

# 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 2001



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## Officers and other information

### Directors

Patrick E. Stanborough (Managing)  
Leonard M. Fairman  
Barry V. DeFalco  
Barry J. Buchanan

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

### 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 IRG Plc Balfour House 390/398 High Road Ilford Essex IG1 1NQ.  
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

Old Mutual Securities, Old Mutual Place, 2 Lambeth Hill, London EC4V 4GG  
Tel 020 7002 4600

### Biographies of directors and secretary

Pat Stanborough	(age: 57)	Accountant: Joined company 1964, appointed Finance Director 1973, Managing Director 1977, and Chairman 1992, resigned as Chairman in 2000.
Mike Fairman	(age: 41)	Electrical Engineer: Joined company 1977, appointed Director 1993.
Barry DeFalco	(age: 46)	Electrical Engineer: Joined company 1971, appointed Director 1998.
Barry Buchanan	(age: 52)	Electrical Engineer: Joined company 1965, appointed Managing Director T. Clarke (Midlands) Ltd., 1981, appointed Director 1990.
Russell Race	(age: 55)	Former Corporate Financier: Joined company and appointed Director 1998, appointed Chairman 2000.
Len Arnold	(age: 60)	Chartered Builder: Joined company and appointed Director 1998
John Nixon	(age: 63)	Electrical Engineer: Joined company 1961, appointed Director 1977, appointed Deputy Chairman 1999.
John Daly	(age: 54)	Chartered Accountant: Joined company and appointed Secretary 2001.

# Notice of annual general meeting

Notice is hereby given that the ninetieth annual general meeting of T. Clarke plc will be held in the Bishops Room, Simpsons, The Strand, London, WC2 on Friday the 3rd May 2002 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 2001 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 2001, as recommended by the directors, be approved (see directors report page 5).
- 3 That Mr R. J. Race 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 Moore Stephens, Chartered Accountants, be re-appointed auditors to the company.
- 5 That the directors be authorised to fix the auditors' remuneration.

## Special Resolutions

- 1.(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
  - 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.
2. That the Articles of Association of the company be amended with immediate effect by deleting the existing Article 120 of the Articles of Association and inserting the following regulation as Article 120 of the Articles of Association:-

“120(a) Any dividend or other money payable in cash on or in respect of shares or stock may be paid by direct debit, bank transfer or other automated system of bank transfer, cheque or warrant, and the same may be sent by post to the address of the member or person entitled to it, as shown in the share register of the company or, if two or more persons are registered as joint holders

## Notice of annual general meeting

of the shares or stock or are entitled thereto in consequence of the death or bankruptcy of the holder, to any one of such persons or to such persons and such address as such persons may by writing direct.

- (b) Every such cheque or warrant shall be made payable to or to the order of the person to whom it is sent, or to such person as the holder or joint holders or person or persons entitled to the shares or stock in consequence of the death or bankruptcy of the holder may direct, and payment of the cheque or warrant, if purporting to be endorsed or enfaced, shall be a good discharge to the company. Every such cheque or warrant shall be sent at the risk of the person entitled to the money represented by it.”

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

7 March 2002

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 2001

The year saw another major advance in the fortunes of the Group. Turnover rose by 34% to £ 131.79m. ( 32% excluding acquisitions ) and profit before tax grew by 84% to £ 8.4m.

This result confirms the excellent position reported at the interim stage, and the strong trading has been mirrored by an equally resilient balance sheet. At the year end net cash balances stood at just under £ 13m., some £ 4m. above the level twelve months earlier.

Operating profit is stated after allowing for costs of £851,000 in the year, including costs incurred in acquiring new subsidiaries, amortisation of goodwill on acquisitions, and £500,000 augmentation to the Group's pension fund.

Earnings per share rose from 24.7p to 43.8p. A final dividend of 15p per share is recommended by the Board, bringing the total of ordinary dividends for the year to 20p per share, a 29% advance on the 15.5p paid in respect of 2000. In addition shareholders received a special dividend of 10p per share at the interim stage.

