TClarke

Annual Report and Financial Statements 2019

In Touch With Tomorrow

Infrastructure | Residential | M&E Contracting | Technologies | Facilities Management

TClarke is an industry leader in the design, installation, integration and maintenance of the digital, mechanical and electrical technologies and infrastructures that a 21st century building needs for control, performance and sustainability.

Across the UK, we provide a large-scale, flexible resource of specialist expertise, based in market-leading M&E and digital capabilities, to help our customers deliver their construction programmes safely.

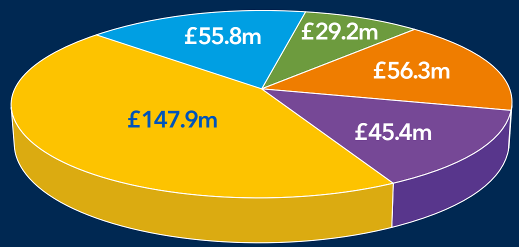
Our reputation for high quality and the successful application of new technologies has been built over 130 years.

OUR FIVE TARGET MARKETS

2019 REVENUE

£334.6m

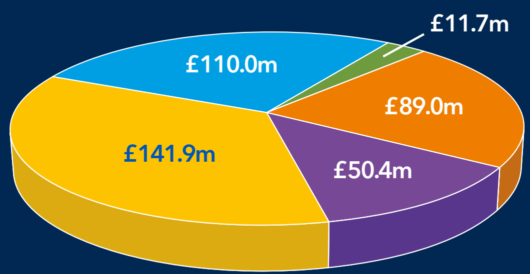
2018: £326.8m



FORWARD ORDER BOOK

£403.0m

2018: £411.0m



INVESTOR CASE

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

BALANCED BUSINESS MODEL
Sustainable revenues across our five focused market segments. An integrated offering and expertise in technology solutions differentiates us from competitors and we strive to be the contractor of choice for all projects. Our repeat client revenues are 90%.

DISCIPLINED AND ROBUST RISK MANAGEMENT
We operate a highly effective and selective approach to tendering and potential customer risk assessment. We adopt a conservative policy with regard to profit recognition and claims provisioning.

FORWARD REVENUE VISIBILITY
Our secured forward order book at 31st December 2019 stood at £403 million, including £141 million booked for 2021 and beyond. Pipeline bid opportunities typically exceed £1 billion.

IMPROVING PROFITABILITY
We are focused upon margin sustainability at 3% but always seeking ways to improve upon this. We seek to sustain this alongside a growing order book and growth in our revenue line will be driven off an increasing share of technologies work, larger-scale contracts in our regional businesses and controlled expansion into Europe. We have a medium-term revenue target of over £400 million.

EPS GROWTH AND PROGRESSIVE DIVIDEND POLICY
We strive to increase earnings over the cycle and are committed to a progressive dividend policy, whilst balancing the rewards to shareholders with the interests of our wider stakeholders.

STRONG CASH FLOW AND BALANCE SHEET
Our cash generation is strong and planned capital investment for efficiency and growth is funded from internal resources. At 31st December 2019 cash stood at £12.4 million with no bank debt.

FINANCIAL HIGHLIGHTS

Underlying operating margin target of 3.0% achieved

For further information and for a definition of underlying and forward order book, see page 17 of the Group Financial Review.

GROUP REVENUE

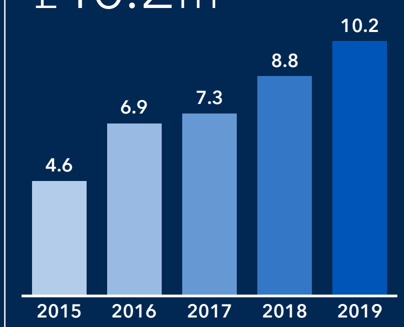
£334.6m

UNDERLYING OPERATING MARGIN

3.0%

UNDERLYING OPERATING PROFIT BEFORE TAX AND INTEREST

£10.2m



PROFIT BEFORE TAX

£9.0m

UNDERLYING EARNINGS PER SHARE

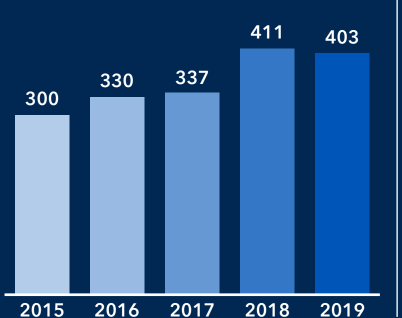
18.81p

DIVIDEND

4.4p

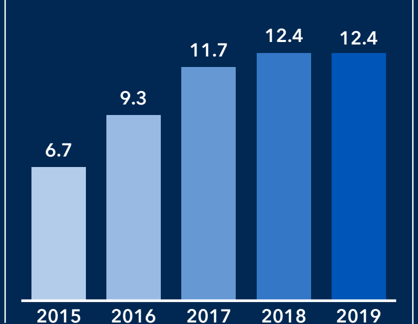
FORWARD ORDER BOOK

£403m



NET CASH

£12.4m



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CHAIRMAN'S INTRODUCTION

2019 was another highly successful year for TClarke. Underlying earnings per share increased by over 22% to 18.81p and underlying operating profit increased by 16% to £10.2 million.

I am particularly pleased that the Group achieved its target of 3% operating margin for the year and showed improvement across a number of key financial measures.

The forward order book continues to be very healthy and this, together with the strategic market initiatives which the Group will implement in 2020, gives confidence as to forward revenue and earnings potential. As a result, the Board is recommending a total dividend of 4.4p for the full year, an increase of 10% over 2018. The Board remains committed to a progressive dividend policy.

Whilst we will continue to grow our core business of delivering successful, high-quality, complex projects, we will also be delivering some key market developments in 2020 to meet the growing and changing requirements of our existing and new customer bases. A combined focus on our core business and the delivery of new offerings in 2020, particularly in Technology Solutions and expansion into Europe, provides exciting potential and opportunity for ongoing performance growth.

A healthy business culture requires careful consideration at all levels of the Group to the interests of the people who rely on it. In the Sustainability section on pages 20 to 27 we describe in detail the interactions between the Group and its many varied stakeholders and in the Governance section on pages 38 and 39 we set out the considerations taken by the Board of stakeholder interests when making strategic decisions. An ethos of "doing the right thing" is at the very heart of TClarke's business principles and values: The TClarke Way.

The TClarke brand is very strong, built upon its reputation for high technical capability, quality, dependability and performance. However, such brand value can only be created and maintained through the high qualities of our people and their engineering capabilities, and by the ongoing relationships with and support of our customers and supply chain. I would like to thank all of them for enabling TClarke to grow and flourish.

Clearly these results will be overshadowed by the global Coronavirus pandemic. We as a business continue to follow the UK Government's advice and direction and until the situation stabilises it is not possible to forecast the short-term impact on our industry. It is worth reminding our stakeholders that the Group has a proud 130-year history and overcome many challenges.

Iain McCusker
Chairman
19th March 2020

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 STRATEGIC ADVANTAGES	WHAT WE DO	VALUE CREATED FOR OUR STAKEHOLDERS
PEOPLE We directly employ expert professional engineering staff and operatives and run industry-leading apprenticeship and future leader schemes to sustain our talent pipeline.	**DESIGN** We design and value-engineer systems, drawing on our expertise to provide intelligent building solutions.	**SHAREHOLDERS** The total dividend has increased by 42% over the last five years and underlying EPS has increased by 164% over the last five years.
RELATIONSHIPS We focus on building long-term relationships with principal contractors and clients, underpinned by a systematic programme of engagement.	**PROCURE** We add value through expert procurement of equipment, materials, services and expertise across the life of a project.	**CUSTOMERS** Total reliability in project delivery, quality and safety, operating a collaborative and open approach to work which maximises value, efficiency and productivity.
NATIONWIDE COVERAGE We cover the whole of mainland UK with 19 offices to serve our clients where they need us. We also deliver international projects where the opportunity meets our business goals.	**INSTALL** We employ highly-qualified and experienced in-house engineering teams of professionals and operatives to install and deliver our solutions and services.	**EMPLOYEES** Industry-leading career paths and project work to take pride in. 38 participants in the Future Leaders programme in 2019 and 217 apprentices in training in 2019.
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.	**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.	**SUPPLIERS** A collaborative and open approach to the working relationship, providing fair payment terms.
REPUTATION Our performance maintains our brand reputation for total reliability, safety, delivery and quality.		**COMMUNITY AND ENVIRONMENT** Delivery of high-quality built environments across the UK. Support for the local and wider community in which we work.

OUR STRATEGY

A strategy for profitable growth

OBJECTIVE	HOW WE WILL ACHIEVE IT	2019 ACHIEVEMENT HIGHLIGHTS
SUSTAINABLE 3% OPERATING MARGIN	Our business will focus on our five core target markets through successful targeted tendering and operational efficiency.	• Operating margin of 3.0%, up from 1.9% in 2015
EXPANDING REVENUE STREAMS	We intend to grow our market share in integrated services and technologies focused principally on data centres and smart technology. We will use our in-house capabilities to offer clients differentiated, higher-value solutions. We will appropriately resource our regional businesses to target larger-scale contracts and develop a selective presence in Europe.	• Strategic partnership established with smart technology provider, Gooee • TClarke Europe established • A number of European data centre bids made • Increase in Technologies revenue
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.	• 8, 22, 100 & 150 Bishopsgate, London • One Nine Elms, London • KGX1, Kings Cross, London • Beaufort Park, London • The Peninsula Hotel, London • Battersea Power Station, London
MAINTAIN A 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.	• No dependence on one market sector in respect of revenue: M&E Contracting 43% Infrastructure 17% Residential & Hotels 17% Technologies 14% Facilities Management 9%
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.	• 90% of turnover in 2019 was with repeat clients

"I congratulate the people of TClarke who have delivered our strategy, maintaining and building our reputation, day by day."

Mark Lawrence
Group Chief Executive Officer

In Touch With Tomorrow

CHIEF EXECUTIVE'S REPORT

Last year we celebrated 130 years of TClarke. This year the theme for our Annual Report is 'In Touch With Tomorrow' because whilst 2019 has been a pivotal year we are very much focused on the future.

A starting point for the future and clear measure of our ability to command market share is our forward order book which stands at £403 million (2018: £411 million). This near record order book has been replenished whilst maintaining our disciplined and selective bidding approach to opportunities.

Sustainable margins
Having achieved our important objective of a 3% margin going forward, we will continue to instil a discipline that ensures we evaluate every potential bid and monitor each phase of our projects to ensure this level of margin is sustained.

Understand our growth strategy
Whilst our margin target remains one of the cornerstones of our strategy, we also have clear objectives that will deliver revenue growth.

In London we will continue to target larger mechanical and 'full service' M&E and technology packages. By way of an example, during 2019 we have been delivering our largest ever mechanical project – the iconic KGX1 project at Kings Cross. Our capacity to deliver M&E projects in London has more than doubled within the last five years.

Last year we reported exceptional growth in technologies, and this looks set to continue in the coming year. Our offerings in this sector are extensive and comprehensive. To complement our M&E installations we now offer our clients added value packages such as IT Networks, audio visual, fire and security, building control installations as well as a suite of products to make buildings more efficient and fit for the 21st century. Our in-house DfMA (Designed for Manufacture and Assembly) facility at Stansted is a TClarke USP in what we can offer our client in terms of offsite precision manufacturing embracing modular innovation and digital solutions.

Outside London our regional businesses have been targeting larger M&E projects which fit our margin profile, taking our existing client partnerships into our new regions such as Manchester and Liverpool. Our offices in the North of the UK are particularly well positioned to take advantage of planned infrastructure investment and regeneration that schemes such as HS2 will bring to these areas.

Capitalising on our extensive UK experience in 2019, we launched our European data centres division. The global demand for data centres and for building services teams that can deliver them will dwarf so many areas of infrastructure development in the next ten years. The European market is highly attractive, we have the proven skillsets, we also have long-term partners in the sector who have been actively encouraging us to participate in these markets. Our bidding teams have been actively targeting projects in selective European territories as well as numerous opportunities in the UK and we are confident that these will be a feature in our future order book.

These are just some examples of the strategies that we are following that have the ability to create a significant, permanent uplift in our revenue figures. Each is framed by our margin target, risk profile and ability to deliver with our own resources to the quality standards we require; in other words, these are well-planned and disciplined strategies.

See how construction markets are moving our way
Travelling through London you will see that TClarke is truly the contractor of choice on the most significant schemes under construction including projects at Battersea Power Station, One Nine Elms, The Peninsula Hotel, KGX1 in Kings Cross and Oxford House in Oxford Street. We are also involved with no fewer than four major schemes in the heart of the City at 8, 22, 100 and 150 Bishopsgate. Clients need to lock in the resource of skilled people to deliver their complex projects, which is why we are pleased they look to our teams here at TClarke.

Understand the central value of our people strategy
This year the first cohort of 27 young leaders completed our Future Leaders programme and the second cohort of 11 began their three years of development, networking and training. The reason why TClarke in 2019 won 90% of its work from repeat clients is because of the exceptional quality of our teams. Our people deliver quality, collaboration, safety and expertise. We directly employ, enabling lifelong careers from which the business benefits hugely. In 2019 we introduced a wide series of measures and made investments to improve the support we give our people – from a new Employee Hub, to mindfulness sessions, to the setting up of a strengthened HR team led by our HR Director, Mick Jobling. Succession planning and the ongoing flow of talent into the business are key and 2019 has seen major progress in both areas. I am particularly proud of leading a business where we currently have 244 people employed in their apprenticeship or studying for degrees or professional qualifications – representing 17.8% of our workforce against the construction industry as a whole which sees 5% as the gold standard.

Feel the confidence
It is pleasing that there is no shortage of new opportunities being released in our five target markets. There is genuine confidence across TClarke and I congratulate the people of TClarke, who have understood the strategy and delivered it, maintaining and building our reputation, day by day. They deserve enormous credit and the highest possible standards and commitment to safety; I am pleased to conclude my report by reconfirming the fact that safety is our overriding priority and focus. Health, safety and wellbeing matter more than anything else.

Mark Lawrence
Group Chief Executive Officer
19th March 2020

"What we value most about TClarke is the fact that they understand what engineering in a live hospital environment demands. Our trust has grown over the years that we've worked together."

Garth Weaver
Director of Estates, Royal Cornwall Hospitals NHS Trust

Infrastructure

We deliver major healthcare, education, prison, airport, defence, and transport projects across the country.

CAPABILITIES FOCUS

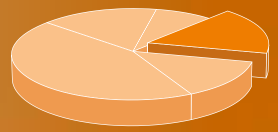
Healthcare

We deliver healthcare projects of any scale across the UK. TClarke is a Principal Supply Chain Member under the NHS Procure 22 Framework and a member of the NHS Building for Wales Framework. We are turnkey partners with GE and Siemens Healthcare, providing full design, procurement and installation services for healthcare environments including imaging diagnostic rooms of all modalities and operating/hybrid theatre suites. Our specialist engineering teams are used to working in live healthcare environments and develop strong personal working relationships with hospital teams.

REVENUE

£56.3m

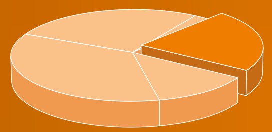
2018: £55.9m



FORWARD ORDER BOOK

£89.0m

2018: £65.1m



Education

Our teams deliver complete schools, major university facilities and advanced research facilities right across the UK. We are used to working to strict programmes which fit around the academic calendar of educational facilities to avoid disruption. We provide the full range of M&E and technology services, including lab suites, alarm, security and building controls systems. Our design and build team based near Colchester also delivers complete design and build education programmes utilising the latest in BIM technology.

Delivering our strategy

Our complete range of expertise and accreditations gives us access to a very wide range of infrastructure projects. Strength in infrastructure also allows us to actively manage our order book during downcycles in our commercial office markets. It also allows our regional teams to build our portfolio of large projects and leverage national relationships.

Examples of work undertaken in 2019 are:

- Ark Pioneer Academy, London
- Forth Valley College, Falkirk
- Northstowe Education Campus, Cambridge
- RAF, Lakenheath
- Royal Free Hospital, Pears Building, London
- Bath Spa University, Bath

Technologies

We lead in intelligent buildings technologies, DfMA, building controls, data centres and data networks.

CAPABILITIES FOCUS

DfMA
Our advanced manufacturing facility in Stansted provides a complete and seamless service for the design, build and installation of all kinds of DfMA prefabricated service modules, including the most complex and largest in the industry.

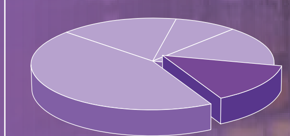
Data centres
We have the complete range of specialists skills and accreditations, backed up by a deep resource of expert people in-house, to deliver complete data centres anywhere in the UK and across mainland Europe. We work with major long-term partners in the data centre industry.

21st century intelligent buildings
Our in-house teams design and build complete data networks. We design and manufacture building control systems, software and graphics. We integrate systems and work with world-class software partners and for world-leading digital companies. We operate at industry-leading levels both for residential and world-scale commercial office developments.

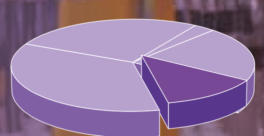
Delivering our strategy
Our Technologies business operates as an engine of growth for our business, at a time when demand across major construction projects for these specialisms is ramping up. This provides us with the potential for steady medium-term revenue growth and it cements our market leadership as a supplier of complete integrated building services. It also provides a powerful advertisement for our brand's capability across our industry.

Examples of work undertaken in 2019 are:
- Virtus London Data Centre
- Global Switch fit out, London
- Interxion Data Centre LON3
- One Bank Street, Canary Wharf
- EDF Energy, Dungeness
- DeepMind project, Kings Cross, London

REVENUE
£45.4m
2018: £42.9m



FORWARD ORDER BOOK
£50.4m
2018: £53.7m



"TClarke's technical ability to deliver major projects in London is without question. As a result of the hard work the TClarke team at 22 Bishopsgate has undertaken, the common network is not only fully designed, integrated and status A before starting on site, but installed to a high standard throughout for a developer that is very demanding and forward thinking."

Alan Williamson
M&E Manager,
Multiplex

M&E Contracting

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

CAPABILITIES FOCUS

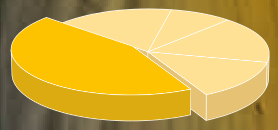
London - the Contractor of Choice

TClarke in London has the capability to deliver the largest scale mechanical and full service as well as electrical projects in the market. Our core offer is the design and installation of all the power, water, waste and climate control services that a building needs. We offer this in integrated packages alongside our substantial Technologies services. Our resource of expert M&E teams is unrivalled in the industry for scale, commitment and quality.

REVENUE

£147.9m

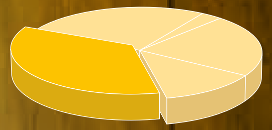
2018: £174.3m



FORWARD ORDER BOOK

£141.9m

2018: £188.1m



Major regional M&E projects

TClarke leverages the complete range of Group expertise and our dedicated, expert regional teams to win and deliver major M&E projects across the UK in private and public sectors. The stability, quality and commitment of our directly employed teams are a major advantage - they help us win work with existing principal contractor partners in new regions.

Delivering our strategy

This is the heart of our offer and it has advanced in two key ways. Firstly, in London we now have a reputation and series of projects delivered to show that our mechanical leadership matches our well-known electrical leadership. Secondly, our regional businesses are now focused on and resourced to win the larger regional M&E projects which our strategy and margin profile demands.

Examples of work undertaken in 2019 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
- Waitrose, various locations
- Middlemoor police station and custody suite, Exeter

"Our work with TClarke is based on true collaboration. They've brought specialist expertise to our project work that has resulted in a high quality and innovative solution for our client. The quality of work is excellent. They understand our standards and what we're trying to achieve and they meet them."

John Morrison
Lendlease

Residential & Hotels

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.

