

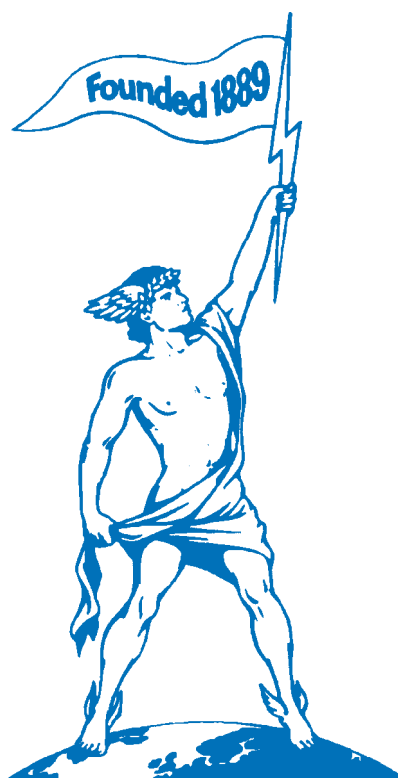
# T. Clarke plc

*A Public Limited Company and Member of the T. Clarke Group*

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Electrical Engineers & Contractors

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**Annual Report 2002**

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## Officers and other information

### Directors

Patrick E. Stanborough (Chief Executive)  
Leonard M. Fairman (Joint Managing Director)  
Barry V. DeFalco (Joint Managing Director)  
Barry J. Buchanan

Russell J. Race (Chairman)  
Leonard J.D. Arnold  
John H. Nixon (Deputy Chairman)  
John M. Daly

### Secretary

John M. Daly

### Registered office

Stanhope House 116-118 Walworth Road London SE17 1JY

### Technical directors

Noel J. Anderson  
Paul Brown  
Mark Lawrence  
Michael Enticott

James J. Bryan  
Barrie Nightingale  
Michael Crowder  
Michael Hood

### Registrar and transfer office

Capita Registrars PLC, The Registry 34 Beckenham Road, Beckenham Kent BR3 4TU.  
Tel 020 8478 8241

### Auditors

Moore Stephens Chartered Accountants St.Paul's House Warwick Lane London EC4P 4BN

### Bankers

National Westminster Bank PLC P.O. Box 6037 186 Brompton Road London SW3 1XJ

### Corporate broker

Arbuthnot Securities Ltd, 2 Lambeth Hill, London EC4V 4GG  
Tel 020 7002 4600

### Biographies of directors and secretary

Pat Stanborough	(age: 58)	Accountant: Joined company 1964, appointed Finance Director 1973, Managing Director 1977, and Chairman 1992, resigned as Chairman in 2000.
Mike Fairman	(age: 42)	Electrical Engineer: Joined company 1977, appointed Director 1993.
Barry DeFalco	(age: 47)	Electrical Engineer: Joined company 1971, appointed Director 1998.
Barry Buchanan	(age: 53)	Electrical Engineer: Joined company 1965, appointed Managing Director T. Clarke (Midlands) Ltd., 1981, appointed Director 1990.
Russell Race	(age: 56)	Former Corporate Financier: Joined company and appointed Director 1998, appointed Chairman 2000.
Len Arnold	(age: 61)	Chartered Builder: Joined company and appointed Director 1998
John Nixon	(age: 64)	Electrical Engineer: Joined company 1961, appointed Director 1977, appointed Deputy Chairman 1999.
John Daly	(age: 55)	Chartered Accountant: Joined company and appointed Secretary 2001, appointed Finance Director 2002.

# Notice of annual general meeting

Notice is hereby given that the ninety first annual general meeting of T. Clarke plc will be held in the Bishops Room, Simpsons, The Strand, London, WC2 on Friday the 2nd May 2003 at 12.00 noon to consider and if thought fit to pass the undermentioned resolutions.

## Ordinary Resolutions

- 1 That the audited financial statements for the year ended 31st December 2002 be adopted together with the directors' and auditors' reports thereon.
- 2 That the payment of a final dividend in respect of the year ended 31st December 2002, as recommended by the directors, be approved (see directors report page 6).
- 3 That Mr. B.J. Buchanan the director to retire by rotation in accordance with the company's articles of association, being eligible, be re-elected a director of the company.
- 4 That Mr. J.M. Daly be reappointed a director in accordance with article number ninety of the company's articles of association.
- 5 That Moore Stephens, Chartered Accountants, be re-appointed auditors to the company.
- 6 That the directors be authorised to fix the auditors' remuneration.

## Special Resolutions

1. That the draft Regulations produced to the meeting and initialled by the Chairman for the purpose of identification be and the same are hereby approved and adopted as the Articles of Association of the Company in substitution for and to the exclusion of all the existing Articles of Association.

*(Note: a copy of the Articles of Association in the form proposed to be adopted at the annual general meeting is available for inspection at the company's registered office or on its website at [www.tclarke.co.uk](http://www.tclarke.co.uk)).*

2. a. That the directors be and are hereby generally and unconditionally authorised, in place of any such authorities previously granted, all of which are hereby revoked and cancelled to the extent not previously utilised, in accordance with Section 80 of the Companies Act 1985 to exercise all powers of the company to allot relevant securities as defined in the said Section 80 up to an aggregate nominal amount of £218,102 provided that this authority shall expire five years from the date of the passing of this Resolution save that the company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired, and
- b. That the directors be and are hereby empowered pursuant to Section 95 of the Companies Act 1985 to allot equity securities (within the meaning of Section 94 (2) of the Companies Act 1985 as if sub-section (1) of Section 89 of the Companies Act 1985 did not apply to any such allotment) provided that this power shall be limited:
  - (i) to the allotment of equity securities in connection with a rights or capitalisation issue in favour of ordinary shareholders where the equity securities respectively attributable to the interests of all ordinary shareholders are proportionate (as nearly as may be) to the respective members numbers of ordinary shares held by them but subject to such exclusions as the directors may consider appropriate to deal with fractional entitlements of holders of the shares outside the United Kingdom; and

## Notice of annual general meeting continued

- (ii) to the allotment (otherwise than pursuant to sub-paragraph (i) above) of equity securities up to an aggregate nominal value of £64,095 (being 5 per cent of the issued share capital of the company) and shall expire on the date of the next annual general meeting of the company save that the company may before such expiry make an offer or agreement which would or might require equity securities to be allotted in pursuance of such offer or agreement as if the power conferred hereby had not expired and further provided that this power shall be in substitution for any previous power granted to the directors.

Stanhope House,  
116-118 Walworth Road  
London, SE17 1JY

6th March 2003

By order of the board

J. M. DALY

Secretary

### Notes

- i) A member of the company who is entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and on a poll to vote on his/her behalf. The appointment of a proxy who need not be a member will not preclude the appointing member from attending and voting at the meeting. A form of proxy is enclosed.
- ii) To be valid the instrument appointing a proxy and the power of attorney or other authority under which it is signed or a notarially certified copy of such power or authority must be lodged at the company's registered office not less than forty-eight hours prior to the time of meeting.
- iii) The register of directors' interests, service agreements and company minute book are available for inspection at the company's registered office during normal business hours until the date of the meeting. They will then be available for inspection at the referred venue from 11.45 am.

# Chairman's Statement

## Results for 2002

The last year witnessed further significant progress by the Group. Turnover increased by 9% to £144M (5% excluding new acquisitions), whilst profit before tax advanced by 28% to £10.79M.

Operating profit is stated after allowing for costs of £938,000 in the year, including costs of acquiring new subsidiaries, amortisation of goodwill and a further £250,000 augmentation to the Group's pension fund.

Earnings per share rose from 43.8p to 56p. Reflecting this encouraging performance, a final dividend of 18p per share (2001:15p) is recommended by the Board, making a total for the year of 25p (2001:20p), a 25% advance in ordinary dividends.

Equally as pleasing as the trading progress was the further strengthening of our balance sheet during the year. Net cash balances grew from £13M to £22M during the twelve months under review.

## Operational Review

We continued to benefit from buoyant trading conditions across the group during 2002, although some slowdown in order intake was evident towards the year end, particularly in the South-East. It is the stated ambition of the Group to grow the scale of the business and increase the geographical coverage of the Group's subsidiary businesses. Further positive progress was made in developing our regional network, with acquisitions adding to our presence in the North-West, South-East and Midlands. GDI Electrical, based in Altrincham, Cheshire was acquired for £1.53M; W. E. Manin, based in Sittingbourne, Kent for £1.55M; and Kestrel Electrical Systems, based in Rowley Regis, West Midlands for £0.69M.