## Operational Review

The generally favourable trading conditions in the commercial construction market in which we operate continued during the latter part of 2001, despite the uncertainties following September 11th. Advances in turnover were recorded in most geographical areas of our operations, with particular buoyancy in London and the South-East. H & C Moore, acquired in mid-2000, made a very satisfactory first full year's contribution, whilst J.J Cross, purchased at the end of June 2001, had an excellent first six months within the Group. Meggitt Marsh, our Bournemouth subsidiary, posted a strong advance in turnover but did not make a positive contribution in the year. The Bristol office, which had operated under the aegis of the principal trading company in London, is now incorporated as a separate trading entity - T. Clarke (Bristol) Ltd. - reflecting its greater size within the Group.

Among the major projects completed during the latter part of 2001 were Mid-City Place, Holborn; Goldman Sachs, Fleet Street; Winter Gardens, Sunderland; Kennet Wharf, Reading and Bristol & West Building Society.

We continue to work on a large number of significant projects, including Vodafone HQ, Newbury; HM Treasury, Whitehall; Clifford Chance, Canary Wharf; Gateway, Newcastle Upon Tyne; Peter Jones, Sloane Square and Deutsche Bank, Hayes Data Centre.

The forward workload takes us, in some instances, well into 2003 and we are scheduled to commence work later in the year on BBC White City; Paternoster Square, London; HMP Preston; HM Treasury East, Whitehall; BBC Mail Box, Birmingham and RBOS, Spitalfields.

## Prospects

Whilst market conditions continue to be generally favourable, it would not be reasonable to expect during 2002 the scale of advances in turnover and profit which we have enjoyed during the last two years. Nonetheless, our existing order book underpins a good proportion of this year's expected workload, and current indications are that the main centres of activity - both in London/ South-East and the regions - should provide good opportunities for profitable business in the year ahead.

The Group remains strong financially and therefore well placed to take advantage of opportunities for expansion, especially in the regions. In line with this policy, in January 2002 we acquired GDI Electrical based in Altrincham, Cheshire for £ 1.55m. GDI has annualised turnover of some £ 2.2m. and will make a welcome addition to our presence in the North-West.

Overall I remain confident of a satisfactory outcome for the Group in 2002, based on the dedicated team under Pat Stanborough's leadership which produced last year's outstanding results.

I am pleased to announce that John Daly, our Company Secretary, is to be appointed Financial Director on 3<sup>rd</sup> May 2002. In his short time with the Company John has already made his mark and will further complement a strong Executive Team.

I close once again with thanks to our loyal staff, and for the continued support of our clients and suppliers.

7th March 2002

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 2001.

## 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 £5,617,432 (2000: £3,092,595). The group profit and loss account appears on page 11.

An interim dividend in respect of the current year of 5 pence per share and a special dividend of 10 pence per share were paid on the 18th September 2001.

Your directors recommend payment of a final dividend for the year ended 31st December 2001, of 15 pence per share, payable, subject to members' approval, on the 7th May 2002. Shares will go ex-dividend on the 17th April 2002 and records will close on the 19th April 2002.

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. R.H. Wyborn resigned as a director on 1st August 2001.

This year Mr. R. J. Race will retire, by rotation, in accordance with the company's articles of association and being eligible will offer himself for re-election. Mr. R. J. Race does not have a service agreement with T. Clarke plc.

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

<b>Beneficial interests</b>	T. Clarke plc ordinary shares		
	<u>1.1.2001</u>	<u>31.12.2001</u>	<u>7.3.2002</u>
Patrick E. Stanborough	143,218	143,218	143,218
John H. Nixon	118,125	118,125	118,125
Barry J. Buchanan	50,000	50,202	50,202
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

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
Edinburgh Small Companies Trust PLC	550,000	4.29
Scottish Widows Investment Partnership Ltd	435,000	3.39

# Report of the directors

## **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 £6,935 (2000: £5,481).

## **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 Old Mutual Securities (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 31 December 2001 the company's trade creditors represented 63 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.

# Report of the directors

## **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,  
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7th March 2002

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 properly discharge their duties. 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 set out in the section below, the directors' level of remuneration is considered appropriate to ensure that the board are sufficiently motivated and rewarded for their services to the company. The executive directors' package includes an element of performance related annual bonus. Salary rates and bonus levels are reviewed by the remuneration committee, which is comprised of the two independent non-executive directors.

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 31 December 2001 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 to consider 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 7 March 2002 the board carried out the annual assessment of the year ended 31 December 2001 by considering 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 31 December 2001.