CAPABILITIES FOCUS

Residential one-stop-shop

Our Scotland team has made itself market leader in the provision of complete building services, including M&E, technology services, plumbing and ground and airsource heating. This team has led in many areas of programme efficiency and new technology.

Nationwide partnerships

Our Derby team has led in the development of an ongoing partnership with Berkeley Homes, in which we provide full M&E and technology services for major multi-phase residential projects.

Flagship luxury residential

Across the UK, but particularly in London and Scotland, TClarke undertakes ultra-high-end residential and hotel projects. Frequently, we choose to focus on shell and core rather than fit-out projects as these better suit our margin and risk appetite.

Delivering our strategy

A well-chosen selection of residential programmes with appropriate risk and value profiles and long-term partnerships with major clients provide an excellent balance to our order book. Our technologies leadership and the stability of our teams provide a substantial advantage for home builders who want to deliver challenging programmes and need to work with teams of people they trust.

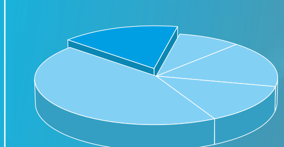
Examples of work undertaken in 2019 are:

- The Peninsula Hotel, London
- 150 Bishopsgate, London
- Beaufort Park, London
- The Crescent, Edinburgh
- One Nine Elms, London
- Merlin Gardens, East Kilbride
- Ecclesall student accommodation, Sheffield

REVENUE

£55.8m

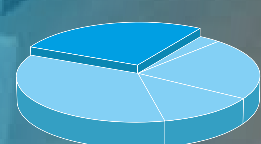
2018: £31.1m



FORWARD ORDER BOOK

£110.0m

2018: £96.2m



"TClarke were an obvious choice for Beckley Point, Plymouth. From day one they supported our team to design and construct a building that exceeded the client's expectations and, most importantly, could be built within the required timescales and budget."

Doug Lloyd

Area Manager Western & Wales, Kier Construction Limited

"TClarke is an organisation that believes in skills, pride in their work and taking responsibility, rather than sitting back; it's great having them as part of our team. The quality of work and service is consistently high and that is of critical value to our business."

Joe Woodall
Canary Wharf Contractors

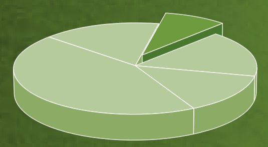
Facilities Management

We offer a unique and industry-leading range of specialist M&E services targeting the FM industry. We also operate a range of valuable framework agreements, nationwide partnerships and long-term blue chip FM relationships.

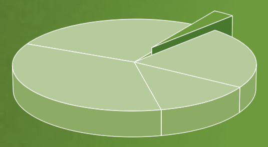
CAPABILITIES FOCUS

Specialist M&E services
We provide market-leading in-house FM expertise in a complete range of mechanical and electrical specialisms from chilled water systems and BMS controls to fire safety systems and air handling plants. Our in-house teams provide preventative services to address legislation, manufacturer recommendations, best practice and specific client needs. We also provide 24/7 call-out services nationwide.

REVENUE
£29.2m
2018: £22.6m



FORWARD ORDER BOOK
£11.7m
2018: £7.9m



Major frameworks
TClarke targets key framework agreements in both the public and private sectors with strategic value for our business. Our current list of frameworks includes the NHS Procure 2020 framework for England and NHS Building for Wales, the ESFA Schools framework and the Manchester Airports Group framework.

Nationwide partnerships and blue chip relationships
TClarke's FM expertise brings us a series of major nationwide and regional partnerships and we also have a number of long-term FM relationships with world-class industrial companies like BAE, Springfield Nuclear Fuels, EDF and Johnson Matthey.

Delivering our strategy
Although a relatively smaller part of our total revenue, FM delivers sustainable revenues and margins with minimal risks. FM also allows us to leverage the power of our Group-wide, directly employed expert resource to deliver a unique range of specialist M&E services for the FM industry. As construction systems become more complex, FM offers us a steadily increasing range of opportunities to develop ongoing client relationships.

GROUP FINANCIAL REVIEW

"I am pleased to report that TClarke has delivered an operating margin of 3%, achieving our medium-term target. We remain focused on sustaining this 3% margin whilst growing revenue."

Trevor Mitchell
Group Finance Director

The Group has a track record of delivering stable and improving results. Over the last five years underlying operating profit has risen each year from £4.6 million in 2015 to £10.2 million in 2019. Underlying earnings per share has risen from 7.11p in 2015 to 18.81p in 2019.

Performance
The Group's underlying performance for the year ended 31st December 2019 was strong, resulting in an increase in underlying earnings per share of 22.3% to 18.81p (2018: 15.38p). This growth has been as a result of TClarke achieving an operating margin of 3% (2018: 2.7%) whilst at the same time growing revenues by 2% to £334.6 million (2018: £326.8 million). The statutory operating profit was £10.0 million (2018: £8.6 million). As in 2018, all regions were profitable with London remaining the core of the business delivering a reported profit of £8.2 million (2018: £7.2 million) and an operating margin of 4.1% (2018: 3.7%).

Finance costs increased to £1.0 million (2018: £0.8 million) as a result of an increase in the Group's defined benefit pension scheme interest charge of £0.1 million to £0.7 million (2018: £0.6 million) and an interest charge of £0.1 million following the adoption of IFRS 16.

The tax charge for the year is £1.2 million (2018: £1.6 million), which equated to an effective tax rate of 13%. This is lower than the UK statutory rate of 19 % due to utilising brought forward Eton tax losses, Eton RDEC claim and prior year tax adjustments. TClarke maintains an open and transparent working relationship with HMRC.

The Board is proposing a final dividend of 3.65p (2018: 3.34p), with the total dividend for the year increasing by 10% to 4.4p (2018: 4.0p). The dividend is covered four times by underlying earnings. The increase in dividends is in line with TClarke's progressive dividend policy.

Year-end cash was £12.4 million (2018: £12.4 million) with the Group being free of any debt.

We move into 2020 with a forward order book at £403 million (2018: £411 million) providing excellent revenue visibility.

Key Performance Measures

	2019 £m	2018 £m
Revenue	**334.6**	326.8
Operating profit		
- Underlying[1]	**10.2**	8.8
- Reported	**10.0**	8.6
Profit before tax		
- Underlying[1]	**9.2**	8.0
- Reported	**9.0**	7.8
Profit after tax		
- Underlying[1]	**8.0**	6.4
- Reported	**7.8**	6.2
Profit for the year	**7.8**	6.2
Earnings per share		
- Underlying[2]	**18.81p**	15.38p
- Reported	**18.37p**	14.99p
Dividend per share	**4.4p**	4.0p

1. Underlying operating profit, profit before tax and operating margin are stated before amortisation of intangible assets.
2. Underlying earnings per share is calculated by dividing underlying profit after tax by the weighted average number of shares in issue.

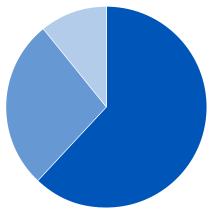
Forward Order Book

Market sector	2019 £m	2018 £m	% change
Infrastructure	**89.0**	65.1	37%
Residential & Hotels	**110.0**	96.2	14%
Technologies	**50.4**	53.7	-6%
M&E Contracting	**141.9**	188.1	-25%
Facilities Management	**11.7**	7.9	48%

Forward Order Book comprises of jobs which are secured through contracts or letters of intent.

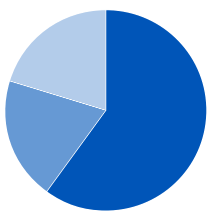
GROUP FINANCIAL REVIEW CONTINUED

2019 UNDERLYING PROFIT BY REGION



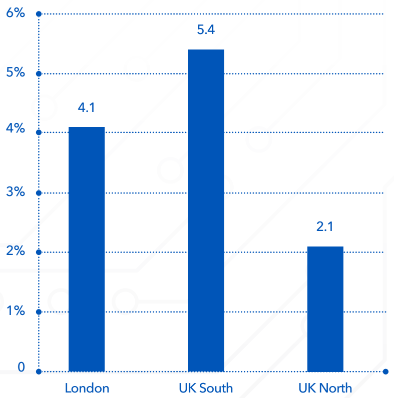
	£m
London	8.2
UK South	3.6
UK North	1.4
Group costs	-3.0
Total	10.2

2019 REVENUE BY REGION



	£m
London	201.0
UK South	66.3
UK North	67.3
Total	334.4

2019 UNDERLYING OPERATING MARGIN BY REGION



London
Revenue from our London operations increased by 2% to £201 million (2018: £196.5 million), generating an underlying profit of £8.2 million (2018: £7.2 million). Underlying operating margin was 4.1% (2018: 3.7%).

For 2020 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.

London is currently bidding a number of data centre opportunities both in the UK and Europe.

In addition, TClarke has an exclusive contract to sell, install and maintain the Gooee suite of products offering both initial and recurring revenue streams.

UK South
Revenue from UK South fell by 9% to £66.3 million (2018: £73.0 million) but the focus on higher-quality projects has resulted in profits doubling to £3.6 million (2018: £1.8 million).The region has developed a high-quality customer base providing a significant quantity of repeat business.

The region is particularly strong in Infrastructure with many projects being undertaken in defence, education and healthcare.

Our established FM operation in Birmingham is performing well and has a pipeline of opportunities, many with repeat customers.

UK North
Revenue increased by 15% to £67.3 million (2018: £57.3 million), generating an underlying profit of £1.4 million (2018: £2.8 million). Within the region, Scotland's residential work performed strongly along with the delivery of a number of educational projects by the Leeds office. Our recently opened offices in Liverpool and Manchester have yet to contribute significant revenue but have a number of exciting opportunities for 2020 and beyond.

Pension obligations
The triennial valuation of the pension scheme at 31st December 2018 showed a deficit of £24.9 million, representing a funding level of 59% (2015 valuation: deficit £14.9 million, funding level 67%). The principal reason for the increase in deficit is the fall in long-term interest rates over the period.

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 2018 valuation, the Group has agreed to continue the deficit reduction contributions of £1.5 million per annum. The recovery plan period is 12 years. The Group continues 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 April 2020 the future service contribution increased to 22.4% of pensionable payroll (including employee contributions). Employee contributions will increase from 10% to 12% from 1st April 2020.

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

The scheme benefited in the year from settlements accounted for in accordance with IAS19 totalling £3.0 million (2018: nil). The Group is contributing £1.5 million towards the cost of the settlements.

In accordance with IAS 19 'Employee benefits', an actuarial loss net of tax of £5.7 million (2018: gain of £0.7 million), has been recognised in reserves, with the pension scheme deficit rising by £3.4 million to £26.4 million (2018: £23.0 million).

Cash flow and funding
Cash balances totalled £12.4 million at 31st December 2019 (2018: £12.4 million).

The Group has a £15.0 million revolving credit facility, which is committed until 31st August 2022, and a £10.0 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 months). The Group was compliant with the terms of the facilities throughout the year ended 31st December 2019 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 the VAT regime from 1st October 2020. 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 subcontractors.

In addition, the projections include an estimate for the Group's contribution towards settlements arising from the Group's defined benefit pension scheme during 2020 and the investment made into Gooee, all of which is in cash.

The Board's projections show a healthy cash position after taking account of these factors.

The Group also has in place £40.1 million of bonding facilities, of which £21.7 million were unutilised at 31st December 2019.

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. Shareholders' equity is £22.9 million (2018: £22.1 million).

Goodwill and intangible assets were £25.5 million (2018: £25.7 million). The Board has undertaken a rigorous impairment review in respect of the intangible assets at 31st December 2019 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 16 for the first time in the financial statements for the year ended 31st December 2019. IFRS 16 removes the distinction between 'operating' and 'finance' lease and, with this, leases which would have been previously deemed as 'operating' – based on an assessment of the balance of risk and reward transferred – are now recognised on the balance sheet with the creation of a 'right-of-use' asset and a concomitant lease liability reflecting future lease payments.

Adopting IFRS 16 has resulted in:
- gross assets and gross liabilities increasing with the creation of the 'right-of-use assets' (recognised within 'property, plant and equipment' – £4.1 million impact) and corresponding lease liabilities (shown as 'obligations under leases' – £4.2 million impact);
- depreciation and interest increased by £1.4 million and £0.1 million respectively;
- rental charges decreased by £1.4 million.

The lease payments for low-value and short-term leases are expensed over a straight-line in accordance with IFRS 16.6.

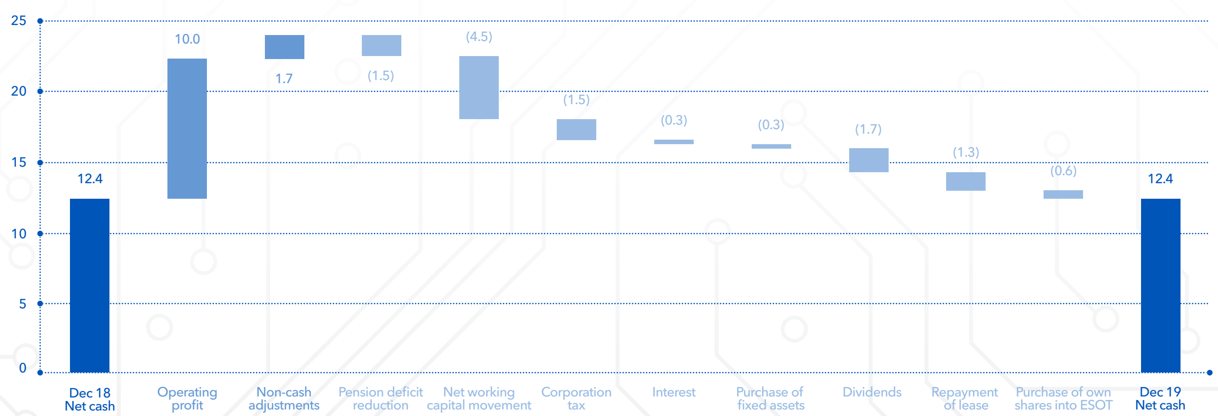
For further information please refer to the accounting policies and notes to the financial statements starting on page 84.

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
19th March 2020

CASH PERFORMANCE (£M)



SUSTAINABILITY

"Mini-rugby allows children to learn about the sport and also teaches the core values of rugby – teamwork, respect, enjoyment, discipline and sportsmanship, similar values to The TClarke Way."

Anton Malia
UK South Director

Working with TClarke's stakeholders

Successful delivery of TClarke's strategy depends on effective engagement with all our stakeholders. TClarke's main stakeholders are our people, customers, suppliers, shareholders and the community and environment. We believe we can only deliver our objectives if we respect our stakeholders and this is embodied in our business principles and values, known as **The TClarke Way**.

The TClarke Way is about our focus across the business on how we deliver quality with each other, our customers, our partners, our shareholders and society. Every new employee is inducted in The TClarke Way and is encouraged to adopt it as part of their approach to work and their relationship with colleagues and our external stakeholders. Further information on The TClarke Way can be found at www.tclarke.co.uk/about-us.

Responsibility
In each community where we operate, we endeavour to operate in a way which adds both financial and non-financial value to the local economy. This section of the Annual Report focuses on the responsible approach we take on areas of non-financial performance. This activity has an impact on the way we run our business and on our performance, revenue and profit.

Supporting the ethos of Section 172
Meaningful engagement with our stakeholders supports the ethos of Section 172 of the Companies Act 2006 which sets out that directors should have regard to stakeholder interests when discharging their duty to promote the success of the Company. This sustainability report sets out how we manage our relationships with those main stakeholders. Further details of the key stakeholder engagement undertaken at different levels within TClarke are set out on pages 38 and 39.

Community
We aspire to be responsible members of our community as it reflects our principle to do the right thing. We engage in initiatives with our community by liaising with local schools, attending career open days, holding skills workshops and offering work placements for young and mature trainees.

TClarke and its people value the contribution we can make through supporting charitable organisations and sponsored events and employees are encouraged to become involved in community projects and programmes.

We are proud to support a number of charities directly as well as indirectly through supporting events organised by our clients and we also support employees who are raising money for charities of their choice.

TClarke also sponsors a number of local junior sports teams, such as Bingham RUFC junior and mini-rugby teams pictured in action.

Human rights
Whilst 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, modern slavery and anti-bribery and corruption.

Environment
TClarke recognises and accepts the known environmental implications of its engineering works and procedures and is committed to minimising the impact our business operations have on the environment.

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 (CO_2e)
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 2019 (see table below).

Our CO_2e emissions have been calculated using UK Government guidelines for conversion of fuels and electricity.

Greenhouse gas emissions	2019	2018
Scope 1 emissions (tCO_2e)	**2,098**	1,993
Scope 2 emissions (tCO_2e)	**211**	237
Total Scope 1 & 2 emissions (tCO_2e)	**2,309**	2,230
Revenue (£m)	**334.6**	326.8
Emissions/ £1 million revenue (£m)	**6.9**	6.8

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.

Non-financial information statement
This section (pages 20 to 27) provides information as required by regulation in relation to:
- Environmental matters
- Our employees
- Social matters
- Human rights
- Anti-bribery and corruption

Other related information can be found as follows:
- Our business model (page 2)
- Principal risks and how they are managed (pages 28 to 31)

SUSTAINABILITY CONTINUED

People

We believe TClarke is a great place to work and we can only deliver our services to our customers through the hard work and commitment of our workforce.

"One of the reasons why our apprenticeships are among the very best is because TClarke people don't just welcome our new apprentices – they actively help them and go out of their way to pass on skills and knowledge."

Mick Jobling
Human Resources Director

Our policies

Our people are our biggest asset and we recognise the need to attract and retain the brightest and the best talent, who give TClarke the great reputation we are renowned for.

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, recruiting and promoting employees based on their aptitudes and abilities and regardless of age, sexual orientation, ethnic or national origin or colour, sex, transgender status, religion or belief, pregnancy and maternity, marital or civil partnership, or any other group who face disadvantage in our society.

TClarke 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.

Our Human Resources team

We have a dedicated Human Resources team spread across all regions headed by Human Resources Director, Mick Jobling, who is a member of the Group Management Board and HR is a standard agenda item at GMB meetings.

Training and development

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.

TClarke operates a Career Pathway and Training Academy designed to provide participants with a clear career pathway with training and opportunities for personal and professional growth to achieve their goals. We have successfully rolled out 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.

In 2016 TClarke set up a nationwide Future Leaders 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 they have the best opportunities. So far 27 participants have passed through the formal part of the programme and those who have taken part have emerged with a stronger and clearer sense of what the business represents, our values and our ways of working. However, once the formal part of the programme is complete, the participants continue to receive ongoing support, mentoring and training as they drive their career forward within TClarke. This year we launched another formal three-year programme with 11 participants.

TClarke's highly sought-after Apprenticeship Scheme remains one of the best regarded in the construction and engineering industries. We have an unbroken tradition of investing in apprentices and working to give them the best training possible and this year we maintained this approach with our intake of 54 apprentices nationwide.

As at 31st December 2019, the composition of TClarke employees in respect of gender was as follows:

	Number		Percentage	
	Male	Female	Male	Female
Directors (including Non-Executive Directors)	6	1	85	15
Senior management	6	1	85	15
Management	32	0	100	0
Staff	311	102	75	25
Skilled operatives	674	2	99	1
Apprentices	211	6	97	3
Trainees	19	0	100	0
Total	1,259	112	92	8

Communication

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 of matters that are of concern to them and factors that affect the performance of the Company. 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.

Peter Maskell is the designated Non-Executive Director with Board responsibility for engagement with our employees. The role is designed to enhance existing Board oversight on employee views and complements existing employee engagement channels. The Non-Executive Directors undertake regional office and site visits and interact with the workforce on those visits. The Non-Executive Directors also attend the dinner at the annual senior management away day and dinners held when the Future Leaders programme meets up.

This year we have introduced TOMMY, which is the new TClarke employee hub, which will keep our employees up to date with news and information across the TClarke Group. Also during the year we have introduced a new, more user-friendly Employee Handbook. The handbook sets out how we all need to represent ourselves, respecting every colleague, observing the law and doing the right thing.