All of the acquired businesses have integrated well into the Group, and we welcome all their employees as members of the Clarke team. The newly acquired companies are already making positive contributions to our results, and I have every confidence that they will all become valued members of our Group.

We decided during the year to close our Meggitt Marsh operation at Bournemouth. Having been bought from the Receivers in 1998 it had struggled to regain market share and, despite the considerable effort expended on it, achieve a positive return. We concluded that our resources were best focused elsewhere.

Major projects completed during the year included RBOS, Spitalfields; Vodafone Global Headquarters, Newbury; Bank of America, Galaxy House, Croydon and The Gate, Newcastle Upon Tyne.

Current work in hand includes BBC, White City; BBC Mailbox, Birmingham; Bank of America, Canary Wharf; VISA, Paddington Central; King's Academy, Middlesbrough; HMP Services at Preston and Coldingley; Westgate House, Leeds; Bannatyne Leisure, Wakefield and 2 new supermarkets for Waitrose at Kingsthorpe and Portishead.

Looking at the longer term, projects commencing later in the year which will carry through into 2004 include HM Treasury, East; 199 Knightsbridge, London SW1; Peter Jones, Sloane Square and Wellcome Trust, Euston Road.

## Strategic Review

The company's strategy is to grow the scale of the business organically, where possible, and by acquisition where desirable. We have progressed well in delivering this strategy through our recent acquisitions and we now have a broad platform from which we can pursue organic sector growth in infrastructure, and public sector work in health, education and regeneration projects. We anticipate that an increasing proportion of our workload will derive from these sectors.

We are seeking a larger acquisition to complement our strategy but only if the business meets our strict criteria.

An opportunity, if it were to arise, must 'fit' with our core business, have a strong brand, good key management and long term prospects.

## Staff Development

The effort the company puts into training and staff development is well recognised throughout the industry, and in particular by our clients and trade unions.

## Chairman's Statement continued

Health and safety is of paramount importance and in 2001 a commitment was given by the Major Contractors Group, supported by the government to provide a fully competent and qualified workforce by January 2004.

Part of this initiative is to ensure that all operatives receive training under the construction skill certification scheme and to be holders of the CSCS card.

In November 2002 we became a licensed assessor and commenced our programme to internally train all our engineering staff and operatives to meet these objectives.

Our apprentice intake is being maintained; several excelled during the year and received industry awards.

The investment the company makes is more than matched by its staff. Our congratulations to them and thanks to all for their commitment to the aims and goals of the company. We continue to focus much of our efforts on this area as we are keen to retain our staff and develop their skills yet further.

### **Prospects**

The Group has been operating in buoyant markets and we have taken advantage of these markets and grown the scale and capabilities of the Group considerably. As already indicated, in the last few months, there is some evidence of order deferral and cancellation, particularly with respect to larger commercial projects in the South-East. This is likely to mean that our record of steady progress in turnover and profits will be broken this year. However, we anticipate winning a good share of the available work and, coupled with our regional presence, I would regard the current year as representing only a temporary break in our progress. We also derive considerable comfort from the strength of our balance sheet, which we see being sustained during the current year. In fact the Board is confident that during the current market conditions, opportunities will arise that will contribute to the ongoing growth of the Group.

I would like to pay particular credit to my executive colleagues, led by Pat Stanborough, and all the staff for their dedication and commitment which has enabled the Group to achieve such outstanding results. The contributions of Michael Fairman and Barry DeFalco have been recognised by their appointment as Joint Managing Directors, reporting to Pat Stanborough as Chief Executive. We also welcome to the Board at the conclusion of the AGM Mark Lawrence, one of our Technical Directors, and we look forward to his wider contribution to our deliberations.

2003 will be a demanding year for the Group, but I have no doubt that our team will rise to the challenge and once again produce a quality service to our many valued clients and a satisfactory return for our shareholders.

6th March 2003

R.J.Race  
Chairman

# Report of the directors

The directors present their annual report and the audited financial statements of the group for the year ended 31st December 2002.

## Activities and business review

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

A review of the group's trading activities is included in the chairman's statement on page 4.

## Results and dividends

The consolidated profit after taxation, for the year amounted to £7,183,622 (2001: £5,617,432). The group profit and loss account appears on page 14.

An interim dividend in respect of the current year of 7 pence per share was paid on the 16th September 2002.

Your directors recommend payment of a final dividend for the year ended 31st December 2002, of 18p pence per share, payable, subject to members' approval, on the 6th May 2003. Shares will go ex-dividend on the 9th April 2003 and records will close on the 11th April 2003.

Movements on reserves are shown in note 17 to the financial statements.

## Directors and their interests

The present membership of the board is set out on page 1.

Mr. J.M. Daly was appointed director on 3rd May 2002.

This year Mr. B.J. Buchanan will retire, by rotation, in accordance with the company's articles of association and being eligible will offer himself for re-election. Mr. B.J. Buchanan's service agreement with T. Clarke (Midlands) Ltd. expires on 31st October 2003 and may be determined thereafter by 12 calendar months prior notice in writing.

Directors' interests in the issued share capital of T. Clarke plc are shown below:-

Beneficial interests	T. Clarke plc ordinary shares		
	1.1.2002	31.12.2002	6.3.2003
Patrick E. Stanborough	143,218	143,218	143,218
John H. Nixon	118,125	118,125	118,125
Barry J. Buchanan	50,202	50,000	50,000
Leonard M. Fairman	37,000	37,000	37,000
Barry V. DeFalco	27,000	27,000	27,000
Leonard J. Arnold	7,000	7,000	7,000
Russell J. Race	2,000	2,000	2,000
John M. Daly (at date of appointment)	5,256	5,256	5,256

Save for an interest in service agreements, none of which extends beyond a one year term, and which are then subject to 12 months prior written notice the directors have no material interest in any contract of significance which would have required disclosure under the continuing obligations of the Financial Services Authority 'Listing Rules'. Neither have they any beneficial interest in the issued share capital of the subsidiary companies.

## Substantial shareholdings

The company has been advised of the following substantial interests (3%+) in its issued ordinary share capital:-

	Number Ordinary Shares	% of issued Ordinary Share Capital
Framlington Investment Management Ltd.	1,870,000	14.59
ABN Amro Asset Management	885,000	6.90
Legal & General Investment Management	385,185	3.00

## Tangible fixed assets

It is the board's opinion that the current open market value of the group's interest in freehold land and buildings is not less than the book value.

## Company status

So far as the directors are aware T. Clarke plc is not a close company for taxation purposes.

## Donations

The group's contribution to charities during the year amounted to £10,177 (2001: £6,935).

# Report of the directors continued

## **Stock exchange transactions**

Members are advised that trading in the company's equity is conducted via the Stock Exchange Automatic Quotation Service ('SEAQ'). For further information we would refer you to our corporate broker Arbuthnot Securities Limited (020 7002 4600). The daily price of company shares continues to be listed in the Financial Times under the construction sector.

## **Capital gains tax reform**

At 31st March 1982, (the rebasing date for capital gains tax purposes) the adjusted middle market price of T. Clarke plc 10 pence ordinary shares was 16.4 pence per share (adjusted by virtue of the 1990 capitalisation issue). Indexation allowance is available from the date of acquisition or 31st March 1982 (whichever is the later) until 6th April 1998 at which date indexation ceases. A form of taper relief then applies and shareholders are advised to seek professional advice in regard thereto.

## **Disabled employees**

The group recognises its obligation towards employment of disabled persons and gives full and fair consideration to suitable applicants.

Opportunities exist within the group, for staff employees of the group companies who may become disabled, either to continue in their employment or to be retrained for other suitable positions.

It is group policy that training, career development and promotion, of disabled employees should as far as possible be identical to that of other employees.

## **Employee consultation**

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

## **Payments to suppliers**

The group agrees payment terms with its suppliers when it enters into binding purchase contracts and seeks to abide by the payment terms agreed with suppliers whenever it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. The group does not follow any standard or code which deals specifically with the payment of suppliers. At 31st December 2002 the company's trade creditors represented 99 days of annual purchases.

## **Auditors**

A resolution for the re-appointment of Moore Stephens, Chartered Accountants, as auditors will be proposed at the annual general meeting.