# Corporate Governance

## (c) Statement of compliance (continued)

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.

## (d) 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.

## Directors' Remuneration Report

It is the company's policy to provide remuneration packages sufficient to attract, retain and motivate executive directors of the quality required. In framing this remuneration policy the board has given full consideration to Schedule B of the best practice provisions annexed to the Listing Rules.

The figures for the directors for 2001 were as follows:

	Service Contract Expiry date	Salary and fees £	Bonus £	Benefits in kind £	Total £	2000 Total £
P. E. Stanborough	31.10.2002	110,000	80,000	16,563	206,563	149,472
R. H. Wyborn (resigned)	-	49,583	-	5,047	54,630	110,745
L. M. Fairman	31.10.2002	85,000	64,000	12,370	161,370	113,983
B. J. Buchanan	31.10.2002	85,000	64,000	10,363	159,363	111,789
B. V. DeFalco	31.10.2002	85,000	64,000	12,132	161,132	113,642
J. H. Nixon	-	18,000	-	-	18,000	63,417
R. J. Race	-	24,000	-	-	24,000	21,000
L. J. D. Arnold	-	20,000	-	-	20,000	18,000
		476,583	272,000	56,475	805,058	702,048

In addition to the above Mr. R. H. Wyborn received £180,000 and a motor vehicle with a market value of £11,300 as compensation for loss of office, together with a special contribution of £15,000 to the pension scheme, to augment his benefits.

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 31.12.2001 £	Accumulated total accrued pension at 31.12.2001 £	Increase in accrued pension during the year £
P. E. Stanborough	110,797	75,097	15,233
L. M. Fairman	23,891	24,012	5,809
B. J. Buchanan	60,262	48,942	9,704
B. V. DeFalco	35,284	21,349	6,396

The transfer values above are stated net of employee contributions.

# 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 2001 set out on pages 11 to 29. 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 15.

### Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards and the Listing Rules of the Financial Services Authority.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. 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 of the Listing Rules regarding directors' remuneration and transactions with 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, 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 the 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, Chairman's Statement and Corporate Governance Statement. 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. 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 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.

### Opinion

In our opinion the financial statements give a true and fair view of the state of the company's and the group's affairs as at 31 December 2001 and of the group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

St. Paul's House,  
Warwick Lane,  
London, EC4P 4BN.  
7th March 2002

MOORESTEPHENS  
Chartered Accountants  
Registered Auditor

# Group profit and loss account

for the year ended 31st December 2001

	Notes			2001	2000
		Acquisition	Continuing Operations	£ Total	£ Total
<b>Turnover</b>	1(e)	1,465,722	130,329,606	131,795,328	98,363,555
<b>Cost of sales</b>		<u>1,059,580</u>	<u>113,771,386</u>	<u>114,830,966</u>	<u>87,649,811</u>
<b>Gross profit</b>		406,142	16,558,220	16,964,362	10,713,744
<b>Administrative expenses</b>		<u>267,534</u>	<u>8,836,494</u>	<u>9,104,028</u>	<u>6,413,243</u>
<b>Operating profit</b>	4	<u>138,608</u>	<u>7,721,726</u>	7,860,334	4,300,501
<b>Interest receivable (net)</b>	3			<u>564,352</u>	<u>277,094</u>
<b>Profit on ordinary activities before taxation</b>				8,424,686	4,577,595
<b>Taxation on profit on ordinary activities</b>	6			<u>2,807,254</u>	<u>1,485,000</u>
<b>Profit on ordinary activities after taxation</b>				5,617,432	3,092,595
<b>Dividends</b>	7			<u>3,845,694</u>	<u>1,986,942</u>
<b>Profit for the financial year</b>	17			<u>1,771,738</u>	<u>1,105,653</u>
<b>Earnings per share</b>	8			<u>43.82 pence</u>	<u>24.69 pence</u>

In 2000 and 2001 the group had no recognised gains or losses other than the result for the financial year.

