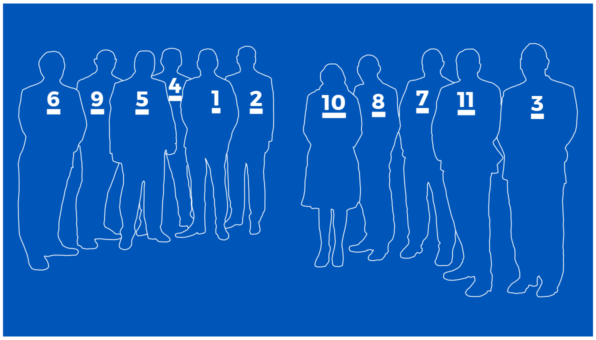
3 Trevor Mitchell
Group Finance Director
(See Board of Directors, page 36, for biography)

4 Gary Jackson
Managing Director, Scotland

Gary has over 25 years' experience in the construction industry, the last 16 years at TClarke Scotland. As Managing Director of TClarke Scotland, Gary was originally responsible for developing and leading our successful Residential Plumbing service, and has since developed our M&E Building Services operations within the Scottish region and our Intelligent Buildings operations throughout the Group. As part of his role on the Group Management Board, Gary is also directly responsible for Group fleet management and procurement, as well as supporting the Board with his knowledge of HR and health and safety.

5 Kevin Mullen
Managing Director, Northern region

Kevin has spent 37 years with the Group, having joined Veale-Nixon Ltd in February 1982 and completed his apprenticeship in 1983 and qualified as a JIB electrician. Kevin steadily progressed through the business to Technical Director, Assistant Managing Director and eventually taking the position of Managing Director of the Newcastle office in 2012. Following this appointment, Kevin took responsibility for the Leeds office in 2013 and the North West office in 2016, becoming the Northern region Managing Director with responsibility for the management of the Northern region over those three offices.



6 Kevin Bones

Managing Director, Central and South West

Kevin worked for TClarke for 41 years in varying capacities. For the last few years, Kevin oversaw the operations of the Peterborough, Derby, Birmingham and Kimbolton offices in his role as Managing Director, Central and South West. Kevin retired in March 2019.

7 Andy Griffiths

Group Systems Director

Andy joined TClarke in 1986, initially working with the project management teams before becoming the first TClarke project surveyor. After being project based for many years, he managed the London surveying department before becoming the London Commercial Director. He was involved with the initial implementation of Coins in 2008 and has since worked on the Group reorganisation project and now oversees the central processing centre in Derby.

8 Garry Julyan

Commercial Director

Garry joined TClarke in 2010, has over 20 years of experience working in the construction industry and is a Chartered Quantity Surveyor who has worked previously for principal contractors and consultant organisations. As Commercial Director, Garry is responsible for implementing the commercial strategy of the business, providing commercial and contractual support, identifying risk and opportunity, and overseeing the financial performance of projects to ensure a commercial return.

9 Mick Jobling

Group Human Resources Director

Mick joined TClarke in 2001 as apprentice and became Group Quality Assurance & Environmental Manager in January 2017. He was appointed Group Human Resources Director in January 2019 and is responsible for all associated HR matters as well as continuing to be responsible for Group Quality Assurance & Environmental. Mick was appointed to the Group Management Board on 1st December 2018.

10 Sally Higgins

Chief Buyer

Sally joined TClarke in July 2006, having spent the previous nine years as a respected M&E Buyer with leading suppliers in London. Initially starting as a buyer for London, Sally took over the procurement for the Bristol and Sittingbourne offices in 2008 and 2009 and became Chief Buyer for Central, South West and London regions in 2010. Working with the regional buying teams she has successfully driven and matured a complete Group buying process that along with the regional buyers, ensures the continued business growth is serviced in partnership with our supply chain partners. Sally was appointed to the Group Management Board on 1st December 2018.

11 David Lanchester

Company Secretary

David joined TClarke as Company Secretary in April 2017 and is responsible for all legal matters for the Group. David is an Associate of the Institute of Chartered Secretaries and Administrators and has 35 years' broad company secretarial experience and has previously held Company Secretary roles in listed plcs across a range of sectors.

Corporate Governance report

Iain McCusker
Chairman

Chairman's introduction
The Board is committed to high standards of corporate governance and continues to comply with the principles contained in the UK Corporate Governance Code 2016 ('the Code'). The Code sets out principles to which the Listing Rules require all listed companies to adhere, supported by more detailed provisions. This governance section describes the principal activities of the Board and its committees and how the Company complies with the Code.

The Board welcomes the publication of the revised UK Corporate Governance Code which takes effect for accounting periods starting on or after 1st January 2019 and has begun implementing the changes required by the new Code. Peter Maskell is the Non-Executive Director designated to engage with our employees. However, as a Company, we already engage with our workforce in many ways and some of these are outlined in the 'Investing in our workforce' section on page 25.

As a Board, we recognise that a high standard of corporate governance is essential to support the growth of our business and to protect and enhance shareholder value. The Directors, whose names and details are set out on pages 36 and 37, are collectively responsible to shareholders for the long-term success of the Company. The Board does this by supporting entrepreneurial leadership from the Company's executive team whilst ensuring effective controls are established that enable the proper assessment and management of risk. The Board is ultimately responsible for the Company's strategic aims and long-term prosperity; it seeks to achieve this by ensuring that the right financial resources and human talent are in place to deliver the Company's strategy and objectives. Our culture is fundamental to the successful delivery of our strategic objectives. The Board ensures that the tone is set from the top and the Executive Directors ensure that our core values are embedded throughout the Group. The Board regularly monitors various indicators of our culture such as our health and safety performance and stakeholder engagement.

The day-to-day management and leadership of the Company is delivered by the Group Management Board, which comprises the Executive Directors and other key members of the Group's senior management team, including representatives of the regional businesses, details of whom are provided on pages 38 and 39.

During 2018, we undertook a formal, internal evaluation of the Board's and its committees' effectiveness. The results of this exercise are summarised on page 44. I am pleased to report that I am satisfied that the Board and each of the Directors are operating effectively. I am therefore happy to recommend that the Directors standing for re-election should be re-elected at the 2019 AGM.

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

Iain McCusker
Chairman
26th March 2019

Statement of compliance

David Lanchester
Company Secretary

Statement of compliance

Throughout the year ended 31st December 2018, the Board considers that it has complied with the provisions of the UK Corporate Governance Code 2016 ('the Code'). The Code is issued by the Financial Reporting Council (FRC) and is publicly available on the FRC's website, www.frc.org.uk.

Structure of the Board

The Company is managed by the Board of Directors, which currently consists of four Non-Executive Directors (including the Chairman) and three Executive Directors. The Non-Executive Directors who served during the year ended 31st December 2018 were deemed to be independent, notwithstanding their shareholdings held during the year, which are not considered significant by the Board. At the time of his appointment as Chairman, Iain McCusker was considered to be independent, but is not considered to be independent by virtue of his appointment as Chairman.

In line with the new UK Corporate Governance Code, all Directors shall be subject to annual re-election unless a Director has been newly appointed during the year. Therefore, at the forthcoming AGM on 10th May 2019, all Directors will retire and offer themselves for re-election apart from Louise Dier who is standing for election, having been appointed a Director since the last AGM.

All Executive Directors have signed service agreements which take into account best practice and contain a notice period of 12 months from either party. All Non-Executive Directors have letters of appointment specifying their roles, responsibilities and required time commitment to the Board.

The Board maintains procedures whereby potential conflicts of interests are reviewed regularly. The Board has considered the other significant commitments undertaken by the Directors, details of which are provided in their biographies on pages 36 and 37, and considers that the Chairman and each of the Directors are able to devote sufficient time to fulfil the duties required of them under the terms of their service agreements or letters of appointment.

Iain McCusker was appointed Chairman in October 2015, although he has been a Non-Executive Director since 2009. The Board notes that the new Code states that the Chair should not remain in the post beyond nine years from the date of first appointment to the Board, but provides that this period may be extended to facilitate effective succession planning and the development of a diverse Board, particularly in those cases where the Chair was an existing Non-Executive Director on appointment. Therefore, in order to provide continuity and stability given the relative short periods of office of the other Non-Executive Directors, Iain McCusker will stand for re-election at the 2019 AGM and his position as Chairman will be kept under review.

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

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

The Senior Independent Director acts as a sounding board for the Chairman and serves as an intermediary for the other Directors, where necessary. The Senior Independent Director is also an additional point of contact for shareholders if they have reason for concern and where contact through the normal channel of the Chairman, Chief Executive or other Executive Directors has failed to resolve or for which such contact is inappropriate.

Independent of management, the Non-Executive Directors bring diverse skills and experience vital to constructive challenge and debate. The Non-Executive Directors provide the membership of the Audit, Remuneration and Nomination Committees.

Statement of compliance continued

Board diversity

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

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

Board meetings

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

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.

Matters reserved for the Board include:

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

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

Board committees

The Board has delegated certain responsibilities to the Audit Committee, Remuneration Committee and Nomination Committee, which report directly to the Board. The terms of reference of each committee are available in the Investors section of the Company's website.

Number of meetings attended

	Board (Maximum 14)	Audit (Maximum 4)	Nomination (Maximum 5)	Remuneration (Maximum 8)
Iain McCusker	14	-	5	8
Mike Robson	13	4	5	8
Peter Maskell (appointed 1st January 2018)	14	4	5	8
Mark Lawrence	14	-	-	-
Trevor Mitchell (appointed 1st February 2018)	12	-	-	-
Mike Crowder	13	-	-	-
Martin Walton (resigned 2nd February 2018)	0	-	-	-
Tony Giddings (resigned 18th May 2018)	5	1	1	4

Audit Committee

Mike Robson chairs the Audit Committee and Louise Dier and Peter Maskell are also members of the Committee. The Board is satisfied that Mike Robson has the requisite recent and relevant financial experience to chair the Audit Committee. The Audit Committee report is set out on pages 46 to 48.

The roles and responsibilities of the Audit Committee include:

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

Nomination Committee

Iain McCusker chairs the Nomination Committee and Mike Robson, Louise Dier and Peter Maskell are also members of the Committee. The Nomination Committee report is set out on page 49.

The roles and responsibilities of the Nomination Committee include:

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

Statement of compliance continued

Remuneration Committee

Peter Maskell chairs the Remuneration Committee and Iain McCusker, Mike Robson and Louise Dier are also members of the Committee. The Directors' remuneration report is set out on pages 50 to 62.

The role and responsibilities of the Remuneration Committee include:

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

Group Management Board

The Group Management Board comprises the Executive Directors and other key members of the Group's senior management team, including representatives of the regional businesses. The role of the Group Management Board is to co-ordinate and direct the efforts of the four regional businesses and the individual offices below them to manage risk and deliver value for the Group as a whole across our target sectors in line with the Group's strategy. The Group Management Board considers Group initiatives on matters such as health 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.

The Non-Executive Directors meet with members of the Group Management Board and other members of the senior management team at least once a year. In addition, the Non-Executive Directors make visits to the regional offices in order to acquaint themselves with the regional businesses and their senior management and also visit project sites to see work being undertaken at first hand.

Performance evaluation

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

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

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

Company Secretary

All Directors have access to the advice and services of the Company Secretary, who ensures that the Board receives appropriate and timely information, that Board procedures are followed and that statutory and regulatory requirements are met.

Relationship with shareholders

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 the year-end and half-year 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. All such meetings are reported at Board meetings. In addition, the Chairman is available to meet with major shareholders periodically to discuss Board governance and strategy.

The Board has always invited communication from private investors and encouraged their participation at the Annual General Meeting. All Board members present at the Annual General Meeting are available to answer questions from shareholders, including the Chairs of the Audit, Remuneration and Nomination Committees, during the meeting and remain available after the meeting to talk informally with shareholders. 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 tab.

Internal control

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

In accordance with the Code, the Board confirms that, for the year ended 31st December 2018, it has carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. The principal risks identified and the controls and mitigating actions in place are described on pages 30 to 33.

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.

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

The Board reviews the Company's risk register and monitors risk management procedures as a regular agenda item and the Board receives reports thereon from Group management. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

At its meeting on 20th March 2019, the Board carried out the annual internal controls and risk management assessment of the year ended 31st December 2018 by considering documentation from the Audit Committee. Further details concerning the Audit Committee's review of internal controls and risk management processes is included in the Audit Committee report on pages 46 to 48. Historically, the internal audit function has been covered through regular site visits conducted by Quality Assurance and Group finance personnel. The Audit Committee reviewed the need for a separate internal audit function during the year and agreed that the current process worked well and the remit of the Quality Assurance department would be expanded to include detailed reviews that the Committee felt appropriate.

Share capital structures

The statements within the Directors' report on share capital structures are incorporated by reference into this statement of compliance.

Fair, balanced and understandable assessment

In relation to compliance with the Code, the Board has given consideration as to whether or not the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and concluded that this is the case. A statement to this effect is included in the Directors' Responsibilities Statement on page 66. The preparation of this document is co-ordinated by the Finance team and the Company Secretary with Group-wide input and support from other areas of the business. Comprehensive reviews have been undertaken at regular intervals throughout the process by senior management and other contributing personnel within the Group.

The Directors' responsibilities for preparing the financial statements and supporting assumptions that the Company is a going concern are set out on page 66.

Long-term viability statement ('LTVS')

In relation to compliance with the Code, the Board has assessed the prospects of the Company, taking into account the Company's current position and principal risks. The LTVS and supporting assumptions are set out on page 34.

David Lanchester
Company Secretary
26th March 2019

Audit Committee report

Mike Robson
Chair of the Audit Committee

Dear Shareholder
As Chairman of the Audit Committee, I am pleased to present the report of the Audit Committee for the year ended 31st December 2018.

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

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

Further information concerning the activities of the Audit Committee during the year are set out on the following pages.

Mike Robson
Chair of the Audit Committee
26th March 2019

Matters considered by the Audit Committee

The Audit Committee met on four occasions during the year ended 31st December 2018. The principal matters discussed at the meetings are set out below.

Principal matters considered

March 2018
- Draft Annual Report and Financial Statements for the year ended 31st December 2017, including significant judgements and disclosures therein.
- Audit representation letter.
- Annual assessment of internal controls and risk management.
- Review of risk register and mitigating actions.
- Review of the effect of IFRS 15.
- Finance Director's report on going concern and viability statement.
- Finance Director's report on goodwill impairment.
- Consideration of the reappointment of external auditors.
- Independence of external auditors.

July 2018
- Update on internal controls.
- Review of procedures for identifying and recording risks.
- Draft half-year report and financial statements for the six months ended 30th June 2018, including significant judgements and disclosures therein.

October 2018
- Audit plan presented by the auditors.
- Governance and independence of the external auditors.
- Consideration of the internal audit work carried out by the Quality Assurance team and expansion of that role.
- Consideration of the need for a separate internal audit function.
- Review of policy on non-audit services.

December 2018
- Review of accounting policies.
- Review of anti-bribery and corruption and whistleblowing policies.
- Review of Committee's terms of reference.
- Review of Committee's effectiveness.
- Review of procedures for identifying and recording risks.

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 and action		
Matter considered: Contract profit and revenue recognition	**Action:** The recognition of revenue and profit on construction contracts involves significant judgement due to the inherent difficulty in forecasting the final costs to be incurred on contracts in progress and the process whereby applications are made during the course of the contract with variations, which can be substantial, often being agreed as part of the final account negotiation.	The Committee considered the consistency and appropriateness of the Group's policies and the effect of IFRS 15 in respect of profit and revenue. Their specific application to a number of large contracts was considered. The Committee also considered the application of IFRS 15 to the 2017 financial year and agreed with management that no restatement was required. The Committee concurred with management's assessment of the contracts and the revenue recognised for 2018.
Matter considered: Pension scheme accounting	**Action:** The Group's defined benefit pension scheme is valued annually by external advisers in accordance with IFRSs. The valuation is subject to significant fluctuations based on actuarial assumptions, including: • discount rates; • mortality assumptions; • inflation; • salary increases; and • expected return on plan assets.	The Committee reviewed the basis of the valuation, including the assumptions used, and considered the sensitivity of the pension scheme valuation to changes in those key assumptions. Further details of the valuation, including the key assumptions used, are disclosed in note 23 to the financial statements on pages 107 to 111.
Matter considered: Carrying value of intangible assets and investments	**Action:** Intangible assets comprise a significant element of the Group's net assets. As required by IFRSs, the Company conducts an impairment review of these assets every year. The Committee considered the papers presented by the Finance Director supporting management's assertion that goodwill is not impaired. Other intangible assets comprise customer relationships on acquisition and are amortised. 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. 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 pages 96 to 98. Aligned to the review of the carrying value of intangible assets, the Committee also considered the carrying value of the subsidiaries in the Parent Company's financial statements.