TClarke has in place a Board approved Whistleblowing Policy. The aim of the policy is to provide an internal mechanism for reporting, investigating and remedying any workplace wrongdoing. It sets out the procedure by which our employees can report concerns about workplace practices confidentially and anonymously if they wish.

SUSTAINABILITY CONTINUED

Health and Safety

We are totally committed to the health, safety and wellbeing of both our own personnel and all those who have an overlap with our undertakings. This is achieved through expansive management by our large-scale, professional nationwide Health & Safety team. As such, we continue with our considerable investment into the wellbeing of our people and the Group.

"Mental health has become a matter for focus across the industry. I am very pleased that TClarke is taking a lead in such a practical and valuable way by introducing our people to practical breathing and meditation techniques, which can help to manage stress."

Marc Bailey
Health and Safety Director

Our policies
Our Health and Safety policies and procedures are fastidiously and regularly reviewed and we hold quarterly Health, Safety and Environmental meetings, which are attended by management representatives from across the business, including our key supply chain partners as well as our Health & Safety team and employee representatives.

Mike Crowder is the main Board Director responsible for Health and Safety and reports to the main Board on a monthly basis. Health and Safety is a key item on the agenda at every meeting from Board and Group Management Board meetings right down to individual site project meetings.

We continue to use the 'Absolute' Accident Reporting Regime, which ensures each accident, no matter how apparently small or insignificant, is dutifully reported. No accident is accepted lightly, but more importantly, none are hidden, and each event is 'interrogated' (for lessons learned), therefore no statistic is concealed.

We also continue the 'You See, You Say' Near Miss Reporting Scheme within the Group, which is a key accident prevention tool. It should be remembered that each 'You See, You Say' card issued is representative of a potential incident or accident which has been avoided, addressed and 'closed out' by implementing suitable action or controls.

Investment is ongoing with campaigns to raise individual and collective awareness on health, safety, wellbeing and the environment, with existing standards reviewed and refreshed to avoid complacency. Our policies and procedures include an effective system of inclusive information flow, both 'upward' and 'downward' to ensure 360-degree communication, with appropriate metrics for monitoring performance and ensuring that suitable and sufficient resources are available to support this activity.

One of our key innovative approaches includes the industry's first dedicated Health, Safety and Environmental Risk Reporting mobile phone app.

Our Health & Safety team
We have a dedicated in-house, professional Health & Safety team which ensures coverage across all regions, which is overseen by Health and Safety Director, Marc Bailey. Marc ensures that the appropriate policies and procedures are in place and regularly presents to the Group Management Board and chairs the quarterly TClarke Health, Safety and Environmental meetings.

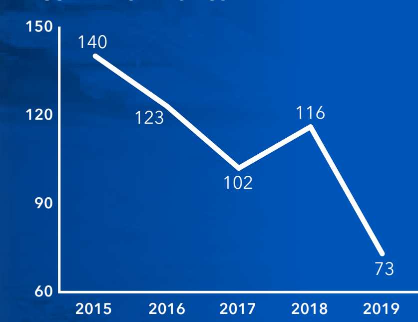
Mindfulness and wellbeing
We are proud to have introduced Mental Health First Aid training sessions across the Group to enable a number of staff to become qualified Mental Health First Aiders. We have also introduced 'Mindfulness' classes for our employees which are both very well attended and appreciated. The classes cover practical breathing and meditation techniques which help to manage stress. The classes were so successful that we have now created a series of videos so that our people up and down the UK can have access to the same techniques. These measures are a big step forward within the construction industry and prove how serious TClarke is about managing every aspect of our employees' mental health, health and wellbeing.

Statistics
Over the past five years we have seen a significant improvement in our overall Health and Safety performance and 2019 saw a significant decrease in the number of incidents compared to 2018. The accident statistics graph below highlights the overall reduction in all accidents reported across the Group since 2015.

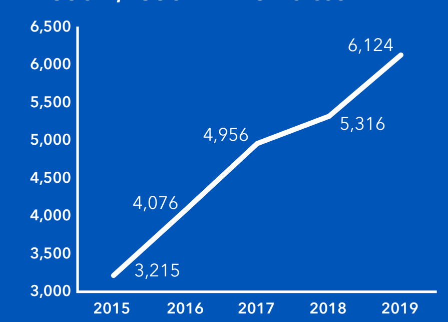
The overall fall in the number of accidents over the last five years has coincided with the increase in 'You See, You Say' reports, as shown in the graph below. Compared to the reduction in accidents, it highlights how effective the 'You See, You Say' Near Miss Reporting Scheme has been.

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 whilst recognising and acknowledging that this approach is at the core of all TClarke undertakings.

ACCIDENT STATISTICS



'YOU SEE, YOU SAY' REPORTS ISSUED



SUSTAINABILITY CONTINUED

Customers and Suppliers

TClarke has established market-leading positions through the development of long-term client relationships which deliver excellent client service.

"Our collaborative and open approach to work maximises efficiency and productivity, and we add value through expert procurement of equipment, materials and services across the life of a project."

Sally Higgins
Procurement Director

Client relationships
Our client relationships are underpinned by a systematic programme of engagement. Only through this ongoing collaboration can we continue to evolve as a business, improve our ways of working and continue to meet or exceed the expectations of our clients.

Customers
TClarke has built long-term lasting relationships with principal contractors and clients and our long history of total reliability, safety and delivery of quality projects enables us to remain the contractor of choice for landmark projects. We operate a collaborative and open approach to work which maximises value, efficiency and productivity.

Our employees at all levels are fully engaged with our clients throughout a project; through design, procurement, installation and maintenance. During the tender process for a project, as well as demonstrating that we can deliver a quality project at a fair price, we also have to demonstrate that we fully comply with other matters that concern our clients, such as health and safety, the environment and ethics and sustainability.

Suppliers
Our suppliers are fundamental to the quality of our product and services and to ensuring we maintain the high standard of work we set ourselves. We add value through the expert procurement of equipment, materials and services across the life of a project.

As with our customers, we operate a collaborative and open approach to the working relationship with our suppliers and provide a client portal for both customers and supply chain partners.

TClarke employs a formal supply chain management selection process to build our approved and preferred supply chain list and the use of approved suppliers' lists reduces reputational risk through the failure of a subcontractor or supplier. We provide fair payment terms for all suppliers with no exceptions.

In order to be accepted onto our approved suppliers list, suppliers must demonstrate that they operate in accordance with recognised standards that uphold human rights and safety, prohibit modern slavery and promote sustainable sourcing.

Key supply chain partners are invited to attend TClarke's Health, Safety and Environmental meetings to understand our Health and Safety best practice. The supply chain also receive Health and Safety bulletins and alerts and receive audits and inspections as a matter of course.

Our Procurement team
We have a dedicated procurement team, headed by Procurement Director, Sally Higgins who is a member of the Group Management Board and procurement is a standard agenda item. The team undertake regular performance reviews of all key supply chain partners for total reliability in project delivery.

Modern slavery
TClarke is committed to compliance with the Modern Slavery Act 2015. We recognise that the execution of our services involves labour being procured throughout our business and supply chains and understand that this entails the risk that modern slavery may take place. We acknowledge that modern slavery is a crime and a violation of fundamental human rights. It takes various forms, such as slavery, servitude, forced and compulsory labour and human trafficking, all of which have in common the deprivation of a person's liberty by another in order to exploit them for personal or commercial gain. We have a zero-tolerance approach to modern slavery, and we are committed to acting ethically and with integrity in all of our business undertakings and relationships, and to implementing and enforcing effective systems and controls to ensure that modern slavery is not taking place anywhere in either our own business, or in any of the businesses of our supply chains.

Our Anti-slavery and Human Trafficking policy 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 zero tolerance of any form of bribery or inappropriate inducement to ensure that business can be conducted in a free and fair market. Our anti-bribery and corruption policy has been communicated to all staff and is published on TOMMY, the new TClarke employee hub. Every individual and organisation that acts on the Company's behalf or represents the Company is responsible for ensuring that this principle is upheld and the policy is implemented so that the Company conducts all business in an honest and professional manner in line with the Bribery Act 2010.

PRINCIPAL RISKS

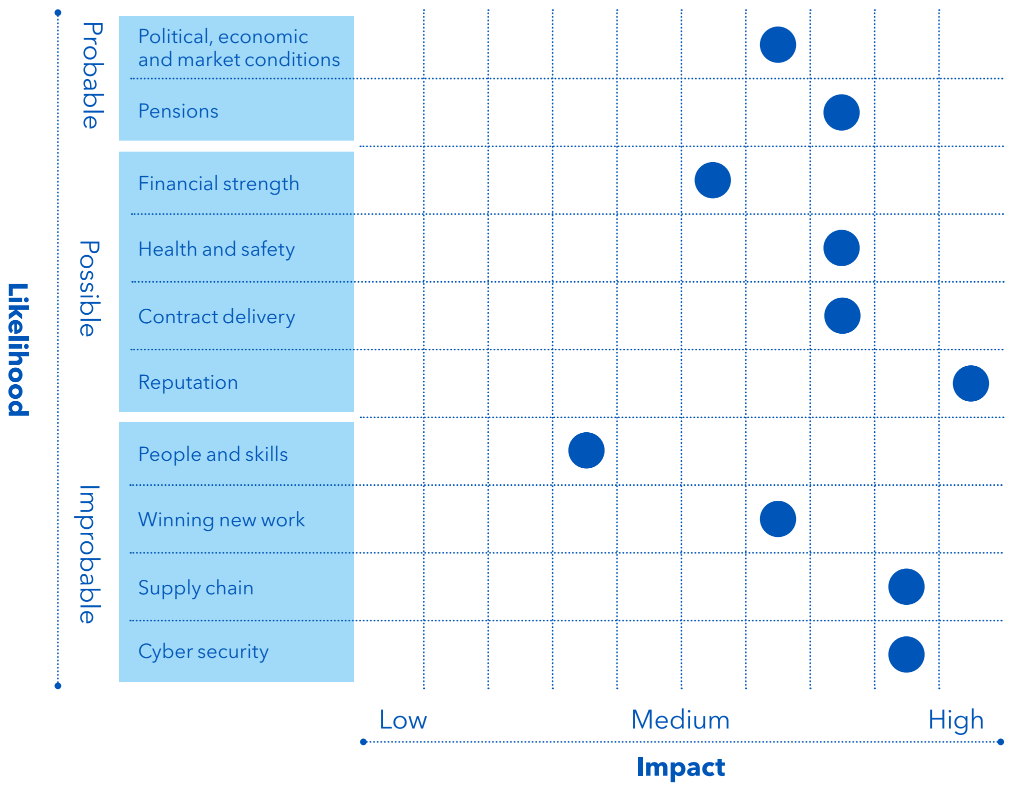
Risk management
The ability of the Group to identify and manage effectively the risks to its business and operations is fundamental to the successful delivery of the Group's strategy and the protection of its assets and reputation.

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. The principal risks faced by the Group, and the mitigating actions and controls in place to address these risks, were reviewed by the Board in February 2020 and are presented in the graphic below and on pages 29 to 31. Following its review, the Board agreed that the ten principal risks remained unchanged from the previous year.

The Group continues to monitor developments relating to the outbreak of Coronavirus (COVID-19). At the time of signing the situation is fast moving and developing. The Group has modelled various scenarios which indicate it can weather any short-term impact on its operations.

Group principal risks



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 skills 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 base 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.	**No Change**
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 £15.0 million revolving credit facility, committed to 31st August 2022, and a £10.0 million overdraft facility to help manage short-term fluctuations in working capital. 5. The Group also has in place £40.1 million committed bonding facilities. 6. Creditworthiness of counterparties monitored on an ongoing basis.	**No Change**
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**
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 are 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**

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**
CYBER SECURITY Cyber attack and data loss are 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 28 to 31.

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 £10.0 million overdraft facility repayable on demand and a committed £15.0 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 are 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 2022.

The Directors also considered it appropriate to prepare the financial statements on the going concern basis, as explained in note 2 on page 84.

Strategic report approval
The Board confirms that, to the best of its knowledge, the Strategic report on pages 1 to 32 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 19th March 2020.

Mark Lawrence
Group Chief Executive Officer
19th March 2020

BOARD OF DIRECTORS

Non-Executive Directors

1 Iain McCusker
Chairman
Appointed to the Board on 1st January 2009 and appointed Chairman on 1st October 2015.

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.

2 Mike Robson
Senior Independent Non-Executive Director
Appointed to the Board on 18th November 2015.

Mike is a Chartered Accountant with extensive experience of audit, financial management and reporting, gained at PwC and in industry. In a career including 28 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 is a Director of Azure Partners Ltd.

3 Peter Maskell
Independent Non-Executive Director
Appointed to the Board on 1st January 2018.

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.

4 Louise Dier
Independent Non-Executive Director
Appointed to the Board on 1st January 2019.

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.

Executive Directors

5 Mike Crowder
Group Managing Director
Appointed to the Board on 1st January 2007.

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.

6 Mark Lawrence
Group Chief Executive Officer
Appointed to the Board on 2nd May 2003.

Mark has been with the Company for 34 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.

7 Trevor Mitchell
Group Finance Director
Appointed to the Board on 1st February 2018.

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.

Committees
- Audit Committee
- Nomination Committee
- Remuneration Committee
- Chair

BOARD OF DIRECTORS

Non-Executive Directors

1 Iain McCusker
Chairman

2 Mike Robson
Senior Independent
Non-Executive Director

3 Peter Maskell
Independent
Non-Executive Director
Non-Executive Director for
Employee Engagement

4 Louise Dier
Independent
Non-Executive Director

Executive Directors

5 Mike Crowder
Group Managing Director

6 Mark Lawrence
Group Chief Executive
Officer

7 Trevor Mitchell
Group Finance Director

GROUP MANAGEMENT BOARD

8 Mick Jobling
Human Resources Director

9 Anton Malia
UK South Director

10 David Lanchester
Company Secretary

11 Sally Higgins
Procurement Director

12 Gary Jackson
UK North Director

13 Kevin Mullen
UK North Director

14 Andy Griffiths
Systems Director

15 Garry Julyan
London Director

16 Rob Faro
UK South Director

CORPORATE GOVERNANCE REPORT

Chairman's introduction

The Board is committed to high standards of corporate governance and complies with the principles contained in the UK Corporate Governance Code 2018 ('the Code'), which took effect for accounting periods starting on or after 1st January 2019. 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 has applied the principles contained within the Code.

As a Board we have always taken decisions for the long term, and collectively and individually our aim is always to uphold the highest standards of conduct. Similarly, we understand that our business can only grow and prosper over the long term if we understand and respect the views and needs of our customers, our colleagues and the communities in which we operate, as well as our suppliers, the environment and the shareholders to whom we are accountable. This is reflected in our business principles and the Sustainability section on pages 20 to 27 sets out in more detail how we manage our relationships with them. The table below and opposite describes how the Directors have had regard to the matters set out in Section 172(1) (a) to (f) and forms the Directors' statement required under Section 414CZA of the Companies Act 2006.

The Board recognises 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 33 to 35, 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 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 36 and 37.

During 2019, we undertook a formal, internal evaluation of the Board's and its committees' effectiveness. The results of this exercise are summarised on page 42. 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 all the Directors standing for re-election should be re-elected at the 2020 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
19th March 2020

Summary of how the Board engages with our stakeholders

Stakeholder group	Why we engage	How we engage	What matters to this group
Shareholders and potential shareholders	• Continued access to capital is important for the long-term success of our business • We work to ensure that our shareholders and their representatives have a good understanding of our strategy, business model and culture • We create value for our shareholders by generating strong and sustainable results that translate into dividends	• Annual Report and Financial Statements • Corporate website • Social media • AGM • Results announcements and presentations • Shareholder and analyst meetings followed by feedback from brokers and financial PR consultants • Private investor events	• Long-term value creation • Growth opportunity • Financial stability • Culture • Transparency • Ethics and sustainability
Employees	• The Company's long-term success is predicated on the commitment of our workforce to the values embodied in The TClarke Way • We engage with our workforce to ensure that we are fostering an environment that they are happy to work in and that best supports their wellbeing • We believe TClarke is a great place to work and we can only deliver our services to our customers through the hard work and commitment of our workforce	• Designated Non-Executive Director has Board responsibility for engagement with the workforce • The Non-Executive Directors undertake a programme of regional office visits and visit project sites • Annual conference for regional directors and weekly conference call • The TOMMY employee hub • TClarke Career Pathway and Training Academy • TClarke Future Leaders programme • Whistleblowing Policy	• Fair employment • Fair pay and benefits • Diversity and inclusion • Training, development and career opportunities • Health and safety • Responsible use of personal data • Environment • Ethics and sustainability
Customers	• Our purpose is to design, install, integrate and maintain the full range of mechanical and electrical services and the digital infrastructure to create a 21st century building • We aim to build long-term lasting relationships with principal contractors and clients and remain the contractor of choice for landmark projects	• TClarke has deep, long-term partnerships with both major principal contractors and with property owners and developers • We offer a full, comprehensive service during the lifecycle of a project through design, procurement, installation and maintenance	• Total reliability in project delivery • Quality of product • Health and safety • Responsible use of personal data • Environment • Ethics and sustainability
Suppliers	• Our suppliers are fundamental to the quality of our product and services and to ensuring we maintain the high standard of work we set ourselves • Suppliers must demonstrate that they operate in accordance with recognised standards that uphold human rights and safety, prohibit modern slavery and promote sustainable sourcing	• TClarke employ a formal supply chain management selection process to build our approved and preferred supply chain list. • Key supply chain partners are invited to TClarke's Health, Safety and Environmental meetings to understand health and safety best practice • Regular performance reviews of all key supply chain partners for total reliability in project delivery	• Fair trading and payment terms • Anti-bribery • Ethics and slavery • Environment and sustainable sourcing
Community and environment	• We aspire to be responsible members of our community as it reflects our principle to do the right thing • We are committed to minimising the impact of our business operations on the environment • The community and environment are also important to our workforce, customers and shareholders	• TClarke is proactive in its corporate responsibility to the local and wider community in which we work • We encourage employee involvement in community projects and programmes	• Charitable donations and sponsorships • Volunteering • Energy usage • Recycling • Waste management

STATEMENT OF COMPLIANCE

Statement of compliance
Throughout the year ended 31st December 2019, the Board considers that it has complied with the principles and provisions of the UK Corporate Governance Code 2018 ('the Code'), other than the tenure of the Chairman, which is explained below. 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 2019 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.

All Directors are subject to annual re-election unless a Director has been newly appointed during the year, when they will seek election. At the forthcoming AGM on 6th May 2020, all Directors will be retiring and offering themselves for re-election.

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 page 33, 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 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 2020 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.

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, its businesses and its culture. 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, whilst taking account of the interests of all stakeholders. 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 (other than August) 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 in the table below.

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.

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 Investor section of the Company's website.

The Board also established an Administration Committee at its Board meeting in January 2019 to which it delegated items of a routine and administrative nature. The Committee meets as and when required and is constituted by any two or more Directors. It met eight times during 2019 to deal with the exercise of options under the TClarke Savings Related Share Option Scheme.

Number of meetings attended by the Directors

	Board (Maximum 12)	Audit (Maximum 4)	Nomination (Maximum 2)	Remuneration (Maximum 7)
Iain McCusker	12	-	2	7
Mike Robson	12	4	2	7
Peter Maskell	12	4	2	7
Louise Dier (appointed 1st January 2019)	12	4	2	7
Mark Lawrence	12	-	-	-
Trevor Mitchell	12	-	-	-
Mike Crowder	11	-	-	-

STATEMENT OF COMPLIANCE CONTINUED

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 three regional businesses and the individual offices below them to manage risk and deliver value for the Group as a whole across our target sectors in line with the Group's strategy. The Group Management Board considers Group initiatives on matters such as health and safety, procurement, employee engagement, 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.

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 and Chief Executive Officer 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.

During the year, the Board conducted its annual 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 is responsible for advising the Board on all governance matters and 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 in order to understand their views on governance and performance against strategy.