# Group balance sheet

at 31st December 2001

	Notes	2001 £	2000 £
<b>Fixed assets</b>			
Goodwill	9	2,554,645	1,805,000
Tangible assets	10	2,404,180	2,479,961
		<u>4,958,825</u>	<u>4,284,961</u>
<b>Deferred taxation</b>	15	48,877	49,000
<b>Current assets</b>			
Work in progress	12	5,320,421	3,252,713
Debtors	13	15,548,121	17,680,250
Cash at bank and in hand		16,439,833	10,575,279
		<u>37,308,375</u>	<u>31,508,242</u>
<b>Creditors, amounts falling due within one year</b>	14	(29,303,301)	(23,091,543)
<b>Net current assets</b>		<u>8,005,074</u>	<u>8,416,699</u>
<b>Total assets less current liabilities</b>		<u>13,012,776</u>	<u>12,750,660</u>
<b>Creditors, amounts falling due after more than one year</b>	14	-	(1,509,622)
		<u>13,012,776</u>	<u>11,241,038</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	38,634	39,966
Profit and loss account	17	10,645,642	8,872,572
		<u>13,012,776</u>	<u>11,241,038</u>
Equity Shareholders' funds	19	<u>13,012,776</u>	<u>11,241,038</u>

These financial statements were approved by the board on 7th March 2002

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



# Group cash flow statement

for the year ended 31st December 2001

	Notes	2001 £	2000 £
<b>Net cash inflow from operating activities</b>	20	9,712,907	5,397,768
<b>Returns on investments and servicing of finance</b>			
Interest received		670,727	327,081
Interest paid		(106,375)	(49,987)
<b>Net cash inflow from returns on investments and servicing of finance</b>		564,352	277,094
<b>Taxation</b>			
UK corporation tax paid		(2,067,287)	(1,370,003)
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets		(292,933)	(235,702)
Sale of tangible fixed assets		99,014	58,038
<b>Net cash outflow from capital expenditure and financial investment</b>		(193,919)	(177,664)
<b>Acquisitions and disposals</b>			
Purchase of a subsidiary		(2,150,000)	-
Net cash acquired with subsidiary		1,606,811	504,562
		(543,189)	504,562
<b>Equity dividends paid</b>		(3,422,668)	(1,580,871)
<b>Cash inflow before use of liquid resources</b>		4,050,196	3,050,886
<b>Management of liquid resources</b>			
Cash placed on short term deposits		(15,000,000)	(9,800,000)
Cash received from short term deposits		9,800,000	7,000,000
<b>Net cash outflow from management of liquid resources</b>		(5,200,000)	(2,800,000)
(Decrease)/increase in cash in the year before financing		(1,149,804)	250,886
<b>Financing</b>			
Finance lease payments		(59,000)	(38,355)
<b>(Decrease)/increase in cash in the year</b>	21	(1,208,804)	212,531

# Notes to the financial statements

for the year ended 31st December 2001

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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 2001.

(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 electrical contracting, and are entirely generated in the UK.



# Notes continued

for the year ended 31st December 2001

## Note 5 Directors and employees (continued)

The directors (other than the independent non-executive directors) also receive company cars and medical insurance, the taxable benefits of which amount to £56,475 (2000 £73,131), including £16,563 (2000 £15,972) in respect of the highest paid director. In addition a motor vehicle with a market value of £11,300 was provided to a director as part of his compensation for loss of office.

The number of directors to whom retirement benefits are accruing under a defined benefit scheme is four. The accrued pension benefits in respect of the highest paid director at 31st December 2001 were £75,097 per annum. There are no accrued lump sum benefits.

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

	2001 £	2000 £
<b>Staff costs</b>		
Staff costs during the year were as follows:-		
Wages and salaries	33,870,981	25,787,462
Social security costs	3,276,154	2,468,630
Other pension costs (note 24)	1,099,364	347,503
	<u>38,246,499</u>	<u>28,603,595</u>
Average number of employees - staff	142	110
- operatives	933	835
	<u>1075</u>	<u>945</u>

## Note 6 Taxation on ordinary activities

	2001 £	2000 £
United Kingdom corporation tax based on the profit for the year as adjusted for taxation purposes	2,808,594	1,506,684
Deferred taxation	-	(15,000)
	<u>2,808,594</u>	<u>1,491,684</u>
Prior year adjustments of which £(Nil) (2000 £(Nil)) relates to deferred taxation	(1,340)	(6,684)
	<u>2,807,254</u>	<u>1,485,000</u>

## Note 7 Dividends

	2001 £	2000 £
On the ordinary shares:		
Paid-interim dividend of 5p (2000 3.80p) per share	640,949	487,121
Paid-special dividend of 10p (2000 Nil) per share	1,281,898	-
Final dividend of 15p (2000 11.70p) per share	1,922,847	1,499,821
	<u>3,845,694</u>	<u>1,986,942</u>

## Notes continued

for the year ended 31st December 2001

### Note 8 Earnings per share

The earnings per share represents the profit for the year on ordinary activities after taxation divided by the number of ordinary shares in issue. The number of ordinary shares, being a weighted average, for the purpose of this calculation is 12,818,980 (2000-12,527,851).