## **Statement of Directors' Responsibilities**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and group as at the end of the financial year and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and group and enable them to ensure that the financial statements comply with the Companies Act. They are also responsible for safeguarding the assets of the company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Stanhope House,  
116-118 Walworth Road  
London, SE17 1JY

6th March 2003

By order of the board

J. M. DALY

Secretary

# Directors' remuneration report

## Introduction

This report is submitted in accordance with the Directors' Remuneration Report Regulations 2002 in respect of the year ended 31<sup>st</sup> December 2002.

The remuneration committee consists of the independent non-executive directors Messrs. Race & Arnold. Proposed remuneration packages are submitted to them by the Chief Executive and their recommendations are voted on by the Board as a whole.

## Executive Directors

### Objective

The objective is to develop remuneration packages, which enable the Company to attract and retain Executive Directors and Senior Managers of the necessary calibre and experience to manage the Company successfully. Such packages include incentives designed to motivate the individuals to perform at the highest level and to advance the interests of the shareholders.

### Basic Salary

Salaries are reviewed annually and any increase has effect from 1<sup>st</sup> January. In determining the appropriate level of salary and other benefits, the Committee considers the abilities, experience and responsibilities of the individual and the need to attract, retain and motivate persons of the required quality without paying more than is necessary for that purpose. The Committee does give consideration to comparative information for companies of a similar size in the same industry sector.

### Benefits

These consist of private medical insurance and the provision of a fully expensed motor vehicle of a suitable type or the payment of a motor vehicle allowance.

### Pensions

The Company operates a defined benefit pension scheme (see note 24 to the accounts) of which all the Executive Directors' are members. Executive Directors bonuses (averaged) are pensionable under the rules of the Group pension scheme, which is considered appropriate in the circumstances as a substantial proportion of the remuneration package is related to performance.

The Company contribution is 14% of pensionable salary to the scheme and the individual director contributes 7%. Details of the accrued pension benefits are shown in the table below.

The pension scheme includes a life insurance benefit of up to four times pensionable salary.

### Annual Bonuses

Executive Directors are eligible for a performance related remuneration, which is based on the Group profit on ordinary activities before taxation. A percentage of the adjusted profits above, a reference level, is paid to each director. The reference level for the year to 31<sup>st</sup> December 2002 for all the Executive Directors except Mr. Daly was £4,000,000; for Mr. Daly the reference level was £5,000,000.

The reference level for 2003 has been raised to £6,000,000.

### Options

The Company does not currently operate any share option schemes.

## Non-Executive Directors

Fees payable to the Non-Executive Directors are determined by the Board. Neither of the independent Non-Executive Directors are entitled to any other benefits or bonuses or to membership of the group pension scheme, however, Mr. Nixon is entitled to a pension in respect of his previous service as an executive in the Group but is not entitled to any other benefit.

## Directors' Notice Periods

The Service Contracts for the Executive Directors are terminable by either party with 12 months notice.

All the Non-Executive Directors are elected for a period of office as determined by the Articles of Association, which does not confer any period of notice on either party.

## Directors' remuneration report continued

The figures for the directors for 2002 were as follows:

	Service Contract Expiry date	Salary and fees £	Bonus £	Benefits in kind £	Total £	2001 Total £
P. E. Stanborough	31.10.2003	128,000	96,000	16,311	240,311	206,563
L. M. Fairman	31.10.2003	100,000	77,000	15,986	192,986	161,370
B. J. Buchanan	31.10.2003	100,000	77,000	16,497	193,497	159,363
B. V. DeFalco	31.10.2003	100,000	77,000	16,032	193,032	161,132
J.M. Daly	31.10.2003	60,000	45,000	6,349	111,349	-
J. H. Nixon	-	18,000	-	-	18,000	18,000
R. J. Race	-	30,000	-	-	30,000	24,000
L. J. D. Arnold	-	22,000	-	-	22,000	20,000
R. H. Wyborn (resigned)	-	-	-	-	-	54,630
		558,000	372,000	71,175	1,001,175	805,058

In accordance with the rules of the T. Clarke Group Retirement & Death Benefits Scheme, pensionable salaries of participating directors include basic salaries and averaged bonuses. Details of the accrued pension benefits that they would be entitled to on leaving service are as follows:

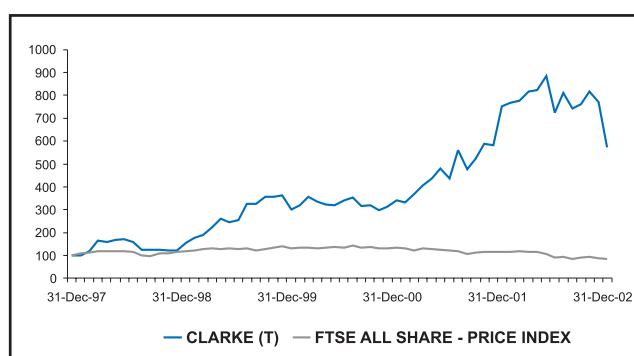
	Transfer value of increase in year of pension benefits at 31.12.2002 £	Accumulated total accrued pension at 31.12.2002 £	Increase in accrued pension during the year £
P. E. Stanborough	103,568	93,296	14,445
L. M. Fairman	17,266	31,115	5,902
B. J. Buchanan	45,734	60,414	9,025
B. V. DeFalco	24,367	28,601	6,184
J.M. Daly	2,481	1,934	589

The transfer values above are stated net of employee contributions.

### Performance Graph

The graph shows the total shareholder return that would have been obtained over the last five years by investing £100 in shares of T. Clarke plc on 31<sup>st</sup> December 1997, and £100 in a notional investment in the FTSE All-Share Index on the same date. In both cases it has been assumed that all income has been reinvested.

The FTSE All-Share Index is considered to be the most appropriate broad equity market index to use as a comparison, given the market capitalisation of T. Clarke plc.



Stanhope House,  
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6th March 2003

By order of the board

J. M. DALY

Secretary

# Corporate Governance

## Directors' Statements

### (a) Application of principles

The directors continue to embrace the principles contained in the Combined Code ("the Code") applicable to listed companies, in formulating and applying the company's corporate governance policies. These policies are monitored to ensure that they are appropriate to the company's circumstances and comply as far as possible with the provisions of the Code.

The company is managed by a board of directors, both executive and non-executive, who have the necessary skills and experience to effectively operate and control the business conducted by the group. Of the seven company board members, four are non-executive of whom two (Messrs. Nixon and Buchanan) are subsidiary company directors and two are wholly independent.

Management information systems are in place to enable the directors to make informed decisions to discharge their duties properly. As the business develops, the composition of the board is reviewed to ensure that it is appropriate to the managerial requirements of the group. Although the company has no nomination committee, each director is able to propose new directors to the board, for the board's decision. All directors retire at the first Annual General Meeting after appointment and save for the executive directors, annually thereafter in rotation in accordance with the company's articles of association, allowing the shareholders to decide on the election of their company's board.

As detailed in the report of the directors the company has several institutional shareholders and is, where practicable, willing to enter into a dialogue with them. The board has always invited communication from its private investors and encouraged participation by them at the Annual General Meeting. All board members present at the AGM are available to answer questions from shareholders. Notice of the AGM in excess of 20 working days is given and the business of the meeting conducted with separate resolutions, voted on initially by a show of hands with the result of the voting being indicated.

The Chairman's Statement included with these reports and accounts gives the board's current assessment of the company's and group's position and prospects. The directors are responsible for preparing the accounts as set out in the directors' report. The responsibilities of the auditors are set out in their report.

### (b) Internal control

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

The board is of the view that there is an ongoing process for identifying, evaluating and managing the group's significant risks, that it has been in place for the year ended 31st December 2002 and up to the date of approval of the annual report and accounts, that it is regularly reviewed by the board and that it accords with the internal control guidance for directors on the Combined Code (Turnbull guidance).

The internal control procedures are delegated to executive directors, technical directors and senior management in the group, operating within a clearly defined departmental structure. Each department assesses the level of authorisation appropriate to its decision making process after evaluation of potential benefits and risks. Monthly progress on contracts is monitored formally by the board.

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

During the year the audit committee has reviewed the interim and annual accounts and has met twice, the external auditors being in attendance on both occasions. The duties of the committee include ensuring that the auditors provide a cost effective service to the company and remain objective and independent and considering from time to time the need for an internal audit function.