Audit Committee report continued

Membership of the Audit Committee
The members of the Committee during the year were Mike Robson (Chair), Peter Maskell and, until his resignation on 18th May 2018, Tony Giddings. Louise Dier also joined the Committee on her appointment as a Director on 1st January 2019. Biographies of the current members of the Audit Committee are included on page 37.

Governance
The Committee members are all independent Non-Executive Directors. The Board is satisfied that Mike Robson has the requisite recent and relevant financial experience to chair the Audit Committee and the Committee as a whole has competence relevant to the construction industry. The Committee routinely meets four times a year, and additionally as required, to review or discuss other significant matters.

The Company Secretary also attends the meetings and, when requested, the Finance Director, the Chief Executive Officer and the external auditor also attend parts of the meetings.

The terms of reference of the Committee are available on the Company's website under the Investor section – Governance.

Internal controls
Following the review of the Group's payment and procurement processes and controls undertaken by an independent party, a number of changes and improvements have been made over the last two years. An independent review of the controls over expenses has been initiated. The Audit Committee receives regular updates on internal controls and has concluded that our controls are adequate and appropriate to our business.

Internal audit
The internal audit function is covered through regular site visits conducted by Quality Assurance and Group finance personnel. The Audit Committee reviewed the need for a separate internal audit function during the year and agreed that, whilst a separate internal audit team was not required, the remit of the Quality Assurance department would be expanded to include detailed reviews that the Committee felt appropriate.

Risk management
Assisted by Executive Directors, the Audit Committee has focused on maintaining and improving the procedures to identify, manage and mitigate the risks facing the business and to drill down on selected risks on a rolling basis through the year.

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 92.

The Committee accepts in principle that certain work of a non-audit nature is most efficiently undertaken by the external auditors. The policy on non-audit services provided by PricewaterhouseCoopers LLP ('PwC') is that the Chairman of the Audit Committee reviews and, if appropriate, approves all non-audit services and fees, and any such approval is put to the Audit Committee for review and ratification at the next Committee meeting. The auditors' fees for non-audit services during the year were £nil (2017: £nil).

The independence of the external auditors is essential to the provision of an objective opinion on the true and fair presentation 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 two years. The last audit tender process was in 2011 when PwC were initially appointed and they have been the auditors since. Another audit tender process will be undertaken by 2021.

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

Mike Robson
Chair of the Audit Committee
26th March 2019

Nomination Committee report

Iain McCusker
Chair of the Nomination Committee

Dear Shareholder
As Chairman of the Nomination Committee, I am pleased to present the report of the Nomination Committee for the year ended 31st December 2018.

During the year, the Nomination Committee comprised Iain McCusker (Chair), Peter Maskell, Mike Robson and, until his resignation on 18th May 2018, Tony Giddings. Louise Dier also joined the Committee on her appointment as a Director on 1st January 2019. Biographies of the current members of the Nomination Committee are included on page 37.

The Nomination Committee met five times during the year to review the structure, size and composition of the Board, undertake a Board evaluation process and to consider succession planning for Directors and other senior executives. The Committee also considered a candidate, Louise Dier, to replace Tony Giddings as a Non-Executive Director and, following a thorough interview process, the Committee recommended the appointment of Louise Dier as a Non-Executive Director. As the Nomination Committee was presented with such a suitable candidate for interview, it was felt that an external search consultancy firm was not required.

During the year, the Committee also met and considered the process of replacing Martin Walton, the Finance Director. The Committee recommended to the Board to appoint Trevor Mitchell as an interim Finance Director for one year in order to give the Committee time to recruit a long-term replacement. Subsequently, Trevor indicated that he would like to be considered as the long-term replacement and the Committee met to consider this and recommended to the Board his permanent appointment.

The Committee gives due consideration to diversification in the make-up of the Board but, due to the size of the Company, the most important consideration is to achieve an appropriate mix of skills, knowledge and experience, taking into account the Company's Board Diversity policy. Before any appointment is made by the Board, the Nomination Committee evaluates the balance of skills, experience, independence and knowledge on the Board and, in the light of this evaluation, prepares a description of the role and capabilities required for a particular appointment.

The performance of individual Directors, the Board, its committees and the Chairman is reviewed annually. In 2018, in order to evaluate the performance of the Board, each member of the Board was asked to complete a detailed questionnaire. The responses to the questionnaire were summarised and were reviewed and discussed by the Nomination Committee. Topics covered in the review included strategy, risk management and the conduct and effectiveness of Board meetings. Whilst there are always opportunities for development and improvement, the Directors have concluded that the Board had effectively discharged its duties during the year.

Iain McCusker
Chair of the Nomination Committee
26th March 2019

Directors' remuneration report

Peter Maskell
Chair of the Remuneration Committee

Annual statement by the Chair of the Remuneration Committee

Dear Shareholder
On behalf of the Board, I am pleased to present the remuneration report for the year to 31st December 2018.

The report comprises:
- A summary of the Directors' Remuneration Policy, which was approved at the 2017 AGM and is included for information only, as it is unchanged.
- The Annual Report on Remuneration, which sets out how the Remuneration Policy was implemented in the financial year ending 31st December 2018 and which, together with this introductory statement, is subject to an advisory shareholder vote at the 2019 AGM.

The primary objective of the Remuneration Policy is to promote the long-term success of the Company. In working towards the fulfilment of this objective, our current remuneration structure is intended to be simple and transparent, and to contribute to the building of a sustainable performance culture. Our policy ensures that performance-related components will form a significant proportion of the overall remuneration package, with maximum rewards earned only through the achievement of challenging performance targets based on measures aligned with our long-term strategy. The overarching remuneration framework for Executive Directors consists of base salary, pension, benefits, annual bonus and a single long-term incentive plan (LTIP). Pay is subject to recovery and withholding provisions and share ownership guidelines apply – features intended to enhance the alignment of interest between Executive Directors and shareholders and to contribute to an appropriate level of risk mitigation. The Committee continues to believe this framework is effective and remains aligned with TClarke's strategy.

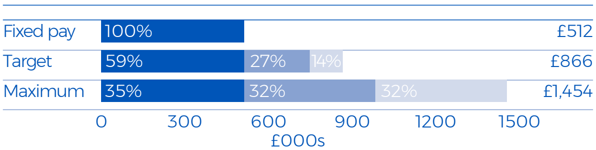
Performance and reward for 2018
The 2018 annual bonus was subject to underlying profit before tax targets alongside a scorecard of strategic objectives closely aligned with the KPIs of the business. Underlying profit before tax increased by 23% to £8.0 million (2017: £6.5 million) and the performance of the Executive Directors in executing against the strategic annual bonus objectives set for them at the start of 2018 was met in full. Therefore, overall, the level of performance achieved resulted in a maximum bonus being payable to each of the Executive Directors. The Committee believes this is a fair outcome, reflecting strong Group and individual performance in 2018.

Earnings per share growth over the three-year period to 31st December 2018 was 281%. This was above the stretch vesting condition for the LTIP award granted in 2016 and, as a result, the award will vest in full on 20th April 2019.

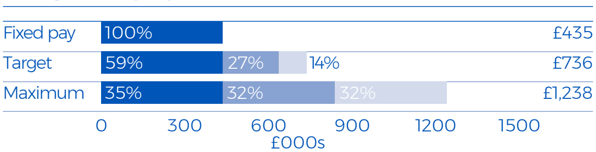
Remuneration scenarios for Executive Directors

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

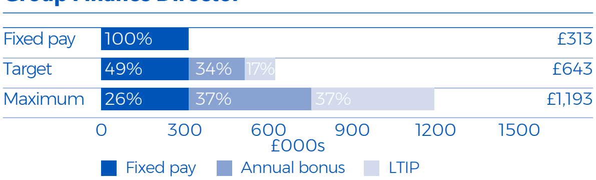
Group Chief Executive



Group Managing Director



Group Finance Director



The charts above are based on:

- salary levels effective 1st January 2019;
- the value of benefits received in 2018 (as per the Directors' remuneration table) and the projected level for the new Group Finance Director;
- the value of pension contribution received in 2018 (as per the Directors' remuneration table);
- a 150% of salary maximum annual bonus (with the on-target level assuming 50% of maximum); and
- a 150% of salary LTIP award (with target assumed to be 25% of the maximum). No share price appreciation or dividend assumptions in respect of the LTIP awards have been assumed.

Implementation of the Remuneration Policy for 2019

The key highlights of how we intend to apply the Remuneration Policy for 2019 are:

- Base salaries – the Executive Directors' salaries were increased by 4% effective 1st January 2019 which is broadly in line with the average increase across the wider workforce.
- Variable pay – annual bonus maximum will be 150% of salary and an LTIP award will be made in May 2019 at up to 150% of salary.
- Performance measures – will continue to be focused on simple and transparent measures. For the annual bonus, underlying profit before tax will apply for two-thirds of the opportunity and key strategic objectives aligned with the Group's KPIs will apply for the remaining one-third of bonus. For the LTIP, stretching earnings per share targets will be set for financial year 2021.

Board change

We announced in February 2018 that Trevor Mitchell was appointed interim Finance Director for a term of one year with a basic salary of £224,500. In July 2018, Trevor agreed to become permanent Group Finance Director. At that time, Trevor's salary was increased by £60,000 to £284,500, but the extra £60,000 will not be subject to bonus. The rest of his package remains fully in line with our approved policy, but he does not receive a pension benefit from the Company.

Alignment with shareholders

We are mindful of our shareholders' interests and are keen to ensure a demonstrable link between reward and value creation. We are proud of the support we have received in the past from our shareholders, with over 98% approval of the Directors' remuneration report received last year at the 2018 AGM. We hope that we will continue to receive your support at the forthcoming AGM in 2019.

Peter Maskell
Chair of the Remuneration Committee
26th March 2019

Directors' Remuneration Policy

The table below summarises the Directors' Remuneration Policy for the Company which was approved by shareholders at the 2017 AGM. The policy came into effect on 5th May 2017 and is next due to be put to shareholders for approval at the 2020 AGM. The original policy can be found in the 2016 Annual Report, which can be found on our website.

Element of remuneration: Salary

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

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

Maximum
- There is no prescribed maximum annual basic salary or salary increase. Details of the current salary levels are set out in the Annual Report on Remuneration on page 61
- Any salary increase (in percentage of salary terms) will ordinarily be up to the general increase for the broader employee population; however, a higher increase may be awarded to recognise, for example, an increase in the scale, scope or responsibility of the role and/or to take account of relevant market movements
- Where an Executive Director's salary is set below market levels at appointment, a series of increases may be given (in addition to the factors listed above) in order to achieve the desired salary positioning, subject to satisfactory individual performance

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

Element of remuneration: Benefits

Purpose and link to strategy
- To promote recruitment and retention
- To provide a market consistent benefits package

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

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

Performance targets
- Not applicable

Element of remuneration: Pension

Purpose and link to strategy
- Provide competitive retirement benefits

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

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

Performance targets
- Not applicable

Element of remuneration: Bonus

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

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

Maximum
- 150% of salary per annum

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

Element of remuneration: Long-Term Incentive Plan

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

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

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

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

Element of remuneration: Share ownership guidelines

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

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

Maximum
- Not applicable

Performance targets
- Not applicable

Directors' Remuneration Policy continued

Element of remuneration: Non-Executive Director

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

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

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

Performance targets
- Not applicable

Notes:

1 The choice of the performance metrics applicable to the 2019 annual bonus scheme reflects the Committee's belief that any incentive compensation should be appropriately challenging and tied to both the delivery of targets relating to key financial measure, profit, and which support the Company's strategic objectives through individual and/or strategic performance measures intended to ensure that Executive Directors are incentivised to deliver across a range of objectives for which they are accountable. The Committee has retained some flexibility on the specific measures which will be used over the life of the policy to ensure that any measures are fully aligned with the strategic imperatives prevailing at the time they are set.

2 The performance condition applicable to the 2019 LTIP awards is underlying earnings per share growth. Underlying EPS was selected by the Remuneration Committee on the basis that it is aligned with the delivery of long-term returns to shareholders and it is one of the Group's key financial metrics. The Committee has retained flexibility on the measures which will be used for future award cycles to ensure that the measures are fully aligned with the strategy prevailing at the time the awards are granted. Notwithstanding this, the Committee would seek to consult with major shareholders in advance of any material change to the choice of the LTIP performance measures.

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

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

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

Annual Report on Remuneration

Single total figure remuneration (audited)

The table below reports the total remuneration receivable in respect of qualifying services by each Director during the year:

Year ended 31st December 2018

	Total salary and fees £	Taxable benefits £	Annual bonus £	Long-term incentives £	Pension-related benefits £	Total £
Executive:						
Mark Lawrence	301,800	21,075	452,700	50,574	177,511	1,003,660
Mike Crowder	257,500	21,075	386,250	50,574	145,666	861,065
Trevor Mitchell[1]	265,792	18,998	336,750	–	–	621,540
Martin Walton[2]	263,208	3,654	–	–	18,284	285,146
Non-Executive:						
Iain McCusker	63,300	–	–	–	–	63,300
Peter Maskell	46,900	–	–	–	–	46,900
Tony Giddings[3]	19,542	–	–	–	–	19,542
Mike Robson	46,900	–	–	–	–	46,900

1 Trevor Mitchell was appointed to the Board on 1st February 2018.
2 Martin Walton resigned from the Board on 2nd February 2018. See page 56 for a breakdown of Martin Walton's total remuneration.
3 Tony Giddings resigned from the Board on 18th May 2018.

Year ended 31st December 2017

	Total salary and fees £	Taxable benefits £	Annual bonus £	Long-term incentives £	Pension-related benefits £	Total £
Executive:						
Mark Lawrence	293,000	23,825	363,174	74,070	120,978	875,047
Mike Crowder	250,000	28,463	309,863	74,070	119,141	781,537
Martin Walton	218,000	22,215	75,000	–	45,880	361,095
Non-Executive:						
Iain McCusker	60,167	–	–	–	–	60,167
Beverley Stewart[1]	18,958	–	–	–	–	18,958
Tony Giddings	45,500	–	–	–	–	45,500
Mike Robson	45,500	–	–	–	–	45,500

1 Beverley Stewart retired from the Board on 5th May 2017.

Annual Report on Remuneration continued

The figures in the single total figure remuneration table are derived from the following:

Total salary and fees	The amount of salary and fees received in the year. The figure for Martin Walton included a termination payment of £244,500 which represented payment in lieu of one years' notice of £224,500 and £20,000 as a termination payment.
Taxable benefits	The taxable value of benefits received in the year. These are a car or car allowance and private medical insurance.
Annual bonus	The 2018 annual bonus was subject to underlying profit before tax targets (two-thirds of bonus) alongside a scorecard of strategic objectives closely aligned with the KPIs of the business (one-third of bonus). The underlying profit before tax targets were as follows: threshold of £7.0 million (45% payable), target of £7.3 million (60% payable) and stretch of £8.0 million (100% payable). Actual performance was £8.0 million which resulted in 100% of maximum for this element being payable. Performance against strategic objectives was strong and resulted in 100% of maximum for this element being payable. Overall this resulted in a bonus of 100% of the maximum (150% of salary) for Mark Lawrence, Mike Crowder and Trevor Mitchell.
Long-term incentives	The value of LTIP awards that vest in respect of a performance period that is completed by the end of the relevant financial year. For 2018 this includes the 2016 Conditional shares awards which will vest in full on 20th April 2019. The value is based on a share price of 84.29p, which is the average share price for the last quarter of 2018. The performance conditions are detailed on page 58. EPS growth over the three-year period to 31st December 2018 was 281%. For 2017 this includes the 2015 LTIP awards which vested in full on 29th April 2018. The value is based on the share price of 82.3p, which is the share price on the last trading day before vesting. The performance conditions are detailed on page 58. EPS growth over the three-year period to 31st December 2017 was 295%. A value for the 2016 Conditional options which will vest in full on 20th April 2019 has not been included as the options have an option price of 88.5p which is above the share price of 84.29p used to calculate the value of the benefit, as detailed above.
Pension-related benefits	Pensions are calculated based on HMRC's pension input method. Details of accrued pensions can be found on page 58. Trevor Mitchell does not receive a pension benefit from the Company.