### Note 9 Goodwill

	2001 £	2000 £
Cost		
At 1st January 2001	1,900,000	-
Arising on acquisition (note 18 )	989,645	1,900,000
At 31st December 2001	<u>2,889,645</u>	<u>1,900,000</u>
Amortisation		
At 1st January 2001	95,000	-
Charge for the year	240,000	95,000
At 31st December 2001	<u>335,000</u>	<u>95,000</u>
Net book value		
At 31st December 2001	<u>2,554,645</u>	<u>1,805,000</u>

Goodwill arising on acquisitions in 2000 and 2001 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 2001	2,492,484	2,585,883	5,078,367
Additions	-	292,933	292,933
Arising on acquisition	-	17,936	17,936
Disposals and items scrapped	-	(300,194)	(300,194)
At 31st December 2001	<u>2,492,484</u>	<u>2,596,558</u>	<u>5,089,042</u>
Depreciation			
At 1st January 2001	557,315	2,041,091	2,598,406
Charge for the year	48,530	238,571	287,101
Arising on acquisition	-	7,703	7,703
Disposals and items scrapped	-	(208,348)	(208,348)
At 31st December 2001	<u>605,845</u>	<u>2,079,017</u>	<u>2,684,862</u>

# Notes continued

## for the year ended 31st December 2001

### Note 10 Tangible fixed assets (continued)

<b>Group (continued)</b>	Freehold properties £	Plant, machinery and vehicles £	Total £
Net book value At 31st December 2001	1,886,639	517,541	2,404,180
Net book value At 31st December 2000	1,935,169	544,792	2,479,961
Cost or valuation at 31st December 2001 is represented by:-			
At cost	2,392,484	2,596,558	4,989,042
At valuation 1981	100,000	-	100,000
	2,492,484	2,596,558	5,089,042
<b>Company</b>			
Cost			
At 1st January 2001	-	541,266	541,266
Additions	-	102,706	102,706
Disposals and items scrapped	-	(54,208)	(54,208)
At 31st December 2001	-	589,764	589,764
Depreciation			
At 1st January 2001	-	411,826	411,826
Charge for the year	-	81,585	81,585
Disposals and items scrapped	-	(46,751)	(46,751)
At 31st December 2001	-	446,660	446,660
Net book value At 31st December 2001	-	143,104	143,104
Net book value At 31st December 2000	-	129,440	129,440

The net book value of group plant, machinery and vehicles includes an amount of £nil (2000 £118,533) in respect of assets held under finance leases and hire purchase contracts. Depreciation of £nil (2000 £9,882) was charged during the year on assets held under finance leases and hire purchase contracts.

	2001 £	Group 2000 £
If freehold properties had not been revalued they would have been included at the following amounts:-		
Cost	2,426,478	2,426,478
Accumulated depreciation	578,473	531,275
	1,848,005	1,895,203

## Notes continued

for the year ended 31st December 2001

### Note 11 Fixed asset investments

Investments in subsidiaries comprise:-	Company	
	2001 £	2000 £
Cost		
At 1st January 2001	3,247,060	638,560
Additions (note 18)	1,150,000	2,608,500
	<hr/>	<hr/>
At 31st December 2001	4,397,060	3,247,060
	<hr/>	<hr/>
Amounts written off		
At 1st January 2001 and 31st December 2001	571,863	571,863
	<hr/>	<hr/>
Net book value		
At 31st December 2001	3,825,197	2,675,197
	<hr/> <hr/>	<hr/> <hr/>