The board's agenda includes a regular item for consideration of risk and control and receives reports thereon from the Engineering Executive Meeting, which takes place quarterly and which is chaired by a member of the board. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its meeting on 6th March 2003 the board carried out the annual assessment of the year ended 31st December 2002 by considering

## Corporate Governance continued

documentation from the audit committee and reviewing the need for an internal audit function.

### **(c) Statement of compliance**

The company has complied with those provisions of the Code applied, as explained in section (a) above, throughout the year to 31st December 2002.

The company has not complied with the following provisions of Section 1 of the Code:

- A.5.1 With a relatively small board, it is not deemed necessary to establish a nomination committee at this time. As explained in section (a) above, recommendation for any new directors' appointment can be made for consideration by the board as a whole.
- A.6 As stated in section (a) above, executive directors are not subject to retirement by rotation.
- B.1.6/B.3.3 The remuneration committee, comprised of the independent non-executive directors, Messrs. Race and Arnold, and the board as a whole, follow the provisions of Schedules A and B in designing Performance Related Remuneration and disclosing relevant information in the Remuneration Report. Executive directors' bonuses are pensionable, under the rules of the group pension scheme, which is considered appropriate in the circumstances as a substantial proportion of the remuneration package is related to performance.
- D.3.1 The audit committee comprises the two independent non-executive directors.

### **(e) Going concern**

After making enquiries the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

### **(f) Directors' remuneration**

Details of directors' remuneration have been provided in the directors' remuneration report.

# Independent auditor's report

## to the shareholders of T. Clarke plc

We have audited the financial statements of T. Clarke plc for the year ended 31st December 2002 set out on pages 14 to 33. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on page 16. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company and other members of the group is not disclosed.

We review whether the Corporate Governance Statement reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report, the unaudited part of the Directors' Remuneration Report, Chairman's Statement, Corporate Governance Statement and the Five Year Record. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### **Basis of audit opinion**

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

# Independent auditor's report continued

## to the shareholders of T. Clarke plc

### **Opinion**

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the company and the group as at 31st December 2002 and of the group's profit for the year then ended; and
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985.

St. Paul's House,  
Warwick Lane,  
London, EC4P 4BN.  
6th March 2003

MOORE STEPHENS  
Chartered Accountants  
Registered Auditor

# Group profit and loss account

for the year ended 31st December 2002

	Notes		2002	2001	
		Acquisitions	Continuing Operations £ Total	£ Total	
<b>Turnover</b>	1(e)	5,496,712	138,493,611	143,990,323	131,795,328
<b>Cost of sales</b>		4,299,824	118,205,478	122,505,302	114,830,966
<b>Gross profit</b>		1,196,888	20,288,133	21,485,021	16,964,362
<b>Administrative expenses</b>		1,029,626	10,273,761	11,303,387	9,104,028
<b>Operating profit</b>	4	167,262	10,014,372	10,181,634	7,860,334
<b>Interest receivable (net)</b>	3			614,806	564,352
<b>Profit on ordinary activities before taxation</b>				10,796,440	8,424,686
<b>Taxation on profit on ordinary activities</b>	6			3,612,818	2,807,254
<b>Profit on ordinary activities after taxation</b>				7,183,622	5,617,432
<b>Dividends</b>	7			3,204,745	3,845,694
<b>Profit for the financial year</b>	17			3,978,877	1,771,738
<b>Earnings per share</b>	8			56.04 pence	43.82 pence

In 2001 and 2002 the group had no recognised gains or losses other than the result for the financial year.

# Group balance sheet

at 31st December 2002

	Notes	2002 £	2001 £
<b>Fixed assets</b>			
Goodwill	9	4,158,645	2,554,645
Tangible assets	10	3,297,857	2,404,180
		<u>7,456,502</u>	<u>4,958,825</u>
<b>Deferred taxation</b>	15	25,461	48,877
<b>Current assets</b>			
Work in progress	12	4,594,849	5,320,421
Debtors	13	15,598,865	15,548,121
Cash at bank and in hand		24,930,060	16,439,833
		<u>45,123,774</u>	<u>37,308,375</u>
<b>Creditors, amounts falling due within one year</b>	14	(35,601,036)	(29,303,301)
<b>Net current assets</b>		<u>9,522,738</u>	<u>8,005,074</u>
<b>Total assets less current liabilities</b>		17,004,701	13,012,776
<b>Creditors, amounts falling due after more than one year</b>	14	(13,048)	-
		<u>16,991,653</u>	<u>13,012,776</u>
<b>Capital and reserves</b>			
Called up equity share capital	16	1,281,898	1,281,898
Share premium	17	1,046,602	1,046,602
Revaluation reserve	17	37,303	38,634
Profit and loss account	17	14,625,850	10,645,642
		<u>16,991,653</u>	<u>13,012,776</u>
Equity Shareholders' funds	19	<u>16,991,653</u>	<u>13,012,776</u>

These financial statements were approved by the board on 6th March 2003

P.E. STANBOROUGH     )  
                                          )  
R. J. RACE                ) Directors

# Company balance sheet

at 31st December 2002

	Notes	2002 £	2001 £
<b>Fixed assets</b>			
Tangible assets	10	178,657	143,104
Investments	11	7,603,686	3,825,197
		<u>7,782,343</u>	<u>3,968,301</u>
<b>Deferred taxation</b>	15	43,000	43,000
<b>Current assets</b>			
Work in progress	12	2,875,307	3,942,195
Debtors	13	11,184,936	12,053,748
Cash at bank and in hand		22,003,600	15,005,400
		<u>36,063,843</u>	<u>31,001,343</u>
<b>Creditors, amounts falling due within one year</b>	14	(28,011,031)	(23,230,181)
<b>Net current assets</b>		<u>8,052,812</u>	<u>7,771,162</u>
<b>Total assets less current liabilities</b>		15,878,155	11,782,463
<b>Creditors, amounts falling due after more than one year</b>	14	-	-
		<u>15,878,155</u>	<u>11,782,463</u>
<b>Capital and reserves</b>			
Called up equity share capital	16	1,281,898	1,281,898
Share premium	17	1,046,602	1,046,602
Profit and loss account	17	13,549,655	9,453,963
		<u>15,878,155</u>	<u>11,782,463</u>
Equity Shareholders' funds		<u>15,878,155</u>	<u>11,782,463</u>

These financial statements were approved by the board on 6th March 2003

P.E. STANBOROUGH     )  
                                  ) Directors  
R. J. RACE             )

# Group cash flow statement

for the year ended 31st December 2002

	Notes	2002		2001	
		£	£	£	£
<b>Net cash inflow from operating activities</b>	20		18,760,375		9,712,907
<b>Returns on investments and servicing of finance</b>					
Interest received		711,279		670,727	
Interest paid		(96,473)		(106,375)	
<b>Net cash inflow from returns on investments and servicing of finance</b>			614,806		564,352
<b>Taxation</b>					
UK corporation tax paid			(3,464,994)		(2,067,287)
<b>Capital expenditure and financial investment</b>					
Purchase of tangible fixed assets		(892,594)		(292,933)	
Sale of tangible fixed assets		89,555		99,014	
<b>Net cash outflow from capital expenditure and financial investment</b>			(803,039)		(193,919)
<b>Acquisitions and disposals</b>					
Purchase of subsidiaries		(2,668,592)		(2,150,000)	
Net cash acquired with subsidiaries		1,178,615		1,606,811	
			(1,489,977)		(543,189)
<b>Equity dividends paid</b>			(2,820,176)		(3,422,668)
<b>Cash inflow before use of liquid resources</b>			10,796,995		4,050,196
<b>Management of liquid resources</b>					
Cash placed on short term deposits		(22,802,492)		(15,000,000)	
Cash received from short term deposits		15,000,000		9,800,000	
<b>Net cash outflow from management of liquid resources</b>			(7,802,492)		(5,200,000)
Increase/(decrease) in cash in the year before financing			2,994,503		(1,149,804)
<b>Financing</b>					
Finance lease payments		(8,739)	-	(59,000)	
Repayment of loan notes		(1,478,500)		-	
			(1,487,239)		(59,000)
<b>Increase/(decrease) in cash in the year</b>	21		1,507,264		(1,208,804)

# Notes to the financial statements

for the year ended 31st December 2002

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## Note 1 Accounting policies

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(a) Basis of consolidation

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and in accordance with applicable accounting standards. They comprise the accounts of T. Clarke plc and all its subsidiaries made up to 31st December 2002.