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 Company also presented to a major private investor event during the year and Mark Lawrence and Trevor Mitchell were available throughout the day to meet with private investors.

The Board has always invited communication from shareholders 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 in the Investor section of the Company's website.

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.

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 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 by the Group Management Board.

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

At its meeting on 26th February 2020, the Board carried out the annual internal controls and risk management assessment by considering documentation from the Audit Committee. In accordance with the Code, the Board confirms that, for the year ended 31st December 2019, it has carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. The principal risks identified and the controls and mitigating actions in place are described on pages 28 to 31.

Further details concerning the Audit Committee's review of internal controls and risk management processes are included in the Audit Committee report on pages 44 to 46. Historically, the internal audit function has been covered through regular site visits conducted by Quality Assurance and Group finance personnel and the role was expanded in 2018 to include detailed reviews that the Committee felt appropriate. The Audit Committee reviewed the need for a separate internal audit function during 2019 and agreed that the current process worked well and should continue.

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 provides the information necessary for shareholders to assess the Group's and the Company's position, performance, business model and strategy and concluded that this is the case. A statement to this effect is included in the Directors' Responsibilities Statement on page 68. 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 68.

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 32.

David Lanchester
Company Secretary
19th March 2020

AUDIT COMMITTEE REPORT

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 2019.

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
19th March 2020

Membership of the Audit Committee

The members of the Committee during the year were Mike Robson (Chair), Peter Maskell and Louise Dier. Biographies of the current members of the Audit Committee are included on page 33.

Matters considered by the Audit Committee

The Audit Committee met on four occasions during the year ended 31st December 2019. The principal matters discussed at the meetings are set out below.

Principal matters considered

March 2019
- Draft Annual Report and Financial Statements for the year ended 31st December 2018, including significant judgements and disclosures therein.
- Audit representation letter.
- Annual assessment of internal controls and risk management.
- Review of the effect of IFRS 16.
- 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.
- Consideration of, and agreement to, the audit exemption of certain subsidiaries.

July 2019
- Consideration of the internal audit work carried out by the Quality Assurance team.
- Review of risk register and mitigating actions.
- 2018 external audit evaluation.
- Draft half-year report and financial statements for the six months ended 30th June 2019, including significant judgements and disclosures therein.

October 2019
- Audit plan presented by the external auditors.
- Governance and independence of the external auditors.
- Update on expenses review.
- Consideration of the need for a separate internal audit function.
- Review of policy on non-audit services.

December 2019
- Consideration of external audit tender process.
- Review of anti-bribery and corruption and whistleblowing policies.
- Review of Committee's terms of reference.
- Review of Committee's effectiveness.
- Review of risk register and mitigating actions.
- Consideration of the internal audit work carried out by the Quality Assurance team.

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 concurred with management's assessment of the contracts and the revenue recognised for 2019.
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 of the scheme's liabilities 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 108 to 112.
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 97 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

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
The Audit Committee receives regular updates on internal controls and has concluded that our controls are adequate and appropriate to our business. Following an independent review of the controls over expenses, a number of changes and improvements have been made to the expenses policy and processes.

Internal audit
The internal audit function is covered through regular site visits conducted by Quality Assurance and Group Finance personnel and the remit of the Quality Assurance department was expanded in 2018 to include detailed reviews that the Committee felt appropriate. The Audit Committee reviewed the need for a separate internal audit function during the year and agreed that the current practice worked well and was appropriate to our business.

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 93.

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 (2018: £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 and ensuring the rotation of the lead engagement partner at least every five years. The current lead engagement partner has held the position for three years.

The last external audit tender process was in 2011 when PwC were initially appointed and they have been the auditors since. The Audit Committee plans to undertake an external audit tender process in 2020 with a view to completing the process after the 2020 external audit.

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
19th March 2020

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 REPORT

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 2019.

During the year, the Nomination Committee comprised Iain McCusker (Chair), Peter Maskell, Mike Robson and Louise Dier. Biographies of the current members of the Nomination Committee are included on page 33.

The Nomination Committee met twice during the year to review the structure, size and composition of the Board and its Committees, undertake a Board evaluation process and to consider succession planning for Directors and senior management. As part of its succession planning this year, the Committee formulated a plan to facilitate an orderly succession for the position of Chairman.

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 Committee's succession planning not only takes into consideration the Company's long-term and medium-term needs and natural evolution to the Board, but also short-term needs such as unforeseen departures and contingency for unexpected Board changes. The Committee also formulated succession plans for the Group Management Board taking into account the challenges and opportunities facing the Company, and the skills and expertise needed on the Board in the future.

The performance of individual Directors, the Board, its committees and the Chairman is reviewed annually. In 2019, 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 and subsequently shared with and discussed by the Board. Topics covered in the review included strategy, risk management and the conduct and effectiveness of Board meetings. Whilst acknowledging that there are always opportunities for development and improvement, the Directors have concluded that the Board had effectively discharged its duties during the year.

As part of the evaluation process, as Chairman of the Nomination Committee and acting in conjunction with the Chief Executive Officer, I undertook the task of annual evaluation of performance and commitment of individual Board members by conducting individual interviews. The review of my own performance and commitment was undertaken by the Senior Independent Non-Executive Director.

Based upon the evaluation of the Board, its committees and the continued effective performance of individual Directors, the Committee recommended to the Board that all Directors stand for re-election at the Company's AGM in 2020.

Iain McCusker
Chair of the Nomination Committee
19th March 2020

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 senior management, 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.

DIRECTORS' REMUNERATION REPORT

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 2019.

The report comprises:
- The Directors' Remuneration Policy, which will be put to shareholders for approval in a binding vote at the 2020 AGM.
- The Annual Report on Remuneration, which sets out how the current Remuneration Policy was implemented in the financial year ending 31st December 2019 and which, together with this introductory statement, is subject to an advisory shareholder vote at the 2020 AGM.

Our Directors' Remuneration Policy was last approved by shareholders in 2017 and has served the Company well over the last three years. The Committee has carried out a comprehensive review of the current policy and Directors' remuneration with the assistance of Mercer, one of the leading advisers on executive pay, and concluded that the overall structure should continue to operate. However, the Committee has identified some areas for change which will bring the policy up to date with good practice and to reinforce the Committee's desire to drive long-term performance. Details of the proposed changes are set out below and the proposed new Directors' Remuneration Policy is set out on pages 50 to 56. This report is unaudited unless stated otherwise.

Proposed changes to the Directors' Remuneration Policy

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 Committee has reviewed the current Remuneration Policy and has concluded that the existing overarching executive remuneration framework of base salary, pension, benefits, annual bonus and a single long-term incentive plan (LTIP) is effective and remains aligned with TClarke's strategy. We are not therefore proposing fundamental changes to the policy, but are recommending a number of amendments to ensure, primarily, that: alignment between executives and shareholders is further strengthened; incentive plan metrics and targets are aligned with the strategy and promote the long-term success of the Group; and the policy is sufficiently flexible to remain applicable over the three-year policy period, 2020 to 2022.

The key changes are as follows:
- Confirmation that Executive Directors appointed from 1st January 2020 will have a pension contribution aligned (in percentage of salary terms) with the wider salaried workforce unless a current employee who is an existing member of the Company's defined benefit scheme.
- Reduction in maximum grant level for LTIP awards from 150% to 100% of salary and the introduction of a two-year holding period following vesting for awards made in 2020 onwards.
- Share ownership guidelines increased from 30,000 shares to 100,000 shares.
- Post-employment share ownership guidelines introduced.
- Recovery and withholding provisions extended to include cash bonus awards.

Performance and reward for 2019

The 2019 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 operating profit before interest and tax increased by 15.9% to £10.2 million (2018: £8.8 million) and the performance of the Executive Directors in executing against the strategic annual bonus objectives set for them at the start of 2019 resulted in them meeting five out of the six targets set. Therefore, overall, the level of performance achieved resulted in a bonus of 117.65% being payable to each of the Executive Directors. The Committee believes this is a fair outcome, reflecting strong Group and individual performance in 2019.

Earnings per share growth over the three-year period to 31st December 2019 was 188.5%. This was above the stretch vesting condition for the LTIP award granted in 2017 and, as a result, the award will vest in full on 8th May 2020.

Further information on the actual targets set, and performance against them, is provided on page 58.

Implementation of the Remuneration Policy for 2020

As part of the review of the Remuneration Policy, we also asked Mercer to benchmark both the Executive Directors' salaries and the Non-Executive Directors' fees against both sector and size comparators. The Directors' salaries and fees have been compared to the benchmark and adjusted to address any significant differences identified. The revised salaries and fees are detailed on pages 63 and 64 of the Annual Report on Remuneration.

In addition to the revised salaries and fees and subject to approval of the revised policy, the key highlights of how we intend to apply it for 2020 are:
- Variable pay – annual bonus maximum will be 150% of salary and an LTIP award will be made in April 2020 at 50% 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 2022.

Remuneration scenarios for Executive Directors

The table below shows how the Executive Directors' remuneration packages vary year on year at three performance levels (minimum – i.e. fixed pay only, target and maximum) if the new Remuneration Policy is approved as well as other changes to the Executive Directors' remuneration packages.

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 94% approval of the Directors' remuneration report received last year at the 2019 AGM. We hope that we will continue to receive your support at the forthcoming AGM in 2020.

		2020 Total	2019 Total	Change in Total pay
Mark Lawrence	Minimum	**£439,677**	£512,461	-14%
	Target	**£868,640**	£865,570	0%
	Maximum	**£1,276,677**	£1,454,086	-12%
Mike Crowder	Minimum	**£378,177**	£434,541	-13%
	Target	**£744,102**	£735,816	1%
	Maximum	**£1,092,177**	£1,237,941	-12%
Trevor Mitchell	Minimum	**£332,093**	£312,500	6%
	Target	**£651,252**	£642,688	1%
	Maximum	**£954,843**	£1,193,000	-20%

Peter Maskell
Chair of the Remuneration Committee
19th March 2020

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.

DIRECTORS' REMUNERATION POLICY

This part of the Directors' remuneration report sets out the Directors' Remuneration Policy for the Company which shareholders will be asked to approve by way of a binding vote at the 2020 AGM. If approved, the revised policy will come into effect from the date of the AGM and will operate as though in place for the whole of the 2020 financial year. A summary of the principal changes compared to the previously approved policy is provided in the Annual Statement on page 48, and identified in the relevant sections below.

Policy overview

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, the Committee takes into account a number of factors when formulating the Remuneration Policy for the Executive Directors, including the following:

- the need to provide a remuneration structure that is sufficiently competitive to attract, retain and motivate Executive Directors of an appropriate calibre to deliver long-term, sustainable growth of the business;
- the alignment of interests between executives and shareholders through share ownership and appropriate recovery and withholding provisions;
- internal levels of pay and employment conditions across the Group as a whole;
- the principles and recommendations set out in the UK Corporate Governance Code and the views of institutional shareholders and their representative bodies; and
- periodic external comparisons of market trends and practices in similar companies taking into account their size (and in particular their FTSE ranking) and complexity.

Our 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 total potential rewards earned only through the achievement of challenging performance targets based on measures selected to promote the long-term success of the Company.

The main elements of the remuneration package for Executive Directors are a base salary, benefits and pension provision, as well as an annual bonus plan and shares awarded under a long-term incentive plan ('LTIP'), both of which are subject to stretching performance conditions. The Committee has determined that this structure will provide an appropriate balance between fixed and performance-related pay elements. The Committee will continue to review the Remuneration Policy to ensure it takes due account of remuneration best practice and that it remains aligned with shareholders' interests.

How the Executive Directors' Remuneration Policy relates to the wider workforce

The Committee does not directly consult with employees regarding the remuneration of Directors. However, the pay and conditions elsewhere in the Company are considered when designing the policy for Executive Directors and continue to be considered in relation to implementation of the policy. The Committee regularly monitors pay trends across the workforce and salary increases will ordinarily be (in percentage of salary terms) in line with those of the wider workforce. Reflecting the UK Corporate Governance Code and investor guidelines, new external Executive Director appointees will also have Company pension contributions set in line with the level offered to the majority of the salaried workforce (in percentage of salary terms).

The Remuneration Policy described here provides an overview of the structure that operates for the most senior executives in the Company. Employees below executive level have a lower proportion of their total remuneration made up of incentive-based remuneration, with pay driven by market comparators and the impact of the role in question. Long-term incentives are reserved for those judged as having the greatest potential to influence the Group's strategic direction, earnings growth and share price performance.

How shareholders' views are taken into account

The Committee considers shareholder feedback received in relation to the Directors' remuneration report and at the AGM each year, and this, plus any additional feedback received from time to time, is considered as part of the Committee's annual review of Remuneration Policy. The Committee also closely monitors developments in institutional investors' best-practice expectations.

Summary Director policy table

The table below summarises the Remuneration Policy for Directors which, subject to shareholder approval, will come into effect from the Company's 2020 AGM:

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
- 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

Opportunity
- 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 63
- 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 and the wider business context is considered as part of the salary review process

Changes to policy for 2020
- None

Element of remuneration: Benefits

Purpose and link to strategy
- To support 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
- Travel allowances or time-limited relocation benefits 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

Opportunity
- 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

Changes to policy for 2020
- None

DIRECTORS' REMUNERATION POLICY CONTINUED

Element of remuneration: Pension

Purpose and link to strategy
- To 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

Opportunity
- For Executive Directors appointed externally from 1st January 2020, defined contribution pension contributions (or cash equivalents in lieu) will be aligned with the wider salaried staff
- Current employees, including Executive Directors, 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 and these rates are consistent for all participants. A salary supplement may be provided in order to compensate the individual up to the value of benefits lost as a results of HMRC limits or if the individual opts out of the plan

Performance targets
- Not applicable

Changes to policy for 2020
- Confirmation that Executive Directors externally appointed from 1st January 2020 will have a pension contribution aligned (in percentage of salary terms) with the wider salaried staff, should they receive a pension from the Company

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
- 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 (within the limits of the scheme) to ensure that overall bonus payments reflect its view of corporate performance during the year
- Payments in relation to the annual bonus are subject to withholding and recovery provisions, further details of which are included as a note to the policy table

Opportunity
- Maximum of 150% of salary per annum
- Target performance would normally result in 60% of maximum becoming payable

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

Changes to policy for 2020
- Change to Target performance of 60%
- Recovery and withholding provisions introduced

Element of remuneration: Long-Term Incentive Plan

Purpose and link to strategy
- Aligned to delivery of strategy and long-term value creation
- To 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 three years subject to the achievement of pre-set performance criteria and continued employment. Awards made from 2020 onwards are subject to a mandatory two-year holding period following the end of the vesting period, other than those sold to cover tax and NI liabilities and dealing costs
- 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 release date may become payable; any amount payable may assume the reinvestment of dividends over the period
- Awards under the LTIP are subject to withholding and recovery provisions, further details of which are included as a note to the policy table

Opportunity
- Annual awards of no more than 100% of salary
- The current intention is to make annual awards of 50% of salary, with the Committee using its discretion to vary this as it sees appropriate

Performance targets
- Performance is 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 (within the scheme limits) 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

Changes to policy for 2020
- Introduction of two-year holding period following vesting for awards made in 2020 onwards
- Reduction in maximum grant level from 150% to 100% of salary, with a lower award level of 50% of salary intended for normal annual grants

Element of remuneration: Post-employment share ownership guidelines

Purpose and link to strategy
- To provide further long-term alignment between Executives and shareholders
- To ensure a focus on successful succession planning

Operation
- Executive Directors will normally be expected to maintain a holding of TClarke shares for two years after their employment as a Director has ceased
- The post-employment guideline will be equal to the lower of: the actual shareholding at the time of ceasing to be a Director and 100,000 shares
- The guideline will apply only to shares acquired from LTIP awards made from 2020 onwards; open market purchases are excluded from the post-employment guidelines
- The specific application of the shareholding guideline will be at the Committee's discretion

Opportunity
- Not applicable

Performance targets
- Not applicable

Changes to policy for 2020
- New element for 2020

DIRECTORS' REMUNERATION POLICY CONTINUED

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 minimum shareholding of 100,000 shares through the retention of vested share awards or through open market purchases
- Wholly owned shares and vested LTIP shares in the mandatory holding period (net of tax) will count towards the guidelines

Opportunity
- Not applicable

Performance targets
- Not applicable

Changes to policy for 2020
- Shareholding guideline increased from 30,000 shares to 100,000 shares
- Clarification that vested LTIP shares subject to the new holding period will count towards the guidelines

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-Executive Directors 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)

Opportunity
- 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

Changes to policy for 2020
- None

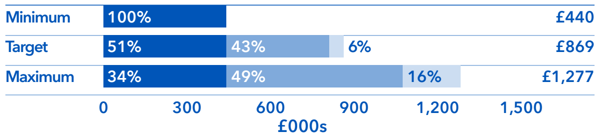
Notes:
1 The choice of the performance metrics applicable to the 2020 annual bonus scheme reflects the Committee's belief that any incentive compensation should be appropriately challenging and tied to both the delivery of targets relating to a key financial measure, profit, and which support the Company's 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. Targets are generally set with reference to the Group's budget, with target performance typically requiring meaningful improvement on the previous year's outturn.
2 The performance condition applicable to the 2020 LTIP awards is earnings per share growth (EPS). 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. LTIP targets are intended to be stretching but achievable taking into account the Group's long-term strategic plan, as well as a range of relevant internal and external reference points.
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 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. Notwithstanding the above, pension arrangements for new appointees after 1st January 2020 will be consistent with the wider workforce.
5 Consistent with HMRC legislation and market practice, the HMRC all-employee share plans do not have performance conditions.
6 The annual bonus and LTIP include withholding and recovery provisions which may be applied in certain circumstances, including following a material misstatement of the Company's financial accounts, gross misconduct on the part of the award-holder or an error in calculating the award outcome. The 2020 annual bonus and awards made under the LTIP from 2020 onwards will be subject to an expanded list of triggers. In respect of the annual bonus, the provisions apply for up to two years following payment, whilst LTIP awards remain subject to the provisions throughout the vesting and holding period (where applicable). Participants in both schemes are now required to acknowledge their understanding of the withholding and recovery provisions to help ensure that the provisions would be enforceable if the circumstances arise.

Pay for performance scenarios

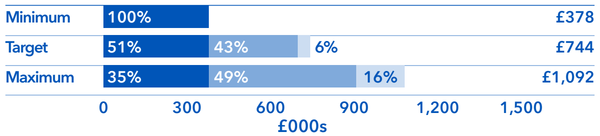
The charts below provide an illustration of the potential future reward opportunities for the Executive Directors, and the potential split between the different elements of remuneration under three different performance scenarios: 'Minimum', 'Target' and 'Maximum'.

Potential reward opportunities are based on TClarke's Remuneration Policy, applied to the base salaries effective 1st January 2020. The annual bonus and LTIP are based on the maximum opportunities set out under the Remuneration Policy for normal circumstances, being 150% of salary and 50% of salary respectively. Note that the LTIP awards granted in a year do not normally vest until the third anniversary of the date of grant, and the projected value is based on the face value at award rather than vesting (i.e. the scenarios exclude the impact of any share price movement over the period).

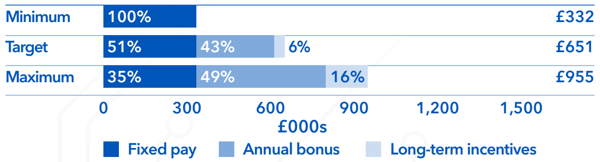
Group Chief Executive



Group Managing Director



Group Finance Director



Notes:
Target LTIP assumes 25% of max vest at target (i.e. threshold).
Target bonus (% of salary) assumes 50% on-target as a proxy value.

The 'minimum' scenario reflects base salary and benefits (i.e. fixed remuneration) which are the main elements of the Executive Director remuneration packages not linked to performance.

The 'target' scenario reflects fixed remuneration as above, plus a bonus payout of 60% of maximum and LTIP threshold vesting at 25% of maximum award.