### Note 12 Work in progress

	Group		Company	
	2001 £	2000 £	2001 £	2000 £
Contract work in progress comprises:-				
Cost plus attributable overheads less provision for losses	21,876,685	13,032,936	14,155,350	7,983,220
Less: payments on account	(16,556,264)	9,780,223	10,213,155	5,618,986
	<hr/>	<hr/>	<hr/>	<hr/>
	5,320,421	3,252,713	3,942,195	2,364,234
	<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	
	2001 £	2000 £	2001 £	2000 £
Amounts recoverable on contracts	8,116,509	7,809,189	-	-
Trade debtors	7,066,876	9,592,409	-	-
Other debtors	25,657	22,560	-	-
Prepayments and accrued income	339,079	256,092	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	15,548,121	17,680,250	-	-
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

# Notes continued

for the year ended 31st December 2001

## Note 13 Debtors (continued)

	Amounts falling due within one year		Amounts falling due after more than one year	
	2001 £	2000 £	2001 £	2000 £
<b>Company</b>				
Amounts recoverable on contracts	7,557,164	6,864,460	-	-
Trade debtors	2,081,869	5,266,434	-	-
Owed by group companies	137,041	509,343	2,000,000	2,000,000
Other debtors	10,540	10,000	-	-
Prepayments and accrued income	267,134	216,788	-	-
	<u>10,053,748</u>	<u>12,867,025</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 £5,037,523 (2000 £3,837,161); company £4,438,926, (2000 £3,506,253).

## Note 14 Creditors

	Amounts falling due within one year		Amounts falling due after more than one year	
	2001 £	2000 £	2001 £	2000 £
<b>Group</b>				
Bank overdrafts (note 22)	3,452,633	1,579,275	-	-
Loan notes	1,478,500	-	-	1,478,500
Payments received on account	1,344,558	1,953,914	-	-
Trade creditors	15,491,490	13,417,117	-	-
Dividends payable	1,922,847	1,499,821	-	-
Corporation tax	2,098,937	1,244,456	-	-
Other taxation and social security payable	2,583,989	2,696,139	-	-
Obligations under Hire Purchase contracts (note 25)	-	27,878	-	31,122
Accruals and deferred income	930,347	672,943	-	-
	<u>29,303,301</u>	<u>23,091,543</u>	<u>-</u>	<u>1,509,622</u>

# Notes continued

for the year ended 31st December 2001

## Note 14 Creditors (continued)

Company	Amounts falling due within one year		Amounts falling due after more than one year	
	2001	2000	2001	2000
	£	£	£	£
Bank overdraft	3,166,493	1,332,033	-	-
Loan notes	1,478,500	-	-	1,478,500
Payments received on account	637,006	1,431,246	-	-
Trade creditors	10,939,447	10,289,018	-	-
Owed to group companies	990,242	146,068	-	-
Dividends payable	1,922,847	1,499,821	-	-
Corporation tax	1,580,827	801,683	-	-
Other taxation and social security payable	1,881,090	2,043,739	-	-
Accruals and deferred income	633,729	342,877	-	-
	<u>23,230,181</u>	<u>17,886,485</u>	<u>-</u>	<u>1,478,500</u>

The loan notes are repayable on 18th July 2002 with interest charged at 6% per annum.

## Note 15 Deferred taxation

	Group		Company	
	2001	2000	2001	2000
	£	£	£	£
Balance at 1st January 2001	49,000	35,000	43,000	43,000
Transfer on acquisition (note 18)	(123)	(1,000)	-	-
Transfer from profit and loss account	-	15,000	-	-
Balance at 31st December 2001	<u>48,877</u>	<u>49,000</u>	<u>43,000</u>	<u>43,000</u>
<b>Being:</b>				
Excess of depreciation over capital allowances	<u>48,877</u>	<u>49,000</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

	2001	2000	2001	2000
	Number	Number	£	£
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 2001

## Note 17 Reserves

	Share premium £	Revaluation reserve £	Profit and loss account £
Group			
At 1st January 2001	1,046,602	39,966	8,872,572
Transfer	-	(1,332)	1,332
Profit for the financial year	-	-	1,771,738
At 31st December 2001	1,046,602	38,634	10,645,642
Company			
At 1st January 2001	1,046,602	-	7,639,311
Profit for the financial year	-	-	1,814,652
At 31st December 2001	1,046,602	-	9,453,963

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 £5,660,346 (2000 - profit £3,085,283) has been included in the financial statements of the holding company. Goodwill of £394,136 (2000 £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 business to which this relates, this goodwill will be charged to the profit and loss account.