(b) Work in progress

Short term work in progress is valued at prime cost plus overheads. Full provision is made for losses to completion but no account is taken of claims receivable until agreed.

Long term work in progress is valued at prime cost with an addition for overheads and a prudent proportion of the estimated profit attributable to work carried out to date. The earliest point at which profit has been taken is that at which the outcome of the contract, based on an assessment by the officials of the company, can be reliably foreseen taking into account the circumstances of each contract. Full provision is made for losses to completion but no account is taken of claims receivable until agreed.

(c) Depreciation

Depreciation is calculated on a straight line basis using the following rates:-

Freehold buildings	2%	Plant and machinery	10%-20%
Improvements to property	10%	Motor vehicles	25%

The freehold building was last valued in 1981. The group has followed the transitional provisions of FRS 15 and has not updated this valuation.

(d) Deferred taxation

Provision is made at current rates for taxation deferred as a result of all timing differences between the recognition of items in the financial statements and in the tax computations.

(e) Turnover

Turnover represents the value of work done and goods invoiced during the year and is stated net of value added tax.

(f) Acquisitions

Positive purchased goodwill is capitalised and classified as an asset on the balance sheet. Amortisation is calculated to write off the capitalised goodwill in equal instalments over a period no greater than 20 years. Goodwill is reviewed for impairment following the first full year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying values may not be recoverable. Where the directors consider the initial value of the acquisition to be negligible, the goodwill arising is written off to profit and loss account immediately. Trading results of acquired subsidiary undertakings are included from the date of acquisition.

(g) Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives.

The interest element of the rental obligation is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

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## Note 2 Segmental analysis

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All turnover, profit and net assets relate to continuing activities, being mechanical and electrical contracting, and are entirely generated in the UK.

# Notes continued

for the year ended 31st December 2002

## Note 3 Interest

	2002	2001
	£	£
Bank interest receivable	711,279	670,727
Interest payable		
Bank overdraft	19,337	14,400
Finance lease	1,737	3,265
Other	75,399	88,710
	<u>96,473</u>	<u>106,375</u>
	<u>614,806</u>	<u>564,352</u>

## Note 4 Operating profit

Operating profit is stated after charging / (crediting):-	2002	2001
	£	£
Depreciation of tangible fixed assets	385,071	287,101
Amortisation of goodwill (note 9)	500,000	240,000
Auditors' remuneration -Moore Stephens audit fee	51,000	44,000
-non-audit fees	53,475	44,550
-other group company auditors	47,712	20,701
Operating lease charges -land and buildings	74,132	40,500
-plant, machinery and vehicles	272,993	185,700
Acquisition costs	187,947	110,747
Rent receivable	(57,132)	(57,132)
	<u>                    </u>	<u>                    </u>

## Note 5 Directors and employees

### Directors' emoluments

Staff costs include the following emoluments in respect of the qualifying service of directors of the company:-

	2002	2001
	£	£
Emoluments	930,000	748,583
	<u>930,000</u>	<u>748,583</u>

The directors (other than the independent non-executive directors) also receive company cars and medical insurance, the taxable benefits of which amount to £71,175 (2001 £56,475).

The number of directors to whom retirement benefits are accruing under a defined benefit scheme is five. There are no accrued lump sum benefits.

The disclosures in the directors' remuneration report on page 9 form part of these financial statements.

# Notes continued

for the year ended 31st December 2002

## Note 5 Directors and employees (continued)

	2002 £	2001 £
<b>Staff costs</b>		
Staff costs during the year were as follows:-		
Wages and salaries	39,290,051	33,870,981
Social security costs	3,452,963	3,276,154
Other pension costs (note 24)	1,051,419	1,099,364
	<u>43,794,433</u>	<u>38,246,499</u>
Average number of employees - staff	173	142
- operatives	1040	933
	<u>1213</u>	<u>1075</u>

## Note 6 Taxation on ordinary activities

	2002 £	2001 £
<b>(a) Tax on profit on ordinary activities</b>		
United Kingdom corporation tax based on the profit for the year as adjusted for taxation purposes	3,506,314	2,808,594
Deferred taxation	106,504	-
	<u>3,612,818</u>	<u>2,808,594</u>
Prior year adjustments of which £(Nil) (2001 £(Nil)) relates to deferred taxation	-	(1,340)
	<u>3,612,818</u>	<u>2,807,254</u>

### (b) Tax reconciliation

The tax assessed for the year is higher than the standard rate of UK taxation applicable to the group of 30% (2001-30%). The differences are explained below:-

	2002 £	2001 £
Profit on ordinary activities before taxation	<u>10,796,440</u>	<u>8,424,686</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2001-30%)	3,238,932	2,527,406
Expenses not deductible for tax purposes	263,454	261,592
Accelerated capital allowances	3,928	19,840
Current tax charge for the year	<u>3,506,314</u>	<u>2,808,838</u>

# Notes continued

for the year ended 31st December 2002

## Note 7 Dividends

	2002 £	2001 £
On the ordinary shares:		
Paid-interim dividend of 7p (2001 5p) per share	897,329	640,949
Paid-special dividend of Nil (2001 10p) per share	-	1,281,898
Final dividend of 18p (2001 15p) per share	2,307,416	1,922,847
	<u>3,204,745</u>	<u>3,845,694</u>

## Note 8 Earnings per share

The earnings per share represents the profit for the year on ordinary activities after taxation divided by the weighted average number of ordinary shares in issue. The number of ordinary shares for the purpose of this calculation is 12,818,980 (2001-12,818,980).

## Note 9 Goodwill

	2002 £	2001 £
Cost		
At 1st January 2002	2,889,645	1,900,000
Arising on acquisition (note 18 )	2,104,000	989,645
	<u>4,993,645</u>	<u>2,889,645</u>
At 31st December 2002		
Amortisation		
At 1st January 2002	335,000	95,000
Charge for the year	500,000	240,000
	<u>835,000</u>	<u>335,000</u>
At 31st December 2002		
Net book value		
At 31st December 2002	<u>4,158,645</u>	<u>2,554,645</u>

Goodwill arising on acquisitions is amortised over a period of 10 years from the date of acquisition. The directors consider this to be a reasonable basis given the nature of the industry.

## Note 10 Tangible fixed assets

Group	Freehold properties £	Plant, machinery and vehicles £	Total £
Cost or valuation			
At 1st January 2002	2,492,484	2,596,558	5,089,042
Additions	443,200	449,394	892,594
Arising on acquisition	298,284	539,487	837,771
Disposals and items scrapped	-	(548,714)	(548,714)
	<u>3,233,968</u>	<u>3,036,725</u>	<u>6,270,693</u>
At 31st December 2002			
Depreciation			
At 1st January 2002	605,845	2,079,017	2,684,862
Charge for the year	59,576	325,495	385,071
Arising on acquisition	22,167	363,072	385,239
Disposals and items scrapped	-	(482,336)	(482,336)
	<u>687,588</u>	<u>2,285,248</u>	<u>2,972,836</u>
At 31st December 2002			

# Notes continued

for the year ended 31st December 2002

## Note 10 Tangible fixed assets (continued)

<b>Group (continued)</b>	Freehold properties £	Plant, machinery and vehicles £	Total £
Net book value At 31st December 2002	2,546,380	751,477	3,297,857
Net book value At 31st December 2001	1,886,639	517,541	2,404,180
Cost or valuation at 31st December 2002 is represented by:-			
At cost	2,446,380	751,477	3,197,857
At valuation 1981	100,000	-	100,000
	2,546,380	751,477	3,297,857
<b>Company</b>			
Cost			
At 1st January 2002	-	589,764	589,764
Additions	-	140,908	140,908
Disposals and items scrapped	-	(182,523)	(182,523)
At 31st December 2002	-	548,149	548,149
Depreciation			
At 1st January 2002	-	446,660	446,660
Charge for the year	-	91,180	91,180
Disposals and items scrapped	-	(168,348)	(168,348)
At 31st December 2002	-	369,492	369,492
Net book value At 31st December 2002	-	178,657	178,657
Net book value At 31st December 2001	-	143,104	143,104

The net book value of group plant, machinery and vehicles includes an amount of £20,457(2001 £nil) in respect of assets held under finance leases and hire purchase contracts. Depreciation of £8,932 (2001 £nil) was charged during the year on assets held under finance leases and hire purchase contracts.