Directors' interests and Minimum Shareholding Requirement ('MSR') (audited)

Directors' interests in the issued share capital of TClarke plc are set out below. There is a MSR for the Executive Directors whereby each Executive Director is required to build and maintain a holding of 30,000 shares in TClarke plc. For Non-Executive Directors, the MSR requirement is 2,000 shares in TClarke plc as defined in the Company's Articles of Association.

The beneficial interests of Directors in the Ordinary share capital of TClarke plc at 31st December 2018 and 31st December 2017 were:

	At 31st December 2018 10p Ordinary shares	At 31st December 2017 10p Ordinary shares	Outstanding conditional share awards[4]	Outstanding conditional options[4]	Outstanding options held under SAYE	MSR achieved at 31st December 2018
Mark Lawrence	99,295	41,273	356,588	30,000	4,807	100%
Mike Crowder	91,295	33,273	314,934	30,000	4,807	100%
Trevor Mitchell[1]	142,000	N/A	135,078	–	4,807	100%
Martin Walton[2]	N/A	31,273	–	–	–	N/A
Iain McCusker	2,000	2,000	–	–	–	100%
Peter Maskell	41,500	N/A	–	–	–	100%
Tony Giddings[3]	N/A	2,000	–	–	–	N/A
Mike Robson	2,000	2,000	–	–	–	100%

1 Trevor Mitchell did not own any shares on his appointment to the Board on 1st February 2018.
2 Martin Walton resigned from the Board on 2nd February 2018 and held 31,273 shares as at that date.
3 Tony Giddings resigned from the Board on 18th May 2018 and held 2,000 shares as at that date.
4 The outstanding conditional share awards and outstanding conditional options are subject to performance conditions.

There have been no changes to Directors' interests since 31st December 2018.

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

	Award date	01/01/2018 Number	Granted	Exercised	Lapsed	31/12/2018 Number	Exercise price	Earliest date of exercise	Date of expiry
Mark Lawrence									
Conditional shares	29/04/2015	90,000	–	(90,000)	–	–	–	29/04/2018	29/04/2025
Conditional shares	20/04/2016	60,000	–	–	–	60,000	–	20/04/2019	20/04/2026
Conditional shares	08/05/2017	115,000	–	–	–	115,000	–	08/05/2020	08/05/2027
Conditional shares	25/04/2018	–	181,588	–	–	181,588	–	25/04/2021	25/04/2028
Conditional options	20/04/2016	30,000	–	–	–	30,000	88.5p	20/04/2019	20/04/2026
Mike Crowder									
Conditional shares	29/04/2015	90,000	–	(90,000)	–	–	–	29/04/2018	29/04/2025
Conditional shares	20/04/2016	60,000	–	–	–	60,000	–	20/04/2019	20/04/2026
Conditional shares	08/05/2017	100,000	–	–	–	100,000	–	08/05/2020	08/05/2027
Conditional shares	25/04/2018	–	154,934	–	–	154,934	–	25/04/2021	25/04/2028
Conditional options	20/04/2016	30,000	–	–	–	30,000	88.5p	20/04/2019	20/04/2026
Trevor Mitchell									
Conditional shares	25/04/2018	–	135,078	–	–	135,078	–	25/04/2021	25/04/2028
Martin Walton[1]									
Conditional shares	29/04/2015	90,000	–	–	(90,000)	–	–	29/04/2018	29/04/2025
Conditional shares	20/04/2016	60,000	–	–	(60,000)	–	–	20/04/2019	20/04/2026
Conditional shares	08/05/2017	85,000	–	–	(85,000)	–	–	08/05/2020	08/05/2027
Conditional options	20/04/2016	30,000	–	–	(30,000)	–	88.5p	20/04/2019	20/04/2026

1 Following his resignation from the Board on 2nd February 2018, the outstanding EIP awards in the name of Martin Walton lapsed on that date under the rules of the EIP.

Annual Report on Remuneration continued

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[1]	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%

1 The base point is based on average underlying EPS for the three years ending with the year preceding date of grant.

The Directors' interests in the TClarke Savings Related Share Option Scheme ('SAYE Scheme') are as follows:

	Award date	01/01/2018 Number	Granted	Lapsed	Exercised[1]	31/12/2018 Number	Exercise price	Earliest date of exercise	Date of expiry
Mark Lawrence	08/10/2015	10,322	–	–	(10,322)	–	69.75p	01/12/2018	31/05/2019
	24/10/2018	–	4,807	–	–	4,807	74.88p	01/12/2021	31/05/2022
Mike Crowder	08/10/2015	10,322	–	–	(10,322)	–	69.75p	01/12/2018	31/05/2019
	24/10/2018	–	4,807	–	–	4,807	74.88p	01/12/2021	31/05/2022
Trevor Mitchell	24/10/2018	–	4,807	–	–	4,807	74.88p	01/12/2021	31/05/2022
Martin Walton[2]	08/10/2015	10,322	–	(10,322)	–	–	69.75p	01/12/2018	31/05/2019

1 Options exercised on 3rd December 2018.
2 Following his resignation from the Board on 2nd February 2018, the outstanding SAYE award in the name of Martin Walton lapsed on that date under the rules of the SAYE.

The market price of a 10p Ordinary share on 31st December 2018 (being the last day of trading of 2018) was 87p and the range during the year ended 31st December 2018 was 73p to 93.6p.

External appointments

Mark Lawrence and Mike Crowder do not hold any external appointments. Trevor Mitchell is a Director of It's Purely Financial Limited.

Pension scheme (audited)

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

	Total pension accrued at 31.12.17 £ p.a.	Increase in accrued pension (including inflation) £ p.a.	Increase in accrued pension (excluding inflation) £ p.a.	Total pension accrued at 31.12.18 £ p.a.	Transfer value of accrued pension at 31.12.17 £	Increase in transfer value less Director's contributions £	Transfer value of accrued pension at 31.12.18 £
Mark Lawrence	77,031	12,874	11,005	89,905	1,540,614	177,511	1,798,105
Mike Crowder	78,254	11,811	9,939	90,065	1,565,074	145,666	1,801,304

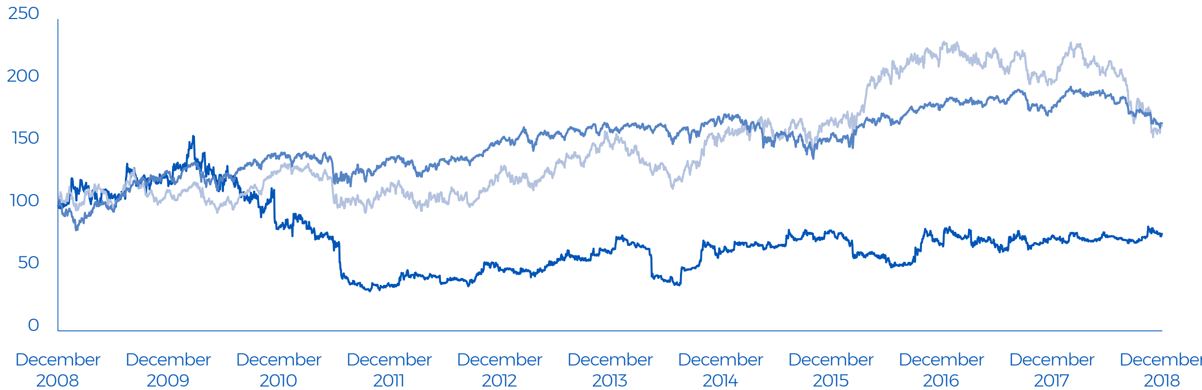
Inflationary increases were assumed to be 2.4% per annum during 2018 in line with increases in the Consumer Price Index during the year.

Trevor Mitchell does not receive a pension benefit from the Company.

Performance graph (audited)

The graph below shows the total shareholder return that would have been obtained over the past ten years by investing £100 in shares of TClarke plc on 31st December 2008 and £100 in a notional investment in the FTSE All-Share Index and the FTSE All-Share Construction & 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-Share Construction & Materials Index are considered to be the most appropriate broad equity indices to use as a comparison because the Company is a constituent of both.

Shareholder return 2009-2018



Total remuneration (audited)

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

	2009[1]	2010	2011	2012	2013	2014	2015	2016	2017	2018
Total remuneration (£000s)	231	234	245	266	308	300	436	567	875	1,003
Annual bonus (%)	0%	0%	0%	0%	9%	0%	24%	32%	69%	100%
LTIP vesting (%)	0%	0%	0%	0%	0%	0%	0%	0%	100%	100%

1 Pat Stanborough held the position of CEO in 2009.

Percentage change in Chief Executive's remuneration

The table below shows the percentage change in the Chief Executive's salary, benefits and annual bonus between the financial year ended 31st December 2017 and 31st December 2018, compared with that of the total amounts for all UK employees of the Group for each of these elements of pay.

	2018 £k	2017 £k	% change
Salary:			
Chief Executive	**301.8**	293.0	3.0%
UK employee average	**48.7**	45.2	7.7%
Benefits:			
Chief Executive	**21.0**	23.8	(11.7%)
UK employee average	**1.2**	2.0	(40%)
Annual bonus:			
Chief Executive	**452.7**	363.2	24.6%
UK employee average	**2.52**	1.67	50.8%
Average number of UK employees	**1,346**	1,348	

Annual Report on Remuneration continued

Relative importance of spend on pay

The following table shows the Group's total spend on pay relative to dividends and total operating expenses. Total operating expenses comprise cost of sales and administrative expenses before amortisation of intangible assets and other non-underlying costs.

	2018 £m	2017 £m	% change
Staff costs	**79.1**	70.3	12.5%
Dividends	**1.5**	1.4	7.1%
Total operating expenses	**318.0**	304.0	4.6%

Service contracts and letters of appointment

All Executive Directors have 12-month notice periods from the Company (and 12 months from the Executive Director) in accordance with their service agreements.

Non-Executive Directors have letters of appointment which include initial terms of three years.

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.

During the year, the Remuneration Committee comprised Peter Maskell (Chair), Iain McCusker, Mike Robson and, until his resignation on 18th May 2018, Tony Giddings, who was Chair of the Committee until his resignation. Louise Dier also joined the Committee on her appointment as a Director on 1st January 2019. Biographical information on the Committee members and details of attendance at the Remuneration Committee's meetings during the year are set out on pages 37 and 42 respectively.

The Remuneration Committee has access to independent advice where appropriate. New Bridge Street ('NBS') (a trading name of Aon Hewitt Ltd, an Aon plc company) was appointed by the Committee in 2016 to provide independent advice on remuneration matters.

Representatives from NBS attend Committee meetings on invitation and provide advice to the Committee Chairman outside of meetings as necessary. Fees are charged on a cost incurred basis and for advice to the Committee totalled £3,500 in the year ended 31st December 2018. NBS is a member of the Remuneration Consultants Group and operates voluntarily under the Group's code which sets out the scope and conduct of the role of executive remuneration consultants when advising UK listed companies. NBS does not undertake any other work for the Company, and the Committee is satisfied that the advice provided by NBS remains objective and independent.

The Committee also receives input from the Chief Executive and advice from the Company Secretary. No individuals are present when their own remuneration is being discussed.

Statement of voting at Annual General Meeting

The Company remains committed to ongoing shareholder dialogue and takes a keen interest in voting outcomes. The following table sets out voting outcomes in respect of the resolutions relating to approving Directors' remuneration matters at the Company's AGM on 18th May 2018:

Resolution	Votes for/ discretionary	% of vote	Votes against	% of vote	Votes withheld
Approval of Directors' remuneration report	10,893,880	98.34%	184,113	1.66%	47,281

Implementation of the Remuneration Policy for the year ending 31st December 2019

A summary of how the Directors' Remuneration Policy will be applied during the year ending 31st December 2019 is set out below.

Basic salary

Increases for 2019 are shown below. The Executive Directors' salaries were increased by 4% effective 1st January 2019.

Director	2019	2018	% increase
Mark Lawrence	**£313,875**	£301,800	4%
Mike Crowder	**£267,800**	£257,500	4%
Trevor Mitchell[1]	**£233,500**	£224,500	4%

1 Trevor Mitchell was appointed a Director on 1st February 2018 at a salary of £224,500. On becoming permanent Finance Director in July 2018, his salary increased to £284,500, through an additional £60,000 which is not subject to bonus. His total salary in 2019 will be £293,500.

Pension arrangements

The Company operated a defined benefit pension and death benefits scheme of which Mark Lawrence and Mike Crowder are members. The defined benefits scheme is closed to new members. The life assurance benefit is four-times pensionable salary.

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

Trevor Mitchell does not receive any pension benefit from the Company.

Annual bonus

The maximum bonus potential for the year ending 31st December 2019 is 150% of salary for all the Executive Directors.

Awards are determined based on a combination of both the Group's financial results, being growth in Group profit before tax (two-thirds of overall bonus) and strategic targets (one-third of overall bonus) being met.

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

The measures have been selected to reflect a range of key financial and operational goals which support the Company's strategic objectives. The respective targets have not been disclosed as they are considered by the Board to be commercially sensitive. However, retrospective disclosure of the targets and performance against them will be provided in the remuneration report for the year ending 31st December 2019 provided that they do not remain commercially sensitive at that time.

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

Long-term incentives

Consistent with past awards, LTIP awards that will be granted in 2019 will vest subject to continued employment with the Group and satisfaction of the following performance conditions over a three-year period ending on 31st December 2021.

Annual growth in EPS above RPI[1]	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%

1 Base point from which performance is measured is based on average underlying EPS for the three years ended 31st December 2018.

Annual Report on Remuneration continued

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, which includes an increase of 4% effective 1st January 2019.

Non-Executive Directors	2019	2018	% increase
Iain McCusker	**£65,850**	£63,300	4%
Peter Maskell	**£48,775**	£46,900	4%
Louise Dier	**£48,775**	N/A	N/A
Mike Robson	**£48,775**	£46,900	4%

By order of the Board

Peter Maskell
Chair of the Remuneration Committee
26th March 2019

Directors' report

The Directors' report should be read in conjunction with the Strategic report on pages 1 to 34 and the Corporate Governance report on pages 36 to 62, both of which form part of this Directors' report. The Directors' report comprises sections of the Annual Report incorporated by reference as set out below which, taken together, contain the information to be included in the Annual Report, where applicable, under Listing Rule 9.8.4.

Directors

The following Directors served during the year ended 31st December 2018 and as at the date of this report, except as indicated:

Name	Appointment
Iain McCusker	Chairman
Mike Robson	Senior Independent Non-Executive Director
Peter Maskell	Non-Executive Director (appointed 1st January 2018)
Mark Lawrence	Group Chief Executive Officer
Mike Crowder	Group Managing Director
Trevor Mitchell	Group Finance Director (appointed 1st February 2018)
Louise Dier	Non-Executive Director (appointed 1st January 2019)
Tony Giddings	Senior Independent Non-Executive Director (resigned 18th May 2018)
Martin Walton	Group Finance Director (resigned 2nd February 2018)

Brief biographies of current serving Directors, indicating their experience and qualifications, can be found on pages 36 and 37.

In line with the new UK Corporate Governance Code, all the Directors shall be subject to annual re-election at the forthcoming Annual General Meeting ('AGM') on 10th May 2019. Therefore, all Directors will retire and offer themselves for re-election apart from Louise Dier who is standing for election, having been appointed a Director since the last AGM.

Powers of Directors

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

Directors' report continued

Share capital

The Company's share capital consists of Ordinary shares with a nominal value of 10p each. The issued share capital as at 31st December 2018 was £4,286,857.20, consisting of 42,868,572 Ordinary shares of 10p each. At 26th March 2019 the issued share capital had increased to £4,297,566.10 consisting of 42,975,661 Ordinary shares of 10p each. The Company's issued Ordinary shares are fully paid and rank equally in all respects. There are no restrictions on the size of a holding nor on the transfer of Ordinary shares in the Company or on the exercise of voting rights attached to them, save that:

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

Further details on share capital are shown in note 19 to the financial statements on pages 102 to 105.