## Note 18 Acquisitions

On 27th June 2001 the group acquired the entire issued share capital of J. J. Cross Limited and J. J. Cross Services Limited. The book and fair value of the consideration and net assets acquired comprised:

	Net book value £	Fair value adjustment £	Fair value £
Fixed assets	10,233	-00	10,233
Stock	47,758	-00	47,758
Debtors	470,809	-00	470,809
Cash at bank and in hand	1,606,811	-00	1,606,811
Creditors	(860,619)	(1,000,000)	(1,860,619)
Corporation tax payable	(114,514)	-00	(114,514)
Deferred taxation	(123)	-00	(123)
	1,160,355	(1,000,000)	160,355
Purchased goodwill (note 9)			989,645
			1,150,000

# Notes continued

for the year ended 31st December 2001

## Note 18 Acquisitions

	£
Consideration:	
Cash	2,150,000
Dividend receivable	(1,000,000)
	<u>1,150,000</u>

The subsidiary company acquired during the year contributed £129,767 of the group's net operating cash inflow and £20,380 of interest received.

## Note 19 Movement in equity shareholders funds

	2001 £	2000 £
Profit for the year after taxation	5,617,432	3,092,595
Less dividend provided	3,845,694	1,986,942
Net addition to equity shareholders funds	<u>1,771,738</u>	<u>1,105,653</u>
Issue of share capital	-	1,100,000
Opening equity shareholders funds	11,241,038	9,035,385
Closing equity shareholders funds	<u><u>13,012,776</u></u>	<u><u>11,241,038</u></u>

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

	2001 £	2000 £
Operating profit	7,860,334	4,300,501
Goodwill amortisation	240,000	95,000
Depreciation charges	287,101	395,956
Profit on sale of fixed assets	(7,168)	-
Decrease in work in progress	(2,019,950)	773,459
(Decrease)/increase in debtors	2,602,938	(3,346,845)
Increase in creditors	749,652	3,179,697
Net cash inflow from operating activities	<u><u>9,712,907</u></u>	<u><u>5,397,768</u></u>

## Notes continued

for the year ended 31st December 2001

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

	2001 £	2000 £
(Decrease)/increase in cash in the year	(1,208,804)	212,531
Capital element of finance lease payments	59,000	38,355
Change in funds resulting from cashflows	(1,149,804)	250,886
Finance leases acquired (note 18)	-	(51,355)
New finance leases and hire purchase contracts	-	(46,000)
Increase in short term deposits in the year	5,200,000	2,800,000
Movement in net funds	4,050,196	2,953,531
Net funds at 1st January 2001	8,937,004	5,983,473
Net funds at 31st December 2001 (note 22)	12,987,200	8,937,004

### Note 22 Analysis of net funds

	Net funds 1.1.2001. £	Net cash flow £	Acquisition of subsidiary £	Other changes £	Net funds 31.12.2001 £
Cash deposits	9,800,000	5,200,000		-	15,000,000
Cash at bank and in hand	775,279	1,207,743	(543,189)	-	1,439,833
Bank overdraft	(1,579,275)	(1,873,358)		-	(3,452,633)
Finance leases and hire purchase contracts	(59,000)	59,000		-	-
	8,937,004	4,593,385	(543,189)	-	12,987,200

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 31 December 2001 the group held deposits on terms up to thirty days, at interest rates between 3.56% and 4.44% per annum.

Of the overdraft balance of £3,452,633, £566,103 related to an overdrawn bank account on which interest is charged at 1.5% above bank rate, and £2,886,530 to a balance overdrawn on a cash-book basis only.

### Note 23 Commitments

At 31st December 2001 there were no capital commitments (2000 £Nil).

Under the terms of the acquisition of H & C Moore Limited the company has an option to acquire the property, from which H & C Moore Limited operate for £430,000, during the period from 6th April 2002 to 30th June 2002. A vendor of the company has an option requiring T. Clarke plc to acquire the property for £431,000, during the period from 1st July 2002 to 31st December 2002.

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# Notes continued

## for the year ended 31st December 2001

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### Note 24 Pension commitments

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#### 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"), must be used for the figures that will be shown in the accounts at 31 December 2003 and subsequent years. 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 on the current balance sheet. This additional information is given in a separate paragraph below.