	2002 £	Group 2001 £
If freehold properties had not been revalued they would have been included at the following amounts:-		
Cost	2,724,762	2,426,478
Accumulated depreciation	629,649	578,473
	2,095,113	1,848,005

# Notes continued

for the year ended 31st December 2002

## Note 11 Fixed asset investments

Investments in subsidiaries comprise:-	Company	
	2002 £	2001 £
Cost		
At 1st January 2002	4,397,060	3,247,060
Additions (note 18)	3,778,489	1,150,000
	<hr/>	<hr/>
At 31st December 2002	8,175,549	4,397,060
	<hr/>	<hr/>
Amounts written off		
At 1st January 2002 and 31st December 2002	571,863	571,863
	<hr/>	<hr/>
Net book value		
At 31st December 2002	7,603,686	3,825,197
	<hr/> <hr/>	<hr/> <hr/>

## Note 12 Work in progress

Contract work in progress comprises:-	Group		Company	
	2002 £	2001 £	2002 £	2001 £
Cost plus attributable overheads less provision for losses	25,994,204	21,876,685	18,060,281	14,155,350
Less: payments on account	(21,399,355)	(16,556,264)	(15,184,974)	(10,213,155)
	<hr/>	<hr/>	<hr/>	<hr/>
	4,594,849	5,320,421	2,875,307	3,942,195
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

## Note 13 Debtors

Group	Amounts falling due within one year		Amounts falling due after more than one year	
	2002 £	2001 £	2002 £	2001 £
Amounts recoverable on contracts	6,817,593	8,116,509	-	-
Trade debtors	7,933,404	7,066,876	-	-
Other debtors	58,956	25,657	-	-
Prepayments and accrued income	788,912	339,079	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	15,598,865	15,548,121	-	-
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

# Notes continued

for the year ended 31st December 2002

## Note 13 Debtors (continued)

	Amounts falling due within one year		Amounts falling due after more than one year	
	2002 £	2001 £	2002 £	2001 £
<b>Company</b>				
Amounts recoverable on contracts	5,503,641	7,557,164	-	-
Trade debtors	2,272,044	2,081,869	-	-
Owed by group companies	2,734,880	137,041	2,000,000	2,000,000
Other debtors	11,477	10,540	-	-
Prepayments and accrued income	662,894	267,134	-	-
	<u>11,184,936</u>	<u>10,053,748</u>	<u>2,000,000</u>	<u>2,000,000</u>

Included above are retentions on contracts in the normal course of business as follows; group £6,781,406 (2001 £5,037,523); company £5,109,626, (2001 £4,438,926).

## Note 14 Creditors

	Amounts falling due within one year		Amounts falling due after more than one year	
	2002 £	2001 £	2002 £	2001 £
<b>Group</b>				
Bank overdrafts (note 22)	2,633,104	3,452,633	-	-
Loan notes	1,109,897	1,478,500	-	-
Payments received on account	1,024,202	1,344,558	-	-
Trade creditors	22,066,349	15,491,490	-	-
Dividends payable	2,307,416	1,922,847	-	-
Corporation tax	2,379,579	2,098,937	-	-
Other taxation and social security payable	2,401,940	2,583,989	-	-
Obligations under Hire Purchase contracts (note 25)	8,157	-	13,048	-
Accruals and deferred income	1,670,392	930,347	-	-
	<u>35,601,036</u>	<u>29,303,301</u>	<u>13,048</u>	<u>-</u>

# Notes continued

for the year ended 31st December 2002

## Note 14 Creditors (continued)

Company	Amounts falling due within one year		Amounts falling due after more than one year	
	2002 £	2001 £	2002 £	2001 £
Bank overdraft	2,500,491	3,166,493	-	-
Loan notes	1,109,897	1,478,500	-	-
Payments received on account	292,827	637,006	-	-
Trade creditors	15,436,892	10,939,447	-	-
Owed to group companies	2,437,986	990,242	-	-
Dividends payable	2,307,416	1,922,847	-	-
Corporation tax	1,920,377	1,580,827	-	-
Other taxation and social security payable	1,084,866	1,881,090	-	-
Accruals and deferred income	920,279	633,729	-	-
	<u>28,011,031</u>	<u>23,230,181</u>	<u>-</u>	<u>-</u>

The loan notes carry interest at 3% per annum and were fully repaid on 11th February 2003.

## Note 15 Deferred taxation

	Group		Company	
	2002 £	2001 £	2002 £	2001 £
Balance at 1st January 2002	48,877	49,000	43,000	43,000
Transfer on acquisition (note 18)	83,088	(123)	-	-
Transfer from profit and loss account	(106,504)	-	-	-
Balance at 31st December 2002	<u>25,461</u>	<u>48,877</u>	<u>43,000</u>	<u>43,000</u>
<b>Being:</b>				
Excess of depreciation over capital allowances	<u>25,461</u>	<u>48,877</u>	<u>43,000</u>	<u>43,000</u>

The above represents the total potential asset to the group and the total potential asset to the company.

## Note 16 Called up equity share capital

	2002 Number	2001 Number	2002 £	2001 £
Authorised:				
ordinary shares of 10 pence each	<u>15,000,000</u>	<u>15,000,000</u>	<u>1,500,000</u>	<u>1,500,000</u>
Allotted called up and fully paid:				
ordinary shares of 10 pence each	<u>12,818,980</u>	<u>12,818,980</u>	<u>1,281,898</u>	<u>1,281,898</u>

All shares rank equally in respect of all shareholder rights.

# Notes continued

for the year ended 31st December 2002

## Note 17 Reserves

Group	Share premium £	Revaluation reserve £	Profit and loss account £
At 1st January 2002	1,046,602	38,634	10,645,642
Transfer	-	(1,331)	1,331
Profit for the financial year	-	-	3,978,877
At 31st December 2002	1,046,602	37,303	14,625,850
<b>Company</b>			
At 1st January 2002	1,046,602	-	9,453,963
Profit for the financial year	-	-	7,300,437
At 31st December 2002	1,046,602	-	16,754,400

The company has taken advantage of the exemption conferred by section 230 of the Companies Act 1985 from presenting its own profit and loss account. Profit after taxation amounting to £7,300,437 (2001 - profit £5,660,346) has been included in the financial statements of the holding company. Goodwill of £394,136 (2001 £394,136) arising on acquisitions prior to 1st January 1998, has been eliminated against reserves. Prior to the implementation of Financial Reporting Standard 10 acquired goodwill was written off against reserves. On subsequent disposal of the businesses to which this relates, this goodwill will be charged to the profit and loss account.

## Note 18 Acquisitions

On 11th January 2002 the group acquired the entire issued share capital of GDI Electrical Limited. The book and fair value of the consideration and net assets acquired comprised:

	Net book value £	Fair value adjustment £	Fair value £
Fixed assets	81,696	-	81,696
Stock	10,000	-	10,000
Debtors	431,247	-	431,247
Cash at bank and in hand	422,219	-	422,219
Creditors	(180,020)	-	(180,020)
Corporation tax payable	(150,058)	-	(150,058)
Obligations under finance leases	(18,356)	-	(18,356)
Deferred taxation	-	86,765	86,765
	596,728	86,765	683,493
Purchased goodwill (note 9)			850,000
Total consideration in cash			1,533,493
<b>Consideration</b>			
Cash		423,596	
Loan notes		1,109,897	1,533,493

During the year GDI Electrical Limited contributed a cash inflow of £161,270 of the group's net operating cash flows and £4,164 of interest received.

## Notes continued

for the year ended 31st December 2002

### Note 18 Acquisitions (continued)

On 22nd April 2002 the group acquired the entire issued share capital of W. E. Manin & Co. Limited. The book and fair value of the consideration and net assets acquired comprised:

	Net book value £	Fair value adjustment £	Fair value £
Fixed assets	230,642	-	230,642
Stock	340,926	-	340,926
Debtors	211,041	-	211,041
Cash at bank and in hand	693,830	-	693,830
Creditors	(653,614)	-	(653,614)
Corporation tax payable	(46,227)	-	(46,227)
Obligations under finance leases	(5,598)	-	(5,598)
	<u>771,000</u>	<u>-</u>	<u>771,000</u>
Purchased goodwill (note 9)			779,000
Total consideration in cash			<u>1,550,000</u>

During the year W. E. Manin & Co. Limited contributed a cash outflow of £16,258 of the group's net operating cash flows and £13,353 of interest received.