The 'maximum' scenario includes fixed remuneration and full payout of all incentives (150% of salary under the annual bonus and 50% of salary under the LTIP). Under the 'maximum' scenario, if the TClarke share price increased by 50% over the three-year performance period (in effect valuing this element of pay at 75% of salary), the indicative total remuneration value would be £1,381,302 for the Group Chief Executive, £1,181,427 for the Group Managing Director and £1,032,687 for the Group Finance Director.

Approach to recruitment and promotions

The remuneration package for a new Executive Director would be set in accordance with the terms of the prevailing approved Remuneration Policy at the time of appointment and take into account the skills and experience of the individual, the market rate for a candidate of that experience and the importance of securing the relevant individual.

Salary would be provided at such a level as required to attract the most appropriate candidate and may be set initially at a below mid-market level on the basis that it may progress towards the mid-market level over a period of two to three years once expertise and performance have been proven and sustained.

New appointees would receive Company pension contributions or an equivalent cash supplement aligned to that offered to the wider salaried workforce at the time of appointment, and would be eligible to receive benefits of the same type and at similar levels as other Executive Directors. If the new appointee were promoted from within the business and was already a member of the defined benefit scheme, they would remain eligible for benefits from it in the same way as other members of the workforce who are members.

The maximum level of variable pay which may be awarded to new Executive Directors will be in line with the policy set out above. In addition to this, the Committee may make buyout awards in the form of additional cash and/or share-based elements to replace remuneration forfeited by an executive as a result of leaving his or her previous employer. It will, where possible, ensure that these awards are consistent with awards forfeited in terms of vesting periods, expected value and performance tests.

The Committee may apply different performance measures, performance periods and/or vesting periods for initial awards made following appointment under the annual bonus and/or long-term incentive arrangements, subject to the rules of the scheme, if it determines that the circumstances of the recruitment merit such alteration. LTIP awards can be made shortly following an appointment (assuming the Company is not in a close period), whilst the maximum annual bonus in the year of appointment would generally be pro-rated to reflect the period of service during the year.

DIRECTORS' REMUNERATION POLICY CONTINUED

For an internal Executive Director appointment, any variable pay element awarded in respect of the prior role may be allowed to pay out according to its original terms.

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

The fee structure for Non-Executive Director appointments will be based on the Non-Executive Director fee policy as set out in the policy table.

Service contracts and approach to leavers
The Company's policy is for Executive Directors to have service contracts which may be terminated with no more than 12 months' notice from either party. The Executive Directors' service contracts are available for inspection by shareholders at the Company's registered office.

No Executive Director has the benefit of provisions in their service contract for the payment of pre-determined compensation in the event of termination of employment. It is the Committee's policy that the service contracts of Executive Directors will provide for termination of employment by giving notice or by making a payment of an amount equal to basic salary in lieu of the notice period. It is the Committee's policy that no Executive Director should be entitled to a notice period or payment on termination of employment in excess of the levels set out in his or her service contract. Incidental expenses may also be payable, if appropriate.

Annual bonus may be payable with respect to the period of the financial year served, although it will be pro-rated for time and paid at the normal payout date. Any share-based entitlements granted to an Executive Director under the Company's share plans will be determined based on the relevant plan rules. In certain circumstances, such as death, ill health, disability, retirement or other circumstances at the discretion of the Committee, 'good leaver' status may be applied. For good leavers, awards will normally vest at the normal vesting date, subject to the satisfaction of the relevant performance conditions at that time and reduced pro rata to reflect the proportion of the vesting period actually served. Awards subject to a holding period will normally be released following completion of the holding period. Under the plan rules, the Remuneration Committee has overarching discretion to determine that awards vest at cessation of employment and/or to disapply the time pro-rating requirement if it considers it appropriate to do so.

In relation to a termination of employment, the Committee may make payments in relation to any statutory entitlements or payments to settle compromise claims as necessary. The Committee also retains the discretion to reimburse reasonable legal expenses incurred in relation to a termination of employment and to meet any transitional costs if deemed necessary. Payment may also be made in respect of accrued benefits, including untaken holiday entitlement.

There is no provision for additional compensation on a change of control. In the event of a change of control, the LTIP awards will normally vest on (or shortly before) the change of control and the Committee shall determine the extent to which outstanding awards shall vest. Awards may alternatively be exchanged for new equivalent awards in the acquirer where appropriate. Outstanding awards under any all-employee share plans will vest in accordance with the relevant scheme rules. Bonuses may become payable, subject to performance and unless the Committee determines otherwise.

External appointments
The Board allows Executive Directors to accept external Non-Executive Director positions provided the appointment is compatible with their duties as Executive Directors. The Executive Directors may retain fees paid for these services. Any appointment will be subject to approval by the Board.

Non-Executive Directors
The Chairman and Non-Executive Directors' terms are set out in letters of appointment. The letters of appointment of the Non-Executive Directors are available for inspection at the Company's registered office during normal business hours.

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 2019

	Total salary and fees £	Taxable benefits £	Annual bonus £	Long-term incentives £	Pension-related benefits £	Total £
Executive:						
Mark Lawrence	**313,875**	**21,177**	**369,274**	**126,500**	**315,824**	**1,146,650**
Mike Crowder	**267,800**	**21,177**	**315,067**	**110,000**	**336,733**	**1,050,777**
Trevor Mitchell	**293,500**	**20,718**	**274,713**	–	–	**588,931**
Non-Executive:						
Iain McCusker	**65,850**	–	–	–	–	**65,850**
Peter Maskell	**48,775**	–	–	–	–	**48,775**
Louise Dier	**48,775**	–	–	–	–	**48,775**
Mike Robson	**48,775**	–	–	–	–	**48,775**

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	103,350	177,511	1,056,436
Mike Crowder	257,500	21,075	386,250	103,350	145,666	913,841
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 58 for a breakdown of Martin Walton's total remuneration.
3 Tony Giddings resigned from the Board on 18th May 2018.

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 in 2018 included a termination payment of £244,500 which represented payment in lieu of one year's 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, fuel allowance and private medical insurance.
Annual bonus	The 2019 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 £8.8 million (20% payable), target of £9.8 million (60% payable) and stretch of £10.8 million (100% payable). Actual performance was £10.2 million which resulted in 76% of maximum for this element being payable. The measures selected for strategic objectives 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. Performance against strategic objectives was strong and resulted in 83.3% of maximum for this element being payable. Overall, this resulted in a bonus of 117.65% 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 2019 this includes the 2017 conditional shares awards which will vest in full on 8th May 2020. The value is based on a share price of 110p, which is the average share price for the last quarter of 2019. The performance conditions are detailed on page 60. EPS growth over the three-year period to 31st December 2019 was 188.5%. For 2018 this includes the 2016 conditional shares awards and 2016 conditional options which vested in full on 20th April 2019. The value of the 2016 conditional shares awards is based on the share price of 128p, which is the share price on the last trading day before vesting. The value used for the 2016 conditional options is the option price of 88.5p. The performance conditions are detailed on page 60. EPS growth over the three-year period to 31st December 2018 was 281%.
Pension-related benefits	Pensions are calculated based on HMRC's pension input method. Details of accrued pensions can be found on page 60. 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 current MSR for the Executive Directors whereby each Executive Director is required to build and maintain a holding of 30,000 shares in TClarke plc. Subject to approval of the Directors' Remuneration Policy at the AGM, this will be increased to 100,000 shares. 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 2019 and 31st December 2018 were:

	At 31st December 2019 10p Ordinary shares	At 31st December 2018 10p Ordinary shares	Outstanding conditional share awards[1]	Outstanding options held under SAYE	MSR achieved at 31st December 2018
Mark Lawrence	151,467	99,295	415,932	4,807	100%
Mike Crowder	143,467	91,295	356,759	4,807	100%
Trevor Mitchell	142,000	142,000	223,861	4,807	100%
Iain McCusker	2,000	2,000	–	–	100%
Peter Maskell	41,500	41,500	–	–	100%
Louise Dier	2,000	2,000	–	–	100%
Mike Robson	3,000	2,000	–	–	100%

1 The outstanding conditional share awards are subject to performance conditions.

There have been no changes to Directors' interests since 31st December 2019.

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

	Award date	01/01/2019 Number	Granted	Exercised	Lapsed	31/12/2019 Number	Exercise price	Earliest date of exercise	Date of expiry
Mark Lawrence									
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 shares	24/04/2019	–	119,344	–	–	119,344	–	24/04/2022	24/04/2029
Conditional options	20/04/2016	30,000	–	(30,000)	–	–	88.5p	20/04/2019	20/04/2026
Mike Crowder									
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 shares	24/04/2019	–	101,825	–	–	101,825	–	24/04/2022	24/04/2029
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
Conditional shares	24/04/2019	–	88,783	–	–	88,783	–	24/04/2022	24/04/2029

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	01/01/2019 Number	Granted	Lapsed	Exercised	31/12/2019 Number	Exercise price	Earliest date of exercise	Date of expiry
Mark Lawrence	24/10/2018	4,807	–	–	–	4,807	74.88p	01/12/2021	31/05/2022
Mike Crowder	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

The market price of a 10p Ordinary share on 31st December 2019 (being the last day of trading of 2019) was 137.0p and the range during the year ended 31st December 2019 was 86.9p to 140.0p.

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:

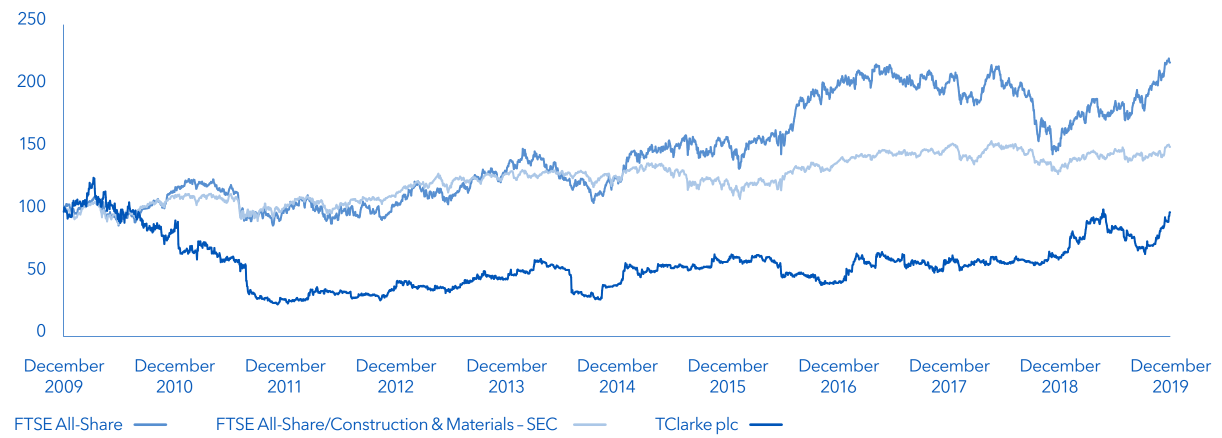
	Total pension accrued at 31.12.18 £ p.a.	Increase in accrued pension (including inflation) £ p.a.	Increase in accrued pension (excluding inflation) £ p.a.	Total pension accrued at 31.12.19 £ p.a.	Transfer value of accrued pension at 31.12.18 £	Increase in transfer value less Director's contributions £	Transfer value of accrued pension at 31.12.19 £
Mark Lawrence	89,905	18,843	17,314	108,748	1,798,105	315,824	2,174,954
Mike Crowder	90,065	19,660	18,129	109,725	1,801,304	336,733	2,194,508

Inflationary increases were assumed to be 1.70% per annum during 2019 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
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 2009 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 2010-2019



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.

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Total remuneration (£000s)	234	245	266	308	300	436	567	875	1,056	1,147
Annual bonus (%)	0%	0%	0%	9%	0%	24%	32%	69%	100%	78%
LTIP vesting (%)	0%	0%	0%	0%	0%	0%	0%	100%	100%	100%

Ratio of Chief Executive's remuneration relative to all UK employees
The table below shows the ratio of the Chief Executive's single total figure of remuneration compared to the equivalent figures for the 25th percentile (P25), median (P50) and 75th percentile (P75) employees at 31st December 2019.

	Remuneration	Pay ratio
Chief Executive	£1,146,650	
P25 percentile	£29,719	39:1
P50 percentile	£43,575	26:1
P75 percentile	£66,192	17:1

The method used for the calculation is Option C. Three employees were identified at each percentile from the list of all full-time employees in the UK. The report will build up over time to show a rolling ten-year period.

ANNUAL REPORT ON REMUNERATION CONTINUED

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 2018 and 31st December 2019, compared with that of the total amounts for all UK employees of the Group for each of these elements of pay.

	2019 £k	2018 £k	% change
Salary:			
Chief Executive	**313.9**	301.8	4.0%
UK employee average	**50.0**	48.7	2.7%
Benefits:			
Chief Executive	**21.2**	21.1	0.5%
UK employee average	**1.2**	1.2	0.0%
Annual bonus:			
Chief Executive	**369.3**	452.7	-18.4%
UK employee average	**2.25**	2.52	-10.7%
Average number of UK employees	**1,389**	1,346	

Relative importance of spend on pay
The following table illustrates the year-on-year change in total remuneration for all employees in the Group 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.

	2019 £m	2018 £m	% change
Staff costs	**81.4**	79.1	2.9%
Dividends	**1.7**	1.5	13.3%
Total operating expenses	**324.4**	318.0	2.0%

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 Louise Dier. Biographical information on the Committee members and details of attendance at the Remuneration Committee's meetings during the year are set out on pages 33 and 41 respectively.

The Remuneration Committee has access to independent advice where appropriate. Previously New Bridge Street ('NBS') (a trading name of Aon Hewitt Ltd, an Aon plc company) provided independent advice on remuneration matters to the Committee. The Committee did not use NBS during 2019 and when the Committee came to review the Directors' Remuneration Policy during the year, it undertook a tender process and appointed Mercer Limited ('Mercer') in August 2019 to provide independent advice on remuneration matters.

Representatives from Mercer attend Committee meetings on invitation and provide advice to the Committee Chairman outside of meetings as necessary. Fees are charged by Mercer on a cost incurred basis and totalled £31,000 in the year ended 31st December 2019. Mercer 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. Mercer does not undertake any other work for the Company, and the Committee is satisfied that the advice provided by Mercer was 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 10th May 2019:

Resolution	Votes for/ discretionary	% of vote	Votes against	% of vote	Votes withheld
Approval of Directors' remuneration report	8,319,096	94.38%	496,738	5.62%	47,209

Implementation of the Remuneration Policy for the year ending 31st December 2020
A summary of how the Directors' Remuneration Policy will be applied during the year ending 31st December 2020 is set out below. The table below summarises the change in overall remuneration packages year on year.

		2020 Basic salary	Other*	Total	2019 Basic salary	Other**	Total	Change in Total pay
Mark Lawrence	Minimum	**£418,500**	**£21,177**	**£439,677**	£313,875	£198,586	£512,461	-14%
	Target	**£418,500**	**£450,140**	**£868,640**	£313,875	£551,695	£865,570	0%
	Maximum	**£418,500**	**£858,177**	**£1,276,677**	£313,875	£1,140,211	£1,454,086	-12%
Mike Crowder	Minimum	**£357,000**	**£21,177**	**£378,177**	£267,800	£166,741	£434,541	-13%
	Target	**£357,000**	**£387,102**	**£744,102**	£267,800	£468,016	£735,816	1%
	Maximum	**£357,000**	**£735,177**	**£1,092,177**	£267,800	£970,141	£1,237,941	-12%
Trevor Mitchell	Minimum	**£311,375**	**£20,718**	**£332,093**	£293,500	£19,000	£312,500	6%
	Target	**£311,375**	**£339,877**	**£651,252**	£293,500	£349,188	£642,688	1%
	Maximum	**£311,375**	**£643,468**	**£954,843**	£293,500	£899,500	£1,193,000	-20%

* Other for 2020 includes benefits at Minimum level, benefits plus bonus payout of 60% of maximum and LTIP threshold vesting at 25% of maximum award at Target level and benefits plus full payout of bonus and LTIP at Maximum level.
** Other for 2019 includes benefits and pension at Minimum level, benefits and pension plus bonus payout of 50% of maximum and LTIP threshold vesting at 25% of maximum award at Target level and benefits and pension plus full payout of bonus and LTIP at Maximum level.

Basic salary
As reported in the Annual Statement on page 48, Mercer were asked to benchmark the Executive Directors against both sector and size comparators. As a result of that benchmarking the Executive Directors' salaries have been adjusted accordingly and are stated in the table above.

Pension arrangements
None of the current Executive Directors will receive any pension benefit from the Company from 2020 onwards.

Annual bonus
The maximum bonus potential for the year ending 31st December 2020 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.

ANNUAL REPORT ON REMUNERATION CONTINUED

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.

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 2020 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 2022.

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 2019.

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. As reported in the Annual Statement on page 48, Mercer were asked to benchmark the Chairman's and the Non-Executive Directors' fees against both sector and size comparators. As a result of that benchmarking, the Chairman's fee has been adjusted to address the significant benchmarking shortfall and in recognition of the increasing time commitments and governance responsibilities of the role, such adjustment having been agreed by the Remuneration Committee and the Board in the absence of the Chairman. Also, an additional fee of £5,000 will be paid in respect of Chairmanship of a Board committee by a Non-Executive Director other than the Chairman to take account of the extra work it entails in line with market practice. Increases for 2020 are shown below.

Non-Executive Directors	Position	**2020 base fee**	**Committee fee**	2019 base fee	Committee fee	Increase in base fee
Iain McCusker	Chairman	**£97,000**	**N/A**	£65,850	N/A	47.3%
Mike Robson	Audit Committee Chair	**£51,200**	**£5,000**	£48,775	N/A	5%
Peter Maskell	Remuneration Committee Chair	**£51,200**	**£5,000**	£48,775	N/A	5%
Louise Dier	Non-Executive Director	**£51,200**	**N/A**	£48,775	N/A	5%

On behalf of the Board

Peter Maskell
Chair of the Remuneration Committee
19th March 2020

DIRECTORS' REPORT

The Directors' report should be read in conjunction with the Strategic report on pages 1 to 32 and the Corporate Governance report on pages 33 to 64, 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 2019 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
Louise Dier	Non-Executive Director (appointed 1st January 2019)
Mark Lawrence	Group Chief Executive Officer
Mike Crowder	Group Managing Director
Trevor Mitchell	Group Finance Director

Brief biographies of current serving Directors, indicating their experience and qualifications, can be found on page 33.

In line with the UK Corporate Governance Code, all the Directors shall be subject to annual re-election at the forthcoming Annual General Meeting ('AGM') on 6th May 2020.

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 £1,432,430 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 2019 and 19th March 2020 was £4,305,255.80, consisting of 43,052,558 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 103 to 106.

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 2019 and 19th March 2020:

	Number of shares held at 31st December 2019	% of voting rights held	Number of shares held at 19th March 2020	% of voting rights held
Regent Gas Holdings	5,183,569	12.04	5,183,569	12.04
Hargreaves Lansdown Stockbrokers	2,456,595	5.71	2,456,595	5.71
Barclays Stockbrokers	2,198,869	5.11	2,198,869	5.11
Walker Crips Wealth Management Ltd	2,189,190	5.08	2,189,190	5.08
Interactive Investor	1,740,829	4.04	1,740,829	4.04
Charles Stanley & Co. Ltd	1,364,585	3.17	1,364,585	3.17

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 103 to 106.

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 £10.0 million. The insurance was in force throughout the period and at the date of the approval of the financial statements.

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 2019 (2018: £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.

Change of name
On 13th May 2019 the Company changed its name from T Clarke Public Limited Company to TClarke plc.

Re-appointment of auditor
A resolution is to be proposed at the AGM for the re-appointment 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 6th May 2020. 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 view on the Company's website.