Substantial shareholdings

Notifications of the following voting interests in the Company's Ordinary share capital had been received by the Company (in accordance with Chapter 5 of the FCA's Disclosure and Transparency Rules) as at 31st December 2018 and 26th March 2019:

	Number of shares held at 31st December 2018	% of voting rights held	Number of shares held at 26th March 2019	% of voting rights held
Regent Gas Holdings	3,813,036	9.12	3,813,036	9.12
Hargreaves Lansdown Stockbrokers	2,456,595	5.87	2,456,595	5.87
Barclays Stockbrokers	2,198,869	5.26	2,198,869	5.26
Walker Crips Wealth Management Ltd	2,189,190	5.23	2,189,190	5.23
Miton Group Plc	4,180,072	9.99	2,128,528	4.95
Interactive Investor	1,740,829	4.16	1,740,829	4.16
Charles Stanley & Co. Ltd	1,364,585	3.26	1,364,585	3.26

The information shown above was correct at the time of disclosure, however the date received may not have been within the current financial reporting period. It should also be noted that these holdings may have changed since the Company was notified, however, notification of any change is not required until the next notifiable threshold is crossed.

Significant agreements – change of control

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

The Company has an Equity Incentive Plan ('EIP') in place for Directors and senior management, and an employee share save scheme in place which is available to all employees. The rules of the EIP provide that awards made under the EIP may vest on a change of control of the Company, at the discretion of the Remuneration Committee. The rules of the Savings Related Share Option Scheme provide that in the event of a change of control, outstanding options may be exchanged or replaced with similar options on the same terms. Further details on employee share schemes are disclosed in note 19 to the financial statements on pages 102 to 105.

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

Significant interests

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

Qualifying third party indemnities
The Articles of Association of the Company entitle the Directors, to the extent permitted by the Companies Act 2006 and other applicable legislation, to be indemnified out of the assets of the Company in the event that they suffer any expenses in connection with certain proceedings relating to the execution of their duties as Directors of the Company.

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

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.

Political donations
The Group made no political donations during the year ending 31st December 2018 (2017: £nil).

Events after the balance sheet date
There have been no significant events since the balance sheet date which would have a material effect on the financial statements.

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

Statement of disclosure of information to the auditor
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 Company's auditor is unaware, and each such Director has taken all reasonable steps to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418(2) of the Companies Act 2006.

A resolution is to be proposed at the AGM for the reappointment of PricewaterhouseCoopers LLP as independent auditor of the Company at a rate of remuneration to be determined by the Audit Committee.

Annual General Meeting ('AGM')
The AGM of the Company will be held at 200 Aldersgate, St Pauls, London EC1A 4HD at 10.00am on 10th May 2019. The Notice convening the AGM, together with details of the special business to be considered and explanatory notes for each resolution, is contained in a separate circular sent to shareholders. It is also available to be viewed on the Company's website.

Approved by the Directors and signed by order of the Board.

David Lanchester
Company Secretary
26th March 2019

TClarke plc is registered in England No. 119351.

Statement of Directors' responsibilities in respect of the financial statements

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

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Parent Company and enable them to ensure that the financial statements and the Directors' remuneration report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The Directors are also responsible for safeguarding the assets of the Group and Parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Parent Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider that the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Parent Company's performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the Board of Directors section on pages 36 and 37, confirm that, to the best of their knowledge:

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

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

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

On behalf of the Board

Trevor Mitchell
Finance Director

Iain McCusker
Chairman

26th March 2019

TClarke plc
Registered number: 119351

Independent auditors' report to the members of TClarke plc

Report on the audit of the financial statements

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 2018 and of the Group's profit and the Group's and the Parent Company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- 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.

We have audited the financial statements, included within the Annual Report and Financial Statements 2018 (the "Annual Report"), which comprise: the consolidated and company statements of financial position as at 31st December 2018; the consolidated income statement and consolidated statement of comprehensive income, the consolidated and company statements of cash flows, and the consolidated and company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

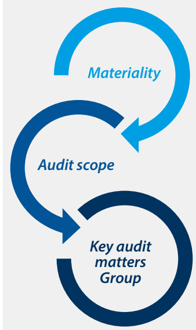
We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company.

We have provided no non-audit services to the Group or the Parent Company in the period from 1st January 2018 to 31st December 2018.

Our audit approach

Overview



- Overall Group materiality: £1.3 million (2017: £626,000), based on 0.5% (2017: 0.25%) of average revenue for the last five years.
- Overall Parent Company materiality: £488,000 (2017: £484,000), based on 1% of total assets.

- Substantially, all of our audit work was conducted from the head office in London.
- We also met with representatives from across all four regions in the course of the audit.

- Revenue recognition and long-term contract accounting in respect of construction contracts.
- Defined benefit pension plan liabilities.
- Goodwill and intangible assets impairment assessment.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Companies Act 2006, the Listing Rules, pensions and UK tax legislation, and Health and Safety Executive Legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journals to increase revenue or reduce expenditure, management bias in accounting estimates, and inappropriate allocation of expenses between contracts. Audit procedures performed by the engagement team included a review of the financial statement disclosures to underlying supporting documentation, review of correspondence with the regulators, enquiries of management, review of significant estimates, review of a selection of journals posted throughout the year, and a review of cost allocations between contracts.

Independent auditors' report to the members of TClarke plc continued

Report on the audit of the financial statements

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition and long-term contract accounting in respect of construction contracts We focused on the revenue and profit recognised on long-term contracts because they result in material balances, involve judgements and can be complex. IFRS requires revenue to be recognised over the course of the contract, by selecting an appropriate method for measuring the entity's progress towards complete satisfaction of that performance obligation. If a project is, or is forecast to be, loss making, they require the full loss to be recognised immediately. The Group generates revenue from long-term contracts mainly relating to mechanical and electrical services. The percentage completion of contracts is calculated based on the amount of costs incurred to date compared with the total expected costs to be incurred on the project, except where this would not be representative of the stage of completion. Forecast end of life costs are inherently subjective.	We selected a sample of contracts to test, based on both quantitative and qualitative criteria including: • high levels of revenue recognised in the year; • low margins or loss making contracts; • contracts with significant balance sheet exposure including those with material amounts recognised which were not agreed with the client; and • other high risk contracts identified through discussions with management, including those with a high level of variations or changes to the contract scope relative to the required contract total. We obtained an understanding of and evaluated management's own process and controls for reviewing long-term contracts (including the process for identifying loss-making and/or higher risk contracts and assessment of 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 on our sample. For our sample of contracts, we focused on the significant judgements adopted by management in relation to the revenue and margin recognition, and, in particular, judgements with respect to the percentage completion, as follows: • We obtained an understanding of the contract and its particulars; • We agreed forecast revenue to signed contracts, signed variations or other supporting documentation; • We traced a sample of variations to supporting certifications or instructions from clients; • We held discussions with management to understand and challenge areas of judgement taken; • Where necessary, reviewing third party expert advice obtained in respect of those judgements; • We reconciled revenue recognised with amounts applied for and amounts certified by clients and confirmed, using our industry knowledge and experience, that the reconciling items were appropriate; • We re-performed the key calculations behind the margin applied, the profit taken and the stage of completion, as well as balance sheet exposure;

Key audit matter	How our audit addressed the key audit matter
	• We assessed the recoverability of balance sheet items by comparing to external certification of the value of work performed; and • We evaluated forecast costs to complete through analytical procedures, and applied industry knowledge and experience to challenge the completeness of management's forecast costs to completion. In addition, for the remaining contract population we performed the following: • We reviewed the forecast margins for the population of contracts and for those which had moved significantly since tender and/or prior reporting periods, we obtained explanations from management; and • We recalculated the percentage completion based on costs to date and recalculated revenue recognised; • We traced a sample of revenue transactions to supporting documentation; and • We traced a sample of balance sheet items (including positive and negative work-in-progress balances) to supporting documentation. Based on all of the evidence obtained in the above procedures, we are satisfied the revenue and profit recognised by management is supportable.
Defined benefit pension plan liabilities The Group operates a funded defined benefit scheme for qualifying employees which was closed to new members after 31st December 2014. The scheme has assets of £35.8 million and post-retirement liabilities of £58.8 million 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, the judgements inherent in the actuarial assumptions involved in the valuation of the pension obligation we considered this to be an area of focus.	We obtained the actuarial valuation at 31st December 2018 and tested the valuation of the pension liabilities as follows: • We agreed the discount and inflation rates used in the valuation of the pension liability to our internally developed benchmarks, finding these to be within an acceptable range. Our benchmarks are based on our view of relevant economic indicators. • We assessed the rationale for the discount rate they used, the methodology used to derive it was appropriate; • We tested the Directors' assumptions around inflation and life expectancy 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; and • we performed a reconciliation of the valuation results to the IAS 19 liability at 31st December 2018. 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. We did not identify any issues within our testing and were satisfied the assumptions applied are within an appropriate range.

Independent auditors' report to the members of TClarke plc continued

Report on the audit of the financial statements

Key audit matter	How our audit addressed the key audit matter
Goodwill and intangible assets impairment assessment We focused on this area because the Directors' assessment of the carrying value of goodwill and intangible assets involves complex and subjective judgements about the future results of the business. 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 profitability or historic underperformance against budgets, or for which management's impairment assessment model gave lower headroom relative to other CGUs.	We evaluated the Directors' future cash flow forecasts, which were prepared to a sufficiently detailed level, including: • We compared them to the latest Board approved budgets; • We tested the integrity of the underlying calculations; • We compared 2018 financial performance to budget and understood the drivers of profitability; and • We performed sensitivity analysis around the key drivers of the cash flow forecasts, in particular the revenue growth and margin assumptions; and • We challenged the discount rate used by independently recalculating the cost of capital, which we have used in our sensitivities. Management have also prepared sensitivity analysis in respect of all CGUs. We examined the disclosures made in the financial statements and compared these to the sensitivity analyses performed by management. We concluded that the disclosures are appropriate.

We determined that there were no key audit matters applicable to the Parent Company to communicate in our report.

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 structure of the Group and the Parent Company, the accounting processes and controls, and the industry in which they operate.

As part of designing our audit, we determined materiality and assessed 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.

We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, and considered the risk of acts by the Group which were contrary to applicable laws and regulations, including fraud. We designed audit procedures at Group and significant component level to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. We focused on laws and regulations that could give rise to a material misstatement in the Group and Parent Company financial statements, including, but not limited to, the Companies Act 2006, the Listing Rules, pensions and UK tax legislation and The Health and Safety Legislation. Our tests included, but were not limited to, review of the financial statement disclosures to underlying supporting documentation, review of correspondence with the regulators and enquiries of management. There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

We did not identify any key audit matters relating to irregularities, including fraud. As in all of our audits, we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Materiality

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

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

	Group financial statements	Parent Company financial statements
Overall materiality	£1.3 million (2017: £626,000).	• £488,000 (2017: £484,000).
How we determined it	0.5% (2017: 0.25%) of average revenue for the last five years.	• 1% (2017: 1%) of total assets.
Rationale for benchmark applied	We used revenue as a basis for materiality as the Group's profit margins have historically been low, consistent with the industry as a whole, and therefore revenue is used by the Group as a key performance indicator. An average measure was applied to avoid the volatility caused by fluctuations in revenue over the business cycle. Based on our risk assessment, we have determined a materiality of £1.3 million is reasonable, based on the size and nature of the Group.	• We used total assets as a basis for materiality as the Parent Company does not trade and we believe that total assets is therefore the most appropriate benchmark.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £73,000 and £1.2 million. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £65,000 (Group audit) (2017: £31,300) and £24,400 (Parent Company audit) (2017: £31,300) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Group's and the Parent Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Parent Company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union, which is currently due to occur on 29th March 2019, are not clear, and it is difficult to evaluate all of the potential implications on the Group's trade, customers, suppliers and the wider economy.
We are required to report if the Directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Independent auditors' report to the members of TClarke plc continued

Report on the audit of the financial statements

With respect to the Strategic Report, Directors' Report and Corporate Governance Statement, we also considered whether the disclosures required by the UK Companies Act 2006 have been included. Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31st December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Group and Parent Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. (CA06)

Corporate Governance Statement

In our opinion, based on the work undertaken in the course of the audit, the information given in the Corporate Governance Statement (on pages 41 to 45) about internal controls and risk management systems in relation to financial reporting processes and about share capital structures in compliance with rules 7.2.5 and 7.2.6 of the Disclosure Guidance and Transparency Rules sourcebook of the FCA ("DTR") is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the Group and Parent Company and their environment obtained in the course of the audit, we did not identify any material misstatements in this information. (CA06)

In our opinion, based on the work undertaken in the course of the audit, the information given in the Corporate Governance Statement (on pages 41 to 45) with respect to the Parent Company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the DTR. (CA06)

We have nothing to report arising from our responsibility to report if a corporate governance statement has not been prepared by the Parent Company. (CA06)

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

We have nothing material to add or draw attention to regarding:

- The Directors' confirmation on page 45 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The Directors' explanation on page 34 of the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the Directors' statement that they have carried out a robust assessment of the principal risks facing the Group and statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the Group and Parent Company and their environment obtained in the course of the audit. (Listing Rules)

Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the Directors, on page 45, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Parent Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Parent Company obtained in the course of performing our audit.
- The section of the Annual Report on pages 46 to 48 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The Directors' statement relating to the Parent Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Directors' remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06)

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements
As explained more fully in the Statement of Directors' responsibilities in respect of the financial statements, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

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

Other required reporting

Companies Act 2006 exception reporting
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
- certain disclosures of Directors' remuneration specified by law are not made; 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.

Appointment
Following the recommendation of the Audit Committee, we were appointed by the members on 13th May 2011 to audit the financial statements for the year ended 31st December 2011 and subsequent financial periods. The period of total uninterrupted engagement is eight years, covering the years ended 31st December 2011 to 31st December 2018.

Matthew Mullins (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
26th March 2019

Consolidated income statement

for the year ended 31st December 2018

	Note	2018 Underlying items £m	2018 Non-underlying items £m	2018 Total £m	2017 Underlying items £m	2017 Non-underlying items £m	2017 Total £m
Revenue	5	**326.8**	**–**	**326.8**	311.2	–	311.2
Cost of sales		**(287.6)**	**–**	**(287.6)**	(273.0)	–	(273.0)
Gross profit		**39.2**	**–**	**39.2**	38.2	–	38.2
Other operating income		**–**	**–**	**–**	0.1	–	0.1
Administrative expenses							
Amortisation of intangible assets	7	**–**	**(0.2)**	**(0.2)**	–	(0.2)	(0.2)
Non-underlying costs	7	**–**	**–**	**–**	–	0.8	0.8
Other administrative expenses		**(30.4)**	**–**	**(30.4)**	(31.0)	–	(31.0)
Total administrative expenses		**(30.4)**	**(0.2)**	**(30.6)**	(31.0)	0.6	(30.4)
Operating profit	7	**8.8**	**(0.2)**	**8.6**	7.3	0.6	7.9
Finance costs	6	**(0.8)**	**–**	**(0.8)**	(0.8)	–	(0.8)
Profit before taxation		**8.0**	**(0.2)**	**7.8**	6.5	0.6	7.1
Taxation	9	**(1.6)**	**–**	**(1.6)**	(1.3)	(0.2)	(1.5)
Profit for the financial year		**6.4**	**(0.2)**	**6.2**	5.2	0.4	5.6
Earnings per share							
Attributable to owners of TClarke plc							
Basic	10	**15.38**	**(0.39)**	**14.99**	12.37p	1.07p	13.44p
Diluted	10	**14.98**	**(0.37)**	**14.61**	12.13p	1.04p	13.17p

Consolidated statement of comprehensive income

for the year ended 31st December 2018

	2018 £m	2017 £m
Profit for the year	**6.2**	5.6
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Actuarial gain/(loss) on defined benefit pension scheme, net of tax	**0.7**	(2.3)
Total other comprehensive income/(expense) for the year, net of tax	**0.7**	(2.3)
Total comprehensive income for the year	**6.9**	3.3

Consolidated statement of financial position

as at 31st December 2018

	Note	**2018 £m**	2017 £m
Non-current assets			
Intangible assets	11,27	**25.7**	25.9
Property, plant and equipment	12	**4.9**	4.9
Deferred tax assets	14	**3.9**	3.8
Total non-current assets		**34.5**	34.6
Current assets			
Inventories	15	**0.3**	0.5
Amounts due from customers under construction contracts	16	**26.4**	26.4
Trade and other receivables	17	**68.7**	67.3
Cash and cash equivalents	20	**12.4**	16.7
Total current assets		**107.8**	110.9
Total assets		**142.3**	145.5
Current liabilities			
Amounts due to customers under construction contracts	16	**(8.4)**	(5.5)
Trade and other payables	18	**(87.8)**	(93.6)
Current tax liabilities		**(1.0)**	(1.5)
Obligations under finance leases	24	**-**	(0.1)
Total current liabilities		**(97.2)**	(100.7)
Net current assets		**10.6**	10.2
Non-current liabilities			
Bank loans	21	**-**	(5.0)
Retirement benefit obligations	23	**(23.0)**	(23.4)
Total non-current liabilities		**(23.0)**	(28.4)
Total liabilities		**(120.2)**	(129.1)
Total net assets		**22.1**	16.4
Equity attributable to owners of the parent			
Share capital	19	**4.3**	4.2
Share premium	19	**3.7**	3.1
ESOT reserve		**(1.4)**	(0.8)
Revaluation reserve		**0.5**	0.5
Retained earnings		**15.0**	9.4
Total equity		**22.1**	16.4

The financial statements on pages 74 to 116 were approved by the Board of Directors on 26th March 2019 and were signed on its behalf by:

I McCusker
Director

M Lawrence
Director

Company statement of financial position

as at 31st December 2018

	Note	2018 £m	2017 £m
Non-current assets			
Investments	13	**43.2**	41.7
Total non-current assets		**43.2**	41.7
Current assets			
Trade and other receivables	17	**0.4**	0.9
Current tax receivables		**1.6**	0.4
Cash and cash equivalents	20	**4.5**	5.4
Total current assets		**6.5**	6.7
Total assets		**49.7**	48.4
Current liabilities			
Trade and other payables	18	**(3.7)**	(1.9)
Current tax liabilities		**–**	–
Total current liabilities		**(3.7)**	(1.9)
Net current assets		**2.8**	4.8
Non-current liabilities			
Bank loans	21	**–**	(5.0)
Intra-Group loans	18	**(28.3)**	(25.6)
Total non-current liabilities		**(28.3)**	(30.6)
Total liabilities		**(32.0)**	(32.5)
Total net assets		**17.7**	15.9
Equity attributable to owners of the parent			
Share capital	19	**4.3**	4.2
Share premium	19	**3.7**	3.1
ESOT reserve		**(1.4)**	(0.8)
Retained earnings		**11.1**	9.4
Total equity		**17.7**	15.9

The Company has taken advantage of the exemption conferred by section 408 of the Companies Act 2006 from presenting its own income statements. The profit after tax for the year was £3.2 million (2017: £2.1 million).