On 2nd May 2002 the group acquired the entire issued share capital of Kestrel Electrical Systems Limited. The book and fair value of the consideration and net assets acquired comprised:

	Net book value £	Fair value adjustment £	Fair value £
Fixed assets	140,194	-	140,194
Stock	3,547	-	3,547
Debtors	124,942	-	124,942
Cash at bank and in hand	62,566	-	62,566
Creditors	(58,549)	-	(58,549)
Corporation tax payable	(43,038)	-	(43,038)
Obligations under finance leases	(5,989)	-	(5,989)
Deferred taxation	(3,677)	-	(3,677)
	<u>219,996</u>	<u>-</u>	<u>219,996</u>
Purchased goodwill (note 9)			475,000
Total consideration in cash			<u>694,996</u>

During the year Kestrel Electrical Systems Limited contributed a cash inflow of £36,871 of the group's net operating cash flows and £1,087 of interest received.

The group is currently carrying out a review of the fair value of the net assets acquired. It is not expected that there will be any material adjustments arising as a result of this review.

# Notes continued

for the year ended 31st December 2002

## Note 19 Movement in equity shareholders funds

	2002 £	2001 £
Profit for the year after taxation	7,183,622	5,617,432
Less dividend provided	3,204,745	3,845,694
	<u>3,978,877</u>	<u>1,771,738</u>
Net addition to equity shareholders funds	3,978,877	1,771,738
Opening equity shareholders funds	13,012,776	11,241,038
	<u>16,991,653</u>	<u>13,012,776</u>
Closing equity shareholders funds	16,991,653	13,012,776

## Note 20 Reconciliation of operating profit to Net Cash Inflow from operating activities

	2002 £	2001 £
Operating profit	10,181,634	7,860,334
Goodwill amortisation	500,000	240,000
Depreciation charges	385,071	287,101
Profit on sale of fixed assets	(23,177)	(7,168)
Increase/(decrease) in work in progress	1,319,250	(2,019,950)
Increase in debtors	716,486	2,602,938
Increase in creditors	5,681,111	749,652
	<u>18,760,375</u>	<u>9,712,907</u>
Net cash inflow from operating activities	18,760,375	9,712,907

## Note 21 Reconciliation of net cash flow to movement in net funds

	2002 £	2001 £
(Decrease)/increase in cash in the year	1,507,264	(1,208,804)
Capital element of finance lease payments	8,739	59,000
	<u>1,516,003</u>	<u>(1,149,804)</u>
Change in funds resulting from cashflows	1,516,003	(1,149,804)
Finance leases acquired (note 18)	(29,943)	-
New finance leases and hire purchase contracts	-	-
Increase in short term deposits in the year	7,802,492	5,200,000
	<u>9,288,552</u>	<u>4,050,196</u>
Movement in net funds	9,288,552	4,050,196
Net funds at 1st January 2002	12,987,200	8,937,004
	<u>22,275,752</u>	<u>12,987,200</u>
Net funds at 31st December 2002 (note 22)	22,275,752	12,987,200

# Notes continued

for the year ended 31st December 2002

## Note 22 Analysis of net funds

	Net funds 1.1.2002 £	Net cash flow £	Acquisition of subsidiary £	Other changes £	Net funds 31.12.2002 £
Cash deposits	15,000,000	7,802,492	-	-	22,802,492
Cash at bank and in hand	1,439,833	(490,880)	1,178,615	-	2,127,568
Bank overdraft	(3,452,633)	819,529	-	-	(2,633,104)
Finance leases and hire purchase contracts	-	8,739	(29,943)	-	(21,204)
	<u>12,987,200</u>	<u>8,139,880</u>	<u>1,148,672</u>	<u>-</u>	<u>22,275,752</u>

The group manages its funds by maintaining a portfolio of cash investments with major financial institutions. The terms of money market deposits range from overnight to six months so as to achieve appropriate liquidity whilst maximising low risk returns.

Net funds available to the group are classified as cash at bank where funds are available the next working day. At 31st December 2002 the group held deposits on terms up to thirteen days after the year end, at interest rates between 3.62% and 4.25% per annum.

Of the overdraft balance of £2,633,104, £316,292 related to an overdrawn bank account on which interest is charged at 1.25% above bank rate, and £2,316,812 to a balance overdrawn on a cash-book basis only.

Amounts have been paid into an escrow account in respect of a contract. The company has provided a bond in respect of the account balance. Funds are transferred from the account as work is agreed with the principal contractor. The amount outstanding at the year end was £6,653,218

## Note 23 Commitments

At 31st December 2002 the group had a capital commitment of £375,000 in respect of the purchase of a property from which one of the subsidiaries will operate.

## Note 24 Pension commitments

### Defined benefit scheme

The company operates a funded group pension scheme providing benefits based on final pensionable salary. The assets of the scheme are held separately from those of the participating companies, being mainly invested in an insurance contract. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The contributions are determined by an actuary on the basis of triennial valuations using the projected unit method with a 15 year control period.

The pension cost figures used in these accounts comply with the current pension cost accounting standard, Statement of Standard Accounting Practice 24 ("SSAP 24"). A new pension cost accounting standard, Financial Reporting Standard ("FRS 17"), has been issued. Under the transitional arrangements the company is required to disclose additional information about the scheme and the figures that would have been shown under FRS 17 within the profit and loss account and balance sheet. This additional information is given in a separate paragraph below.

# Notes continued

for the year ended 31st December 2002

## Note 24 Pension commitments (continued)

### SSAP 24 information

The most recent valuation was at 1st January 2001. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the rate of investment return would exceed the rate of salary increases by 1.5% with pensions and inflation increasing at a rate of 3% and 3.25% respectively.

The most recent independent actuarial valuation, which was undertaken on the projected unit basis showed that the market value of the scheme's assets was £10,068,000 and that the actuarial value of these assets represented 101% of the benefits that had accrued to members, after allowing for expected future increases in earnings, on the basis of the minimum funding requirement. The charge for the year was £708,595 (2001 £776,194). The participating companies are required to pay all premiums in respect of the insured death in service benefits. At 31st December 2002 creditors included £60,947 (2001 £22,057) in respect of unpaid pension contributions, relating to December 2002 and paid in January 2003.

With effect from 1st January 2002 the employer contribution rate increased from 10% to 14%.

### FRS 17 information

The actuarial valuation carried out at 1st January 2001 has been updated to 31st December 2002 by qualified independent actuaries. The financial assumptions used by the actuaries to calculate the schemes' liabilities were:

	2002	2001
Rate of increase in salaries	4.0%	4.0%
Rate of increase in pensions in payment	2.0%	2.3%
Discount rate	5.5%	5.8%
Inflation assumption	2.3%	2.6%

The assets in the scheme and the expected rate of return were:

	Expected return	2002 £,000	Expected return	2001 £,000
Cash Accumulation Policy	7.5%	6,497	7.5%	6,331
Unitised Funds	7.5%	495	7.5%	617
Immediate Annuities	5.5%	2,731	5.8%	2,700
Deferred Annuities	5.5%	1	5.6%	1
Total market value of assets		9,724		9,649
Present value of scheme liabilities		(12,695)		(11,115)
Deficit in the scheme		(2,971)		(1,466)
Related deferred tax asset		890		439
Net pension liability		(2,081)		(1,027)

If the above pension liability were recognised in the financial statements, the group's net assets and profit and loss reserve at 31st December 2002 would be as follows:

# Notes continued

for the year ended 31st December 2002

## Note 24 Pension commitments (continued)

	2002 £,000	2001 £,000
<b>Net assets</b>		
Net assets excluding pension liability	16,992	13,013
Pension liabilities	(2,081)	(1,027)
Net assets including pension liability	<u>14,911</u>	<u>11,986</u>
<b>Profit and loss account</b>		
Profit and loss reserve excluding pension liability	14,626	10,646
Pension liabilities	(2,081)	(1,027)
Profit and loss reserve including pension liability	<u>12,545</u>	<u>9,619</u>

Under the requirements of FRS 17 the following amounts would have been recognised in the report and accounts for the year ended 31 December 2002

	2002 £,000
<b>Analysis of the amount to be charged to operating profit once FRS 17 is adopted</b>	
Current service cost	377
Total operating charge	<u>377</u>
<b>Analysis of the amount to be credited to interest costs</b>	
Expected return on pension scheme assets	(698)
Interest on pension liabilities	629
Net return	<u>(69)</u>
<b>Analysis of the amount to be recognised in Statement of Total Recognised Gains and Losses once FRS 17 is adopted</b>	
Actual return less expected return on assets	(1,155)
Experience losses on liabilities	(190)
Changes in assumptions	(548)
Actuarial loss to be recognised in Statement of Total Recognised Gains and Losses	<u>(1,893)</u>
<b>Movement in deficit during the year once FRS 17 is adopted</b>	
Deficit in scheme at beginning of year	(1,466)
Movement in year:	
Current service costs	(377)
Contributions	696
Other finance income	69
Actuarial loss	(1,893)
Deficit in scheme at end of year	<u>(2,971)</u>

# Notes continued

for the year ended 31st December 2002

## Note 24 Pension commitments (continued)

	2002 £,000
<b>History of experience gains and losses</b>	
Difference between expected and actual return on scheme assets:	
Amount	(1,155)
Percentage of scheme assets	12%
Experience gains and losses on scheme liabilities:	
Amount	(190)
Percentage of scheme assets	2%
Total amount recognised in Statement of Total Recognised Gains and Losses	
Amount	(1,893)
Percentage of scheme assets	19%

### Defined contribution schemes

Group companies contribute to stakeholder and defined contribution pension schemes, in respect of employees ineligible to join other group schemes. The charge for the year was £342,824 (2001 £238,222).