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

David Lanchester
Company Secretary
19th March 2020

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 page 33, 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

19th March 2020

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 Company financial statements (the 'financial statements'):
- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2019 and of the Group's profit and the Group's and the 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 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, which comprise: the Consolidated and Company statements Statements of Financial Position as at 31 December 2019; the Consolidated Income Statement, the 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

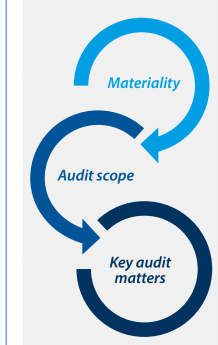
We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities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

We have provided no non-audit services to the Group or the Company in the period from 1 January 2019 to 31 December 2019.

Our audit approach

Overview



- Overall Group materiality: £1.5 million (2018: £1.3 million), based on 0.5% of average revenue for the last five years.
- Overall Company materiality: £519,000 (2018: £488,000), based on 1% of total assets.

- Substantially all of our audit work was conducted from the head office in London.
- All work was performed by the Group audit team, including the audit of significant components and the consolidation.

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

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 Listing Rules, Pensions legislation and UK tax 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, and management bias in accounting estimates. In response to these principal risks, we have:
- held discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations or fraud,
- challenged assumptions and judgements made by management in their significant accounting estimates, in particular in relation to revenue recognition and long-term contract accounting, the valuation of defined benefit

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TCLARKE PLC CONTINUED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

pension scheme liabilities and the goodwill and other intangibles impairment assessment (see related key audit matters below); and
- performed unexpected account combination testing over journals posted throughout the year.

Other audit procedures performed by the Group engagement team included:
- review of the financial statement disclosures to underlying supporting documentation 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. 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 Refer to note 3 (Significant accounting policies), note 4 (Significant judgements and sources of estimation) uncertainty and note 5 (Segment information). Total revenue equalled £334.6m at the year end. 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 15 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, it requires the full loss to be recognised immediately. The Group generates revenue from long-term contracts. 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. Testing percentage completion enables us to determine the appropriateness of revenue recognition.	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 margin or loss-making contracts; • contracts with significant balance sheet exposure We obtained an understanding of management's own process and controls for reviewing long-term contracts and gained an understanding of the key judgements involved and the background to the specific contracts selected in 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 held discussions with management to understand and challenge areas of judgement taken; • We agreed forecast revenue to signed contracts, signed variations or other supporting documentation and traced a sample of variations to client issued certification/instructions where appropriate; • 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 and through this, assessed the recoverability of balance sheet items; • We re-performed the key calculations behind the margin applied, the profit taken and the stage of completion, as well as balance sheet exposure; and • We evaluated forecast costs to complete through analytical procedures, compared to prior forecast (where applicable) and tested a sample of forecast costs to complete to supporting calculations or third-party pricing documentation.
	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; • We recalculated the percentage completion based on costs incurred to date and recalculated revenue recognised; and • We traced a sample of revenue transactions to supporting documentation. Based on all the evidence obtained in the above procedures, we are satisfied the revenue and profit recognised by management is supportable.
Defined benefit pension plan liabilities Refer to note 3 Significant accounting policies, note 4 Significant judgements and sources of estimation uncertainty and note 23 Pension commitments. The Group operates a funded defined benefit scheme for qualifying employees which was closed to new members after 31 December 2014. The scheme has assets of £44.3m and post-retirement liabilities of £70.7m, as stated in note 23 to the financial statements. This is significant in the context of the overall balance sheet of the Group. The valuation of the pension liabilities requires significant levels of judgement and technical expertise in choosing appropriate assumptions. Unfavourable changes in a number of the key assumptions (including salary increases, inflation, discount rates and mortality) can have a material impact on the calculation of the liability. As a result of the size of the pension scheme deficit and the judgements inherent in the actuarial assumptions involved in the valuation of the pension obligation, we considered defined benefit pension plan liabilities to be an area of focus.	We obtained the actuarial valuation at 31 December 2019 and tested the valuation of the pension liabilities as follows: • We agreed the discount and inflation rates used in the valuation of the pension liabilities 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 discussed with the Directors the rationale for the discount rate used, and whether 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 reperformed a reconciliation of the valuation results to the IAS 19 liability at 31 December 2019, to ensure the roll forward movements since the triennial valuation are appropriate. 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 overall 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 other intangibles impairment assessment Refer to note 3 Significant accounting policies, note 4 Significant judgements and sources of estimation uncertainty and note 11 Intangible assets. We focused on this area because the Directors' assessment of the carrying value of goodwill and intangible assets being £25.5 million 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. The three CGUs are London, UK South and UK North.	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 and challenged the forecasts over the 36 month period to consider whether the estimates and assumptions are reasonable; • We tested the integrity of the underlying calculations; • We compared 2019 financial performance to budget and understood the drivers of changes in profitability; • 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 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. Our audit covered the audit of significant components being TClarke PLC, TClarke Contracting Limited, which is the main external trading entity, Weylex Properties Ltd which holds the Group's properties and TClarke Services Ltd, where the defined benefit pension is held. All work was completed by the Group audit team. These components accounted for 99% of the Group's revenues and 96% of the Group's operating profit.

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	Company financial statements
Overall materiality	£1.5 million (2018: £1.3 million).	£519,000 (2018: £488,000).
How we determined it	0.5% of average revenue for the last five years.	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.	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 £100k and £1.4m. All components were audited to a local statutory audit materiality that was less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £74,000 (Group audit) (2018: £65,000) and £26,000 (Company audit) (2018: £24,400) 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 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 Company's ability to continue as a going concern. For example, the terms of the United Kingdom's withdrawal from the European Union 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.

With respect to the Strategic Report and Directors' Report, 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).

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TCLARKE PLC CONTINUED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

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 31 December 2019 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 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)

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 43 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 32 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 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 68, 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 Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Company obtained in the course of performing our audit.
- The section of the Annual Report on pages 44 to 46 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 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 set out on page 68, 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 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 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 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 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 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 directors on 13 May 2011 to audit the financial statements for the year ended 31 December 2011 and subsequent financial periods. The period of total uninterrupted engagement is 9 years, covering the years ended 31 December 2011 to 31 December 2019.

Matthew Mullins (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
19th March 2020

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2019

		2019			2018		
	Note	Underlying items £m	Non-underlying items £m	Total £m	Underlying items £m	Non-underlying items £m	Total £m
Revenue	5	**334.6**	**–**	**334.6**	326.8	–	326.8
Cost of sales		**(296.1)**	**–**	**(296.1)**	(287.6)	–	(287.6)
Gross profit		**38.5**	**–**	**38.5**	39.2	–	39.2
Administrative expenses							
Amortisation of intangible assets		**–**	**(0.2)**	**(0.2)**	–	(0.2)	(0.2)
Other administrative expenses		**(28.3)**	**–**	**(28.3)**	(30.4)	–	(30.4)
Total administrative expenses		**(28.3)**	**(0.2)**	**(28.5)**	(30.4)	(0.2)	(30.6)
Operating profit	7	**10.2**	**(0.2)**	**10.0**	8.8	(0.2)	8.6
Finance costs	6	**(1.0)**	**–**	**(1.0)**	(0.8)	–	(0.8)
Profit before taxation		**9.2**	**(0.2)**	**9.0**	8.0	(0.2)	7.8
Taxation	9	**(1.2)**	**–**	**(1.2)**	(1.6)	–	(1.6)
Profit for the financial year		**8.0**	**(0.2)**	**7.8**	6.4	(0.2)	6.2
Earnings per share							
Attributable to owners of TClarke plc							
Basic	10	**18.81p**	**(0.44)p**	**18.37p**	15.38p	(0.39)p	14.99p
Diluted	10	**17.90p**	**(0.41)p**	**17.49p**	14.98p	(0.37)p	14.61p

The notes on pages 84 to 117 form part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2019

	2019 £m	2018 £m
Profit for the year	**7.8**	6.2
Items that will not be reclassified to the income statement		
Actuarial (loss)/gain on defined benefit pension scheme	**(6.9)**	0.8
Revaluation of freehold property	**0.4**	–
Deferred tax relating to items that will not be reclassified	**1.2**	(0.1)
Total other comprehensive (loss)/income for the year (net of tax)	**(5.3)**	0.7
Total comprehensive income for the year	**2.5**	6.9

The notes on pages 84 to 117 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMBER 2019

	Note	2019 £m	2018* £m
Non-current assets			
Intangible assets	11	**25.5**	25.7
Property, plant and equipment	12	**9.0**	4.9
Deferred tax assets	14	**4.8**	3.9
Total non-current assets		**39.3**	34.5
Current assets			
Inventories	15	**0.2**	0.3
Amounts due from customers under construction contracts	16	**44.6**	38.7
Trade and other receivables	17	**41.9**	56.4
Cash and cash equivalents	20	**12.4**	12.4
Total current assets		**99.1**	107.8
Total assets		**138.4**	142.3
Current liabilities			
Amounts due to customers under construction contracts	16	**(0.1)**	(8.4)
Trade and other payables	18	**(84.6)**	(87.8)
Current tax liabilities		**(0.2)**	(1.0)
Obligations under leases	24,26	**(1.4)**	–
Total current liabilities		**(86.3)**	(97.2)
Net current assets		**12.8**	10.6
Non-current liabilities			
Obligations under leases	24,26	**(2.8)**	–
Retirement benefit obligations	23	**(26.4)**	(23.0)
Total non-current liabilities		**(29.2)**	(23.0)
Total liabilities		**(115.5)**	(120.2)
Total net assets		**22.9**	22.1
Equity attributable to owners of the parent			
Share capital	19	**4.3**	4.3
Share premium	19	**3.8**	3.7
ESOT reserve		**(2.0)**	(1.4)
Revaluation reserve		**0.9**	0.5
Retained earnings		**15.9**	15.0
Total equity		**22.9**	22.1

* See note 16.

The notes on pages 84 to 117 form part of these financial statements.

The financial statements on pages 76 to 117 were approved by the Board of Directors on 19th March 2020 and were signed on its behalf by:

Iain McCusker
Director

Mark Lawrence
Director

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31ST DECEMBER 2019
TCLARKE PLC
REGISTERED NUMBER: 00119351

	Note	2019 £m	2018 £m
Non-current assets			
Investments	13	**43.4**	43.2
Total non-current assets		**43.4**	43.2
Current assets			
Trade and other receivables	17	**2.7**	0.4
Current tax receivables		**1.7**	1.6
Cash and cash equivalents	20	**4.5**	4.5
Total current assets		**8.9**	6.5
Total assets		**52.3**	49.7
Current liabilities			
Trade and other payables	18	**(6.9)**	(3.7)
Total current liabilities		**(6.9)**	(3.7)
Net current assets		**2.0**	2.8
Non-current liabilities			
Intra-Group loans	18	**(28.3)**	(28.3)
Total non-current liabilities		**(28.3)**	(28.3)
Total liabilities		**(35.2)**	(32.0)
Total net assets		**17.1**	17.7
Equity attributable to owners of the parent			
Share capital	19	**4.3**	4.3
Share premium	19	**3.8**	3.7
ESOT reserve		**(2.0)**	(1.4)
Retained earnings		**11.0**	11.1
Total equity		**17.1**	17.7

The notes on pages 84 to 117 form part of these financial statements.

The Company has taken advantage of the exemption conferred by section 408 of the Companies Act 2006 from presenting its own income statement. The profit after tax for the year was £1.4 million (2018: £3.2 million).

The financial statements on pages 76 to 117 were approved by the Board of Directors on 19th March 2020 and were signed on its behalf by:

Iain McCusker
Director

Mark Lawrence
Director

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST DECEMBER 2019

	Note	2019 £m	2018 £m
Net cash generated from operating activities	20	**3.9**	3.5
Investing activities			
Acquisition of subsidiary, net of cash acquired	27	**–**	(0.5)
Purchase of property, plant and equipment		**(0.3)**	(0.5)
Net cash used in investing activities		**(0.3)**	(1.0)
Financing activities			
New shares issuance		**0.1**	0.7
Facility fee		**(0.1)**	(0.2)
Repayment of bank borrowing	19	**–**	(5.0)
Equity dividends paid	19	**(1.7)**	(1.5)
Acquisition of shares by ESOT	19	**(0.6)**	(0.7)
Repayment of lease obligations		**(1.3)**	(0.1)
Net cash (used in)/generated from financing activities		**(3.6)**	(6.8)
Net (decrease)/increase in cash and cash equivalents		**–**	(4.3)
Cash and cash equivalents at the beginning of the year	20	**12.4**	16.7
Cash and cash equivalents at the end of the year	20	**12.4**	12.4

The notes on pages 84 to 117 form part of these financial statements.

COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST DECEMBER 2019

	Note	2019 £m	2018 £m
Net cash used in operating activities	20	**(3.7)**	(3.2)
Investing activities			
Investment in subsidiaries		**–**	(0.5)
Dividends received from subsidiaries		**6.0**	0.5
Net cash generated from investing activities		**6.0**	–
Financing activities			
Loan from subsidiary		**–**	9.0
Facility fee		**(0.1)**	(0.2)
New shares		**0.1**	0.7
Repayment of bank borrowing	21	**–**	(5.0)
Equity dividends paid	19	**(1.7)**	(1.5)
Acquisition of shares by ESOT	19	**(0.6)**	(0.7)
Net cash generated from financing activities		**(2.3)**	2.3
Net decrease in cash and cash equivalents		**–**	(0.9)
Cash and cash equivalents at the beginning of the year	20	**4.5**	5.4
Cash and cash equivalents at the end of the year	20	**4.5**	4.5

The notes on pages 84 to 117 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER 2019

	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 2018	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 gain 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**
Comprehensive income/(expense)						
Profit for the year	–	–	–	–	**7.8**	**7.8**
Other comprehensive (expense)/income						
Actuarial loss on retirement benefit obligation	–	–	–	–	**(6.9)**	**(6.9)**
Deferred income tax on actuarial loss on retirement benefit obligation	–	–	–	–	**1.2**	**1.2**
Revaluation of freehold property, net of tax	–	–	–	**0.4**	–	**0.4**
Total other comprehensive expense	–	–	–	**0.4**	**(5.7)**	**(5.3)**
Total comprehensive income	–	–	–	**0.4**	**2.1**	**2.5**
Transactions with owners						
New shares	–	**0.1**	–	–	–	**0.1**
Share-based payment credit	–	–	–	–	**0.5**	**0.5**
Shares acquired by ESOT	–	–	**(0.6)**	–	–	**(0.6)**
Dividends paid	–	–	–	–	**(1.7)**	**(1.7)**
Total transactions with owners				–	**(1.2)**	**(1.7)**
At 31st December 2019	**4.3**	**3.8**	**(2.0)**	**0.9**	**15.9**	**22.9**

The notes on pages 84 to 117 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER 2019

	Attributable to owners of the parent				
	Share capital £m	Share premium £m	ESOT share reserve £m	Retained earnings £m	Total £m
At 1st January 2018	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
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**
Comprehensive income					
Profit for the year	–	–	–	**1.4**	**1.4**
Total comprehensive income	–	–	–	**1.4**	**1.4**
Transactions with owners					
New shares	–	**0.1**	–	–	**0.1**
Share-based payment credit	–	–	–	**0.2**	**0.2**
Shares acquired by ESOT	–	–	**(0.6)**	–	**(0.6)**
Dividends paid	–	–	–	**(1.7)**	**(1.7)**
Total transactions with owners	–	**0.1**	**(0.6)**	**(1.5)**	**(2.0)**
At 31st December 2019	**4.3**	**3.8**	**(2.0)**	**11.0**	**17.1**

The notes on pages 84 to 117 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2019

1 GENERAL INFORMATION
TClarke plc (formerly T Clarke Public Limited Company) 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 118. 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 32. The Company is limited by shares.

2 BASIS OF PREPARATION
Statement of compliance
These financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') 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 2019 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 £15.0 million committed revolving credit facility expiring 31st August 2022, and a £10.0 million (2018: £5.0 million) overdraft facility. For details of the covenants in place refer to note 21 on page 107.

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 renegotiated in June 2019. 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 2019 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.

Application of new and revised standards
The principal accounting policies applied in the preparation of these consolidated and Parent Company financial statements are set out in note 3 below. These policies have been consistently applied to all the years presented, with the exception of IFRS 16 which is adopted for the first time in these financial statements. The nature and impact of adoption is discussed below:

IFRS 16: Leases
Lessee accounting

IFRS 16 removes the distinction between 'operating' and 'finance' leases and, with this, leases which would have been previously deemed as 'operating' – based on an assessment of the balance of risk and reward transferred – are now recognised on the balance sheet with the creation of a 'right-of-use' asset and a concomitant lease liability reflecting future lease payments. The risk/reward distinction criteria of IAS 17 is removed and the aforementioned treatment applies to all lease contracts where it is deemed the lessee has the right to direct an identified asset's use and to obtain substantially all the economic benefits from that use (termed 'control' under IFRS 16). On the income statement, the operating lease charges which would have been recognised under IAS 17 are replaced by an IFRS 16 depreciation and interest charge.

Lessor accounting

As a result of adopting IFRS 16, lessor accounting has remained unchanged. Income is recognised on a straight-line basis over the term of the relevant lease, as under IAS 17.

Impact of accounting policy change

The Company has elected to adopt the modified retrospective approach whereby the standard is applied from the beginning of the current period and, as a result, prior-period financial information is not restated. The cumulative impact of initial recognition of IFRS 16 is immaterial and thus there is no adjustment through opening retaining earnings.

2 BASIS OF PREPARATION CONTINUED
The lease payments for low-value and short-terms lease are expensed over a straight-line in accordance with IFRS 16.6.

On initial adoption of IFRS 16 lease liabilities of £4.3 million were recognised. This reconciles to the operating lease commitments presented in the prior period financial statements as shown below:

	£m
As at 31st December 2018 – operating lease commitments	5.2
- recognition exemption for short-term leases	(0.5)
- discount at incremental borrowing rate of 2.4%	(0.4)
As at 1st January 2019 – lease liabilities recognised on initial application	4.3

As at 31st December 2019, adopting IFRS 16 has resulted in:
- gross assets and gross liabilities increasing with the creation of the 'right-of-use assets' (recognised within 'property, plant and equipment' – £4.1 million impact) and corresponding lease liabilities (shown as 'obligations under leases' – £4.2 million impact);
- depreciation and interest increased by £1.4 million and £0.1 million respectively;
- rental charges decreased by £1.4 million.

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

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

(ii) 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.

(iii) Segmental reporting
Operating divisions are reported in a manner consistent with internal reporting provided to the Board who, representing the 'Chief Operating Decision-Maker' as per IFRS 8, are responsible for allocating resources to, and assessing the performance of, operating divisions.

(iv) 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31ST DECEMBER 2019

3 SIGNIFICANT ACCOUNTING POLICIES CONTINUED
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 (v)); 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 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.

(v) 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.

'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 financial statements as 'Amounts due to customers under construction contracts' respectively.

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

(vi) 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.

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

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

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

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amount subject to being tested for impairment. Goodwill is reviewed for impairment on an annual basis. When the Directors consider the initial value of the acquisition to be negligible, the goodwill is written off to the income statement immediately.

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

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

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

Impairment charges are included in non-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.

(viii) 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.

(ix) 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31ST DECEMBER 2019

3 SIGNIFICANT ACCOUNTING POLICIES CONTINUED
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: 10% or life of lease if shorter
Plant, machinery and motor vehicles: 10%–33%

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

(x) 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.

(xi) 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.

(xii) Leasing and hire purchase commitments
As a lessee
The Group assesses whether a contract is or contains a lease at the start of a contract. The Group recognises a right-of-use asset and a corresponding lease liability for all lease agreements in which it is the lessee (with the exception of short-term and low value leases as defined in IFRS 16 which are recognised as an operating expense on a straight-line basis over the term). The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate. Generally, the Group uses its incremental borrowing rate. The right-of-use asset recognised initially is the amount of the lease liability, adjusted for any lease payments and lease incentives made before the commencement date, in accordance with IFRS 16.24.

As a lessor
Income is recognised on a straight-line basis over the term of the relevant lease.

(xiii) 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.