The financial statements on pages 74 to 116 were approved by the Board of Directors on 26th March 2019 and were signed on its behalf by:

I McCusker
Director

M Lawrence
Director

Consolidated statement of cash flows

for the year ended 31st December 2018

	Note	2018 £m	2017 £m
Net cash generated from operating activities	20	**3.5**	6.8
Investing activities			
Acquisition of subsidiary, net of cash acquired	27	**(0.5)**	(1.5)
Purchase of property, plant and equipment		**(0.5)**	(1.9)
Receipts on disposal of property, plant and equipment		**–**	0.3
Net cash used in investing activities		**(1.0)**	(3.1)
Financing activities			
New shares issuance		**0.7**	–
Facility fee		**(0.2)**	–
(Repayment)/drawdown of bank borrowing	19	**(5.0)**	2.0
Equity dividends paid	19	**(1.5)**	(1.4)
Acquisition of shares by ESOT	19	**(0.7)**	–
Repayment of HP and finance lease obligations		**(0.1)**	0.1
Net cash (used in)/generated from financing activities		**(6.8)**	0.7
Net (decrease)/increase in cash and cash equivalents		**(4.3)**	4.4
Cash and cash equivalents at the beginning of the year	20	**16.7**	12.3
Cash and cash equivalents at the end of the year	20	**12.4**	16.7

Company statement of cash flows

for the year ended 31st December 2018

	Note	2018 £m	2017 £m
Net cash used in operating activities	20	**(3.2)**	(8.2)
Investing activities			
Investment in subsidiaries		**(0.5)**	(1.5)
Dividends received from subsidiaries		**0.5**	1.6
Net cash generated from investing activities		**–**	0.1
Financing activities			
Loan from subsidiary		**9.0**	–
Facility fee		**(0.2)**	–
New shares		**0.7**	–
Repayment of bank borrowing	21	**(5.0)**	2.0
Equity dividends paid	19	**(1.5)**	(1.4)
Acquisition of shares by ESOT	19	**(0.7)**	–
Net cash generated from financing activities		**2.3**	0.4
Net decrease in cash and cash equivalents		**(0.9)**	(7.7)
Cash and cash equivalents at the beginning of the year	20	**5.4**	13.1
Cash and cash equivalents at the end of the year	20	**4.5**	5.4

Consolidated statement of changes in equity

for the year ended 31st December 2018

	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 2017	4.2	3.1	(0.8)	0.5	7.1	14.1
Comprehensive income						
Profit for the year	–	–	–	–	5.6	5.6
Other comprehensive expense						
Actuarial loss on retirement benefit obligation	–	–	–	–	(2.7)	(2.7)
Deferred income tax on actuarial loss on retirement benefit obligation	–	–	–	–	0.5	0.5
Total other comprehensive expense	–	–	–	–	(2.2)	(2.2)
Total comprehensive income	–	–	–	–	3.4	3.4
Transactions with owners						
Share-based payment credit	–	–	–	–	0.3	0.3
Shares acquired by ESOT	–	–	(0.2)	–	–	(0.2)
Shares distributed by ESOT	–	–	0.2	–	–	0.2
Dividends paid	–	–	–	–	(1.4)	(1.4)
Total transactions with owners	–	–	–	–	(1.1)	(1.1)
At 31st December 2017	**4.2**	**3.1**	**(0.8)**	**0.5**	**9.4**	**16.4**
Comprehensive income						
Profit for the year	**–**	**–**	**–**	**–**	**6.2**	**6.2**
Other comprehensive income						
Actuarial gain on retirement benefit obligation	**–**	**–**	**–**	**–**	**0.8**	**0.8**
Deferred income tax on actuarial loss on retirement benefit obligation	**–**	**–**	**–**	**–**	**(0.1)**	**(0.1)**
Total other comprehensive income	**–**	**–**	**–**	**–**	**0.7**	**0.7**
Total comprehensive income	**–**	**–**	**–**	**–**	**6.9**	**6.9**
Transactions with owners						
New shares	**0.1**	**0.6**	**–**	**–**	**–**	**0.7**
Share-based payment credit	**–**	**–**	**–**	**–**	**0.2**	**0.2**
Shares acquired by ESOT	**–**	**–**	**(0.7)**	**–**	**–**	**(0.7)**
Shares distributed by ESOT	**–**	**–**	**0.1**	**–**	**–**	**0.1**
Dividends paid	**–**	**–**	**–**	**–**	**(1.5)**	**(1.5)**
Total transactions with owners	**0.1**	**0.6**	**(0.6)**	**–**	**(1.3)**	**(1.2)**
At 31st December 2018	**4.3**	**3.7**	**(1.4)**	**0.5**	**15.0**	**22.1**

Company statement of changes in equity

for the year ended 31st December 2018

	Attributable to owners of the parent				
	Share capital £m	Share premium £m	ESOT share reserve £m	Retained earnings £m	Total £m
At 1st January 2017	4.2	3.1	(0.6)	8.7	15.4
Comprehensive income					
Profit for the year	–	–	–	2.1	2.1
Total comprehensive income	–	–	–	2.1	2.1
Transactions with owners					
Share-based payment credit	–	–	–	–	–
Loan repaid by ESOT	–	–	(0.2)	–	(0.2)
Dividends paid	–	–	–	(1.4)	(1.4)
Total transactions with owners	–	–	–	(1.4)	(1.6)
At 31st December 2017	**4.2**	**3.1**	**(0.8)**	**9.4**	**15.9**
Comprehensive income					
Profit for the year	**–**	**–**	**–**	**3.2**	**3.2**
Total comprehensive income	**–**	**–**	**–**	**3.2**	**3.2**
Transactions with owners					
New shares	**0.1**	**0.6**	**–**	**–**	**0.7**
Share-based payment credit	**–**	**–**	**–**	**–**	**–**
Shares acquired by ESOT	**–**	**–**	**(0.7)**	**–**	**(0.7)**
Shares distributed by ESOT			**0.1**		**0.1**
Dividends paid	**–**	**–**	**–**	**(1.5)**	**(1.5)**
Total transactions with owners	**0.1**	**0.6**	**(0.6)**	**(1.5)**	**(1.4)**
At 31st December 2018	**4.3**	**3.7**	**(1.4)**	**11.1**	**17.7**

Notes to the financial statements

for the year ended 31st December 2018

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 on page 117. The nature of the Group's operations and its principal activities are described in note 5 and in the Strategic report on pages 1 to 34. The Company is limited by shares.

2 Application of new and revised IFRSs

New standards, interpretations and amended standards adopted by the Group

The accounting policies adopted are in line with those in previous financial year, with the exception of IFRS 15 ("Revenue from Contracts with Customers") and IFRS 9 ("Financial Instruments"). These two standards have been applied for the first time by the Group, with effect from 1st January 2018.

IFRS 15: Revenue from Contracts with Customers

The standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. IFRS 15 replaces all existing revenue requirements in IFRS and applies to all revenue arising from contracts with customers unless the contracts are within the scope of other standards such as IAS 17 Leases.

The core principle of IFRS 15 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 so that the customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service.

During 2017 and 2018, the Group conducted a comprehensive review of existing contractual arrangements and processes for recognising revenue to determine the impact of IFRS 15. A key consideration in this review was the treatment of contract modifications (variations, claims, etc). Under previous accounting standards, these could be included in revenue when it is probable that these will be approved by the customer and the amount of revenue can be reliably measured. Under IFRS 15, a higher threshold is in operation as now these can only be included in revenue to the extent that, it is highly probable that a significant reversal in the cumulative revenue recognised from these contract modifications will not occur in the future.

The conclusion of the review was that the impact of IFRS 15 was deemed to be immaterial. Amongst other factors, the Group's existing policies for recognising variable consideration were in compliance with the thresholds entailed by IFRS 15. As a result, these financial statements are neither restated for the retrospective impact of IFRS 15 nor is there an adjustment through opening retained earnings.

IFRS 9: Financial Instruments

The standard 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 IAS 39's requirements. The main change is that where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

The classification and measurement basis for financial assets and liabilities have been unchanged with the adoption of IFRS 9. The carrying amounts of assets and liabilities that were recognised in the prior year are materially unchanged from the application of IFRS 9. For this reason, there has been neither an adjustment to retained earnings at 31st December 2017 nor a restatement of prior year balances.

Loss allowances have been measured at an amount equal to lifetime expected credit losses, in accordance with the "simplified approach" in 5.5.15 of IFRS 9.

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

IFRS 16: Leases

IFRS 16 was issued on 13th January 2016 and will become mandatory for accounting periods beginning on or after 1st January 2019. The Group will adopt the standard from the accounting period beginning 1st January 2019.

2 Application of new and revised IFRSs continued

The main feature of IFRS 16 is that lessees will have to recognise a lease liability reflecting future lease payments and a 'right of use asset' for almost all lease contracts, whereas at present a distinction is drawn between finance leases and operating leases depending on whether substantially all the risk and reward of ownership have been transferred to the lessee. In future periods, the operating lease charge would be replaced by a depreciation charge.

During 2018, the Group undertook a review to estimate the impact that IFRS 16 will have on initial application in the forthcoming year. This review found:

- gross assets and gross liabilities will increase by c£4.3 million with the creation of the 'right of use assets' and corresponding finance lease liabilities;
- depreciation and interest will increase by c£1.2 million and c£0.1 million respectively;
- rental charges will decrease by c£1.3 million.

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.

(i) 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 2018 and have been presented in £ million.

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 cash balances at the year end and has in place a £15 million committed revolving credit facility expiring 31st August 2022, and a £5 million overdraft facility. For details of the covenants in place refer to note 21 on page 106.

The Group draws on the overdraft facility as and when required to meet working capital requirements. As with all such facilities the overdraft is subject to annual review and is repayable on demand. The overdraft facility was renewed in August 2018. 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. At 31st December 2018 these bank facilities were unutilised.

After making enquiries and taking account of reasonably possible changes in trading performance, the Directors are satisfied that, at the time of approving the financial statements, it is appropriate to adopt the going concern basis in preparing the financial statements of both the Group and the Parent Company.

(ii) 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.

Notes to the financial statements continued

for the year ended 31st December 2018

3 Accounting policies continued

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.

(iii) Employee Share Ownership Trust ('ESOT')

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

(iv) Segmental reporting

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

(v) Revenue recognition

Revenue is recognised in accordance with the five-step model outlined in IFRS 15:

1. Identify the contract with the customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when or as the entity satisfies its performance obligations

Revenue derives largely from two sources: most significantly, from long-term contracts whereby the Group designs, installs and integrates mechanical and electrical systems for customers ("construction contracts", see (vi)); less significantly, from ongoing maintenance works on previously installed systems. In both instances, steps one to five of the revenue recognition process are determined with reference to the formal contract which exists with the customer. In these contracts, the transaction price, performance obligations, etc. are readily identifiable and distinct.

Revenue from maintenance work is measured as the amount the entity expects to be entitled to in exchange for transferring goods or services to the customer – this amount is net of discounts and VAT. It is recognised at the point in time the customer obtains control over the asset associated with the works.

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

The Directors have elected to apply practical expedient in paragraph C5(d) of IFRS 15 to not disclose the transaction price allocated to remaining performance obligations and an explanation of when the Group expects to recognise that amount as revenue for the prior year.

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction price for the time value of money.

(vi) Construction contracts

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

The earliest point at which profit is taken is that at which the outcome of the contract, based on an assessment by officials of the Group, can be reliably foreseen, taking into account the circumstances of each contract. Variations are included to the extent it is highly probable that its inclusion will not result in a significant revenue reversal in the future. Full provision is made for any foreseeable losses to completion.

"Contract assets" (as discussed in IFRS 15.107) are recognised when the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due. This asset is assessed for impairment in accordance with IFRS 9. These "contract assets" have been termed "Amounts due from customers under construction contracts" in these financial statements.

3 Accounting policies continued

"Contract liabilities" (as discussed in IFRS 15.106) are recognised if a customer pays consideration before the entity transfers a good or service. These have been captioned in these accounts as "Amounts due to customers under construction contracts" respectively.

Bid costs are expensed as incurred, unless recoverable from customers.

(vii) Acquisitions and goodwill

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

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

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

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

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

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

(viii) 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.

Notes to the financial statements continued

for the year ended 31st December 2018

3 Accounting policies continued

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-underlying 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.

(ix) 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 one to ten years.

(x) 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%
Leasehold improvements: 33% or life of lease if shorter
Plant, machinery and motor vehicles: 10%–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.

(xi) Investments

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

(xii) 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.

(xiii) 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.

3 Accounting policies continued

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

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.

(xiv) Financial instruments

The Group's financial instruments comprise trade and other receivables (excluding prepayments), contract trade and other payables (excluding deferred income and taxation), and cash and cash equivalents net of overdrafts. The Group classifies its financial assets as loans and receivables and its financial liabilities as liabilities at amortised cost. The Group does not trade in any financial derivatives. Financial assets and liabilities are offset and the net amount reported in the statement of financial position 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 are non-interest bearing, are measured on initial recognition at fair value and subsequently at amortised cost. On initial recognition, a loss allowance is created which reflects the lifetime expected credit loss on that asset. This loss allowance is subsequently reassessed at each reporting period date.

Trade and other receivables are presented net of the loss allowance.

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 extent 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.

(xv) 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.

Notes to the financial statements continued

for the year ended 31st December 2018

3 Accounting policies continued

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.

(xvi) 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.

(xvii) 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.

(xviii) 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.

(xix) Retirement benefit costs

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

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. 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.

The current service cost of defined benefit retirement benefit schemes is recognised in 'employee benefit expense' in the income statement, except where included in the cost of an asset, and reflects the increase in the defined benefit obligation resulting from service in the current year, benefit changes, curtailments and settlements. Past service cost is recognised immediately in the income statement.

(xx) 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.

(xxi) 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.

3 Accounting policies continued

(xxii) 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. This includes items that are irregular in nature, and also the amortisation of acquired intangibles, which principally relates to acquired customer relationships. The Group incurs costs, which are recognised as an expense in the income statement, in maintaining these customer relationships. The Group considers that the exclusion of the amortisation charge on acquired intangible from underlying performance avoids the potential double counting of such costs.

4 Significant judgements and sources of estimation uncertainty

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

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

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

Revenue and margin

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

The Group's policies for the recognition of revenue and profit on construction contracts are set out in note 3(vi) on page 84. Commercial reviews of all live contracts are undertaken on a regular basis, with all significant contracts being reviewed on a monthly basis. The Directors also take into account the recoverability of contract balances and trade receivables, and allowances are made for those balances which are considered to be impaired.