#### 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. During the year a special contribution of £209,000 was paid by the employer in respect of early retirements due to ill-health. The charge for the year was £776,194 (2000 £131,000) the increase having arisen following the actuarial review during the year. The participating companies are required to pay all premiums in respect of the insured death in service benefits. At 31 December 2001 creditors included £22,057 (2000 £31,150) in respect of unpaid pension contributions, relating to December 2001 and paid in January 2002.

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

#### FRS 17 information

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

	At 31 December 2001
Rate of increase in salaries	4.0%
Rate of increase in pensions in payment	2.3%
Discount rate	5.8%
Inflation assumption	2.6%

# Notes continued

for the year ended 31st December 2001

## Note 24 Pension commitments (continued)

At 31 December 2001 the assets in the scheme and the expected rate of return were:

	Long term rate of return expected	Value of assets £,000
Cash Accumulation Policy	7.5%	6,331
Unitised Funds	7.5%	617
Immediate Annuities	5.8%	2,700
Deferred Annuities	5.6%	1
		9,649
Total market value of assets		(11,115)
Present value of scheme liabilities		(1,466)
Deficit in the scheme		439
Related deferred tax asset		(1,027)
Net pension liability		(1,027)

If the above pension liability was recognised in the financial statements, the group's net assets and profit and loss reserve at 31 December 2001 would be as follows:

<b>Net assets</b>	£,000
Net assets excluding pension liability	13,013
Pension liabilities	(1,027)
	11,986
Net assets including pension liability	11,986
<b>Profit and loss account</b>	
Profit and loss reserve excluding pension liability	10,644
Pension liabilities	(1,027)
	9,617
Profit and loss reserve including pension liability	9,617

### 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 £238,222 (2000 £195,308).

# Notes continued

for the year ended 31st December 2001

## Note 25 Lease obligations and other financial commitments

Operating lease commitments:-

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

	2001		2000	
	Land and buildings	Other operating leases	Land and buildings	Other operating leases
	£	£	£	£
Within 1 year	-	19,698	19,500	53,747
Within 1 to 2 years	12,750	-	-	-
Within 2-5 years	-	194,256	40,500	143,900
Over 5 years	64,705	-	-	-
	<u>77,455</u>	<u>213,954</u>	<u>60,000</u>	<u>197,647</u>

Finance lease commitments:-

	2001	2000
	£	£
Amounts payable within one year	-	29,239
In two to five years	-	31,554
	<u>-</u>	<u>60,793</u>
Less finance charges allocated to future periods	-	1,793
	<u>-</u>	<u>59,000</u>

Hire purchase contracts are analysed as follows:-

	2001	2000
	£	£
Current obligations	-	27,878
Non-current obligations	-	31,122
	<u>-</u>	<u>59,000</u>

## Note 26 Contingent liabilities

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 £3,122 (2000 £43,117).

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

The company has given a commitment to provide continuing financial support to a subsidiary company.

## Notes continued

### for the year ended 31st December 2001

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#### Note 27 Post balance sheet event

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On 11 January 2002 T. Clarke plc acquired the entire share capital of GDI Electrical Limited for consideration of £1,550,000.

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#### Note 28 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 2001 the parent company had a overdraft facility of £1,000,000 at 1.5% above base rate, renewable on 28th November 2002. In addition a subsidiary company had an overdraft facility of £100,000 at 2% above base rate renewable on 28th November 2002. Details of the group's financial assets are given in note 22.

At 31st December 2001 the parent company had issued loan notes with a value of £1,478,500. These are repayable on 18th July 2002 with interest charged at 6% per annum.

The fair value of the group's financial assets and liabilities at 31st December 2001 is as stated in the balance sheet at that date.

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#### Note 29 Subsidiary companies

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The wholly owned subsidiaries, which are all registered in England, 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 (formerly T. Clarke Electrical Contractors Limited)	Ordinary
Property holding company	
Weylex Properties Limited	Ordinary

On 22 November 2001 T. Clarke Electrical Contractors Limited changed its name to T. Clarke (Bristol) Limited. From 1 January 2002 the operations of T. Clarke Plc's Bristol branch are to be incorporated into T. Clarke (Bristol) Limited.





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