3 SIGNIFICANT ACCOUNTING POLICIES CONTINUED
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.

(xiv) Taxation
Income tax expense represents the sum of the tax currently payable and deferred tax.

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

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

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

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

(xv) 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31ST DECEMBER 2019

3 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(xvi) 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.

(xvii) 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.

(xviii) 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.

(xix) 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.

(xx) 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.

(xxi) 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(v) on page 86. 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. The Group only recognises revenue once there is a formal contractual entitlement and the recognition criteria of IFRS 15 have been met. At 31st December 2019 the Group had approximately £31 million of formally instructed, unagreed variations, of which £19 million had been taken to revenue. It is the Group's policy not to recognise variations in full until formally agreed.

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 111 and 112.

5 SEGMENT INFORMATION

(i) Reportable segments

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

For management and internal reporting purposes, the Group is organised geographically into three regional divisions: London, UK South and UK North, reporting to the Board who represent the 'chief operating decision-maker' as per IFRS 8. 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.

This segmentation differs from that which was present in the most recent annual financial statements in which there were four geographical segments, as this is in line with how we now manage the business. Prior period information has been restated in accordance with the current reporting segment lines.

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 the 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31ST DECEMBER 2019

5 SEGMENT INFORMATION CONTINUED

(ii) Segment information and revenue analysis – current year

	London £m	UK South £m	UK North £m	Group costs and Unallocated £m	Total £m
Revenue from contracts with customers	**201.0**	**66.3**	**67.3**	**–**	**334.6**
Underlying operating profit	**8.2**	**3.6**	**1.4**	**(3.0)**	**10.2**
Amortisation of intangibles	**–**	**–**	**(0.2)**	**–**	**(0.2)**
Operating profit	**8.2**	**3.6**	**1.2**	**(3.0)**	**10**
Finance costs	**–**	**–**	**–**	**(1.0)**	**(1.0)**
Profit before tax	**8.2**	**3.6**	**1.2**	**(4.0)**	**9.0**
Taxation expense	**–**	**–**	**–**	**(1.2)**	**(1.2)**
Profit for the year	**8.2**	**3.6**	**1.2**	**(5.2)**	**7.8**

	London £m	UK South £m	UK North £m	Total £m
Business sector				
Facilities Management and Frameworks	**2.7**	**11.6**	**14.9**	**29.2**
Infrastructure	**14.2**	**23.4**	**18.7**	**56.3**
M&E Contracting	**112.7**	**25.4**	**9.8**	**147.9**
Residential & Hotels	**26.9**	**5.5**	**23.4**	**55.8**
Technologies	**44.5**	**0.4**	**0.5**	**45.4**
Total revenue	**201.0**	**66.3**	**67.3**	**334.6**

(iii) Segment information and revenue analysis – prior year

	London £m	UK South £m	UK North £m	Group costs and Unallocated £m	Total £m
Revenue from contracts with customers	196.5	73.0	57.3	–	326.8
Underlying operating profit	7.2	1.8	2.8	(3.0)	8.8
Amortisation of intangibles	–	0	(0.2)	–	(0.2)
Operating profit	7.2	1.8	2.6	(3.0)	8.6
Finance costs	–	–	–	(0.8)	(0.8)
Profit before tax	7.2	1.8	2.6	(3.8)	7.8
Taxation expense	–	–	–	(1.6)	(1.6)
Profit for the year	7.2	1.8	2.6	(5.4)	6.2

	London £m	UK South £m	UK North £m	Total £m
Business sector				
Facilities Management and Frameworks	1.6	7.0	14.0	22.6
Infrastructure	13.8	29.6	12.5	55.9
M&E Contracting	137.7	26.1	10.5	174.3
Residential & Hotels	1.4	10.0	19.7	31.1
Technologies	42.0	0.3	0.6	42.9
Total revenue	196.5	73.0	57.3	326.8

5 SEGMENT INFORMATION CONTINUED

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 £8.4 million (2018: £1.8 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 £250.2 million (2018: £360.7 million).

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

Revenue includes £37.1 million (2018: £38.0 million) which arose from sales to a single customer. No other single customer contributed 10% or more of the Group's revenue for either 2019 or 2018.

In the current year, the incremental costs of obtaining a contract with a customer which has been recognised as an asset is £nil (2018: £nil).

In the current year, the costs to fulfil a contract with a customer which has been recognised as an asset is £nil (2018: £nil).

6 FINANCE COSTS

	2019 £m	2018 £m
Finance costs		
Interest on lease liabilities	**(0.1)**	–
Interest on bank overdrafts and loans	**(0.2)**	(0.2)
Interest cost in respect of defined benefit pension schemes	**(0.7)**	(0.6)
Total	**(1.0)**	(0.8)

7 OPERATING PROFIT

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

	2019 £m	2018 £m
Amortisation of intangible assets	**0.2**	0.2
Depreciation of property, plant and equipment	**2.1**	0.7
Project-related raw materials and consumables	**77.4**	78.2
Impairment loss	**0.2**	0.2
Fees payable to the Company's auditors for the audit of:		
The Company and consolidation	**0.3**	0.3
Subsidiary companies	**–**	–
Employee benefit expense (see note 8)	**79.9**	79.1

The auditors' fees for non-audit services during the year were £nil (2018: £nil).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31ST DECEMBER 2019

8 EMPLOYEE BENEFIT EXPENSE
(i) Employee benefit expense

	Group	
	2019 £m	2018 £m
Staff costs during the year were as follows:		
Wages and salaries	**68.5**	69.0
Share awards and options granted to Directors and employees (see note 19)	**0.5**	0.3
Social security costs	**7.0**	6.1
Other pension costs	**3.9**	3.7
Total employee benefit expense	**79.9**	79.1

All employee costs of the Group and the Company relate to continuing operations.

The Company has no employees (2018: no employees). The Directors of the Company are remunerated by TClarke Services Limited. Of their remuneration, an amount of £0.1 million (2018: £0.1 million) relates to services rendered to the Company.

In the current year, £0.3 million (2018: £0.2 million) 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	
	2019 Number	2018 Number
Staff (including Directors)	**469**	448
Operatives	**920**	898
Total	**1,389**	1,346

9 TAXATION

	2019 £m	2018 £m
Current tax expense		
UK corporation tax payable on profits for the year	**1.2**	1.7
Adjustment in relation to prior years	**(0.4)**	–
Deferred tax debit/(credit)		
Arising on:		–
Origination and reversal of timing differences	**0.4**	(0.1)
Total income tax expense	**1.2**	1.6
Reconciliation of tax charge		
Profit before tax for the year	**9.0**	7.8
Tax at standard UK tax rate of 19% (2018: 19%)	**1.7**	1.5
Tax effect of:		
Adjustment in relation to prior years	**(0.4)**	–
Utilisation of losses brought forward	**(0.1)**	–
Permanently disallowed items	**–**	0.1
Total income tax expense	**1.2**	1.6

	2019 £m	2018 £m
Income tax (credited)/debited to other comprehensive income	**(1.2)**	0.1

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 therefore been assessed using an income tax rate of 17%, taking into account the period over which temporary differences are expected to reverse. During the budget on 11th March 2020 the Chancellor of the Exchequer announced that the main rate of corporation tax from 1st April 2020 would be maintained at 19%. As this change had not been substantively enacted at the balance sheet date it has not been reflected in the calculation of the deferred tax balances.

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.

	2019 £m	2018 £m
Earnings:		
Profit attributable to owners of the Company	**7.8**	6.2
Weighted average number of Ordinary shares in issue (000s)	**42,145**	41,531
Basic earnings per share	**18.37p**	14.99p

(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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31ST DECEMBER 2019

10 EARNINGS PER SHARE CONTINUED

	2019 £m	2018 £m
Earnings:		
Profit attributable to owners of the Company	**7.8**	6.2
Weighted average number of Ordinary shares in issue (000s)	**42,145**	41,531
Adjustments:		
Savings Related Share Option Schemes	**474**	218
Equity Incentive Plan:		
Conditional share awards	**1,654**	873
Weighted average number of Ordinary shares for diluted earnings per share (000s)	**44,273**	42,622
Diluted earnings per share	**17.49p**	14.61p

(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.

	2019 £m	2018 £m
Profit attributable to owners of the Company	**7.8**	6.2
Adjustments:		
Amortisation of intangible assets	**0.2**	0.2
Underlying earnings	**8.0**	6.4
Weighted average number of Ordinary shares in issue (000s)	**42,145**	41,531
Adjustments:		
Savings Related Share Option Schemes	**474**	218
Equity Incentive Plan:		
Conditional share awards	**1,654**	873
Weighted average number of Ordinary shares for diluted earnings per share (000s)	**44,273**	42,622
Diluted underlying earnings per share	**17.90p**	14.98p
Basic underlying earnings per share	**18.81p**	15.38p

11 INTANGIBLE ASSETS

	Goodwill £m	Other intangible assets £m	Total £m
Cost			
At 1st January 2018	27.5	2.9	30.4
At 31st December 2018	27.5	2.9	30.4
At 31st December 2019	**27.5**	**2.9**	**30.4**
Accumulated impairment and amortisation			
At 1st January 2018	(2.2)	(2.3)	(4.5)
Charge for the year	–	(0.2)	(0.2)
At 31st December 2018	**(2.2)**	**(2.5)**	**(4.7)**
Charge for the year	**–**	**(0.2)**	**(0.2)**
At 31st December 2019	**(2.2)**	**(2.7)**	**(4.9)**
Net book value			
At 1st January 2018	25.3	0.6	25.9
At 31st December 2018	25.3	0.4	25.7
At 31st December 2019	**25.3**	**0.2**	**25.5**

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
London	11.3
UK South	6.1
UK North[1]	7.9
Total	25.3

1 This represents an amalgamation of the TClarke Scotland and TClarke North cash-generating units which were disclosed previously (2018: £3.1 million and £4.8 million respectively).

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 2020 to 2022, which take into account secured orders, business plans and management actions. The results of the period subsequent to 2022 have been projected using 2022 forecasts with 2% growth assumed. The extrapolated cash flow projections have been discounted using a pre-tax discount rate derived from the Company's cost of capital.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31ST DECEMBER 2019

11 INTANGIBLE ASSETS CONTINUED

Assumptions

The key assumptions to which the assessment of the recoverable amounts of CGUs are sensitive are the projected revenue and operating margin to 2022 and beyond, and the discount rate applied. The range of these assumptions applied to the CGUs within each segment is as follows:

	2019	2018
Pre-tax discount rate	**9.5%**	11.0%
Average annual revenue growth (2019–2022) (2018: 2018–2021)		
London	**3.8%**	6.4%
UK South	**5.1%**	1.1%
UK North	**5.7%**	2.0%
Operating margins (2020–2022) (2018: 2019–2021)		
London	**4.0%**	3.0%
UK South	**4.3%**	2.6%-2.9%
UK North	**4.3%**	2.1%-3.2%

Operating margins disclosed for the current year (representing 2020-2022) exclude any allocation of Group costs.

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 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 2019, based on these valuations, no increase in the impairment provision was required against the carrying value of goodwill (2018: £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 2018	2.8	1.8	3.3	7.9
Additions	–	0.6	0.1	0.7
At 31st December 2018	**2.8**	**2.4**	**3.4**	**8.6**
Additions	**2.2**	**0.7**	**2.9**	**5.8**
Reclassifications	**0.4**	**(0.4)**	**-**	**-**
Transfer from depreciation on revaluation	**(0.4)**	**-**	**-**	**(0.4)**
Revaluation	**0.4**	**-**	**-**	**0.4**
At 31st December 2019	**5.4**	**2.7**	**6.3**	**14.4**
Accumulated depreciation and impairment				
At 1st January 2018	(0.3)	(0.6)	(2.1)	(3.0)
Charge for the year	(0.1)	(0.6)	–	(0.7)
At 31st December 2018	**(0.4)**	**(1.2)**	**(2.1)**	**(3.7)**
Charge for the year	**(0.5)**	**(0.6)**	**(1.0)**	**(2.1)**
Reclassifications	**(0.1)**	**0.1**	**-**	**-**
Transfer to cost on revaluation	0.4	–	–	0.4
At 31st December 2019	**(0.6)**	**(1.7)**	**(3.1)**	**(5.4)**
Net book value				
At 1st January 2018	2.5	1.2	1.2	4.9
At 31st December 2018	2.4	1.2	1.3	4.9
At 31st December 2019	**4.8**	**1.0**	**3.2**	**9.0**

The amounts shown above at 31st December 2019 reflect the following right-of-use assets (2018: £nil):

	Freehold properties £m	**Leasehold improvements £m**	**Plant, machinery and vehicles £m**	**Total £m**
Net book value of right-of-use assets contained with property, plant and equipment	1.8	–	2.3	**4.1**

The Group's freehold land and buildings were valued at 31st January 2020 based on an external valuation provided by an independent valuer. 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 was credited to other comprehensive income and is shown in the revaluation reserve in shareholders' equity. On revaluation, any accumulated depreciation was eliminated against the gross carrying value of the assets in accordance with IAS 16. The net book value of the freehold properties on a historic cost basis would have been £3.9 million (2018: 1.9 million).

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 2019 was £3.1 million (2018: £2.5 million).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31ST DECEMBER 2019

13 INVESTMENTS
Investments in subsidiaries comprise:

	2019 £m	2018 £m
Cost		
At 1st January	**52.8**	51.3
Additions	**0.2**	1.5
At 31st December	**53.0**	52.8
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	**43.4**	41.7
At 31st December	**43.4**	43.2

A full list of the Company's subsidiaries is included in note 27 on page 117. 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.

14 DEFERRED TAXATION

Group	Revaluations £m	Retirement benefit obligation £m	Other £m	Total £m
Asset at 1st January 2018	(0.1)	4.0	(0.1)	3.8
Credited to income	–	–	0.1	0.1
Credited to other comprehensive income	–	–	–	–
Asset at 31st December 2018	**(0.1)**	**4.0**	**–**	**3.9**
Charged to income	**–**	**(0.5)**	**0.2**	**(0.3)**
Credited to other comprehensive income	**–**	**1.2**	**–**	**1.2**
Asset at 31st December 2019	**(0.1)**	**4.7**	**0.2**	**4.8**

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:

	2019 £m	2018 £m
Deferred tax liabilities	**(0.1)**	(0.1)
Deferred tax assets	**4.9**	4.0
Total	**4.8**	3.9

15 INVENTORIES

	2019 £m	2018 £m
Raw materials and consumables, net of provision £nil	**0.2**	0.3

16 CONSTRUCTION CONTRACTS

	2019 £m	2018 £m
Contract work in progress comprises:		
Contract costs incurred plus recognised profits less recognised losses to date	**302.7**	322.5
Less: progress payments	**(258.2)**	(292.2)
Total	**44.5**	30.3
Contracts in progress at the reporting date		
Gross amounts due from customers	**44.6**	38.7
Gross amounts due to customers	**(0.1)**	(8.4)
Total	**44.5**	30.3

During the year management reassessed the presentational treatment of certain balance sheet items in respect of the Group's construction contract portfolio in order to provide additional clarity on the respective balances. This has resulted in the following presentational changes in 2018: amounts due from customers under construction contracts (increase of £12.3 million); and trade and other receivables (decrease of £12.3 million).

At 31st December 2019, retentions held by customers of the Group for contract work amounted to £19.4 million (2018: £19.9 million). These amounts are included in trade receivables (see note 17).

Advances received from customers for contract work amounted to £nil (2018: £nil).

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

Contract amounts are shown net of impairment of £nil (2018: £nil).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31ST DECEMBER 2019

17 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2019 £m	2018 £m	**2019 £m**	2018 £m
Trade receivables – gross	**38.2**	53.8	**–**	–
Trade receivables – allowances for credit losses	**(0.8)**	(0.7)	**–**	–
Net trade receivables	**37.4**	53.1	**–**	–
Owed by Group companies	**–**	–	**2.5**	–
Other receivables	**3.1**	1.4	**–**	0.1
Prepayments	**1.4**	1.9	**0.2**	0.3
Total	**41.9**	56.4	**2.7**	0.4
Movements in allowances for credit losses				
At 1st January	**(0.7)**	(0.5)	**–**	–
Charged in year	**(0.2)**	(0.4)	**–**	–
Recovered in year	**–**	0.2	**–**	–
Written off in year	**0.1**	–	**–**	–
At 31st December	**(0.8)**	(0.7)	**–**	–
Trade receivables (including retentions) are due as follows				
Due within 3 months	**17.4**	23.9	**–**	–
Due in 3 to 6 months	**2.5**	3.8	**–**	–
Due in 6 to 12 months	**4.8**	3.3	**–**	–
Due after more than one year	**5.0**	7.3	**–**	–
Overdue	**8.5**	15.5	**–**	–
Total	**38.2**	53.8	**–**	–
The ageing of trade receivables past due but not impaired is as follows				
30 days or less	**3.4**	9.5	**–**	–
31–60 days	**0.7**	0.8	**–**	–
61–120 days	**1.8**	1.1	**–**	–
Greater than 120 days	**1.8**	3.4	**–**	–
Total	**7.7**	14.8	**–**	–

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.

18 TRADE AND OTHER PAYABLES

	Group		Company	
	2019 £m	2018 £m	**2019 £m**	2018 £m
Current				
Trade payables	**41.0**	51.5	**–**	0.1
Owed to Group companies	**–**	–	**3.2**	3.6
Other taxation and social security	**6.1**	3.2	**3.7**	–
Accruals	**36.3**	28.8	**–**	–
Deferred income	**–**	3.1	**–**	–
Other payables	**1.2**	1.2	**–**	–
Total	**84.6**	87.8	**6.9**	3.7
Non-current				
Owed to Group companies	**–**	–	**28.3**	28.3
Total	**–**	–	**28.3**	28.3
Trade payables payment terms are as follows:				
30 days or less	**26.7**	32.4	**–**	0.1
31 to 60 days	**8.7**	9.6	**–**	–
Greater than 60 days	**5.6**	9.5	**–**	–
Total	**41.0**	51.5	**–**	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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31ST DECEMBER 2019

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 31st December 2019	**43,052,588**	**4.3**	**3.8**
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	-	09/10/2015	01/12/2018 to 31/05/2019	69.75p	1.57p
2018 SAYE scheme	1,321,219	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 2019 (2018: £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 participant's SAYE contract.

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

	2019 Number	2019 Weighted average exercise price (p)	2018 Number	2018 Weighted average exercise price (p)
At 1st January	**1,666,792**	**74.28**	1,367,537	80.13
Granted	**(194,308)**	**69.75**	1,479,847	74.88
Exercised	**(151,265)**	**74.84**	(1,038,995)	69.75
Lapsed	**-**	**-**	(141,597)	70.06
At 31st December	**1,321,219**	**74.88**	1,666,792	74.28

The weighted average remaining contractual life of the options at 31st December 2019 was 845 days (2018: 1,118 days).

All options relating to the 2015 SAYE scheme that existed at the start of the year were either exercised or lapsed during 2019. The closing balance shown above relates entirely to the 2018 SAYE scheme. The 2015 SAYE options which were exercised during the year were satisfied by the issue of new shares.

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 2019, 1,616,552 conditional share awards are outstanding:

	Conditional shares	Conditional shares	Conditional shares	Conditional shares
Date of grant	08/05/2017	25/04/2018	24/04/2019	24/04/2019
Number of awards	215,000	471,600	309,952	620,000
Share price at date of grant	90.50p	83.10p	130.00p	130.00p
Exercise price	–	–	–	–
Option life	3 years	3 years	3 years	3 years

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

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.