Impairment of goodwill and investments

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit giving rise to the goodwill, including the estimation of the timing and amount of future cash flows generated by the cash-generating unit and a suitable discount rate. Further details are provided in note 11. The estimation of the value in use is also used to assess the carrying value of investments in the relevant subsidiaries in the Company's financial statements.

Retirement benefit obligations

The costs, assets and liabilities of the defined benefit scheme operated by the Group are determined using methods relying on actuarial estimates and assumptions, which are largely dependent on factors outside the control of the Group. Details of the key assumptions are set out in note 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 pages 110 and 111.

Notes to the financial statements continued

for the year ended 31st December 2018

5 Segment information

(i) Reportable segments

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

For management and internal reporting purposes, the Group is organised geographically into four regional divisions: London and South East, Central and South West, the North and Scotland, reporting to the Chief Executive Officer, who is the chief operating decision-maker. The measurement basis used to assess the performance of the divisions is underlying operating profit, stated before amortisation of intangible assets and other non-underlying items. Non-underlying items for each segment are disclosed on pages 90 and 91 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. Segmental information is based on internal management reporting.

(ii) Segment information and revenue analysis – current year

	London & South East £m	Central & South West £m	North £m	Scotland £m	Group Costs and Unallocated £m	Total £m
Revenue from contracts with customers	**196.5**	**73.0**	**36.1**	**21.2**	**–**	**326.8**
Underlying operating profit	**7.2**	**1.8**	**2.0**	**0.8**	**(3.0)**	**8.8**
Amortisation of intangibles	–	–	(0.2)	–	–	(0.2)
Non-underlying costs (see note 7)	–	–	–	–	–	–
Operating profit	**7.2**	**1.8**	**1.8**	**0.8**	**(3.0)**	**8.6**
Finance costs	–	–	–	–	(0.8)	(0.8)
Profit before tax	**7.2**	**1.8**	**1.8**	**0.8**	**(3.8)**	**7.8**
Taxation expense					(1.6)	(1.6)
Profit for the year						**6.2**

	London & South East £m	Central & South West £m	North £m	Scotland £m	Total £m
Business sector					
Facilities Management and Frameworks	1.6	7.0	13.3	0.7	22.6
Infrastructure	13.8	29.6	11.6	0.9	55.9
M&E Contracting	137.7	26.1	8.1	2.4	174.3
Residential & Accommodation	1.4	10.0	3.1	16.6	31.1
Technologies	42.0	0.3	–	0.6	42.9
Total revenue	**196.5**	**73.0**	**36.1**	**21.2**	**326.8**

5 Segment information continued

(iii) Segment information and revenue analysis – prior year

	London & South East £m	Central & South West £m	North £m	Scotland £m	Group Costs and Unallocated £m	Total £m
Revenue from contracts with customers	177.6	62.6	48.0	23.0	–	311.2
Underlying operating profit	8.5	(1.8)	2.4	0.8	(2.6)	7.3
Amortisation of intangibles	–	–	(0.2)	–	–	(0.2)
Non-underlying items (see note 7)	0.8	–	–	–	–	0.8
Operating profit	9.3	(1.8)	2.2	0.8	(2.6)	7.9
Finance costs	–	–	–	–	(0.8)	(0.8)
Profit before tax	9.3	(1.8)	2.2	0.8	(3.4)	7.1
Taxation expense					(1.5)	(1.5)
Profit for the year						5.6

	London & South East £m	Central & South West £m	North £m	Scotland £m	Total £m
Business sector					
Facilities Management and Frameworks	2.6	4.8	14.3	–	21.7
Infrastructure	16.0	24.1	25.1	4.4	69.6
M&E Contracting	150.0	18.2	2.2	2.5	172.9
Residential & Accommodation	2.3	14.5	2.6	13.6	33.0
Technologies	6.7	1.0	3.8	2.5	14.0
Total revenue	177.6	62.6	48.0	23.0	311.2

Revenue is wholly attributable to the principal activity of the Group and arises solely within the United Kingdom.

Revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period was £1.8 million (2017: £2.4 million).

At the end of the reporting period, the aggregate amount of transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) was £360.7 million.

These will be recognised as revenue in accordance with the satisfaction of the performance obligations.

Revenue includes £38.0 million (2017: £35.4 million) which arose from sales to a single customer. No other single customer contributed 10% or more of the Group's revenue for either 2018 or 2017.

In the current year, the incremental costs of obtaining a contract with a customer which has been recognised as an asset is £nil (2017: £nil).

In the current year, the costs to fulfil a contract with a customer which has been recognised as an asset is nil (2017: £nil).

Notes to the financial statements continued

for the year ended 31st December 2018

6 Finance income and finance cost

	2018 £m	2017 £m
Finance costs		
Interest on bank overdrafts and loans	**(0.2)**	(0.2)
Interest cost in respect of defined benefit pension schemes	**(0.6)**	(0.6)
Net total of finance income and finance cost	**(0.8)**	(0.8)

7 Operating profit

(i) Operating profit is stated after charging/(crediting)

	2018 £m	2017 £m
Amortisation of intangible assets	**0.2**	0.2
Non-underlying costs (see (ii) below)	**–**	(0.8)
Depreciation of property, plant and equipment	**0.7**	0.6
Operating lease charges:		
Land and buildings	**0.8**	0.4
Plant, machinery and vehicles	**1.3**	1.1
Project-related raw materials and consumables	**78.2**	87.6
Bad debt expense	**0.2**	0.2
Fees payable to the Company's auditors for the audit of:		
The Company and consolidation	**0.3**	0.2
Subsidiary companies	**–**	0.1
Employee benefit expense (see note 8)	**77.4**	70.3

The auditors' fees for non-audit services during the year were £nil (2017: £nil).

(ii) Non-underlying items

	2018 £m	2017 £m
Settlement expenses for former Finance Director	**0.3**	–
Recovery of misappropriated funds, net of legal costs	**(0.9)**	(1.0)
Restructuring expenses	**0.6**	0.2
Amortisation of intangible assets	**0.2**	0.2
Total non-underlying items	**0.2**	(0.6)

No further monies will be recovered following the misappropriation of funds which occurred in 2016.

Restructuring costs relate to the streamlining and relocation of certain functions.

The impact of Group cash flows from non-underlying items was £nil in 2018 (2017: £0.8 million cash inflow).

8 Employee benefit expense

(i) Employee benefit expense

	Group	
	2018 £m	2017 £m
Staff costs during the year were as follows:		
Wages and salaries	**69.0**	60.7
Share awards and options granted to Directors and employees (see note 19)	**0.3**	0.3
Social security costs	**6.1**	6.4
Other pension costs	**3.7**	2.9
Total employee benefit expense	**79.1**	70.3

Of the above employee costs of the Group, £79.1 million (2017: £70.3 million) relates to continuing operations and £nil (2017: £nil) to discontinued operations. All employee costs of the Company relate to continuing operations.

The Company has no employees (2017: no employees). The Directors of the Company are remunerated by TClarke Services Limited. Of their remuneration, an amount of £0.1 million (2017: £0.1 million) relates to services rendered to the Company.

In the current year, £0.2 million (2017: £nil) was recharged to the Company from TClarke Services Limited in relation to share-based payments for the Company's Directors.

(ii) Monthly average number of employees

	Group	
	2018 Number	2017 Number
Staff (including Directors)	**448**	417
Operatives	**898**	931
Total	**1,346**	1,348

Notes to the financial statements continued

for the year ended 31st December 2018

9 Taxation

	2018 £m	2017 £m
Current tax expense		
UK corporation tax payable on profits for the year	**1.7**	1.6
Deferred tax credit		
Arising on:		
Origination and reversal of timing differences	**(0.1)**	(0.1)
Total income tax expense	**1.6**	1.5
Reconciliation of tax charge		
Profit before tax for the year	**7.8**	7.1
Tax at standard UK tax rate of 19% (2017: 19.25%)	**1.5**	1.4
Tax effect of:		
Permanently disallowed items	**0.1**	0.1
Total income tax expense	**1.6**	1.5
Income tax debited/(credited) to other comprehensive income	**0.1**	(0.5)

A reduction in the main rate of corporation tax to 17% from 1st April 2020 had been substantively enacted at 31st December 2018 for the purposes of IAS 12 'Income Taxes'. Deferred tax balances have been assessed using an income tax rate of 17%, taking into account the period over which temporary differences are expected to reverse.

10 Earnings per share

(i) Basic earnings per share

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

	2018 £m	2017 £m
Earnings: Profit attributable to owners of the Company	**6.2**	5.6
Weighted average number of Ordinary shares in issue (000s)	**41,531**	41,625
Basic earnings per share	**14.99p**	13.44p

(ii) 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.

	2018 £m	2017 £m
Earnings: Profit attributable to owners of the Company	**6.2**	5.6
Weighted average number of Ordinary shares in issue (000s)	**41,531**	41,625
Adjustments:		
Savings Related Share Option Schemes	**218**	201
Equity Incentive Plan:		
Conditional share awards	**873**	649
Weighted average number of Ordinary shares for diluted earnings per share (000s)	**42,622**	42,475
Diluted earnings per share	**14.61p**	13.17p

Notes to the financial statements continued

for the year ended 31st December 2018

10 Earnings per share continued

(iii) Underlying earnings per share

Underlying earnings per share represents profit for the year adjusted for amortisation of intangible assets and other non-underlying 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.

	2018 £m	2017 £m
Profit attributable to owners of the Company	**6.2**	5.6
Adjustments:		
Amortisation of intangible assets	**0.2**	0.2
Non-underlying costs (see note 7)	**–**	(0.8)
Tax effect of adjustments	**–**	0.2
Underlying earnings	**6.4**	5.2
Weighted average number of Ordinary shares in issue (000s)	**41,531**	41,625
Adjustments:		
Savings Related Share Option Schemes	**218**	201
Equity Incentive Plan:		
Conditional share awards	**873**	649
Weighted average number of Ordinary shares for diluted earnings per share (000s)	**42,622**	42,475
Diluted underlying earnings per share	**14.98p**	12.13p
Basic underlying earnings per share	**15.38p**	12.37p

11 Intangible assets

	Goodwill £m	Other intangible assets £m	Total £m
Cost			
At 1st January 2017	24.2	2.9	27.1
Additions in the year	3.3	–	3.3
At 31st December 2017	27.5	2.9	30.4
Additions in the year	–	–	–
At 31st December 2018	**27.5**	**2.9**	**30.4**
Accumulated impairment and amortisation			
At 1st January 2017	(2.2)	(2.1)	(4.3)
Charge for the year	–	(0.2)	(0.2)
At 31st December 2017	**(2.2)**	**(2.3)**	**(4.5)**
Charge for the year	**–**	**(0.2)**	**(0.2)**
At 31st December 2018	**(2.2)**	**(2.5)**	**(4.7)**
Net book value			
At 1st January 2017	22.0	0.8	22.8
At 31st December 2017	25.3	0.6	25.9
At 31st December 2018	**25.3**	**0.4**	**25.7**

11 Intangible assets continued

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

Goodwill is allocated to cash-generating units as follows:

Cash-generating unit	£m
TClarke London and South East	11.3
TClarke Central and South West	6.1
TClarke Scotland	3.1
TClarke North	4.8
Total	25.3

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 ('CGUs') to which the goodwill has been allocated. Each operating division within the Group has been assessed as a separate CGU, being the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other groups of assets.

Value in use has been calculated using budgets and forecasts approved by the Board covering the period 2019 to 2021, which take into account secured orders, business plans and management actions. The results of the period subsequent to 2021 have been projected using 2021 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 2021 and beyond, and the discount rate applied. The range of these assumptions applied to the CGUs within each segment is as follows:

	2018	2017
Pre-tax discount rate	**11.0%**	11.0%
Average annual revenue growth (2018–2021) (2017: 2017–2020)		
London & South East	**6.4%**	(1.4%)
Central & South West	**1.1%**	2.3%
North	**2.0%**	5.2%
Scotland	**2.0%**	2.9%
Operating margins (2019–2021) (2017: 2017–2020)		
London & South East	**3.0%**	2.5%
Central & South West	**2.6%-2.9%**	2.3%–2.6%
North	**2.6%-3.0%**	2.1%–4.3%
Scotland	**2.1%-3.2%**	2.1%–2.2%

Notes to the financial statements continued

for the year ended 31st December 2018

11 Intangible assets continued

Sensitivities

For each CGU, 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. The sensitivities tested related to changes in discount rate, changes in profit, delays to the business plan and a combination thereof. 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 2018, based on these valuations, no increase in the impairment provision was required against the carrying value of goodwill (2017: £nil).

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

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 2017	3.2	0.7	2.6	6.5
Additions	–	1.1	0.9	2.0
Disposals	(0.4)	–	(0.2)	(0.6)
At 31st December 2017	**2.8**	**1.8**	**3.3**	**7.9**
Additions	**–**	**0.6**	**0.1**	**0.7**
Disposals	**–**	**–**	**–**	**–**
At 31st December 2018	**2.8**	**2.4**	**3.4**	**8.6**
Accumulated depreciation and impairment				
At 1st January 2017	(0.3)	(0.5)	(1.8)	(2.6)
Charge for the year	(0.1)	(0.1)	(0.4)	(0.6)
Disposals	0.1	–	0.1	0.2
At 31st December 2017	**(0.3)**	**(0.6)**	**(2.1)**	**(3.0)**
Charge for the year	**(0.1)**	**(0.6)**	**–**	**(0.7)**
Disposals	**–**	**–**	**–**	**–**
At 31st December 2018	**(0.4)**	**(1.2)**	**(2.1)**	**(3.7)**
Net book value				
At 1st January 2017	2.9	0.2	0.8	3.9
At 31st December 2017	2.5	1.2	1.3	4.9
At 31st December 2018	**2.4**	**1.2**	**1.4**	**4.9**

12 Property, plant and equipment continued

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 arm's length terms. The revaluation surplus, net of applicable deferred income taxes, was credited to other comprehensive income and is shown in the revaluation reserve in shareholders' equity. A further external valuation was concluded as at 31st January 2018 which indicated that the market value of the Group's property was not significantly different to the book value. The net book value of the freehold properties on a historic cost basis would have been £1.9 million (2017: 1.9 million).

The net book value of Group plant, machinery and vehicles includes £nil (2017: £0.1 million) in respect of assets held under finance leases and hire purchase contracts. Depreciation of £nil (2017: £nil) was charged on these assets during the year.

The Group has granted a charge in favour of the TClarke Group Retirement and Death Benefits Scheme over a number of properties occupied by the Group up to a maximum value of £3.1 million, to secure the future pension obligations of the scheme. The book and fair value of the properties at 31st December 2018 was £2.5 million (2017: £2.5 million).

13 Investments

Investments in subsidiaries comprise:

	2018 £m	2017 £m
Cost		
At 1st January	**51.3**	49.3
Additions	**1.5**	2.0
At 31st December	**52.8**	51.3
Impairment		
At 1st January	**(9.6)**	(9.6)
Charge for the year	**–**	–
At 31st December	**(9.6)**	(9.6)
Net book value		
At 1st January	**41.7**	39.7
At 31st December	**43.2**	41.7

A full list of the Company's subsidiaries is included in note 28 on page 116. 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.

Notes to the financial statements continued

for the year ended 31st December 2018

14 Deferred taxation

Group	Revaluations £m	Retirement benefit obligation £m	Accelerated capital allowances £m	Other £m	Total £m
Asset at 1st January 2017	(0.1)	3.5	–	(0.1)	3.3
Charged to income	–	–	–	–	–
Credited to other comprehensive income	–	0.5	–	–	0.5
Asset at 31st December 2017	**(0.1)**	**4.0**	**–**	**(0.1)**	**3.8**
Charged to income	**–**	**–**	**–**	**0.1**	**0.1**
Charged to other comprehensive income	**–**	**–**	**–**	**–**	**–**
Asset at 31st December 2018	**(0.1)**	**4.0**	**–**	**–**	**3.9**

The amount of deferred tax recoverable within one year is insignificant. Certain deferred tax assets and liabilities have been offset. The deferred tax asset arises in respect of the deficit on the retirement benefit obligation. A deficit reduction plan is in place to reduce this deficit over a number of years (see note 23). The deferred tax asset will be recovered over time as the deficit is reduced.