## Note 25 Lease obligations and other financial commitments

Operating lease commitments:-

The group has annual commitments under non cancellable operating leases which expire:

	2002		2001	
	Land and buildings £	Other operating leases £	Land and buildings £	Other operating leases £
Within 1 year	5,024	14,181	-	19,698
Within 1 to 2 years	-	20,736	12,750	-
Within 2-5 years	12,750	154,625	-	194,256
Over 5 years	-	43,930	64,705	-
	<u>17,774</u>	<u>233,472</u>	<u>77,455</u>	<u>213,954</u>

Net obligations under finance leases and hire purchase contracts are as follows:-

	2002 £	2001 £
Amount payable within one year	8,157	-
Amounts payable in two to five years	13,048	-
	<u>21,205</u>	<u>-</u>

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# Notes continued

for the year ended 31st December 2002

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## Note 26 Contingent liabilities

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The company is guarantor in respect of banking facilities granted to certain of its subsidiary companies. The extent to which these facilities were utilised at the balance sheet date amounted to £nil (2001 £3,122).

The company and group have contingent liabilities in respect of guarantees given for commitments in the normal course of trade.

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## Note 27 Derivatives and other financial instruments

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The group financial instruments comprise overdraft facilities and various items such as trade debtors and creditors that arise directly from its operations. The group does not enter into any derivative transactions and has minimal exposure to exchange rate movement as its trade takes place entirely within the United Kingdom.

At 31st December 2002 the parent company had a overdraft facility of £1,000,000 at 1.25% above base rate, renewable on 28th November 2003. Details of the group's financial assets and liabilities are given in note 22.

At 31st December 2002 the parent company had issued loan notes with a value of £1,109,897. These carry interest at 3% per annum and were fully repaid on 11th February 2003.

The fair value of the group's financial assets and liabilities at 31st December 2002 is as stated in the balance sheet at that date.

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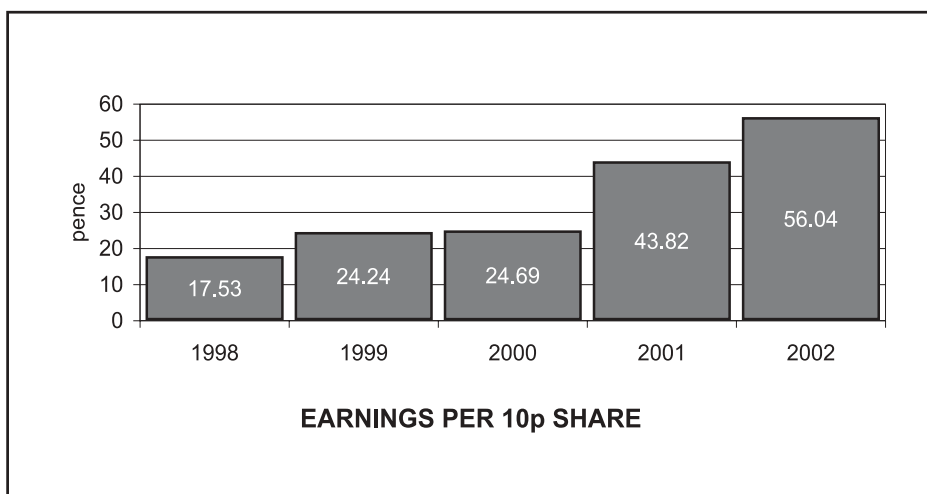
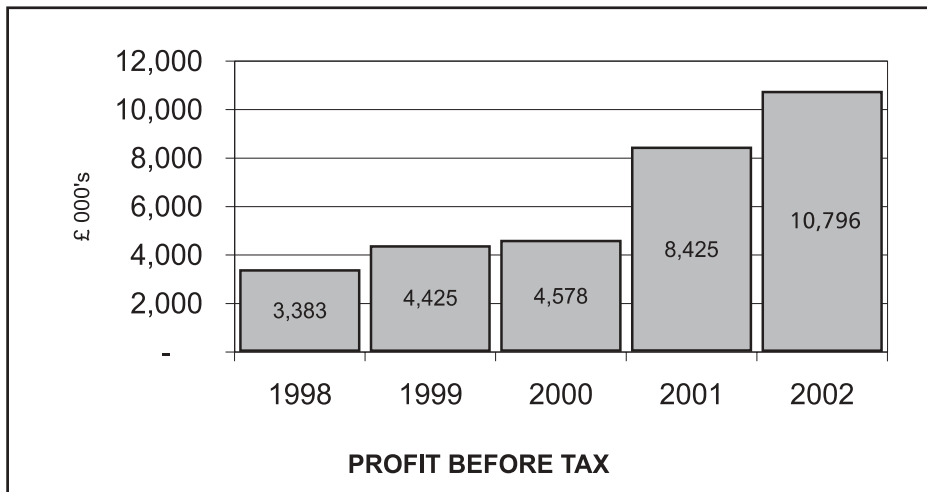
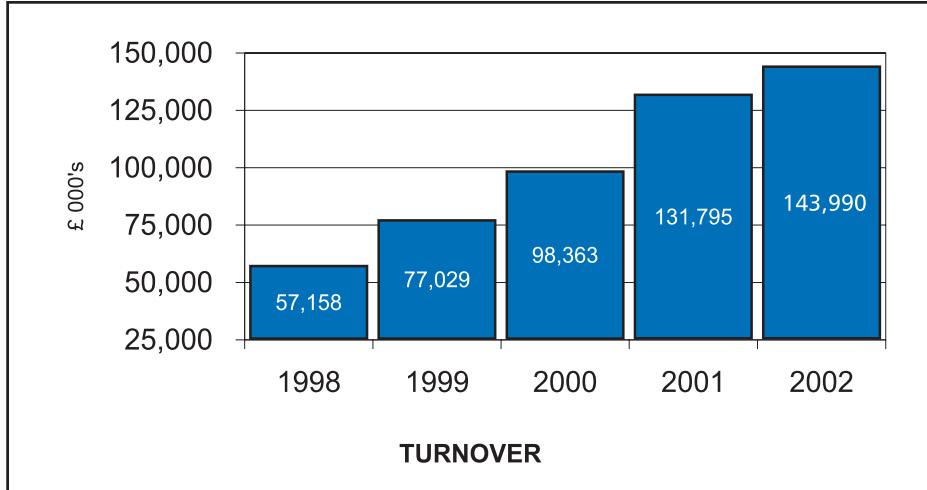
## Note 28 Subsidiary companies

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The wholly owned subsidiaries are directly held by T. Clarke plc. The trading subsidiaries all operate within the United Kingdom.

Electrical contractors	Type of shares
T. Clarke (Midlands) Limited	Ordinary
Veale-Nixon Limited	Ordinary
Meggitt Marsh and Co. Limited	Ordinary
H & C Moore Limited	Ordinary
J. J. Cross Limited	Ordinary
T. Clarke (Bristol) Limited	Ordinary
GDI Electrical Co. Limited	Ordinary
W. E. Manin Limited	Ordinary
Kestrel Electrical Systems Limited	Ordinary
Property holding company	
Weylex Properties Limited	Ordinary

# Five year record





## **T. Clarke plc**

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