(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 a £0.5 million charge for the year ended 31st December 2019 (2018: £0.3 million).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31ST DECEMBER 2019

19 CAPITAL AND RESERVES CONTINUED
(vi) Dividends paid

	2019 £m	2018 £m
Final dividend of 3.34p (2018: 2.90p) per Ordinary share proposed and paid during the year relating to the previous year's results	**1.4**	1.2
Interim dividend of 0.75p (2018: 0.66p) per Ordinary share paid during the year	**0.3**	0.3
Total	**1.7**	1.5

The Directors are proposing a final dividend of 3.65p (2018: 3.34p) per Ordinary share totalling £1.6 million (2018: £1.4 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	
	2019 £m	2018 £m	2019 £m	2018 £m
Operating profit/(loss)	**10.0**	8.6	**(3.4)**	(2.1)
Depreciation charges	**2.1**	0.7	**-**	–
Equity-settled share-based payment expense	**0.5**	0.3	**-**	–
Amortisation of intangible assets	**0.2**	0.2	**-**	–
Additional pension contributions	**(1.5)**	–	**-**	–
Defined benefit pension scheme credit	**(1.3)**	(0.2)	**-**	–
Operating cash flows before movement in working capital	**10.0**	9.6	**(3.4)**	(2.1)
Movement in inventories	**0.1**	0.2	**-**	–
(Increase)/decrease in contract balances	**(14.2)**	2.9	**-**	–
Decrease/(increase) in operating trade and other receivables	**14.4**	(1.3)	**(0.7)**	(0.3)
(Decrease)/increase in operating trade and other payables	**(4.6)**	(5.2)	**2.3**	1.8
Cash generated from operations	**5.7**	6.2	**(1.8)**	(0.6)
Corporation tax paid	**(1.5)**	(2.4)	**(1.5)**	(2.4)
Interest paid	**(0.3)**	(0.3)	**(0.3)**	(0.2)
Net cash generated from/(used in) operating activities	**3.9**	3.5	**(3.7)**	(3.2)

(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	
	2019 £m	2018 £m	2019 £m	2018 £m
Cash and cash equivalents	**12.4**	12.4	**4.5**	4.5

21 BANK OVERDRAFTS AND LOANS
During the year, the Group had in place a £10.0 million overdraft facility and a £15.0 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 2019, the Group had unused overdraft facilities of £10.0 million (2018: £5.0 million) and had £15.0 million undrawn committed facilities (2018: £15.0 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

	2019 £m	2018 £m
Salaries, fees and other short-term employee benefits	**2.1**	2.2
Termination benefits	**-**	0.3
Share-based payment charge	**0.3**	0.1
Post-employment benefits	**0.7**	0.2
Total	**3.1**	2.8

Further disclosures, including details of the highest-paid Director, are included in the Directors' remuneration report on pages 48 to 64.

(ii) Key management remuneration
Compensation payable to key management for employee services is shown below. Key management represents members of the Group Management Board (excluding Directors).

	2019 £m	2018 £m
Salaries, fees and other short-term employee benefits	**1.4**	1.1
Share-based payment charge	**0.1**	0.1
Post-employment benefits	**0.2**	0.1
Total	**1.7**	1.3

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31ST DECEMBER 2019

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 £2.7 million (2018: £0.6 million) by TClarke Services Limited for Group management services and incurred interest charges of £0.6 million (2018: £0.6 million) on intercompany loans. TClarke plc charged subsidiary companies £nil (2018: £nil) during the year for insurance services and £nil (2018: £nil) for IT services. Sales to other Group companies of £nil (2018: £nil) and cost of sales from other Group companies of £nil (2018: £nil) are included in the financial statements of the Company.

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.

For part of the year, the Group also contributed to an industry-wide, multi-employer defined benefit pension scheme on behalf of certain employees. The assets of the scheme were held separately from those of the Group in an independently administered fund. The plan exposed 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 did not have access to sufficient information to enable it to use defined benefit accounting. Therefore, the scheme was accounted for as a defined contribution scheme. The latest formal actuarial valuation as at 5th April 2018 showed that the scheme had a funding level of 108%. The scheme closed to future accrual during the year.

The total cost charged to income of £1.8 million (2018: £1.2 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 2018 by R Williams, Fellow of the Institute of Actuaries, showed a deficit of £24.9 million, which represented a funding level of 59%. 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. Following agreement of the valuation, the deficit reductions contributions of £1.5 million per annum will continue. The Group continues 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.

From 1st April 2020, the future service contribution will increase from 21.4% to 22.4% of pensionable payroll (including employee contributions, which, following employee consultation, will increase from 10% to 12% of pensionable payroll).

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.

23 PENSION COMMITMENTS CONTINUED

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

	2019 %	2018 %
Rate of increase in salaries	**2.45**	2.65
Rate of increase of pensions in payment	**3.10**	3.10
Discount rate	**2.10**	3.00
Inflation assumption	**3.15**	3.35

The mortality assumptions used in the IAS 19 valuation were:	2019 Years	2018 Years
Life expectancy at age 65 for current pensioners		
– Men	**21.7**	21.7
– Women	**23.9**	23.9
Life expectancy at age 65 for future pensioners (current age 45)		
– Men	**22.7**	22.7
– Women	**25.0**	25.2

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

	2019 £m	2018 £m
Present value of funded obligations	**70.7**	58.8
Fair value of plan assets	**(44.3)**	(35.8)
Deficit of funded plans	**26.4**	23.0

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31ST DECEMBER 2019

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 2018	60.0	(36.6)	23.4
Current service cost	1.4	–	1.4
GMP equalisation	0.2	–	0.2
Interest expense/(income)	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	**0.9**	**–**	**0.9**
Settlements	**(3.0)**	**–**	**(3.0)**
Interest expense/(income)	**1.8**	**(1.1)**	**0.7**
Total	**(0.3)**	**(1.1)**	**(1.4)**
Remeasurements			
Return on plan assets, excluding amounts included in interest expense	**–**	**(6.0)**	**(6.0)**
Change in demographic	**(0.6)**	**–**	**(0.6)**
Loss from change in financial assumptions	**11.3**	**–**	**11.3**
Experience loss	**2.2**	**–**	**2.2**
Total	**12.9**	**(6.0)**	**6.9**
Contributions			
Employers	**–**	**(2.1)**	**(2.1)**
Employees	**0.6**	**(0.6)**	**–**
Payment from plans			
Benefit payments	**(1.3)**	**1.3**	**–**
At 31st December 2019	**70.7**	**(44.3)**	**26.4**

Current service cost and settlements are included in administrative expenses, net of a company settlement cost of £1.5 million.
Interest expense is included in finance costs.
Remeasurement gains and losses have been included in other comprehensive income/expense.

23 PENSION COMMITMENTS CONTINUED

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

	2019				2018			
	Quoted	**Unquoted**	**Total**	**%**	Quoted	Unquoted	Total	%
UK quoted	**1.7**	**–**	**1.7**		1.1	–	1.1	
Overseas quoted	**8.0**	**–**	**8.0**		8.1	–	8.1	
Hedge funds	**5.6**	**–**	**5.6**		5.4	–	5.4	
Structured and alternative equities	**–**	**12.5**	**12.5**		–	11.1	11.1	
Total equities	**15.3**	**12.5**	**27.8**	**63%**	14.6	11.1	25.7	71%
Fixed interest corporate bonds	**3.2**	**–**	**3.2**		2.5	–	2.5	
Inflation-linked bonds	**–**	**–**	**–**		0.1	–	0.1	
Government bonds	**3.5**	**–**	**3.5**		3.4	–	3.4	
Total bonds	**6.7**	**–**	**6.7**	**15%**	6.0	–	6.0	17%
Property	**1.0**	**–**	**1.0**	**2%**	1.0	–	1.0	3%
Cash	**–**	**3.0**	**3.0**	**7%**	–	1.1	1.1	3%
Insurance annuity contracts	**–**	**1.8**	**1.8**	**4%**	–	1.4	1.4	4%
Other	**–**	**4.0**	**4.0**	**9%**	–	0.6	0.6	2%
Total	**23.0**	**21.3**	**44.3**	**100%**	21.6	14.2	35.8	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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31ST DECEMBER 2019

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%	Increase by 11%
Inflation assumption	0.5%	Increase by 6%	Decrease by 6%
Rate of increase in salaries	0.5%	Increase by 1%	Decrease by 1%
Rate of increase in pension payments	0.5%	Increase by 7%	Decrease by 6%
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 OBLIGATIONS UNDER LEASES
In addition to the recognition of right-of-use-assets (note 12) the impact of the Group's lease arrangements on the financial statements is shown below.

	Freehold properties £m	Leasehold improvements £m	Plant, machinery and vehicles £m	Total £m
Lease liability	1.8	–	2.4	**4.2**
Total value of lease payments	0.9	–	1.1	**2.0**
Total payments for short-term and low value leases	0.4	–	0.1	**0.5**
Interest expense	0.1	–	–	**0.1**

25 CONTINGENT LIABILITIES
Group banking facilities of £25.0 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 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 2019 and 2018 was as follows:

	2019 £m	2018 £m
Cash and cash equivalents	**12.4**	12.4
Less total borrowings	**–**	–
Net cash	**12.4**	12.4
Total equity	**22.9**	22.1

(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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31ST DECEMBER 2019

26 FINANCIAL INSTRUMENTS CONTINUED
Financial assets
The Group's financial assets comprise loans and receivables at amortised cost, and cash and cash equivalents as follows:

31st December 2019	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**	**40.5**	**44.6**	**97.5**
Contractual cash flows				
Less than one year	**12.4**	**35.5**	**44.6**	**92.5**
One to two years	**–**	**4.2**	**–**	**4.2**
Two to three years	**–**	**0.5**	**–**	**0.5**
More than three years	**–**	**0.3**	**–**	**0.3**
Total	**12.4**	**40.5**	**44.6**	**97.5**
31st December 2018				
Carrying value	12.4	54.5	38.7	105.6
Contractual cash flows				
Less than one year	12.4	47.2	38.7	98.3
One to two years	–	6.7	–	6.7
Two to three years	–	0.4	–	0.4
More than three years	–	0.2	–	0.2
Total	12.4	54.5	38.7	105.6

1 Trade and other receivables excludes prepayments.

26 FINANCIAL INSTRUMENTS CONTINUED
Financial liabilities – analysis of maturity dates
At 31st December 2019, the carrying value of the Group's financial liabilities and maturity profile of the associated contractual cash flows are shown below. The contractual cash flows are undiscounted and therefore differ from the carrying values which include the impact of discounting cash flows.

31st December 2019	Trade and other payables[1] £m	Amounts due to customers under construction contracts £m	Obligations under leases £m	Total £m
Carrying value	**78.5**	**0.1**	**4.2**	**82.8**
Contractual cash flows				
Less than one year	**76.8**	**0.1**	**1.4**	**78.3**
One to two years	**1.5**	**–**	**1.2**	**2.6**
Two to three years	**0.1**	**–**	**0.7**	**0.8**
More than three years	**0.1**	**–**	**1.0**	**1.1**
Total	**78.5**	**0.1**	**4.4**	**82.8**
31st December 2018				
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
Total	81.5	8.4	–	89.9

1 Trade and other payables exclude deferred income and other taxation and social security.
2 Details of the Group's banking facilities are given in note 21 on page 107.

(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 2019.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 31ST DECEMBER 2019

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 June 2019 and now comprise a £15.0 million RCF and a £10.0 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 2.75%, 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 £0.1 million (2018: £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 £0.1 million (2018: £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 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 (2018: £0.1 million) per annum. Details of the Group's and the Company's bank facilities are disclosed in note 21.

27 SUBSIDIARY COMPANIES

All subsidiaries are wholly and directly 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
Other operating company	
Eton Associates Limited	Ordinary
Non-trading and dormant companies	
TClarke Europe Limited (formerly A G Aylward EMS (Maintenance and Minor Works) Limited)	Ordinary
Anglia Electrical Services Limited	Ordinary
D G Robson Mechanical Services 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

* Shares held by J.J. 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 regard to the financial statements for the year ended 31st December 2019, for the following subsidiary:

- 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 investor 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: 0371 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 2019.

	Shares	Percentage	Holdings	Percentage
Individuals	7,522,853	17.47%	721	71.11%
Banks or nominees	34,017,953	79.02%	266	26.23%
Other corporations	1,511,752	3.51%	27	2.66%
Totals	43,052,558	100.0%	1,014	100.0%
Number of shares held:				
1 to 5,000	1,031,741	2.4%	601	59.27%
5,001 to 10,000	1,092,351	2.54%	148	14.60%
10,001 to 50,000	3,881,120	9.01%	177	17.46%
50,001 to 500,000	11,655,931	27.08%	69	6.80%
500,001 to 1,000,000	5,640,357	13.1%	8	0.79%
1,000,001 to 5,000,000	19,751,058	45.87%	11	1.08%
Totals	43,052,558	100.0%	1,014	100.0%

INDEPENDENT AUDITOR

PricewaterhouseCoopers LLP
1 Embankment Place
London WC2N 6RH

CORPORATE BROKER

Cenkos Securities plc
6 7 8 Tokenhouse Yard
London EC2R 7AS
Tel: 020 7397 8900

INVESTOR RELATIONS

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

FINANCIAL CALENDAR

Annual General Meeting
6th May 2020

Final dividend for 2019
Ex-dividend 23rd April 2020
Record date 24th April 2020
Payment due 22nd May 2020

Half Year results announcement
21st July 2020

Interim dividend for 2020
Ex-dividend 3rd September 2020
Record date 4th September 2020
Payment due 2nd October 2020

Trading update release
26th November 2020

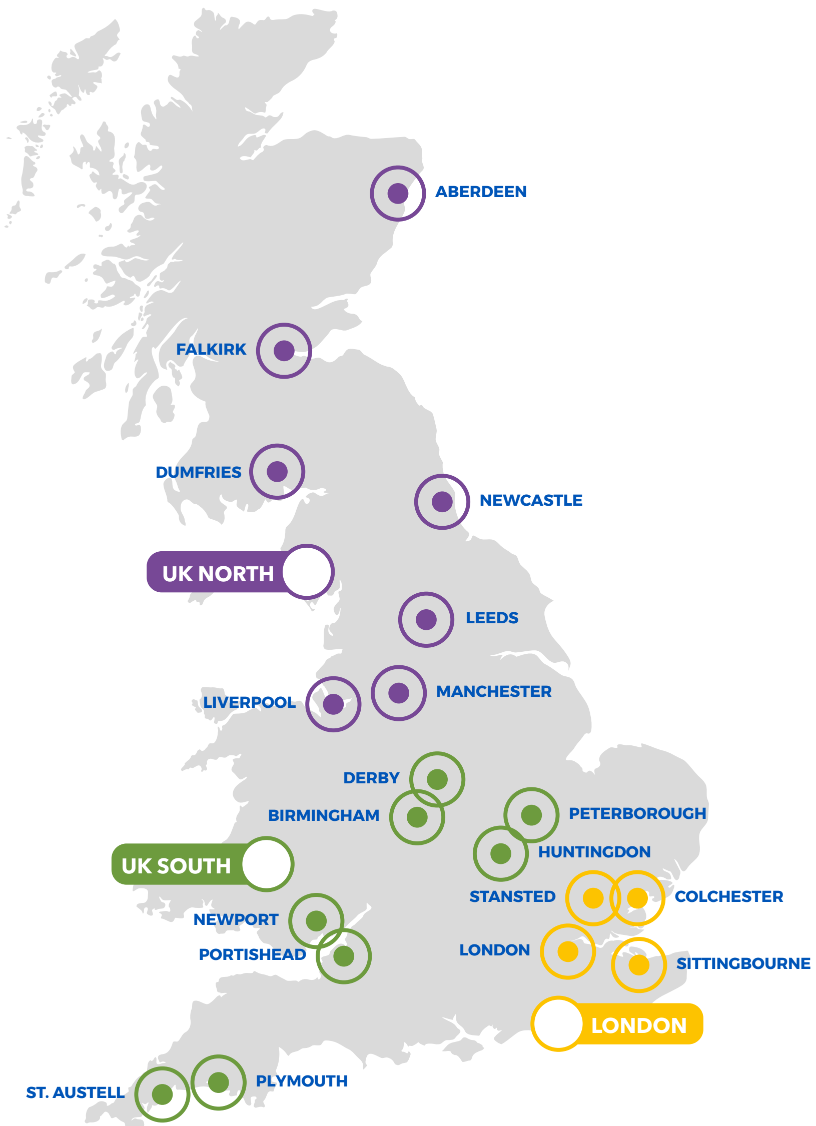
These dates are indicative only and may be subject to change.

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 2019 is 8th May 2020.

TCLARKE OFFICES

TClarke operates in three 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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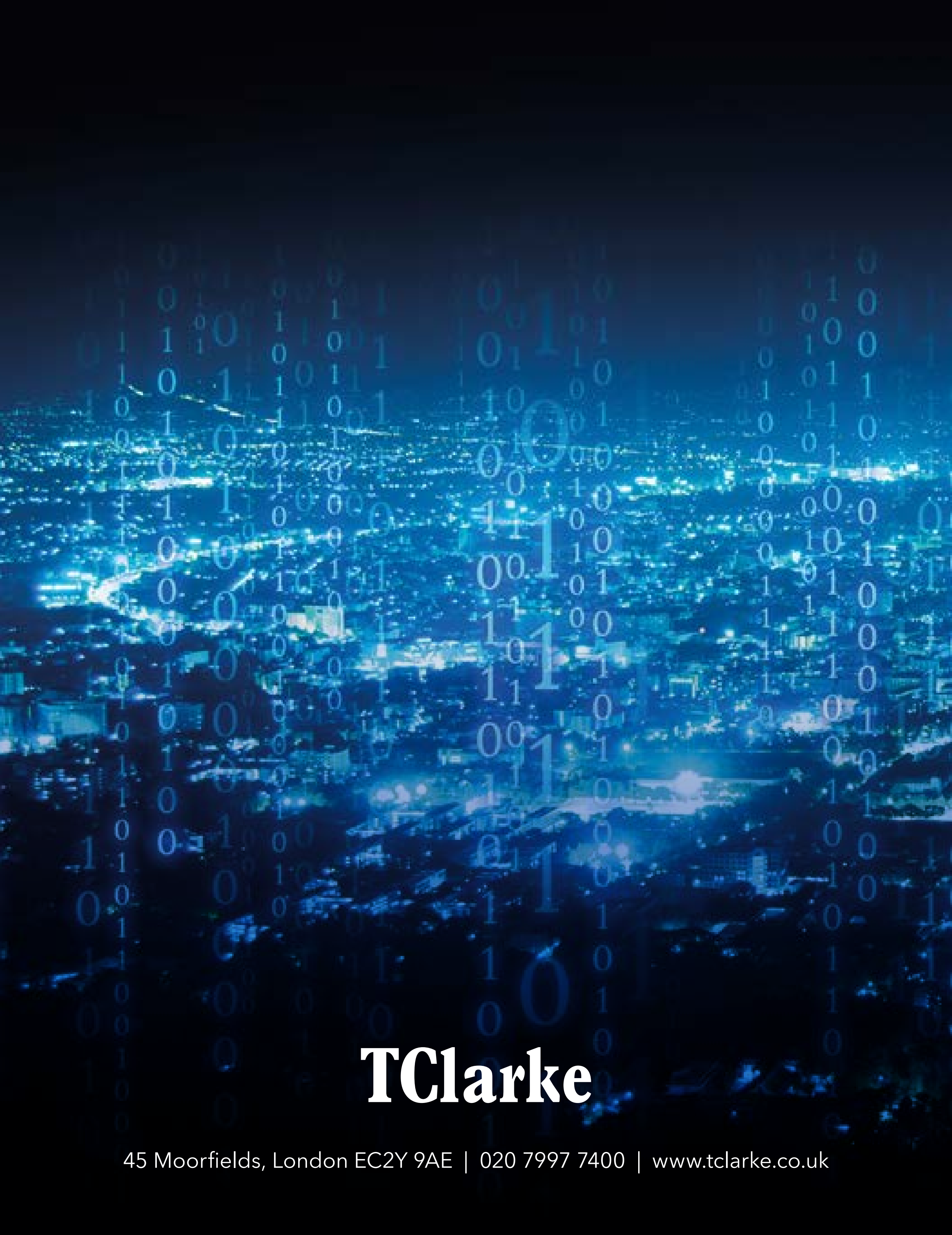

TClarke

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