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

	2018 £m	2017 £m
Deferred tax liabilities	**(0.1)**	(0.2)
Deferred tax assets	**4.0**	4.0
Total	**3.9**	3.8

15 Inventories

	2018 £m	2017 £m
Raw materials and consumables	**0.3**	0.5

16 Construction contracts

	2018 £m	2017 £m
Contract work in progress comprises		
Contract costs incurred plus recognised profits less recognised losses to date	**310.2**	255.9
Less: progress payments	**(292.2)**	(235.0)
Total	**18.0**	20.9
Contracts in progress at the reporting date		
Gross amounts due from customers	**26.4**	26.4
Gross amounts due to customers	**(8.4)**	(5.5)
Total	**18.0**	20.9

At 31st December 2018, retentions held by customers of the Group for contract work amounted to £19.9 million (2017: £16.7 million). These amounts are included in trade receivables (see note 17).

Advances received from customers for contract work amounted to £nil (2017: £nil).

Contract balance movements from the prior year closing position were due to events in the normal course of business.

17 Trade and other receivables

	Group		Company	
	2018 £m	2017 £m	**2018 £m**	2017 £m
Trade receivables – gross	**53.8**	52.8	**–**	–
Trade receivables – allowances for credit losses	**(0.7)**	(0.5)	**–**	–
Net trade receivables	**53.1**	52.3	**–**	–
Owed by Group companies	**–**	–	**–**	0.3
Other receivables	**1.4**	1.1	**0.1**	0.6
Accrued income	**12.3**	10.6	**–**	–
Prepayments	**1.9**	3.3	**0.3**	–
Total	**68.7**	67.3	**0.4**	0.9
Movements in allowances for credit losses				
At 1st January	**(0.5)**	(0.5)	**–**	–
Charged in year	**(0.4)**	(0.2)	**–**	–
Recovered in year	**0.2**	–	**–**	–
Written off in year	**–**	(0.2)	**–**	–
At 31st December	**(0.7)**	(0.5)	**–**	–
Trade receivables (including retentions) are due as follows				
Due within 3 months	**23.9**	30.6	**–**	–
Due in 3 to 6 months	**3.8**	1.8	**–**	–
Due in 6 to 12 months	**3.3**	4.0	**–**	–
Due after more than one year	**7.3**	4.4	**–**	–
Overdue	**15.5**	12.0	**–**	–
Total	**53.8**	52.8	**–**	–
The ageing of trade receivables past due but not impaired is as follows				
Less than 30 days	**9.5**	0.5	**–**	–
31–60 days	**0.8**	5.5	**–**	–
61–120 days	**1.1**	2.5	**–**	–
Greater than 120 days	**3.4**	3.0	**–**	–
Total	**14.8**	11.5	**–**	–

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 relate 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.

Notes to the financial statements continued

for the year ended 31st December 2018

18 Trade and other payables

	Group		Company	
	2018 £m	2017 £m	**2018 £m**	2017 £m
Current				
Trade payables	**51.5**	53.3	**0.1**	–
Owed to Group companies	**–**	–	**3.6**	1.4
Other taxation and social security	**3.2**	8.9	**–**	–
Accruals	**28.8**	29.4	**–**	–
Deferred income	**3.1**	1.0	**–**	–
Other payables	**1.2**	1.0	**–**	0.5
Total	**87.8**	93.6	**3.7**	1.9
Non-current				
Owed to Group companies (see note 28)	**–**	–	**28.3**	25.6
Other payables	**–**	–	**–**	–
At 31st December	**–**	–	**28.3**	25.6
Trade payables payment terms are as follows				
30 days or less	**32.4**	22.4	**0.1**	–
31 to 60 days	**9.6**	18.9	**–**	–
Greater than 60 days	**9.5**	12.0	**–**	–
Total	**51.5**	53.3	**0.1**	–

19 Capital and reserves

(i) Components of owners' equity

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

Component of owners' equity	Description and purpose
Share capital	Amount subscribed for share capital at nominal value.
Share premium	Amount subscribed for share capital in excess of nominal value, net of allowable expenses.
ESOT share reserve	Acquires and holds shares in the Company to be issued to employees in settlement of options exercised and conditional share awards under the Group's employee share schemes.
Revaluation reserve	Cumulative gains recognised on revaluation of land and buildings above depreciated cost.
Retained earnings	Cumulative net gains and losses recognised in the income statement and the statement of comprehensive income.

19 Capital and reserves continued

(ii) Share capital and premium

Allotted, called up and fully paid	Number of shares	Ordinary shares £m	Share premium £m
At 1st January 2016, 31st December 2016 and 31st December 2017	**41,829,577**	**4.2**	**3.1**
At 31st December 2018	**42,868,572**	**4.3**	**3.7**

All shares rank equally in respect of shareholder rights.

(iii) Save As You Earn scheme

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

	Number of options	Grant date	Exercise date	Exercise price	Fair value at date of grant
2015 SAYE scheme	195,638	09/10/2015	01/12/2018 to 31/05/2019	69.75p	1.57p
2018 SAYE scheme	1,471,194	24/10/2018	01/12/2021 to 31/05/2022	74.88p	0.3p

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 IFRS 2 is £nil for the year ended 31st December 2018 (2017: £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 £200 in respect of the 2015 scheme and £10 to £500 for the 2018 scheme, for a period of three years, at the end of which the employee may use part or all of the proceeds to acquire the shares under option. Options will be exercisable within a period of six months commencing on the date of maturity of the participants SAYE contract.

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

	2018 Number	**2018 Weighted average exercise price (p)**	2017 Number	2017 Weighted average exercise price (p)
At 1st January	**1,367,537**	**80.13**	1,904,378	66.45
Granted	**1,479,847**	**74.88**	–	–
Exercised	**(1,038,995)**	**69.75**	(378,653)	76.64
Lapsed	**(141,597)**	**70.06**	(158,188)	77.66
At 31st December	**1,666,792**	**74.28**	1,367,537	80.13

The weighted average remaining contractual life of the options at 31st December 2018 was 1,118 days (2017: 334 days).

On 1st January 2018, 1,260,398 options granted under the 2015 SAYE Scheme became exercisable at an exercise price of 69.75p per 10p Ordinary share. Options exercised during the year were satisfied by the issue of new shares.

Notes to the financial statements continued

for the year ended 31st December 2018

19 Capital and reserves continued

(iv) Equity Incentive Plan

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

The total number of shares issued or made available pursuant to the Plan, when aggregated with the total number of shares issued or made available pursuant to any other employee share scheme in the ten years immediately preceding the date upon which an award is made, shall not exceed 10% of the Company's issued share capital at the date of the grant.

At 31st December 2018, 806,600 conditional share awards, 60,000 conditional options and 510,000 conditional matching awards have been granted under the TClarke Equity Incentive Plan as follows:

	Conditional shares	Conditional options	Matching awards	Conditional shares	Conditional shares
Date of grant	20/04/2016	20/04/2016	20/04/2016	08/05/2017	25/04/2018
Number of awards	120,000	60,000	510,000	215,000	471,600
Share price at date of grant	88.50p	88.50p	88.50p	90.50p	83.10p
Exercise price	88.50p	–	88.50p	–	–
Option life	3 years	3 years	3 years	3 years	3 years

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

Annual growth in underlying EPS above RPI[1]	**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%

1 The base point is based on average underlying EPS for the three years ending with the year preceding the date of grant.

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

(v) Share-based payment expense

The charge to the income statement takes into account the number of shares and options that are expected to vest. The impact of recognising the fair value of Equity Incentive Plan grants as an expense under IFRS 2 is £0.3 million charge for the year ended 31st December 2018 (2017: £0.3 million).

19 Capital and reserves continued

(vi) Dividends paid

	2018 £m	2017 £m
Final dividend of 2.90p (2017: 2.70p) per Ordinary share proposed and paid during the year relating to the previous year's results	**1.2**	1.2
Interim dividend of 0.66p (2017: 0.60p) Ordinary share paid during the year	**0.3**	0.2
Total	**1.5**	1.4

The Directors are proposing a final dividend of 3.34p (2017: 2.90p) per Ordinary share totalling £1.4 million (2017: £1.2 million).

This dividend has not been accrued at the reporting date.

20 Notes to the statement of cash flows

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

	Group		Company	
	2018 £m	2017 £m	**2018 £m**	2017 £m
Operating profit	**8.6**	7.9	**(2.1)**	(2.6)
Depreciation charges	**0.7**	0.6	**–**	–
Profit on sale of property, plant and equipment	**–**	–	**–**	–
Equity-settled share-based payment expense	**0.3**	0.3	**–**	–
Amortisation of intangible assets (see note 7)	**0.2**	0.2	**–**	–
Defined benefit pension scheme credit	**(0.2)**	(0.5)	**–**	–
Operating cash flows before movement in working capital	**9.6**	8.5	**(2.1)**	(2.6)
Decrease in inventories	**0.2**	0.1	**–**	–
Decrease in contract balances	**2.9**	12.6	**–**	–
Increase in operating trade and other receivables	**(1.3)**	(23.1)	**(0.3)**	(0.7)
Increase/(decrease) in operating trade and other payables	**(5.2)**	9.1	**1.8**	(3.9)
Cash generated from operations	**6.2**	7.2	**(0.6)**	(7.2)
Corporation tax paid	**(2.4)**	(0.2)	**(2.4)**	(0.1)
Interest paid	**(0.3)**	(0.2)	**(0.2)**	(0.9)
Net cash generated from operating activities	**3.5**	6.8	**(3.2)**	(8.2)

(ii) 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	
	2018 £m	2017 £m	**2018 £m**	2017 £m
Cash and cash equivalents	**12.4**	16.7	**4.5**	5.4

Notes to the financial statements continued

for the year ended 31st December 2018

21 Bank overdrafts and loans

During the year, the Group had in place a £5 million overdraft facility and a £15 million revolving credit facility ('RCF'), both with National Westminster Bank plc. Interest is charged at 1.70% above LIBOR on drawn balances under the RCF and 2.00% above base rate on overdrawn balances. A fee of 0.66% is payable on undrawn balances under the RCF. The RCF includes financial covenants in respect of interest cover and net leverage ratios which are tested quarterly.

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

At 31st December 2018, the Group had unused overdraft facilities of £5 million (2017: £5 million) and had £15 million undrawn committed facilities (2017: £5 million) under the RCF.

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

22 Related party transactions

(i) Directors' remuneration

	2018 £m	2017 £m
Salaries, fees and other short-term employee benefits	**2.2**	**1.7**
Termination benefits	**0.3**	**-**
Share-based payment charge	**0.1**	**0.1**
Post-employment benefits	**0.2**	**0.2**
Total	**2.8**	**2.0**

Further disclosures, including details of the highest-paid Director, are included in the Directors' remuneration report on pages 50 to 62.

(ii) Key management remuneration

Compensation payable to key management for employee services is shown below. Following the Group reorganisation in 2017, key management includes members of the Group Management Board.

	2018 £m	2017 £m
Salaries, fees and other short-term employee benefits	**1.1**	1.1
Termination benefits	**–**	–
Share-based payment charge	**0.1**	0.1
Post-employment benefits	**0.1**	0.1
Total	**1.3**	1.3

22 Related party transactions continued

(iii) Sales and purchases of goods and services to/from subsidiaries

The amounts due from and to subsidiaries are disclosed in notes 17 and 18 respectively.

TClarke plc was charged £0.6 million (2017: £2.4 million) by TClarke Services Ltd for Group management services and incurred interest charges of £0.6 million (2017: £0.7 million) on intercompany loans. TClarke plc charged subsidiary companies £nil (2017: £nil) during the year for insurance services and £nil (2017: £nil) for IT services. Sales to other Group companies of £nil (2017: £nil) and cost of sales from other Group companies of £nil (2017: £nil) are included in the financial statements of the Company.

The Company received a non-cash dividend of £5.0 million during the year (2017: £nil).

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

The total cost charged to income of £1.2 million (2017: £2.3 million) 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 2015 by Mr J Seed, Fellow of the Institute of Actuaries, showed a deficit of £14.9 million, which represented a funding level of 67%. The valuation was impacted by the significant fall in bond yields over the period leading up to the date of the valuation and a change in mortality assumptions, caused by macro-economic factors beyond the Group's control. As a result, the ongoing cost of funding the scheme has increased significantly. Following agreement of the valuation, a revised funding and deficit reduction plan has been implemented which includes making additional contributions and continuing to provide security in the form of a contingent asset over the Group's property portfolio up to a combined value of £3.1 million, with the aim of eliminating the deficit by 31st March 2029.

From 1st April 2017, the future service contribution increased from 15.7% to 21.4% of pensionable payroll (including employee contributions, which, following employee consultation, was increased from 8% to 10% of pensionable payroll) and the deficit reduction contribution, which was previously set at 13.0% of pensionable payroll, was set at £1.0 million for the year ending 31st December 2017, rising to £1.25 million for the year ending 31st December 2018 and £1.5 million per annum thereafter.

As part of a Group reorganisation, a subsidiary company, TClarke Services Limited, became the principal employer of the scheme with effect from 23rd December 2016, and the pension scheme liability and related deferred tax asset were transferred to TClarke Services Limited at that date. The Company and its subsidiary, TClarke Contracting Limited, have provided a guarantee to the trustees of the scheme in respect of TClarke Services Limited's obligations to the pension scheme.

Notes to the financial statements continued

for the year ended 31st December 2018

23 Pension commitments continued

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

	2018 %	2017 %
Rate of increase in salaries	**2.65**	2.65
Rate of increase of pensions in payment	**3.10**	3.10
Discount rate	**3.00**	2.60
Inflation assumption	**3.35**	3.35

The mortality assumptions used in the IAS 19 valuation were:	2018 Years	2017 Years
Life expectancy at age 65 for current pensioners		
– Men	**21.7**	22.0
– Women	**23.9**	24.4
Life expectancy at age 65 for future pensioners (current age 45)		
– Men	**22.7**	23.3
– Women	**25.2**	25.8

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

	2018 £m	2017 £m
Present value of funded obligations	**58.8**	60.0
Fair value of plan assets	**(35.8)**	(36.6)
Deficit of funded plans	**23.0**	23.4

23 Pension commitments continued

The movement in the defined benefit obligation is as follows:

	Present value of obligation £m	Fair value of plan assets £m	Total £m
At 1st January 2017	53.3	(32.7)	20.6
Current service cost	1.3	–	1.3
Interest expense	1.5	(0.9)	0.6
Total	2.8	(0.9)	1.9
Remeasurements			
Return on plan assets, excluding amounts included in interest expense	–	(1.7)	(1.7)
Loss from change in financial assumptions	3.3	–	3.3
Experience loss	1.1	–	1.1
Total	4.4	(1.7)	2.7
Contributions			
Employers	–	(1.8)	(1.8)
Employees	0.6	(0.6)	–
Payment from plans			
Benefit payments	(1.1)	1.1	–
At 31st December 2017	**60.0**	**(36.6)**	**23.4**
Current service cost	**1.6**	**–**	**1.6**
Interest expense	**1.6**	**(1.0)**	**0.6**
Total	**3.2**	**(1.0)**	**2.2**
Remeasurements			
Return on plan assets, excluding amounts included in interest expense	**–**	**2.7**	**2.7**
Change in demographic	**(1.0)**	**–**	**(1.0)**
Loss from change in financial assumptions	**(3.1)**	**–**	**(3.1)**
Experience loss	**0.6**	**–**	**0.6**
Total	**(3.5)**	**2.7**	**(0.8)**
Contributions			
Employers	**–**	**(1.8)**	**(1.8)**
Employees	**0.5**	**(0.5)**	**–**
Payment from plans			
Benefit payments	**(1.4)**	**1.4**	**–**
At 31st December 2018	**58.8**	**(35.8)**	**23.0**

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.

Notes to the financial statements continued

for the year ended 31st December 2018

23 Pension commitments

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:

	2018				2017			
	Quoted	**Unquoted**	**Total**	**%**	Quoted	Unquoted	Total	%
UK quoted	**1.1**	**–**	**1.1**		3.6	–	3.6	
Overseas quoted	**8.1**	**–**	**8.1**		11.7	–	11.7	
Hedge funds	**5.4**	**–**	**5.4**		3.1	–	3.1	
Structured and alternative equities	**–**	**11.1**	**11.1**		–	–	–	
Total equities	**14.6**	**11.1**	**25.7**	**71%**	18.4	–	18.4	50%
Fixed interest corporate bonds	**2.5**	**–**	**2.5**	**–**	1.7	–	1.7	
Inflation-linked bonds	**0.1**	**–**	**0.1**	**–**	0	–	–	
Government bonds	**3.4**	**–**	**3.4**	**–**	4.6	–	4.6	
Total bonds	**6.0**	**–**	**6.0**	**17%**	6.3	–	6.3	17%
Property	**1.0**	**–**	**1.0**	**3%**	2.3	–	2.3	6%
Cash	**–**	**1.1**	**1.1**	**3%**	–	6.2	6.2	17%
Insurance annuity contracts	**–**	**1.4**	**1.4**	**4%**	–	1.7	1.7	5%
Other	**–**	**0.6**	**0.6**	**2%**	–	1.7	1.7	5%
Total	**21.6**	**14.2**	**35.8**	**100%**	27.0	9.6	36.6	100%

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

Asset volatility

The objective of the investment strategy is to have sufficient assets to pay benefits to members as they fall due. The scheme assets are invested in a diversified portfolio of growth assets (such as multi-asset funds and equities) and matching assets (such as bonds held in multi-asset funds and cash). Multi-asset funds include property investments. 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.

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 22 years.

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

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.5%	Decrease by 10%	Increased by 11%
Inflation assumption	0.5%	Increase by 6%	Decrease by 7%
Rate of increase in salaries	0.5%	Increase by 2%	Decrease by 2%
Rate of increase in pension payments	0.5%	Increase by 5%	Decrease by 4%
Life expectancy	1 year	Increase by 4%	Decrease by 4%

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.

24 Lease obligations

(i) Obligations under finance leases

	Minimum lease payment		Present value of minimum lease payment	
	2018 £m	2017 £m	**2018 £m**	2017 £m
Amounts payable under finance leases:				
Within one year	**–**	0.1	**–**	0.1
Within one to two years	**–**	–	**–**	–
Within two to three years	**–**	–	**–**	–
Within three to four years	**–**	–	**–**	–
	–	0.1	**–**	0.1
Less: future finance charges	**–**	–	**–**	–
Present value of lease obligations	**–**	0.1	**–**	0.1

For the year ended 31st December 2018, there was no obligations under finance leases.
For the year ended 31st December 2017, the average effective borrowing rate was 6%.

Notes to the financial statements continued

for the year ended 31st December 2018

24 Lease obligations continued

(ii) Operating lease obligations

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

Group	Land and buildings 2018 £m	Other operating leases 2018 £m	Land and buildings 2017 £m	Other operating leases 2017 £m
Within one year	**0.9**	**0.8**	0.4	0.9
In second to fifth year inclusive	**1.3**	**1.4**	0.1	1.5
Beyond five years	**0.8**	**–**	–	–
Total	**2.9**	**2.2**	0.5	2.4

25 Contingent liabilities

Group banking facilities of £20 million and surety bond facilities of £40.1 million 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, guarantees and collateral warranties under contracting and other arrangements entered into in the normal course of business.

Group's defined benefit pension

As part of a Group reorganisation, a subsidiary company, TClarke Services Limited, became the principal employer of the scheme with effect from 23rd December 2016, and the pension scheme liability and related deferred tax asset were transferred to TClarke Services Limited at that date. The Company and its subsidiary, TClarke Contracting Limited, have provided a guarantee to the trustees of the scheme in respect of TClarke Services Limited's obligations to the pension scheme.

26 Financial instruments

(i) 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 2016.

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 2018 and 2017 was as follows:

	2018 £m	2017 £m
Cash and cash equivalents	**12.4**	16.7
Less total borrowings	**–**	(5.1)
Net cash	**12.4**	11.6
Total equity	**22.1**	16.4

26 Financial instruments continued

(ii) Financial assets and liabilities

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

Financial assets

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

31st December 2018	Cash and cash equivalents £m	Trade and other receivables[1] £m	Amounts due from customers under construction contracts £m	Total £m
Carrying value	**12.4**	**66.8**	**26.4**	**105.6**
Contractual cash flows				
Less than one year	**12.4**	**59.5**	**26.4**	**98.3**
One to two years	**–**	**6.7**	**–**	**6.7**
Two to three years	**–**	**0.4**	**–**	**0.4**
Three to four years	**–**	**0.2**	**–**	**0.2**
Total	**12.4**	**66.8**	**26.4**	**105.6**
31st December 2017				
Carrying value	16.7	64.0	26.4	107.1
Contractual cash flows				
Less than one year	16.7	59.6	26.4	102.7
One to two years	–	3.8	–	3.8
Two to three years	–	0.6	–	0.6
Three to four years	–	–	–	–
Total	16.7	64.0	26.4	107.1

1 Trade and other receivables excludes prepayments.

Notes to the financial statements continued

for the year ended 31st December 2018

26 Financial instruments continued

Financial liabilities – analysis of maturity dates

At 31st December 2018, the carrying value of the Group's financial liabilities and maturity profile of the associated contractual cash flows were as follows:

31st December 2018	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	**81.5**	**8.4**	–	–	**89.9**
Contractual cash flows					
Less than one year	**79.4**	**8.4**	–	–	**87.8**
One to two years	**2.0**	–	–	–	**2.0**
Two to three years	**0.1**	–	–	–	**0.1**
Three to four years	–	–	–	–	–
Total	**81.5**	**8.4**	–	–	**89.9**

31st December 2017					
Carrying value	83.7	5.5	5.0	0.1	93.1
Contractual cash flows					
Less than one year	80.9	5.5	0.2	0.1	85.5
One to two years	2.4	–	0.2	–	2.6
Two to three years	0.4	–	5.0	–	5.4
Three to four years	–	–	–	–	–
Total	83.7	5.5	5.4	0.1	93.5

1 Trade and other payables exclude deferred income and other taxation and social security.
2 Details of the Group's bank facilities are given in note 21 on page 106.

(iii) 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 counterparty 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 creditworthiness 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 2018.

26 Financial instruments continued

Liquidity risk

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

The Group's facilities were successfully renegotiated in August 2018 and now comprise a £15 million RCF and a £5 million overdraft facility. The RCF is a committed facility available until 31st March 2022 and is subject to quarterly financial covenant tests. Management has prepared three-year cash flow projections that demonstrate that the Group will be able to meet these financial covenants. There have been no other significant changes to the nature of financial risks or the Group's objectives and policies for managing these risks.

Based on an interest rate of 3.5%, provided that the Group is utilising its banking facilities, 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 £0.2 million (2017: £0.2 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 £0.2 million (2017: £0.2 million) for each month of delay/acceleration. If the facilities are unused, there is no impact on profit.

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 2.00% above base rates. The interest rate on amounts drawn down under the RCF are fixed at LIBOR plus 1.70% at the time of drawdown for periods of up to six months. The Group's finance lease obligations are at fixed rates of interest determined at the inception of the lease.

The effect of each 1% increase in interest rates on the Group's floating and short-term fixed rate cash, cash equivalents and bank overdrafts at the reporting date would be to increase profits by approximately £0.1 million (2017: £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.

27 Business combinations

At the time the 2017 year-end financial statements had been approved, the completion accounts for the acquisition of Eton Associates Limited ('Eton') had yet to be approved and, as such, the 2017 year-end financial statements included provisional amounts for the fair value of Eton's net assets. During 2018, the fair value of the net assets of Eton were determined. This has resulted in the following changes to the provisional amounts recognised as at 31st December 2017, which are now reflected in the finalised balances in these year-end accounts (adjusted in 2017 balance sheet as required by IAS 8):

- Reduction in the fair value of net assets by £0.6 million results in an increase in the goodwill on the acquisition of Eton by £0.6 million
- Increase in trade and other payables by £0.6 million

During 2018 a £0.5 million deferred consideration was paid to the previous owners of Eton Associates Limited. This amount was included as a liability in the financial statements at 31st December 2017.

Notes to the financial statements continued

for the year ended 31st December 2018

28 Subsidiary companies

All subsidiaries are wholly owned by TClarke plc unless otherwise stated, and all are incorporated within the United Kingdom.

Principal operating company	**Type of shares**
TClarke Contracting Limited	Ordinary
Group services company	
TClarke Services Limited	Ordinary
Property holding company	
Weylex Properties Limited	Ordinary
Non-trading and dormant companies	
A G Aylward EMS (Maintenance and Minor Works) Limited	Ordinary
Anglia Electrical Services Limited	Ordinary
D G Robson Mechanical Services Limited*	Ordinary
Eton Associates Limited***	Ordinary
G.D.I. Electrical Co. Limited	Ordinary
J.J. Cross Limited	Ordinary
J.J. Cross Services Limited****	Ordinary
Mitchell and Hewitt Limited	Ordinary
T. Clarke East Limited*	Ordinary
TClarke Leeds Limited**	Ordinary
TClarke Newcastle Limited**	Ordinary
T.Clarke (Northern) Limited	Ordinary
T Clarke North West Limited**	Ordinary
T. Clarke (Scotland) Limited**	Ordinary
TClarke South East Limited*	Ordinary
TClarke South West Limited*	Ordinary
Waldon Security Limited*****	Ordinary

* Trade transferred to TClarke Contracting Limited on 31st December 2016.
** Trade transferred to TClarke Contracting Limited on 31st December 2017.
*** Trade transferred to TClarke Contracting Limited on 30th April 2018.
**** Shares held by JJ Cross Limited.
***** Shares held by TClarke South West Limited.

All subsidiary companies have their registered office at 45 Moorfields, London EC2Y 9AE apart from T. Clarke (Scotland) Limited whose registered office is at 6 Middlefield Road, Middlefield Industrial Estate, Falkirk, Stirlingshire FK2 9AG and T.Clarke (Northern) Limited whose registered office is at Stanhope House, 116-118 Walworth Road, London SE17 1JL.

The Company elects to take the audit exemption by parent guarantee (under section 479A of Companies Act) with regards to the financial statements for the year ended 31st December 2018, for the following subsidiaries:

- T. Clarke (Scotland) Limited (Company number: SC116886)
- TClarke Leeds Limited (Company number: 02023932)
- TClarke Newcastle Limited (Company number: 00385769)
- T Clarke North West Limited (Company number: 01808201)
- Eton Associates Limited (Company number: 02820813)

Shareholder information

Company details

Registered office:
45 Moorfields
London EC2Y 9AE
Telephone: 020 7997 7400
Email: info@tclarke.co.uk
Company registration number: 119351

The TClarke plc website

Shareholders are encouraged to visit our website www.tclarke.co.uk for further information about the Company. The dedicated investors' section on the website contains information specifically for shareholders, including regulatory announcements and copies of the latest and past financial statements.

Registrar

The Company's shareholder register is maintained by our Registrar, Link Asset Services. If you have any queries relating to your TClarke plc shareholding, you should contact Link Asset Services directly by one of the methods below:

Email: shareholderenquiries@linkgroup.co.uk
Telephone: 0871 664 0300
By post: The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU
Shareholder Portal: www.signalshares.com
If you are yet to register, you will need your investor code.

Analysis of shareholdings

The tables below show an analysis of Ordinary shareholdings as at 31st December 2018.

	Shares	Percentage	Holdings	Percentage
Individuals	7,962,984	19%	770	73%
Banks or nominees	32,810,060	76%	249	24%
Other corporations	2,095,528	5%	29	3%
Totals	42,868,572	100%	1048	100%
Number of shares held:				
1 to 5,000	1,095,348	2%	627	60%
5,001 to 10,000	1,091,160	2%	152	15%
10,001 to 50,000	3,679,398	9%	182	17%
50,001 to 500,000	8,765,408	21%	62	6%
500,001 to 1,000,000	9,181,174	21%	13	1%
1,000,001 to 5,000,000	19,056,084	45%	12	1%
5,000,001 to 10,000,000	0	0%	0	0%
Totals	42,868,572	100%	1048	100%

Shareholder information continued

Independent auditor
PricewaterhouseCoopers LLP
1 Embankment Place
London WC2N 6RH

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

Investor relations
RMS Partners Limited
160 Fleet Street
London EC4A 2DQ
Tel: 020 3735 6551

Financial calendar

Annual General Meeting
10th May 2019

Final dividend for 2018
Ex-dividend 25th April 2019
Record date 26th April 2019
Payment due 24th May 2019

Interim dividend for 2019
Ex-dividend 5th September 2019
Record date 6th September 2019
Payment due 4th October 2019

Half Year results announcement
6th August 2019

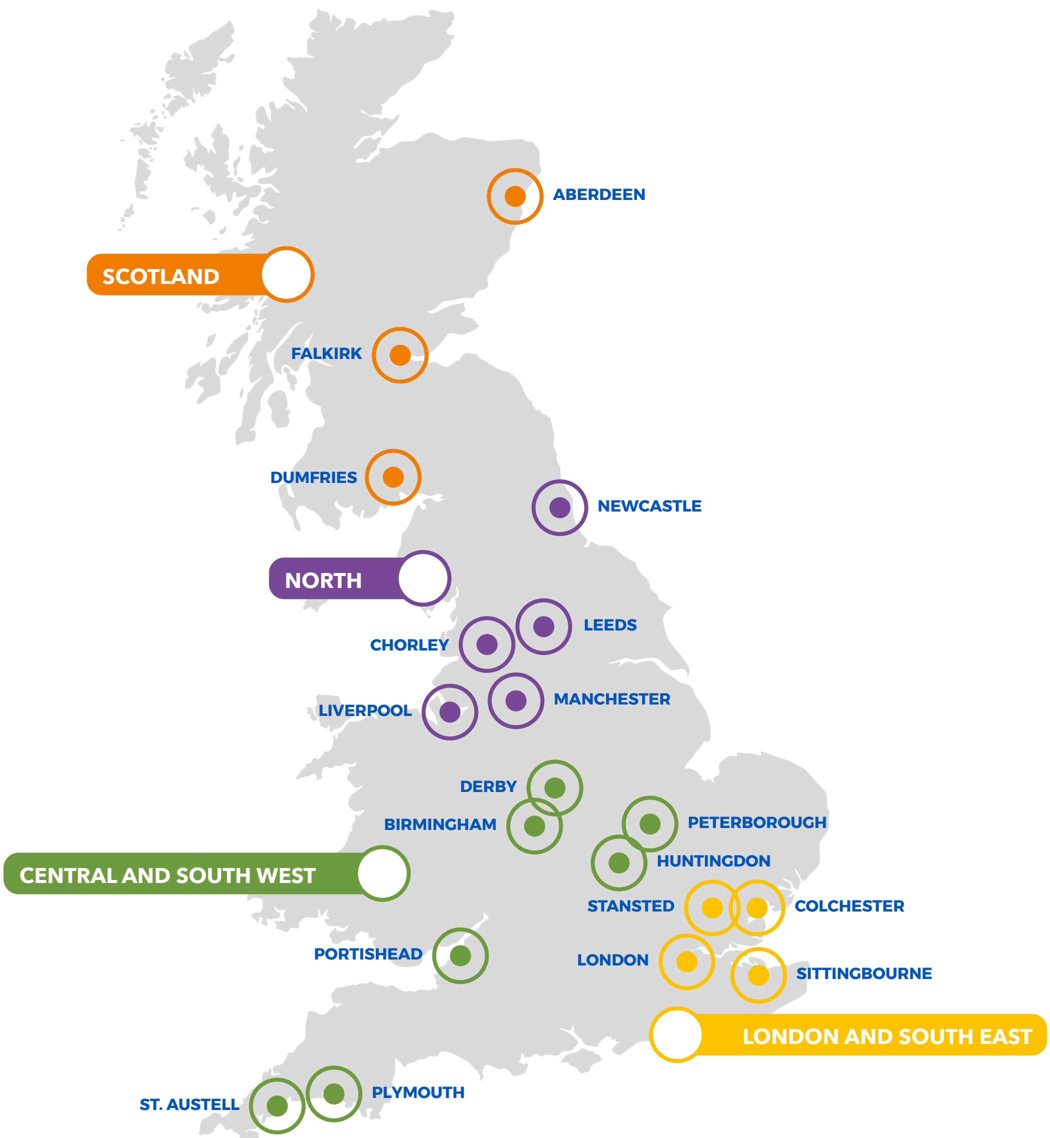
Trading update release
28th November 2019

These dates are indicative only and may be subject to change.

Dividend reinvestment plan
A dividend reinvestment plan ('DRIP') is available to shareholders. Those shareholders who have not elected to participate in the DRIP and who would like to do so, should contact our Registrar, Link Asset Services on 0371 664 0381. The last day for election for the final dividend for 2018 is 30th April 2019.

TClarke Offices

TClarke operates in four geographic regions from 19 locations. This allows us to offer UK coverage and to match our service provision to market needs and the opportunities we target.



For full addresses and contact details for each office, please visit our website at **www.tclarke.co.uk/locations**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